Nedbank Group

Annual Report 2007

MAKE THINGS HAPPEN

NEDBANK GROUP

A Member of the OLD MUTUAL Group

Annual Report and
Sustainability Report
2007
MAKE THINGS HAPPEN
NEDBANK
GROUP
A Member of the OLD MUTUAL Group

Contents

‘We remain firmly committed to our vision of becoming southern Africa’s most highly rated and respected bank. As part of this vision we will continue our transformation into a truly southern African bank, representative of and providing banking services to all.’

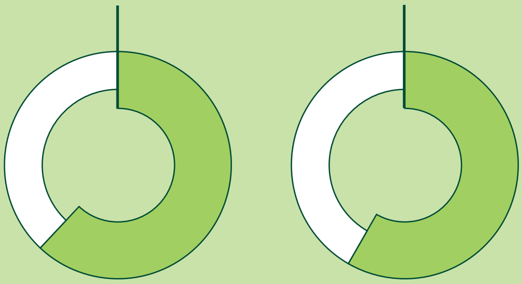
Tom Boardman | Chief Executive

Group at a glance

Number of employees: 26 522

Employment equity

2007 2006



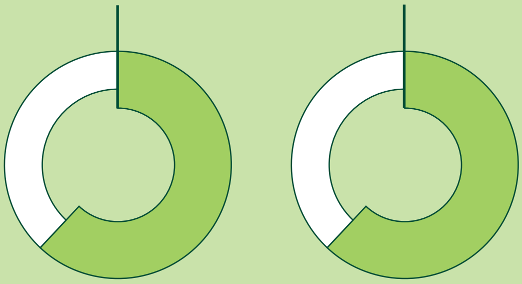
Black 62,7% Black 58,3%

White 37,3% White 41,7%

Increased from 34,0% black managers in 2006 to 39,9% in 2007

Gender equity

2007 2006



Female 61,7% Female 62,0%

Male 38,3% Male 38,0%

Increased from 46,7% female managers in 2006 to 48,1% in 2007

Nedbank Group profile

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

The group offers a wide range of wholesale and retail banking services through three main business clusters, namely Nedbank Corporate, Nedbank Capital and Nedbank Retail. Nedbank Group focuses on southern Africa, with the group positioned to be a bank for all – both from a retail and wholesale banking perspective. The principal services offered by the group comprise business, corporate and retail banking, property finance, investment banking, private banking, foreign exchange and securities trading. Nedbank Group also generates income from private equity, credit card issuing and processing services, custodial services, unit trust administration, asset management services and bancassurance.

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

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

Strong all-round performance

Headline earnings	▲ 33,5%
ROE	▲ 21,4%
ROE (excluding goodwill)	▲ 24,8%
Efficiency ratio	▲ 54,9%
Advances	▲ 21,2%

Group at a glance | continued

Financial highlights		% change 2007/2006	2007	2006	2005
Headline earnings	Rm	33,5	**5 921**	4 435	3 167
Income attributable to shareholders	Rm	32,9	**6 025**	4 533	3 836
Earnings per share					
Headline	cents	33,8	**1 485**	1 110	797
Diluted headline	cents	32,8	**1 429**	1 076	791
Basic	cents	33,1	**1 511**	1 135	966
Diluted basic	cents	32,3	**1 454**	1 099	958
Dividend declared per share	cents	33,9	**660**	493	290
Tangible net asset value per share	cents	21,6	**6 207**	5 106	4 351
Net interest income to average interest-earning banking assets*	%		**3,94**	3,94	3,55
Credit loss ratio	%		**0,62**	0,52	0,49
Non-interest revenue to total income	%		**42,5**	46,3	49,8
Group capital adequacy ratio	%		**12,2**	11,8	12,9
Average interest-earning banking assets	Rm	28,3	**358 823**	279 733	240 216
Total assets	Rm	15,0	**488 856**	424 912	352 258
Return on total assets	%		**1,30**	1,14	0,93
		2007 target			
Return on shareholders' equity (ROE)	%	20,0	**21,4**	18,6	15,5
ROE (excluding goodwill)	%		**24,8**	22,1	18,9
Efficiency ratio	%	55,0	**54,9**	58,2	64,8

** 2006 restated.*

Earnings reconciliation		2007	2006	2005
Profit attributable to equity holders of the parent	Rm	**6 025**	4 533	3836
Non-headline earnings items	Rm	**104**	98	669
Non-trading and capital items	Rm	**111**	124	701
Taxation on non-trading and capital items	Rm	**(7)**	(26)	(32)
Headline earnings	Rm	**5 921**	4 435	3167

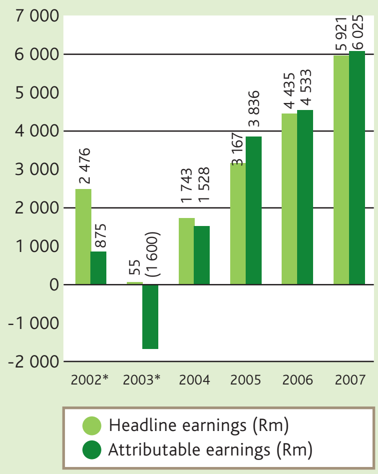
Refer to page 301 for definitions of terms used.

Key statistics

South African market share (banks)		2007	2006
Total assets	%	**18,6**	19,7
Total deposits	%	**20,4**	21,0
Total advances	%	**19,5**	19,9
Retail client service devices			
Automated teller machines (ATMs)		**1 636**	1 286
Self-service terminals		**375**	316
Point-of-sale terminals enabled for cash back		**1 454**	103
ATMs in rest of Africa		**58**	41
Staffed outlets			
Retail branches in South Africa		**468**	456
Banking outlets		**50**	27
Private banking and client suites		**16**	16
Mobile banking branches and outlets		**91**	57
Personal-loan branches		**26**	10
Personal-loan kiosks		**200**	250
Wholesale banking outlets in South Africa		**84**	80
Branches in rest of Africa		**45**	30
International branches		**1**	1
Imperial Bank branches		**15**	17
Pick n Pay stores		**383**	326

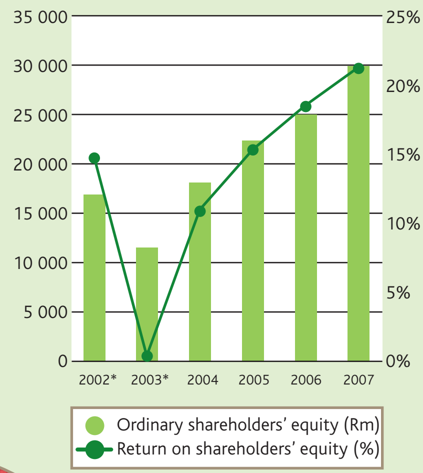
Earnings

*Pre-IFRS



Equity

*Pre-IFRS



Group **targets and objectives**

During 2007 the group successfully delivered on the financial targets of a 20% ROE and 55% efficiency ratio set back in 2004 by achieving an ROE of 21,4% and an efficiency ratio of 54,9%. In 2006 the group set medium-term targets, and the group's performance against these targets in 2007 is reflected below.

	Performance in 2007	Medium to long-term financial targets	Target achieved
Return on ordinary shareholders' equity (ROE) (excluding goodwill)	24,8%	ROE (excluding goodwill) 10% above the group's monthly weighted average cost of ordinary shareholders' equity	✔
Efficiency ratio	54,9%	Maintain an efficiency ratio of less than 55%	✔
Diluted HEPS growth	32,8%	Growth in diluted HEPS of at least average CPIX plus GDP growth plus 5%	✔
Credit loss ratio	0,62%	An impairments charge of between 0,55% and 0,85% of average advances	✔
Capital adequacy ratios (Basel II)	8,0%	Tier 1: 8,0% to 9,0%	✔
	11,2%	Total: 11,0% to 12,0%	✔
Economic capital adequacy	A-	Adequately capitalised to a 99,9% (A-) confidence level on an economic capital basis plus 15% buffer	✔
Dividend cover	2,25 times	2,25 to 2,75 times cover	✔

These targets were set by the group to maximise shareholder value and minimise earnings volatility. Employee incentives, covered in more detail in the Chief Financial Officer's review on pages 64 to 75, have been designed to align with these targets.

Economic capital metrics have been included to ensure the integration of risk and capital optimisation into the overall financial objectives. Nedbank's Risk Appetite Framework and methodology are disclosed in the Risk and Capital Management Report on pages 98 to 147.

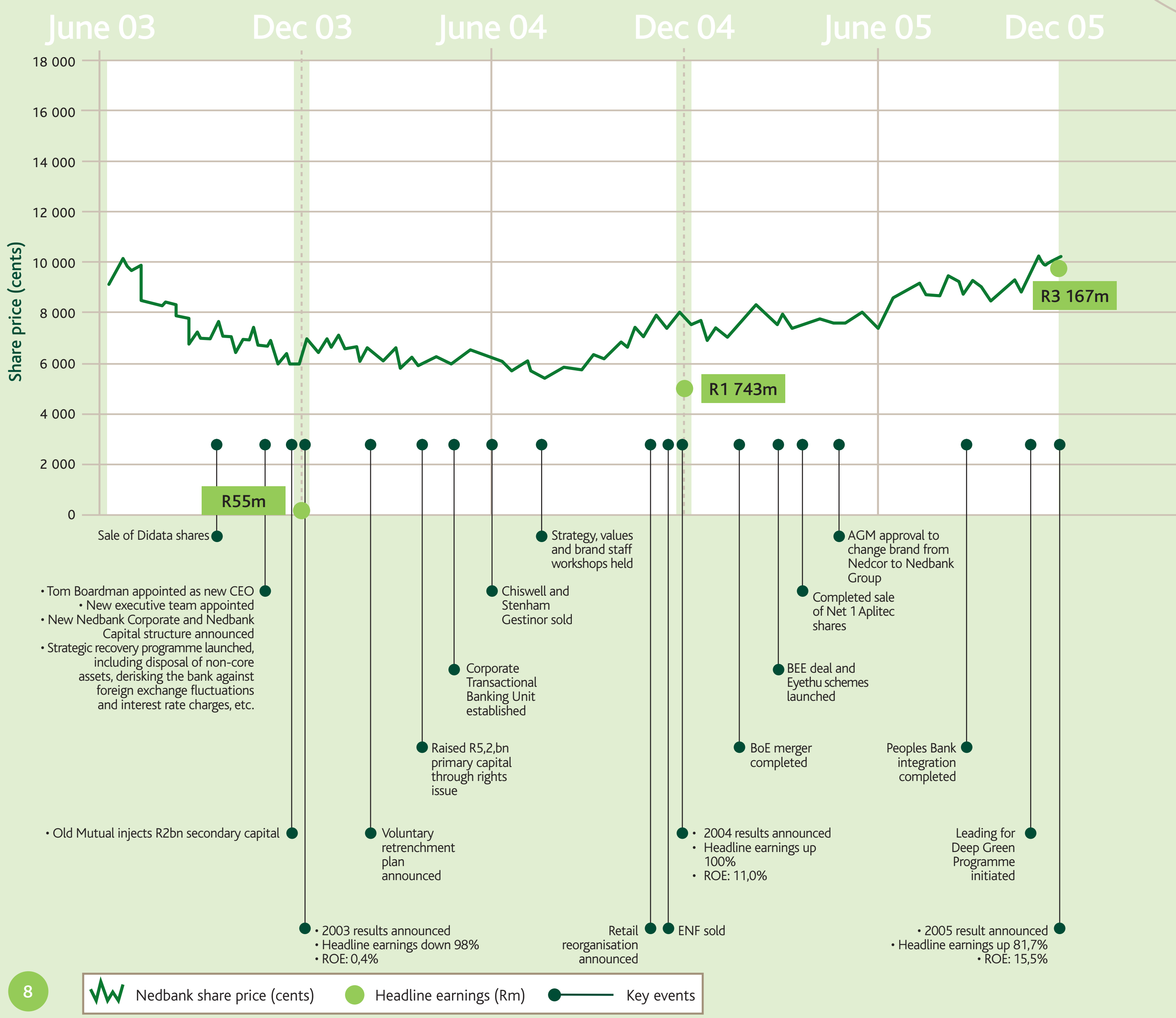
The rationale for the targets is as follows:

- ROE: All the group's major peers have ROE targets. ROE is a key ratio used by shareholders and analysts to evaluate the group's performance. The exclusion of goodwill allows for an easier comparison with the ROEs as reported by our peers [as Nedbank has goodwill that cannot be written off now that the group reports under International Financial Reporting Standards (IFRS), whereas peer banks have historically written off goodwill balances].
- Efficiency ratio and credit loss ratio: By setting targets for the efficiency ratio [the margin and the ratio of non-interest-revenue (NIR) to net interest income (NII) are covered by the efficiency ratio] and impairments we are providing the market with two key components, which drive the return on assets.
- Growth in diluted headline earnings per share (HEPS): The group adopts diluted HEPS as a performance measurement, as it encapsulates both earnings and elements of the group's capital management activities. Diluted HEPS growth is also the key indicator used by shareholders and analysts when evaluating earnings growth. Using average consumer price index (CPIX) growth plus gross domestic product (GDP) growth plus 5% is in line with the group's parent Old Mutual plc and in effect very similar to the group's peers in South Africa. By having a GDP growth element this measure is directly sensitive to macroeconomic growth rates.
- Capital adequacy ratios (under Basel II): These are set as critical targets to ensure that adequate capital is maintained by the bank. The capital adequacy ratios are above the regulatory minimum ratios to include an appropriate regulatory solvency buffer required in terms of Basel II and in terms of Nedbank's Risk Appetite Framework.
- Economic capital adequacy: A target for economic capital has been set to enable the group to maintain adequate debt ratings and to ensure that it has sufficient capital to satisfy depositors, including subordinated debt holders. The current target international debt rating is A-, which translates into a 99,9% confidence level.
- Dividend cover: Nedbank Group needs to ensure that the dividend cover policy allows sufficient scope to ensure that its Tier 1 regulatory capital growth, together with associated Tier 2 incremental issues, is sufficient to cover anticipated risk-weighted asset growth.

Review of 2007

What we said	What we achieved
Financial • Achieve ROE of 20% and efficiency ratio of 55%	• ROE: 21,4% (2006: 18,6%) • Efficiency ratio: 54,9% (2006: 58,2%)
Market share • Gain market share in key retail product areas and penetrate the mass market • Retain our leading positions in key wholesale market segments and grow our business banking franchise	• Increased year-on-year market share in card (+0,8%) and instalment credit (+1,1%). Home loans maintained market share during 2007. • Gained 470 000 clients and 88 000 primary clients. • Significant developments in the mass market with 13 new branches and 33 new mobile sales teams. Nedbank is now the most affordable of the big four banks in the lower-income and mass markets (19% fee reductions over last two years). Net acquisition of 268 520 Mzansi clients. • Retained market-leading positions in property finance (#1) and domestic corporate lending (#1). • Gained more than 2 200 new business banking and 20 new major corporate transactional banking clients. • Nedbank Capital improved rankings by *Risk* magazine in eight categories. • Won *The Banker's* Deal of the Year 2007 award (for the Exxaro Resources Limited deal). • Corporate Finance maintained its top-three placing in the M&A rankings. • Maintained six placings in the Bond Spire Awards.
Client service • Improve service levels ultimately to achieve world-class service over time	• Ranked number one among SA banks in the Ask Afrika Orange Index (Client Service). • Implemented 'AskOnce' service promise. • Implemented various initiatives that have started to impact client experience positively, eg channel and product projects and Nedbank's Great Service Award that acknowledges and rewards staff, and launched a *World-class Service* newsletter and intranet site. • The Business Banking service model was reviewed and a client satisfaction tracking mechanism implemented. • Provided various integrated solutions to clients in the wholesale market.
Distribution • Expand our distribution footprint through investment and innovation	• Added 411 new ATMs, 25 branches, 46 outlets and kiosks, 33 mobile sales teams. • Replaced our voice networks and data networks with new technologies bankwide for improved speed and quality to the branch network. • Integrated Old Mutual Bank into Nedbank. • Continued to drive alternative distribution channel development, adding Score and Boxer stores to the Nedbank instore banking footprint.
Bank fees • Provide value-for-money products	• Reduced retail bank fees by 19% over two years, making Nedbank the most affordable of the big four banks, particularly in the lower-income and mass markets. • Maintained competitive pricing in wholesale banking products.
Gain public sector clients	• Gained Western Cape provincial government and five municipalities. • Won the mandate to establish a DMTN programme and bond issue of R2bn for ACSA as well as dealers on the DBSA, Land Bank, Transnet and Telkom programmes.
Build the Nedbank brand • Become a bank for all South Africans	• Significantly increased brand presence, especially in the mass market. • 46% of the banked market now perceives Nedbank as a bank for all South Africans (2005: 27%). • Concluded soccer mass-market sponsorship deal (Nedbank Cup from 2008 onwards).
Accelerate transformation	• Achieved an FSC score of 96,2 (out of a potential 98) and rated level-four BEE contributor measured against dti scorecard. • Significant progress across the board with all areas exceeding FSC targets – including employment equity, where we are on target to meet or exceed the 2008 targets. • Mzansi market share exceeding 16% (up from 12% in 2003). Various opportunities have been identified and significant progress has been made through leveraging the relationships between our black business partners, the Brimstone and Wiphold Consortia, and through our business development partner, AKA Capital. • Initial alignment between EE, FSC and dti done. Final alignment of the FSC with the codes delayed. Developed initial plans to achieve our targeted dti level.
Become the best place to work	• Employee satisfaction up 5,2% on 2006, based on the Nedbank Employee Survey. • Limiting values eliminated from the Nedbank Culture Survey top 10. • Lower staff attrition rates compared with those of the past four years. • Significant amount of work across all aspects of human resources, including the rollout of the Management Development Programme and Leading for Deep Green leadership transformation initiative.
Deliver worldclass risk practices	• Basel II ready, including Advanced Internal Ratings Based (AIRB) approval from the SARB for credit risk for all of Nedbank Limited. • Risk-based capital allocation (including a comprehensive economic capital system) now driving business performance measurement and incentives. • NCA and FICA implemented on time.
Optimise capital	• Capital levels managed to be well-placed for Basel II target ranges (Tier 1: 8,0 – 9,0%, Total 11,0 – 12,0%). • Completed refinancing of Tier 2 debt (R4 billion NED02) and completed composition of long-term debt capital curve, which can now be built on. • Issued first big four bank Tier 2 bond (R2 billion NED09) to IFC and ADB in July 2007.
Collaborate with Old Mutual	• Significantly exceeding planned benefits in specifically retail joint ventures and technology with over R650 million in benefits already realised. • Joint technology purchasing agreements for hardware and software across the Old Mutual group.
Deliver on three-tiered Africa strategy	• Improved performance from existing operations. Bought out minorities in NedNamibia. • Setting up regional offices in selected African countries.
Lead in sustainability matters	• Winner *Financial Times* Emerging Markets Sustainable Bank of the Year for Middle East and Africa. • Included in the JSE SRI index (fourth consecutive year). • Dow Jones Sustainability Index membership (fourth consecutive year). • Ernst & Young Excellence in Sustainability Reporting – best placed bank (third overall). • Launched social responsibility programme for clients (Local Heroes). • First SA signatory to the United Nations Environmental Programme Finance Initiative.

