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DIRECTORS' RESPONSIBILITY

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Nedbank Group Limited, comprising the balance sheets at 31 December 2008; the income statements, the statements of changes in equity and cashflow statements for the year then ended; the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes; and the directors' report in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

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

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

The directors have made an assessment of the group's and company's ability to continue as going concerns and there is no reason to believe that the group and company will not be going concerns in the year ahead.

The auditors are responsible for reporting on whether the group annual financial statements and annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

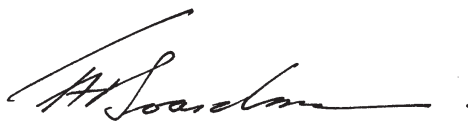
APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

The group annual financial statements and annual financial statements of Nedbank Group Limited, as identified in the first paragraph, were approved by the Nedbank Group Board of Directors on 25 February 2009 and are signed on its behalf by:



Dr RJ Khoza
Chairman

Sandown
25 February 2009



TA Boardman
Chief Executive

COMPANY SECRETARY'S CERTIFICATION

In terms of section 268G(d) of the Companies Act of South Africa I certify that, to the best of my knowledge and belief, Nedbank Group Limited has lodged with the Registrar of Companies for the financial year ended 31 December 2008 all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



GS Nienaber
Company Secretary

Sandown
25 February 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEDBANK GROUP LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the group annual financial statements and annual financial statements of Nedbank Group Limited, which comprise the directors' report, the balance sheets as at 31 December 2008, the income statements, statements of changes in equity and cashflow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Remuneration Report as set out on pages 190 to 341.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Nedbank Group Limited as at 31 December 2008, and of its consolidated and separate financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc
Per TA Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road, Parktown
Johannesburg
2193

Policy board:

Chief Executive: RM Kgosana
Executive Directors: TH Bashall*, DC Duffield, A Hari, TH Hoole,
FB Leith, JS McIntosh, AM Mokgabudi, D van Heerden
Other directors: LP Fourie, T Fubu, A Jaffer, E Magondo, CM Read,
Y Suleman (Chairman of the Board), A Thunström, JM Vice

* British

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

Sandown
25 February 2009

Deloitte & Touche
Per D Shipp
Partner

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

National Executive:

GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer),
GM Pinnock (Audit), DL Kennedy (Tax and Legal and Financial Advisory),
L Geeringh (Consulting), L Bam (Corporate Finance), CR Beukman (Finance),
TJ Brown (Clients and Markets), NT Mtoba (Chairman of the Board),

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

AUDIT COMMITTEE REPORT

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

COMPOSITION OF THE COMMITTEE

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

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

- CJW Ball (Chairman)
- TCP Chikane
- JB Magwaza
- NP Mnxasana (appointed October 2008)
- BE Davison (resigned August 2008)
- MA Enus-Brey (resigned March 2008)
- RM Head (resigned March 2008)
- GT Serobe (resigned March 2008)
- CML Savage (retired May 2008)

Biographical details of the current members of the committee are set out on pages 38 to 43. Members' fees are included in the table of directors' remuneration on pages 198 and 199.

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

INTERNAL AUDIT

Internal audit is an independent assurance function, forming part of the third-line-of-defence as set out in the Enterprisewide Risk Management Framework (ERMF) on pages 132 and 133 of the annual report. The Chief Internal Auditor has a direct reporting line to the committee chairperson and also meets regularly with the Chief Executive Officer. Further details on the internal audit function are contained in the Enterprise Governance and Compliance Report on pages 94 to 109.

EXTERNAL AUDIT

The group's external auditors are Deloitte & Touche and KPMG Inc. Fees paid to the auditors are disclosed in note 14 to the annual financial statements on page 257. Further details are contained in the Enterprise Governance and Compliance Report on page 106.

KEY FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

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

- assist the board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the group in the day-to-day management of its business;

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

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

EFFECTIVENESS OF INTERNAL CONTROL

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

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

The functions of the three lines of defence, as well as the principal responsibilities that extend across the group, are set out in the Risk and Capital Management Report on pages 116 to 182.

Specific responsibilities of the committee include the following:

Internal control

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

Financial control, accounting and reporting

- Monitoring the adequacy and reliability of management information and the efficiency of management information systems.
- Delegating to the Board Strategic Information Technology Committee the monitoring of the adequacy and efficiency of the group's information systems and receiving from them reports thereon.
- Reviewing quarterly, interim and final financial results and statements and reporting for proper and complete disclosure of timely, reliable and consistent information and confirming the appropriateness of accounting policies used.
- Evaluating on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with generally accepted accounting practice and overall accounting standards as well as any changes thereto.
- Discussing and resolving any significant or unusual accounting problems.
- Reviewing and monitoring capital expenditure throughout the group for adequate control, monitoring and reporting.

AUDIT COMMITTEE REPORT ... CONTINUED

- Reviewing reports from the Group Credit Committee regarding the effectiveness and efficiency of the credit-monitoring process, exposures and related impairments and adequacy of impairment provisions to discharge its board and Banks Act obligations satisfactorily.
- Monitoring the management and reporting of tax-related matters.
- Monitoring the management and effectiveness of the accounting and taxation risks as set out in the group's ERMF.
- Reviewing and monitoring all key performance indicators to ensure that decisionmaking capabilities and the accuracy of the related reporting and financial results they aid are maintained at industry levels.

Internal audit

- Direct reporting by the Chief Internal Auditor to the chairman of the committee.
- Monitoring the effectiveness of the internal audit function in terms of its scope, plans, coverage, independence, skills, staffing, overall performance and position within the organisation.
- Monitoring and challenging, where appropriate, action taken by management with regard to adverse internal audit findings.
- Forming a view on the adequacy and effectiveness of the control environment.
- Monitoring compliance with the bank's Advanced Internal Ratings-based (AIRB) credit approach.

External audit

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

Regulatory reporting

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

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

- the internal controls of the group have been effective in all material aspects throughout the year under review;
- these controls have ensured that the group's assets have been safeguarded;
- proper accounting records have been maintained;
- resources have been utilised efficiently; and
- the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and that it recommends their reappointment in 2009.

APPROPRIATENESS OF THE EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

In terms of the JSE Listings Requirements the Audit Committee had, at its meeting held on 28 January 2009, satisfied itself as to the appropriateness of the expertise and experience of the Chief Financial Officer.

ANNUAL FINANCIAL STATEMENTS

The committee has:

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

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



CJW Ball
Audit Committee Chairman

25 February 2009



DIRECTORS' REPORT 2008

FOR THE YEAR ENDED 31 DECEMBER

NATURE OF BUSINESS

Nedbank Group Limited ('Nedbank Group' or 'the company') is a widely held company and a registered bank controlling company that, through its subsidiaries, provides a wide range of banking and financial services. Nedbank Group maintains a primary listing under 'Banks' on JSE Limited ('JSE'), with a secondary listing on the Namibian Stock Exchange.

FINANCIAL RESULTS

Full details of the financial results are set out on pages 194 to 341 of these annual financial statements.

YEAR UNDER REVIEW

The year under review is fully covered in the Chairman's Statement, Chief Executive's Report, operational reviews and the Chief Financial Officer's Report.

SHARE CAPITAL

Details of the authorised and issued share capital, together with details of shares issued and options granted during the year, appear in note 39 to the annual financial statements.

OWNERSHIP

The holding company of Nedbank Group is Old Mutual Life Assurance Company (SA) Limited and associates, which hold 53,89% of the issued ordinary shares of the company. The ultimate holding company is Old Mutual plc, incorporated in England and Wales. Further details of shareholders appear on pages 62 and 63.

DIVIDENDS

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

DIRECTORS

Biographical details of the current directors appear on pages 38 to 43. Details of directors' remuneration and shareholdings appear on pages 194 to 205.

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

- CML Savage resigned as an independent non-executive director (14 May 2008).
- BE Davison resigned as an independent non-executive director (2 August 2008).
- JH Sutcliffe resigned as a non-executive director (9 September 2008).
- NP Mnxasana was appointed as an independent non-executive director (1 October 2008).
- A de VC Knott-Craig was appointed as an independent non-executive director (1 January 2009).

Also during the period under review the Nedbank Group Board decided to do away with the position of vice-chairman of the board. The role of the vice-chairman is no longer considered to be necessary following the creation of the position of senior independent non-executive director, which post is held by Mr CJW Ball. As a result of this decision the Joint Vice-chairmen of the board, Prof MM Katz and Mr ML Ndlovu, will formally step down from their positions as Vice-chairmen at the annual general meeting to be held on 14 May 2009 and will continue to serve as directors of Nedbank Group.

The directors who, in terms of the articles of association, are required to seek reelection at the annual general meeting are Dr RJ Khoza, Mr MA Enus-Brey and Ms GT Serobe. Being eligible, they make themselves available for reelection.

Directors of Nedbank Group who have served on the board for a period longer than nine years are now required to seek reelection annually. These directors are Prof MM Katz and Messrs JB Magwaza, ME Mkwanazi and ML Ndlovu and they, being eligible, make themselves available for reelection.

Ms NP Mnxasana and Mr A de VC Knott-Craig were appointed by the board of directors with effect from 1 October 2008 and 1 January 2009 respectively, and in terms of the articles of association their appointments terminate at the close of the annual general meeting. They are available for election and separate resolutions to seek their election will be submitted for approval at the annual general meeting to be held on 14 May 2009.

At a board meeting held on 20 February 2009 Prof MM Katz and Mr ML Ndlovu were reclassified as independent non-executive directors.

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

Name	Position as director	Date appointed as director	Date resigned/retired (where applicable)
CJW Ball	Senior independent director	1 November 2002	
TA Boardman	Chief Executive – executive director	1 November 2002	
MWT Brown	Chief Financial Officer – executive director	17 June 2004	
TCP Chikane	Independent non-executive director	1 November 2006	
BE Davison	Independent non-executive director	25 November 2002	2 August 2008
MA Enus-Brey	Non-executive director	16 August 2005	
B de L Figaji	Independent non-executive director	25 November 2002	
R Harris (British)	Non-executive director	10 December 2007	
RM Head (British)	Non-executive director	1 January 2005	
MM Katz	Vice-chairman – independent non-executive director*	4 November 1997	
RJ Khoza	Chairman – non-executive director	16 August 2005	
JB Magwaza	Independent non-executive director	1 October 1996	
ME Mkwanazi	Independent non-executive director	20 April 1999	
NP Mnxasana	Independent non-executive director	1 October 2008	
ML Ndlovu	Vice-chairman – independent non-executive director*	5 May 1993	
CML Savage	Independent non-executive director	1 November 2002	14 May 2008
GT Serobe	Non-executive director	16 August 2005	
JH Sutcliffe (British)	Non-executive director	10 December 2001	9 September 2008

* With effect from 20 February 2009: independent non-executive director.

AUDIT COMMITTEE

The Audit Committee Report appears on pages 186 to 189.

COMPANY SECRETARY AND REGISTERED OFFICE

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

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

PROPERTY AND EQUIPMENT

There was no material change in the nature of the property and equipment of the group or in the policy regarding their use during the year.

CONTRACTS

In 2004 Nedbank Group and Old Mutual plc entered into a relationship agreement, which formally records the terms of the relationship between the two parties. This agreement is available on the Nedbank Group website, www.nedbankgroup.co.za.

DIRECTORS' REPORT 2008

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

In 2005 the Wiphold Consortium and the Brimstone Consortium were chosen as active black business partners to assist in growing and repositioning the Nedbank Group business and driving its internal transformation. Aka Capital fulfils the role of business development partner. Consequently, performance agreements were entered into between Nedbank Group and the aforementioned parties, which govern, inter alia, the setting of the performance criteria, their evaluation and the resultant performance fees in respect of the black business partners.

Nedbank Limited entered into a contract with Group Five Building (Pty) Limited in 2008 for the construction of the second phase of the headoffice campus situated at 135 Rivonia Road. The building will comprise 43 258m² of mainly office space and a portion of retail space. The contract is due for completion on 13 March 2010.

Details of other contracts material to the affairs of Nedbank Group are discussed in the operational reviews included in the annual report.

DIRECTORS' SERVICE CONTRACTS

There are no service contracts with the directors of the company, other than those as set out below. The directors who entered into these service contracts remain subject to retirement by rotation in terms of Nedbank Group's articles of association.

The key responsibilities relating to Dr RJ Khoza's position as Chairman of Nedbank Group are encapsulated in a contract, which addresses, inter alia, his remuneration and term for occupying the position as Chairman.

Mr TA Boardman's employment is governed by a service contract, which has a termination date of 28 February 2010. This service contract stipulates a maximum notice period of six months under most circumstances.

A similar service contract was agreed at the time of the appointment of Mr MWT Brown on 17 June 2004. This service contract is effective until Mr Brown reaches the normal retirement age and stipulates a maximum notice period of six months under most circumstances.

Mr ML Ndlovu's employment was governed by a consultancy contract, agreed at the time of his appointment as a Non-executive Vice-chairman of the company on 1 May 2005, and which expired on 31 December 2008.

INSURANCE

The group has placed cover in the London traditional insurance market of up to R1,85 billion for losses in excess of R50 million. Group captive insurers provide cover for losses that may occur below the R50 million level, retaining R100 million. Certain layers of the group insurance programme are shared with the Old Mutual Group. These arrangements are unchanged from those entered into in 2007.

SUBSIDIARY COMPANIES

Details of principal subsidiary companies are reflected on pages 330 to 332 of the annual financial statements.

SPECIAL RESOLUTIONS BY SUBSIDIARIES

Bellissima Investments Seventy Two (Pty) Limited passed a special resolution at its shareholders' meeting on 31 October 2008, changing its name to NedProperties (Proprietary) Limited with effect from 7 November 2008.

BoE Developments (Pty) Limited passed a special resolution at its shareholders' meeting on 16 October 2008, amending certain articles contained in its articles of association to conform to Nedbank Group practice, with effect from 14 November 2008.

BoE Unit Trust Management Company Limited passed a special resolution at its shareholders' meeting on 28 May 2008, changing its name to Nedinvest Limited with effect from 25 June 2008.

CKD Leasing (Pty) Limited passed a special resolution at its shareholders' meeting on 9 December 2008, disposing of its major asset in terms of section 228 of the Companies Act, 61 of 1973 (as amended), with effect from 6 January 2009.

Manco Management Company (Pty) Limited passed a special resolution at its shareholders' meeting on 25 July 2008, changing its name to Tunga Management Company (Pty) Limited with effect from 31 July 2008.

NedEurope Limited (Isle of Man) passed a special resolution on 3 November 2008, adopting a new memorandum and articles of association and applying for reregistration as a company incorporated under the Isle of Man Companies Act 2006.

Nedcor Securities (Pty) Limited passed a special resolution at its shareholders' meeting on 23 July 2008, changing its name to Nedgroup Securities (Pty) Limited with effect from 11 August 2008.

Umlingo Trade and Invest 71 (Pty) Limited passed a special resolution at its shareholder's meeting on 25 January 2008, changing its name to Aard Mining Equipment (Pty) Limited with effect from 22 February 2008.

In addition, a number of dormant subsidiary companies adopted the prescribed special resolutions to enter into voluntary liquidation as part of the Nedbank Group Rationalisation Project, a project with the aim of streamlining the number of subsidiary companies and special-purpose vehicles during the course of the year under review.

A number of subsidiary companies, registered as dormant share block companies, amended their articles of association to incorporate use agreements as part of the articles of association in compliance with the Share Block Control Act.

ACQUISITION OF SHARES

No shares in Nedbank Group were acquired by Nedbank Group or by a Nedbank Group subsidiary during the financial year under review, other than those subject to the repurchase of shares from the Nedbank Eyethu Retail Scheme, the terms and conditions of which scheme are detailed in the circular to ordinary shareholders dated 15 June 2005. Members will be requested to renew the general authority enabling the company or a subsidiary of the company to repurchase shares.

POST-BALANCE-SHEET EVENTS

The directors are not aware of any material post-balance-sheet events that have occurred between the balance sheet date and 25 February 2009.

DIRECTORS' INTERESTS

The directors' interests in ordinary shares in Nedbank Group and non-redeemable non-cumulative preference shares in Nedbank Limited at 31 December 2008 are set out in the Remuneration Report on pages 204 and 205.

REMUNERATION REPORT

REMUNERATION PHILOSOPHY

The overall purpose of remuneration in Nedbank Group is to attract, retain, motivate and reward high-performing and talented staff. Furthermore, the remuneration philosophy is aimed at encouraging sustainable long-term performance and at all times to align performance with the strategic direction and specific value drivers of the business, as well as the interests of stakeholders.

Nedbank Group has adopted a total-reward philosophy as part of an enterprisewide human resources (HR) strategy, which in turn supports the group's business strategy. Total reward, comprising fixed and variable pay, reward and recognition, work-home balance, talent management, learning and development, and career development, also plays a critical role in attracting, motivating and retaining high-performing and talented individuals who are required to achieve Nedbank Group's objectives. The total-reward approach within Nedbank Group is integrated into its people management processes, such as transformation, performance management, recognition, learning and development, and talent management.

The group's market position is to pay for performance, while ensuring that there is a distribution of remuneration around the market median when performance is on par with predetermined financial and non-financial targets. Performance in excess of these financial targets is rewarded through additional incentives created through Nedbank Group's short-term incentive (STI) scheme, as well as Nedbank Group's recognition programme. Performance is measured at a group and business unit level against agreed targets after the finalisation of the year-end results. The financial results drive the creation of STI pools in the group and in each business unit. Distribution of these STI pools to individuals is on the basis of relative individual performance measured against agreed targets as stated in individual performance scorecards.

Nedbank Group's long-term incentive (LTI) schemes are primarily aimed at the retention of key, high-impact employees. They are intended to provide a motivation for high performers to remain with Nedbank Group and also to align the interests of individuals with shareholders.

Nedbank Group does not use a generic grading structure. Instead, the bank benchmarks remuneration in terms of the roles employees are required to perform by comparison with the external market and in relation to individual performance. Information on external remuneration is critical to ensure that remuneration is market-related and substantial effort is made to ensure that market information is sourced from a number of different and credible remuneration surveys.

REMUNERATION COMMITTEE MEMBERSHIP AND CHARTER

The Group Remuneration Committee (the 'committee') operates according to a charter approved by the Nedbank Group Board. The board delegates responsibility to the committee for the investigation and benchmarking of remuneration practices and for considering and approving proposals made on remuneration practices for the group.

During 2008 the committee initially comprised four independent non-executive directors, namely JB Magwaza (Chairman), Chris Ball, Brian Figaji and Cedric Savage, and one non-executive director, Jim Sutcliffe. Mr Savage retired in May 2008 and Mr Sutcliffe resigned in September 2008. Bob Head, Regional Director, Old Mutual Europe, was appointed to the committee in October 2008. Tom Boardman, Chief Executive, Shirley Zinn, Group Executive: Human Resources, and Mike Brown, Chief Financial Officer, are permanent invitees to the committee meetings and recuse themselves from discussions on their own remuneration. The committee met six times during 2008.

The committee considers remuneration in an integrated and holistic manner, thereby assisting the board in discharging its corporate governance duties related to remuneration strategy, structure and costs.

The committee's responsibilities include:

- investigating and benchmarking remuneration practices and broad terms and conditions of employment for all permanent employees to ensure that these are fair and competitive, and approving the cost of annual remuneration increases awarded to employees;
- reviewing, monitoring and approving the design principles supporting incentive arrangements and the quantification of final STI pools for distribution to eligible employees;
- reviewing, monitoring and approving the Nedbank Group Employee Share Scheme rules, including the Eyethu Employee Scheme rules;
- approving the design principles supporting the LTI arrangements and the granting of LTIs to employees, as well as the financial targets linked to these incentives where applicable;
- making recommendations to the board on guaranteed remuneration adjustments, as well as short- and long-term incentives for the executive directors and members of the Group Executive Committee. The Chief Executive's remuneration is subject to final confirmation by the Remuneration Committee of Old Mutual plc;

- establishing a subcommittee to make recommendations on the fees paid to the Chairman, senior independent non-executive director and non-executive directors; and
- approving performance scorecards for the Chief Executive and members of the Nedbank Group Executive Committee.

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

The committee provides the board with feedback on decisions taken after each meeting or more frequently, if deemed necessary.

A self-assessment of the committee was conducted in July 2008 to evaluate the committee's effectiveness against the objectives of the committee's charter and to highlight and therefore focus on areas where its performance could be enhanced.

Overall, the results of the evaluation regarding the effectiveness of the committee were positive and indicated that the committee is functioning well. High-level feedback confirmed that:

- the committee performs its responsibilities according to its charter;
- there is good interaction between the board and the committee; and
- the committee meetings are productive and well-facilitated, with appropriately robust discussions and debate.

An area of improvement relates to the communication between the committee and other shareholders and stakeholders.

The Chairman of the board, Dr Reuel Khoza, also completed an evaluation that confirmed his satisfaction with the performance of the committee.

Advisers to the committee

The committee is informed of market-related information on guaranteed packages (remuneration on a total cost-to-company basis), as well as short- and long-term incentives, based on a number of remuneration surveys in which the group participates. These include Remchannel, the GRS Top Executive Remuneration Survey, the LMO Executive Remuneration Survey, the Hay Investment Banking Survey and a number of smaller niche remuneration surveys. Specialists within the Group Remuneration Services Department collate and analyse the information sourced

from external service providers and prepare documentation for consideration and approval by the committee. Where appropriate, the committee has access to independent executive remuneration consultants, and has utilised the services of Vasdex Associates and PricewaterhouseCoopers during the year. During 2008 Kevin Stacey, in his capacity as the Old Mutual plc remuneration specialist, provided the committee with input from the perspective of the Old Mutual plc Remuneration Committee.

Education of committee members

As part of the ongoing education of directors, a training session on the latest remuneration practices in Europe and the high-level principles on remuneration and incentive schemes in the other Old Mutual plc businesses was facilitated by Kevin Stacey.

Guaranteed-package increases

Annual increases in the guaranteed package are performance- and market-related, based on the projected rate of inflation, increases awarded by other major banks and the financial services industry, and the group's remuneration position against the banking and financial services markets. To maintain appropriate remuneration competitiveness relative to the labour market remuneration is reviewed at least annually and annual increases take effect on 1 April.

Non-managerial employees form part of a bargaining unit, and annual increases granted for this grouping depend on negotiations with the recognised trade unions, SASBO and IBSA. In April 2008 the non-managerial remuneration bill was increased by 8,375% and the managerial and executive remuneration bill increased by 7,25%. Individual increases are granted on the basis of personal performance and market comparisons within the overall adjustment percentage.

Chief Executive Tom Boardman's guaranteed package was reviewed in February 2008 and adjusted to R4 600 000 pa with effect from 1 April 2008. This increase took into account an annual increase in line with CPIX as well as a market adjustment based on his performance and remuneration levels relative to his peer group at the other major banks. Chief Financial Officer Mike Brown's guaranteed package was reviewed and adjusted to R2 700 000 pa with effect from 1 April 2008 using the same CPIX performance and market-related criteria. These increases cover the period from 1 April 2008 to 31 March 2009.

Remuneration

All employees in the Nedbank Group are remunerated on a total cost-to-company basis (referred to in this report as 'the guaranteed package'), which includes a basic salary, 13th cheque (if selected), allowances and contributions to

REMUNERATION REPORT ... CONTINUED

benefit funds. From the guaranteed package contributions are made to the Nedgroup Medical Aid Scheme, a postretirement medical aid fund (applicable only to qualifying employees), a retirement fund, a disability fund and a death benefit scheme. A car allowance/company car contribution may be structured into the package where the employee is required to travel on group business. The amounts stipulated under basic salary and other benefits in table 1 on page 197 exclude the contributions to the retirement fund, but include contributions to the disability fund, the car allowance/company car, medical aid and postretirement medical aid subsidy.

Retirement scheme

The executive directors are members of Nedbank's defined-contribution retirement schemes. There are therefore no defined-benefit liabilities in respect of the executive directors. Contributions to the retirement funds form part of the guaranteed package.

Short-term incentives

Short-term incentives are intended to encourage particular behaviours and obtain desired results. Nedbank Group incentive schemes are structured to support collaborative work across different clusters. The committee has agreed a set of principles and all group and cluster incentive schemes are designed according to those principles.

The level of Nedbank Group's economic profit (EP) in excess of the target for 2008 was the driver for the creation of the incentive pools for all support clusters and the group pool component for the income-generating clusters.

In the income-generating clusters incentive pools are structured with a weighting linked to the group, cluster and, where appropriate, divisional performance. The three income-generating clusters within Nedbank (Retail, Corporate and Capital) were measured against relevant EP targets, with these pools being calculated independently of one another. Independent calculations are done to ensure that the total amount calculated on the group's EP performance and the amounts calculated taking into consideration each cluster's and division's independent performance do not differ by more than 5%. If the difference is more than 5%, the calculated group pool will be used. Distribution of these pools is based on individual performance relative to the agreed deliverables in the performance management process (performance scorecards for managers, senior managers and executives).

Executive remuneration is benchmarked to data provided in national executive remuneration surveys and information disclosed in annual financial statements. Executive bonuses are based on actual performance measured against agreed

financial and non-financial targets as approved by the committee.

To align with the group's three-year business plan targets, which are aligned with the group's risk appetite as part of the planning process, the short-term incentives were aligned to EP in 2008. At a group level EP is calculated using International Financial Reporting Standards (IFRS) headline earnings and average shareholders' funds together with an appropriate hurdle above the group's cost of equity. Similar calculations are performed in the clusters using economic capital allocations and cluster-specific cost of equity estimates.

Deferred short-term incentive scheme

In 2006, in response to a buoyant labour market and a higher-than-normal staff turnover, a deferred short-term incentive (DSTI) scheme was approved and implemented for 337 employees, serving as a retention scheme. The Chief Executive and members of the Group Executive Committee were excluded from the 2006 scheme. An initial payment took place in October 2006 with a two-year lock-in period and the balance of the DSTI payment was paid in November 2008. The participants from Nedbank Capital were given a three-year lock-in with the final payment scheduled for November 2009. Employees who left the service of Nedbank before the attainment of the lock-in date were required to reimburse Nedbank the gross initial amount paid. The scheme achieved its key aim of retaining critical skills.

In 2008 Nedbank was in a situation where the retention of key staff again became increasingly challenging in a tougher financial services sector where these skills were in demand. In July 2008 the committee approved a further retention scheme to be used for key staff and at 31 December 2008, the scheme included 153 participants. The Chief Executive and members of the Group Executive Committee were also excluded from the 2008 scheme. An initial payment took place in October 2008 and the balance of the cash award will be paid in October 2011. Participants leaving the service of the group before the termination date of the scheme are required to reimburse Nedbank the gross initial amount paid.

EXECUTIVE DIRECTORS

Service contracts

In order to allow Tom Boardman to present the 2009 financial results his service contract was extended to 28 February 2010. The extension of the contract was agreed in January 2007. His service contract stipulates a maximum notice period of six months under most circumstances. A service contract was agreed with Mike Brown on 17 June 2004, with a notice period of six months under most circumstances and retirement age of 60 years.

Executive directors' remuneration

The remuneration of executive directors for the years ended 31 December 2008 and 31 December 2007 was as follows:

Table 1: Executive directors' remuneration – year to 31 December 2008

Name	Basic salary and other benefits* (R000)	Retirement fund contributions (R000)	Guaranteed remuneration (R000)	Performance bonus** (R000)	Total (R000)	2008-on-2007 change (%)
TA Boardman	4 104	309	4 413	6 000***	10 413	(11,5)
MWT Brown	2 282	319	2 601	3 250	5 851	(19,3)
Total	6 386	628	7 014	9 250	16 264	(14,5)

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

** Bonus relates to performance in 2008, paid in March 2009.

*** The committee recommended a bonus of R6 624 million payable in cash to Mr TA Boardman. Following a request by Mr Boardman the committee amended the proposal to a cash bonus of R6 million and an additional allocation of restricted shares to the value of R624 000. The board accepted the committee's revised proposal.

TA Boardman earned fees of R235 000 and R159 000 for board and committee membership of Mutual and Federal in 2008 and 2007, which fees were ceded to Nedbank Group.

Table 2: Executive directors' remuneration – year to 31 December 2007

Name	Basic salary and other benefits* (R000)	Retirement fund contributions (R000)	Guaranteed remuneration (R000)	Performance bonus** (R000)	Total (R000)	2007-on-2006 change (%)
TA Boardman	3 499	263	3 762	8 000	11 762	18,4
MWT Brown	1 974	276	2 250	5 000	7 250	15,8
Total	5 473	539	6 012	13 000	19 012	17,4

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

** Bonus relates to performance in 2007, paid in March 2008.

A fully taxed refund of R128 686 relating to previous earnings was made to TA Boardman during 2007.

Performance bonus for executive directors

For both the Chief Executive and the Chief Financial Officer the performance bonus for 2008 was based on a combination of the level of group economic profit as well as performance against their individual performance scorecards.

The individual performance of Tom Boardman and that of Mike Brown is measured across five dimensions to determine their respective share of the bonus pool, namely financial, clients, internal processes, transformation and organisational learning. The specific objectives for each of these dimensions are as follows:

- Financial – delivering sustainable financial outperformance.
- Clients – investing for growth by expanding into the mass and middle markets, the public sector and business

banking and implementing the three-tiered African strategy; improving Nedbank's client relations by empowering our clients through delivery of affordable banking and finally leading as a corporate citizen.

- Internal processes – enhancing productivity and execution, managing risk as an enabler, growing regulatory and government relationships and growing stakeholder relations.
- Transformation – accelerating transformation in support of achieving the group's transformation targets and objectives.
- Organisational learning – building an innovative and differentiated culture and becoming an employer of choice by creating a great place to work.

Performance across all five of these dimensions in 2008 was solid in the light of market conditions. Targets across four of

REMUNERATION REPORT ... CONTINUED

the major focus areas, ie clients, internal processes, transformation and organisational learning, were exceeded. Financial targets were largely met, but group economic profit declined compared with that of 2007, resulting in reduced bonus pools. This represents a resilient performance in the light of global conditions and compares favourably with that of our international and local peers.

Severance arrangements for executive directors

In the event of their services being terminated executive directors will be entitled to a severance package equal to two weeks' guaranteed remuneration per completed year of defined operational service, with no maximum. In addition, executive directors are entitled to a maximum notice period of six months, during which they may or may not be required to work.

Non-executive directors' remuneration

The terms of engagement of the non-executive directors (excluding the Chairman) cover a period of three years, as

determined by the rotation requirements of the Nedbank Group articles of association. A non-executive director is required to retire at age 70. Any director serving for a period in excess of nine years is subjected to annual reelection at the annual general meeting.

The Chairman's appointment was effective from 4 May 2006. In terms of the articles of association the chairman and vice-chairman are reelected annually by the board.

In October 2008 the boards of Nedbank Group and Nedbank Limited decided to withdraw the position of vice-chairman of the board following the creation of the post of senior independent non-executive director. As a result the Joint Vice-chairmen of the boards, Michael Katz and Lot Ndlovu, will formally step down from their positions at the annual general meeting on 14 May 2009 and will continue to serve as independent non-executive directors of the group. Chris Ball is the senior independent non-executive director.

Non-executive directors' remuneration for the years ended 31 December 2008 and 31 December 2007 were as follows:

Name	Note	Board	Committee	2008	2007
		meeting fees	meeting fees		
		R000	R000	R000	R000
CJW Ball	1, 2	514	814	1 328	1 093
TCP Chikane		240	199	439	331
BE Davison	b	141	167	308	461
N Dennis	f				300
MA Enus-Brey	1	240	176	416	346
B de L Figaji		240	190	430	335
R Harris	4, e	240	86	326	10
RM Head	2, 4	354	210	564	584
MM Katz		240	395	635	550
RJ Khoza	c		3 000	3 000	2 500
JB Magwaza	3	490	680	1 170	1 061
NP Mnxasana	1, g	124	49	173	
ME Mkwanzazi		240	215	455	375
ML Ndlovu	2, d	354	995	1 349	2 258
CML Savage		88	76	164	361
GT Serobe	2, 5	494	77	571	535
JH Sutcliffe	4, a	166	69	235	270
Total		4 165	7 398	11 563	11 370

1 Includes fees for board, subsidiary board and committee memberships (including Imperial Bank) for the years 2007 and 2008.

2 Includes fees for board and committee memberships (including Mutual & Federal) for the years 2007 and 2008.

3 Includes fees for board and committee memberships (and additional services to Mutual & Federal) for the years 2007 and 2008.

4 Fees for RM Head and JH Sutcliffe and R Harris are paid to Old Mutual (SA) Limited for 2007 and 2008.

5 Includes fees for board and committee memberships (including Old Mutual Life Company South Africa) for the years 2007 and 2008.

a JH Sutcliffe has resigned as a non-executive director from the boards of Nedbank Group and Nedbank Limited with effect from 9 September 2008 following his resignation as Chief Executive of Old Mutual plc.

b BE Davison resigned as non-executive director with effect from 2 August 2008.

c From 1 January 2008 to 29 February 2008, RJ Khoza's fees were paid directly to AKA Capital (Pty) Limited.

d As part of the negotiations to conclude the termination of ML Ndlovu's services as a consultant to the Nedbank Group, it was agreed that he would receive a payment of R500 000 in 2008.

e R Harris was appointed as a non-executive director with effect from 10 December 2007.

f N Dennis resigned as an independent non-executive director effective 31 December 2007.

g NP Mnxasana was appointed as an independent non-executive director with effect from 1 October 2008.