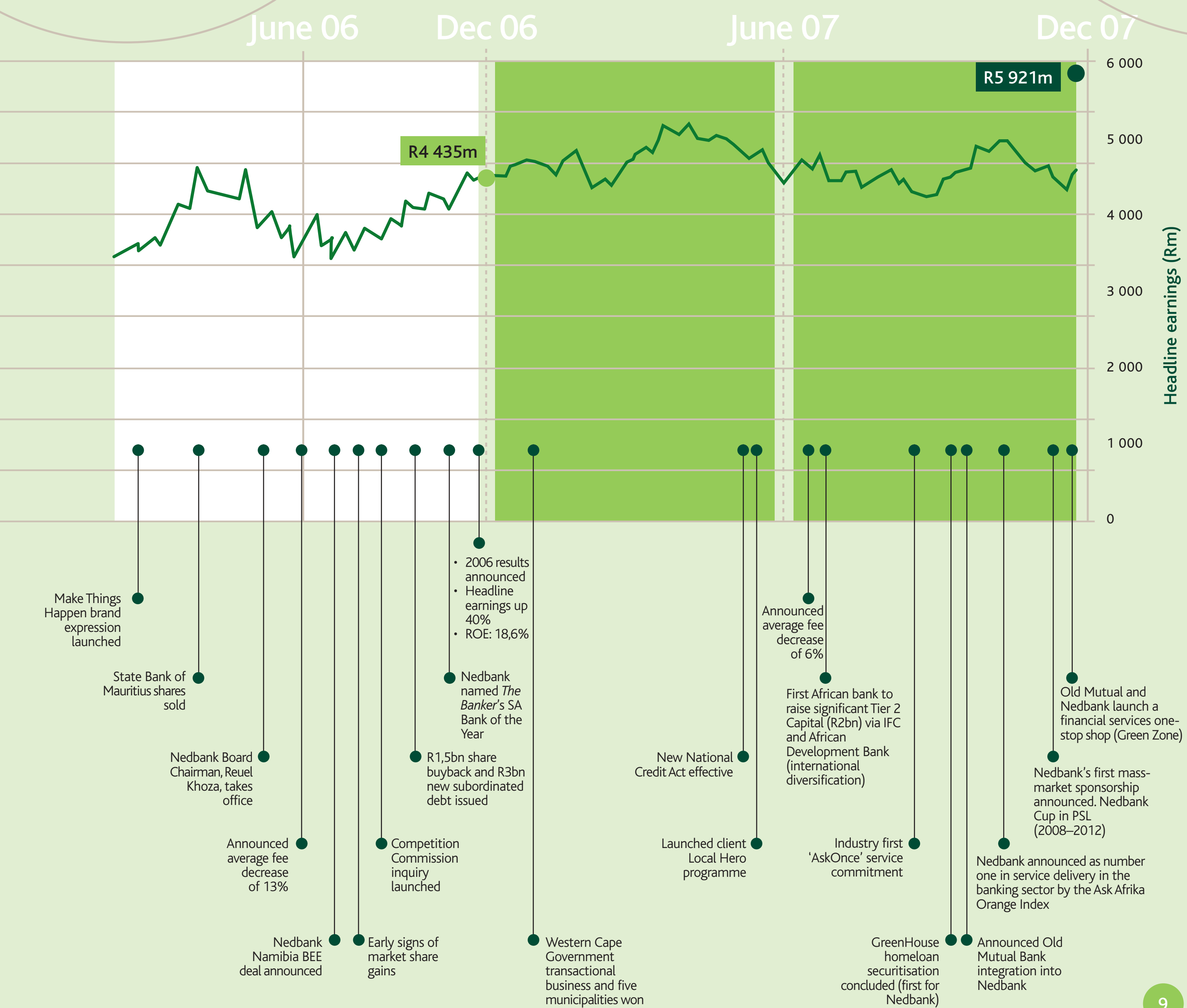
Nedbank Group **progress from 2003 to 2007**



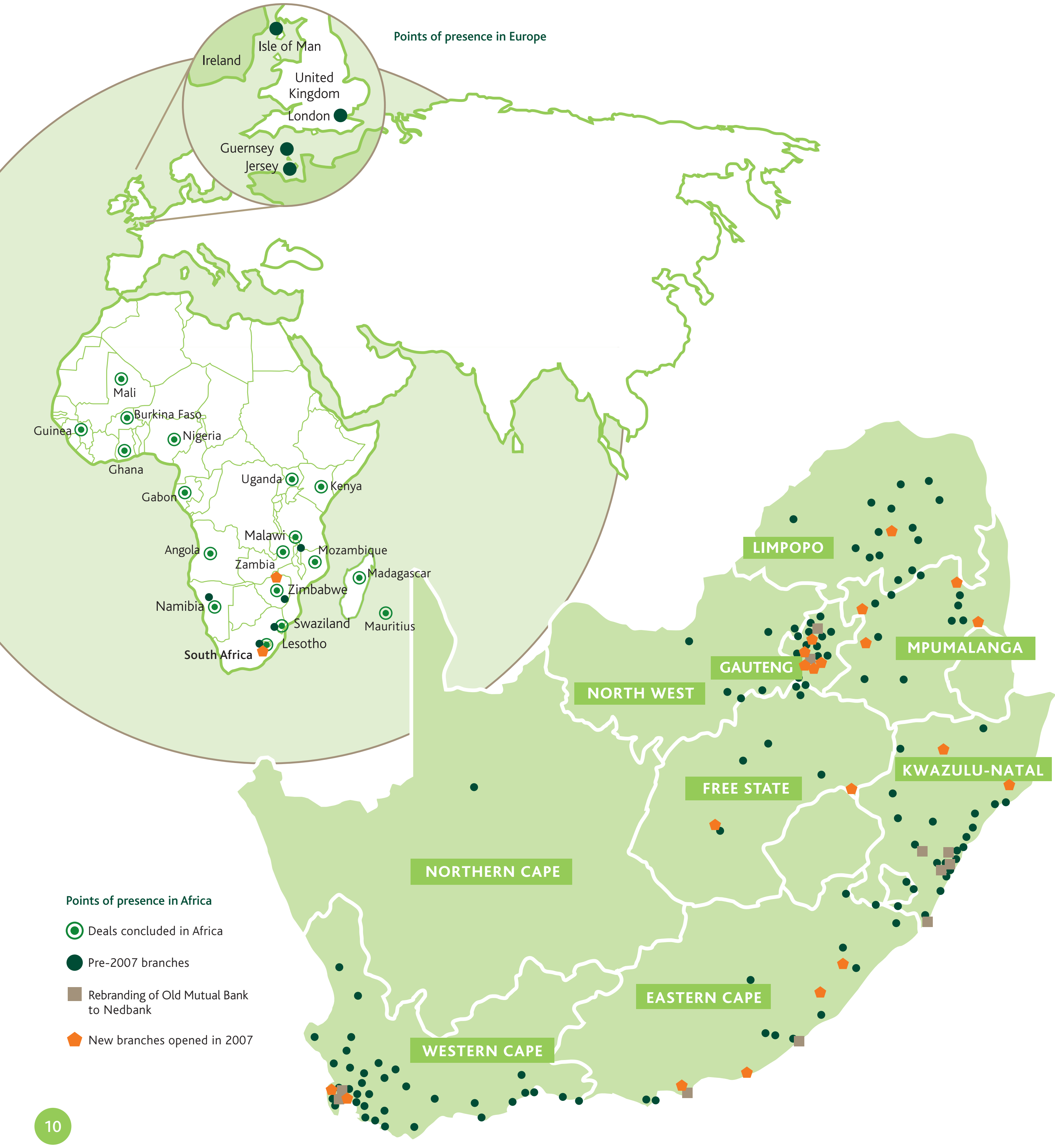

NEDBANK.
EXCLUSIVELY
AVAILABLE TO
EVERYONE.


EVERYONE
CARES FOR
SOMETHING.
TELL US WHAT IS
CLOSEST TO YOUR
HEART AND BECOME
A LOCAL HERO.


INTRODUCING
Our promise to you
ask
once


June 06
Dec 06
June 07
Dec 07
R4 435m
R5 921m
6 000
5 000
4 000
3 000
2 000
1 000
0
Headline earnings (Rm)
Make Things Happen brand expression launched
State Bank of Mauritius shares sold
Nedbank Board Chairman, Reuel Khoza, takes office
Announced average fee decrease of 13%
Nedbank Namibia BEE deal announced
Early signs of market share gains
Competition Commission inquiry launched
R1,5bn share buyback and R3bn new subordinated debt issued
Nedbank named The Banker's SA Bank of the Year
• 2006 results announced
• Headline earnings up 40%
• ROE: 18,6%
Western Cape Government transactional business and five municipalities won
New National Credit Act effective
Launched client Local Hero programme
Announced average fee decrease of 6%
First African bank to raise significant Tier 2 Capital (R2bn) via IFC and African Development Bank (international diversification)
Industry first 'AskOnce' service commitment
GreenHouse homeloan securitisation concluded (first for Nedbank)
Announced Old Mutual Bank integration into Nedbank
Nedbank announced as number one in service delivery in the banking sector by the Ask Afrika Orange Index
Nedbank's first mass-market sponsorship announced. Nedbank Cup in PSL (2008–2012)
Old Mutual and Nedbank launch a financial services one-stop shop (Green Zone)

Geographic spread of Nedbank Group operations



Group structure

Nedbank Retail

Rob Shuter

Nedbank Corporate

Graham Dempster

Nedbank Capital

Brian Kennedy

Imperial Bank (50,1%)

René van Wyk

Client interface

Tom Boardman
Chief Executive

	Dec 2007	Dec 2006	Dec 2005
Headline earnings (Rm)	**5 921**	4 435	3 167
Total advances (Rm)	**373 956**	308 563	248 408
Total assets (Rbn)	**489**	425	352
Efficency ratio (%)	**54,9**	58,2	64,8
ROE (%)	**21,4**	18,6	15,5
Employees	**26 522**	24 034	22 188

Support areas

Group Strategy and Corporate Affairs

Nombulelo Moholi

Group Risk

Philip Wessels

Group Technology

Len de Villiers

Enterprise Governance and Compliance

Selby Baqwa

Group Human Resources

Shirley Zinn

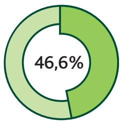
Group Finance

Mike Brown

Business profile

Nedbank Corporate

Contribution to operating division headline earnings:



	2007	2006
Headline earnings (Rm)	3 063	2 515
Total advances (Rm)	153 718	133 254
Total assets (Rbn)	213	175
ROE (%)	21,4	21,6
Employees	6 143	5 677

Business profile

Nedbank Corporate provides full-service corporate and business banking, including commercial and industrial property finance solutions, to small, medium and large corporates.

Included in the cluster are the group's African operations servicing both retail and corporate market segments in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe.

The cluster comprises:

- Corporate Banking
- Business Banking
- Transactional Banking
- Property Finance
- Nedbank Africa
- Nedbank Investor Services

Key brands

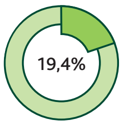
NEDBANK CORPORATE

Main business strategies

- Improve primary banker status.
- Expand in mid-market segments (property finance, corporate and business banking).
- Focus on the public sector.
- Deliver worldclass solutions.
- Manage client value.
- Drive collaborative model with Nedbank clusters and Old Mutual to support service excellence and cross-sell.
- Expand African operations through a three-tiered approach.
- Leverage Old Mutual Group SA capabilities.

Nedbank Capital

Contribution to operating division headline earnings:



	2007	2006
Headline earnings (Rm)	1 272	1 145
Total advances (Rm)	51 233	40 560
Total assets (Rbn)	144	138
ROE (%)	36,8	31,6
Employees	625	626

Business profile

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

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

The cluster comprises:

- Investment Banking
- Specialised Finance
- Treasury
- Equity Capital Markets
- Debt Capital Markets
- Global Markets
- Nedcor Securities
- London Office

Key brands

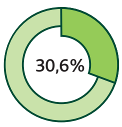
NEDBANK CAPITAL

Main business strategies

- Integrated investment banking business model – leveraging unique combination of industry and product expertise with a single client interface.
- International and African expansion.
- Collaborative model, within Nedbank Capital, with Nedbank clusters and Old Mutual.
- Product scope expansion and business ventures.
- Leverage of the London platform.

Nedbank Retail

Contribution to operating division headline earnings:



	2007	2006
Headline earnings (Rm)	2 008	1 463
Total advances (Rm)	133 492	106 974
Total assets (Rbn)	154	125
ROE (%)	24,3	23,0
Employees	15 356	13 442

Business profile

Nedbank Retail provides full-service retail banking and wealth management services to individuals and small businesses. It currently has 3,95 million clients in South Africa and in the UK.

The cluster comprises:

- Retail Banking Services
- Nedbank Private Bank
- Retail Consumer Banking
- Retail Small Business Services
- Nedbank Home Loans
- Nedbank Personal Loans
- Nedbank Card
- Retail Bancassurance and Wealth
- Retail Vehicle and Asset Finance and Transactional and Investment Products

Three support services areas underpin our business operating model:

- Retail Shared Services
- Retail Risk
- Retail Marketing

Key brands

NEDBANK

NEDBANK PRIVATE BANK

BoE

fairbairn PRIVATE BANK

go banking

Main business strategies

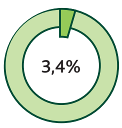
The strategy for 2008 builds on the strong foundation laid for growth in 2007. The cluster has a vision of becoming 'South Africa's fastest growing retail bank'.

Overall strategic orientation will include the following:

- Asset growth at or reasonably above projected market growth levels.
- Strong focus on NIR and transactional numbers.
- Conservative credit policy and focus on collections and impairments.
- Implementation and maximisation of the synergies from the Old Mutual Bank integration.
- Ongoing rollout of distribution strategy.
- Focus on transformation, including execution of mass-market strategy.
- Stringent expense control with headcount kept constant except for distribution expansion.

Imperial Bank

Contribution to operating division headline earnings:



	2007	2006
Headline earnings (Rm)	227	193
Total advances (Rm)	35 320	27 735
Total assets (Rbn)	38	30
ROE (%)	23,9	24,7
Employees	1 008	873

Business profile

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 markets.

The cluster comprises:

- Motor Finance Corporation
- Property Finance
- Supplier Asset Finance
- Medical Finance

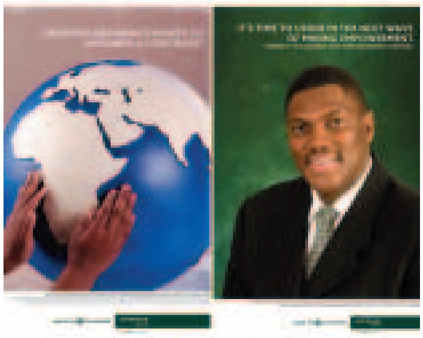
Key brands

IMPERIAL BANK

MFC

Main business strategies

- Leverage of Imperial Holdings footprint, dealership and network.
- Niche market approach.
- Client service excellence.
- Nimbleness.

<table>
<tr><th>Market position</th><th>Products/deals</th><th>Key developments in 2007</th><th></th></tr>
<tr><td>• Leading market share in other private sector loans >21,5% (excl FCLs).
• Largest property finance provider (of all SA banks).
• Rated Top Crossborder and Domestic Custodian of the Year for Southern Africa by Global Custodian.
• Rated Best Sub-custodian Bank – Africa and South Africa in the Global Finance World's Awards.</td><td></td><td>• Implementation of NetBank Business – improved electronic banking platform.
• Business Banking decentralisation – moving decisionmaking closer to the client interface to improve service and risk management.
• Increased client understanding, resulting in further service improvements.
• Delivery of cash solutions.
• Buyout of NedNamibia minorities.
• Initial public sector successes.
• Improved staff morale.
• Exceeded transformation targets.
• Primary banker to group companies.</td><td>Nedbank Corporate</td></tr>
<tr><td>• Nedbank Capital improved rankings by Risk magazine in eight categories.
• Corporate Finance maintained its top-three placing in the M&A rankings.
• Maintained six placings in the Bond Spire Awards.
• Top-three position as domestic institutional broker.
• The Banker Deal of the Year for 2007 (Exxaro Resources Limited deal).</td><td></td><td>• Improved industry rankings.
• Expanded London capabilities.
• Rationalised trading systems.
• Utilised capital more efficiently as a result of improved management information systems.
• Increased cooperation with Nedbank Corporate and Old Mutual.
• Developed African strategy framework and in process of implementation.
• Gained traction with new initiatives, eg commodity hedging business and contracts-for-difference platform.</td><td>Nedbank Capital</td></tr>
<tr><td>SA's fourth largest retail bank:
• 16,7% home loans market share.
• 6,9% vehicle and asset finance market share.
• 12,9% card market share.
• 16,2% Mzansi market share.
• 26,9% individual deposit market share.</td><td></td><td>• Continued improvement in ROE and efficiency ratio, with strong headline earnings growth.
• Further fee reductions of 6%.
• Most affordable SA bank in the mass-market segment.
• 470 000 net new clients.
• 88 000 net new primary clients.
• 'AskOnce' promise launch.
• Best SA Bank in the Ask Afrika Orange Index.
• Improved staff satisfaction survey results.
• Market share gained in vehicle asset finance and card.
• Home loans market share maintained.
• 25 new Nedbank branches.
• 411 new ATMs.</td><td>Nedbank Retail</td></tr>
<tr><td>• Vehicle finance market share in excess of 10% and growing.
• Niche operations in residential property development finance; commercial property finance; medical finance; aviation, truck and yellow-goods finance; office equipment finance; and specialised debt collection.
• Good balance sheet growth.</td><td></td><td>• Strong balance sheet growth.
• R2bn securitisation of vehicle instalment loans.
• Successful implementation of NCA, which assisted in gaining market share.
• Excellent growth in medical finance and commercial and industrial property finance.</td><td>Imperial Bank</td></tr>
</table>

Group **strategy**

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

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

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

During 2007 the strategy was further refined as the executive team, along with 500 leaders from across the group, considered various strategic issues and their interrelationships. As a result the strategic focus areas that were identified in 2006 were enhanced and expanded. The strategic choices made in 2006 were ratified and remain unchanged, being:

- embrace the public sector by providing a full spectrum of solutions;
- maintain market leadership in corporate social investment, but take this to an even higher level;

Group Strategic Framework

Vision	'To become southern Africa's most highly rated and respected bank ... by our staff, clients, shareholders, regulators and communities.'
Deep Green aspirations	Great place to work Great place to bank | Great place to invest Unleashing synergies | Worldclass at managing risk | Community of leaders Most respected and aspirational brand | Highly involved in the community and environment | Leading transformation | Living our values
What makes us different and guides our long-term strategy?	GREAT AT LISTENING, UNDERSTANDING CLIENTS' NEEDS AND DELIVERING
Our brand expression	MAKE THINGS HAPPEN
Strategic focus areas	Deliver sustainable financial out-performance | Invest for growth | Enhance productivity and execution | Manage risk as an enabler | Accelerate transformation | Grow stakeholder relations
Scope of the game	A member of the Old Mutual Group | Full-spectrum banking | Bank for all | Southern Africa focus
Our values	Integrity | Respect | Accountability | Pushing beyond boundaries | People-centred

- become a full-spectrum bank that seeks to be a leader in most market segments;
- expand the group's risk appetite and universe for new and existing activities;
- update IT infrastructure, applications and systems continually;
- have the best people across the whole business;
- expand the Nedbank presence in Africa;
- establish a boutique international wholesale presence and capability;
- focus on bancassurance and synergies with Old Mutual Group companies; and
- build the Nedbank brand, with Old Mutual endorsement, on an ongoing basis.