The remuneration for non-executive directors for committee membership is as follows:

Committee	Proposed		
	(with effect from 1 January 2009)*** (R)	Annual fee** 2008 (R)	Annual fee 2007 (R)
Boards			
Chairman of the board*	3 300 000	3 000 000	2 500 000
Vice-chairmen premium ****	100 000	100 000	
Senior Independent Director*****	105 600	96 000	
Nedbank Group Limited	143 000	130 000	95 000
Nedbank Limited**	121 000	110 000	80 000
Committees			
Group Audit Committee**	114 000	105 000	96 000
Group Finance and Oversight Committee	20 000	20 000	30 000
Group Remuneration Committee**	64 800	60 000	55 000
Group Risk and Capital Management Committee**	90 000	75 000	60 000
Group Credit Committee	67 500	65 000	65 000
Group Directors' Affairs Committee	44 000	40 000	40 000
Board Strategic Innovation Management Committee**	42 000	40 000	35 000
Group Transformation and Sustainability Committee**	65 000	65 000	40 000

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

** At the annual general meeting held on 13 May 2008 approval was granted to increase non-executive directors' fees in order to align the board fees with local market practices.

*** Subject to shareholders' approval at the 2009 annual general meeting.

**** This function terminates at the close of the May 2009 annual general meeting.

***** A fee of 40% on the Nedbank Group Limited and Nedbank Limited Board member fee is paid to the Senior Independent Director.

Chairmen of committees (other than the Chairman of the Nedbank and Nedbank Group Directors' Affairs Committee, who receives a set annual remuneration package) receive double the member fees. Fees payable to the non-executive directors and the Nedbank Group Chairman are reviewed annually and adjustments are considered by a subcommittee of the Remuneration Committee. The subcommittee recommended the above increases with effect from 1 January 2009. These were approved by the board, but are still subject to shareholder approval at the annual general meeting to be held on 14 May 2009. Committee meeting attendance is recorded in the Enterprise Governance and Compliance Report on page 109.

SHARE INCENTIVES

Share option/Restricted-share grants

Long-term incentives are intended to achieve two strategic objectives: to retain high-impact employees and provide long-term reward that is aligned with the interests of the shareholders. The value of the incentive issued is based on the most recent performance review, individual career path planning, scarcity of skills and the organisation's need for retaining the individual. The value of the instrument allocated is benchmarked to the external market and overall

affordability. During 2008 the committee elected to issue restricted shares as opposed to share options to eligible participants. In line with market best practice, the restricted shares were introduced with corporate performance targets.

On-appointment allocations (internal and external appointments)

On-appointment restricted share allocations are offered at the discretion of the committee to new senior management employees in addition to employees who have been appointed to more senior positions and have been recommended by the Group Executive Committee. On-appointment allocations take place three trading days after the announcement of the interim and annual financial results (in February and August), subject to the Nedbank Group Personal Account and Insider Trading Policy. The committee will determine annually whether performance-based vesting conditions will apply. The vesting period for on-appointment allocations is three years from the date of allocation, subject to the achievement of corporate performance targets.

Annual allocations

Annual restricted share allocations apply to qualifying employees in terms of criteria recommended by the Group Executive Committee and approved by the committee.

REMUNERATION REPORT ... CONTINUED

Annual allocations take place once a year (typically in February), subject to the Nedbank Group Personal Account and Insider Trading Policy. The committee will determine annually whether performance-based vesting conditions will apply in respect of the allocation to qualifying employees.

At 31 December 2008 share options and restricted shares in issue under the Nedbank employee schemes (vested and unvested), as a percentage of issued share capital, was 4,5%. This is well within the maximum of the 10% provided by the scheme rules.

EMPLOYEE LONG-TERM INCENTIVE SCHEMES

2005 Nedbank Employee Share Scheme

This scheme consists of three parts:

1 Share Option Scheme

Share options can be issued to qualifying employees with or without performance conditions (as determined annually by the committee). No new share options were granted to employees in 2008.

2 Matched Share Scheme

The Matched Share Scheme allows employees an opportunity to allocate up to 50% of their after-tax bonus towards the acquisition of Nedbank Group shares or to deposit Nedbank Group shares to the equivalent value into the trust. The incentive to do so is a matching of this investment to the equivalent value by the 2005 Nedbank Employee Share Trust on a one-for-one basis. The trust's obligation to deliver or procure the delivery of the matched shares rests on two conditions, namely that:

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

In May 2008 enhancements to the Matched Share Scheme were approved at the annual general meeting. The Matched Investment Plan (MIP) was approved as an enhanced scheme for participants, and the previous Matched Share Scheme was renamed the Bonus Share Scheme (the principles remain unchanged). The MIP was not offered to employees during 2008 due to the current economic climate. The committee retains the discretion to implement the MIP based on business and market conditions.

3 Restricted Share Plan

During 2008 Nedbank granted restricted shares with time-based and performance-based vesting criteria.

The Restricted Share Plan offers awards to new employees and internal appointments (on-appointment allocations) and annually to existing employees (annual allocations).

Annual allocations were made to 1 141 employees on 3 March 2008. On-appointment allocations were made to 112 employees in total on 3 March 2008 and 11 August 2008.

Where applicable, restricted shares will vest only if the predetermined financial targets are achieved. In the event of no performance targets applying time-based vesting criteria will apply. The committee agreed that a combination of the following three performance targets is to be used for the period 2008 – 2011 on a graduated scale of vesting: return on equity (ROE) (excluding goodwill), fully diluted headline earnings per share (HEPS) growth and the cost-to-income ratio. Employees granted restricted shares during 2008, which were initially subject to only an ROE (excluding goodwill) target, were given the option to elect the graduated vesting targets or retain on the ROE (excluding goodwill) target. All restricted shares allocated under this scheme will vest subject to the achievement of targets after three years from the date of allocation. As part of the Restricted Share Plan rules, participants are entitled to receive dividends.

Restricted-share allocation price

For purposes of the Restricted Share Plan the allocation is based on the weighted-average (by volume) market price of an ordinary share in the company, as shown by the official trading-price list published by JSE Limited ('JSE'), over the three most recent trading days on JSE immediately preceding the allocation date.

Phantom Share Plan

During 2007 the committee approved the Phantom Share Plan (cash-settled) for key staff of the business in the United Kingdom. The scheme design principles mirror the South African LTI schemes as far as possible. A total of 14 United Kingdom employees participated in the scheme in 2008.

Status of the share schemes

1994 Nedcor Group Employee Incentive Scheme

At 31 December 2008 there were 351 participants and 1 870 387 Nedbank Group share options outstanding, of which 47 911 were as a result of the rights issue grant linked to the underlying options during 2004. Of these share options outstanding 715 035 were issued with performance-based vesting criteria and 1 155 352 were time-based allocations.

All corporate performance targets for share options issued in 2005 were met and hence all these share options vested.

2005 Nedbank Employee Share Trust

At 31 December 2008 there were 1 172 participants and 14 083 839 Nedbank Group share options outstanding. All share options under this scheme were issued with time-based vesting criteria. The restricted-share allocations made in 2008 were also linked to the achievement of financial targets. A total of 2 516 999 restricted shares were issued in 2008.

Matched Share Scheme

The number of participants who have committed shares to the scheme at 31 December 2008 is noted below:

2008	2007	2006	2005
412	414	437	461

The number of shares held in the trust totals 595 170 shares.

NEDBANK EYETHU EMPLOYEE SCHEMES

Nedbank Group implemented its black economic empowerment (BEE) staff schemes in August 2005. The objective of the schemes is to support the achievement of Nedbank's broad transformation strategy. The group has completed a project to ensure that the schemes also meet the requirements of the Department of Trade and Industry (dti) codes. A final audit to confirm that all the requirements have been met will be concluded in July 2009.

The Eyethu employee schemes consist of the Black Executive Trust, the Black Management Scheme, the Broad-based Scheme and the Evergreen Trust. Share and share option allocations have been made to new and internally appointed employees since the inception of the schemes, in accordance with the scheme rules and the respective trust deeds.

At 31 December 2008 a total of 42 black employees in senior positions with group-wide impact, as identified by the Group Executive Committee and approved by the committee and trustees, are beneficiaries of the Black Executive Trust.

Black permanent employees earning in excess of R325 654 per annum received new or top-up options and shares under the Black Management Scheme in the period under review.

At the 13 May 2008 AGM it was agreed that 2,4 million shares be transferred to the Black Management Scheme from the Nedbank Eyethu Retail Scheme in order to bolster the scheme for future allocations.

Shares under the Eyethu Broad-based Scheme were allocated as a once-off share grant to permanent Nedbank Group employees who met the eligibility criteria at the inception date of the scheme and no subsequent allocations were made. A trading restriction of five years applies to shares issued under this scheme.

The Evergreen Trust was created with the specific purpose of uplifting the living standards and personal circumstances of black permanent employees who meet certain eligibility criteria. In April 2009 55 beneficiaries will be completing their Grade 12 qualification equivalent to a NQF4.

NEDBANK EYETHU NON-EXECUTIVE DIRECTORS TRUST

This trust holds 900 966 shares. At 31 December 2008 a total of 654 068 shares were allocated to five participants.

On 3 March 2008 81 815 shares were allocated to TCP Chikane as a participant in the Nedbank Eyethu Non-Executive Directors Scheme.

At 28 October 2008 a total of 19 376 shares were allocated to TCP Chikane, B de L Figaji, JB Magwaza, ME Mkwanazi and ML Ndlovu, utilising the 2008 interim cash dividend in terms of the rules governing this scheme.

NEDBANK AFRICA SUBSIDIARY SCHEMES

During 2006 the committee approved the Omufima Employee Schemes for Nedbank Namibia. The committee approved localisation and LTI schemes in principle for Swaziland, Malawi, Zimbabwe and Lesotho during 2007.



REMUNERATION REPORT ... CONTINUED

Executive directors' share option holdings

Name	Number of options	Date of issue	Issue price (R)	Opening balance at December 2007	
				Vested	Expiry date
TA Boardman	126 200	02/07/2002	123,60	126 200	02/07/2008
	125 000*	11/05/2004	60,01		11/05/2010
	100 000	30/06/2005	76,79		30/06/2010
	120 000	28/02/2006	110,98		28/02/2011
	72 765*	27/02/2007	144,30		27/02/2012
	543 965			126 200	
MWT Brown	72 800	02/07/2002	123,60	72 800	02/07/2008
	20 000*	11/05/2004	60,01	10 000	11/05/2010
	80 000*	10/08/2004	55,75		10/08/2010
	13 934*	10/05/2004	45,00	13 934	10/08/2010
	20 000	30/06/2005	76,79		30/06/2010
	70 000	28/02/2006	110,98		28/02/2011
	40 000*	27/02/2007	144,30		28/02/2012
	316 734			96 734	

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

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

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

** No share options were issued in 2008 as a result of the introduction of the Restricted Share Plan.

Executive directors' restricted shareholding (2008)*

Name	Number of restricted shares	Restricted shares issued during 2008			Closing balance at December 2008		
		Date of issue	Issue price (R)	Number of restricted shares	Date of issue	Issue price (R)	Vesting date
TA Boardman	60 167	03/03/2008	120,62	60 167	03/03/2008	120,62	04/03/2011
	60 167			60 167			
MWT Brown	38 613	03/03/2008	120,62	38 613	03/03/2008	120,62	04/03/2011
	38 613			38 613			

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

Number of options	Exercised during 2008			Closing balance at December 2008**				
	Date of exercise/cancellation	Issue price (R)	Gain on options exercised/lapsed	Number of options	Date of issue	Issue price (R)	Vested	Expiry date
126 200	02/07/2008	123,60	lapsed					
125 000*	28/08/2008	60,01	5 782 650	100 000	30/06/2005	76,79	100 000	30/06/2010
				120 000	28/02/2006	110,98		28/02/2011
				72 765*	27/02/2007	144,30		27/02/2012
251 200			5 782 650	292 765			100 000	
72 800	02/07/2008	123,60	lapsed					
				20 000*	11/05/2004	60,01	20 000*	11/05/2010
				80 000*	10/08/2004	55,75	80 000*	10/08/2010
13 934	25/03/2008	45,00	1 036 968					
				20 000	30/06/2005	76,79	20 000	30/06/2010
				70 000	28/02/2006	110,98		28/02/2011
				40 000*	27/02/2007	144,30		28/02/2012
86 734			1 036 968	230 000			120 000	

Shares purchased/committed by executive directors under the Matched Share Scheme for the period 2005 – 2008:

Name	Number of shares	Date of inception	Strike price (R)
TA Boardman	15 098	02/06/2005+	76,50
	10 000	28/03/2006	130,18
	20 000	31/03/2008	117,83
MWT Brown	9 803	02/06/2005+	76,50
	7 400	28/03/2006	130,18
	8 878	27/03/2007	141,92
	13 155	31/03/2008	117,83

+ 100% of the ordinary shares were matched on 3 June 2008 in terms of the rules of the Nedbank Group (2005) Matched Share Scheme.

REMUNERATION REPORT ... CONTINUED

Directors' interests

At 31 December 2008 the directors' interests in ordinary shares in Nedbank Group were as follows:

Number of shares	Direct		Beneficial		Non-beneficial	
	2008	2007	2008	2007	Indirect	2007
CJW Ball	10 000	10 000				
TA Boardman	98 936	50 098	60 167			
MWT Brown	49 940	26 203	39 522	909		
TCP Chikane			86 912			
MA Enus-Brey*+			1 650	1 633**	546	546**
B de L Figaji*			114 579	107 928	2 296	2 296
R Harris						
RM Head						
MM Katz			4 826	4 682		
RJ Khoza*++			1 031	1 031	1 031	1 031
JB Magwaza*	160	160	114 529	107 878	549	549
ME Mkwanazi*	1 768	1 768	114 579	107 928	1 148	1 148
NP Mnxasana						
ML Ndlovu			246 769	232 871		
GT Serobe*+++			972	972	2 458	2 458
Total	160 804	88 229	785 536	565 832	8 028	8 028

* Includes shares bought in terms of the Retail Eyethu Scheme by immediate family members.

** Shares awarded in 2007 (in terms of final dividend paid for 2006) are shown as being held beneficially indirect.

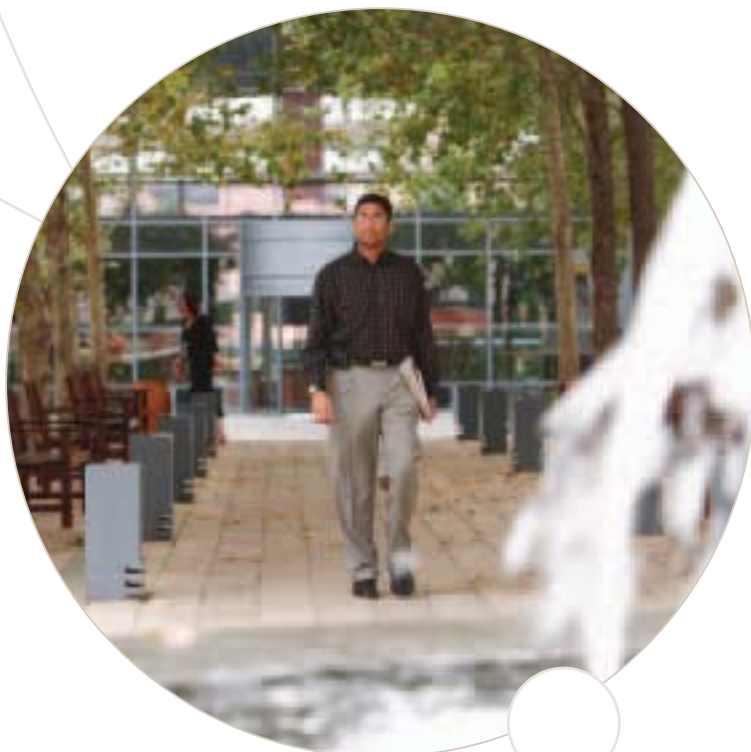
+ Excludes 4 353 200 and 4 662 678 shares held by The Brimstone-Mtha Financial Services Trust in 2007 and 2008 respectively.

++ Excludes 1 837 021 and 1 946 719 shares held by The Aka-Nedbank Eyethu Trust in 2007 and 2008 respectively.

+++ Excludes 4 366 046 and 4 676 324 shares held by The Wiphold Financial Services Number Two Trust in 2007 and 2008 respectively.

Refer to the circular to ordinary shareholders issued on 15 June 2005 for further information relating to the abovementioned trusts.

None of the directors had any direct non-beneficial interest in the shares of the company during the year under review.



At 31 December 2008 the directors' interests in the non-redeemable non-cumulative preference shares of R0,001 each in Nedbank Limited were as follows:

Number of shares	Beneficial Direct		Non-beneficial Indirect	
	2008	2007	2008	2007
CJW Ball	144 300	144 300		
TA Boardman			85 000	85 000
MWT Brown				
TCP Chikane				
B de L Figaji				
MA Enus-Brey				
R Harris				
RM Head				
MM Katz	165 000	475 000	105 000	105 000
RJ Khoza				
JB Magwaza				
ME Mkwanazi				
NP Mnxasana				
ML Ndlovu				
GT Serobe				
Total	309 300	619 300	190 000	190 000

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

On 3 March 2009 altogether 99 340 restricted shares will be granted to TA Boardman with corporate performance targets in terms of the Nedbank Group (2005) Share Option, Matched and Restricted Share Scheme. Furthermore, on 3 March 2009 MWT Brown will be granted 118 827 restricted shares in terms of the Nedbank Group (2005) Share Option, Matched and Restricted Share Scheme. 52 812 restricted shares will be granted with corporate performance targets and 66 015 without corporate performance targets.

On 3 March 2009 NP Mnxasana will acquire 46 722 ordinary shares through the Nedbank Eyethu Non-executive Directors' Scheme. There are 100 000 (2007: 437 934) options outstanding that have been granted to executive directors in terms of the Nedcor Group (1994) Employee Incentive Scheme and 422 765 (2007: 422 765) options outstanding that have been granted to executive directors in terms of the Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme. Refer to pages 202 and 203.

NEDBANK GROUP EMPLOYEE INCENTIVE SCHEMES

FOR THE YEAR ENDED 31 DECEMBER

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

NEDCOR GROUP EMPLOYEE INCENTIVE SCHEME (1994)

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

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

OPTIONS GRANTED IN RESPECT OF THE RIGHTS OFFER (1994 SCHEME)

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

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

Share options:

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

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

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

MATCHED SHARES

The obligation to deliver the following matched shares, 50% is subject to time and the other 50% to performance criteria, exists at 31 December 2008:

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

^p Performance-based options.

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2008 Rm	2007 Rm
Interest and similar income	11	57 986	42 001
Interest expense and similar charges	12	41 816	27 855
Net interest income		16 170	14 146
Impairments charge on loans and advances	27.1	4 822	2 164
Income from lending activities		11 348	11 982
Non-interest revenue	13	10 729	10 446
Operating income		22 077	22 428
Total operating expenses		13 741	13 489
– Operating expenses	14	13 547	13 341
– BEE transaction expenses	15	194	148
Indirect taxation	16	374	305
Profit from operations before non-trading and capital items		7 962	8 634
Non-trading and capital items	17	756	111
Profit from operations		8 718	8 745
Share of profits of associates and joint ventures	31.2	154	239
Profit before direct taxation		8 872	8 984
Direct taxation	18.1	1 868	2 343
Profit for the year		7 004	6 641
Profit attributable to:			
Equityholders of the parent		6 410	6 025
Minority interest – ordinary shareholders		257	344
Minority interest – preference shareholders		337	272
		7 004	6 641
Basic earnings per share (cents)	19.1	1 581	1 511
Diluted earnings per share (cents)	19.1	1 558	1 454
Dividend declared per share (cents)	20.1	620	660
Dividend paid per share (cents)	20.1	660	594

GROUP BALANCE SHEET

AT 31 DECEMBER

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	Notes	2008 Rm	2007 Rm
Assets			
Cash and cash equivalents	21	8 609	10 344
Other short-term securities	22	18 589	25 793
Derivative financial instruments	23	22 321	9 047
Government and other securities	25	42 138	29 637
Loans and advances	26	434 233	373 956
Other assets	28	6 084	9 313
Clients' indebtedness for acceptances		3 024	2 251
Current taxation receivable	29	346	59
Investment securities	30	8 455	8 318
Non-current assets held for sale	32	10	31
Investments in associate companies and joint ventures	31	1 167	978
Deferred taxation asset	33	200	25
Investment property	34	213	171
Property and equipment	35	4 327	3 929
Long-term employee benefit assets	36	1 741	1 393
Computer software and capitalised development costs	37	1 607	1 349
Mandatory reserve deposits with central bank	21	10 065	8 364
Goodwill	38	3 894	3 898
Total assets		567 023	488 856
Equity and liabilities			
Ordinary share capital	39.1	410	402
Ordinary share premium		11 370	10 721
Reserves		23 133	19 070
Total equity attributable to equityholders of the parent		34 913	30 193
Minority shareholders' equity attributable to:			
– ordinary shareholders		1 881	1 511
– preference shareholders	39.2	3 279	3 421
Total equity		40 073	35 125
Derivative financial instruments	23	23 737	11 432
Amounts owed to depositors	40	466 890	384 541
Provisions and other liabilities	41	9 829	34 225
Liabilities under acceptances		3 024	2 251
Current taxation liabilities	29	235	337
Deferred taxation liabilities	33	2 100	1 616
Long-term employee benefit liabilities	36	1 231	1 157
Investment contract liabilities	42	5 843	5 846
Long-term debt instruments	43	14 061	12 326
Total liabilities		526 950	453 731
Total equity and liabilities		567 023	488 856
Guarantees on behalf of clients	44	25 226	20 579

GROUP CURRENCY-ADJUSTED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

Millions	2008 R	2007 R
Interest and similar income	57 986	42 001
Interest expense and similar charges	41 816	27 855
Net interest income	16 170	14 146
Impairments charge on loans and advances	4 822	2 164
Income from lending activities	11 348	11 982
Non-interest revenue	10 729	10 446
Operating income	22 077	22 428
Total operating expenses	13 741	13 489
– Operating expenses	13 547	13 341
– BEE transaction expenses	194	148
Indirect taxation	374	305
Profit from operations before non-trading and capital items	7 962	8 634
Non-trading and capital items	756	111
Profit from operations	8 718	8 745
Share of profits of associates and joint ventures	154	239
Profit before direct taxation	8 872	8 984
Direct taxation	1 868	2 343
Profit for the year	7 004	6 641
Minority interest attributable to ordinary shareholders	257	344
Minority interest attributable to preference shareholders	337	272
Profit attributable to equityholders of the parent	6 410	6 025
Less: non-trading and capital items	645	104
– Non-trading and capital items	756	111
– Tax on non-trading and capital items	(111)	(7)
Headline earnings	5 765	5 921
Average exchange rate at 31 December for R1	1	1

The income statement reported in South African rand has been translated into other currencies at the average exchange rates for the year. Refer to note 47.

	2008 US\$	2007 US\$	2008 UK£	2007 UK£	2008 €	2007 €
	7 022	5 981	3 856	2 982	4 807	4 339
	5 064	3 967	2 781	1 978	3 467	2 877
	1 958	2 014	1 075	1 004	1 340	1 462
	584	308	321	154	400	224
	1 374	1 706	754	850	940	1 238
	1 299	1 488	713	742	889	1 079
	2 673	3 194	1 467	1 592	1 829	2 317
	1 664	1 921	913	958	1 138	1 393
	1 641	1 900	900	947	1 122	1 378
	23	21	13	11	16	15
	45	43	25	22	31	32
	964	1 230	529	612	660	892
	92	16	50	8	63	11
	1 056	1 246	579	620	723	903
	19	34	10	17	13	25
	1 075	1 280	589	637	736	928
	226	334	124	166	155	242
	849	946	465	471	581	686
	31	49	17	24	21	36
	41	39	22	19	28	28
	777	858	426	428	532	622
	79	15	43	8	54	10
	92	16	50	8	63	11
	(13)	(1)	(7)		(9)	(1)
	698	843	383	420	478	612
	0,1211	0,1424	0,0665	0,0710	0,0829	0,1033

GROUP CURRENCY-ADJUSTED BALANCE SHEET

AT 31 DECEMBER

Millions	2008 R	2007 R
Assets		
Cash and cash equivalents	8 609	10 344
Other short-term securities	18 589	25 793
Derivative financial instruments	22 321	9 047
Government and other securities	42 138	29 637
Loans and advances	434 233	373 956
Other assets	6 084	9 313
Clients' indebtedness for acceptances	3 024	2 251
Current taxation receivable	346	59
Investment securities	8 455	8 318
Non-current assets held for sale	10	31
Investments in associate companies and joint ventures	1 167	978
Deferred taxation asset	200	25
Investment property	213	171
Property and equipment	4 327	3 929
Long-term employee benefit assets	1 741	1 393
Computer software and capitalised development costs	1 607	1 349
Mandatory reserve deposits with central banks	10 065	8 364
Goodwill	3 894	3 898
Total assets	567 023	488 856
Equity and liabilities		
Ordinary share capital	410	402
Ordinary share premium	11 370	10 721
Reserves	23 133	19 070
Total equity attributable to equityholders of the parent	34 913	30 193
Minority shareholders' equity attributable to:		
– ordinary shareholders	1 881	1 511
– preference shareholders	3 279	3 421
Total equity	40 073	35 125
Derivative financial instruments	23 737	11 432
Amounts owed to depositors	466 890	384 541
Provisions and other liabilities	9 829	34 225
Liabilities under acceptances	3 024	2 251
Current taxation liabilities	235	337
Deferred taxation liabilities	2 100	1 616
Long-term employee benefit liabilities	1 231	1 157
Investment contract liabilities	5 843	5 846
Long-term debt instruments	14 061	12 326
Total liabilities	526 950	453 731
Total equity and liabilities	567 023	488 856
Guarantees on behalf of clients	25 226	20 579
Exchange rate at 31 December for R1	1	1

The balance sheet reported in South African rand has been translated into other currencies at the closing exchange rate at 31 December. Refer to note 47.

	2008 US\$	2007 US\$	2008 UK£	2007 UK£	2008 €	2007 €
	918	1 516	633	757	652	1 031
	1 983	3 781	1 366	1 888	1 407	2 572
	2 382	1 326	1 641	662	1 690	902
	4 496	4 345	3 097	2 169	3 190	2 955
	46 333	54 822	31 916	27 373	32 871	37 283
	649	1 365	447	682	461	929
	323	330	222	165	229	224
	37	9	25	4	26	6
	902	1 219	621	609	640	829
	1	5	1	2	1	3
	125	143	86	72	88	98
	21	4	15	2	15	2
	23	25	16	13	16	17
	462	576	318	288	327	392
	186	204	128	102	132	139
	171	198	118	99	122	134
	1 074	1 226	740	612	762	834
	415	572	286	285	295	389
	60 501	71 666	41 676	35 784	42 924	48 739
	44	59	30	29	31	40
	1 213	1 572	836	785	861	1 069
	2 468	2 795	1 700	1 396	1 751	1 901
	3 725	4 426	2 566	2 210	2 643	3 010
	201	222	138	111	143	151
	350	502	241	250	248	341
	4 276	5 150	2 945	2 571	3 034	3 502
	2 533	1 676	1 745	837	1 797	1 140
	49 817	56 374	34 316	28 148	35 344	38 339
	1 049	5 017	722	2 505	744	3 412
	323	330	222	165	229	224
	25	49	17	25	18	34
	224	236	154	118	159	161
	131	170	91	85	93	115
	623	857	430	428	442	583
	1 500	1 807	1 034	902	1 064	1 229
	56 225	66 516	38 731	33 213	39 890	45 237
	60 501	71 666	41 676	35 784	42 924	48 739
	2 692	3 017	1 854	1 506	1 910	2 052
	0,1067	0,1466	0,0735	0,0732	0,0757	0,0997

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

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Reserves not available for distribution Rm
Balance at 31 December 2006	394 685 482	395	9 727	93
Shares issued for options exercised under employee incentive schemes	3 493 321	3	499	
Shares issued in terms of capitalisation award	4 830 026	5	646	
Shares issued in terms of BEE transaction	70 172		16	
Preference shares issued by Nedbank Limited				
Share issue expenses			(1)	
Shares acquired by group entities	(5 171)		(1)	
Shares acquired by BEE trusts	(1 132 431)	(1)	(165)	
Shares issued by subsidiary				
Preference share dividends paid				
Preissuance dividend paid				
Ordinary minority shareholders' share of preference dividends paid				
Dividends to shareholders				
Total income and expense for the year		–	–	20
Profit for the year				
Net income/(expense) recognised directly in equity		–	–	20
– Transfer from/(to) reserves				239
– Release of reserve previously not available***				(219)
– Foreign currency translation reserve movement				
– Property revaluation reserve movement				
– Share-based payments reserve movement				
– Available-for-sale reserve movement				
– Acquisition of subsidiaries				
– Disposal of subsidiaries				
– Buyout of minorities				
– Other movements				
Balance at 31 December 2007	401 941 399	402	10 721	113
Shares issued in terms of employee incentive schemes	4 809 873	5	535	
Shares issued in terms of capitalisation award	4 039 422	4	455	
Shares issued in terms of BEE transaction	3 345 585	3	315	
Shares delisted in terms of BEE transaction	(2 533 558)	(2)		
Shares sold by group entities	19 000			
Shares acquired/cancelled by BEE trusts	(1 913 981)	(2)	(656)	
Shares issued by subsidiary				
Preference share dividends paid				
Ordinary minority shareholders' share of preference dividends paid				
Dividends to shareholders				
Total income and expense for the year		–	–	(113)
Profit for the year				
Net income/(expense) recognised directly in equity		–	–	(113)
– Transfer from/(to) reserves				(52)
– Release of reserve previously not available***				(61)
– Foreign currency translation reserve movement				
– Property revaluation reserve movement				
– Share-based payments reserve movement				
– Regulatory risk reserve provision				
– Available-for-sale reserve movement				
– Preference shares held by group entities				
– Disposal of subsidiaries				
– Other movements				
Balance at 31 December 2008	409 707 740	410	11 370	–

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

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

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

Foreign currency translation reserve Rm	Property revaluation reserve Rm	Share-based payments reserve Rm	Other non- distributable reserves* Rm	Available- for-sale reserve Rm	Other distributable reserves** Rm	Total equity attributable to equity- holders of the parent Rm	Minority shareholders' equity attributable to ordinary shareholders Rm	Minority shareholders' equity attributable to preference shareholders Rm	Total equity Rm
281	485	636	358	175	12 966	25 116	1 202	3 070	29 388
						502			502
						651			651
						16			16
						–		364	364
						(1)		(3)	(4)
						(1)			(1)
						(166)			(166)
							150		150
						–		(285)	(285)
						–		(10)	(10)
						–	(13)	13	–
					(2 402)	(2 402)	(41)		(2 443)
(25)	363	238	107	(41)	5 816	6 478	213	272	6 963
(25)	363	238	107	(41)	6 025	6 025	344	272	6 641
					(209)	453	(131)	–	322
(22)	(14)	(91)	103	(3)	(212)	–			–
(3)						(219)			(219)
	374					(3)	(41)		(44)
		329				374			374
						329			329
				(38)		(38)			(38)
	3					3			3
						–	(81)		(81)
						–	(21)		(21)
			4		3	7	12		19
256	848	874	465	134	16 380	30 193	1 511	3 421	35 125
						540			540
						459			459
						318			318
						(2)			(2)
						–			–
						(658)			(658)
						–	225		225
						–		(341)	(341)
						–	(4)	4	–
					(2 736)	(2 736)	(81)		(2 817)
289	103	75	(290)	(70)	6 805	6 799	230	195	7 224
289	103	75	(290)	(70)	395	6 410	257	337	7 004
						389	(27)	(142)	220
41	19	(113)	(290)	7	388	–			–
						(61)			(61)
248						248	(6)		242
	84					84			84
		188				188			188
			7			7			7
				(77)		(77)	6		(71)
						–		(142)	(142)
						–	(29)		(29)
			(7)		7	–	2		2
545	951	949	175	64	20 449	34 913	1 881	3 279	40 073

GROUP CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2008 Rm	2007 Rm
Cash generated by operations	48.1	14 557	12 453
Cash received from clients	48.2	68 473	52 288
Cash paid to clients, employees and suppliers	48.3	(54 485)	(40 388)
Dividends received on investments		234	131
Recoveries on loans previously written off		379	417
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)		(44)	5
Change in funds for operating activities		(10 674)	(10 691)
Increase in operating assets	48.4	(81 992)	(66 697)
Increase in operating liabilities	48.5	71 318	56 006
Net cash from operating activities before taxation		3 883	1 762
Taxation paid	48.6	(2 233)	(2 419)
Cashflows from/(utilised by) operating activities		1 650	(657)
Cashflows utilised by investing activities		(999)	(2 063)
Acquisition of property and equipment, computer software and development costs and investment property		(1 547)	(1 039)
Disposal of property and equipment, computer software and development costs and investment property		18	46
Net disposal of investment banking assets		8	28
Acquisition of associate companies		(321)	(529)
Disposal of associate companies		282	458
Acquisition of other investments		(810)	(1 808)
Disposal of other investments		1 331	662
Disposal of investments in subsidiary companies net of cash	48.7	40	366
Acquisition of investments in subsidiary companies net of cash	48.8		(247)
Cashflows (utilised by)/from financing activities		(685)	2 122
Net proceeds from issue of ordinary shares		657	1 001
Issue of long-term debt instruments		2 263	8 062
Redemption of long-term debt instruments		(528)	(4 254)
Dividends paid to ordinary shareholders	48.9	(2 736)	(2 402)
Preference share dividends paid		(341)	(285)
Net decrease in cash and cash equivalents		(34)	(598)
Cash and cash equivalents at the beginning of the year*		18 708	19 306
Cash and cash equivalents at the end of the year*	21	18 674	18 708

* Including mandatory reserve deposits with central banks.

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NEDBANK
CAPITAL

INVESTMENT BANKING

OPERATIONAL SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER

The group's identification of its segments and the measurement of segment results are based on the group's internal management reporting as used for day-to-day decisionmaking. The segments have been identified according to the nature of their respective products and services and their related target markets.