The group strategic focus areas for 2008 to 2010

Deliver sustainable financial outperformance

- Get the numbers – with the turnaround completed, the group is shifting its focus towards achieving peer-related financial performance with a target of ROE (excluding goodwill) greater than 10% above the group's monthly weighted average cost of ordinary shareholders' equity and growth in diluted headline earnings per share of at least average CPIX plus GDP growth plus 5%.

Invest for growth

- Grow Retail – this strategic change thrust will see Nedbank taking advantage of opportunities in the emerging mass and middle markets as well as supporting the transformation of the South African economy. The strategy remains focused on delivering the internal vision of becoming 'South Africa's fastest-growing retail bank'. The overall strategic orientation for 2008 will see asset growth at, or reasonably above, projected market growth levels; a strong focus on NIR and transactional numbers; a conservative credit policy and focus on collections and impairments, implementing and maximising the synergies from the Old Mutual Bank integration and continuing to roll out our distribution strategy; focus on transformation, including execution of mass-market strategy; and stringent expense control.
- Take the lead in business banking – Nedbank has historically been strong in this market, but there is still significant opportunity to grow. Through the ASCENT strategy we will leverage the high-return, high-growth and high-loyalty characteristics of this market, ie Acquire primary banked clients; Sales force productivity and size; Cross-sell; Easy to do business with Nedbank; New markets and products; Talented, skilled and energised people.
- Implement a three-tiered African strategy – Africa is a rapidly growing market and the group aims to unlock this growth opportunity. The three-tiered African strategy is built on improving and growing existing businesses, pursuing low-cost entry into new countries through selected banking solutions, and making targeted acquisitions.
- Become public sector bank of choice – Nedbank will continue to improve its market share and image in this segment by building relationships and developing appropriate solutions.

Enhance productivity and execution

- Enhance productivity and execution – the group will increase its focus on lean practices to improve the client experience, while saving money.

Manage risk as an enabler

- Manage through the economic cycle – the external environment is cyclical and strategies are developed to manage the bank through these different cycles.
- Adopt worldclass risk practices – business requires enabling risk practices to drive growth and be able to compete effectively. In addition, worldclass practices such as Basel II will assist Nedbank in producing superior returns through capital and risk optimisation.

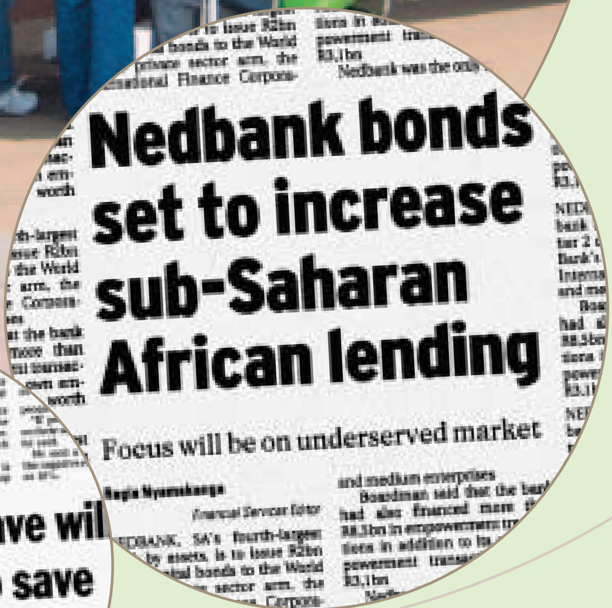
Accelerate transformation

- Accelerate transformation – transformation is a business imperative and the group needs to respond to South Africa's changing demographics. Delivering key projects and initiatives to meet FSC, dti and EE targets will remain focus areas.

Grow stakeholder relations

- Build an innovative staff culture as a competitive advantage – a differentiated corporate culture can build a sustainable long-term competitive advantage and will help to attract and retain talented staff. The various management and leadership development programmes are key enablers.
- Become employer of choice – market competition for talent is increasing. Continued focus on making Nedbank a great place to work will help us attract the best people.
- Empower our clients – this involves delivering affordable and responsible banking solutions through low-cost channels, which along with a focus on consumer education will become especially important in the mass- and middle-market segments.
- Build our brand – although a lot has already been accomplished, more brand-building work will be done, specifically in the mass market where additional marketing efforts will be required to support our sales and growth efforts. The focus on establishing Nedbank as the 'caring bank' that provides smart solutions will continue.
- Maintain shareholder and management alignment – significant work has been done in leveraging the combined strength of Nedbank, OMSA and M&F. Further opportunities exist to extract synergies already identified.
- Ensure ongoing relations with shareholders – it is essential that they are kept informed of group activities and objectives.
- Grow regulator/government relationships – in an environment of increasing regulation and compliance the group will capitalise on opportunities to engage with policymakers and participate in policy development.
- Lead as a corporate citizen – social and environmental issues are important to clients and stakeholders. The group is well-positioned to enhance its established lead in these areas.
- Focus on clients' needs – the group will continue listening to its clients, understanding their needs and delivering. Worldclass service remains a key focus and area of differentiation for the group across multiple clusters.


to a new way of life

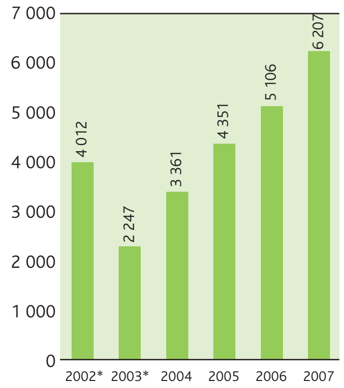

Nedbank bonds set to increase sub-Saharan African lending
Focus will be on underserved market


Nedbank's JustSave wil
pay customers to save

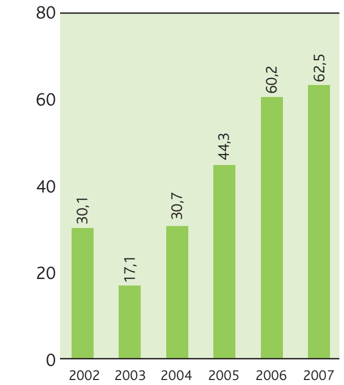
Six-year review: statistics and ratios

Tangible net asset value per share (cents)

*Pre-IFRS



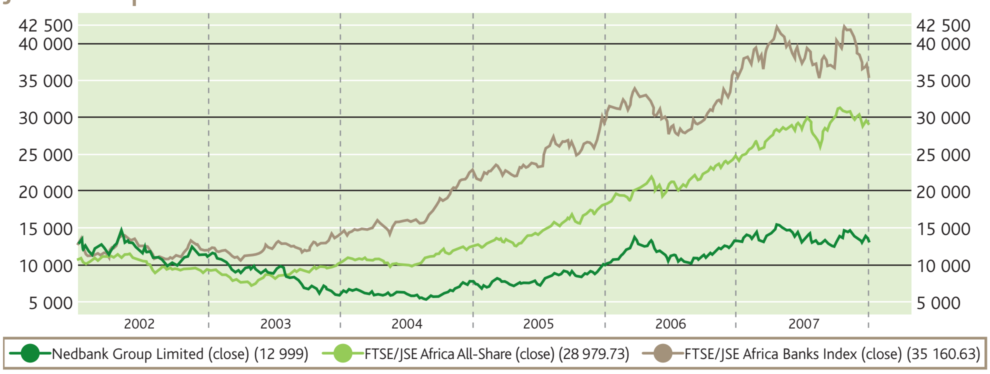
Market capitalisation (Rbn)



		2007	2006	2005	2004	2003**	2002**
Share statistics							
Earnings per share							
Headline	cents	**1 485**	1 110	797	483	19	979
Diluted headline	cents	**1 429**	1 076	791	482	19	979
Basic	cents	**1 511**	1 135	966	423	(546)	346
Diluted basic	cents	**1 454**	1 099	958	422	(545)	343
Dividends/Distributions							
Declared per share	cents	**660**	493	290	120	240	515
Paid/Capitalised per share	cents	**594**	394	181	79	515	515
Dividend/Distribution cover	cents	**2,25**	2,25	2,75	4,00	0,10	1,90
Net asset value per share	cents	**7 513**	6 363	5 597	4 654	4 240	6 300
Tangible net asset value per share	cents	**6 207**	5 106	4 351	3 361	2 247	4 012
Shares							
Gross number in issue	m	**459**	451	443	394	275	271
Treasury shares	m	**(57)**	(56)	(41)	*	*	*
Net number in issue	m	**402**	395	402	394	275	271
Weighted average number	m	**399**	400	397	361	293	253
Fully diluted weighted average	m	**414**	412	400	362	293	254
Share price and related statistics							
Nedbank Group traded price							
Closing	cents	**13 600**	13 350	10 000	7 780	6 203	11 110
High	cents	**15 810**	13 950	10 280	7 999	11 850	15 400
Low	cents	**12 325**	9 790	6 700	5 240	5 640	9 500
FTSE/JSE Banks Index – closing		**35 876**	36 121	29 234	22 975	14 153	12 035
FTSE/JSE All-share Index – closing		**28 958**	24 915	18 097	12 657	10 387	9 277
Market capitalisation	Rbn	**62,5**	60,2	44,3	30,7	17,1	30,1
Number of shares traded	m	**232,2**	191,7	168,1	245,8	216,0	143,8
Number traded to weighted average number of shares	%	**58,2**	48,0	42,3	68,1	73,7	56,8
Value of shares traded	Rm	**31 954**	22 219	13 709	15 345	18 003	17 228
Value traded to market capitalisation	%	**51,1**	36,9	31,0	50,0	105,5	57,2
Price/earnings ratio	historical	**9**	12	13	16	326	11
Price to book	times	**1,8**	2,1	1,8	1,7	1,5	1,8
Dividend yield	%	**4,9**	3,7	2,9	1,5	3,9	4,6
Earnings yield	%	**10,9**	8,3	8,0	6,2	0,3	8,8
Closing price/Tangible net asset value	times	**2,2**	2,6	2,3	2,3	2,8	2,8

** Represents amounts less than 1 million.*
*** Before conversion to IFRS.*

JSE share price and indices

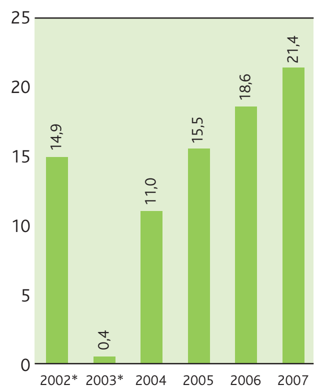


		2007	2006	2005	2004	2003**	2002**
Performance ratios							
Net interest income to interest-earning assets***	%	**3,94**	3,94	3,55	3,18	3,04	2,95
Non-interest revenue to total income	%	**42,5**	46,3	49,8	53,1	49,0	48,5
Foreign currency translation gains/(losses) to total income	%		0,02	0,74	(1,84)	(10,61)	(10,52)
Credit loss ratio	%	**0,62**	0,52	0,49	0,55	1,02	0,63
Efficiency ratio							
Including BEE transaction expense	%	**54,9**	58,2	64,8	71,8	80,2	65,4
Excluding BEE transaction expense	%	**54,2**	57,5	62,5	71,8	80,2	65,4
Expenses to average assets	%	**2,95**	3,06	3,24	3,41	3,24	2,46
Effective taxation rate	%	**26,3**	27,8	23,4	24,2	54,8	5,1
Return on total assets	%	**1,30**	1,14	0,93	0,54	0,02	0,84
Return on risk-weighted assets	%	**1,76**	1,60	1,40	0,82	0,03	1,19
Return on ordinary shareholders' equity	%	**21,4**	18,6	15,5	11,0	0,4	14,9
Assets and related ratios							
Advances							
Performing advances***	Rm	**369 382**	306 004	249 318	220 202	208 960	193 414
Impaired advances***	Rm	**10 652**	7 743	4 304	7 490	8 444	8 001
Gross advances	Rm	**380 034**	313 747	253 622	227 692	217 404	201 415
Impairment of advances	Rm	**(6 078)**	(5 184)	(5 214)	(6 684)	(7 308)	(6 553)
Net advances	Rm	**373 956**	308 563	248 408	221 008	210 096	194 862
Impaired advances to gross advances***	%	**2,8**	2,5	1,7	3,3	3,9	4,0
Impairment of advances to gross advances	%	**1,6**	1,7	2,1	2,9	3,4	3,3
Assets							
Total assets on balance sheet	Rm	**488 856**	424 912	352 258	327 840	313 113	324 767
Assets under management	Rm	**85 438**	86 212	63 925	60 369	102 090	124 343
Total assets administered by the group	Rm	**574 294**	511 124	416 183	388 209	415 203	449 110
Capital and related ratios							
Ordinary shareholders' funds	Rm	**30 193**	25 116	22 490	18 337	11 647	17 046
Regulatory capital (Basel I)							
Tier 1	Rm	**27 785**	22 932	21 151	17 274	10 593	14 517
Total qualifying capital	Rm	**40 893**	32 683	29 099	25 663	21 589	22 985
Risk-weighted assets (Basel I)	Rm	**336 690**	276 914	225 756	212 459	212 850	208 656
Group capital adequacy ratio (Basel I)							
Tier 1	%	**8,3**	8,3	9,4	8,1	5,0	7,0
Total	%	**12,2**	11,8	12,9	12,1	10,1	11,0
Employee statistics and ratios							
Number of employees		**26 522**	24 034	22 188	21 103	24 205	25 240
Revenue per employee	R	**845 638**	788 383	712 502	664 692	466 102	415 769
Expenses per employee	R	**508 597**	494 549	496 530	518 362	427 350	288 590
Headline earnings per employee	R	**223 249**	184 530	142 735	82 595	2 222	111 486

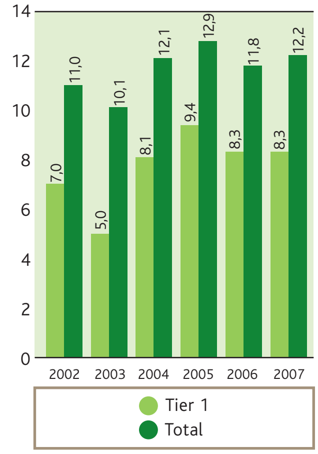
**** 2006 restated.*

Refer to pages 301 to 311 for definitions of terms used.

Return on ordinary shareholders' equity (%)



Group capital adequacy ratio (%)

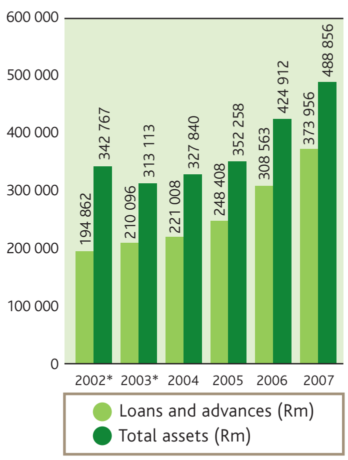


Six-year review: balance sheet

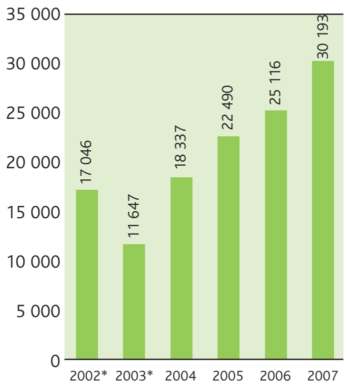
at 31 December

Loans and advances, and total assets (Rm)

*Pre-IFRS



Total ordinary shareholders' equity (Rm)



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

** Before conversion to IFRS.*

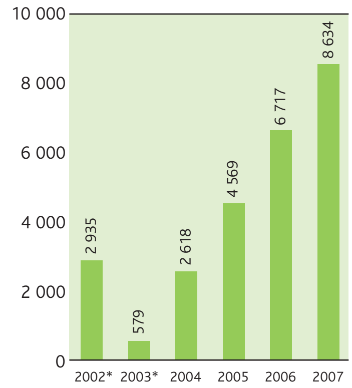
Six-year review: income statement

for the year ended 31 December

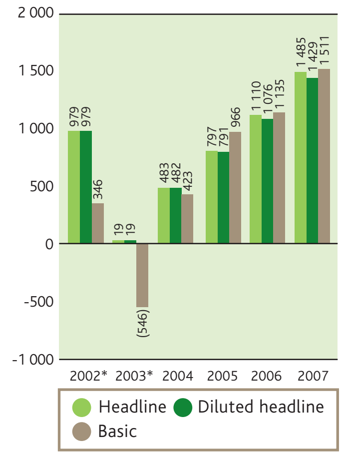
Rm	2007	2006	2005	2004	2003*	2002*
Interest and similar income	**42 001**	28 521	23 234	22 789	28 141	23 607
Interest expense and similar charges	**27 855**	17 558	14 705	15 644	21 333	17 652
Net interest income	**14 146**	10 963	8 529	7 145	6 808	5 955
Impairments charge on loans and advances	**2 164**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

** Before conversion to IFRS.*

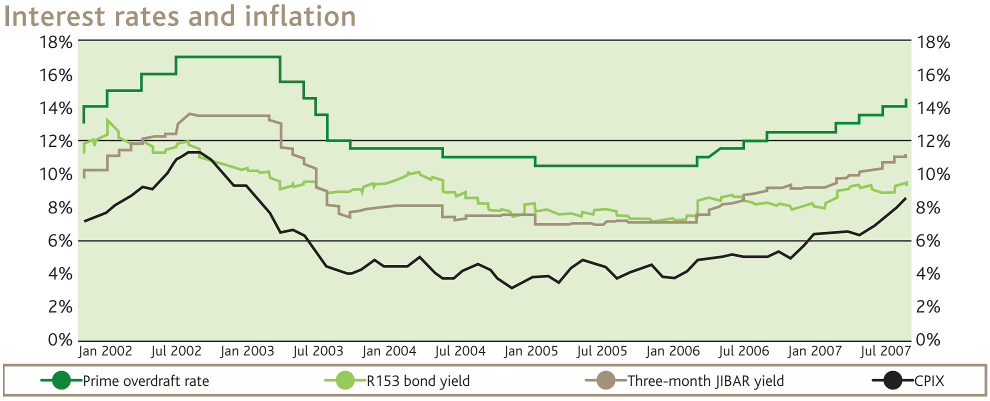
Profit from operations before non-trading and capital items (Rm)



Earnings per share (cents)



Interest rates and inflation



Dennis Dykes (48)
Chief Economist: Nedbank Group
24 years' service • MCom (Econ) (London School of Economics, UK)

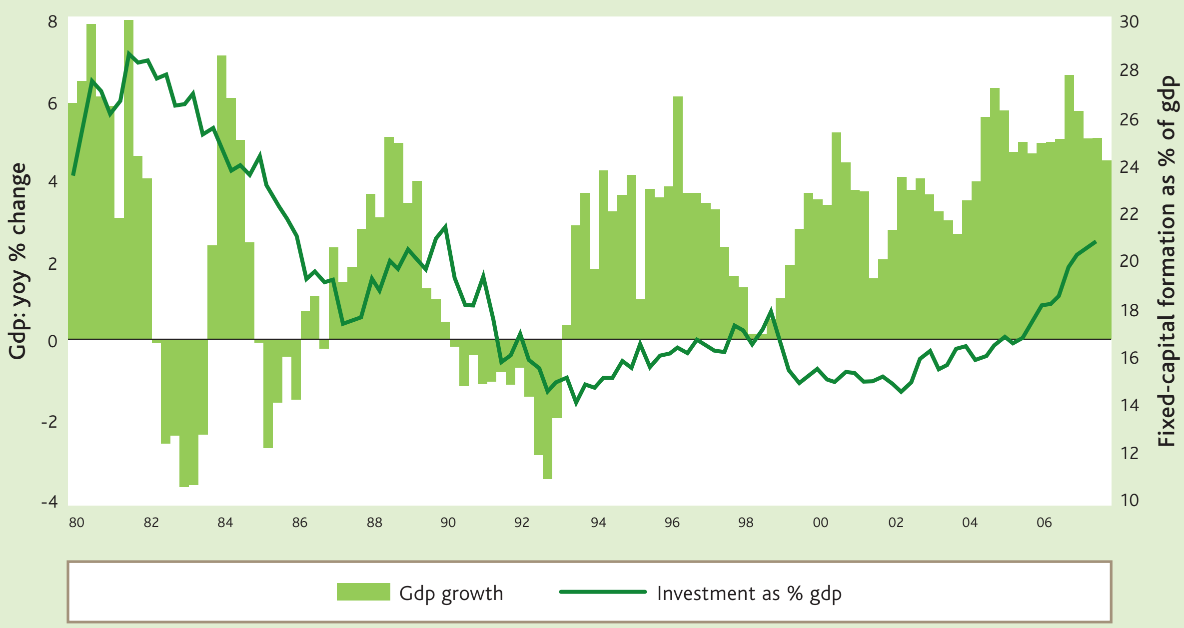
Economic review

Overview

Economic growth remained impressive in 2007. Over the past four years the economy has expanded at an annual rate of around 5%, the strongest period of growth since the gold-induced boom of the late 1970s and early 1980s. Higher growth has been supported by a strong rise in fixed-capital formation, which has grown at an annual rate of close to 12% over this period and has risen as a percentage of gdp from under 15% of gdp in 2002 to over 20%. Improved job creation and disposable-income growth, together with rising property and equity prices, helped to bolster consumer spending, which expanded by 7% per annum in real terms over the same period.

The international economic and financial climate was favourable for much of the year. Asian growth rose further, boosting the demand for, and therefore the prices of, many commodities. Other developing economies also saw generally firm growth, helped by rising terms of trade and strong capital inflows. Developed countries lagged, with the US, in particular, starting to show signs of vulnerability in the last few months of the year. The subprime mortgage crisis and the subsequent banking crisis had only a limited immediate impact on the real

Gdp growth and fixed-capital formation



economies of affected countries, but significant volatility and weakness in financial markets suggested that there will be worse to come in 2008 and 2009. Despite increased risk aversion, global capital flows continued to favour emerging markets, based on positive perceptions of relative growth prospects.

South Africa again benefited from these trends, with exports firming on better prices and the country again attracting massive capital inflows. Net foreign purchases of equities and bonds remained high at R82 billion or 4% of gdp. Together with other inflows, this enabled a further rise in foreign exchange reserves to 12,5% of gdp or around five months of import cover, despite the current account deficit widening to around 7% of gdp from 6,5% in the previous year.

Unfortunately, stronger-than-expected global growth also boosted energy prices as well as food prices. The latter was also forced higher by unfavourable climatic conditions in key regions and the use of grains for biofuels. As a result imported inflation tended higher as the year progressed, leading to a breach in the Reserve Bank's upper inflation target of 6%. This led to a further hike of 200 basis points in interest rates, with prime lending rates increasing to 14,50% from 12,50% at the start of 2007. Still high credit growth and firm consumer demand in the first half of the year also encouraged the authorities to tighten policy. By the third quarter household debt as a percentage of disposable income had risen to over 77% from 73% at the start of 2007.

Higher real interest rates and the introduction of the National Credit Act on 1 June 2007 progressively weighed on consumer spending in the second half of the year. By the fourth quarter retail spending had slowed to levels below those of the same period in 2006, and passenger car sales slipped. In contrast, actual capital formation remained buoyant and plans announced for future projects remained at elevated levels as both the public and private sectors addressed capacity constraints arising from the above-trend growth of the past few years.

There were early, but as yet limited, signs of distress in the retail credit markets as higher debt levels and the unexpected increase in borrowing costs began to impact on households and the small-business sector. However, both insolvencies and liquidations remained close to cycle lows.

Outlook

Slower economic growth can be expected in 2008, before momentum is regained in 2009. Global growth will moderate as the effects of the credit crunch continues to impact on real economic activity and confidence. Although primarily a developed-world problem at present, there will be some spillover on developing Asia and other regions, with commodity prices probably easing as the year progresses. However, the impact on export volumes is not expected to be significant, with capacity issues imposing the more material constraint. Transport and energy infrastructure is expected to continue hindering stronger economic growth in the medium term, despite considerable investment underway in these areas.

The divergence between the corporate and household sectors will become more marked as consumers adjust to tighter credit conditions. Although interest rates will probably fall in late 2008, the positive effect of easier monetary policy will impact only in 2009. In contrast, large companies will continue to expand capacity ahead of the 2010 FIFA World Cup.

focus

shaping the way we do banking

Chairman's Statement

'The group did not only focus on achieving sterling short-term performance, but made a significant investment in the long-term future of the bank.'

Dr Reuel J Khoza | Chairman

Introduction

At the outset of the strategic recovery programme four years ago Nedbank Group gave an undertaking to shareholders that it would deliver specific performance targets for the 2007 financial year.

While these objectives may have seemed somewhat ambitious at the time, given the enormity of the turnaround that faced Nedbank, it is pleasing to report that the group has exceeded its targets of a 20% return on average ordinary shareholders' equity (ROE) and an efficiency or cost-to-income ratio of 55%.

The group's ROE increased from 18,6% in 2006 to 21,4%, with the efficiency ratio improving from 58,2% last year to 54,9%.

What makes the achievement of these targets more gratifying is that they were met despite the additional costs relating to the group's black economic empowerment transaction and the accounting implications of the conversion to International Financial Reporting Standards. The group did not only focus on achieving sterling short-term performance, but made a significant investment in the long-term future of the bank, particularly in the areas of retail distribution, marketing, technology and increasing staff in client-facing divisions.

The ongoing improvement in the group's performance is reflected in a 33,5% growth in headline earnings to R5,9 billion, with an increase of 32,8% in diluted headline earnings per share to R14,29.

Our shareholders have again been offered a capitalisation award with a cash dividend alternative. The final award is 350 cents per share, bringing the total awards for the year to 660 cents, up 33,9% from the 493 cents per share declared in 2006.

The group's financial and operational performance is covered in further detail in both the Chief Executive's Report on page 34 and the Chief Financial Officer's Report on page 64.

Macroeconomy

The subprime crisis emanating from the United States dominated international financial markets in the second half of 2007. Thankfully, South Africa weathered this storm, with very little subprime exposure to local banks. Shareholders should note that Nedbank has no direct exposure to US subprime mortgages. While the group is indirectly exposed through banking relationships with large institutions who themselves have subprime exposure, these are relatively small and are not expected to result in any losses to the group.

In the domestic economy increasing interest rates and the resultant higher debt costs, new credit legislation and rising inflation all contributed to a slowdown in consumer spending towards the end of 2007. The SA Reserve Bank is to be commended for its fiscal management and rigid inflation targeting. Over time, we would suggest, this policy does need to be reviewed as inflation cannot be controlled purely through interest rate management.

South Africa has witnessed a sea change in political leadership. While recognising that South Africa is a political economy, we are hopeful that this will not result in fundamental changes to the economy. The ruling party adheres strictly to policy – and its policies are subjected to rigorous debate before being implemented – making us believe that the transition to the new order will be relatively seamless. Importantly, we look forward to a partnership relationship developing between the new leadership and business.

Banking environment

An intense focus on bank fees, increasing regulatory pressures and tightening economic conditions dominated the banking landscape in 2007.

The Competition Commission inquiry into bank pricing continued throughout the year, with all major industry players providing written submissions and participating in public hearings. The inquiry process has been completed and the recommendations are expected to be released in the first quarter of 2008.

Nedbank fully endorses the transparent process followed by the Competition Commission and supports the need to make banking more affordable and accessible to all South Africans. This is evidenced by a reduction in retail bank fees for two years in a row, making Nedbank the most affordable of the big four banks in the lower-income and mass markets.

Rising inflation, the high individual debt burden and the increase in interest rates resulted in a slowdown in consumer spending and increasing default rates. This trend is expected to intensify and broaden in the year ahead. On the positive side the growth in fixed-capital formation and government consumption expenditure resulted in renewed momentum in wholesale banking.

On the regulatory front Nedbank, along with its peers, invested significant resources to ensure compliance with the National Credit Act (NCA), which came into effect in June 2007. As the group considers itself a responsible lender, the NCA training was largely aimed at educating consumers and curbing overindebtedness. Nedbank has also signed a code of conduct with The Banking Association, governing lending and the extension of credit, with this voluntary code moving banks beyond the requirements of the NCA.

Chairman's Statement | continued

Basel II regulations were introduced into the South African banking environment from 1 January 2008 to promote the enhancement and sophistication of risk and capital measurement and management. The technical team leading Nedbank's Basel II project is to be complimented for its role in successfully implementing these new regulations.

Transformation

Accelerating transformation continues to be one of the group's key focus areas.

Over the past year Nedbank has made encouraging progress, currently scoring 96,2 out of a potential 98 points as measured by the Financial Sector Charter (FSC) scorecard.

The finalisation of the Department of Trade and Industry (dti) codes of good practice in February 2007 moved the goalposts and created a challenge of conformance for financial services companies, with two scorecards applying different measurement criteria.

The group is rated as a level 4 BEE contributor against the dti scorecard, with a score of 67,4. The group has set an objective of achieving at least level 2 BEE status over time.

While we continue to align the group with the dti codes, we are committed to delivering on our FSC obligations in the areas of access, empowerment financing and BEE financing, which are not covered by the dti codes.

Client service

In last year's report I commented on client service and the bank's commitment to improving service levels in our quest ultimately to achieve worldclass service. Nedbank is truly embracing client service and adopting client-centric practices in all aspects of the business.

Our management and staff need to be accountable for service standards, and the business has adopted global and local benchmarks to measure performance, while also monitoring a range of internal and external service indicators.

It is pleasing to report to shareholders that most client service performance metrics have shown positive upward trends. In the CMAT® customer management assessment, applied by more that 700 organisations globally, Nedbank is now ranked in the top-quartile globally. Locally, Nedbank was rated the number one bank in the Ask Afrika Orange Index, the broadest independent service benchmark in the country, after being the fourth-ranked bank in 2006.

As part of our client satisfaction research the bank talks to over 60 000 clients annually to understand their perceptions of our service, and these scores have improved for the third successive year.

We are confident that the service experience of our clients is improving, although at the same time we acknowledge how much still needs to be done to be rated as worldclass.

Old Mutual Group relationship

The relationship between Nedbank and our parent company, Old Mutual plc, continues to strengthen as we capitalise on strategic opportunities and realise ongoing business synergies.

The annual benefits generated for Nedbank from group collaboration now exceed R650 million, mostly from retail joint ventures and technology projects.

During the year Nedbank acquired Old Mutual's 50% interest in Old Mutual Bank (OMB), making the business wholly owned, which will enable OMB to be integrated under the Nedbank banner and allow us to rationalise infrastructure and overlapping outlets.

Shareholders may be aware that the relationship between Nedbank Group and Old Mutual plc is governed by a formal agreement. This covers a range of issues, including strategy, the appointment of officers, reporting and a commitment to promoting synergies. Importantly, the agreement deals with managing potential conflicts of interest to protect the interests of minority shareholders.

Board of directors

At year-end we bade farewell to Nick Dennis, who resigned after five years on the board. Nick has a profound knowledge of strategy and marketing and made a phenomenal contribution to the board. He was never afraid of being at variance with the majority, always trying to ensure that the board made the best decision.

Two further independent non-executive directors, Barry Davison and Cedric Savage, have regrettably made known their decisions to leave the board during the forthcoming year. Barry will be leaving in August, while Cedric will be retiring from the board after the annual general meeting in May. Both these directors have added considerable value to the debate at board and committee level and, together with Nick, will be sorely missed.

Late in the year we welcomed Rosie Harris as a non-executive director. Rosie is Group Risk Director of our parent company and we look forward to her contribution.

At year-end our board comprised 18 directors, with eight independent non-executive directors, eight non-executive directors and two executive directors. Three of our directors, including me, are not considered independent owing to our shareholdings in the group's BEE scheme, a further three directors represent Old Mutual plc on our board and two directors are former executives of the company and are, therefore, not deemed to be independent.

While we fully endorse all governance codes aimed at improving board objectivity and accountability, it is important to emphasise that not being classified as independent does not mean that a director does not act independently. Our directors are all independent thinkers who are prepared to articulate their views without compromising their integrity to represent their own interests. We would not have it any other way.

Owing to my position as a non-executive director of the group's holding company and being a shareholder of Aka Capital, a strategic business partner in the group's BEE scheme, I am not considered to be an independent director. As a board we have followed the recommendations of the UK Combined Codes of Governance in appointing Chris Ball as senior independent non-executive director. Chris has been an independent non-executive director since 2002 and is a man of uncompromising professionalism and objectivity who would be an asset to any corporate board.

The Nedbank Group has made sound progress in transforming the board. We have eight black directors and three female directors, and through natural attrition we are looking further to diversify the racial and gender mix on our board to be fully representative.

The board also recognises the need for ongoing director development. During the year the directors received training in Basel II, which provided a broader understanding of risk in all its dimensions, as well as training in specialised topics relating to procurement, climate change, taxation and accounting.

Our annual board evaluation has been enhanced from a self-assessment to a process that covered the effectiveness of the board, board committees and the chairman of the board, engaging an independent consultant for the first time. We have all benefited from the collective insights of our colleagues, and the evaluation has allowed for further refinements to the governance process.

Appreciation

The Nedbank Group Board is imbued with a great deal of wisdom, and it has again been a privilege to lead and participate in this forum. I extend my thanks to my fellow directors for their robust participation in debates, for listening to the diverse perspectives of all for ensuring that quality decisions are made.

The board joins me in congratulating the group on the quality of the results for the past year. Particular reference must be made to the committed leadership of Tom Boardman and his Group Executive Committee, who work together so well as a team.

Thanks are also due to the banking regulator for the constructive and engaging manner in which he continues to guide our industry.

The group's performance in 2007 and the achievements outlined in this annual report reflect the collective efforts of over 26 000 dedicated people. Thank you for a job well done.

Dr Reuel J Khoza
Chairman

Sandton
5 March 2008

Board of Directors | at 1 January 2008

Dr Reuel Jethro Khoza (58)

(Non-executive Chairman)
(appointed August 2005)

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

Occupation:
Businessman and director of companies.

Reuel Khoza is the non-executive Chairman of Nedbank Group Limited and Nedbank Limited, as well as Chairman of Aka Capital, Corobrik, Nepad Business Foundation and Murray & Roberts Cementation. He is a non-executive director of Nampak Limited, Protea Hospitality Group, Old Mutual plc and Gold Reef Resorts Limited. He is President of the Institute of Directors and in this capacity served on the King II Committee on Corporate Governance. He is a founding director of the Black Management Forum and a former Chairman of Eskom Holdings.

Nedbank Group Board committees:
Nedbank Group and Nedbank Limited Directors' Affairs Committees (Chairman).

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

Prof Michael Mervyn Katz (63)

(Non-executive Vice-chairman)
(appointed November 1997 as director and November 2002 as non-executive Vice-chairman)

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

Occupation:
Attorney and corporate law adviser.

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

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

Nedbank Group ordinary shares:
4 682 beneficial indirect.