Nedbank Corporate

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

Nedbank Capital

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

Nedbank Retail

Nedbank Retail fulfils the financial services needs of individuals and small businesses through its offering of various transactional, card, lending, investment and insurance products. Nedbank Retail also services merchants and large corporates in respect of card-acquiring services. Services are provided through the brands within the Nedbank Retail stable, being Nedbank, Nedgroup Investments, BoE Private Clients, Fairbairn Private Bank and Fairbairn Trust Company. The retail product portfolio includes transactional accounts, home loans, vehicle and asset-based finance, cards, personal loans, bancassurance, investments and specialised products such as wills, stockbroking and portfolio advice.

Imperial Bank

Imperial Bank is a joint venture with Imperial Holdings Limited and provides predominantly asset-based finance, with most advances comprising vehicle finance and selected niche market financing. The bank has four divisions, namely Motor Finance, Property Finance, Professional Finance and Supplier Asset Finance. Supplier Asset Finance is focused on financing office equipment for the business community and providing asset-based finance to the aviation, transport and material-handling sectors, and provides a specialised debt collection service. Professional Finance provides a range of asset-based financial products to the medical and dental markets in South Africa, making finance available for residential properties, motor vehicles, equipment, practice needs and project finance for large medical facilities by way of mortgage loans, instalment sale facilities and loans.

Shared Services

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

Central Management

Includes group capital instruments together with certain group overheads income not recoverable from/allocated to business segments.

	Nedbank Group		Nedbank Corporate	
	2008	2007	2008	2007
Balance sheet (Rm)				
Cash and cash equivalents	18 674	18 708	2 380	1 425
Other short-term securities	18 589	25 793	756	575
Derivative financial instruments	22 321	9 047	36	3
Government and other securities	42 138	29 637	4 207	942
Loans and advances	434 233	373 956	191 543	153 718
Other assets	31 068	31 715	5 785	4 559
Intergroup assets	–	–	18 419	47 165
Total assets	567 023	488 856	223 126	208 387
Equity and liabilities				
Amounts owed to depositors	466 890	384 541	208 040	194 358
Other liabilities	22 262	45 432	4 689	3 925
Derivative financial instruments	23 737	11 432	35	3
Intergroup liabilities	–	–	–	–
Long-term debt instruments	14 061	12 326	172	124
Allocated capital	40 073	35 125	10 190	9 977
Total equity and liabilities	567 023	488 856	223 126	208 387
Income statement (Rm)				
Net interest income	16 170	14 146	5 898	5 175
Impairments charge on loans and advances	4 822	2 164	471	158
Income from lending activities	11 348	11 982	5 427	5 017
Non-interest revenue	10 729	10 446	2 578	3 198
Operating income	22 077	22 428	8 005	8 215
Total expenses	13 741	13 489	4 019	4 478
– Operating expenses	13 547	13 341	3 987	4 446
– BEE transaction expenses	194	148	32	32
Indirect taxation	374	305	43	29
Profit/(Loss) from operations	7 962	8 634	3 943	3 708
Share of profits of associates and joint ventures	154	239	9	54
Profit/(Loss) before direct taxation	8 116	8 873	3 952	3 762
Direct taxation	1 757	2 336	1 012	1 062
Profit/(Loss) after taxation	6 359	6 537	2 940	2 700
Profit attributable to minority interest	–	–	–	–
– ordinary shareholders	257	344	16	68
– preference shareholders	337	272	–	–
Headline earnings	5 765	5 921	2 924	2 632
Selected ratios*				
Average interest-earning banking assets (Rm)	441 713	358 824	220 210	183 484
Return on average assets (%)	1,1 ⁺	1,3 ⁺	1,3	1,4
Return on risk-adjusted capital (%)	17,7 ⁺	21,4 ⁺	28,7	26,4
Interest margin (%)	3,66	3,94	2,68	2,82
Non-interest revenue to gross income (%)	39,9	42,5	30,4	38,2
Credit loss ratio (%)	1,17	0,62	0,27	0,11
Efficiency ratio (%)	51,1	54,9	47,4	53,5
Efficiency ratio (excluding BEE transaction expenses) (%)	50,4	54,3	47,0	53,1
Effective taxation rate (%)	21,6	26,3	25,6	28,2
Contribution to group economic profit	1 792	2 658	1 511	1 267
Number of employees	27 570	26 522	6 192	6 143

⁺ These ratios were calculated on simple average assets and equity.

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

Depreciation of R616 million (2007: R545 million) and amortisation of R414 million (2007: R431 million) costs for property, equipment, computer software and capitalised development are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

Segmental comparatives have been restated in line with the group's implementation of economic-value-based management. From 2008 economic profit (EP) replaced return on equity (ROE) as the primary internal financial performance measure in the group. EP is a best-practice measure since it incentivises an appropriate balance between return and growth, and better aligns with shareholder value creation.

OPERATIONAL SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

	Nedbank Capital		Nedbank Retail	
	2008	2007	2008	2007
Balance sheet (Rm)				
Cash and cash equivalents	2 488	4 738	1 780	1 787
Other short-term securities	8 880	17 135	6 935	6 976
Derivative financial instruments	21 972	8 982	280	26
Government and other securities	11 466	22 139		
Loans and advances	47 686	51 233	150 107	133 492
Other assets	3 473	5 589	11 861	11 863
Intergroup assets	92 741	33 603		
Total assets	188 706	143 419	170 963	154 144
Equity and liabilities				
Amounts owed to depositors	157 017	100 785	98 861	87 457
Other liabilities	4 844	28 483	8 330	8 233
Derivative financial instruments	23 521	11 262	84	134
Intergroup liabilities			52 335	47 816
Long-term debt instruments		2	2 031	2 014
Allocated capital	3 324	2 887	9 322	8 490
Total equity and liabilities	188 706	143 419	170 963	154 144
Income statement (Rm)				
Net interest income	938	545	7 497	6 745
Impairments charge on loans and advances	36	25	3 630	1 572
Income from lending activities	902	520	3 867	5 173
Non-interest revenue	1 782	2 135	5 546	4 851
Operating income	2 684	2 655	9 413	10 024
Total expenses	1 419	1 284	7 973	7 367
– Operating expenses	1 387	1 253	7 881	7 325
– BEE transaction expenses	32	31	92	42
Indirect taxation	24	21	173	135
Profit/(Loss) from operations	1 241	1 350	1 267	2 522
Share of profits of associates and joint ventures		1	146	184
Profit/(Loss) before direct taxation	1 241	1 351	1 413	2 706
Direct taxation	(32)	177	357	794
Profit/(Loss) after taxation	1 273	1 174	1 056	1 912
Profit attributable to minority interest				
– ordinary shareholders	7		54	36
– preference shareholders				
Headline earnings	1 266	1 174	1 002	1 876
Selected ratios*				
Average interest-earning banking assets (Rm)	106 770	80 578	151 974	129 026
Return on average assets (%)	0,8	0,9	0,6	1,3
Return on risk-adjusted capital (%)	38,1	40,7	10,8	22,1
Interest margin (%)	0,88	0,68	4,93	5,23
Non-interest revenue to gross income (%)	65,5	79,6	42,5	41,8
Credit loss ratio (%)	0,06	0,05	2,47	1,26
Efficiency ratio (%)	52,2	47,9	61,1	63,5
Efficiency ratio (excluding BEE transaction expenses) (%)	51,0	46,7	60,4	63,2
Effective taxation rate (%)	(2,6)	13,2	25,3	29,4
Contribution to group economic profit	805	779	(291)	715
Number of employees	693	625	16 461	15 356

	Imperial Bank		Shared Services		Central Management		Eliminations	
	2008	2007	2008	2007	2008	2007	2008	2007
	1 102	778	108	920	10 816	9 060		
	1 563	1 106			455	1		
	19	39			14	(3)		
	534	337			25 931	6 219		
	44 734	35 320	94	144	69	49		
	784	578	6 171	5 619	2 994	3 507		
	32	37			1 386	1 747	(112 578)	(82 552)
	48 768	38 195	6 373	6 683	41 665	20 580	(112 578)	(82 552)
	1 361	1 547	301	288	1 310	106		
	321	358	3 428	3 109	650	1 324		
	78	33			19			
	42 856	32 562	1 585	2 174	15 802		(112 578)	(82 552)
	792	1 000			11 066	9 186		
	3 360	2 695	1 059	1 112	12 818	9 964		
	48 768	38 195	6 373	6 683	41 665	20 580	(112 578)	(82 552)
	1 733	1 491	(361)	(250)	465	440		
	701	412	(1)	(4)	(15)	1		
	1 032	1 079	(360)	(246)	480	439	-	-
	88	128	362	408	449	(27)	(76)	(247)
	1 120	1 207	2	162	929	412	(76)	(247)
	525	489	132	115	(251)	3	(76)	(247)
	525	489	90	67	(247)	8	(76)	(247)
			42	48	(4)	(5)		
	51	34	80	87	3	(1)		
	544	684	(210)	(40)	1 177	410	-	-
					(1)			
	544	684	(210)	(40)	1 176	410	-	-
	182	205	(178)	(25)	416	123		
	362	479	(32)	(15)	760	287	-	-
	181	239			(1)	1		
	15	13			322	259		
	166	227	(32)	(15)	439	27	-	-
	41 554	32 509	104	171	20 225	7 009	(99 124)	(73 953)
	0,8	1,4						
	13,2	23,9						
	4,17	4,59						
	4,8	7,9						
	1,71	1,28						
	28,8	30,2						
	28,8	30,2						
	33,5	30,0						
	166	227	(179)	(167)	(220)	(163)		
	1 148	1 008	3 060	3 369	16	21		

GEOGRAPHICAL SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER

	Nedbank Group	
	2008	2007
Balance sheet (Rm)		
Assets		
Cash and cash equivalents	18 674	18 708
Other short-term securities	18 589	25 793
Derivative financial instruments	22 321	9 047
Government and other securities	42 138	29 637
Loans and advances	434 233	373 956
Other assets	31 068	31 715
Intergroup assets	–	–
Total assets	567 023	488 856
Equity and liabilities		
Total equity	40 073	35 125
Derivative financial instruments	23 737	11 432
Amounts owed to depositors	466 890	384 541
Provisions and other liabilities	22 262	45 432
Intergroup liabilities	–	–
Long-term debt instruments	14 061	12 326
Total equity and liabilities	567 023	488 856
Income statement (Rm)		
Net interest income	16 170	14 146
Impairments charge on loans and advances	4 822	2 164
Income from lending activities	11 348	11 982
Non-interest revenue	10 729	10 446
Operating income	22 077	22 428
Total operating expenses	13 741	13 489
– Operating expenses	13 547	13 341
– BEE transaction expenses	194	148
Indirect taxation	374	305
Profit from operations	7 962	8 634
Share of profits of associates and joint ventures	154	239
Profit before direct taxation	8 116	8 873
Direct taxation	1 757	2 336
Profit after taxation	6 359	6 537
Profit attributable to minority interest		
– ordinary shareholders	257	344
– preference shareholders	337	272
Headline earnings	5 765	5 921

	South Africa		Rest of Africa		Rest of world	
	2008	2007	2008	2007	2008	2007
	15 376	16 856	1 670	1 274	1 628	578
	9 596	17 547	764	576	8 229	7 670
	21 353	8 793	72	2	896	252
	39 789	28 232	116	104	2 233	1 301
	409 369	354 227	5 897	7 128	18 967	12 601
	27 547	28 784	542	505	2 979	2 426
	(9 468)	(1 600)	1 502	415	7 966	1 185
	513 562	452 839	10 563	10 004	42 898	26 013
	34 648	30 515	1 123	944	4 302	3 666
	22 607	11 248	68	2	1 062	182
	431 906	362 745	8 298	7 091	26 686	14 705
	21 378	44 733	403	358	481	341
	(10 866)	(8 602)	669	1 608	10 197	6 994
	13 889	12 200	2	1	170	125
	513 562	452 839	10 563	10 004	42 898	26 013
	15 182	13 336	516	441	472	369
	4 696	2 087	33	17	93	60
	10 486	11 249	483	424	379	309
	10 018	9 775	281	245	430	426
	20 504	21 024	764	669	809	735
	12 688	12 538	472	461	581	490
	12 497	12 393	469	458	581	490
	191	145	3	3		
	358	298	10	3	6	4
	7 458	8 188	282	205	222	241
	154	238		1		
	7 612	8 426	282	206	222	241
	1 665	2 247	84	57	8	32
	5 947	6 179	198	149	214	209
	202	284	16	33	39	27
	337	272				
	5 408	5 623	182	116	175	182

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER

1 PRINCIPAL ACCOUNTING POLICIES

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

1.1 Basis of preparation

The financial statements have been prepared on a going-concern basis.

The group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act, 1973, as amended.

The financial statements are presented in South African rands (ZAR), the functional currency of Nedbank Group Limited, and are rounded to the nearest million rands. The statements are prepared on the accrual and historical-cost basis of accounting, except for:

- non-current assets and disposal groups held for sale, which are all stated at the lower of carrying amount and fair value less costs to sell; and
- the following assets and liabilities, which are stated at their fair value
 - financial assets and financial liabilities at fair value through profit or loss,
 - financial assets classified as available for sale, and
 - investment property and owner-occupied properties.

1.2 Foreign currency translation

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the respective individual entities in the group at the date of such transactions by applying the spot exchange rate ruling at the transaction date to the foreign currency amounts.

The functional currency of the respective entities in the group is the currency of the primary economic environment in which these entities operate. The results and financial position of each individual entity in the group are translated into the functional currency of the entity.

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

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

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

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

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

(ii) Investments in foreign operations

Nedbank Group Limited's presentation currency is South African rand (ZAR).

The assets and liabilities, including goodwill, of those entities that have functional currencies other than ZAR are translated at the closing rate. Income and expenses are translated using the average exchange rate for the period. The differences that arise on translation are recognised directly in equity. All these exchange differences are recognised as a separate component of equity in the Foreign Currency Translation Reserve.

On disposal of a foreign operation, the cumulative exchange differences deferred in the Foreign Currency Translation Reserve relating to the foreign operation being disposed of are recognised in profit or loss when the gain or loss on disposal is recognised. The primary major determinants of non-rand functional currencies are the economic factors that determine the sales price for goods and services and costs. Additional supplementary factors to be considered are funding, autonomy and cashflows.

1.3 Group accounting

(i) Subsidiary undertakings and special-purpose entities

Group

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

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

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

Acquisitions of subsidiaries (entities acquired) and businesses (assets and liabilities acquired) are accounted for using the purchase method. The cost of a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the date of acquisition, except for non-current assets (or disposal groups) that are classified as 'held for sale' in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are measured at fair value less cost to sell.

The interest of minority shareholders in the acquiree is initially recognised in equity and is measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. The minority shareholders do not include any portion of goodwill.

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

The difference between the proceeds from the disposal of a subsidiary and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary in equity, is recognised in the group income statement as the gain or loss on the disposal of the subsidiary.

Company

Subsidiary undertakings are accounted for on the cost basis.

(ii) Associates

An associate is an entity, including an unincorporated entity, over which the group has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investment (that is neither a subsidiary nor an investment in a joint venture).

The results and assets and liabilities of associates including goodwill identified on acquisition, net of any accumulated impairment losses, are incorporated in the group financial statements using the equity method of accounting from the date significant influence commences until the date significant influence ceases. The carrying amount of such

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.3 Group accounting ... continued

(ii) Associates ... continued

investments is reduced to recognise any impairment in the value of individual investments. When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any debt outstanding, and recognition of further losses is discontinued, except to the extent that the group has incurred or guaranteed obligations in respect of the associate.

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

Investments in associates held with the intention of disposing thereof within 12 months are accounted for as non-current assets held for sale.

(iii) Joint ventures

Joint ventures are those entities over which the group has joint control in terms of a contractual agreement. Jointly controlled entities are incorporated in the group financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments, by applying the impairment methodology described in 1.7.

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

Investments in joint ventures held with the intention of disposal within 12 months are accounted for as non-current assets held for sale.

(iv) Investments held by venture capital divisions

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

(v) Goodwill

Goodwill, being the excess of the cost of the business combination over the group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised, arising on acquisition is recognised as an asset and initially measured at cost. If, after reassessment, the group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the costs of the business combination, the excess is immediately recognised in profit or loss. There is currently no negative goodwill recognised in the group's financial statements.

1.4 Investment contracts

(i) Investment contract liabilities

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

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

Embedded derivatives included within investment contracts are separated and measured at fair value, and the host contract liability is measured on an amortised-cost basis.

(ii) Revenue on investment management contracts

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

1.5 Financial instruments

Financial instruments, as reflected on the balance sheet, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, associated companies and joint ventures (other than private equity), and employee benefit plans. Financial instruments are accounted for under IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement.

The group does not apply hedge accounting. This accounting policy should be read in conjunction with the group's categorised balance sheet.

(i) Initial recognition

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

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

(ii) Initial measurement

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

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

(iii) Categories of financial instruments

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

- *Financial instruments at fair value through profit or loss*

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

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

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

- the fair value through profit or loss designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on assets and liabilities on different bases;
- the instrument forms part of a group of financial instruments that is managed and its performance is evaluated on a fair-value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel, using a fair-value basis; or
- a contract that contains one or more embedded derivatives that require separation from the host contract or the derivative significantly modifies the cashflows of the host contract.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.5 Financial instruments ... continued

(iii) Categories of financial instruments ... continued

- *Financial instruments at fair value through profit or loss ... continued*

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

- *Non-trading financial liabilities*

All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities and are measured at amortised cost. Gains or losses on the derecognition of trading financial liabilities are reported in non-interest revenue. Interest expense is recorded in net interest income.

- *Held-to-maturity financial assets*

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

- *Loans and receivables*

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

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

- *Available-for-sale financial assets*

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

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

(iv) Embedded derivatives

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

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

The host contract is accounted for:

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

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

(v) Measurement basis of financial instruments• *Amortised cost*

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

The effective-interest-rate method is a method of calculating the amortised cost of a financial asset and of allocating the interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial instrument. When calculating the effective interest rate, an entity shall estimate cashflows considering all contractual terms of the financial instrument, but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

• *Fair value*

The fair value of a financial instrument on initial recognition is normally the transaction price, that is the fair value of the consideration given or received. However, if part of the consideration is given or received for something else, the fair value is estimated using a valuation technique.

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

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

If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available; reference to the current fair value of another instrument that is substantially the same; discounted-cashflow analysis; and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity may use that technique.

The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs. A valuation technique would be expected to arrive at a realistic estimate of the fair value if (a) it reasonably reflects how the market could be expected to price the instrument and (b) the inputs to the valuation technique reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Therefore, a valuation technique (a) incorporates all factors that market participants would consider in setting a price and (b) is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (ie without modification or repackaging) or based on any available observable market data. The group obtains market data consistently in the same market where the instrument was originated or purchased.

The use of a valuation technique may result in no gain or loss being recognised on the initial recognition of a financial asset or financial liability. In such a case, IAS 39 requires that a gain or loss be recognised after initial recognition only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.5 Financial instruments ... continued

(v) Measurement basis of financial instruments ... continued

• Fair value ... continued

Where discounted-cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate used is a market-related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures (prices from observable current market transactions in the same instrument without modification or other observable market data) at the balance sheet date. When market-related measures are not available, observable market data is modified to incorporate relevant factors that a market participant in an arm's length exchange motivated by normal business considerations would consider in determining the fair value of the financial instrument (non-observable market inputs). The International Private Equity and Venture Capital Valuation Guidelines and industry practice, which have demonstrated the capability to provide reliable estimates of prices obtained in actual market transactions, are used to determine the adjustments to observable market data. Consideration is given to the nature and circumstances of the financial instrument in determining the appropriate non-observable market input.

Non-observable market inputs are used to determine the fair values of, among others, private-equity investments, management buyouts and development capital. Valuation techniques applied by the group and that incorporate non-observable market inputs include, among others, earnings multiples, the price of recent investments, the value of the net assets of the underlying business and discounted cashflows.

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

Fair value is considered reliably measurable if:

- the variability in the range of reasonable fair-value estimates is not significant for that instrument; or
- the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are measured at cost.

(vi) Derecognition

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

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

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

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

The group securitises various consumer and commercial financial assets, which generally results in the sale of these assets to SPEs, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are primarily recorded in available-for-sale investment securities and carried at fair value. Gains or losses on securitisation depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of transfer. Gains or losses on securitisation are recorded in other operating income.

(vii) Impairment of financial assets

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cashflows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including
 - adverse changes in the payment status of borrowers in the group or
 - national or local economic conditions that correlate with defaults on the assets in the group.

- *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period.

- *Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value, because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, or a financial asset that is carried at cost because its fair value could not be determined, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cashflows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

- *Available-for-sale financial assets*

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.5 Financial instruments ... continued

(vii) Impairment of financial assets ... continued

- *Available-for-sale financial assets ... continued*

The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period.

- *Maximum credit risk*

Credit risk arises principally from loans and advances to clients, investment securities derivatives and irrevocable commitments to provide facilities. The maximum credit risk is typically the gross carrying amount, net of any amounts offset and impairment losses. The maximum credit exposure for loan commitments is the full amount of the commitment if the loan cannot be settled net in cash or using another financial asset.

(viii) Offsetting financial instruments and related income

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

(ix) Collateral

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

Collateral is also given to counterparties under certain financial arrangements, but such assets are not derecognised where the group retains the risks and rewards of ownership. Such assets are at risk to the extent that the group is unable to fulfil its obligations to counterparties.

(x) Interest income and expense

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

(xi) Non-interest revenue

- *Fees and commission*

The group earns fees and commissions from a range of services it provides to clients and these are accounted for as follows:

- Income earned on the execution of a significant act is recognised when the significant act has been performed.
- Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.
- Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income.

- *Dividend income*
Dividend income is recognised when the right to receive payment is established on the ex dividend date for equity instruments and is included in dividend income.
- *Net trading income*
Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest, expense, costs and dividends. Interest earned while holding trading securities and interest incurred on trading liabilities are reported within non-interest revenue.
- *Income from investment contracts*
Refer to 1.4 (ii) for non-interest revenue arising on investment management contracts.
- *Other*
Exchange and securities trading income, from investments and net gains on the sale of investment banking assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably, it is probable that the economic benefits of the transaction or service will flow to the group and the costs associated with the transaction or service can be measured reliably.

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

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

(xii) Sale and repurchase agreements and lending of securities

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

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

(xiii) Acceptances

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

(xiv) Financial guarantee contracts

Issued financial guarantee contracts are recognised as insurance contracts. Liability adequacy testing is performed to ensure that the carrying amount of the liability for issued financial guarantee contracts is sufficient.

1.6 Taxation

Taxation expense comprises both current and deferred taxation. Income (direct) taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

(i) Current taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.6 Taxation ... continued

(ii) Deferred taxation

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available, against which those deductible temporary differences can be utilised.

Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available, against which the unutilised taxation losses and deductible temporary differences can be used. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred tax assets are recognised for STC credits received based on the expected utilisation of these credits by group companies in the declaration of future dividends.

1.7 Goodwill and intangible assets

(i) Goodwill and goodwill impairment

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

All business combinations are accounted for by applying the purchase method of accounting. At the date of acquisition the group recognises the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their respective fair values. The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued, in exchange for control, plus any costs directly attributable to the business combination. Any contingent purchase consideration is recognised to the extent that the adjustment is probable and can be measured reliably at the acquisition date. If a contingency that was not initially included in the purchase consideration subsequently becomes probable and measurable, the additional consideration is treated as an adjustment to the cost of the business combination. Any excess between the cost of the business combination and the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill in the balance sheet. Goodwill is adjusted for any subsequent remeasurement of contingent purchase consideration.

Goodwill is allocated to one or more cash-generating units (CGUs), being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Goodwill is allocated to the CGUs in which the synergies from the business combinations are expected. Each CGU containing goodwill is annually tested for impairment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

- *Impairment-testing procedures*

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

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

Impairment losses relating to goodwill are not reversed and all impairment losses are recognised in profit and loss.

(ii) Computer software and capitalised development costs

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

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

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

1.8 Property and equipment

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

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

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

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

(i) Depreciation

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.8 Property and equipment ... continued

(i) Depreciation ... continued

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

Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred net of any related deferred taxation between the revaluation reserve and retained earnings as the property is utilised.

Land is not depreciated.

The maximum estimated useful lives are as follows:

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

(ii) Derecognition

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

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

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

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

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

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

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

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

1.10 Investment properties

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

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

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

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

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

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

1.11 Borrowing costs

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

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

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

1.12 Employee benefits

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

(i) Defined-benefit pension plans

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.12 Employee benefits ... continued

(i) Defined-benefit pension plans ... continued

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

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

(ii) Defined-contribution plans

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

(iii) Postemployment benefit plans

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

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on the balance sheet on an undiscounted basis and are expensed as the related service is provided.

1.13 Share-based payments

(i) Equity-settled share-based payment transactions with employees

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

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

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

(ii) Measurement of fair value of equity instruments granted

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

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

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

1.14 Leases

(i) The group as lessee

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

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

(ii) The group as lessor

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

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

(iii) Recognition of lease of land

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

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

1.15 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days' maturity from the date of acquisition, including cash and balances with central banks that are mandatory, other eligible bills and amounts due from other banks.

1.16 Other provisions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.16 Other provisions ... continued

(i) Reimbursements

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

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

(iii) Restructuring

A provision for restructuring is recognised when the group has a detailed formal plan for restructuring and has raised a valid expectation, among those parties directly affected, that the plan will be carried out, either by having begun implementation or by publicly announcing the plan's main features. Restructuring provisions include only those costs that arise directly from restructuring that is not associated with the ongoing activities of the group.

Future operating costs or losses are not provided for.

1.17 Segment reporting

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

The group's identification of its segments and the measurement of segment results are based on the group's internal reporting to management. The segments have been identified according to the nature of their respective products and services and their related target markets, the detail of which can be found in the Operating Segment Report on pages 218 to 221 of the annual report.

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

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

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

1.18 Government grants

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

1.19 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

1.20 Share capital

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

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

The group's ordinary and preference share capital is classified as equity.

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

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

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

1.21 Treasury shares

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

2 STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued but not yet effective

2.1.1 Revised standards

The following revisions to International Accounting Standards have not been early-adopted by the group:

(i) **IFRS 3 Business Combinations: Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interest in Joint Ventures**

The revised IFRS 3 retains the basic requirements of IFRS 3 (2004) to apply acquisition accounting for all business combinations within the scope of IFRS 3, to identify the acquirer and to determine the acquisition date for every business combination. The most significant change is a move from a purchase price allocation approach to a fair-value measurement principle. The revision applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The amended IAS 27 requires accounting for changes in ownership interests in a subsidiary that occur without loss of control to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value, with the gain or loss recognised in profit and loss. This amendment is effective for the group for the financial reporting period commencing on 1 January 2010.

The revision and amendment is applicable prospectively and will not affect past transactions.

(ii) **IAS 1 Presentation of Financial Statements: Comprehensive revision including requiring a statement of comprehensive income**

The changes made to IAS 1 require information in financial statements to be aggregated on the basis of shared characteristics and introduce a statement of comprehensive income. The revision includes changes in titles of financial statements to reflect their functions more clearly.

The main change in the revised IAS 1 is the requirement to present all non-owner transactions in the statement of comprehensive income. The amendment also requires two sets of comparative numbers to be provided for the financial position in any year where there has been a restatement or reclassification of balances.

The revised standard will affect the disclosures in the annual report. The revision is effective for annual periods commencing on or after 1 January 2009. The group will adopt the revised standard on its effective date.

(iii) **Amendments to IAS 32, Financial Instruments: Presentation, and IAS 1, Presentation of Financial Statements — Puttable Financial Instruments Arising on Liquidation and Obligations**

The amendment requires additional information to be presented on puttable instruments that are presented as equity.

The amendment will not affect the group as the group does not have puttable instruments that are presented within equity.

The amendment is effective for annual periods beginning on or after 1 January 2009. The group will apply the amendment from its effective date.

(iv) **IAS 39 Financial Instruments: Recognition and Measurement: Amendment: Eligible Hedged Items**

The amendment clarifies that inflation may only be hedged in instances where changes in inflation are contractually specified portions of cashflows of recognised financial instruments. It also clarifies that an entity is permitted to designate purchased or net purchased options as a hedging instrument in a hedge of a financial or non-financial item, and to improve effectiveness an entity is allowed to exclude the time value of money from the hedging instrument.

This amendment is effective for the group for the annual periods commencing on 1 January 2009 and is not expected to have a significant impact on the group.

(v) **Annual improvements projects**

As part of its first annual improvements projects, the IASB has issued its edition of annual improvements. The annual improvement projects aim to clarify and improve the accounting standards.

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

There are no significant changes in the current year's improvement that will affect the group and the improvement is effective for the group with effect from 1 January 2009.

2.1.2 Interpretations

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

(i) IFRIC 13 Customer Loyalty Programmes

The interpretation clarifies the application of IAS 18 to customer loyalty programmes. The interpretation requires an entity that grants loyalty award credits to allocate some of the initial proceeds from the initial revenue-generating transaction to the award credit as a liability (entity's obligation to provide award). The award is accounted for as a separate revenue-generating transaction. The interpretation is effective for annual periods commencing on or after 1 July 2008.

The application of IFRIC 13 will result in the group deferring a portion of income as a liability. The group will adopt the interpretation for its annual period commencing 1 January 2009.

(ii) IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 17 clarifies that:

- a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity;
- an entity should measure the dividend payable at the fair value of the net assets to be distributed;
- an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss; and
- an entity should provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 17 is effective for annual periods beginning on or after 1 January 2010 and is not anticipated to have a major effect on the group's accounts.

2.2 Standards and interpretations adopted in the current year

2.2.1 New standards

The following standards and amendments to standards have been adopted by the group in the current year:

(i) IFRS 8 Operating Segments

IFRS 8 Operating Segments, which is effective for annual periods commencing on or after 1 January 2009, has been early-adopted in these financial statements and replaces IAS 14 Segment Reporting.

IFRS 8 requires an entity to adopt a management approach to reporting the financial performance of its operating segments. Generally, the information to be reported would be what management is currently using internally for evaluating segment performance and deciding how to allocate resources to operating segments.

The application of IFRS 8 has not changed the group's policy on identification, recognition or measurement of its reportable segments, as the group's existing internal structures are in line with both IAS 14 and IFRS 8. Other than minor changes to the format of disclosure and presentation, there were no changes to comparative information.

2.2.2 Revised standards

The following revisions to International Financial Reporting Standards have been adopted by the group:

(i) IAS 23 Borrowing Costs

The group early-adopted the revision that removed the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

The revision did not affect the group, as it is the group's policy to capitalise borrowing costs on qualifying assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE ... continued

2.2.2 Revised standards ... continued

(ii) **IAS 39 Financial Instruments: Recognition and Measurements: Amendments allowing reclassification of instruments**

This amendment allowed an entity to change the classification of certain 'held for trading' financial assets into financial assets carried at amortised cost, subject to certain criteria being met. There was no effect on the group of adopting this amendment, as the group did not reclassify any financial assets.

(iii) **IFRS 2 Share-based Payment: Amendment relating to vesting conditions and cancellation**

Under IFRS 2 failure to meet a condition, other than a vesting condition, is treated as a cancellation. IFRS 2 specifies the accounting treatment of cancellations by the entity, but does not give guidance on the treatment of cancellations by parties other than the entity. The amendment requires cancellations by parties other than the entity to be accounted for in the same way as cancellations by the entity.

The group early-adopted the amendment, which did not affect the group's results.

2.2.3 Interpretations

The following interpretations of existing standards have been adopted by the group:

(i) **IFRIC 11, IFRS 2 Group and Treasury Share Transactions**

This interpretation clarifies that, where a parent grants rights to its equity instruments to the employees of a subsidiary, the subsidiary will measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase in equity.

Nedbank Group Limited, the parent company, grants share options over its shares to employees of Nedbank Limited.

Nedbank Limited measures the services received from its employees in accordance with the requirements applicable to cash-settled share-based payment transactions, with a corresponding increase in liabilities. This is due to the fact that, when share options are exercised by employees, Nedbank Limited is required to pay to Nedbank Group Limited the difference between the listing value and the exercise price of the share options.

The adoption of the interpretation did not have any effect on the group.

(ii) **IFRIC 12 Service Concession Arrangements**

The interpretation clarifies the application of existing IFRSs by concession operators for obligations under concession arrangements and rights received in service concession arrangements.

The group is not party to concession arrangements, and the adoption of the interpretation therefore did not have any impact on the group.

(iii) **IFRIC 14, IAS 19 The Limit on a Defined-benefit Asset, Minimum Funding Requirements and their Interaction**

The interpretation addresses the implication of minimum funding requirements on the recognition of a defined-benefit obligation.

The effect on the group of the adoption of this interpretation did not have any effect on the group's financial position or performance.

(iv) **IFRIC 15 Real Estate Sales**

The interpretation clarifies when real estate sales should be accounted for in terms of IAS 11 Construction Contracts or IAS 18 Revenue.

The group early-adopted this interpretation and it did not have any effect on the financial results or position of the group.

(v) **IFRIC 16 Hedges of a Net Investment of a Foreign Operation**

The interpretation clarifies which risks can be hedged under a hedge of the net investment in a foreign operation and by which entities within the group the hedging instruments can be held in order to qualify as a hedge of a net investment in a foreign operation.

The group does not currently apply hedge accounting to net investments in foreign operations and therefore the early adoption of this standard has had no effect on the financial results or position of the group.

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

The group's accounting policies are set out on pages 224 to 241. Certain of these policies, as well as estimates made by management, are considered to be important to an understanding of the group's financial condition since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. The following accounting policies include estimates that are particularly sensitive in terms of judgements and the extent to which estimates are used. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has discussed the accounting policies and critical accounting estimates with the Board Audit Committee.