Nedbank Limited preference shares:
475 000 beneficial direct and 105 000 non-beneficial indirect.

Maduke Lot Ndlovu (56)

(Non-executive Vice-chairman)
(appointed May 1993 as non-executive director, November 1994 as executive director and May 2004 as non-executive Vice-chairman)

Qualifications:
Dip LR, MAP, EDP (North Western, USA), AMP (Harvard Business School, USA).

Occupation:
Director of companies.

Lot Ndlovu is non-executive Vice-chairman of Nedbank Group Limited and Nedbank Limited, as well as Chairman of NestLife Assurance Corporation Limited, The South African National Roads Agency Limited, Nakatomi Corporation, Community Growth Management Company, St Anthony's Education Centre, Jomba Investments, True Class Consortium and November Ten Charities. He is a director of Mutual & Federal Insurance Company Limited, Nampak Limited, Cross Continents Investments, Saxon Road Nominees, Sani Pass Management Company, Sani Pass Development Company and True Class Motor Holdings. He is also a member of the Independent Commission for the Remuneration of Public Office Bearers, The Business Trust on Job Creation and Hope in Victory (a caregiving organisation for HIV patients).

Nedbank Group Board committees:
Group Transformation and Sustainability Committee (Chairman), Nedbank Group and Nedbank Limited Risk and Capital Management Committees, Nedbank Group and Nedbank Limited Directors' Affairs Committees and Group Credit Committee.

Nedbank Group ordinary shares:
232 871 beneficial indirect.

Thomas Andrew Boardman (58)

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

Qualifications:
BCom, CA(SA).

Occupation:
Chief Executive, Nedbank Group Limited and Nedbank Limited.

Tom Boardman is Chief Executive of Nedbank Group Limited and Nedbank Limited. He was previously Chief Executive and an executive director of BoE Limited. He was the founding shareholder and Managing Director of retail housewares chain Boardmans. Prior to this he was a director of Blaikie Johnson Limited, Managing Director of Sam Newmans Limited and worked for the Anglo American Corporation for three years. He served his articles at Deloittes. He is a non-executive director of Mutual & Federal Insurance Company Limited and The Banking Association of South Africa, and serves as a trustee in a number of charitable foundations.

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

Nedbank Group ordinary shares:
50 098 beneficial direct.

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

Christopher John Watkins Ball (68)

(Senior independent non-executive director)
(appointed November 2002)

Qualifications:
Dip Iuris, MA.

Occupation:
Director of companies.

Chris Ball was previously a non-executive director of BoE Limited and a non-executive director of five BoE Limited subsidiary companies, including Century City Limited. He is a non-executive director of Mutual & Federal Insurance Company Limited and Imperial Bank Limited. He was formerly Managing Director of First National Bank Group.

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

Nedbank Group ordinary shares:
10 000 beneficial direct.

Nedbank Limited preference shares:
144 300 beneficial direct.

Michael William Thomas Brown (41)

(Chief Financial Officer)
(appointed June 2004)

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

Occupation:
Chief Financial Officer, Nedbank Group Limited and Nedbank Limited.

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

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

Nedbank Group ordinary shares:
26 203 beneficial direct and 909 beneficial indirect.

Thenjiwe Claudia Pamela Chikane (42)

(Independent non-executive director)
(appointed November 2006)

Qualifications:
CA(SA).

Occupation:
Director of companies.

Thenjiwe Chikane is Chairman of the State Information Technology Agency. She was previously Chief Executive of MGO Consulting and Head of the Department of Finance and Economic Affairs in Gauteng. She was a non-executive director of the Development Bank of Southern Africa, Telkom and PetroSA.

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

Barry Erskine Davison (62)

(Independent non-executive director)
(appointed November 2002)

Qualifications:
BA (Law and Economics).

Occupation:
Director of companies.

Barry Davison, until his recent retirement from the Anglo American Group, was an executive director of Anglo American plc, the non-executive Chairman of Anglo American Platinum Corporation Limited and a non-executive director of Anglo American Corporation of South Africa Limited, Kumba Resources Limited, Samancor Limited and the Tongaat-Hulett Limited.

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

Board of **Directors** | at 1 January 2008 continued

Mustaq Ahmed Enus-Brey (53)

(Non-executive director)
(appointed August 2005)

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

Occupation:
Chief Executive, Brimstone Investment Corporation Limited.

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

Nedbank Group Board committees:
Group Audit Committee and Group Credit Committee.

Nedbank Group ordinary shares:
1 622 beneficial indirect and 557 non-beneficial indirect.

Prof Brian de Lacy Figaji (63)

(Independent non-executive director)
(appointed November 2002)

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

Occupation:
Former Vice-chancellor of the Peninsula Technikon.

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

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

Nedbank Group ordinary shares:
107 928 beneficial indirect and 2 296 non-beneficial indirect.

Rosemary Harris (49)

(British)

(Non-executive director)
(appointed December 2007)

Qualifications:
BA(Hons), ACA.

Occupation:
Group Risk Director, Old Mutual plc.

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

Nedbank Group Board committees:
Nedbank Group and Nedbank Limited Risk and Capital Management Committees.

Robert Michael Head (49)

(British)

(Non-executive director)
(appointed January 2005)

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

Occupation:
Group Director Southern Africa, Old Mutual plc.

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

Nedbank Group Board committees:
Nedbank Group and Nedbank Limited Risk and Capital Management Committees, Group Audit Committee and Group Finance and Oversight Committee.

Johannes Bhekumuzi Magwaza (65)

(Independent non-executive director) (appointed October 1996)

Qualifications:
BA, MA (Warwick, UK).

Occupation:
Director of companies.

JB Magwaza is Chairman of Mutual & Federal Insurance Company Limited. He is also a non-executive director of Dorbyl Limited, Ithala Development Finance Corporation Limited, Rainbow Chicken Limited, Tongaat-Hulett Limited, KAP International, Pamodzi Investment Holdings, Motseng Investments, Moreland Development, South Ocean Holdings and Hulamin Limited.

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

Nedbank Group ordinary shares:
160 beneficial direct, 107 878 beneficial indirect and 549 non-beneficial indirect.

Mafika Edmund Mkwanazi (54)

(Independent non-executive director) (appointed April 1999)

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

Occupation:
Director of companies.

Mafika Mkwanazi was previously Group Chief Executive of Transnet Limited. He is currently Chairman of Shamsko Investment Holdings. He is also a director of Saatchi and Saatchi, Stefanutti & Bressan, Marble Gold, Born Free Investments and Hulamin Limited.

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

Nedbank Group ordinary shares:
1 768 beneficial direct, 107 928 beneficial indirect and 1 148 non-beneficial indirect.

Cedric Michael Langton Savage (69)

(Independent non-executive director) (appointed November 2002)

Qualifications:
BSc(Eng), MBA, ISMP (Harvard, USA).

Occupation:
Director of companies.

Cedric Savage is non-executive Chairman of Tongaat-Hulett Limited. He is a non-executive director of Datatec Limited, Denel (Pty) Limited, Harmony Gold Mining Company Limited and Village Main Reef Gold Mining Company. He also served as a non-executive director of BoE Limited and Chairman of NBS.

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

Nedbank Group ordinary shares:
8 452 beneficial direct.

Nedbank Limited preference shares:
212 700 beneficial indirect.

Gloria Tomatoe Serobe (48)

(Non-executive director) (appointed August 2005)

Qualifications:
BCom, MBA (Rutgers, USA).

Occupation:
Chief Executive, Wipcapital.

Gloria Serobe is the Chief Executive of Wipcapital and also founder and an executive director of WIPHOLD. She was previously the Executive Director, Finance, at Transnet. Gloria serves on several boards, including the JSE Limited and Mutual & Federal, and sits on the Financial Sector Charter Council. She is also a non-executive director of Old Mutual Life Assurance Company South Africa Limited.

Nedbank Group Board committees:
Group Audit Committee.

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

James Harry Sutcliffe (51) (British)

(Non-executive director) (appointed December 2001)

Qualifications:
BSc, FIA.

Occupation:
Chief Executive, Old Mutual plc.

Jim Sutcliffe is the Chief Executive of Old Mutual plc. He is a fellow of the Institute of Actuaries. He was previously Deputy Chairman of Liberty International plc and past Chief Executive of Prudential plc's UK division.

Nedbank Group Board committees:
Nedbank Group and Nedbank Limited Directors' Affairs Committees and Group Remuneration Committee.

Chief Executive's Report

'We are pleased with the balance we have achieved between delivering on our short-term performance targets and investing to build a platform for long-term growth. Although our financial performance is now benchmarking closer to that of our peers, we are not yet satisfied and aspire to improve our performance further.

Tom Boardman | Chief Executive

Investing for growth

Group headline earnings increased by 33,5% to R5 921 million, while the group's return on average ordinary shareholders equity (ROE) improved from 18,6% to 21,4% for the year. ROE, excluding goodwill, improved from 22,1% to 24,8%.

The ROE of 21,4% exceeded the target of 20% set at the time of the rights offer in 2004. The financial performance is covered in further detail by Mike Brown in his Chief Financial Officer's Report on pages 64 to 75.

The most important aspect of Nedbank Group's 2007 results, however, was not so much delivering on these targets, but the way in which it was done. We are particularly pleased with the balance achieved since 2004 between delivering on our short-term performance targets and investing for sustainable long-term growth. Although our financial performance is now benchmarking closer to that of our peers, we are not yet satisfied and aspire to improve our performance further.

Over the past four years we have focused on training and developing our people and building an organisation that is vision-led and values-driven. We are committed to using corporate culture as a competitive advantage. We have invested in the Nedbank brand, improved risk management, differentiated on price and ensured competitiveness in key markets. Our distribution network has been expanded to service clients better. We have increased the group's client base through better market segmentation, streamlined processes and improved client service. The implementation of the Basel II programme has been a catalyst in implementing worldclass risk management practices. We have also built our relevance as a sustainable banking group, playing an important role in the upliftment of the communities in which we operate, as well as in global environmental issues.

Operating environment

During 2007 the operations of South African banks remained largely unaffected by the volatility and risk aversion that have characterised international financial markets. Our domestic environment was impacted by increasing interest rates, a deteriorating currency, rising household debt and ongoing pressure on margins. Despite these constraints, Nedbank Retail grew strongly and Nedbank Corporate showed good growth as both government and the corporate market increased investment in infrastructure. After a disappointing first half Nedbank Capital delivered improved earnings in the second half. We are also pleased with the continuous strong performance and growth of Imperial Bank and our strong relationship with Imperial Holdings in this joint initiative.

Culture as a competitive advantage

There is a growing realisation globally of the value of cultural capital and the opportunity for organisations to use corporate culture as a strategic differentiator. When we started our turnaround programme early in 2004, the new leadership team developed a strategic framework that incorporated the group's aspirations for its staff, clients and shareholders (refer to page 14). This framework has guided our strategy as well as our business model and processes.

Strategy is a process and not an event. As part of our ongoing strategy process we have applied scenario planning methodologies, as well as analysing future-shaping forces. We have drawn on a range of experts internally and externally, including our own non-executive directors, economists, futurists and strategists.

Given the challenges faced by Nedbank in recent years, the company has developed a culture of effective execution. The combination of thorough and rigorous planning, together with effective execution, will continue to play a critical role in the group's future success.

We have continuously communicated and shared the company's vision with staff throughout the organisation, which has led to a significantly higher degree of commitment from staff.

Understanding how the staff of Nedbank Group feel about our bank and how they experience the organisation is key to achieving our vision. By giving staff a voice through encouraging and facilitating frank and open dialogue as well as conducting comprehensive staff surveys we have gained greater insight into what motivates staff as well as a deeper understanding of the culture and climate within our organisation.

The Nedbank Employee Survey, which is conducted annually, measures 12 dimensions, including employee views on corporate ethics, strategic direction, leadership and reward systems. The results show that the perceptions of Nedbank staff about the company are steadily improving, having improved by 11 percentage points in two years, from 59,6% in 2005 to 66,3% in 2006 and to 71,5% in 2007. A three-percentage-point shift in a 12-month period is regarded as statistically significant.

It has been most encouraging that the dimensions showing the greatest improvements are 'culture and values', 'change and transformation' and 'leadership'. In each survey 'company ethics' has been the most highly rated dimension by staff.

Chief Executive's Report | continued

Values are a key component of corporate culture as it is ultimately values that drive behaviour. It is easy to compile a list of 'corporate values', but it is far more difficult to ensure that everyone in the organisation lives the values and that the values of the organisation are aligned with those of its stakeholders, particularly its staff.

In order to track values and improve alignment we conduct annual surveys that apply the methodologies of transformation specialist Richard Barrett.

This enables us to measure staff perceptions of Nedbank's current and desired culture across a range of categories. The 2007 survey indicated that there is increasing alignment between organisational and individual values. The top three organisational values as perceived by our staff are 'being client driven', 'accountability', and 'client satisfaction', which are all positive values.

The increases in staff morale and the closer alignment of values have been catalysts for enhanced client service and ultimately improved performance across all our businesses.

Accelerating transformation

While it is gratifying to report continually improving financial performance, we believe that growth without transformation in the South African context is not sustainable.

Improving perceptions of Nedbank both internally and externally has enabled the group to accelerate the pace of staff transformation. Black staff as a percentage of total staff has risen from 50,7% in 2004 to 62,7% this year. Particularly pleasing has been the increase in black management, which now accounts for 39,9% of the total management group, up from 24,5% three years ago. Black board representation has grown from 29,4% to 44,4% at year-end.

Gender equity is another element of transformation. Women now constitute 48,1% of our management, an increase of 7 percentage points since 2004.

The relationship between Nedbank and our black business partners continues to develop and is beneficial to all parties. Several business opportunities have been identified to leverage the relationships with the Brimstone and Wiphold consortia, and through our business development partner, Aka Capital.

In his Chairman's Statement Reuel Khoza has outlined further progress that the group has made in transformation. We view transformation as much more than compliance and numbers. It is a key differentiator and one of the cornerstones of our strategy.

Building the Nedbank brand

Shareholders will be aware that over the past two years we have invested in repositioning Nedbank as an aspirational but accessible and caring bank for all South Africans. This has extended beyond our marketing and communications to include product development, pricing and, importantly, our distribution footprint.

We have significantly increased our brand presence, especially in the mass market where Nedbank was underrepresented owing to the more exclusive positioning of the past. In 2007 we opened 13 branches in underserviced areas and introduced 33 new mobile sales teams. Nedbank is now the most affordable bank for entry level products, and we have grown our Mzansi client base ahead of expectations.

Our brand awareness has also shown strong growth as we close the gap on our three major rivals, increasing spontaneous recall levels from 69% to 81% in less than three years. Over the same period the average brand awareness of our competitors has moved from 92% to 93%. The remaining gap affords us further growth opportunities.

Prospects

The general banking environment will be much tougher in the year ahead. Building on the solid platform developed over the past four years, we are confident that we will continue to improve our performance.

In response to the anticipated market conditions and our own competitive strengths, the main focus areas in 2008 will be on continuing to do the basics well, disciplined expense management, managing the credit cycle and ongoing capital management. We will also build the group's relevance in transactional banking, the public sector, business banking, mass market as well as social and community projects.

At the same time we continue to focus on culture and transformation to differentiate ourselves in the marketplace.

Nedbank will be adopting economic-value-based management from 2008, with economic profit (EP) and return on risk-adjusted capital (RORAC) replacing ROE as the primary internal financial performance measure in the group. EP and RORAC are best-practice measures that incentivise an appropriate balance between return and growth, and better align with shareholder value creation.

Our medium-term objective is to maintain an ROE (excluding goodwill) of 10% above the group's cost of equity, which currently equates to around 24%, and growth in diluted headline EPS of at least average CPIX plus gdp growth plus 5%, which would be around 16%. Given the present environment these medium-term growth objectives would currently be at the top of our range of expectations for 2008.

While we have set these medium-term targets, there is no reason why our like-for-like financial performance should not equal or exceed that of our peers over time.

We remain firmly committed to our vision of becoming southern Africa's most highly rated and respected bank. As part of this vision we will continue to transform into a truly South African bank, both in the composition of our staff and our client base.

Thanks

The performance of the past year was truly a team effort and I am proud of the people of Nedbank who have again responded to the challenges placed before them. Given the commitments made in 2004, 2007 was always going to be a year in which Nedbank Group would come under close scrutiny from the investment community.

I would like to thank our Chairman Reuel Khoza for his insightful leadership of the board and to my fellow directors for passing on the benefit of their wisdom and experience.

Thanks to our shareholders, clients and business partners for your contribution and ongoing support of the group. We acknowledge and appreciate the invaluable support and guidance that we received from the Registrar of Banks and his staff, which supported us during the recovery process of the last four years.

Our people have taken our brand expression Make Things Happen to heart. I would like to thank and congratulate all staffmembers in the bank for their contribution to our performance. The Group Executive Committee has again done a sterling job in leading the group and motivating their people to perform at the highest level.

Tom Boardman
Chief Executive

Sandton
5 March 2008

Graham Dempster (52)
Managing Director: Nedbank Corporate
27 years' service • BCom, CTA, CA (SA), AMP (Harvard, USA)

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

Operational review: **Nedbank Corporate**

Management team

Frank Berkeley (51)
Managing Director: Property Finance
13 years' service • BCom, BAcc, CA (SA)

Denys Denya (43)
Managing Director: Nedbank Africa
10 years' service • BAcc, CA (Zim), ACIS, MBA

Adriaan du Plessis (48)
Divisional Director: Transactional Banking
17 years' service • BCom(Hons), CTA, CA (SA), HDip (Co Law), CAIB (SA)

Keith Hutchinson (49)
Divisional Director: Risk Management
18 years' service • BCom, BCompt(Hons)

Ingrid Johnson (41)
Managing Director: Business Banking
14 years' service • BCom, BAcc, CA (SA), AMP (Harvard, USA)

Priya Naidoo (35)
Divisional Director: Finance
7 years' service • BCom, BCom(Hons), CA (SA)

Mfundo Nkuhlu (41)
Managing Director: Corporate Banking
4 years' service • BA(Hons), Strategic Management in Banking (Insead)

Anton Redelinghuis (58)
Divisional Director: Strategy and Marketing
20 years' service • MCom, CA (SA)

Murray Stocks (41)
Divisional Director: Shared Services and Nedbank Investor Services
16 years' service • BCom

Ashley Sutton-Pryce (54)
Divisional Director: Human Resources and Communications
34 years' service • BA, Business Strategy for HR Leaders (Insead)

Overview

Nedbank Corporate comprises the client-focused businesses of Business Banking, Corporate Banking, Property Finance, Nedbank Africa and the specialist businesses of Transactional Banking and Shared Services. These businesses focus mainly on providing lending, deposit-taking and transactional banking solutions and execution services to the wholesale banking client base of Nedbank.