3.1 Allowances for loan impairment and other credit risk provisions

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

Performing loans

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

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

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

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

3.2 Fair value of financial instruments

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

Other non-derivative financial assets may be designated as available for sale. Available-for-sale financial investments are initially recognised at fair value and are subsequently held at fair value. Gains and losses arising from changes in fair value of such assets are included as a separate component of equity. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in net trading income, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains and losses on financial instruments held for trading are reported gross in trading portfolio assets and liabilities or derivative financial instruments, reduced by the effects of netting agreements where there is an intention to settle net with counterparties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

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

3.2 Fair value of financial instruments ... continued

Valuation methodology

The method of determining the fair value of financial instruments can be analysed into the following categories:

- (a) Unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.
- (b) Valuation techniques using market observable inputs. Such techniques may include
 - using recent arm's-length market transactions,
 - referring to the current fair value of similar instruments and
 - making use of discounted cashflow analysis, pricing models or other techniques commonly used by market participants.
- (c) Valuation techniques used above, but that include significant inputs that are not observable. On initial recognition of financial instruments measured using such techniques the transaction price is deemed to provide the best evidence of fair value for accounting purposes.

The valuation techniques in (b) and (c) above use inputs such as interest rate yield curves, equity prices, commodity and currency prices/yields, volatilities of underlyings and correlations between inputs. The models used in these valuation techniques are calibrated against industry standards, economic and observed transaction prices, where available.

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

To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependent on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities, appropriate proxies or other analytical techniques.

Further information on the fair value of financial instruments is provided in note 5 to the accounts.

Corporate bonds

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

Private-equity investments

The fair value of private equity is determined using appropriate valuation methodologies that, dependent on the nature of the investment, may include discounted cashflow analysis, enterprise value comparisons with similar companies, price/earnings comparisons and turnover multiples. For each investment the relevant methodology is applied consistently over time and may be adjusted for changes in market conditions relative to the instrument.

Own credit on financial liabilities

The carrying amount of financial liabilities held at fair value is adjusted to reflect the effect of changes in own credit spreads. As a result, the carrying value of issued bonds and subordinated-debt instruments that have been designated at fair value through profit and loss is adjusted by reference to the movement in the appropriate spreads. The resulting gain or loss is recognised in the income statement.

Derivatives

Derivative contracts can be exchange-traded or over-the-counter (OTC) agreements.

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques.

Where valuation techniques or models are used to determine fair values, they are validated and periodically independently reviewed by qualified senior staff. Models are calibrated and back-tested to ensure that outputs reflect actual data and comparative market prices. To the extent that it is practical, models use only observable data.

3.3 Securitisations and special-purpose entities

The group sponsors the formation of SPEs primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions, for asset financing and for buying or selling credit protection. The group consolidates the SPEs it controls in terms of IFRS guidance. Where it is difficult to determine whether the group controls an SPE, it makes judgements,

in terms of IFRS guidance, about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question. In arriving at judgements, these factors are considered both jointly and separately.

3.4 Goodwill

Management has to consider at least annually whether the current carrying value of goodwill is impaired. The first step of the impairment review process requires the identification of independent CGUs, by dividing the group business into as many largely independent income streams as is reasonably practicable. The goodwill is then allocated to these independent units. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the unit, including the allocated goodwill, is compared with its fair value to determine whether any impairment exists. If the fair value of a unit is less than its carrying value, goodwill will be impaired. Detailed calculations may need to be carried out, taking into consideration changes in the market in which a business operates (eg competitive activity and regulatory change). In the absence of readily available market price data this calculation is based on discounting expected pretax cashflows at a risk-adjusted interest rate appropriate to the operating unit, the determination of both of which requires the exercise of judgement. The estimation of pretax cashflows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding the long-term sustainable cashflows. While forecasts are compared with actual performance and external economic data, expected cashflows naturally reflect management's view of future performance.

3.5 Retirement benefit obligations

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

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

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

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

Further information on retirement benefit obligations, including assumptions, is set out in note 36 to the accounts.

3.6 Income taxes

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

4 CAPITAL MANAGEMENT

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

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

The Group Capital Management Division reports to the Chief Financial Officer and is mandated with the implementation of the Capital Management Framework and the internal capital adequacy assessment process (ICAAP) across the group. Capital management (incorporating ICAAP) responsibilities of the board and management are incorporated in their respective terms of reference contained in the ERMF and are assisted by the board's Group Risk and Capital Management Committee, and Group ALCO, respectively.

Capital, reserves and long-term debt instruments

The group's Capital Management Framework, policies and processes include all group capital and reserves as per the group's statement of changes in total shareholders' equity on pages 214 and 215 as well as the long-term debt instruments per note 43 on page 301.

Further details on the ERMF, capital management and regulatory requirements are disclosed in the Risk and Capital Management Report on pages 116 to 182.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

5 GROUP BALANCE SHEET – CATEGORIES OF FINANCIAL INSTRUMENTS

	Notes	At fair value through profit or loss			Available- for-sale financial assets Rm	Held-to- maturity investments Rm	** Loans and receivables Rm	** Financial liabilities at amortised cost Rm	Non- financial assets and liabilities Rm
		Total Rm	Held for trading Rm	* Designated Rm					
2008									
Assets									
Cash and cash equivalents	21	8 609					8 609		
Other short-term securities	22	18 589	7 102	4 552	5 165	1 770			
Derivative financial instruments	23	22 321	22 321						
Government and other securities	25	42 138	1 247	16 053	310	18 726	5 802		
Loans and advances	26	434 233	10 427	34 280			389 526		
Other assets	28	6 084	1 004	167			4 913		
Clients' indebtedness for acceptances		3 024							3 024
Current taxation receivable	29	346							346
Investment securities	30	8 455	257	7 952	246				
Non-current assets held for sale	32	10							10
Investments in associate companies and joint ventures	31	1 167							1 167
Deferred taxation asset	33	200							200
Investment property	34	213							213
Property and equipment	35	4 327							4 327
Long-term employee benefit assets	36	1 741							1 741
Computer software and capitalised development costs	37	1 607							1 607
Mandatory reserve deposits with central bank	21	10 065					10 065		
Goodwill	38	3 894							3 894
Total assets		567 023	42 358	63 004	5 721	20 496	418 915	–	16 529
Equity and liabilities									
Ordinary share capital	39.1	410							410
Ordinary share premium		11 370							11 370
Reserves		23 133							23 133
Total equity attributable to equity- holders of the parent		34 913	–	–	–	–	–	–	34 913
Minority shareholders' equity attributable to:									
– ordinary shareholders		1 881							1 881
– preference shareholders	39.2	3 279							3 279
Total equity		40 073	–	–	–	–	–	–	40 073
Derivative financial instruments	23	23 737	23 737						
Amounts owed to depositors	40	466 890	19 611	98 976			348 303		
Other liabilities	41	9 829	3 712	50			6 067		
Liabilities under acceptances		3 024							3 024
Current taxation liabilities	29	235							235
Deferred taxation liabilities	33	2 100							2 100
Long-term employee benefit liabilities	36	1 231							1 231
Investment contract liabilities	42	5 843		5 843					
Long-term debt instruments	43	14 061		7 951			6 110		
Total liabilities		526 950	47 060	112 820	–	–	–	360 480	6 590
Total equity and liabilities		567 023	47 060	112 820	–	–	–	360 480	46 663

	Notes	Total Rm	At fair value through profit or loss		Available- for-sale financial assets Rm	Held-to- maturity investments Rm	** Loans and receivables Rm	** Financial liabilities at amortised cost Rm	Non- financial assets and liabilities Rm
			Held for trading Rm	* Designated Rm					
2007									
Assets									
Cash and cash equivalents	21	10 344					10 344		
Other short-term securities	22	25 793	14 574	4 243	5 984	992			
Derivative financial instruments	23	9 047	9 047						
Government and other securities	25	29 637	5 087	12 245	241	6 219	5 845		
Loans and advances	26	373 956	26 005	22 930			325 021		
Other assets	28	9 313	3 715	243			5 355		
Clients' indebtedness for acceptances		2 251							2 251
Current taxation receivable	29	59							59
Investment securities	30	8 318		8 004	314				
Non-current assets held for sale	32	31							31
Investments in associate companies and joint ventures	31	978							978
Deferred taxation asset	33	25							25
Investment property	34	171							171
Property and equipment	35	3 929							3 929
Long-term employee benefit assets	36	1 393							1 393
Computer software and capitalised development costs	37	1 349							1 349
Mandatory reserve deposits with central bank	21	8 364					8 364		
Goodwill	38	3 898							3 898
Total assets		488 856	58 428	47 665	6 539	7 211	354 929	–	14 084
Equity and liabilities									
Ordinary share capital	39.1	402							402
Ordinary share premium		10 721							10 721
Reserves		19 070							19 070
Total equity attributable to equity- holders of the parent		30 193	–	–	–	–	–	–	30 193
Minority shareholders' equity attributable to:									
– ordinary shareholders		1 511							1 511
– preference shareholders	39.2	3 421							3 421
Total equity		35 125	–	–	–	–	–	–	35 125
Derivative financial instruments	23	11 432	11 432						
Amounts owed to depositors	40	384 541	16 147	54 447			313 947		
Other liabilities	41	34 225	26 610				7 615		
Liabilities under acceptances		2 251							2 251
Current taxation liabilities	29	337							337
Deferred taxation liabilities	33	1 616							1 616
Long-term employee benefit liabilities	36	1 157							1 157
Investment contract liabilities	42	5 846		5 846					
Long-term debt instruments	43	12 326		7 725			4 601		
Total liabilities		453 731	54 189	68 018	–	–	–	326 163	5 361
Total equity and liabilities		488 856	54 189	68 018	–	–	–	326 163	40 486

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

** The group measures all significant fixed-rate instruments at fair value, and any change in fair value is recognised in the income statement.

Loans and advances and other financial assets and liabilities that are not carried at fair value principally comprise of variable-rate financial assets and liabilities. The interest rates on these financial assets and liabilities are adjusted when the relevant benchmark interest rate changes.

The group has developed and applied a fair-value methodology in respect of gross exposures for loans and advances and financial liabilities that are measured at amortised cost at 31 December 2008. The methodology incorporates the average interest rates per product type and the projected monthly cashflows per product type. Future forecasts for the overall group's probability of default (PD) and loss-given default (LGD) for periods 2009 through to 2011, based on the latest internal data available, are applied to the first three years' projected cashflows. Average PDs and LGDs are applied to the projected cashflows for the period 2012 onwards. There are no significant variances in the fair-value methodology results compared with values as reported in the financial statements.

For impaired advances the carrying value as determined after consideration of the group's IAS39 credit impairments is considered the best estimate of fair value.

The group is therefore satisfied that, after considering the internal credit models together with other assumptions and the variable-interest-rate exposure, the carrying value of loans and receivables and financial liabilities measured at amortised cost approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

6 LIQUIDITY GAP (CONTRACTUAL)

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non- determined	Total
2008							
Cash and cash equivalents (including mandatory reserve deposits with central bank)	4 238	200	16			14 220	18 674
Other short-term securities	7 979	3 223	4 081	3 306			18 589
Derivative financial instruments	758	148	11 600	6 230	3 585		22 321
Government and other securities	5 593	1 895	416	22 107	12 127		42 138
Loans and advances	93 980	14 482	24 337	136 902	164 532		434 233
Other assets	4 720					26 348	31 068
	117 268	19 948	40 450	168 545	180 244	40 568	567 023
Total equity and liabilities						40 073	40 073
Derivative financial instruments	850	230	11 508	6 529	4 620		23 737
Amounts owed to depositors	347 615	33 434	61 699	22 558	1 584		466 890
Provisions and other liabilities	6 475					15 787	22 262
Long-term debt instruments			479	7 214	6 368		14 061
	354 940	33 664	73 686	36 301	12 572	55 860	567 023
Net liquidity gap	(237 672)	(13 716)	(33 236)	132 244	167 672	(15 292)	–
2007							
Cash and cash equivalents (including mandatory reserve deposits with central bank)	6 223	320	12	115		12 038	18 708
Other short-term securities	17 833	2 621	2 736	2 603			25 793
Derivative financial instruments	1 736	819	653	3 857	1 982		9 047
Government and other securities	7 796	1 312	668	16 268	3 593		29 637
Loans and advances	90 683	11 977	21 951	103 212	146 133		373 956
Other assets	5 957					25 758	31 715
	130 228	17 049	26 020	126 055	151 708	37 796	488 856
Total equity and liabilities						35 125	35 125
Derivative financial instruments	1 777	869	890	5 111	2 785		11 432
Amounts owed to depositors	303 382	23 207	40 417	16 497	1 038		384 541
Provisions and other liabilities	8 097					37 335	45 432
Long-term debt instruments			616	3 748	7 962		12 326
	313 256	24 076	41 923	25 356	11 785	72 460	488 856
Net liquidity gap	(183 028)	(7 027)	(15 903)	100 699	139 923	(34 664)	–

2007 government and other securities has been restated to reflect the maturity profile of the associated premium or discount.

7 CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

Rm	Balance sheet amount	Trading book* <3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Equity/Non-determinable maturity	Total
2008								
Long-term debt instruments	14 061		141	219	1 063	10 621	9 140	21 184
Investment contract liabilities	5 843		5 843					5 843
Amounts owed to depositors	466 890	27 430	333 995	36 438	65 228	20 949	1 142	– 485 182
– Current accounts	45 188		45 194					45 194
– Savings deposits	14 303		14 307					14 307
– Other deposits and loan accounts	292 768	8 814	234 171	15 981	25 430	15 835	1 142	301 373
– Foreign currency liabilities	6 226	1 642	4 584					6 226
– Negotiable certificates of deposit	87 377	44	31 374	20 457	39 798	5 114		96 787
– Deposits received under repurchase agreements	21 028	16 930	4 365					21 295
Derivative financial instruments								
– liabilities	23 737	23 737						23 737
Provisions and other liabilities	16 419	7 736	632				8 051	16 419
	526 950	58 903	340 611	36 657	66 291	31 570	10 282	8 051 552 365
Guarantees on behalf of clients	25 226		25 226					25 226
Confirmed letters of credit and discounting transactions	3 129		3 129					3 129
Unutilised facilities and other	46 378		46 378					46 378
	74 733	–	74 733	–	–	–	–	– 74 733
2007								
Long-term debt instruments	12 326		183	296	1 490	8 900	10 885	21 754
Investment contract liabilities	5 846		5 846					5 846
Amounts owed to depositors	384 541	17 712	296 000	24 995	42 262	16 135	716	– 397 820
– Current accounts	45 920		45 931					45 931
– Savings deposits	13 925		13 928					13 928
– Other deposits and loan accounts	251 424	8 748	205 571	11 406	21 097	11 715	716	259 253
– Foreign currency liabilities	8 230	2 999	5 231					8 230
– Negotiable certificates of deposit	56 166	53	22 373	13 589	21 165	4 420		61 600
– Deposits received under repurchase agreements	8 876	5 912	2 966					8 878
Derivative financial instruments								
– liabilities	11 432	11 432						11 432
Provisions and other liabilities	39 586	28 338	2 251				8 997	39 586
	453 731	57 482	304 280	25 291	43 752	25 035	11 601	8 997 476 438
Guarantees on behalf of clients	20 579		20 579					20 579
Confirmed letters of credit and discounting transactions	2 427		2 427					2 427
Unutilised facilities and other	48 632		48 632					48 632
	71 638	–	71 638	–	–	–	–	– 71 638

This table is based on a contractual, undiscounted basis. 2007 has been restated to exclude total equity.

* Trading areas of the group are not managed on a contractual-maturity basis. The markets in which the group trades are generally liquid and positions will often be closed out before contractual maturity. An internal centralised funding desk is in place and ensures the funding of all trading positions each day. Strict limits exist in terms of what funds can be borrowed for the centralised funding desk. These limits were put in place by the Group Asset and Liability Committee and are constantly monitored.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

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

Rm	2008				2007			
	Average	Minimum	Maximum	Year-end	Average	Minimum	Maximum	Year-end
Foreign exchange	6,12	2,25	20,08	3,39	2,50	0,70	6,40	4,40
Interest rate	13,78	7,42	24,98	19,32	14,50	10,40	22,00	13,80
Equity products	7,78	3,30	21,21	6,53	12,60	5,70	28,70	7,50
Other	6,22	3,35	8,67	6,59				
Diversification	(14,17)			(11,80)	(4,70)			(2,40)
Total value-at-risk exposure	19,73	10,26	36,52	24,03	24,90	14,90	37,40	23,30

9 INTEREST RATE REPRICING GAP

Rm						Trading, non-rate	Total
	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	and foreign	
2008							
Total assets	423 926	8 716	1 881	37 856	21 919	72 725	567 023
Total equity and liabilities	348 042	37 236	46 023	14 007	6 033	115 682	567 023
Interest rate hedging activities	(46 246)	24 254	42 430	(3 766)	(16 672)		
Repricing profile	29 638	(4 266)	(1 712)	20 083	(786)	(42 957)	
Cumulative repricing profile	29 638	25 372	23 660	43 743	42 957		
Expressed as a percentage of total assets	5,2	4,5	4,2	7,7	7,6		
2007							
Total assets	380 535	4 673	3 920	23 115	12 397	64 216	488 856
Total equity and liabilities	281 382	23 780	43 347	15 865	5 538	118 944	488 856
Interest rate hedging activities	(42 477)	17 371	34 780	(6 774)	(2 900)		
Repricing profile	56 676	(1 736)	(4 647)	476	3 959	(54 728)	
Cumulative repricing profile	56 676	54 940	50 293	50 769	54 728		
Expressed as a percentage of total assets	11,6	11,2	10,3	10,4	11,2		

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

Credit rating	Investment grade		Subinvestment grade		Not rated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Other short-term securities	18 054	25 516	530	273	5	4	18 589	25 793
– Negotiable certificates of deposit	14 002	21 320					14 002	21 320
– Treasury bills and other	4 052	4 196	530	273	5	4	4 587	4 473
Government and other securities	42 057	29 548	81	65	–	24	42 138	29 637
– Government and government-guaranteed	30 933	19 231				9	30 933	19 240
– Other dated securities	11 124	10 317	81	65		15	11 205	10 397
	60 111	55 064	611	338	5	28	60 727	55 430

All debt securities that are purchased by the group are rated using an internal rating system, being the Nedbank Group rating (NGR) scale. The group requires that all investments be rated using the NGR scale to ensure that credit risk is measured consistently and accurately across the group. This ensures compliance with the group's policy surrounding the rating of investments. The NGR scale has been mapped to the Standard and Poor's credit rating system. According to the NGR scale, investment grade can be equated to a Standard and Poor's rating of BB and above. All government and other short-term securities are current and not impaired. Investment grade includes credit ratings from NGR01 to NGR11 and subinvestment grade includes credit ratings from NGR12 to NGR25.

11 INTEREST AND SIMILAR INCOME

	2008 Rm	2007 Rm
Home loans (including properties in possession)	17 798	12 798
Commercial mortgages	8 857	6 230
Finance lease and instalment debtors	8 301	6 130
Credit cards	1 332	1 003
Bills and acceptances	67	99
Overdrafts	2 271	1 727
Term loans	7 119	5 181
– Personal loans	2 172	2 036
– Other term loans	4 947	3 145
Government and other securities	3 210	1 926
Short-term funds and securities	1 558	1 475
Other loans	7 473	5 432
	57 986	42 001
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments not at fair value through profit and loss	53 357	37 669
– Interest and similar income from financial instruments at fair value through profit or loss	4 629	4 332
	57 986	42 001

12 INTEREST EXPENSE AND SIMILAR CHARGES

Deposit and loan accounts	25 941	17 161
Current and savings accounts	2 027	1 708
Negotiable certificates of deposit	8 413	5 177
Other liabilities	3 906	2 746
Long-term debt instruments	1 529	1 063
	41 816	27 855
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments not at fair value through profit and loss	31 930	24 960
– Interest expense and similar charges from financial instruments at fair value through profit or loss	9 886	2 895
	41 816	27 855

An unaudited margin analysis of the interest income and interest expense by asset and liability category is presented on page 54.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

13 NON-INTEREST REVENUE

	2008 Rm	2007 Rm
Commission and fee income****	7 910	7 528
– Administration fees	267	195
– Cash-handling fees	464	378
– Insurance commission	548	523
– Exchange commission	358	294
– Fees	990	1 056
– Guarantees	108	83
– Card income	1 846	1 695
– Service charges	1 972	1 709
– Bond originator income		578
– Other commission	1 357	1 017
Securities dealing and fair-value adjustments	498	841
– Securities dealing**	130	836
– Fair-value adjustments (note 13.1)	368	5
Net trading income**	1 553	1 334
– Foreign exchange	1 156	733
– Debt securities	557	342
– Equities	(194)	233
– Commodities	34	26
Rental income	51	51
Investment income	242	159
– Long-term asset sales	8	28
– Dividends received	234	131
Sundry income***	475	533
– Income from non-banking subsidiaries	226	271
– Other sundry income	249	262
Foreign currency translation gains	*	*
	10 729	10 446

* Represents amounts less than R1 million.

** These amounts relate to gains and losses on financial assets and liabilities held for trading.

*** Sundry income for 2007 includes R48 million (2008: R0 million) gross profit, comprising turnover of R143 million (2008: R0 million) and cost of sales of R95 million (2008: R0 million) from non-banking subsidiaries.

**** Commission and fee income includes an amount of R695 million (2007: R625 million) received for trust and fiduciary fees.

13.1 Analysis of fair-value adjustments

Fair-value adjustments can be analysed as follows:

– Held for trading	(928)	281
– Designated at fair value through profit or loss	1 296	(276)
	368	5

13.2 Government grants

The group advances home loans from its Retail cluster for affordable housing. The group receives various government grants from the South African and foreign governments. The government grants take a variety of forms, including interest rate subsidies on loans advanced to the group and payment in respect of previously writtenoff advances in respect of qualifying deceased estates. The government grants that are received by the group in respect of affordable housing are recognised when the conditions of the government grant have been fulfilled and the grant is due to the group.

Certain government assistance is directed directly towards the client, including grants made to clients as first-time homeowners. Although the group may assist the client in obtaining the grant, it does not qualify as a government grant as envisaged by the accounting standard.

The group receives certain South African government grants in the form of refunds for Skills Development Levies and they pertain to prior training that has been facilitated by the group on behalf of its employees.

13.3 Segmental analysis

Rm	Nedbank Group		Nedbank Corporate		Nedbank Capital	
	2008	2007	2008	2007	2008	2007
Commission and fee income****	7 910	7 528	2 035	2 543	298	338
– Administration fees	267	195	52	56		
– Cash-handling fees	464	378	361	281		
– Insurance commission	548	523	17	22		
– Exchange commission	358	294	205	186		
– Fees	990	1 056	284	295	296	334
– Guarantees	108	83	102	77	2	2
– Other card income	1 846	1 695	44	36		
– Service charges	1 972	1 709	437	410		
– Bond originator income	–	578		750		
– Other commission	1 357	1 017	533	430		2
Securities dealing and fair-value adjustments	498	841	39	327	35	500
– Securities dealing	130	836	56	303	72	518
– Fair-value adjustments	368	5	(17)	24	(37)	(18)
Net trading income	1 553	1 334	185	121	1 333	1 172
– Foreign exchange	1 156	733	185	121	914	571
– Debt securities	557	342			557	342
– Equities	(194)	233			(172)	233
– Commodities	34	26			34	26
Rental income	51	51	16	15		
Investment Income	242	159	142	22	89	108
– Long-term asset sales	8	28	8	8		2
– Dividends received	234	131	134	14	89	106
Sundry income	475	533	161	170	27	17
– Income from non-banking subsidiaries	226	271		46		
– Other sundry income	249	262	161	124	27	17
Foreign currency translation gains	–	–				
Total non-interest revenue	10 729	10 446	2 578	3 198	1 782	2 135

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

13 NON-INTEREST REVENUE ... continued

13.3 Segmental analysis ... continued

Rm	Nedbank Retail		Imperial Bank		Shared Services		Central Management and eliminations	
	2008	2007	2008	2007	2008	2007	2008	2007
Commission and fee income****	5 454	4 772	98	39	59	33	(34)	(197)
– Administration fees	150	146	70		8	7	(13)	(14)
– Cash-handling fees	103	97						
– Insurance commission	531	501						
– Exchange commission	148	104			5	4		
– Fees	418	417		14	8	10	(16)	(14)
– Guarantees	4	4						
– Other card income	1 802	1 659						
– Service charges	1 535	1 299						
– Bond originator income								(172)
– Other commission	763	545	28	25	38	12	(5)	3
Securities dealing and fair-value adjustments	1	3	(29)	–	(5)	45	457	(34)
– Securities dealing	1	3			2		(1)	12
– Fair-value adjustments			(29)		(7)	45	458	(46)
Net trading income	57	41	–	–	–	–	(22)	–
– Foreign exchange	57	41						
– Debt securities								
– Equities							(22)	
– Commodities								
Rental income	(3)	1			37	34	1	1
Investment Income	5	2	–	–	–	4	6	23
– Long-term asset sales								18
– Dividends received	5	2				4	6	5
Sundry income	32	32	19	89	271	292	(35)	(67)
– Income from non-banking subsidiaries					226	225		
– Other sundry income	32	32	19	89	45	67	(35)	(67)
Foreign currency translation gains								
Total non-interest revenue	5 546	4 851	88	128	362	408	373	(274)

14 OPERATING EXPENSES

	2008 Rm	2007 Rm
Staff costs	7 040	7 079
– Salaries and wages	7 193	6 923
– Long-term employee benefits*	(239)	20
– Share-based payments expense – employees**	86	136
Computer processing	1 841	1 673
– Depreciation for computer equipment	331	288
– Amortisation of computer software	414	431
– Operating lease charges for computer equipment	146	126
– Other computer processing expenses	950	828
Communication and travel	636	558
– Depreciation for vehicles	3	3
– Other communication and travel	633	555
Occupation and accommodation	1 122	1 068
– Depreciation for owner-occupied land and buildings	71	67
– Operating lease charges for land and buildings	469	457
– Other occupation and accommodation expenses	582	544
Marketing and public relations	877	887
Fees and insurances	1 326	1 498
– Auditors' remuneration	94	93
– Statutory audit – current year	70	64
– prior year	4	4
– Non-audit services – interim reviews	5	7
– other services	15	18
– Bond Choice fees		517
– Other fees and insurance costs	1 232	888
Furniture, office equipment and consumables	326	297
– Depreciation for furniture and other equipment	211	187
– Operating-lease charge for furniture and other equipment	31	20
– Other office equipment and consumables	84	90
Other sundries	379	281
	13 547	13 341
Included in staff costs are the following:		
Executive directors' remuneration***	16	19
Non-executive directors' remuneration***	10	10
	26	29

Certain expenses incurred by the company on behalf of subsidiary companies are recovered from subsidiary companies.

* Includes contributions to defined-benefit and defined-contribution pension funds and post-retirement medical aid funding and any adjustments for defined-benefit obligations together with any fair-value adjustments of plan assets held. Refer to note 36.

** Excluding amounts related to the group's BEE schemes.

*** Refer to pages 197 and 198 of the Remuneration Report for a detailed breakdown of directors' remuneration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

14 OPERATING EXPENSES ... continued

14.1 Segmental analysis

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
Computer processing	1 841	1 673	167	170	96	75
Communication and travel	636	558	193	94	79	66
Occupation and accommodation	1 122	1 068	217	182	44	32
Marketing and public relations	877	887	105	116	37	28
Fees and insurances	1 326	1 498	345	734	92	96
Office equipment and consumables	326	297	96	44	5	8
Other sundries	379	281	55	55	33	25
Indirect transfer pricing	–	–	870	1 320	330	282
Operating expenses	13 547	13 341	3 987	4 446	1 387	1 253
BEE transaction expenses	194	148	32	32	32	31
Total operating expenses	13 741	13 489	4 019	4 478	1 419	1 284
Efficiency ratio (%)	51,1	54,9	47,4	53,5	52,2	47,9

15 BEE TRANSACTION EXPENSES

	2008 Rm	2007 Rm
BEE share-based payments expenses	181	147
Fees	13	1
	194	148

Refer to note 50 for a description of the BEE schemes.

16 INDIRECT TAXATION

Value-added taxation	317	258
Revenue stamps	3	4
Other transaction taxes	54	43
	374	305

Value-added taxation comprises that portion which is irrecoverable as a result of the interest earned in the banking sector.

17 NON-TRADING AND CAPITAL ITEMS

Profit on sale of subsidiaries and investments	769	110
(Loss)/Profit on sale of property and equipment	(2)	8
Impairment of investments	*	(6)
Impairment of property and equipment, and capitalised development costs	(11)	(1)
	756	111

* Represents amounts less than R1 million.

	Nedbank Retail		Imperial Bank		Shared Services		Central Management and eliminations	
	2008	2007	2008	2007	2008	2007	2008	2007
	3 283	3 136	306	294	1 145	1 289	(304)	(12)
	401	346	40	30	1 137	1 064		(12)
	286	237	33	33	79	164	(34)	(36)
	846	790	26	24	(13)	22	2	18
	454	499	16	49	294	219	(29)	(24)
	489	397	26	18	310	391	64	(138)
	171	165	13	11	42	72	(1)	(3)
	201	152	65	30	28	37	(3)	(18)
	1 750	1 603			(2 932)	(3 191)	(18)	(14)
	7 881	7 325	525	489	90	67	(323)	(239)
	92	42			42	48	(4)	(5)
	7 973	7 367	525	489	132	115	(327)	(244)
	61,1	63,5	28,8	30,2				



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

18 DIRECT TAXATION

	2008 Rm	2007 Rm
18.1 Charge for the year		
South African normal taxation		
– Current charge	1 554	1 882
– Capital gains taxation – current	(3)	
– deferred	(25)	6
– Deferred taxation	(7)	224
Foreign taxation	77	106
Current and deferred taxation on income	1 596	2 218
Prior-year overprovision – current taxation	(315)	(24)
Prior-year underprovision – deferred taxation	353	21
Total taxation on income	1 634	2 215
Secondary tax on companies	123	121
Taxation on non-trading and capital items – deferred taxation on sale of subsidiaries, investments and property and equipment	111	7
	1 868	2 343
	%	%
18.2 Taxation rate reconciliation		
Standard rate of South African normal taxation	28	29
Reduction in taxation rate (note 18.4)	(2)	
Non-taxable dividend income	(5)	(4)
Capital items	(1)	(1)
Differences between foreign taxation rates and South African taxation rate	(1)	(1)
Risk provision		1
Structured deals	(1)	(1)
Secondary tax on companies	1	1
Other	3	2
Effective taxation rate	22	26

18.3 Future taxation relief

The group has estimated taxation losses of R1 285 million (2007: R314 million) that can be set off against future taxable income, of which R1 267 million (2007: R221 million) has been applied to the deferred taxation balance. Furthermore, the group has accumulated STC credits amounting to R617 million at the year-end (2007: R511 million), which have arisen as a result of dividends received exceeding dividends paid. A deferred taxation asset of R62 million (2007: R51 million) has been raised on these STC credits.

18.4 Change in company taxation rate

The South African corporate taxation rate has been reduced from 29% to 28% during the current year. The effect of this change in rate on the group's deferred taxation liability is a credit to the current-year deferred taxation charge in the income statement of R39 million. A further deferred taxation credit to the income statement for the 2008 year of R153 million flows from the introduction of the provisions of section 9C of the Income Tax Act. This has allowed the group to reduce the rate of tax applicable to unrealised surpluses of certain equity instruments to 14%.

19 EARNINGS

19.1 Earnings per share

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted average number of shares in issue. Diluted earnings and diluted headline earnings per share are calculated by dividing the relevant earnings by the weighted average number of shares in issue after taking the dilutive impact of potential ordinary shares to be issued into account.

Rm	Basic		Headline	
	Basic	Diluted	Basic	Diluted
2008				
Profit attributable to equityholders of the parent	6 410	6 410	6 410	6 410
Adjusted for:				
– Non-trading and capital items (note 17)			(756)	(756)
– Taxation on non-trading and capital items (note 18)			111	111
Adjusted profit attributable to equityholders of the parent	6 410	6 410	5 765	5 765
Weighted average number of ordinary shares	405 412 483	405 412 483	405 412 483	405 412 483
Adjusted for:				
– Share schemes that have a dilutive effect		6 122 316		6 122 316
Adjusted weighted average number of ordinary shares	405 412 483	411 534 799	405 412 483	411 534 799
Earnings per share (cents)	1 581	1 558	1 422	1 401
2007				
Profit attributable to equityholders of the parent	6 025	6 025	6 025	6 025
Adjusted for:				
– Non-trading and capital items (note 17)			(111)	(111)
– Taxation on non-trading and capital items (note 18)			7	7
Adjusted profit attributable to equityholders of the parent	6 025	6 025	5 921	5 921
Weighted average number of ordinary shares	398 746 512	398 746 512	398 746 512	398 746 512
Adjusted for:				
– Share schemes that have a dilutive effect		15 658 900		15 658 900
Adjusted weighted average number of ordinary shares	398 746 512	414 405 412	398 746 512	414 405 412
Earnings per share (cents)	1 511	1 454	1 485	1 429

The diluted earnings per share calculations are based on the group's daily average share price of 10 276 cents (2007: 13 833 cents) and exclude the effect of certain share options granted under certain share option schemes as they would be antidilutive. The number of share options not included in the weighted average number of shares (as they would have been antidilutive) is 33 million (2007: 17 million).

19.2 Headline earnings reconciliation

	2008		2007	
	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to equityholders of the parent		6 410		6 025
Less: non-trading and capital items	756	645	111	104
Profit on sale of subsidiaries, investments and property and equipment	767	656	118	111
Net impairment of investments, property and equipment and capitalised development costs	(11)	(11)	(7)	(7)
Headline earnings		5 765		5 921

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

20 DIVIDENDS

20.1 Ordinary shares

	Last date to register	Millions of shares	Cents per share	Rm
2008				
Final declared for 2007 – paid 2008	4 Apr 08	411	350	1 440
Interim declared for 2008	5 Sep 08	418	310*	1 296
Ordinary dividends paid 2008			660	2 736
Final ordinary dividend declared for 2008			310*	
2007				
Final declared for 2006 – paid 2007	29 Mar 07	402	284	1 142
Interim declared for 2007	14 Sep 07	406	310**	1 260
Ordinary dividends paid 2007			594	2 402
Final ordinary dividend declared for 2007			350**	

STC on dividends equals 10% of the amount declared, which will be partially offset by the deferred taxation asset previously raised for STC credits.

* Total dividend declared for 2008 = 620 cents per share.

** Total dividend declared for 2007 = 660 cents per share.



20.2 Minority interest – preference shareholders

	Days	Rate %	Rm
2008			
Dividends paid:			
Nedbank Limited	366		333,4
1 July 2007 – 31 December 2007	184		161,3
1 July 2007 – 19 August 2007	50	9,750	41,8
20 August 2007 – 14 October 2007	56	10,125	48,6
15 October 2007 – 9 December 2007	56	10,500	50,4
10 December 2007 – 31 December 2007	22	10,875	20,5
1 January 2008 – 30 June 2008	182		172,1
1 January 2008 – 13 April 2008	104	10,875	96,7
14 April 2008 – 16 June 2008	64	11,250	61,5
17 June 2008 – 30 June 2008	14	11,625	13,9
Imperial Bank Limited	366		29,9
1 July 2007 – 31 December 2007	184		14,4
1 July 2007 – 19 August 2007	50	9,100	3,8
20 August 2007 – 14 October 2007	56	9,450	4,3
15 October 2007 – 9 December 2007	56	9,800	4,5
10 December 2007 – 31 December 2007	22	10,150	1,8
1 January 2008 – 30 June 2008	182		15,5
1 January 2008 – 14 April 2008	104	10,150	8,7
15 April 2008 – 13 June 2008	60	10,500	5,2
14 June 2008 – 30 June 2008	18	10,850	1,6
			363,3

	Number of shares	Cents per share	Rm
Dividends declared:			
Nedbank Limited			
Final declared for 2007 – paid March 2008	312 781 032	51,55479	161
Interim declared for 2008 – paid September 2008	312 781 032	55,02049	172
Imperial Bank Limited			
Final declared for 2007 – paid March 2008	3 000 000	481,17808	14
Interim declared for 2008 – paid September 2008	3 000 000	515,31507	16
			363
Final declared for 2008 – payable March 2009 (Nedbank Limited)	312 781 032	58,26844	182
Final declared for 2008 – payable March 2009 (Imperial Bank Limited)	3 000 000	545,32877	16

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

20 DIVIDENDS ... continued

20.2 Minority interest – preference shareholders ... continued

	Days	Rate %	Rm
2007			
Dividends paid:			
Nedbank Limited	365		268,3
1 July 2006 – 31 December 2006	184		122,4
1 July 2006 – 3 August 2006	34	8,250	21,3
4 August 2006 – 15 October 2006	73	8,630	47,8
16 October 2006 – 10 December 2006	56	9,000	38,3
11 December 2006 – 31 December 2006	21	9,375	15,0
1 January 2007 – 30 June 2007	181		145,9
1 January 2007 – 10 June 2007	161	9,375	126,9
11 June 2007 – 30 June 2007	20	9,750	19,0
Imperial Bank Limited	374		26,0
22 June 2006 – 31 December 2006	193		12,9
22 June 2006 – 3 August 2006	43	7,700	2,7
4 August 2006 – 15 October 2006	73	8,050	4,8
16 October 2006 – 10 December 2006	56	8,400	3,9
11 December 2006 – 31 December 2006	21	8,750	1,5
1 January 2007 – 30 June 2007	181		13,1
1 January 2007 – 10 June 2007	161	8,750	11,6
11 June 2007 – 30 June 2007	20	9,100	1,5
			294,3
	Number of shares	Cents per share	Rm
Dividends declared:			
Nedbank Limited			
Final declared for 2006 – paid March 2007	277 298 896	44,13699	122
Interim declared for 2007 – paid September 2007	312 781 032	46,72603	146
Imperial Bank Limited			
Final declared for 2006 – paid March 2007	3 000 000	430,93151	13
Interim declared for 2007 – paid September 2007	3 000 000	435,82192	13
			294
Final declared for 2007 – payable March 2008 (Nedbank Limited)	312 781 032	51,55479	161
Final declared for 2007 – payable March 2008 (Imperial Bank Limited)	3 000 000	481,17808	14

21 CASH AND CASH EQUIVALENTS

	2008 Rm	2007 Rm
Coins and bank notes	2 443	2 439
Money at call and short notice	3 583	6 318
Balances with central banks – other than mandatory reserve deposits	2 583	1 587
Cash and cash equivalents excluding mandatory reserve deposits with central banks	8 609	10 344
Mandatory reserve deposits with central banks	10 065	8 364
	18 674	18 708

Money at call and short notice constitutes amounts withdrawable in 32 days or less. Mandatory reserve deposits are not available for use in the group's day-to-day operations. Cash on hand and mandatory reserve deposits are non-interest bearing. Other money market placements are floating-interest-rate assets.

22 OTHER SHORT-TERM SECURITIES

22.1 Analysis

Negotiable certificates of deposit	14 002	21 320
Treasury bills and other bonds	4 587	4 473
	18 589	25 793

22.2 Sectoral analysis

Banks	14 002	21 320
Government and public sector	4 587	4 473
	18 589	25 793

23 DERIVATIVE FINANCIAL INSTRUMENTS

These transactions have been entered into in the normal course of business and are carried at fair value. There are no commitments or contingent commitments under derivative instruments that are settled otherwise than with cash. The principal types of derivative contracts into which the group enters are described below.

Swaps

These are OTC agreements between two parties to exchange periodic payments of interest, or payments for the change in value of a commodity, or related index, over a set period based on notional principal amounts. The group enters into swap transactions in several markets. Interest rate swaps exchange fixed rates for floating rates of interest based on notional amounts. Basis swaps exchange floating or fixed interest calculated by using different bases. Cross currency swaps are the exchange of interest based on notional values of different currencies.

Options

Options confer the right, but not the obligation, on the buyer to receive or pay a specific quantity of an asset or financial instrument for a specific price at or before a specified date. Options may be exchange-traded or OTC agreements. The group principally buys and sells currency, interest rate and equity options.

Futures and forwards

Short-term interest rate futures, bond futures, financial and commodity futures and forward foreign exchange contracts are all agreements to deliver, or take delivery of, a specified amount of an asset or financial instrument based on a specified rate, price or index applied against the underlying asset or financial instrument at a specified date. Futures are exchange-traded at standardised amounts of the underlying asset or financial instrument. Forward contracts are OTC agreements and are principally dealt in by the group in interest rates as forward rate agreements and in currency as forward foreign exchange contracts.

Collateral

The group may require collateral in respect of the credit risk present in derivative transactions. The amount of credit risk is principally the positive fair value of the contract. Collateral may be in the form of cash or in the form of a lien over a client's assets entitling the group to make a claim for current and future liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

23 DERIVATIVE FINANCIAL INSTRUMENTS ... continued

23.1 Total carrying amount of derivative financial instruments

	2008 Rm	2007 Rm
Gross carrying amount of assets	22 321	9 047
Gross carrying amount of liabilities	(23 737)	(11 432)
Net carrying amount	(1 416)	(2 385)

A detailed breakdown of the carrying amount (fair value) and notional principal of the various types of derivative financial instruments held by the group is presented in the following tables.

23.2 Notional principal of derivative financial instruments

This represents the gross notional amounts of all outstanding contracts at year-end. This gross notional amount is the sum of the absolute amount of all purchases and sales of derivative instruments. The notional amounts do not represent amounts exchanged by the parties and therefore represent only the measure of involvement by the group in derivative contracts and not its exposure to market or credit risks arising from such contracts. The amounts actually exchanged are calculated on the basis of the notional amounts and other terms of the derivative, which relate to interest rates, exchange rates, securities prices or financial and other indices.

	2008			2007		
	Notional principal Rm	Positive value Rm	Negative value Rm	Notional principal Rm	Positive value Rm	Negative value Rm
<i>Equity derivatives</i>	29 066	14 282	14 784	128 711	57 970	70 741
Options written	11 837		11 837	45 831		45 831
Options purchased	10 849	10 849		46 778	46 778	
Futures*	6 380	3 433	2 947	36 102	11 192	24 910
<i>Commodity derivatives</i>	16 549	7 877	8 672	14 196	6 888	7 308
Options written				11		11
Options purchased	8	8		10	10	
Caps and floors	635	278	357			
Swaps	15 521	7 591	7 930	14 174	6 877	7 297
Futures	385		385	1	1	
<i>Exchange rate derivatives</i>	277 055	138 282	138 773	160 962	81 037	79 925
Forwards	250 625	124 639	125 986	147 949	76 520	71 429
Currency swaps	16 626	8 750	7 876	10 336	3 129	7 207
Options purchased	4 893	4 893		1 388	1 388	
Options written	4 911		4 911	1 289		1 289
<i>Interest rate derivatives</i>	471 675	227 757	243 918	375 147	164 343	210 804
Interest rate swaps	269 703	131 014	138 689	247 861	103 774	144 087
Forward rate agreements	122 815	60 504	62 311	84 324	37 328	46 996
Options purchased	23 498	23 498		4 145	4 145	
Options written	24 988		24 988	4 600		4 600
Futures	20 948	8 412	12 536	24 819	12 177	12 642
Caps	4 074	750	3 324	4 731	2 752	1 979
Floors	2 865	2 715	150	3 656	3 156	500
Credit default swaps	2 784	864	1 920	1 011	1 011	
Total notional principal	794 345	388 198	406 147	679 016	310 238	368 778

* Includes contracts for difference with positive notionals of R34 million (2007: R8 million) and negative notionals of R318 million (2007: R376 million).

23.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the fair value of all derivative instruments held at year-end. The fair value of a derivative financial instrument is the amount at which it could be exchanged in a current transaction between willing parties, other than a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cashflow models and market-accepted option-pricing models.

	2008			2007		
	Net carrying amount Rm	Carrying amount of assets Rm	Carrying amount of liabilities Rm	Net carrying amount Rm	Carrying amount of assets Rm	Carrying amount of liabilities Rm
<i>Equity derivatives</i>	(1 110)	510	1 620	(1 677)	1 290	2 967
Options written	(1 567)		1 567	(2 155)		2 155
Options purchased	404	404		912	912	
Futures**	53	106	53	(434)	378	812
<i>Commodity derivatives</i>	157	1 383	1 226	356	725	369
Options written				(36)		36
Options purchased				27	27	
Caps and floors	(13)	104	117			
Swaps	170	1 279	1 109	365	698	333
Futures						
<i>Exchange rate derivatives</i>	458	14 380	13 922	32	3 208	3 176
Forwards	314	12 397	12 083	351	2 747	2 396
Currency swaps	177	1 344	1 167	(309)	441	750
Options purchased	639	639		20	20	
Options written	(672)		672	(30)		30
<i>Interest rate derivatives</i>	(921)	6 048	6 969	(1 096)	3 824	4 920
Interest rate swaps	(804)	5 658	6 462	(1 138)	3 653	4 791
Forward rate agreements	10	227	217	14	106	92
Options purchased	86	86		11	11	
Options written	(141)		141	(11)		11
Futures	(7)	2	9	(5)	1	6
Caps	(5)	3	8	3	23	20
Floors	41	41		4	4	
Credit default swaps	(101)	31	132	26	26	
Total carrying amount	(1 416)	22 321	23 737	(2 385)	9 047	11 432

** Includes contracts for difference. The fair value is zero as the variation margin is settled at the end of every day.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

23 DERIVATIVE FINANCIAL INSTRUMENTS ... continued

23.4 Analysis of derivative financial instruments

	Equity derivatives Rm	Commodity derivatives Rm	Exchange rate derivatives Rm	Interest rate derivatives Rm	Total Rm
Derivative assets					
2008					
<i>Maturity analysis</i>					
Under one year	248	133	11 157	966	12 504
One to five years	262	712	2 876	2 381	6 231
Over five years		538	347	2 701	3 586
	510	1 383	14 380	6 048	22 321
2007					
<i>Maturity analysis</i>					
Under one year	556	65	2 219	368	3 208
One to five years	733	576	966	1 582	3 857
Over five years	1	84	23	1 874	1 982
	1 290	725	3 208	3 824	9 047
Derivative liabilities					
2008					
<i>Maturity analysis</i>					
Under one year	507	116	11 316	649	12 588
One to five years	1 106	639	2 491	2 293	6 529
Over five years	7	471	115	4 027	4 620
	1 620	1 226	13 922	6 969	23 737
2007					
<i>Maturity analysis</i>					
Under one year	753	25	2 262	496	3 536
One to five years	2 193	307	885	1 725	5 110
Over five years	21	37	29	2 699	2 786
	2 967	369	3 176	4 920	11 432
Notional principal of derivatives					
2008					
<i>Maturity analysis</i>					
Under one year	17 102	3 404	229 253	256 386	506 145
One to five years	11 957	7 221	45 313	148 265	212 756
Over five years	7	5 924	2 489	67 024	75 444
	29 066	16 549	277 055	471 675	794 345
2007					
<i>Maturity analysis</i>					
Under one year	87 461	341	139 480	194 190	421 472
One to five years	41 168	11 373	19 329	116 267	188 137
Over five years	82	2 482	2 153	64 690	69 407
	128 711	14 196	160 962	375 147	679 016

24 FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

The group has satisfied the criteria for designation of financial instruments as at fair value through profit or loss in terms of the accounting policies.

Various fixed-rate advances and liabilities are entered into by the group. The overall interest rate risk of the group is economically hedged by the Asset and Liability Management Division of the group by way of interest rate swaps. The interest rate risk is then traded to the market through the trading desk.

The swaps and frontdesk trading instruments meet the definition of 'derivatives', and are therefore measured at fair value in terms of IAS 39. Fixed-rate advances and liabilities, however, do not meet this definition. Therefore, to avoid any accounting mismatch of holding the advances at amortised cost and the hedging instruments at fair value, the advances and liabilities are designated as at fair value through profit or loss and are held at fair value.

Various instruments are designated as at fair value through profit or loss, which is consistent with the group's documented risk management or investment strategy. The fair value is the attribute of the instrument that is managed and reviewed on a regular basis by the risk/investment strategies of the group. The risk of the portfolio is measured and monitored on a fair-value basis.

24.1 Financial assets designated as at fair value through profit or loss

	Change in fair value due to change in credit risk		
	Maximum exposure to credit risk Rm	Current period** Rm	Cumulative Rm
2008			
Negotiable certificates of deposit purchased	1 091		
Treasury bills	3 461		
Government-guaranteed	13 126		
Other dated securities	2 927		
Commercial mortgage loans	16 824	(1)	11
Instalment credit	2 794		1
Leases and debentures	632		
Preference shares	2 349		
Loans and advances (secured and unsecured)	6 074		
Overdrafts	*		
Foreign correspondents	2 850		
Other loans	2 143	(2)	
Loans to other banks	277		
Trade and other bills and acceptances	337		
Debtors and accruals	167		
Listed investments	541		
Unlisted investments	1 560		
Endowment policy	8		
Insurance policyholder investments	5 879		
Policyholder assets	(36)		
	63 004	(3)	12

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

24 FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS ... continued

24.1 Financial assets designated as at fair value through profit or loss ... continued

	Maximum exposure to credit risk Rm	Change in fair value due to change in credit risk	
		Current period** Rm	Cumulative Rm
2007			
Negotiable certificates of deposit purchased	341		
Treasury bills	3 901		
Government-guaranteed	11 255		
Other dated securities	991		
Commercial mortgage loans	9 756	3	12
Instalment credit	31	(3)	1
Leases and debentures	123		
Preference shares	1 726		
Loans and advances (secured and unsecured)	5 878	(10)	
Overdrafts	28		
Foreign correspondents	2 084		
Other loans	2 316	(93)	2
Loans to other banks	497		
Trade and other bills and acceptances	492		
Debtors and accruals	243		
Listed investments	595		
Unlisted investments	1 317		
Endowment policy	245		
Insurance policyholder investments	5 881		
Policyholder assets	(35)		
	47 665	(103)	15

* Represents amounts less than R1 million.

** Refer to note 27.1.

Nedbank Group has estimated the change in credit risk in accordance with IAS 39: Financial Instruments: Recognition and Measurement as being the amount arising from the change in fair value of the financial instrument that is not attributable to changes in market conditions that give rise to market risk. Individual credit spreads for loans or receivables that have been designated as at fair value through profit or loss are determined at inception of the deal. The credit spread is calculated as the difference between the benchmark interest rate and the interest rate charged to the client. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value in the financial instrument. Loans and advances are reviewed for observable changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated as at fair value through profit or loss.

24.2 Financial liabilities designated as at fair value through profit or loss

	Fair value Rm	Contractually payable at maturity Rm	Change in fair value due to change in credit risk	
			Current period Rm	Cumulative Rm
2008				
Long-term subordinated debt instruments	7 951	7 955	207	262
Call and term deposits	31 324	31 193	50	55
Fixed deposits	98	97		
Promissory notes and other liabilities	6	6		
Foreign currency liabilities	4 659	4 656		
Investment contract liabilities	5 843	5 843		
Negotiable certificates of deposit	62 889	62 405	88	97
Sundry creditors	50			
	112 820	112 155	345	414
2007				
Long-term subordinated debt instruments	7 725	7 971	47	55
Call and term deposits	18 294	18 397	2	5
Fixed deposits	80	83	1	
Promissory notes and other liabilities	74	75	(5)	
Foreign currency liabilities	5 283	5 279		
Investment contract liabilities	5 846	5 846		
Negotiable certificates of deposit	30 716	30 884	9	9
	68 018	68 535	54	69

The change in fair value due to credit risk has been determined as the difference between fair values determined using a credit-adjusted liability curve and a risk-free liability curve.

The curves are constructed using a standard 'bootstrapping' process to derive a zero coupon yield curve. The credit-adjusted curve was based on offer rates of negotiable certificates of deposit and promissory notes with maturity periods of up to five years, and thereafter the offer rates of issued Nedbank bonds are applied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

25 GOVERNMENT AND OTHER SECURITIES

	2008 Rm	2007 Rm
25.1 Analysis		
Government and government-guaranteed securities	30 933	19 240
Other dated securities	11 205	10 397
	42 138	29 637
25.2 Sectoral analysis		
Financial services, insurance and real estate	4 640	5 670
Banks	3 092	2 266
Manufacturing	523	
Transport, storage and communication	246	161
Retailers, catering and accommodation		200
Government and public sector	32 283	21 053
Other sectors	1 354	287
	42 138	29 637
25.3 Valuation		
Listed securities		
– Carrying amount	42 099	29 335
– Market value	42 013	29 316
Unlisted securities		
– Carrying amount	39	302
– Directors' valuation	39	302
Total market/directors' valuation	42 052	29 618



26 LOANS AND ADVANCES

The group extends advances to individuals and to the corporate, commercial and public sectors. Advances made to individuals are mostly in the form of mortgages, instalment credit, overdrafts, personal loans and credit card borrowings. The group's main activity is in the corporate and commercial sector, where advances are made to a large cross section of businesses, predominantly in the finance and service area, manufacturing and building and property finance sectors.

	2008 Rm	2007 Rm
26.1 Classification of loans and advances		
Mortgage loans	216 373	184 025
– Home loans*	143 342	123 980
– Commercial mortgages	73 031	60 045
Net finance lease and instalment debtors* (note 26.4)	61 362	52 568
– Gross investment	67 881	58 025
– Unearned finance charges	(6 519)	(5 457)
Credit cards	7 248	7 109
Other loans and advances	157 109	136 332
Properties in possession	791	308
Overdrafts	12 461	12 514
Term loans	64 144	39 835
– Personal loans	7 187	6 912
– Other term loans	56 957	32 923
Overnight loans	15 760	18 336
Other loans to clients	44 187	47 786
– Foreign client lending	8 433	13 734
– Remittances in transit	229	196
– Other loans**	35 525	33 856
Preference shares and debentures	15 667	9 377
Factoring accounts	394	494
Deposits placed under reverse repurchase agreements	2 630	5 839
Trade, other bills and bankers' acceptances	1 075	1 843
	442 092	380 034
Impairment of loans and advances (note 27)	(7 859)	(6 078)
	434 233	373 956
Comprises:		
– Loans and advances to clients	428 189	361 668
– Loans and advances to banks	13 903	18 366
	442 092	380 034

* During the 2007 financial year Nedbank Limited completed a R2 billion securitisation of the Nedbank Retail home loan portfolio. Imperial Bank Limited also successfully securitised R2 billion of its motor vehicle instalment sale agreement portfolio. The notes relating to the abovementioned securitisation deals are listed on the Bond Exchange of South Africa (BESA). In terms of IAS 39 the home loan portfolio and the motor vehicle instalment sale agreement portfolio remain on the group's balance sheet as the group is exposed to substantially all the risks and rewards of ownership of these loans and advances.

** Represents mainly loans relating to Specialised Finance and Debt Capital Markets within the Nedbank Capital segment and other loans within the Nedbank Corporate and Nedbank Retail segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

26 LOANS AND ADVANCES ... continued

	2008 Rm	2007 Rm
26.2 Sectoral analysis		
Individuals	232 006	164 315
Financial services, insurance and real estate	102 215	100 220
Banks	13 903	18 366
Manufacturing	18 542	13 942
Building and property development	5 728	8 323
Transport, storage and communication	10 237	9 769
Retailers, catering and accommodation	7 302	5 249
Wholesale and trade	8 558	8 734
Mining and quarrying	17 903	9 352
Agriculture, forestry and fishing	3 673	2 763
Government and public sector	3 225	6 666
Other services	18 800	32 335
	442 092	380 034
26.3 Geographical analysis		
South Africa	418 923	362 182
Other African countries	11 185	8 522
Europe	7 962	7 074
Asia	2 122	1 266
USA	731	493
Other	1 169	497
	442 092	380 034
26.4 Net finance lease and instalment debtors		
Gross finance lease and instalment debtors:		
No later than one year	12 092	11 236
Later than one year and no later than five years	45 048	43 055
Later than five years	10 741	3 734
	67 881	58 025
Unearned future income on finance lease and instalment debtors	(6 519)	(5 457)
Net finance lease and instalment debtors	61 362	52 568
The net finance lease and instalment debtors may be analysed as follows:		
No later than one year	10 161	10 180
Later than one year and no later than five years	40 523	39 006
Later than five years	10 678	3 382
	61 362	52 568

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

26 LOANS AND ADVANCES ... continued

26.5 Segmental analysis

Rm	Nedbank Group		Nedbank Corporate		Nedbank Capital	
	2008	2007	2008	2007	2008	2007
Mortgage loans	216 373	184 025	82 920	68 021	–	–
– Home loans	143 342	123 980	16 817	14 796		
– Commercial mortgages	73 031	60 045	66 103	53 225		
Net finance lease and instalment debtors	61 362	52 568	17 620	16 869	217	230
Credit cards	7 248	7 109	53	53		
Other loans and advances	157 109	136 332	93 101	70 612	47 902	51 387
Properties in possession	791	308	21	30		
Overdrafts	12 461	12 514	10 112	10 252	3	44
Term loans	64 144	39 835	50 541	29 022	4 518	2 059
– Personal Loans	7 187	6 912	299	343		
– Other term loans	56 957	32 923	50 242	28 679	4 518	2 059
Overnight loans	15 760	18 336	15 723	18 331	36	4
Other loans to clients	44 187	47 786	10 543	8 073	29 956	36 837
– Foreign client lending	8 433	13 734	2 850	2 084	5 582	11 649
– Remittances in transit	229	196	171	140		
– Other loans	35 525	33 856	7 522	5 849	24 374	25 188
Preference shares and debentures	15 667	9 377	5 767	4 346	9 689	4 828
Factoring accounts	394	494	394	494		
Deposits placed under reverse repurchase agreements	2 630	5 839			2 630	5 839
Trade, other bills and bankers' acceptances	1 075	1 843		64	1 070	1 776
Loans and advances before impairments	442 092	380 034	193 694	155 555	48 119	51 617
Impairment of advances	(7 859)	(6 078)	(2 151)	(1 837)	(433)	(384)
Total loans and advances	434 233	373 956	191 543	153 718	47 686	51 233
Comprises:						
Loans and advances to clients	428 189	361 668	193 235	155 226	37 316	35 621
Loans and advances to banks	13 903	18 366	459	329	10 803	15 996
Loans and advances before impairments	442 092	380 034	193 694	155 555	48 119	51 617

	Nedbank Retail		Imperial Bank		Shared Services		Central Management and eliminations	
	2008	2007	2008	2007	2008	2007	2008	2007
	121 944	106 645	11 793	9 638	–	–	(284)	(279)
	120 992	105 788	5 668	3 549			(135)	(153)
	952	857	6 125	6 089			(149)	(126)
	10 797	9 453	32 778	26 064			(50)	(48)
	7 195	7 056						
	14 636	13 271	975	521	94	146	401	395
	770	278						
	2 340	2 204			6	3		11
	8 283	8 369	801	385	–	–	1	–
	6 888	6 569						
	1 395	1 800	801	385			1	
	1	1						
	3 148	2 338	52	11	88	143	400	384
	1	1						
	58	28				28		
	3 089	2 309	52	11	88	115	400	384
	89	78	122	125				
	5	3						
	154 572	136 425	45 546	36 223	94	146	67	68
	(4 465)	(2 933)	(812)	(903)		(2)	2	(19)
	150 107	133 492	44 734	35 320	94	144	69	49
	151 931	134 412	45 546	36 223	94	118	67	68
	2 641	2 013				28		
	154 572	136 425	45 546	36 223	94	146	67	68

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

27 IMPAIRMENT OF LOANS AND ADVANCES

	Total impairments		Specific impairments		Portfolio impairments	
	2008	2007	2008	2007*	2008	2007*
	Rm	Rm	Rm	Rm	Rm	Rm
27.1 Impairment of loans and advances						
Balance at the beginning of the year* (note 52)	6 078	5 184	4 063	3 564	2 015	1 620
Impairments charge	5 201	2 581	4 885	2 205	316	376
Income statement charge net of recoveries	4 822	2 164	4 506	1 788	316	376
– loans and advances	4 825	2 267	4 509	1 891	316	376
– advances designated as at fair value through profit or loss (note 24.1)	(3)	(103)	(3)	(103)		
Recoveries	379	417	379	417		
Amounts written off against impairment/Other transfers	(3 420)	(1 687)	(3 406)	(1 706)	(14)	19
Impairment of loans and advances	7 859	6 078	5 542	4 063	2 317	2 015

27.2 Impairments of loans and advances by classification

	Balance at the beginning of the year	Impairments charge	Amounts written off against impairment /Other transfers	Total
	Rm	Rm	Rm	Rm
Total impairment – 2008				
Home loans	1 104	1 680	(522)	2 262
Commercial mortgages	502	219	21	742
Properties in possession	36	127	(35)	128
Credit cards	456	762	(585)	633
Overdrafts	696	421	(286)	831
Other loans to clients	2 176	823	(1 371)	1 628
Net finance lease and instalment debtors	1 038	1 171	(608)	1 601
Preference shares and debentures	70		(41)	29
Trade, other bills and bankers' acceptances		(2)	7	5
Impairment of advances	6 078	5 201	(3 420)	7 859
Total impairment – 2007				
Home loans	998	303	(197)	1 104
Commercial mortgages	465	82	(45)	502
Properties in possession	66	(4)	(26)	36
Credit cards	282	515	(341)	456
Overdrafts	685	283	(272)	696
Other loans to clients	1 652	907	(383)	2 176
Net finance lease and instalment debtors	944	515	(421)	1 038
Preference shares and debentures	90	(20)		70
Trade, other bills and bankers' acceptances	2		(2)	–
Impairment of advances	5 184	2 581	(1 687)	6 078

	Balance at the beginning of the year Rm	Impairments charge Rm	Amounts written off against impairment /Other transfers Rm	Total Rm
Specific impairment – 2008				
Home loans	648	1 648	(547)	1 749
Commercial mortgages	154	163	16	333
Properties in possession	36	127	(35)	128
Credit cards	367	762	(584)	545
Overdrafts	533	377	(297)	613
Other loans to clients	1 494	863	(1 280)	1 077
Net finance lease and instalment debtors	779	952	(662)	1 069
Preference shares and debentures	52		(24)	28
Trade, other bills and bankers' acceptances		(7)	7	–
Impairment of advances	4 063	4 885	(3 406)	5 542
Specific impairment – 2007				
Home loans	660	228	(240)	648
Commercial mortgages	207	(10)	(43)	154
Properties in possession	66	(4)	(26)	36
Credit cards	239	469	(341)	367
Overdrafts	476	246	(189)	533
Other loans to clients	1 172	834	(512)	1 494
Net finance lease and instalment debtors	676	457	(354)	779
Preference shares and debentures	67	(15)		52
Trade, other bills and bankers' acceptances	1		(1)	
Impairment of advances	3 564	2 205	(1 706)	4 063
Portfolio impairment – 2008				
Home loans	456	32	25	513
Commercial mortgages	348	56	5	409
Credit cards	89		(1)	88
Overdrafts	163	44	11	218
Other loans to clients	682	(40)	(91)	551
Net finance lease and instalment debtors	259	219	54	532
Preference shares and debentures	18		(17)	1
Trade, other bills and bankers' acceptances		5		5
Impairment of advances	2 015	316	(14)	2 317
Portfolio impairment – 2007				
Home loans	338	75	43	456
Commercial mortgages	258	92	(2)	348
Credit cards	43	46		89
Overdrafts	209	37	(83)	163
Other loans to clients	480	73	129	682
Net finance lease and instalment debtors	268	58	(67)	259
Preference shares and debentures	23	(5)		18
Trade, other bills and bankers' acceptances	1		(1)	–
Impairment of advances	1 620	376	19	2 015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

27 IMPAIRMENT OF LOANS AND ADVANCES ... continued

	Total impairments		Specific impairments		Portfolio impairments	
	2008	2007	2008	2007*	2008	2007*
	Rm	Rm	Rm	Rm	Rm	Rm
27.3 Sectoral analysis						
Individuals	4 870	3 601	3 850	2 608	1 020	993
Financial services, insurance and real estate	1 012	767	447	401	565	366
Manufacturing	256	194	127	127	129	67
Building and property development	238	183	150	126	88	57
Transport, storage and communication	250	132	105	67	145	65
Retailers, catering and accommodation	345	176	292	59	53	117
Wholesale and trade	46	295	8	277	38	18
Mining and quarrying	105	45	70	16	35	29
Agriculture, forestry and fishing	65	96	33	42	32	54
Government and public sector	11	29	7	11	4	18
Other services	661	560	453	329	208	231
	7 859	6 078	5 542	4 063	2 317	2 015
27.4 Geographical analysis						
South Africa	7 604	5 910	5 364	3 960	2 240	1 950
Other African countries	89	90	47	59	42	31
Europe	112	67	85	42	27	25
Asia	6	4			6	4
Other	48	7	46	2	2	5
	7 859	6 078	5 542	4 063	2 317	2 015
27.5 Ratio of impairments						
Impairment of advances at the end of the year	7 859	6 078				
Total advances	442 092	380 034				
Ratio (%)	1.78	1.60				

* The group has changed its criteria for the distinction between specific and portfolio impairments during 2008 so as to align criteria with industry standard practice. The reclassification of impairments held against loans and advances did not have any effect on the amounts reported in the group's income statement, balance sheet, statement of changes in total shareholders' equity or cashflow statement, but had an effect on the notes above for 2007 in respect of specific and portfolio impairment provision balances. Refer to note 52 for reclassification.

27.6 Interest on specifically impaired loans and advances

1 174 708

Interest on specifically impaired loans and advances is determined for the period for which the loan and advance was classified as specifically impaired.

The amount is calculated by multiplying the discounted expected recovery by the effective interest rate for the specifically impaired loan and advance. The interest on specifically impaired loans and advances reflects the unwinding of the time value of money for the expected discounted recovery.

Interest on specifically impaired loans and advances does not represent the contractual interest that has been earned on the outstanding balance of a loan and advance.

27.7 Segmental analysis

Rm	Nedbank Group	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank	Shared services and Central Management
2008						
Opening balance	6 078	1 837	384	2 933	903	21
– Specific impairment	4 063	820	362	2 105	752	24
– Portfolio impairment	2 015	1 017	22	828	151	(3)
Impairment charge	5 201	561	54	3 882	719	(15)
– Income statement impairment charge net of recoveries	4 822	471	36	3 630	701	(16)
– Specific impairment	4 506	328	6	3 583	605	(16)
– Portfolio impairment	316	143	30	47	96	
– Recoveries	379	90	18	252	18	1
Amounts written off/Other transfers	(3 420)	(247)	(5)	(2 350)	(810)	(8)
– Specific impairment	(3 406)	(256)	(5)	(2 326)	(810)	(9)
– Portfolio impairment	(14)	9		(24)		1
Total impairments	7 859	2 151	433	4 465	812	(2)
– Specific impairment	5 542	982	381	3 614	565	
– Portfolio impairment	2 317	1 169	52	851	247	(2)
2007						
Opening balance	5 184	1 773	370	2 386	622	33
– Specific impairment	3 564	861	358	1 771	541	33
– Portfolio impairment	1 620	912	12	615	81	
Impairment charge	2 581	312	25	1 828	419	(3)
– Income statement impairment charge net of recoveries	2 164	158	25	1 572	412	(3)
– Specific impairment	1 788	40	15	1 386	343	4
– Portfolio impairment	376	118	10	186	69	(7)
– Recoveries	417	154		256	7	
Amounts written off/Other transfers	(1 687)	(248)	(11)	(1 281)	(138)	(9)
– Specific impairment	(1 706)	(235)	(11)	(1 308)	(139)	(13)
– Portfolio impairment	19	(13)		27	1	4
Total impairments	6 078	1 837	384	2 933	903	21
– Specific impairment	4 063	820	362	2 105	752	24
– Portfolio impairment	2 015	1 017	22	828	151	(3)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

28 OTHER ASSETS

	2008 Rm	2007 Rm
Sundry debtors and other accounts	5 227	5 598
Trading securities and spot positions	857	3 715
	6 084	9 313

29 CURRENT TAXATION

Normal taxation		
– Current taxation receivable	346	59
– Current taxation liabilities	(235)	(337)
	111	(278)

30 INVESTMENT SECURITIES

30.1 Carrying amount

<i>Listed investments</i>	525	598
Private-equity portfolio	489	482
Other	36	116
<i>Unlisted investments</i>	2 087	1 874
Endowment Policies	27	245
Dr Holsboer/NES Investment Portfolio	177	240
Morning Tide Investments 168 (Pty) Limited	86	94
Strate Limited	28	16
Private-equity portfolio	1 085	916
Other	684	363
Total listed and unlisted investments	2 612	2 472
<i>Listed policyholder investments at market value</i>	4 987	5 178
Equities	274	419
Government, public and private sector stock	187	196
Unit trusts	4 526	4 563
<i>Unlisted policyholder investments at directors' valuation</i>	892	703
Equities	2	7
Negotiable certificates of deposit, money market and other short-term funds	890	696
<i>Net policyholder liabilities</i>	(36)	(35)
Total policyholder investments	5 843	5 846
Total investment securities	8 455	8 318
30.2 Fair value of listed and unlisted investments		
Listed at market value	525	598
Unlisted at directors' valuation	2 087	1 874
	2 612	2 472

A register of private-equity and other investments is available for inspection at the company's registered offices.