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

Strategy

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

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

Focus areas

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

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

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

Review of the year

The development of staff and management throughout Nedbank Corporate was accelerated in 2007 with high-level personal growth and team effectiveness processes being embedded in all the businesses. This has led to greater understanding and effectiveness of our leadership groups regarding their roles and impact on leading their teams.

Nedbank Corporate has made significant progress with transformation by exceeding all its employment equity and BEE lending targets. The management headcount increased by over 300 people and incremental black management appointments represented more than 90% of this total.

Nedbank Corporate | continued

There was a significant improvement in staff morale, reflected by the 6% increase in the mean in the Nedbank Employee Survey. The increase in the Barrett cultural alignment for the third consecutive year also highlights the positive shift in attitudes and perceptions of our people, who are key to client service and ultimately market growth.

On an individual note, Ingrid Johnson, the Managing Director of Business Banking, received the prestigious CEO Award in 2007, which is the highest level of internal recognition awarded to an employee who is consistently doing what is right and exceptional, while achieving success both at work and in his or her private life. This is a fitting acknowledgement of the contribution Ingrid has made at executive level over a period of 14 years with the bank.

Our colleague, Heinz Weilert, was seconded at the request of the Development Bank of Southern Africa (DBSA) as the Chief Operating Officer to support the objectives of building the region for the benefit of all.

Nedbank Corporate is benefiting from the image and repositioning of the Nedbank brand and continues to contribute to the strengthening of the brand through various media campaigns, including deal tombstones advertisements.

The wholesale lending activity in South Africa has remained strong, with all businesses generating good increases in lending and in the number of primary banked transactional banking clients.

Building on the successes of the previous year the public sector clients increased further during the current year. In the early part of the year the Western Cape Provincial Government as well as the municipalities of Uthungulu, Merafong, Mossel Bay, Drakenstein and Knysna were migrated successfully onto the Nedbank platform.

Excellent progress has been made in migrating Business Banking clients onto NetBank Business, the new electronic banking channel platform. This has assisted with new-client acquisitions and improved client retention. By year-end over 8 000 clients were migrated onto the new system, with a substantial volume increase in the utilisation of the system. The focus for 2008 will be on enhancing the functionality required for Corporate Banking clients and migrating the corporate clients onto the new platform.

In line with market experience, electronic banking volumes in the wholesale market have continued to grow strongly as processing switches to electronic and card platforms, while a further decline in revenue and volumes from cheque processing has occurred.

Business Banking experienced good average advances growth of 23,6% for the year, demonstrating the benefits of decentralising accountability to the regions and the improvements in client service and delivery. Increased accountability has assisted with significantly improving staff morale and client service, and improved client value propositions to different client segments have led to client acquisition gaining good traction. The execution of the strategy to establish Business Banking as the leader in the market is showing strong momentum, with most of the key elements in place to deliver on the strategy. The sales force was increased by 16% and our presence expanded into new areas, such as Soweto, Khayelitsha, Mitchells Plain, Umtata and Midrand.

Average advances in Corporate Banking grew strongly at 31,5%, driven by substantial advances in the last quarter of 2006. Joint client acquisition/retention strategies with Retail and Nedbank Capital resulted in benefits within Corporate Banking and across the organisation. Our independently commissioned annual client survey confirmed that the corporate bankers are regarded as the top-performing team in the market.

Property Finance has maintained its leading market share position in advances, which grew at 19,1%. Commercial property prices continued to increase partly as a result of the lack of construction capacity and higher building costs. Net interest income (NII) growth has been impacted by continued disintermediation and intense competition creating margin pressure.

Property investment gains were stronger than anticipated, but were marginally down on the high levels of 2006. The 82% investment held in Lion Match was sold with effect from 1 July. The 80% interest held in Bond Choice, the mortgage originator, was reduced to 62% by introducing management shareholders. A transaction to introduce empowerment shareholders, which will further reduce the interest in Bond Choice, was completed. On a combined basis the sale proceeds yielded R322 million.

Transactional Banking had a productive year with further enhancements to the electronic banking platform and the unit was integrally involved in the migration of clients by the Corporate Shared Services teams. This is an important differentiating quality with the onboarding of large complex clients as part of our approach of being closer to, and understanding client needs.

Shared Services had another good year in delivering accurate and efficient processing, and with the onboarding project management processes of migrating new and existing clients onto the bank's systems, with very positive client feedback.

Nedbank Investor Services received the top rating as Crossborder and Domestic Custodian by Global Custodian for the second year running. It was also rated the Best Sub-custodian Bank – Africa and South Africa by Global Finance.

Increased growth in Nedbank Africa resulted mainly from higher revenue off a higher asset base and lower impairments. Significant progress was made in governance and risk frameworks, information technology, employee skills, senior executive appointments and the streamlining of operations.

Due to the complexity of the situation in Zimbabwe, the investment in MBCA was written off in 2003. However, the business risks and the inherent risks continue to be managed actively.

In the risk management sphere Nedbank Corporate had an active year with the introduction of the National Credit Act and the finalisation of the Basel II preparation, culminating in the Registrar of Banks granting the bank approval to adopt the Advanced Internal Rating-based approach for credit, which confirms the quality of the risk management processes. The proactive hands-on approach to risk has resulted in a low level of impairments, strong recoveries and enablement of business generation.

Financial review

Nedbank Corporate increased headline earnings by 22% to R3 063 million. The return on equity (ROE) on Basel I capital at 21,4% was in line with the ROE of 2006 (21,6%). Lion Match was disposed of effective 1 July 2007 and the shareholding in Bond Choice declined from 80% to 62% in July, reducing the combined earnings contributions from these entities in 2007.

The core banking activities generated headline earnings growth of 27,9% over 2006, with the major businesses all performing well, reflecting the inherent strength of the core banking franchise. Revenue grew strongly, impairments were well-managed and expense growth was controlled significantly below the level of income growth.

The property investment activities generated earnings of R313 million, down marginally by 4,2% on the record levels achieved in 2006, and exceeded expectations.

NII and net interest revenue (NIR) grew 19,6% and 9,9% respectively through strong growth in average advances and good progress made in gaining primary banking clients in both the public and private sector in all the businesses, supported by the significant improvement in the electronic banking offering. Average advances have increased by 25,8% and core transactional fee income by 10,0%, despite the continued impact of disintermediation on the cheque business as clients switch to cheaper electronic platforms and credit cards. Electronic banking volumes grew by 31% owing to successful client conversions and acquisitions.

The credit loss ratio of 0,11% is low in the current economic cycle and is attributable to the quality of the portfolio and bad-debt recoveries through effective credit management.

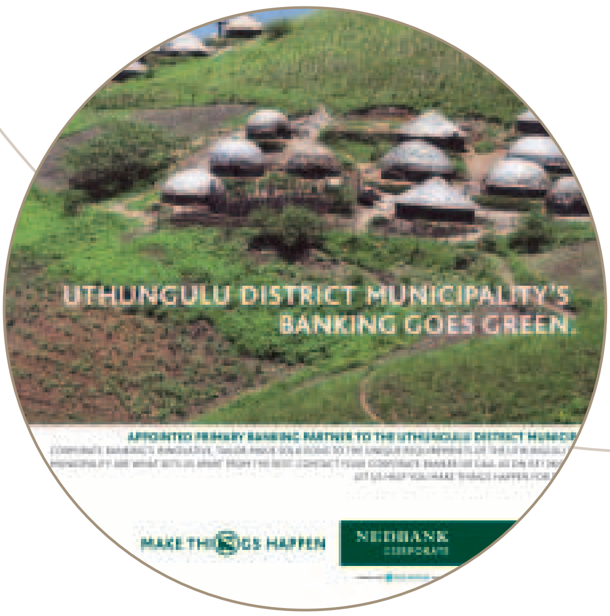
After investing in electronic banking and risk management systems, increasing frontline sales headcount and incurring further regulatory compliance costs, expenses were well-managed and increased by 12,6%.

Business Banking increased headline earnings strongly by 30,7% and the compound growth rate in earnings of 36,0% over the three-year period 2005 to 2007 shows the inherent strength and momentum of the business.

Corporate Banking had an excellent year with headline earnings up 40,1% as the focus on performance and providing clients with integrated lending and transactional banking solutions increased.

The lending business in Property Finance increased headline earnings by 16,3%, notwithstanding the disintermediation of lending and pressure on credit margins, as this asset class increased in attractiveness and size.

Nedbank Africa increased headline earnings by 63,5% off a low base, with good performances from all the underlying businesses.



Nedbank Corporate | continued

Nedbank Corporate segmental report

for the year ended 31 December

	Corporate Banking		Business Banking		Property Finance	
	2007	2006	**2007**	2006	**2007**	2006
Headline earnings (Rm)	**674**	481	**1 227**	939	**1 007**	924
Return on average equity (%)	**13,5**	12,1	**28,9**	27,2	**22,7**	28,1
Return on average assets (%)	**0,56**	0,56	**1,71**	1,50	**2,11**	2,17
Impairment ratio (%)	**(0,01)**	0,04	**0,32**	0,41	**(0,01)**	(0,06)
Efficiency ratio (%)	**47,4**	49,3	**50,6**	52,9	**42,4**	23,8
Number of employees	**268**	268	**2 301**	2 187	**855**	810
Number of clients – advances	**523**	759	**22 842**	29 329	**5 542**	6 265
Total assets (Rm)	**128 760**	109 005	**79 496**	67 405	**56 362**	45 905
Average total assets (Rm)	**119 926**	85 091	**71 900**	62 728	**50 516**	42 478
Total advances (Rm)	**47 943**	45 803	**51 801**	43 641	**46 675**	38 292
Average total advances (Rm)	**46 276**	35 192	**47 571**	38 495	**41 065**	34 469
Total deposits (Rm)	**114 683**	90 199	**69 477**	59 210	**90**	123
Average total deposits (Rm)	**97 730**	73 223	**64 050**	54 445	**161**	408
Allocated capital (Rm)	**4 996**	3 962	**4 241**	3 454	**4 515**	3 288

	Africa		Other**		Total	
	2007	2006	**2007**	2006	**2007**	2006
Headline earnings (Rm)	**90**	55	**65**	116	**3 063**	2 515
Return on average equity (%)	**18,7**	12,9			**21,4**	21,6
Return on average assets (%)	**1,21**	0,84			**1,61**	1,70
Impairment ratio (%)	**0,33**	0,41			**0,11**	0,15
Efficiency ratio (%)	**69,5**	76,9			**49,7**	51,2
Number of employees	**1 582**	1 370	**1 137**	1 042	**6 143**	5 677
Number of clients – advances	**160 829**	175 920				
Total assets (Rm)	**8 008**	7 158	**(59 870)**	(54 746)	**212 756**	174 727
Average total assets (Rm)	**7 414**	6 503	**(59 018)**	(45 704)	**190 738**	151 096
Total advances (Rm)	**5 366**	4 614	**1 933**	904	**153 718**	133 254
Average total advances (Rm)	**4 879**	4 415	**2 446**	463	**142 237**	113 034
Total deposits (Rm)	**6 990**	5 941	**3 118**	2 477	**194 358**	157 949
Average total deposits (Rm)	**6 317**	5 137	**3 788**	1 943	**172 046**	135 156
Allocated capital (Rm)	**479**	426	**114**	524	**14 345**	11 654

*** Includes Bondchoice, Lion Match, Centralised Credit, Risk, Finance and Eliminations.*

Target market and activities

Business Banking services companies with annual turnovers of up to R400 million and is differentiated by its decentralised, empowered, accountable business model and client-centric approach.

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

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

Nedbank Africa has banking operations in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe. Nedbank Africa operates in the retail and wholesale banking segments in each country.

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

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

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

Prospects

Higher interest rates and inflation, increasing asset price volatility and a more cautious approach due to uncertainty about the economic and political environment are likely to impact the market. Nevertheless, clients are in a relatively sound position, with the infrastructure development needs of the country providing an underpin for growth.

Property investment activities generated approximately 10% of headline earnings in 2007, and this is likely to decline in the environment of higher interest rates.

Risk management in this challenging environment will be of vital importance in the period ahead.

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

Nedbank Africa has, through strategic plans, laid the groundwork to expand further into the continent.

The focus is on continually developing the quality leadership and management capabilities of all our people, products and services to provide the highest level of service and delivery to our clients. This drive positions Nedbank Corporate to compete effectively in the market place.

Operational review: Nedbank Capital

Brian Kennedy (47)
Managing Director: Nedbank Capital
12 years' service • MSc(Eng)(Elec), MBA, AMP (Harvard)

Brian started his career in engineering before joining FirstCorp Merchant Bank in 1988. He joined BoE Merchant Bank in 1996 and was appointed Managing Director in 1998. He was appointed an executive director of BoE in 2001. Brian led Capital Markets following the merger and in November 2003 was appointed to the Group Executive Committee of Nedbank Group and Managing Director of Nedbank Capital. He has 20 years of investment banking experience.


Nedbank receives top honours

Nedbank has received *The Banker* magazine's 'Deal of the Year' award for South Africa and Africa for facilitating the Exxaro Resources deal last year. The transaction representing the splitting of South African iron-ore producer Kumba Resources into Kumba Iron Ore and Exxaro to create South Africa's largest black-owned, controlled and managed company listed on the JSE was fac[illegible]

Management team

Anél Bosman (41)
Head: Risk
7 years' service • BCom(Hons), MPhil (Cantab)

Jean du Plessis (59)
Managing Director: Nedcor Securities
17 years' service • BCom(Hons), MBL

Patrick Jackson (54)
Managing Director: Equity Capital Markets
10 years' service • BA LLB, LLM (Cantab), HDip Tax

Peter Lane (51)
Managing Director: Treasury and Debt Capital Markets
17 years' service • BCom, FIFM, CAIB

Eureka Redelinghuys (48)
Head: Finance and Operations
3 years' service • BCompt(Hons), CTA

Mark Sardi (38)
Managing Director: Investment Banking
2 years' service • BBusSci(Hons), CA (SA)

Terence Singh (39)
Head: Strategy and Transformation
6 years' service • MSc(Chem), MBA

Hannes van der Westhuyzen (50)
Managing Director: Global Markets
11 years' service • BCom(Hons), CA (SA)

Mark Weston (44)
Managing Director: Specialised Finance
18 years' service • BCA, CA (New Zealand), AMP (Harvard, USA)

Dan Zulu (44)
Head: IT
9 years' service • BSc

Overview

Nedbank Capital comprises the group's investment banking businesses that together manage the structuring, lending, underwriting and trading businesses. It provides the full product spectrum in the South African market, with an offering that stretches from equity research to the provision of long-term project financing, enabling Nedbank Capital to compete effectively in the southern African market.

The year 2007 was generally challenging for investment banks globally. Against this background we achieved headline earnings growth for the year of 11,2% with second-half growth of 33,5% and return on equity (ROE) of 36,8%.

Our private-equity portfolio continued to perform well and we were rewarded for sound investments made in previous years. The specialised-finance business benefited from increased project finance activity throughout Africa, with the mining finance business delivering exceptional results.

During the first half of 2007 we agreed to terminate our equities-trading business alliance with Macquarie Bank of Australia. While this business alliance had performed poorly in the first half of the year, it allowed for the transfer of skills to our business and resulted in our building a strong equities franchise, which is an integral part of our client offering.

Strategy

The environment in which Nedbank Capital operates necessitates a high-performance culture, which has been articulated as follows:

'We unshackle ourselves from conventional thinking and bureaucratic limitations to understand and honour the needs of our clients, colleagues and shareholders. With gumption, we convert our ideas into sustainable relationships and create a thriving destiny shared by all.'

Key strategic initiatives for 2007 were to:

- construct a strategic framework for expansion into Africa and increase project finance activity on the continent through participation in project equity deals;
- leverage the group's London presence further to access deal flow;
- increase presence in selected jurisdictions and widen equity underwriting and placing capacity;

Target market and activities

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

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

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

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

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

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

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

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

- increase our geographical reach by expanding into countries in which we can leverage our sector expertise, namely mining and resources, infrastructure and energy;
- leverage our sector expertise in creating innovative resources investment banking instruments to suit our clients' needs;
- continue leveraging inter- and intragroup relationships by entrenching the collaborative model between Nedbank Capital, Nedbank Corporate, Nedbank Retail and Old Mutual;
- create innovative new product offerings for the market and develop new businesses;
- build a specialised unit that explores and develops new ideas across all Nedbank Capital business units;
- continue leveraging Nedbank's BEE deal and coverage of BEE players, as well as transforming our own business;
- increase efficiency by reducing fixed costs paid in the trading businesses and streamlining current processes;
- build on our interest derivative and securitisation initiatives; and
- refine pricing models and optimise capital consumption.

Review of the year

Positive market conditions, together with the benefits of the integrated investment banking business model, resulted in strong, profitable deal flow during 2007. Some of the more innovative and prominent transactions included:

- Afripalm: Funding and structuring a 19% (R1,2 billion) stake in Mvelaphanda, the largest secondary BEE transaction in the market to date.
- Imperial Bank and Nedbank: Structurer and arranger for inaugural securitisations.
- Eland Platinum: Sole arranger and underwriter in respect of a R1 billion project finance facility.
- Group 5: Adviser on the acquisition of Quarry Cats and associated R1,5 billion debt- and equity-funding solution.
- Sun International: Structurer and arranger of R2 billion share buyback programme.
- African Eagle: Adviser on JSE Altx listing.
- TWP: Adviser on JSE main board listing.
- Sappi: Sole lead arranger on R1 billion corporate bond issue.
- Eland Platinum: Adviser on R7,5 billion sale of Eland Platinum to Xstrata.
- Harmony: R2 billion senior-debt facility for Harmony Gold Mining Company.
- Seacom: Limited-recourse project finance facility for the financing of a state-of-the-art undersea fibre-optic cable.

Nedbank Capital received accolades in various high-profile industry surveys. The highlight was winning *The Banker* Deal of the Year 2007 Award for Africa and South Africa for the Exxaro deal.

Operationally, system rationalisation continued to be a key focus. Dan Zulu joined the Nedbank Capital Executive Committee as Head of IT in the second half of 2007. He oversaw the successful migration of the book relating to the previous Macquarie business alliance from the Macquarie Bank systems onto our own trading platforms. All bonds, equities and derivatives trading are now on a common platform. During 2008 and 2009 we will implement a new platform for foreign exchange and money market trading.