31 INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT VENTURES

	2008 Rm	2007 Rm
31.1 Carrying amount		
Unlisted investments	1 167	978
	1 167	978
31.2 Movement in carrying amount		
Carrying amount at the beginning of the year	978	907
Share of associate companies' and joint ventures' profit after taxation for the current year	154	239
Dividends received	(128)	(163)
Net acquisitions/(disposals) of associate companies and joint ventures at carrying value	161	(5)
Foreign currency translation differences	2	
Carrying amount at the end of the year	1 167	978
31.3 Analysis of carrying amount		
Associate investments – on acquisition: Net asset value	986	827
Share of retained earnings since acquisition	602	447
Cumulative dividends received	(424)	(296)
Foreign currency translation differences	3	
	1 167	978
Information relating to investments in associate companies appears on pages 328 to 329.		
31.4 Valuation		
Unlisted at directors' valuation	1 167	978
	1 167	978
31.5 Goodwill included in associate investments		
The carrying amount of investments includes the following amount in respect of goodwill:		
– Carrying amount at the beginning of the year	–	197
– Cost		197
– Realised through disposals		(197)
Carrying amount at the end of the year	–	–

31.6 Summarised financial information of investments in associate companies and joint ventures

	Joint ventures Rm	Associates Rm	Total Rm
2008			
Total assets	2 738	5 117	7 855
Total liabilities	2 610	4 440	7 050
Operating results	291	196	487
Total revenues	1 831	1 052	2 883
2007			
Total assets	3 448	3 182	6 630
Total liabilities	3 349	2 254	5 603
Operating results	368	650	1 018
Total revenues	1 339	1 032	2 371

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

32 NON-CURRENT ASSETS HELD FOR SALE

	Previously included in	Net carrying amount Rm
2008		
Properties sold not yet transferred	Property and equipment	10
		10
2007		
Properties sold not yet transferred	Property and equipment	31
		31

Commitments for the sale of several properties had been entered into at year-end. Transfer, however, had not been effected at these dates. Transfer of the properties is expected to take place during the following year.

33 DEFERRED TAXATION

	2008 Rm	2007 Rm
33.1 Reconciliation of deferred taxation balance		
<i>Deferred taxation asset</i>		
Balance at the beginning of the year	25	120
Current-year temporary differences recognised in the income statement	128	(95)
– Impairment of loans and advances	13	
– Other income and capital items	(100)	(95)
– Taxation losses recognised	215	
Other movements	47	
Balance at the end of the year	200	25
<i>Deferred taxation liability</i>		
Balance at the beginning of the year	1 616	1 649
Current-year temporary differences recognised in the income statement	560	155
– Client credit agreements	(132)	(794)
– Deferred acquisition costs	23	254
– Impairment of loans and advances	(154)	
– Other income and capital items	897	(1 498)
– Taxation losses (utilised)/recognised	(74)	2 193
Other movements	(76)	(188)
Balance at the end of the year	2 100	1 616

	2008 Rm	2007 Rm
33.2 Analysis of deferred taxation		
<i>Deferred taxation asset</i>		
Impairment of loans and advances	63	3
Other income and capital items	(142)	22
Taxation losses	279	
	200	25
<i>Deferred taxation liability</i>		
Client credit agreements	752	1 089
Deferred acquisition costs	277	254
Impairment of loans and advances	(468)	(314)
Other income and capital items	1 613	651
Taxation losses	(74)	(64)
	2 100	1 616
34 INVESTMENT PROPERTY		
34.1 Fair value		
Fair value at the beginning of the year	171	158
Acquisitions	26	10
Disposals	(1)	(15)
Net gain from fair-value adjustments	17	18
Fair value at the end of the year	213	171
34.2 Fair value of investment property		
Investment properties are freehold and are either held to earn rentals or for capital appreciation. External valuations have been obtained for all investment properties and have been determined in accordance with the group's accounting policies. The valuers are all members or associates of the Institute of Valuers (SA).		
The carrying amount of these properties is the fair value of property as determined by registered independent valuers who have recent experience in the location and category of the property being valued. The assumed discount rate applied was between 9,5% and 15,0%, and takes into account the type of property and the property location.		
Valuations determined by reference to existing market conditions	207	162
Valuations based on discounted future income streams	6	9
	213	171
34.3 Rental income and operating expenses from investment property		
Rental income from investment property	16	17
Direct operating expense arising from investment property that generated rental income	23	20
34.4 Minimum contractual lease rental income from investment property		
2008		13
2009	14	13
2010	4	11
	18	37

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

35 PROPERTY AND EQUIPMENT

	Land		Buildings	
	2008	2007	2008	2007
Gross carrying amount				
Balance at 1 January	614	396	1 957	1 808
Acquisitions	8	5	230	52
Increases arising from revaluations	15	213	123	327
Transfers (to)/from non-current assets held for sale	(6)		24	
Disposals				(216)
Reclassification	(3)		(8)	32
Writeoff of accumulated depreciation on revaluations			(41)	(46)
Effect of movements in foreign exchange rates				
Balance at 31 December	628	614	2 285	1 957
Accumulated depreciation and impairment losses				
Balance at 1 January			153	156
Depreciation charge for the year			71	67
Acquisitions				
Writeoff of accumulated depreciation on revaluations			(41)	(46)
Transfers to non-current assets held for sale			(1)	
Impairments				(59)
Disposals				35
Reclassification				
Effect of movements in foreign exchange rates				
Balance at 31 December	–	–	182	153
Carrying amount				
At 1 January	614	396	1 804	1 652
At 31 December	628	614	2 103	1 804

Registers providing the information regarding land and buildings, as required in terms of schedule 4 of the Companies Act, 61 of 1973, are available for inspection at the registered office of the company.

Equipment (principally computer equipment, motor vehicles, fixtures and furniture) is stated at cost less accumulated depreciation and impairment losses. Property is recognised at the revalued amount, which is based on external valuations obtained every three years on a rotation basis for all properties in accordance with the group's accounting policy. The valuers are all members or associates of the Institute of Valuers (SA). An annual internal review is also done on those properties not subject to external valuation. The carrying amount of properties is the fair value as determined by the valuers less subsequent accumulated depreciation and impairment losses. Adjustments in the valuation of the properties are recorded in the revaluation reserve which is amortised over the remaining useful life of the property.

In respect of certain property there are restrictions of title in terms of regulatory restrictions such as servitudes. This does not have a material effect on the ability of the group to transfer these properties. No material plant and equipment has been pledged as security for liabilities.

In determining the fair value of properties the assumed discount rates applied for future income streams range between 8,5% and 14% and take into account the type of property and the property's location.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R1 434 million (2007: R1 381 million).

	Computer equipment		Furniture and other equipment		Vehicles		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	2 383	2 153	1 687	1 499	30	45	6 671	5 901
	353	332	339	350	5	4	935	743
	(152)	(99)	(162)	(121)	(9)	(19)	(323)	(455)
				(44)			(11)	(12)
	1	(3)	(8)	3	2		(41)	(46)
							(5)	-
	2 585	2 383	1 856	1 687	28	30	7 382	6 671
	1 687	1 508	887	835	15	25	2 742	2 524
	331	288	211	187	3	3	616	545
			(3)				(3)	-
							(41)	(46)
		(10)					(1)	-
	(136)	(99)	(124)	(121)	(3)	(13)	(263)	(198)
				(14)			-	(14)
	2		2		1		5	-
	1 884	1 687	973	887	16	15	3 055	2 742
	696	645	800	664	15	20	3 929	3 377
	701	696	883	800	12	15	4 327	3 929



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

36 LONG-TERM EMPLOYEE BENEFITS

The group has a number of defined-benefit and defined-contribution plans in terms of which it provides pension, post-retirement medical aid and long-term disability benefits to employees and their dependants on retirement, death or disability. All eligible employees and former employees are members of trustee-administered or underwritten schemes within the group, financed by company and employee contributions. All South African retirement plans are governed by the Pension Funds Act of 1956. The defined-benefit funds are actuarially valued using the projected unit credit method. Any deficits are funded to ensure the ongoing financial soundness of the funds.

The benefits provided by the defined-benefit schemes are based on years of membership and/or salary levels. These benefits are provided from contributions by employees, the group, and income from the assets of these schemes. The benefits provided by the defined-contribution schemes are determined by the accumulated contributions and investment earnings.

At the dates of the latest valuations, the defined-benefit plans were in a sound financial position in terms of section 16 of the Pensions Funds Act. During 1998 active members in the Nedgroup Pension Fund (defined benefit) were granted a further option to transfer to one of the defined-contribution funds and approximately three quarters of the then valuation surplus was allocated to members and pensioners.

The funds that constitute the assets and liabilities that the group has recognised in the balance sheet in respect of its defined-benefit plans are listed below. The latest actuarial valuations were performed at 31 December 2008.

Refer note 14 for the expense relating to the defined-contribution plans.

Postemployment benefits

Defined-benefit pension and provident funds

- Nedgroup Pension Fund (including the Optiplus policy).
- BoE Funds, which consist of NBS Group Pension Fund, BoE Limited Pension Fund (1969) and Pension Fund of BoE Bank: Business Division.
- Fairbairn Funds, which consist of Fairbairn Private Bank Pension and Provident Funds.
- Nedbank UK Pension Fund.
- Other funds, which consist of Nedbank Swaziland Limited Pension Fund and Nedbank Lesotho Pension Fund (2007 includes the Lion Match Group Pension Fund and Lion Match Closed Pension Fund. Lion Match was disposed of during 2007).

Defined-benefit medical aid schemes

- Nedgroup Medical Aid Scheme for Nedbank employees and pensioners.
- Nedgroup Medical Aid Scheme for past BoE employees and pensioners.
- Nedbank Namibia Medical Aid Fund.

Other long-term employee benefits

Disability fund

- Nedbank Group Disability Fund [including the Old Mutual Alternative Risk Transfer Fund (OMART) policy].

Insurance policies held with related parties

- Optiplus (Nedgroup Pension Fund) and OMART (Nedbank Group Disability Fund) are insurance policies, the proceeds of which can only be used to pay or fund the employee benefits under the specific funds. However, these policies are not qualifying insurance policies in terms of IAS 19 Employee Benefits since they are held with related parties. These rights to reimbursement are therefore recognised as separate assets and in all other respects are treated in the same way as other plan assets.

36.1 Analysis of long-term employee benefit assets and liabilities

Rm	Assets	Liabilities	Net asset/ (liability)
2008			
Postemployment benefits	1 465	(1 021)	444
Other long-term employee benefits – Disability fund	276	(210)	66
	1 741	(1 231)	510
2007			
Postemployment benefits	1 126	(976)	150
Other long-term employee benefits – Disability fund	267	(181)	86
	1 393	(1 157)	236

The group's defined-benefit obligation in terms of the Nedbank Group Disability Fund is recognised together with the fair value of the assets held in OMART. OMART is a SPE controlled by the group and was established to fund this defined-benefit obligation. The value of the OMART asset held by the group is R276 million (2007: R267 million).

36.2 Postemployment benefits

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised actuarial (gains)/losses and assets	Net asset/ (liability)
Analysis of postemployment benefit assets and liabilities (Rm)					
2008					
Pension funds	3 315	4 455	1 140	(500)	640
– Nedgroup Fund	2 608	3 613	1 005	(389)	616
– BoE Funds	326	468	142	(142)	–
– Nedbank UK Fund	205	201	(4)	20	16
– Fairbairn Funds	67	66	(1)	9	8
– Other funds	109	107	(2)	2	–
Medical aid funds	916	743	(173)	(23)	(196)
– Nedgroup scheme for Nedbank employees	808	743	(65)	(24)	(89)
– Nedgroup scheme for BoE employees	103		(103)	1	(102)
– Nedbank Namibia scheme (unfunded)	5		(5)		(5)
Total	4 231	5 198	967	(523)	444
2007					
Pension funds	2 963	4 723	1 760	(1 450)	310
– Nedgroup Fund	2 260	3 855	1 595	(1 292)	303
– BoE Funds	285	431	146	(146)	–
– Nedbank UK Fund	224	250	26	(9)	17
– Fairbairn Funds	93	75	(18)	9	(9)
– Other funds	101	112	11	(12)	(1)
Medical aid funds	811	749	(62)	(98)	(160)
– Nedgroup scheme for Nedbank employees	712	749	37	(97)	(60)
– Nedgroup scheme for BoE employees	95		(95)	(1)	(96)
– Nedbank Namibia scheme (unfunded)	4		(4)		(4)
Total	3 774	5 472	1 698	(1 548)	150

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

36 LONG-TERM EMPLOYEE BENEFITS ... continued

36.2 Postemployment benefit ... continued

	Pension and provident funds	Medical aid funds	Total
Present value of defined-benefit obligation (Rm)			
2008			
Balance at the beginning of the year	2 963	811	3 774
Current service cost	31	35	66
Interest cost	271	70	341
Contributions by plan participants	9		9
Actuarial (gains)/losses	(96)	34	(62)
Transfers and curtailments	(28)		(28)
Recognition of pension fund asset	394		394
Benefits paid	(233)	(34)	(267)
Other movements	4		4
Balance at the end of the year	3 315	916	4 231
2007			
Balance at the beginning of the year	3 000	810	3 810
Current service cost	33	31	64
Interest cost	227	70	297
Contributions by plan participants	9		9
Actuarial gains	(35)	(65)	(100)
Disposals	(11)		(11)
Benefits paid	(258)	(35)	(293)
Other movements	(2)		(2)
Balance at the end of the year	2 963	811	3 774
Fair value of plan assets (Rm)			
2008			
Balance at the beginning of the year	4 723	749	5 472
Expected return on plan assets	424	62	486
Actuarial losses	(484)	(38)	(522)
Contributions by the employer	30		30
Contributions by plan participants	8		8
Benefits paid	(233)	(30)	(263)
Transfers	(17)		(17)
Other movements	4		4
Balance at the end of the year	4 455	743	5 198
2007			
Balance at the beginning of the year	4 265	700	4 965
Expected return on plan assets	361	58	419
Actuarial gains	433	22	455
Contributions by the employer	22		22
Contributions by plan participants	9		9
Benefits paid	(258)	(31)	(289)
Disposals	(107)		(107)
Other movements	(2)		(2)
Balance at the end of the year	4 723	749	5 472

	Pension and provident funds	Medical aid funds	Total
Net asset/(liability) recognised (Rm)			
2008			
Present value of defined-benefit obligation	(3 315)	(916)	(4 231)
Fair value of plan assets	4 455	743	5 198
Funded status	1 140	(173)	967
Unrecognised net actuarial gains	(359)		(359)
Unrecognised asset due to asset ceiling	(141)	(23)	(164)
	640	(196)	444
Asset	1 465		1 465
Liability	(825)	(196)	(1 021)
2007			
Present value of defined-benefit obligation	(2 963)	(811)	(3 774)
Fair value of plan assets	4 723	749	5 472
Funded status	1 760	(62)	1 698
Unrecognised net actuarial gains	(310)	(98)	(408)
Unrecognised asset due to asset ceiling	(1 140)		(1 140)
	310	(160)	150
Asset	1 126		1 126
Liability	(816)	(160)	(976)
Net (income)/expense recognised (Rm)			
2008			
Current service cost	31	35	66
Interest cost	271	70	341
Expected return on plan assets	(424)	(62)	(486)
Amortisation of unrecognised actuarial gains	(35)	(1)	(36)
Past service cost – benefit of rule change allocated to members	394		394
Asset recognition – benefit of rule change allocated to the fund	(526)		(526)
Gain on curtailments and settlements	(9)		(9)
Effect of application of asset ceiling	(2)	(1)	(3)
	(300)	41	(259)
2007			
Current service cost	33	31	64
Interest cost	227	70	297
Expected return on plan assets	(361)	(58)	(419)
Amortisation of unrecognised actuarial losses/(gains)	16	(1)	15
Effect of application of asset ceiling	63		63
	(22)	42	20
Movements in net asset/(liability) recognised (Rm)			
2008			
Balance at the beginning of the year	310	(160)	150
Net income/(expense) recognised in the income statement	300	(41)	259
Contributions paid by the employer	30	5	35
Balance at the end of the year	640	(196)	444
2007			
Balance at the beginning of the year	266	(122)	144
Net income/(expense) recognised in the income statement	22	(42)	(20)
Contributions paid by the employer	22	4	26
Balance at the end of the year	310	(160)	150

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

36 LONG-TERM EMPLOYEE BENEFITS ... continued

36.2 Postemployment benefits ... continued

	Pension and provident funds	Medical aid funds	Total
Distribution of plan assets (%)			
2008			
Equity instruments	34,17	28,00	33,30
Debt instruments	32,73	13,00	29,91
Property	4,73		4,05
Cash	2,71	45,00	8,75
International	16,72	14,00	16,33
Other	8,94		7,66
	100,00	100,00	100,00
2007			
Equity instruments	52,10	27,00	48,66
Debt instruments	24,12	2,00	21,09
Property	0,28		0,24
Cash	5,76	63,00	13,60
International	9,61	8,00	9,39
Other	8,13		7,02
	100,00	100,00	100,00
Actual return on plan assets (Rm)			
2008			
	(60)	24	(36)
2007			
	794	80	874
Principal actuarial assumptions (%)			
2008			
Discount rates	5,8 to 8,5	7,3 and 8,0	
Expected rates of return on plan assets	5,5 to 10,0	7,3	
Inflation rate	2,8 to 5,3	5,3	
Expected rates of salary increases	4,9 to 6,3	5,3	
Pension increase allowance	0,5 to 3,8		
Annual increase to medical aid subsidy		5,3 and 6,3	
Average expected retirement age (years)	63	60 and 63	
2007			
Discount rates	5 to 8	8 and 8,5	
Expected rates of return on plan assets	4,5 to 9,25	8,5	
Inflation rate	2,6 to 5	6,5	
Expected rates of salary increases	5 and 6	6,5	
Pension increase allowance	0 to 4,5		
Annual increase to medical aid subsidy		6,25 and 6,5	
Average expected retirement age (years)	63	60 and 63	

Pension and provident funds

The expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions, the asset splits as at the latest available date were used and adjustments were made to reflect the effect of expenses.

	2008 %	2007 %
Weighted average assumptions:		
Discount rate	7,99	8,21
Expected return on plan assets	8,74	9,14
Future salary increases	5,21	5,32
Future pension increases	3,54	3,65

Medical aid funds

The overall expected long-term rate of return on plan assets is 7,3%. The expected rate of return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. The expected rate of return is based on the expected performance of the entire portfolio.

	Pension and provident funds	Medical aid funds	Total
Experience adjustments on present value of defined-benefit obligation for past five years			
2008	(82)	33	(49)
2007	(17)	(64)	(81)
2006	105	43	148
2005	(22)	47	25
2004	(95)	16	(79)
Experience adjustments on fair value of plan assets for past five years			
2008	(483)	(39)	(522)
2007	433	22	455
2006	448	47	495
2005	374	42	416
2004	144	28	172
Estimate of future contributions			
Contributions expected for ensuing year	21	5	26
	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Fund surplus/(deficit) for past five years			
Pension funds			
2008	3 315	4 455	1 140
2007	2 963	4 723	1 760
2006	3 000	4 265	1 265
2005	2 951	3 660	709
2004	2 708	3 167	459
Medical aid funds			
2008	916	743	(173)
2007	811	749	(62)
2006	810	700	(110)
2005	714	614	(100)
2004	628	538	(90)
		2008	2007
Effect of 1% change in assumed medical cost trend rates (Rm)			
1% increase – effect on current service cost and interest cost		18	18
1% increase – effect on accumulated benefit obligation		136	120
1% decrease – effect on current service cost and interest cost		(15)	(15)
1% decrease – effect on accumulated benefit obligation		(112)	(98)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

37 COMPUTER SOFTWARE AND CAPITALISED DEVELOPMENT COSTS

	Software Rm	Software development costs Rm	Total Rm
2008			
Cost			
Balance at the beginning of the year	3 249	648	3 897
Acquisitions	92	583	675
Development costs commissioned to software	328	(328)	–
Impairment losses	(7)	(7)	(14)
Disposals and retirements	(15)		(15)
Foreign exchange and other movements	36		36
Balance at the end of the year	3 683	896	4 579
Accumulated amortisation and impairment losses			
Balance at the beginning of the year	2 326	222	2 548
Amortisation charge	414		414
Impairment losses	(3)		(3)
Disposals and retirements	(14)		(14)
Foreign exchange and other movements	27		27
Balance at the end of the year	2 750	222	2 972
Carrying amount			
At the beginning of the year	923	426	1 349
At the end of the year	933	674	1 607
2007			
Cost			
Balance at the beginning of the year	2 886	499	3 385
Acquisitions	110	414	524
Development costs commissioned to software	308	(308)	–
Disposals or retirements	(40)	43	3
Foreign exchange and other movements	(15)		(15)
Balance at the end of the year	3 249	648	3 897
Accumulated amortisation and impairment losses			
Balance at the beginning of the year	1 941	178	2 119
Amortisation charge	431		431
Impairment losses		2	2
Foreign exchange and other movements	(35)	42	7
Disposals or retirements	(11)		(11)
Balance at the end of the year	2 326	222	2 548
Carrying amount			
At the beginning of the year	945	321	1 266
At the end of the year	923	426	1 349

38 GOODWILL

	2008 Rm	2007 Rm
38.1 Reconciliation of carrying amount		
Carrying amount at the beginning of the year	3 898	3 695
Arising on business combinations		225
Realised through disposals	(2)	(21)
Foreign currency translation and other	(2)	(1)
Carrying amount at the end of the year	3 894	3 898

38.2 Analysis

	2008			2007		
	Cost Rm	Accumulated impairment Rm	Carrying amount Rm	Cost Rm	Accumulated impairment Rm	Carrying amount Rm
Fairbairn Private Bank (Jersey) Limited/ Fairbairn Trust Company Limited (Guernsey)	447	(138)	309	449	(138)	311
Peoples Mortgage Limited	198	(198)	–	198	(198)	–
Imperial Bank Limited	285	(25)	260	285	(25)	260
Nedbank Limited	3 563	(739)	2 824	3 565	(739)	2 826
Nedcor Investment Bank	375	(375)	–	375	(375)	–
Old Mutual Bank	206		206	206		206
Nedbank Namibia Limited	134	(2)	132	134	(2)	132
Capital One	82		82	82		82
American Express	81		81	81		81
	5 371	(1 477)	3 894	5 375	(1 477)	3 898

Goodwill is allocated to individual cash-generating units based on business activity. Impairment testing is done on a regular basis by comparing the net carrying value of the cash-generating units to the estimated value in use. The value in use is determined by discounting estimated future cashflows of each cash-generating unit. The discounted cashflow calculations have been performed using Nedbank's cost of equity, which is calculated using the Capital Asset Pricing Model. No impairments resulting from impairment testing have been effected for this reporting period. Management regards the useful lives of all cash-generating units to be indefinite.

	2008 Rm	2007 Rm
Geographical split is based on the area in which the cash-generating unit operates:		
Africa	3 585	3 587
Europe	309	311
	3 894	3 898
The value in use is estimated as follows:		
Africa	172 069	237 427
Europe	1 647	1 943
	173 716	239 370
Net estimated recoverable amounts:		
Africa	168 484	233 840
Europe	1 338	1 632
	169 822	235 472

Refer to note 3 for key assumptions used when assessing goodwill impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

39 SHARE CAPITAL

	2008 Rm	2007 Rm
39.1 Ordinary share capital		
<i>Authorised</i>		
600 000 000 (2007: 600 000 000) ordinary shares of R1 each	600	600
<i>Issued</i>		
468 939 397 (2007: 459 278 075) fully paid ordinary shares of R1 each	469	459
Treasury shares arising from share repurchases by subsidiaries of 59 231 657 (2007: 57 336 676) fully paidup ordinary shares of R1 each	(59)	(57)
	410	402
Subject to the restrictions imposed by the Companies Act, 61 of 1973, as amended, the unissued shares are under the control of the directors until the forthcoming annual general meeting. In terms of special resolutions passed at the May 2008 general meeting, the directors were granted the general authority to buy back up to 10% of the issued share capital of the company until the forthcoming annual general meeting.		
The treasury shares held are used mainly for the purpose of fulfilling the options and share awards outstanding in terms of the share schemes (both employees and third parties).		
39.2 Preference share capital and premium		
<i>Nedbank Limited preference share capital and premium</i>		
<i>Authorised</i>		
1 000 000 000 (2007: 1 000 000 000) non-redeemable non-cumulative preference shares of R0,001 each	1	1
<i>Issued</i>		
312 781 032 (2007: 312 781 032) non-redeemable non-cumulative preference shares of R0,001 each	*	*
Preference share premium	3,121	3,121
	3,121	3,121
<i>Imperial Bank Limited preference share capital and premium</i>		
<i>Authorised</i>		
8 000 000 (2007: 8 000 000) non-redeemable non-cumulative non-participating preference shares of R0,0005 each	*	*
<i>Issued</i>		
3 000 000 (2007: 3 000 000) non-redeemable non-cumulative non-participating preference shares of R0,0005 each	*	*
Preference share premium	300	300
Shares held by group entities	(142)	
	158	300
Total preference share capital and premium	3,279	3,421

* Represents amounts less than R1 million.

The preference shares are classified as equity instruments by Nedbank Limited and Imperial Bank Limited (the entities) and have therefore been classified as minority interest in the consolidated financial statements.

Each preference share confers on the holder the right to capital of the company in the form of a cash dividend prior to payment of dividends to any other class of shareholder. The rate is limited to 75% of the prevailing prime rate on a deemed value of R10 for Nedbank Limited and R100 for Imperial Bank preference shares, and is never compounded. The dividends, if declared, accrue half-yearly on 30 June and 31 December and are payable within 120 days of these dates respectively.

If a preference dividend is not declared, the dividend shall not accumulate and will never become payable by the entities, whether in preference to payments to any other class of share or otherwise.

If, due to any amendment of the Income Tax Act, 58 of 1962, the dividends become taxable in the hands of the shareholders and the payment of the preference share dividends becomes a deductible expense for the entities, then the 75% of prevailing prime rate will be increased to the extent that the entities incur a savings on servicing the preference shares. If such an amendment does not result in a saving for the entities, but a decrease in the returns on the preference share investment, no amendment to the rate is envisaged.

Each preference share confers on the holder the right to a return of capital on the winding-up of the entities prior to any payment to any other class of share, but holders are not entitled to any further participation in the profits, assets or any surplus assets of the entities in such circumstances.

The holders of this class of share are not entitled to be present or vote (even by proxy) at any meeting of the entities except when a declared dividend or part thereof remains in arrears and unpaid after six months from the due date or a resolution is proposed which directly affects the rights attached to the preference share or the interests of the holder, including resolutions to wind up the entities or in the reduction of their share capital.

At every general meeting where the preference shareholder is entitled to vote, the voting rights are restricted to the holder's nominal value in proportion to the total nominal value of all shares issued by the entities.

No shares in the capital of the entities, in priority to the preference shares, can be created or issued without prior sanction of the holders of preference shares by way of a resolution passed at a separate class meeting properly constituted in terms of the provisions set out in the articles of association.

39.3 Share options – staff schemes

Share options granted under the Nedcor Group (1994) Employee Incentive Scheme and Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme have an exercise price fixed at the market price of the share on the day prior to the date on which the option is granted. Options may be exercised at rates determined by the schemes' trustees and expire at the earlier of termination or varying periods of up to 10 years from the granting of the option. On exercise of the option the schemes will subscribe for shares in Nedbank Group Limited at the full market price then ruling. The difference between such market price and the exercise price is recoverable from the subsidiary that employs the relevant employee. In respect to these options granted before 7 November 2002, any amounts accrued by subsidiaries prior to exercise are transferred to non-distributable reserves net of the amount paid in respect of options exercised. As all options issued before 7 November 2002 have expired, this reserve is no longer required in the current year.

Refer to pages 206 and 207 for further detail on share option schemes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

40 AMOUNTS OWED TO DEPOSITORS

	2008 Rm	2007 Rm
40.1 Classifications		
Current accounts	45 188	45 920
Savings deposits	14 303	13 925
Other deposits and loan accounts	292 768	251 424
– Call and term deposits	192 557	153 684
– Fixed deposits	25 983	24 378
– Cash management deposits	36 149	41 910
– Securitisation notes	1 239	1 236
– Other deposits and loan accounts	36 840	30 216
Foreign currency liabilities	6 226	8 230
Negotiable certificates of deposit	87 377	56 166
Deposits received under repurchase agreements*	21 028	8 876
	466 890	384 541
Comprises:		
– Amounts owed to depositors	429 426	339 562
– Amounts owed to banks	37 464	44 979
	466 890	384 541
Deposit products include current accounts, savings accounts, call and notice deposits, fixed deposits and negotiable certificates of deposit. Term deposits vary from six months to five years in both the wholesale and retail markets.		
Foreign currency liabilities are either matched by advances to clients or hedged against exchange rate fluctuations.		
<i>* Government and other securities (note 25) amounting to R21 028 million (2007: R8 633 million) have been pledged as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred but that do not qualify for derecognition under IAS 39.</i>		
40.2 Sectoral analysis		
Banks	37 464	44 979
Government and public sector	33 220	28 921
Individuals	146 527	134 028
Business sector	249 679	176 613
	466 890	384 541
40.3 Geographical analysis		
South Africa	430 472	354 459
Other African countries	9 935	8 541
Europe	23 750	18 009
Asia	767	838
USA	279	294
Other	1 687	2 400
	466 890	384 541

40.4 Segmental analysis

Rm	Nedbank Group		Nedbank Corporate		Nedbank Capital	
	2008	2007	2008	2007	2008	2007
Current accounts	45 188	45 920	19 588	20 983	100	74
Savings deposits	14 303	13 925	643	567		
Other deposits and loan accounts	292 768	251 424	182 582	167 411	49 633	33 128
– Call and term deposits	192 557	153 684	144 009	122 338	13 478	3 875
– Fixed deposits	25 983	24 378	1 802	2 356	1 195	909
– Cash management deposits	36 149	41 910	35 565	41 876	2	
– Other deposits and loan accounts	38 079	31 452	1 206	841	34 958	28 344
Foreign currency liabilities	6 226	8 230	4 241	4 976	1 703	3 053
Negotiable certificates of deposit	87 377	56 166	986	421	85 900	55 914
Deposits received under repurchase agreements	21 028	8 876			19 681	8 616
Amounts owed to depositors	466 890	384 541	208 040	194 358	157 017	100 785

Rm	Nedbank Retail		Imperial Bank		Shared Services		Central Management and eliminations	
	2008	2007	2008	2007	2008	2007	2008	2007
Current accounts	25 405	24 794			1	3	94	66
Savings deposits	13 625	13 300					35	58
Other deposits and loan accounts	59 549	49 162	1 361	1 547	9	25	(366)	151
– Call and term deposits	34 810	27 293	110	239	9	8	141	(69)
– Fixed deposits	22 972	20 794	12	21			2	298
– Cash management deposits	590	31					(8)	3
– Other deposits and loan accounts	1 177	1 044	1 239	1 287		17	(501)	(81)
Foreign currency liabilities	282	201						
Negotiable certificates of deposit							491	(169)
Deposits received under repurchase agreements					291	260	1 056	
Amounts owed to depositors	98 861	87 457	1 361	1 547	301	288	1 310	106

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

41 PROVISIONS AND OTHER LIABILITIES

	2008 Rm	2007 Rm
Creditors and other accounts	5 162	6 758
Insurance contracts	506	451
Short trading securities and spot positions	3 657	26 545
Provision for onerous contracts (refer note 41.1)	15	18
Leave pay accrual (note 41.2)	489	453
	9 829	34 225
41.1 Provision for onerous contracts		
Balance at the beginning of the year	18	20
Recognised in profit or loss	(3)	(2)
Balance at the end of the year	15	18
41.2 Leave-pay accrual		
Balance at the beginning of the year	453	401
Movements from business combinations	(3)	5
– Additions	1	5
– Disposals	(4)	
Recognised in profit or loss	42	50
Utilised during the year	(3)	(1)
Unused amounts reversed		(2)
Balance at the end of the year	489	453
Provisions have been raised in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets, as set out in note 44.		
41.3 Day-one gains and losses		
The group enters into transactions where the fair value of the financial instruments are determined using valuation models for which certain inputs are not based on market observable prices or rates. Such financial instruments are initially recognised at the transaction price, which is the best indicator of fair value. The transaction price may differ from the valuation amount obtained, giving rise to a day-one profit or loss.		
The difference between the transaction price and the valuation amount, commonly referred to as 'day-one profit or loss', is deferred and either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised when the financial instrument is derecognised.		
The group's day-one profits are attributable to commodity financial instruments.		
Opening balance	57	37
Deferral of profit on new transactions		29
Recognised in the income statement – amortisation	(2)	(9)
Closing balance	55	57
42 INVESTMENT CONTRACT LIABILITIES		
Market value at the beginning of the year	5 846	5 278
Movements in policyholder liabilities during the year	(3)	568
Market value at the end of the year	5 843	5 846

Policies held within investment contracts are recorded at market-related values.