Financial highlights and statistics

	2007	2006
Headline earnings (Rm)	**1 272**	1 145
Efficiency ratio (%)	**45,4**	43,0
Return on total assets (%)	**0,94**	1,01
Return on total equity (%)	**36,8**	31,3
Number of employees	**625**	626

Financial review

Nedbank Capital increased headline earnings by 11,2% to R1 272 million and improved its ROE to 36,8% (2006: 31,3%).

Net interest income increased by 2,7% to R693 million due to a 26,3% growth in loans and advances and a higher endowment on capital. This was offset by a higher proportion of preference share deals and the funding effect of an increased investment portfolio. The credit loss ratio improved from 0,28% in 2006 to 0,05% in 2007, as the cluster benefited from impairment recoveries and reduced credit losses.

Non-interest revenue (NIR) grew 4,2% to R2 135 million. Within NIR:

- advisory and other income increased by 47,3%, benefiting from strong deal flow;
- income from private-equity investments amounted to R608 million for the year, an increase of 108,9% (2006: R291 million); but
- trading revenue decreased by 22,7% to R1 172 million, mainly as a result of disappointing trading from the business alliance with Macquarie Bank in the first half of 2007.

After a disappointing first half it was pleasing to see second-half earnings grow by 33,5% compared with the first half and up 28,1% on the same period last year.

Prospects

Nedbank Capital's results are highly dependent on levels of corporate activity and new projects, as well as volatility in foreign exchange, interest rates, commodity prices and equity markets. With forecast infrastructural, mining and energy investment in southern Africa expected to increase and acquisition finance still required to fund BEE and private-equity deals, Nedbank Capital remains well-positioned to participate in this activity. However, protracted market dislocation and/or a slowing down of new projects and infrastructure spend could have an impact on our earnings.

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

Nedbank Capital's established client base and market share will allow the business to play a leading role in the advisory, acquisition finance and private-equity markets. Furthermore, the sector-focused teams will continue to provide innovative debt solutions to clients in the resources, infrastructure and energy sectors on the continent. The trading and structuring businesses are well-placed to provide structured solutions across all asset classes.

Equity derivative usage should continue to grow in response to the ongoing demands of regulatory changes, ownership transfer, accounting standard revisions and social obligations.

Notwithstanding current market dislocations, momentum remains good and, subject to market conditions, the group expects continued growth in earnings in all of Nedbank Capital's businesses during 2007.

Operational review: **Nedbank Retail**

Rob Shuter (40)
Managing Director: Nedbank Retail
8 years' service • BCom, CA (SA)

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

Management team

Sydney Gericke (49)
Managing Director: Nedbank Card
19 years' service • BCom(Acc), BCom(Hons), MCom, CPA, SEP (Insead)

Ingrid Hindle (43)
Divisional Director: Retail Shared Services
18 years' service • BCompt(Hons), CA (SA)

David Macready (49)
Managing Director: Retail Bancassurance and Wealth
10 years' service • BCom(Hons), CA (SA), SEP (Harvard, USA)

Manelisa Mavuso (37)
Divisional Director: Retail Marketing
3 years' service • BEcon

Sibongiseni Ngundze (38)
Managing Director: Small Business Services
3 years' service • BCom, SMDP, Credit Diploma

Sakhiwo (Saks) Ntombela (40)
Managing Director: Retail Vehicle Finance and Transactional and Investment Products
4 years' service • BScEng, MBA

Alfred Ramosedi (38)
Managing Director: Nedbank Private Bank
13 years' service • BCom, MBA, FCMA

Phumla Ramphele (45)
Divisional Director: Retail Risk
1 year's service • CAIB (SA), BCom(Acc), Postgraduate Certificate in Business Administration

Sarel Rudd (52)
Managing Director: Nedbank Personal Loans
4 years' service • BCom(Acc), BCompt(Hons), CA (SA)

June Tudhope (50)
Managing Director: Nedbank Home Loans
4 years' service • BAcc, CA (SA)

Clive van Horen (41)
Managing Director: Retail Banking Services
8 years' service • BCom, CA (SA), BSocSci(Hons), PhD(Econ)

Our business

Nedbank Retail fulfils the financial services needs of individuals and small businesses through its offering of various transactional, card, lending, investment and insurance products. The clients that we serve are broadly grouped into five primary segments, namely the high-net-worth, affluent, middle, mass and small-business segments.

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

Client segments: private banking, consumer banking (includes the mass- and middle-market segments) and small-business services.

Products: cards, home loans, personal loans, bancassurance and wealth, vehicle and asset-based finance and transactional banking.

Shared Services provides support, including human resources, finance, projects, strategic planning and business intelligence services.

Retail Risk is responsible for the monitoring of compliance and all risks, including credit and operational risk, and for providing legal services to the cluster.

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

Target market and activities

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

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

Review of 2007

The main focus of 2007 was the successful implementation of the 'growth' stage of our three-year strategy set in 2004. We anticipated a positive environment with reasonable market growth, notwithstanding the environment of higher interest rates. Our 2007 strategic initiatives were grouped under the categories of people, innovation, service, distribution, brand, risk, synergies, transformation growth and profits.

Efforts around our business culture and staff morale have been rewarding. There has been a positive shift in our organisational culture over the last few years following from the significant investments made to align personal and corporate values. 2007 has also seen a considerable increase in morale resulting from specific staff interventions.

Building on the success from 2006, Nedbank Retail has launched a number of innovative products and services during 2007, including the JustSave Savings Account, BoE transactional banking, the DreamMaker Guaranteed Investment product, Nedbank Greenbacks Credit Card, FutureSure Education Plan, online share trading, and mobile SMS banking. Our no-increase strategy during 2005 and the significant reductions in banking charges during 2006 and again in 2007 have worked together to realign Nedbank Retail pricing to the market. We now offer some of the most affordable banking packages in South Africa across the entry-level, middle-market and high-net-worth client segments.

Nedbank Retail identified client service as one of our key differentiators. We launched our World-class Service Programme late in 2006, through which we achieved a step change in service excellence during 2007 with core initiatives, which included adopting the Client Management Assessment Tool (CMAT™) Framework and launching the AskOnce service promise. Results from our client satisfaction measures have started to show a steady improvement in service scores over most of our client segments. The key remaining service issues revolve around banking fees, communication (callback and replies) and turnaround times. Initiatives to address these are well underway and are being tracked continuously. A notable 2007 achievement was Nedbank being rated the top-service bank in South Africa by the independent Ask Afrika Orange Index.

The Nedbank Retail distribution strategy announced in August 2006 is progressing well. During the past year we installed 411 new ATMs and 71 SSTs. Our representation in previously underserviced communities was enhanced by the opening of 22 personal-loan kiosks and the rollout of 33 mobile sales teams. In total 25 new Nedbank branches were opened, half of which were in previously underserviced areas.

Nedbank Retail | continued

Nedbank Retail segmental report

for the year ended 31 December

	% change	Headline earnings 2007 Rm	Headline earnings 2006 Rm	ROE 2007 %	ROE 2006 %	Efficiency ratio 2007 %	Efficiency ratio 2006 %
Home loans [1]	15	**593**	517	**16**	19	**40,7**	42,9
Bancassurance and wealth [2]	48	**461**	311	**48**	43	**58,9**	62,0
Banc&Wealth	67	**422**	252	**82**	76	**57.9**	62.5
International	(34)	**39**	59	**9**	15	**61.5**	60.6
Integrated segments [3]	46	**446**	306	**32**	26	**55,9**	59,5
Card	27	**287**	226	**47**	51	**61,1**	69,2
Personal loans	112	**200**	94	**35**	27	**44,9**	49,8
VAF and TIP [1]	25	**179**	143	**27**	24	**83,4**	84,3
Vehicle and asset finance [1]	20	**(66)**	(82)	**(12)**	(17)	**96,9**	110,3
Transactional and investment products [1]	9	**245**	225	**195**	203	**81,7**	81,9
Other [4]	17	**(158)**	(134)	**(41)**	(39)	**<(100)**	<(100)
Total	37	**2 008**	1 463	**24,28**	23,04	**62,5**	66,3

	% change	Total advances 2007 Rm	Total advances 2006 Rm	Average advances 2007 Rm	Average advances 2006 Rm	Total deposits 2007 Rm	Total deposits 2006 Rm	Credit loss ratio 2007 %	Credit loss ratio 2006 %
Home loans [1]	28	**77 442**	60 585	**69 730**	51 638	**7**	118	**0,23**	0,18
Bancassurance and wealth [2]	15	**13 537**	11 741	**12 478**	9 363	**14 990**	13 514	**0,50**	(0,10)
Integrated segments [3]	20	**23 820**	19 805	**22 109**	18 499	**27 580**	23 522	**1,06**	1,23
Card	31	**5 920**	4 529	**5 487**	3 828	**857**	1 031	**6,86**	4,36
Personal loans	27	**5 784**	4 555	**5 433**	3 367	**30**	19	**9,94**	12,14
VAF and TIP [1]	20	**7 060**	5 900	**6 602**	6 038	**43 906**	38 622	**3,13**	2,69
Vehicle and asset finance [1]	22	**6 071**	4 977	**5 347**	4 923	**–**	–	**1,75**	1,90
Transactional and investment products [1]	7	**989**	923	**1 255**	1 115	**43 906**	38 622	**8,41**	5,90
Other [4]	(49)	**(71)**	(139)	**(89)**	(102)	**87**	51	**<(100)**	<(100)
Total	25	**133 492**	106 976	**121 750**	92 631	**87 457**	76 877	**1,26**	1,10

(1) Excludes business written in integrated segments.
(2) Excludes revenues from Bancassurance in Nedbank Corporate and certain revenues in Card and Personal Loans. Includes BoE Private Clients.
(3) Includes Private Banking, Small Business Services, OMB and Go Banking.
(4) Comprises centralised costs per JV agreements, costs related to closed branches, cost of cash not yet transfer-priced and net impairment adjustments.

Continuous investment and expansion will be needed as we grow our client base. In 2007 a decision was taken to integrate Old Mutual Bank into Nedbank with a view to capitalising on the strengths of both businesses.

The benefits of this integration to clients, staff and the business as a whole are significant. Integrating the two banks will eliminate expensive duplication of branches and other infrastructure and reduce group costs. The improvement in our product offering to our clients will also be significant.

Historically Nedbank's marketing spend constituted approximately 13% to 15% of the total media spend of the big four banks; however, in 2006 our proportion of marketing spend doubled to 26%. This, combined with the repositioning of our brand to become a bank for all, has started to pay dividends in 2007 with significant improvements across major key brand image attributes. Measures have shown a considerable improvement in overall brand bonding, with the most noteworthy shifts across the middle- and mass-market segments.

Through the redesigning of our application processes, as well as the improvement of our collections procedures, we were able to close the substantial impairments ratio gap on our competitors. This was achieved in a worsening credit environment without compromising our growth objectives and is regarded as one of the major 2007 retail success stories. We also successfully implemented the National Credit Act, despite some challenges along the way.

The unlocking of synergies, such as better alignment of cross-group business objectives, usage of infrastructure and leveraging of cross-selling opportunities, has contributed to reaching our growth objectives. During 2007 Nedbank attracted 470 000 (2006: 276 000, 2005: 204 000) new clients. We are maintaining our efforts in both the acquisition and retention areas of our business, and expect further improvements in our net acquisition numbers for 2008. We were also able to grow our primary client base by 88 000 (2006: 53 000) net new clients. Further to this we have seen market share gains across most of our major product categories during 2007. The banking cross-sell ratio also improved slightly during the year.

Progress on achieving employment equity in terms of headcount targets has been good. The recently announced dti code targets are substantially more challenging, but are being addressed through key projects.

Despite the toughening economic environment, Nedbank Retail has exceeded its financial targets for the year. Net interest income grew by 24,57% and operating expenses by 20,95% on a comparable basis. This contributed to 37,25% growth in headline earnings from R1 463 million in 2006 to R2 008 million in 2007. Return on ordinary shareholders' equity improved from 23,04% to 24,28%, while the efficiency ratio showed further improvement from 66,3% to 62,5%. The effect of rising interest rates has become evident in the credit loss ratio of 1,26% (2006: 1,10%).

Prospects and strategy

We experienced a positive environment in 2007, with reasonable market growth notwithstanding the environment of higher interest rates. The retail environment for 2008 will be much tougher. We envisage an environment of continued high interest rates, slower loan growth, pressure on impairments and continued fee pressure.

Our strategy for 2008 builds on the strong foundation we have laid for growth in 2007. We have set ourselves an internal vision of becoming 'South Africa's fastest growing retail bank'.

Our overall strategic orientation in 2008 will be as follows:

- Asset growth at or reasonably above projected market growth levels (ie generally maintaining market share, but with reasonable growth in some categories).
- Strong focus on net interest revenue (NIR) and transactional numbers.
- Conservative credit policy and focus on collections and impairments.
- Implementing and maximising the synergies from the Old Mutual Bank integration.
- Continued rollout of our distribution strategy.
- Focus on transformation, including execution of the mass-market strategy.
- Stringent expense control with headcount kept constant except for distribution expansion.

Operational review: Imperial Bank

René van Wyk (51)
Chief Executive

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

Overview

Imperial Bank Limited, which was incorporated in 1996, is a niche bank engaged primarily in asset-based financing. The bank has two shareholders, Nedbank Limited (owning 50,1%) and Imperial Holdings Limited (49,9%). Nedbank provides funding for Imperial Bank, as well as risk management support, which includes having representatives on the bank's Credit Committee and Asset and Liability Committee. Imperial Holdings provides the bank with access to its extensive business operations across South Africa.

The bank has four operating divisions. Motor Finance is the largest division with 62% of advances, followed by Property Finance with 18% of advances, Medical Finance with 12% and Supplier Asset Finance with 8%.

IMPERIAL BANK

Review of the year

The bank has had another successful year with net profit after tax increasing 24,1% from R386,1 million to R479,2 million. Nedbanks' share of this profit increased by 17,6% from R193 million to R227 million. Return on equity (ROE) was 23,9%, while the efficiency ratio showed further improvement from 35,4% to 30,2%. Loans and advances grew from R27,7 billion to R35,3 billion, which reflects growth in market share in most of the bank's selected markets.

In a market characterised by lower new-business volumes and increased credit pressure on consumers, Motor Finance Corporation (MFC) had a successful year increasing its presence in the market and growing advances 27,5% from R17,1 billion to R21,8 billion. As expected, impairments have increased 73,2% and represent 1,9% of average advances compared with 1,5% the previous year, which reflects the impact of higher interest rates. Expenses remain well-managed with the cost-to-income ratio improving from 32,1% to 29,5%. Profit after tax increased by 19,3% from R173,4 million to R206,8 million.

Property Finance had an excellent year, with a focus on commercial and industrial lending, and advances grew from R2,4 billion to R3,8 billion. There was continued demand, particularly in the lower end of the market, for residential development finance, which resulted in the book growing from R2,5 billion to R2,7 billion. Overall, profit after tax increased by 49,5% from R113,6 million to R169,9 million.

Supplier Asset Finance increased deal flow, which assisted the division in growing the transport, aviation and material-handling books. Demand for office equipment remained buoyant. Costs remained well-controlled with a cost-to-income ratio of 34,7%. Profit after tax increased 12,3% from R76,4 million to R85,8 million.

Medical Finance continued to grow in its niche market, with advances growing 40,0% from R3,0 billion to R4,2 billion. Profit after tax increased 21,3% from R15,9 million to R19,3 million. The division remains on track to achieve more appropriate returns as it increases in scale.

Rm	% change	**2007**	2006
Headline earnings (Rm)	17,6	**227**	193
Margin (%)		**4,59**	4,47
Efficiency ratio (%)		**30,2**	35,4
Credit loss ratio (%)		**1,28**	0,87
Average advances (Rm)	32,9	**31 528**	23 716
ROE (%)		**23,9**	24,7

Prospects

The main focus of MFC during 2008 will be on improving service levels to both clients and dealers to build on the increased levels of support received during 2007. In these relationships the credit scorecards remain a key driver of efficiency and delivery times, and the division looks forward to implementing, in the first half of 2008, new and additional scorecards tailored to specific subportfolios in line with international best practice.

Property Finance will continue to focus on growing the book of commercial and industrial mortgage loans, while still servicing the residential development market.

Medical Finance is again looking to achieve strong balance sheet growth by continuing to focus on the medical practitioners as well as the corporate medical market.

Supplier Asset Finance intends to build on the increased deal flow achieved in 2007. The infrastructural developments in the country should enable the division to achieve its growth targets.

Imperial Bank anticipates more difficult trading conditions than experienced in 2007, but expects satisfactory results across its four business units.

Note: Imperial Bank also publishes its own detailed annual report. Any Nedbank shareholder wishing to receive a copy should contact Nedbank Investor Relations, details of which are included in the contact details section of this report on page 313.

Len de Villiers (52)
Managing Director: Group Technology
15 years' service • BA, SAIM, MAP/DIS (Harvard, USA), Dipl EDP, GITI (Insead)

Len has 31 years of experience in the information technology (IT) industry, having begun his career in 1976 with IT management positions in BP, Metro Cash & Carry and Gencor (Kanhym). He joined First National Bank as General Manager, IT Division, in 1985, followed by three years as Managing Director of Microdata and as an executive director at Datakor Limited. In January 1993 he joined Nedbank Group as General Manager, IT Division, and progressed to General Manager, Central and Branch Operations, in 1996. Len was appointed Managing Director of Group Operations in 2003 and Managing Director of Group Technology (then known as Group Technology and Support Services) in August 2004.

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

Group Technology

Review of the year

The strong performance by Nedbank's business clusters during 2007 boosted the group's client base, expanded its distribution network and resulted in improved product offerings and client service. This increased the scale and complexity of the group's IT operations and by the end of 2007 Group Technology supported and serviced:

- 353 different systems, while processing between 90 million and 130 million transactions daily;
- 30 000 batch programmes and 1 500 online programmes that run daily;
- 4,9 million accounts that generate 28,4 million client statements per annum; and
- in excess of 26 000 PCs, 2 677 servers and 14 000 printers across the bank.

Group Technology reduced outages and severe disruptions to the business, despite a 23% increase in the rate of hardware, software and application change. Benchmarking conducted during the year continued to reflect Group Technology as a cost-effective service provider compared with local and international companies.