43 LONG-TERM DEBT INSTRUMENTS

	Nominal value	Instrument terms	2008 Rm	2007 Rm
Subordinated debt			10 627	10 787
<i>Rand-denominated</i>	(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)	1 500	7,85% per annum*	1 480	1 406
Callable notes repayable on 20 September 2018 (NED06) (d)	1 800	9,84% per annum*	1 869	1 844
Callable notes repayable on 8 February 2017 (NED07) (c)	650	9,03% per annum*	671	641
Callable notes repayable on 8 February 2019 (NED08) (d)	1 700	8,90% per annum*	1 718	1 667
Callable notes repayable on 6 July 2022 (NED 09) (f)	2 000	JIBAR + 0,47% per annum**	2 060	2 050
Callable notes repayable on 15 August 2017 (NED10) (c)	500	JIBAR + 0,45% per annum**	508	507
Callable notes repayable on 17 September 2020 (NED11) (e)	1 000	10,54% per annum*	1 051	1 048
Callable notes repayable on 14 December 2017 (NED12A) (c)	500	JIBAR + 0,70% per annum**	503	503
Callable notes repayable on 14 December 2017 (NED12B) (c)	120	10,38% per annum*	125	119
<i>Namibian dollar-denominated</i>	(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	–
<i>Rand-denominated</i>	(Rm)		1 839	–
Callable notes repayable on 20 November 2018 (NEDH1A) (g)	487	15,05% per annum*	550	–
Callable notes repayable on 20 November 2018 (NEDH1B) (g)	1 265	JIBAR + 4,75% per annum**	1 289	–
Securitised liabilities			1 420	1 409
<i>Rand-denominated</i>	(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
<i>Rand-denominated</i>	(Rm)		5	5
Unsecured debentures repayable on 30 November 2029	200	Zero coupon	5	5
<i>US dollar-denominated</i>	(US\$m)		170	125
Guaranteed loan repayable on 31 August 2009	18	1,5 basis points below 6-month LIBOR on nominal value	170	125
Total long-term debt instruments in issue			14 061	12 326

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

43 LONG-TERM DEBT INSTRUMENTS ... continued

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

Tier 3 capital

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

44 CONTINGENT LIABILITIES

	2008 Rm	2007 Rm
Guarantees on behalf of clients	25 226	20 579
Confirmed letters of credit and discounting transactions	3 129	2 427
Unutilised facilities and other	46 378	48 632
	74 733	71 638

The group in the ordinary course of business enters into transactions that expose the group to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities. This is in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

There are a number of legal or potential claims against Nedbank Limited and its subsidiary companies, the outcome of which cannot at present be foreseen.

Historically a number of group companies entered into structured-finance transactions with third parties using their tax bases. In the majority of these transactions the underlying third party has contractually agreed to accept the risk of any tax being imposed by the South African Revenue Service (SARS), although the obligation to pay rested in the first instance with the group companies. It would only be in limited cases, for example, where the credit quality of a client became doubtful, or where the client specifically contracted out of the repricing of additional taxes, that the recovery from a client could be less than the liability arising on assessment, in which case provisions would be made.

SARS has assessed one of these structures in a manner contrary to the way initially envisaged by the contracting parties. An appeal has been lodged against the assessment and SARS continues to examine other structures. As a result group companies are, or could be, obliged to pay additional amounts to SARS and recover these from clients under the applicable contractual arrangements.

45 COMMITMENTS

	2008 Rm	2007 Rm
45.1 Capital expenditure approved by directors		
Contracted	498	687
Not yet contracted	284	432
	782	1 119

Funds to meet capital expenditure commitments will be provided from group resources. In addition, capital expenditure is incurred in the normal course of business throughout the year.

45.2 Operating lease commitments

Companies in the group have entered into leases over fixed property, furniture and other equipment for varying periods. The group is a major lessor of properties, which are subject to individual contracts that specify the group's option to renew leases, escalation clauses and purchase options, if applicable. Due to the large number of lease agreements entered into by the group, this information has not been provided in the annual financial statements, but is available from the group on request. The following are the minimum lease payments under non-cancellable leases:

	2009 Rm	2010 – 2013 Rm	Beyond 2013 Rm
2008			
Land and buildings	507	1 074	2 334
Furniture and equipment	164	347	
	671	1 421	2 334

	2008 Rm	2009 – 2012 Rm	Beyond 2012 Rm
2007			
Land and buildings	529	2 202	3 910
Furniture and equipment	221	714	518
	750	2 916	4 428

45.3 Commitments under derivative instruments

The group enters into option contracts, financial futures contracts, forward rate and interest rate swap agreements and other financial agreements in the normal course of business (note 23).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

46 SECURITISATIONS

The group was party to securitisation transactions involving residential mortgage loans and motor vehicle financing. In addition, the group acts as a conduit for commercial paper, whereby it acquires long-term rated bonds and offers capital market funding to South African corporates at attractive rates. These assets are funded through the issuance of short-dated investment-grade commercial paper to institutional investors. All the commercial paper issued by Synthesis Funding Limited is assigned the highest short-term RSA local-currency credit rating by both Fitch and Moody's, and is listed on the Bond Exchange of South Africa.

In these transactions, the assets, or interests in the assets, or beneficial interests in the cashflows arising from the assets, are transferred to a SPE, or to a trust, which then transfers its beneficial interests to a SPE, which then issues floating-rate debt securities to third-party investors.

Securitisations, depending on the individual arrangement, may result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction or may lead to partial recognition of the assets to the extent of the group's continuing involvement in those assets or to derecognition of the assets and to the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer. Full derecognition only occurs when the group transfers both its contractual right to receive cashflows from the financial assets, or retains the contractual rights to receive the cashflows, but assumes a contractual obligation to pay the cashflows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

The following table shows the carrying amount of securitised assets, stated at the amount of the group's continuing involvement where appropriate, together with the associated liabilities, for each category of asset in the balance sheet:*

Rm	2008		2007	
	Carrying amount of assets	Associated liabilities	Carrying amount of assets	Associated liabilities
Loans and advances to clients				
Residential mortgage loans**	1 972	2 031	183	2 014
Motor vehicle financing	1 781	1 751	1 806	1 747
Other financial assets				
Corporate and bank paper	2 067		2 416	
Other securities	5 673		6 744	
Commercial paper		7 727		9 162
Total	11 493	11 509	11 149	12 923

This table presents the gross balances within the securitisation schemes and does not reflect any elimination of intercompany balances.

* The value of any derivative instruments taken out to hedge any financial asset or liability is adjusted against such instrument in this disclosure.

** The residential mortgage loan securitisation programme was commenced in November 2007, and at 31 December 2007 cash of R1 817 million within the securitisation scheme was held on deposit with Nedbank Limited. There are minimal portions in this programme that remain undrawn at the end of December 2008. All remaining cash received from the securitisation remains with Nedbank Limited on deposit.

47 FOREIGN CURRENCY CONVERSION GUIDE

Monetary figures in these financial statements are expressed in South African rand to the nearest million. The approximate value of the South African rand at 31 December against the following currencies was:

	Actual 2008	Actual 2007	Average 2008	Average 2007
United States dollar	0,1067	0,1466	0,1211	0,1424
Pound sterling	0,0735	0,0732	0,0665	0,0710
Euro	0,0757	0,0997	0,0829	0,1033

48 CASHFLOW INFORMATION

	2008 Rm	2007 Rm
48.1 Reconciliation of profit from operations to cash generated by operations		
Profit from operations	8 718	8 745
Adjusted for:		
– Depreciation (note 14)	616	545
– Amortisation: computer software (note 14)	414	431
– Movement in impairment of loans and advances	5 201	2 581
– Loss/(Profit) on disposal of property and equipment	42	(20)
– Net income on investment banking assets	(8)	(28)
– Effects of exchange rate changes on cash and cash equivalents (excluding foreign borrowings)	(44)	5
– Impairment losses on investments, property and equipment, and capitalised development costs (note 17)	11	7
– Profit on sale of subsidiaries, investments and property and equipment (note 17)	(767)	(118)
– Transaction taxes	374	305
Cash generated by operations	14 557	12 453
48.2 Cash received from clients		
Interest and similar income (note 11)	57 986	42 001
Commission and fees (note 13)	7 910	7 528
Net trading income (note 13)	1 553	1 334
Other income	1 024	1 425
	68 473	52 288
48.3 Cash paid to clients, employees and suppliers		
Interest expense (note 12)	(41 816)	(27 855)
Staff costs (note 14)	(7 040)	(7 079)
Other operating expenses	(5 629)	(5 454)
	(54 485)	(40 388)
48.4 Increase in operating assets		
Other short-term securities	7 204	(37)
Government and other securities	(12 501)	(7 441)
Advances and other accounts	(76 695)	(59 219)
	(81 992)	(66 697)
48.5 Increase in operating liabilities		
Current and savings accounts	(354)	5 122
Other deposits, loan accounts and foreign currency liabilities	39 340	46 445
Negotiable certificates of deposit	31 211	10 648
Deposits received under repurchase agreements	12 152	(2 359)
Creditors and other liabilities	(11 031)	(3 850)
	71 318	56 006

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

48 CASHFLOW INFORMATION ... continued

	2008 Rm	2007 Rm
48.6 Taxation paid		
Amounts payable at the beginning of the year	(278)	(273)
Income statement charge (excluding deferred taxation)	(1 443)	(2 086)
Total indirect taxation (note 16)	(374)	(305)
Portion of transaction taxation on property and equipment acquired to be depreciated in future years	(27)	(33)
Amounts (receivable)/payable at the end of the year (note 29)	(111)	278
	(2 233)	(2 419)
48.7 Disposal of investments in subsidiary companies net of cash		
Cash and cash equivalents	20	40
Loans and advances		68
Other assets	82	131
Investment securities		261
Non-current assets held for sale		532
Investments in associate companies and joint ventures	4	
Deferred taxation asset	1	
Property and equipment	25	170
Amounts owed to depositors		(191)
Provisions and other liabilities	(66)	(105)
Current taxation liabilities	2	
Other liabilities held for sale		(467)
Deferred taxation liabilities		(14)
Net assets disposed	68	425
Profit/(Loss) on disposal	21	19
Minority interest	(29)	(57)
Goodwill		19
Consideration received	60	406
Cash and cash equivalents disposed	(20)	(40)
Net consideration	40	366
48.8 Acquisition of investments in subsidiary companies net of cash		
Minority interest		(23)
Goodwill		(224)
Consideration paid	–	(247)
Less: Cash and cash equivalents acquired		–
Net cash outflow	–	(247)
48.9 Dividends paid		
Recognised in the group statement of changes in total shareholders' equity	(2 736)	(2 402)

49 MANAGED FUNDS

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

49.3 Reconciliation of movement in funds under management – by type

	Unit trusts Rm	Third party Rm	Private clients Rm	Total Rm
Balance at 31 December 2006	32 780	23 320	30 112	86 212
Group transfers	2 347	(6 716)	4 369	–
Disposals		(14 659)		(14 659)
Inflows	13 942	1 052	13 686	28 680
Outflows	(12 402)	(368)	(9 782)	(22 552)
Mark-to-market value adjustment	3 573	79	3 898	7 550
Foreign currency translation differences	(170)	124	253	207
Balance at 31 December 2007	40 070	2 832	42 536	85 438
Inflows	18 810	1 166	12 473	32 449
Outflows	(15 415)	(760)	(9 754)	(25 929)
Mark-to-market value adjustment	(6 291)	(66)	(3 348)	(9 705)
Foreign currency translation differences	2 068	20	40	2 128
Balance at 31 December 2008	39 242	3 192	41 947	84 381

49.4 Reconciliation of movement in funds under management – by geography

	South Africa Rm	Rest of world Rm	Total Rm
Balance at 31 December 2006	72 827	13 385	86 212
Disposals	(14 349)	(310)	(14 659)
Inflows	23 921	4 759	28 680
Outflows	(18 584)	(3 968)	(22 552)
Mark-to-market value adjustment	6 860	690	7 550
Foreign currency translation differences		207	207
Balance at 31 December 2007	70 675	14 763	85 438
Inflows	26 876	5 573	32 449
Outflows	(21 656)	(4 273)	(25 929)
Mark-to-market value adjustment	(7 492)	(2 213)	(9 705)
Foreign currency translation differences		2 128	2 128
Balance at 31 December 2008	68 403	15 978	84 381

The group, through a number of subsidiaries and joint ventures, operates unit trusts, holds and invests funds on behalf of clients and acts as a trustee in a number of fiduciary capacities. In addition, companies in the group operate securities and custodial services on behalf of clients. Commissions and fees earned in respect of trust and management activities performed are included in the group income statement as non-interest revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

50 SHARE-BASED PAYMENTS

Nedbank Group Limited shares, share options over Nedbank Group Limited shares and equity instruments in respect of Nedbank Group Limited shares are granted to employees as part of their remuneration package as services are rendered, as well as to clients, business partners and affinity groups as an incentive to retain business and develop growth within the group. The following are the share and share option schemes that have been in place during the year. All schemes are equity-settled at group level except the UK long-term incentive scheme, which is cash-settled.

As the group cannot estimate reliably the fair value of services received nor the value of additional business received, the group rebuts the presumption that such services and business can be measured reliably. The group therefore measures their fair value by reference to the fair value of the shares, share options or equity instruments granted, in line with the group's accounting policy. The fair value of such shares, share options and equity instruments is measured at the grant date utilising the Black-Scholes valuation model.

50.1 Description of arrangements

Scheme	Trust/Special-purpose vehicle (SPV)	Description
Traditional employee schemes		
Nedbank Group (1994) Share Option Scheme	Nedbank Employee Share Trust	Share options are granted to key personnel to motivate senior employees to remain with the group. The granting of share options is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.
Nedbank Group (2005) Share Option and Restricted Share Scheme	Nedbank Group (2005) Share Scheme Trust	Share options and restricted shares are granted to key personnel to motivate senior employees to remain with the group. The granting of share options and restricted shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.
Nedbank Group (2005) Matched Share Scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after tax bonus can be invested, which will be matched by the group with shares.
Old Mutual UK Sharesave Scheme	n/a	All eligible employees of Fairbairn Private Bank (Jersey) Limited, Fairbairn Private Bank (Isle of Man) Limited and Fairbairn Trust Company Limited (Guernsey) are entitled to participate in the Old Mutual UK Sharesave Scheme, which allows them to elect to save between £5 and £250 per month over a three- or five-year period, and receive an option to purchase Old Mutual plc shares in the future at an exercise price that is set at the start of the scheme. Invitations to participate in the scheme are issued annually.
Nedbank UK long-term incentive plan	Nedbank Group (2005) Share Scheme Trust amended to accommodate the United Kingdom participants	Employees who perform services in the United Kingdom on behalf of the Group will be considered for participation in the UK LTIP. Selected employees will be granted share appreciation rights ('SARs'). SARs are similar to options in that SARs are granted at a predetermined exercise price and vesting and expiry date. When the participant elects to exercise the SARs, the employer settles the difference between the current market price and the exercise price in cash.

Vesting requirements	Maximum term
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Share options granted on appointment are time-based, of which 50% vest after three years and the remaining 50% after four years.	6 years
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Annual allocations to existing staff are linked to the achievement of predetermined targets for growth in headline earnings over the performance period of three and four years.	
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Completion of three years' service plus, where applicable, predetermined targets for average return on income, average fully dilutive headline earnings per share growth and average cost-to-income ratio.	5 years
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Three years' service and achievement of Nedbank Group performance targets. Where these performance targets are not met, 50% will vest, provided that the three years' service has been achieved.	3 years
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Completion of three or five years' service.	5,5 years
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Completion of three or five years' service from grant date, subject to corporate performance targets being met.	5 years
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

50 SHARE-BASED PAYMENTS ... continued

50.1 Description of arrangements... continued

Scheme	Trust/SPV	Description
Nedbank Eyethu BEE schemes		
– Employees		
Non-executive Directors' Scheme	Nedbank Eyethu Non-Executive Directors' Trust	Certain non-executive directors acquired restricted shares at par value, with notional funding over a period of six years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Black Executive Scheme	Nedbank Eyethu Black Executive Trust	Restricted shares and share options were granted to certain black employees on a senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees on middle and senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Broad-based Employee Scheme	Nedbank Eyethu Broad-based Employee Trust	Restricted shares granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights. However, the participants are not entitled to deal in the shares for a period of five years.
Nedbank Eyethu BEE schemes		
– Clients and business partners		
Black Business Partner Scheme	Wiphold Financial Services Number Two Trust and Brimstone-Mtha Financial Services Trust	Each trust was issued an equal number of restricted shares at R1,87 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Retail Scheme	Nedbank Eyethu Retail Trust	For every three shares acquired, participants qualify for an additional bonus share after a three-year period. The participants can elect to settle the payment for the shares in a once-off lump sum payment or by a monthly debit order over 36 months. Should there be any contractual breach by the participants, they will cease to qualify for the bonus shares.
Corporate Scheme	Nedbank Eyethu Corporate Scheme Trust and Aka-Nedbank Eyethu Trust	Restricted shares were allocated to existing black corporate clients and to Aka Capital (Pty) Limited, a key corporate client that has the role of the black development partner in the scheme, at par value, with notional funding over a period of six years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights. Should there be any contractual breach by the participants, they will cease to qualify for these shares.

Vesting requirements	Maximum term
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Six years' service and no dealing in the shares during this notional funding period. So as not to compromise the non-executive directors' independence, no specific performance conditions will apply to the directors' participation.	6 years
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Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
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Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
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n/a	5 years
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No dealing in the shares during the 10-year notional funding period.	10 years
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Participants must operate and maintain a primary transaction account with Nedbank for three years.	3 years
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Participants must use Nedbank as their primary banker for six years.	6 years
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

50 SHARE-BASED PAYMENTS ... continued

50.1 Description of arrangements ... continued

Scheme	Trust/SPV	Description
Nedbank Namibia Omufima BEE schemes – Employees		
Namibia Black Management Scheme	Nedbank Ofifiya Black Management Trust	Restricted shares and share options were granted to certain black employees on middle and senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Namibia Broad-based Employee Scheme	Nedbank Ofifiya Broad-based Employee Trust	Restricted shares granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Nedbank Namibia Omufima BEE schemes – Business partners and affinity groups		
Namibia Black Business Partner Scheme	Central Consortium SPV Three Investments (Pty) Limited, Coastal Consortium SPV Three Investments (Pty) Limited and Northern Empowerment SPV Three Investments (Pty) Limited	Each SPV was issued an equal number of restricted shares at R2,53 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Namibia Affinity Group Scheme	Southern Consortium SPV Three Investments (Pty) Limited and Eastern Consortium SPV Three Investments (Pty) Limited	Each SPV was issued an equal number of restricted shares at R1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Namibia Education Scheme	Nedbank Namibia Education Trust	The SPV was issued an equal number of restricted shares at R1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.

Vesting requirements	Maximum term
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Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
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No dealing in these shares during the restricted period of five years.	5 years
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No dealing in these shares during the 10-year notional funding period.	10 years
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No dealing in these shares during the 10-year notional funding period.	10 years
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No dealing in these shares during the 10-year notional funding period.	10 years
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

50 SHARE-BASED PAYMENTS

	Share-based payments expense		Share-based payments reserve/liability	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
50.2 Effect on profit and financial position				
Traditional employee schemes	86	136	290	356
Nedbank Group (1994) Share Option Scheme	7	17	42	96
Nedbank Group (2005) Share Option and Restricted Share Scheme	57	103	212	223
Nedbank Group (2005) Matched Share Scheme	20	15	31	33
Old Mutual UK Sharesave Scheme	2	1	5	4
Nedbank UK long-term incentive plan**	*	*	*	*
Nedbank Eyethu BEE schemes	180	146	640	501
Black Business Partner Scheme***	9	19	243	234
Non-executive Directors' Scheme	5	12	20	15
Retail Scheme	73	30	103	69
Corporate Scheme	60	56	181	121
Black Executive Scheme	9	7	25	16
Black Management Scheme	24	22	68	46
Nedbank Namibia Omufima BEE schemes	1	1	18	17
Namibia Black Business Partner Scheme			9	9
Namibia Affinity Group Scheme			3	3
Namibia Education Scheme			4	4
Namibia Black Management Scheme	1	1	2	1
Namibia Broad-based Employee Scheme				
	267	283	948	874

* Represents amounts less than R1 million.

** This scheme is cash-settled and therefore creates a liability.

*** The share-based payments expense relating to the Nedbank Eyethu BEE black business partners relates to the annual performance fee paid to them calculated in terms of the trust deed.

	2008		2007	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
50.3 Movements in number of instruments				
Nedbank Group (1994) Share Option Scheme				
Outstanding at the beginning of the year	4 271 871	78,00	9 123 748	79,33
Forfeited	(37 896)	51,33	(1 444 777)	80,89
Exercised	(1 080 909)	59,78	(3 254 387)	80,14
Expired	(1 282 679)	115,76	(152 713)	105,97
Outstanding at the end of the year	1 870 387	63,19	4 271 871	78,00
Exercisable at the end of the year	1 675 787	61,89	2 146 189	93,20
Weighted average share price for options exercised (R)		106,42		143,80
Nedbank Group (2005) Share Option and Restricted Share Scheme				
Outstanding at the beginning of the year	16 306 244	113,68	10 811 210	95,19
Granted	2 516 999		6 377 666	143,16
Forfeited	(1 336 047)	105,83	(612 944)	107,13
Exercised	(1 003 875)	77,83	(249 088)	91,67
Expired	(30 600)	110,98	(20 600)	84,04
Outstanding at the end of the year	16 452 721	99,02	16 306 244	113,68
Exercisable at the end of the year	3 564 940	78,63	51 600	107,00
Weighted average share price for options exercised (R)		102,41		138,80
Nedbank Group (2005) Matched Share Scheme				
Outstanding at the beginning of the year	596 762		449 650	
Granted	295 983		179 917	
Forfeited	(30 905)		(32 805)	
Exercised	(266 670)			
Outstanding at the end of the year	595 170	–	596 762	–
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		97,00		–
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares – GBP)				
Outstanding at the beginning of the year	914 547	0,93	821 847	0,86
Granted	1 009 743	0,90	252 283	1,31
Forfeited	(426 244)	1,18	(6 107)	0,97
Exercised	(424 858)	0,60	(52 473)	0,76
Expired	(1 466)	1,53	(101 003)	1,46
Outstanding at the end of the year	1 071 722	0,93	914 547	0,93
Exercisable at the end of the year	81 184	0,95	–	–
Weighted average share price for options exercised (GBP)		1,11		–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

50 SHARE-BASED PAYMENTS ... continued

	2008		2007	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
50.3 Movements in number of instruments ... continued				
Nedbank UK long-term incentive plan				
Outstanding at the beginning of the year	35 000	134,27		
Granted	34 132	120,62	37 500	134,27
Forfeited	(12 500)	134,30	(2 500)	134,27
Outstanding at the end of the year	56 632	126,06	35 000	134,27
Exercisable at the end of the the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Black Business Partner Scheme				
Outstanding at the beginning of the year	7 891 300	171,82	7 891 300	171,82
Outstanding at the end of the year	7 891 300	171,82	7 891 300	171,82
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Non-executive Directors' Scheme				
Outstanding at the beginning of the year	493 206	108,04	344 351	108,04
Granted	81 815	78,81		
Other movements			148 855	
Outstanding at the end of the year	575 021	103,88	493 206	108,04
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Retail Scheme				
Outstanding at the beginning of the year	1 200 296		1 438 451	
Granted			2 137	
Forfeited	(17 159)		(240 292)	
Exercised	(509 205)			
Adjusted for anticipated number of shares to be granted	432 948			
Outstanding at the end of the year	1 106 880	–	1 200 296	–
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		91,07		–
Corporate Scheme				
Outstanding at the beginning of the year	10 230 707	108,06	9 939 141	108,06
Granted			300 282	108,06
Forfeited			(8 716)	108,06
Outstanding at the end of the year	10 230 707	108,06	10 230 707	108,06
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–

	2008		2007	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
Black Executives Scheme				
Outstanding at the beginning of the year	946 705	69,29	852 050	60,60
Granted	281 588	74,85	233 170	96,22
Forfeited	(48 902)	66,70	(114 515)	58,29
Expired			(24 000)	74,75
Outstanding at the end of the year	1 179 391	70,73	946 705	69,29
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Black Management Scheme				
Outstanding at the beginning of the year	4 554 109	90,03	3 801 976	75,10
Granted	2 015 248	102,68	1 335 806	127,62
Forfeited	(849 774)	101,33	(482 176)	79,52
Exercised	(6 342)	54,50	(88 290)	75,01
Expired	(72 342)	78,16	(13 207)	74,75
Outstanding at the end of the year	5 640 899	93,04	4 554 109	90,03
Exercisable at the end of the year	41 300	77,33	–	–
Weighted average share price for options exercised (R)		106,65		143,00
Namibia Black Business Partner Scheme				
Outstanding at the beginning of the year	199 929	278,98	199 929	278,98
Outstanding at the end of the year	199 929	278,98	199 929	278,98
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Namibia Affinity Group Scheme				
Outstanding at the beginning of the year	74 048	282,47	74 048	282,47
Outstanding at the end of the year	74 048	282,47	74 048	282,47
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Namibia Education Scheme				
Outstanding at the beginning of the year	98 730	282,47	98 730	282,47
Outstanding at the end of the year	98 730	282,47	98 730	282,47
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Namibia Black Management Scheme				
Outstanding at the beginning of the year	75 400	77,92	75 400	77,92
Outstanding at the end of the year	75 400	77,92	75 400	77,92
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

50 SHARE-BASED PAYMENTS ... continued

	2008		2007	
	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
50.4 Instruments outstanding at the end of the year by exercise price				
Nedbank Group (1994) Share Option Scheme				
45,00	47 911	0,5	271 409	0,7
55,75	254 950	1,6	271 700	2,6
60,01	1 111 936	1,3	1 978 132	2,3
61,40			14 500	2,4
69,20	62 490	0,7	67 915	1,8
74,40	338 350	2,2	440 700	3,3
81,00			2 222	0,3
88,00			2 500	0,3
90,90			6 667	0,1
102,19	54 750	0,2	54 750	1,2
102,65			62 650	0,8
111,00			20 001	0,5
123,60			945 175	0,5
125,00			133 550	0,2
	1 870 387	1,5	4 271 871	1,8
Nedbank Group (2005) Share Option and Restricted Share Scheme				
0,00	2 368 882	2,2		
76,79	3 114 040	1,5	4 199 047	2,5
84,68	373 400	1,5	488 850	2,6
107,03	376 100	2,6	384 500	3,6
110,98	4 493 680	2,1	5 006 081	3,1
134,30	696 000	3,6	725 300	4,6
144,30	5 030 619	3,1	5 502 466	4,2
	16 452 721	2,4	16 306 244	3,4
Nedbank Group (2005) Matched Share Scheme				
0,00	595 170	1,5	596 762	1,2
	595 170	1,5	596 762	1,2
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares – GBP)				
0,60	14 235	(0,5)	450 590	0,5
0,90	882 390	2,3		
0,78	37 729	0,4	40 244	1,5
1,03	79 140	(0,2)	106 152	1,1
1,53	27 650	0,5	87 876	1,4
1,31	30 578	1,5	229 685	3,3
	1 071 722	1,9	914 547	1,4
Nedbank UK long-term incentive plan				
120,62	34 132	4,2		
134,30	22 500	4,6	35 000	5,6
	56 632	4,4	35 000	5,6
Black Business Partner Scheme				
171,82	7 891 300	6,6	7 891 300	7,6
	7 891 300	6,6	7 891 300	7,6

	2008		2007	
	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
Non-executive Directors' Scheme				
78,81	81 815	2,6		
108,04	493 206	2,6	493 206	3,6
	575 021	2,6	493 206	3,6
Retail Scheme				
0,00	1 106 880	0,2	1 200 296	1,1
	1 106 880	0,2	1 200 296	1,1
Corporate Scheme				
108,06	10 230 707	2,6	10 230 707	3,6
	10 230 707	2,6	10 230 707	3,6
Black Executives Scheme				
0,00	348 048	2,8	270 113	3,2
74,75	360 000	3,6	384 000	4,6
104,51	106 265	6,6		
107,03	51 239	4,6	51 239	5,6
110,98	80 888	4,2	80 888	5,6
120,62	82 657	6,2		
134,30	72 000	5,6	72 000	6,6
144,30	78 294	5,2	88 465	6,2
	1 179 391	4,1	946 705	4,7
Black Management Scheme				
0,00	486 767	2,9	391 759	3,2
74,75	2 026 167	3,6	2 315 567	4,6
104,51	926 279	6,6		
107,03	258 369	4,6	360 672	5,6
110,98	242 300	4,2	302 604	5,2
120,62	770 645	6,2		
134,30	516 559	5,6	606 437	6,6
144,30	413 813	5,2	577 070	6,2
	5 640 899	4,8	4 554 109	5,1
Namibia Black Business Partner Scheme				
278,98	199 929	8,0	199 929	9,0
	199 929	8,0	199 929	9,0
Namibia Affinity Group Scheme				
282,47	74 048	8,0	74 048	9,0
	74 048	8,0	74 048	9,0
Namibia Education Scheme				
282,47	98 730	8,0	98 730	9,0
	98 730	8,0	98 730	9,0
Namibia Black Management Scheme				
0,00	17 396	3,0	17 396	4,0
101,29	58 004	5,0	58 004	6,0
	75 400	4,5	75 400	5,5

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

50 SHARE-BASED PAYMENTS ... continued

50.5 Instruments granted during the year

The weighted average fair value of instruments granted during the year has been calculated using the Black-Scholes option pricing model, using the following inputs and assumptions.

	Nedbank Group (2005) Share Option and Restricted Share Scheme	Nedbank Group (2005) Matched Share Scheme	Old Mutual UK Sharesave Scheme (GBP)	Nedbank UK long-term incentive plan
2008				
Number of instruments granted	2 516 999	295 983	1 009 743	34 132
Weighted average fair value per instrument granted (R)	111,53	95,26	0,26	19,01
Weighted average share price (R)	111,53	117,50	1,18	111,03
Weighted average exercise price (R)			0,90	120,62
Weighted average expected volatility (%)*	27,0	27,0	27,6	27,0
Weighted average life (years)	3,0	3,0	3,8	4,0
Weighted average expected dividends (%)**		7,3	5,9	8,1
Weighted average risk-free interest rate (%)	10,5	10,5	4,0	11,9
Number of participants	1 220	412		18
Weighted average vesting period (years)	3,0	3,0	3,4	3,0
Possibility of not vesting (%)	70	7		
Expectation of meeting performance criteria (%)	30	93	100	100
2007				
Number of instruments granted	6 377 666	179 917	252 283	37 500
Weighted average fair value per instrument granted (R)	27,19	125,10	0,46	33,45
Weighted average share price (R)	134,78	141,00	1,67	135,00
Weighted average exercise price (R)	143,16		1,31	134,27
Weighted average expected volatility (%)*	27,0	27,0	28,0	28,0
Weighted average life (years)	4,0	3,0	4,0	5,0
Weighted average expected dividends (%)**	4,9	4,1	4,4	5,3
Weighted average risk-free interest rate (%)	8,6	8,7	4,7	9,3
Number of participants	1 262	414		8
Weighted average vesting period (years)	3,0	3,0	3,4	4,0
Possibility of not vesting (%)	10	7		10
Expectation of meeting performance criteria (%)	100	100	100	100

Expected volatility is determined based on the historical average volatility for shares over their vesting periods.

* Volatility is determined using expected volatility for all shares listed on JSE Limited.

** The dividend yield used for grants made has been based on forecast dividends.

Non-executive Director's Scheme	Retail Scheme	Corporate Scheme	Black Executives Scheme	Black Management Scheme
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81 815			281 588	2 015 248
48,52			49,51	27,87
112,00			108,66	108,79
78,81			74,85	102,68
27,0			27,9	28,0
1,9			5,7	5,9
			5,3	7,2
10,9			9,8	9,8
1			13	685
0,5			5,0	5,0
			5	12
100			95	88

	2 137	300 282	233 170	1 335 806
	118,41	63,59	64,71	41,80
	136,37	134,76	134,85	134,88
		108,06	96,22	127,62
	27,0	27,0	27,9	28,0
	3,0	3,9	5,5	5,9
	4,8		3,5	4,7
	9,0	9,8	8,7	8,8
	1	2	10	628
	3,0	3,9	5,0	5,0
	1	5	5	12
	99			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

51 RELATED PARTIES

51.1 Relationship with parent, ultimate controlling party and investees

The group's parent company is Old Mutual (South Africa) Limited (OMSA), which, through its subsidiaries, holds 54,30% (2007: 53,20%) of Nedbank Group Limited's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the group are identified on pages 330 to 332 and associates and joint ventures of the group are identified on pages 328 and 329.

51.2 Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all directors of the company and its parent, as well as members of the Executive Committee who are not directors, as well as close members of the family of any of these individuals.

Details of the compensation paid to the board of directors are disclosed in the Remuneration Report on pages 194 to 205 and details of their shareholdings in the company are disclosed on pages 204 to 205. Compensation paid to the board of directors and compensation paid to other key management personnel, as well as the number of share options and instruments held, are shown below:

	Directors	Key management personnel	Total
Compensation (Rm)			
2008			
Directors' fees	12		12
Remuneration – paid by subsidiaries	25	80	105
– Short-term employee benefits	16	68	84
– Gain on exercise of options	9	12	21
	37	80	117
2007			
Directors' fees *	11		11
Remuneration – paid by subsidiaries	33	68	101
– Short-term employee benefits	19	43	62
– Gain on exercise of options	14	25	39
	44	68	112
Number of share options and instruments			
2008			
Outstanding at the beginning of the year	1 412 503	1 380 971	2 793 474
Granted	209 250	315 507	524 757
Forfeited		(107 645)	(107 645)
Exercised	(166 744)	(276 521)	(443 265)
Expired	(199 000)		(199 000)
Transferred		177 500	177 500
Outstanding at the end of the year	1 256 009	1 489 812	2 745 821
2007			
Outstanding at the beginning of the year	1 333 738	1 716 265	3 050 003
Granted	121 643	300 430	422 073
Forfeited	(26 926)	(68 708)	(95 634)
Exercised	(160 292)	(393 693)	(553 985)
Transferred	144 340	(173 323)	(28 983)
Outstanding at the end of the year	1 412 503	1 380 971	2 793 474

51.3 Related-party transactions

The following significant transactions were entered into between Nedbank Group and the following related parties. All of these transactions were entered into in the normal course of business.

Outstanding balances (Rm)	Due from/(Owing to)	
	2008 Rm	2007 Rm
Parent/Ultimate controlling party		
Loans and advances to Old Mutual plc		(545)
Forward exchange rate contracts with Old Mutual plc	(1)	(1)
Interest rate contracts with Old Mutual plc	(1)	(5)
Equity derivatives with Old Mutual plc	(307)	
Fellow subsidiaries		
Loans and advances from Old Mutual Life Assurance Company (SA) (Pty) Limited	(79)	(79)
Deposits from Old Mutual Life Assurance Company (SA) (Pty) Limited	(1 467)	(1 444)
Deposits from Old Mutual Asset Managers (SA) (Pty) Limited	(123)	(1 351)
Deposits from other fellow subsidiaries	(3 156)	(1 204)
Bank accounts held by Old Mutual Life Assurance Company (SA) (Pty) Limited	(1 637)	(1 054)
Bank accounts held by Old Mutual Asset Managers (SA) (Pty) Limited*	(1)	(255)
Bank accounts held by other fellow subsidiaries	(588)	(257)
Insurance-related receivables from Mutual & Federal Insurance Company Limited	9	20
Joint venture		
Loans to BoE (Pty) Limited	78	1
Loans from BoE (Pty) Limited	(1)	(118)
Deposits and bank accounts held by BoE (Pty) Limited	(553)	(139)
Associates		
Loans to associates	577	505
Deposits from associates	(93)	(289)
Bank accounts held by associates*	(319)	(177)
Key management personnel		
Mortgage bonds to key management personnel	12	11
Deposits from key management personnel	(9)	(15)
Deposits from entities under the influence of key management personnel	(422)	(229)
Bank accounts owing from key management personnel	17	2
Bank accounts owing to key management personnel	(8)	(11)
Bank accounts owing from entities under the influence of key management personnel	37	6
Bank accounts owing to entities under the influence of key management personnel	(41)	(19)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

51 RELATED PARTIES ... continued

51.3 Related-party transactions ... continued

Outstanding balances (Rm)	Due from/(Owing to)	
	2008 Rm	2007 Rm
The Wiphold and Brimstone consortia and Aka Capital (Pty) Limited are related parties since certain key management personnel of the company have significant influence over these entities. These entities are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these entities and key management personnel is detailed below.		
Wiphold consortium	(108)	(108)
Brimstone consortium	(107)	(107)
Aka Capital (Pty) Limited	(28)	(20)
Key management personnel – directors	(33)	(30)
Key management personnel – other	(27)	(34)
Share-based payments reserve	(303)	(299)
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE schemes:		
Wiphold consortium	(5)	
Brimstone consortium	(4)	
Performance fee liability at year-end	(9)	–
Long-term employee benefit plans		
Deposits from Nedbank Namibia Medical Aid Fund	(28)	(42)
Bank accounts held by other funds	(149)	(49)
Transactions (Rm)	Income/(Expense)	
	2008 Rm	2007 Rm
Parent/Ultimate controlling party		
Dividend declared to OMSA via its subsidiaries	(1 577)	(1 382)
Fellow subsidiaries		
Interest income from other fellow subsidiaries	2	
Interest expense to other fellow subsidiaries	(317)	(125)
Interest expense to Old Mutual Life Assurance Company (SA) (Pty) Limited*	(384)	(287)
Interest expense to Old Mutual Asset Managers (SA) (Pty) Limited*	(26)	(148)
Interest expense to Old Mutual Group Achievements (Pty) Limited*		(120)
Facilities management fee to Old Mutual Properties (Pty) Limited		(5)
Insurance premiums to Mutual & Federal Insurance Company Limited	(268)	(342)
Claims recovered from Mutual & Federal Insurance Company Limited	315	338
Commission income from Mutual & Federal Insurance Company Limited	63	84
Handling fees to Mutual & Federal Insurance Company Limited	(17)	(20)
Asset management fee to Old Mutual Asset Managers (SA) (Pty) Limited	(5)	(7)
Joint venture		
Interest expense to BoE (Pty) Limited	(54)	(12)
Lease income from BoE (Pty) Limited*	11	10
Administration fee income from BoE (Pty) Limited	26	14
Advisory fee expense to BoE (Pty) Limited	2	3
Commission expense to BoE (Pty) Limited		

Transactions (Rm)	Income/(Expense)	
	2008 Rm	2007 Rm
Associates		
Interest income from associates	20	29
Interest expense to associates*	(25)	(51)
Key management personnel		
Interest income from key management personnel	2	1
Interest income from entities under the influence of key management personnel	3	5
Interest expense to key management personnel	(2)	(1)
Interest expense to entities under the influence of key management personnel	(41)	(31)
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
Aka Capital (Pty) Limited	(8)	(8)
Key management personnel – other	(3)	(4)
Share-based payments expense (included in BEE transaction expenses)*	(11)	(12)
Key management personnel – directors	(10)	(17)
Key management personnel – other	(14)	(8)
Share-based payments expense (included in staff costs)*	(24)	(25)
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE schemes.		
Wiphold consortium	(9)	(10)
Brimstone consortium	(8)	(9)
Performance fee expense	(17)	(19)
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	(8)	(6)
Interest expense to other funds	(14)	(4)
The group has an insurance policy (Optiplus policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) (Pty) Limited, in respect of its pension plan obligations. It also has an interest in the OMART cell captive within a fellow subsidiary in respect of its disability plan obligations. The value of this policy and this interest are shown as reimbursement rights, with a corresponding liability. In the case of the interest in the cell captive, the group recognises the surplus in the cell captive. The amounts included in the financial statements in respect of this policy and this interest are as follows:		
Optiplus policy reimbursement right	842	823
OMART policy reimbursement right	276	267
Included in long-term employee benefit assets	1 118	1 090
Optiplus policy obligation	(842)	(823)
Disability obligation	(210)	(181)
Included in long-term employee benefit liabilities	(1 052)	(1 004)

* Where necessary, comparative information has been enhanced to provide a more detailed analysis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

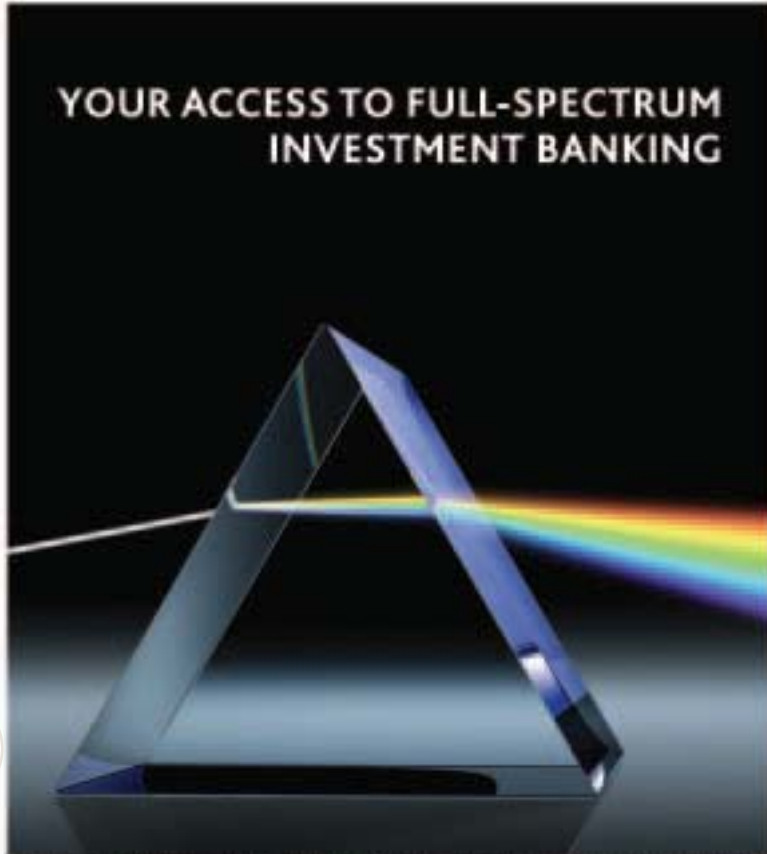
52 RECLASSIFICATIONS

	Total impairment**	Specific impairments		Portfolio impairments	
		As previously		As previously	
		Reclassified* 2007 Rm	stated 2007 Rm	Reclassified* 2007 Rm	stated 2007 Rm
52.1 Impairment of loans and advances					
52.1.1 Impairment of loans and advances					
Balance at the beginning of the year	5 184	3 564	3 787	1 620	1 397
Income statement charge	2 164	1 788	1 843	376	321
– loans and advances	2 267	1 891	1 946	376	321
– advances designated as at fair value through profit or loss (note 24.1)	(103)	(103)	(103)		
Recoveries	417	417	417		
Amounts written off against the impairment	(1 687)	(1 706)	(1 706)	19	19
Impairment of loans and advances	6 078	4 063	4 341	2 015	1 737
52.1.2 Impairment of loans and advances by classification					
Home loans	1 104	648	693	456	411
Commercial mortgages	502	154	154	348	348
Properties in possession	36	36	36		
Credit cards	456	367	408	89	48
Overdrafts	696	533	544	163	152
Other loans to clients	2 176	1 494	1 675	682	501
Net finance lease and instalment debtors	1 038	779	779	259	259
Preference shares and debentures	70	52	52	18	18
Trade, other bills and bankers' acceptances					
Impairment of loans and advances	6 078	4 063	4 341	2 015	1 737
52.1.3 Sectoral analysis					
Individuals	3 601	2 608	2 886	993	715
Financial services, insurance and real estate	767	401	401	366	366
Manufacturing	194	127	127	67	67
Building and property development	183	126	126	57	57
Transport, storage and communication	132	67	67	65	65
Retailers, catering and accommodation	176	59	59	117	117
Wholesale and trade	295	277	277	18	18
Mining and quarrying	45	16	16	29	29
Agriculture, forestry and fishing	96	42	42	54	54
Government and public sector	29	11	11	18	18
Other services	560	329	329	231	231
Impairment of loans and advances	6 078	4 063	4 341	2 015	1 737
52.1.4 Geographical analysis					
South Africa	5 910	3 960	4 238	1 950	1 672
Other African countries	90	59	59	31	31
Europe	67	42	42	25	25
Asia	4			4	4
Other	7	2	2	5	5
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 cashflow statement, but had an effect on the notes above for 2007 in respect of specific and portfolio impairment provision balances.

** Total impairment of loans and advances and related data is not affected by the reclassifications.

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ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

FOR THE YEAR ENDED 31 DECEMBER

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

* Represents amounts less than R1 million.

** Disposed of during 2007.

*** Disposed of during 2008.

+ Investment in preference shares that do not carry voting rights; therefore accounted for as an associate.

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

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

ANALYSIS OF INVESTMENTS IN SUBSIDIARIES

FOR THE YEAR ENDED 31 DECEMBER

	Group Issued capital	
	2008 Rm	2007 Rm
Banking		
Nedbank Namibia Limited (Namibia)	17	17
Nedbank Malawi Limited (Malawi)	13	10
Fairbairn Private Bank (Jersey) Limited	5	5
Imperial Bank Limited	4	3
Nedbank (Lesotho) Limited	20	20
Nedbank Limited	27	27
Nedbank (Swaziland) Limited	12	12
Peoples Mortgage Limited	45	45
MBCA Bank Limited (Zimbabwe)	*	*
Trust and participation bond administration		
NedInvest Limited (formerly BoE Unit Trust Management Company Limited)	5	5
Fairbairn Trust Company Limited (Guernsey)	1	1
Nedgroup Collective Investments Limited	6	6
Syfrets Participation Bond Managers Limited	*	*
Syfrets Securities Limited	1	1
Syfrets Securities Nominees (Pty) Limited	*	*
FTNIB Management Company Limited**	2	2
Other companies		
BoE Holdings Limited	2	2
NedNamibia Holdings Limited (Namibia)	18	18
Nedgroup International Holdings Limited (Isle of Man)	*	*
BoE Life Limited	1	1
BoE Limited	11	11
BoE Management Limited	*	*
Cape of Good Hope Financial Services Limited**	6	6
Dr Holsboer Benefit Fund		
NedEurope Limited (Isle of Man)	3 057	3 057
Alliance Investments Limited (Mauritius)***	*	*
MN Holdings Limited (Mauritius)	*	*
NBG Capital Management Limited	*	*
NIB Blue Capital Investments (Pty) Limited	*	*
Nedcor (SA) Insurance Company Limited	*	*
Nedcor Group Insurance Company Limited	*	*
Nedgroup Financial Services 104 Limited**	*	*
Nedgroup Investment Holdings 101 Limited	17	17
Nedgroup Investment 102 Limited	6	6
Nedcor Investments Limited	28	28
Nedgroup Securities (Pty) Limited	10	10
Nedcor Trade Services Limited (Mauritius)	2	2
Nedgroup Insurance Company Limited	5	5
Nedgroup Wealth Management Limited	*	*
NBS Boland Group Limited	75	75
Depfin Investments (Pty) Ltd	*	*
Tando AG (Switzerland)	42	28
The Board of Executors	*	*
Other companies	*	*

* Represents amounts less than R1 million.

** In the process of liquidation.

*** Acquired during 2008.

Unless otherwise stated, all entities are domiciled in South Africa.

Headline earnings from subsidiaries (after eliminating intercompany transactions):

	2008 Rm	2007 Rm
Aggregate earnings	5 992	6 313
Aggregate losses	227	392

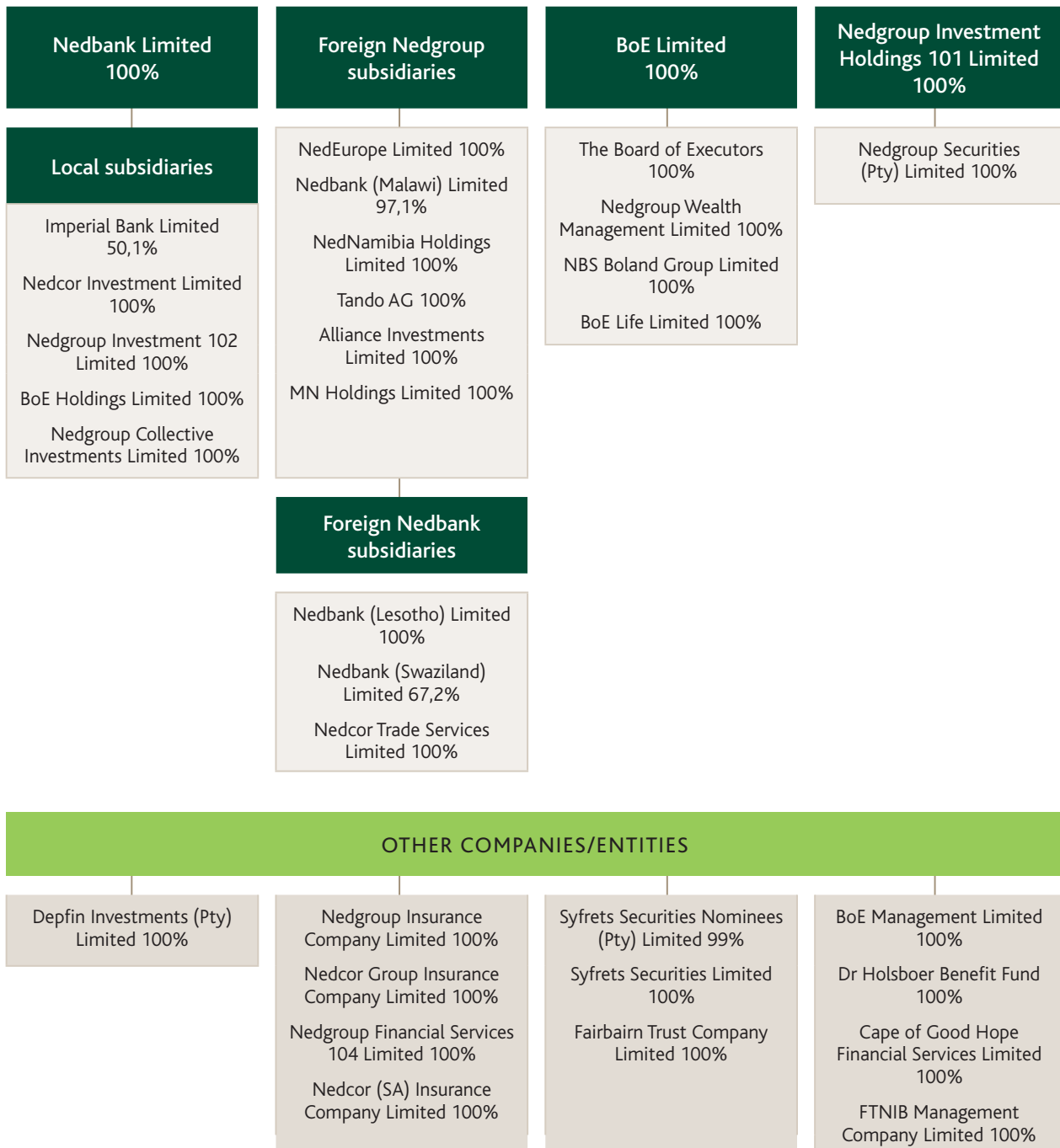
Group Effective holding		Company Book value of investments		Company Net indebtedness	
2008 %	2007 %	2008 Rm	2007 Rm	2008 Rm	2007 Rm
100	100				
97	97				
70	70				
50,1	50,1				
100	100				
100	100	17 949	17 949	(289)	(1 397)
67	67				
100	100				
15	15				
100	100	5			
100	100				
100	100				
100	100				
100	100	3	3		
99	99				
100	100	2	2		10
100	100				
100	100	429	429		
100	100				
100	100				
100	100	4 321	4 321	(1 070)	(1 123)
100	100			(3 687)	(3 687)
100	100			(6)	(6)
100	100				
100	100	1 158	1 205		
100	100				
100	100				
100	100				
100	100	5	5		
100	100				
100	100	5	5		
100	100	194	194		
100	100				
100	100				
100	100				
100	100	49	49		
100	100				
100	100				
100	100			71	
100	100			(45)	(45)
100	100			(5)	(5)
		24 120	24 162	(5 031)	(6 253)

General information required in terms of the 4th schedule of the Companies Act, 61 of 1973, is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities. A register detailing information in respect of all subsidiaries is available for inspection at the registered office.

Nedbank Group Limited will ensure that, except in the case of political risk and unless specifically excluded by public notice in a country where a subsidiary is domiciled, its banking subsidiaries, and its principal non-banking subsidiaries are able to meet their contractual liabilities.

NEDBANK MAJOR SUBSIDIARY COMPANIES

AT 31 DECEMBER 2008



COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2008 Rm	2007 Rm
Interest and similar income			3
Net interest income		–	3
Dividends from subsidiaries		3 047	2 536
Foreign currency translation loss			(1)
Total income after foreign currency translation loss		3 047	2 538
Operating expenses	1	20	25
Profit from operations before non-trading capital items		3 027	2 513
Capital profit on sale of investment			56
Impairment of investments in subsidiaries		(44)	(83)
Impairment of intergroup loans and advances	6	(2)	24
Loss on waiver of subsidiary loans			(48)
Profit before taxation		2 981	2 462
Direct taxation	2	16	144
Profit after taxation		2 965	2 318

COMPANY BALANCE SHEET

AT 31 DECEMBER

	Notes	2008 Rm	2007 Rm
Assets			
Sundry debtors and accrued interest	3	28	1
Deferred taxation asset		7	
Current taxation receivable		8	5
Investment in subsidiary companies		24 207	24 497
– Shares at cost – unlisted		24 120	24 162
– Owing by subsidiaries		87	335
Total assets		24 250	24 503
Shareholders' equity and liabilities			
Ordinary share capital	4	469	459
Ordinary share premium		15 476	14 174
Share-based payments reserve	9	235	230
Non-distributable reserves		41	41
Distributable reserves		2 705	2 802
Equity attributable to equityholders of the parent		18 926	17 706
Sundry creditors	5	14	19
Deferred taxation liabilities		7	7
Impairment of intergroup loans and advances	6	185	183
Amounts owing to subsidiaries		5 118	6 588
Total liabilities		5 324	6 797
Total shareholders' equity and liabilities		24 250	24 503

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Share-based payments reserve Rm	Other non- distributable reserves Rm	Distributable reserves Rm	Total ordinary shareholders' equity Rm
Balance at 31 December 2006	450 884 556	451	13 013	218	41	3 182	16 905
Shares issued in terms of employee incentive schemes	3 493 321	3	499				502
Capitalisation award	4 830 026	5	646				651
Shares acquired/cancelled by BEE trusts			8				8
Shares listed under BEE schemes	70 172		8				8
Share-based payments reserve movements				12			12
Profit for the year						2 318	2 318
Ordinary dividends						(2 698)	(2 698)
Balance at 31 December 2007	459 278 075	459	14 174	230	41	2 802	17 706
Shares issued in terms of employee incentive schemes	4 809 873	5	535				540
Capitalisation award	4 039 422	4	453				457
Shares acquired/cancelled by BEE trusts			15				15
Shares listed under BEE schemes	812 027	1	299				300
Share-based payments reserve movements				5			5
Profit for the year						2 965	2 965
Ordinary dividends						(3 066)	(3 066)
Other movements						4	4
Balance at 31 December 2008	468 939 397	469	15 476	235	41	2 705	18 926

COMPANY CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2008 Rm	2007 Rm
Cash generated by operations	7	3 032	2 526
Cash received from clients – interest income			3
BEE transaction share-based payments expense		5	12
Cash paid to clients, employees and suppliers		(20)	(25)
Dividends received on investments		3 047	2 536
Change in funds for operating activities		(1 257)	(576)
Decrease in operating assets		213	588
Decrease in operating liabilities		(1 470)	(1 164)
Net cash generated from operating activities before taxation		1 775	1 950
Taxation paid	8	19	147
Cashflows from operating activities		1 756	1 803
Cashflows utilised by investing activities		(2)	(274)
Acquisition of investments in subsidiary companies		(2)	(274)
Cashflows utilised by financing activities		(1 754)	(1 529)
Proceeds from issue of ordinary shares		1 312	1 169
Dividends paid to ordinary shareholders		(3 066)	(2 698)
Net increase/(decrease) in cash and cash equivalents for the year		–	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER

1 OPERATING EXPENSES

	2008 Rm	2007 Rm
Audit fees – current year	5	1
BEE transaction share-based payments expenses	5	12
Directors' fees	7	10
Other	3	2
	20	25

2 DIRECT TAXATION

2.1 Charge for the year

South African normal taxation – current taxation	1	2
Capital gains taxation		7
Secondary taxation on companies	15	135
	16	144

2.2 Taxation rate reconciliation

Standard rate of South African normal taxation	28	29
Non-taxable income	(28)	(29)
Non-deductible expenses		1
Secondary taxation on companies	1	5
Effective taxation rate	1	6

3 SUNDRY DEBTORS

Sundry debtors and accrued interest	28	1
-------------------------------------	----	---

These assets are repayable on demand or at short notice and are all within South Africa.

4 SHARE CAPITAL

Ordinary share capital

Authorised

600 000 000 (2007: 600 000 000) ordinary shares of R1 each	600	600
--	-----	-----

Issued ordinary share capital

468 939 397 (2007: 459 278 075) fully paid ordinary shares of R1 each	469	459
---	-----	-----

5 SUNDRY CREDITORS

Creditors and other accounts	14	19
------------------------------	----	----

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

6 IMPAIRMENT OF INTERGROUP LOANS AND ADVANCES

Specific impairment has been raised on intergroup loans and advances made by Nedbank Limited to fellow subsidiary companies. Nedbank Group Limited has guaranteed these intergroup advances, for which a provision against these guarantees has been recognised.

	2008 Rm	2007 Rm
Balance at the beginning of the year	183	207
Income statement charge	2	(24)
Balance at the end of the year	185	183

7 CASH GENERATED BY OPERATIONS

Reconciliation of profit before taxation to cash generated by operations

Profit before taxation	2 981	2 462
Adjusted for:		
– BEE transaction share-based payments expenses	5	12
– Foreign currency translation profit		1
– Impairment of advances	2	(24)
– Impairment of investments	44	83
– Loss on waiver of loan to subsidiary		48
– Capital profit on sale of investment		(56)
Cash generated by operations	3 032	2 526

8 TAXATION PAID

Amounts prepaid at the beginning of the year	(5)	(3)
Income statement charge – current taxation	1	2
Realised deferred taxation		8
Income statement charge – secondary taxation on companies	15	135
Amounts prepaid at the end of the year	8	5
	19	147

9 SHARE-BASED PAYMENTS

Equity instruments are granted to business partners and non-executive directors as an incentive to retain business and develop growth within the group. The share-based payment expenses and reserve balances in respect of the Black Business Partner Scheme and the Non-executive Directors' Scheme, implemented in 2005, were accounted for in the Nedbank Group Limited consolidated financial statements and in the Nedbank Group Limited standalone financial statements. Both of these schemes will be equity-settled.

As the company cannot estimate reliably the fair value of services received nor the value of additional business received, the company rebuts the presumption that such services and business can be measured reliably. The company therefore measures their fair value by reference to the fair value of the equity instruments granted, in line with the group's accounting policy. The fair value of such equity instruments is measured at the grant date utilising the Black-Scholes valuation model.

9.1 Description of arrangements

Scheme	Trust/SPV	Description	Vesting requirements	Maximum term
Nedbank Eyethu BEE schemes				
Black Business Partner Scheme	Wiphold Financial Services Number Two Trust and Brimstone-Mtha Financial Services Trust	Each trust was issued an equal number of restricted shares at R1,87 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	No dealing in the shares during the 10-year notional funding period.	10 years
Non-executive Directors' Scheme	Nedbank Eyethu Non-executive Directors' Trust	Certain non-executive directors acquired restricted shares at par value, with notional funding over a period of six years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Six years' service and no dealing in the shares during this notional funding period. So as not to compromise the non-executive directors' independence, no specific performance conditions will apply to the directors' participation.	6 years

9.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Black Business Partner Scheme			215	215
Non-executive Directors' Scheme	5	12	20	15
	5	12	235	230

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

9 SHARE-BASED PAYMENTS... continued

9.3 Movements in number of instruments

		2008 Weighted average exercise price Rm		2007 Weighted average exercise price Rm
	Number of instruments		Number of instruments	
Black Business Partner Scheme				
Outstanding at the beginning of the year	7 891 300	171,82	7 891 300	171,82
Outstanding at the end of the year	7 891 300	171,82	7 891 300	171,82
Exercisable at the end of the year	–	–	–	–
Non-executive Directors' Scheme				
Outstanding at the beginning of the year	493 206		344 351	108,04
Other movements			148 855	
Granted	81 815	78,81		
Outstanding at the end of the year	575 021	103,88	493 206	108,04
Exercisable at the end of the year	–	–	–	–

9.4 Instruments outstanding at the end of the year by exercise price

		2008 Weighted average remaining contractual life (years)		2007 Weighted average remaining contractual life (years)
	Number of instruments		Number of instruments	
Black Business Partners Scheme				
171,82	7 891 300	6,6	7 891 300	7,6
	7 891 300	6,6	7 891 300	7,6
Non-executive Directors' Scheme				
78,81	81 815	2,6		
108,04	493 206	2,6	493 206	3,6
	575 021	2,6	493 206	3,6

9.5 Instruments granted during the year

The weighted average fair value of instruments granted during the year has been calculated using the Black-Scholes option pricing model, using the following inputs and assumptions.

	Non-executive Director's Scheme 2008	Non-executive Director's Scheme 2007
Number of instruments granted	81 815	
Weighted average fair value per instrument granted (R)	48,52	
Weighted average share price (R)	112,00	
Weighted average exercise price (R)	78,81	
Weighted average expected volatility (%)	27,0	
Weighted average life (years)	1,9	
Weighted average expected dividends (%)	0,0	
Weighted average risk-free interest rate (%)	10,9	
Number of participants	1	
Weighted average vesting period (years)	0,5	
Possibility of not vesting (%)	0,0	
Expectation of meeting performance criteria (%)	100	

10 RELATED PARTIES

10.1 Relationship with parent, ultimate controlling party and investees

The company's parent company is Old Mutual (South Africa) Limited (OMSA), which, through its subsidiaries, holds 54,30% (2007: 53,20%) of Nedbank Group Limited's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the company are identified on pages 330 to 332 and associates and joint ventures of the company are identified on pages 328 and 329.

10.2 Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including all directors of the company and its parent, as well as members of the Executive Committee who are not directors, as well as close members of the family of any of these individuals.

Details of the compensation paid to the board of directors are disclosed in the Remuneration Report on pages 194 to 205 and details of their shareholdings in the company are disclosed on pages 204 and 205. Compensation paid to the board of directors is aggregated below, together with the aggregate compensation paid to the executive directors, as well as the number of share options and instruments held.

	Directors	Key management personnel	Total
Compensation (Rm)			
2008			
Directors' fees – Paid by subsidiaries	12		12
Remuneration – Paid by subsidiaries	25	80	105
– Short-term employee benefits	16	68	84
– Gain on exercise of options	9	12	21
	37	80	117
2007			
Directors' fees* – Paid by subsidiaries	11		11
Remuneration – Paid by subsidiaries	33	68	101
– Short-term employee benefits	19	43	62
– Gain on exercise of options	14	25	39
	44	68	112
Number of share options and instruments			
2008			
Outstanding at the beginning of the year	1 412 503	1 380 971	2 793 474
Granted	209 250	315 507	524 757
Forfeited		(107 645)	(107 645)
Exercised	(166 744)	(276 521)	(443 265)
Expired	(199 000)		(199 000)
Transferred		177 500	177 500
Outstanding at the end of the year	1 256 009	1 489 812	2 745 821
2007			
Outstanding at the beginning of the year	1 333 738	1 716 265	3 050 003
Granted	121 643	300 430	422 073
Forfeited	(26 926)	(68 708)	(95 634)
Exercised	(160 292)	(393 693)	(553 985)
Transferred	144 340	(173 323)	(28 983)
Outstanding at the end of the year	1 412 503	1 380 971	2 793 474

* Where necessary, comparative information has been enhanced to provide a more detailed analysis.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

10 RELATED PARTIES ... continued

10.3 Related-party transactions

The following significant transactions were entered into between Nedbank Group Limited and the following related parties. All of these transactions were entered into in the normal course of business.

Outstanding balances (Rm)	Due from/(Owing to)	
	2008 Rm	2007 Rm
Subsidiaries		
Loan from BoE Management Limited – interest-free	(3 687)	(3 687)
Loan from BoE Limited – interest-free	(1 070)	(1 171)
Loan from Cape of Good Hope Financial Services Limited – interest-free*	(6)	(5)
Loan from Nedbank Nominees (Pty) Ltd*	(5)	(5)
Loan from The Board of Executors 1838	(45)	(45)
Bank accounts with Nedbank Limited – interest-free	(305)	(1 723)
Advance to NEST	16	325
Loan to FTNIB Manco		10
Tando AG – dividend	71	
Due from Nedbank Limited on exercise of share options during the year – interest-free		325
Impairment provision in respect of amounts due to Nedbank Limited by its subsidiaries	(163)	(161)
Impairment provision in respect of amounts due to Nedgroup Investments Limited by its subsidiaries	(2)	(2)
Impairment provision in respect of amounts due by BoE Limited	(18)	(19)
Key management personnel		
The Wiphold and Brimstone consortia are related parties since certain key management personnel of the company have significant influence over these entities. These consortia are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these consortia and key management personnel is detailed below:		
Wiphold consortium	(108)	(108)
Brimstone consortium	(107)	(107)
Non-executive directors	(20)	(15)
Share-based payments reserve	(235)	(230)

Transactions (Rm)	Income/(Expense)	
	2008 Rm	2007 Rm
Parent		
Dividend declared to OMSA via its subsidiaries*	1 577	1 382
Subsidiaries		
MN Holdings Limited		3
Interest income	–	3
MN Holdings Limited		(1)
Foreign currency translation gains/(losses) on loans to or from subsidiaries	–	(1)
Nedbank Limited	2 294	1 947
Nedgroup Investment Holdings 101 Limited	286	498
Syfrets Securities Limited	32	10
Nedgroup Insurance Company Limited	60	
NedEurope Limited	163	
Tando AG	143	
FTNIB Management Company Limited*		10
Nedbank International Limited*		22
Alliance Investments Limited	16	
BoE Limited	53	49
Dividends declared by subsidiaries	3 047	2 536
Key management personnel		
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
Non-executive directors	(5)	(12)
Share-based payments expense	(5)	(12)

* Where necessary, comparative information has been enhanced to provide a more detailed analysis.

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