The market has experienced an increase in losses as a result of internet fraud through phishing attacks. Group Technology has ensured a minimal impact on Nedbank.

An IT architectural vision for Nedbank's future was articulated in the early 2000s and the bank approved a strategy in 2006 to implement this vision using service-oriented architecture (SOA) methods and best-of-breed applications. During 2007 the following progress was made towards realising the group's IT architectural vision:

- The first phase of common and reusable services was developed and deployed.
- The self-service channels were comprehensively refreshed, providing a single framework that will enhance delivery across all self-service channels.
- An upgrade of the client information system is well-advanced and will be largely concluded in 2008 to allow for an enhanced view of client information.
- The strategy and technology choice for the replacement of staff-assisted channels was ratified.

The synergy project for the outsourcing of all data and voice networks announced in conjunction with Old Mutual (South Africa) in 2005 planned to deliver savings of R1 billion over a five-year period. The project continues to deliver savings benefits above expectations and an additional saving of R25 million was realised in 2007.

Further synergy savings for 2007 were achieved for Nedbank and Mutual & Federal by insourcing printing and mailing services, as well as realising purchasing volume discounts.

As with all businesses within South Africa, the group's exposure to electricity supply constraints, particularly in Gauteng, is a matter of concern. However, Nedbank has adequate power generation capacity at its main campus sites as well as at key installations, such as data centres. We are engaging with landlords with regard to the upgrading of power generation at certain leased premises and plan to have backup power in sufficient branches and ATMs to minimise client inconvenience during periods of load shedding.

Internationally Group Technology created more certainty around Nedbank's income stream and significantly improved the bank's relationship with Swisscard by signing a revised application service provider (ASP) Swisscard contract with Credit Suisse. Consequently, during the 2007 financial year this strategic partnership reflected a profitable outcome against a budgeted loss.

A client satisfaction survey was conducted with over 5 000 employees in Nedbank and 47 clients in Swisscard, achieving a most acceptable median score of 67,9%. Nedbank and Swisscard have committed themselves jointly to develop management actions for 2008 to ensure improved client satisfaction.

Prospects

Group Technology will continue on its path to build Nedbank's future application landscape, which was developed and baselined during 2007. This landscape outlines the overarching view to guide the three-year technology and business-aligned roadmaps and will assist Group Technology in its continuous quest to provide flexible and affordable information technology that evolves quickly and easily to suit the most demanding requirements of Nedbank Group's business clusters.

Nombulelo Moholi (47)
Director: Group Strategy and Corporate Affairs
2 years' service • BSc (Elec Eng)

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

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

Repositioning the Nedbank brand

Historically, the Nedbank brand was aimed primarily at the business and corporate markets. Over the years the brand has undergone significant transformation:

1970s
Positioning expanded to include upmarket personal banking. The brand was positioned as niche, exclusive and aspirational, with the proposition 'If you're serious about money'.

1980s
Nedcor Group was formed, with Nedbank and The Perm as the first brands in a planned multibrand strategy. Nedcor Investment Bank (NIB), Cape of Good Hope Bank and Peoples Bank were added to the brand portfolio. However, there were few synergies or shared benefits among these brands.

2002
The multibranded BoE Group was acquired, increasing the number of brands within the portfolio to almost 40. Nedbank maintained its top-end strategy, with the payoff line 'Approach life differently'.

2003
A decision was made to abandon the multibrand strategy and reinvent the Nedbank Group brand.

2006
Nedbank's 'Make Things Happen' brand expression was launched.

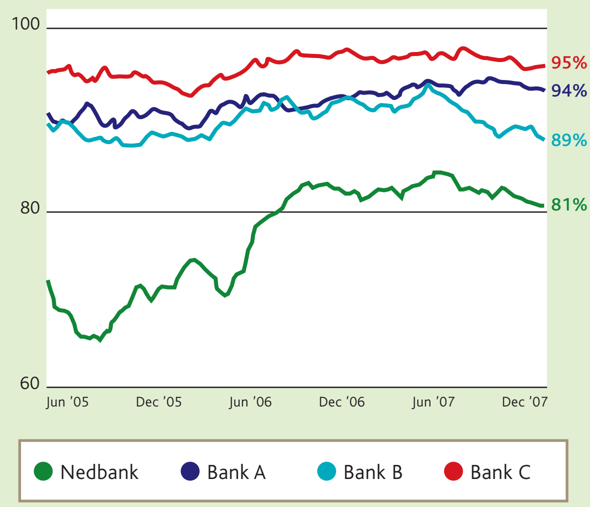
The strategy implemented in 2004 was to reposition Nedbank as a bank that is accessible and desirable to all South Africans by broadening its presence, profile and appeal. The repositioning supported Nedbank's 'Deep Green' aspirations of being a truly 'Proudly South African' brand, a great place to bank and a bank with true community orientation. To achieve this, awareness levels of the brand across all segments, especially in the mass market, needed to be raised significantly. Nedbank's intention was to retain its profile as the most aspirational bank of the peer group in the eyes of the consumer. The Nedbank brand was positioned as a bank with a deep understanding of clients and their banking needs as well as a sincere commitment to becoming more relevant to more people. Our message is that Nedbank provides 'deeper understanding' by being a 'smart' and 'caring' bank. In essence, a bank with a good head and a good heart that helps its clients realise their aspirations. Prior to the current increasing awareness of environmental issues, the Nedbank brand was positioned as the 'green' bank – the bank that cares for the environment (community-based conservation). Simultaneously, the brand needed to remain relevant, familiar and reassuring to its historical client base and brand franchise.

Nedbank's sponsorship strategy and properties were also comprehensively reviewed. Nedbank's flagship sponsorship of golf was extended to include further initiatives for women and golf development. The biggest ever sponsorship of road running (the Nedbank City Marathon and Matha Series) was introduced in conjunction with Athletics South Africa. The announcement of the Nedbank Cup sponsorship in the Premier Soccer League marks the culmination of a long search by Nedbank for an appropriate and significant opportunity to support the soccer fraternity, and extends the brand-building and marketing programmes that have been so successful for us in road running, golf and sport for people with disabilities. The Nedbank Cup demonstrates our bank's passionate commitment to national pride and community development by supporting and enabling the sport with the greatest number of participants and supporters in South Africa.

The results to date

- **Awareness:** Millward Brown, an independent marketing consultancy, shows that awareness levels of the Nedbank brand have increased from 63% in June 2005 to 81% in December 2007. This has been achieved despite significant marketing and communication investment by competitors.

Brand awareness



Source: Millward Brown Tracking Study

- **Loyalty (trust and confidence):** Millward Brown's Brand Dynamics Study indicates that brand loyalty has increased. 'Consideration', the lead indicator of bonding and loyalty, increased by 5% to 16%. Markinor's Top Brands Study also shows massive growth for the Nedbank brand relationship score (awareness plus trust and confidence plus commitment) since the repositioning.
- **Differentiation/Focus and consistency/Societal:** Currently, 46% of the banked market perceives Nedbank as a bank for all South Africans (27% in 2005). Perceptually, Nedbank is well-differentiated in terms of caring for clients and the community (8% and 14% increase respectively). The road-running sponsorship has performed exceptionally well in just over a year, capturing about 50% of the competitor's mass sports properties at a fraction of the amount invested. In the past 18 months Nedbank has won a number of significant awards, including *The Banker*'s 2006 Corporate Social Responsibility Bank of the Year in emerging markets, ranking first in its category in the JSE Socially Responsible Investment Index, and more recently the Regional Emerging Markets Sustainable Bank of the Year Award: Middle East and Africa.
- **Original thinking:** Nedbank achieved a world-first with its 'Power to the People' solar-panel billboard erected in Alexandra near Johannesburg. Solar panels on top of the billboard generate electricity for a school kitchen, which delivers 1 100 hot meals a day. This original thinking garnered the world's highest accolade in advertising – the 2007 Cannes Grand Prix. Other similar initiatives have been rolled out in other centres.
- **Media efficiency:** Nedbank enjoys the highest media impact (or effectiveness in advertising spend) with its 'effective share of voice' 17% ahead of its 'actual share of voice'. Spontaneous awareness levels of 'Make Things Happen' eclipsed those of the previous payoff line ('Approach life differently') in just nine months and have grown to a new high of 30%.

The Nedbank brand image reflects the group's strong marketing and communication drive that has led to positive changes while retaining the aspirational elements, a distinct differentiation from its competitors.

Professor Shirley Zinn (46)
Director: Enterprise-wide Human Resources
2,5 years' service • DEd

In July 2005 Shirley was appointed Human Resources Director of Nedbank Group, prior to which she was General Manager, Human Resources, at the South African Revenue Service (SARS). Before joining SARS, she was Regional Human Resources Director, responsible for Africa and the Middle East, for Reckitt Benckiser. Her other positions included Group Executive, Employment Equity, for Computer Configurations Holdings and Director, Special Programmes, for the Department of Public Service and Administration. Shirley is immediate past president of the Institute of People Management and is also currently professor (extraordinaire) of Human Resources Management in the Faculty of Economics and Management Sciences at the University of Pretoria. She is also the Chairperson of the Institute of Bankers and serves on the BANKSETA Board.

Group Human Resources and Employment Equity

Review of the year

At Nedbank we strongly believe that people make the difference and, in keeping with this, our driving motto in 2007 was 'great things begin with great people'.

The value proposition for employees has been enhanced and sharpened to enable an exciting welcome to the Nedbank group for new employees, and equally important, to support current employees in making the most of their stay in the bank. Our belief in individuals finding their strength and optimising it in the workplace is supported by the emphasis placed on accurate job profiling. Accurate job profiles enable employees to have a better understanding of the purpose of their jobs as they relate to the wider strategic objectives of their divisions, clusters and ultimately the bank.

Further, the career management system has been opened to employees in 2007, and provides Nedbank staff with career options, career guidance and advice, and frequently updated information on career management. Employee mobility within the Nedbank group is improved and this sustains employee retention, enables multiskilling and encourages employees to take ownership of their careers.

As further commitment to the development of our staff, the Management Development Programme (MDP) was successfully implemented in the various clusters, with the focus on building effective execution capability on all management levels. In the first phase of implementation, approximately 650 managers have been through the programme.

We are acutely aware of the potential impact the devastation of HIV/AIDS can have on the health and economic prosperity of our communities, and we are therefore committed to ensuring that our staff are fully aware of the epidemic and its impact. The Knowledge, Attitude, Practices and Behaviour (KAPB) Survey and prevalence testing were run in 2007 and various communication sessions were held for staff and managers.

A major focus in 2007 was the revitalisation of our learning and development area to position our strategy and resources for continuous growth and improved capability building. The demands of the local economy and the challenges faced by the financial services providers present several opportunities for advancement of our staff. Successes in 2007 include the achievement of the training spend on black staff, the attendance of our inhouse applied academic programmes by 364 staff, with 36 senior managers attending international executive development programmes. Additionally, to contribute to wider skills-building, 1 574 bursaries and 297 study grants were issued to staff. As part of the alleviation of unemployment in the country, 273 Letsema learners were trained during the year, and an additional 179 learners completed their training. Cluster-based learnerships and internships accounted for another 148 learners through the ABET programme, the Wealth Management Academy, the Graduate Programme and Training Outside Public Practice (TOPP) Programme.

We are strongly encouraged by the successes that formed the foundation of our premise in 2007, 'great things begin with great people', and will continue to build and expand on the activities and interventions that will inspire, create exciting opportunities and ensure that our capability in Nedbank is fully optimised to Make Things Happen.

Employment equity report summary

Transformation is a key strategic imperative for Nedbank Group. The group's approach to employment equity (EE) is that there needs to be a balance between meeting expectations, addressing fears and exceeding requirements of the legislation and regulations set out in the Employment Equity Act and the broad-based black economic empowerment codes of good practice respectively. So far, representation of designated groups has been measured through the Financial Sector Charter (FSC). In terms of progress to date regarding representation in accordance with the FSC there has been positive movement at all levels. Female representation has also increased at all levels.

Additionally, the strategy on people with disabilities achieved increased disclosure of status by disabled staff, the sponsorship of the Disability Expo, and a comprehensive review of the building access points for the comfort of our disabled staff.

Nedbank Group's EE targets for the next three years have been set. Of major importance is that the impact of these new targets is included in the group's business strategies and plans.

During 2007 a number of initiatives were implemented to increase understanding of EE. The group's executive team was taken through a journey of understanding EE and the relevant Department of Trade and Industry (dti) codes. Training sessions were also conducted for the HR professionals and an awareness session on EE and dti codes was conducted for all staff. The Nedbank Group's Chief Executive ran extensive staff roadshows in November and the key focus of these roadshows was transformation and commitment to the vision enshrined in the Employment Equity Act and the dti codes.

Employment equity forums (EEFs)

The employment equity forums (EEFs) continue to play a pivotal role in facilitating EE within Nedbank Group.

Under the leadership of Nombulelo Moholi, Director: Group Strategy and Corporate Affairs, who took over as Chairperson of the Nedbank Employment Equity Forum (NEEF) in January 2007, NEEF has placed greater emphasis on holding each part of the business accountable for the implementation of EE. Some of the activities of NEEF in 2007 were:

- Conducting an investigation into the attrition rate in respect of black managers and providing recommendations to business on ways of reducing the rate of attrition.
- Conducting a recruitment audit to ensure that proper processes are followed when recruiting staff and ensuring that designated groups are not prejudiced in the process.
- Focusing on cluster EE plans and progress on the clusters' respective EE targets to contribute to positive actions for clusters to take towards accomplishing their plans and meeting their targets.

The cluster forums have all attended a workshop on the alignment of skills development to EE. It is important for the forums to understand their roles and responsibilities with regard to skills development, as the forums are responsible for monitoring EE and skills development plans.

Employment equity status

The current staff demographics serve as a base for Nedbank Group to apply affirmative action policies, practices and measures that are designed to assist the group to achieve its set numerical goals, as well as its ultimate objective of having a diverse workforce.

The adjacent table depicts staff levels by race and gender across all occupational levels (based on Department of Labour classification):

As at 31 December 2007

Occupational levels	Designated: Male A	Male C	Male I	Female A	Female C	Female I	Female W	Non-designated: Male W	Foreign nationals Male	Foreign nationals Female	Total
Top management	2	0	0	1	1	0	1	9	0	0	**14**
Senior management	37	13	34	17	7	14	104	360	3	5	**594**
Professionally qualified	460	292	522	371	372	530	1 818	1 872	24	20	**6 281**
Technically skilled	1 188	739	695	1 999	1 663	1 311	2 357	782	11	12	**10 757**
Semiskilled	504	255	141	1 069	710	372	634	100	0	6	**3 791**
Unskilled	9	0	0	14	0	0	1	0	0	0	**24**
Exceptions – permanent staff not matched	7	10	4	10	13	8	22	40	0	2	**116**
Total permanent	**2 207**	**1 309**	**1 396**	**3 481**	**2 766**	**2 235**	**4 937**	**3 163**	**38**	**45**	**21 577**
Non-permanent employees	388	92	96	578	197	98	308	364	9	8	**2 138**
Grand total	**2 595**	**1 401**	**1 492**	**4 059**	**2 963**	**2 333**	**5 245**	**3 527**	**47**	**53**	**23 715**

The table below depicts the above in terms of percentages:

Occupational levels	Designated: Male A	Male C	Male I	Female A	Female C	Female I	Female W	Non-designated: Male W	Foreign nationals Male	Foreign nationals Female
Top management	14,3	0,0	0,0	7,1	7,1	0,0	7,1	64,3	0,0	0,0
Senior management	6,2	2,2	5,7	2,9	1,2	2,4	17,5	60,6	0,5	0,8
Professionally qualified	7,3	4,6	8,3	5,9	5,9	8,4	28,9	29,8	0,4	0,3
Technically skilled	11,0	6,9	6,5	18,6	15,5	12,2	21,9	7,3	0,1	0,1
Semiskilled	13,3	6,7	3,7	28,2	18,7	9,8	16,7	2,6	0,0	0,2
Unskilled	37,5	0,0	0,0	58,3	0,0	0,0	4,2	0,0	0,0	0,0
Exceptions – permanent staff not matched	6,0	8,6	3,4	8,6	11,2	6,9	19,0	34,5	0,0	1,7
Total permanent	**10,2**	**6,1**	**6,5**	**16,1**	**12,8**	**10,4**	**22,9**	**14,7**	**0,2**	**0,2**
Non-permanent employees	18,1	4,3	4,5	27,0	9,2	4,6	14,4	17,0	0,4	0,4
Grand total	**10,9**	**5,9**	**6,3**	**17,1**	**12,5**	**9,8**	**22,1**	**14,9**	**0,2**	**0,2**

Professionally qualified: Professionally qualified, and experienced specialists and middle management.
Technically skilled: Skilled technical and academically qualified workers, junior management and supervisors.
Semiskilled: Semiskilled and discretionary decisionmaking.

Reconciliation of headcount

There are two main differences between the headcount presented in the annual report and the headcount reported to the Department of Labour:

- The Department of Labour numbers cover the period from 1 July 2006 to 30 June 2007, whereas the annual report numbers cover the period from 1 January 2007 to 31 December 2007.
- The categories of staff utilised in the various headcount numbers reported differ.
  - The Department of Labour numbers include permanent staff, payroll contractors and temporary staff, commission-based staff and international secondees.
  - The annual report numbers include all categories of staff that make up the Department of Labour numbers, with the exception of temporary staff, staff based internationally and staff of external entities.

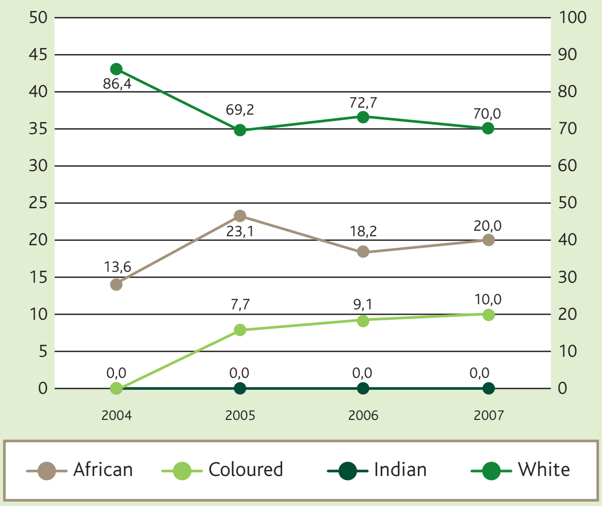
Employment equity progress

Nedbank Group has recorded notable progress over the past five years and intends to accelerate the pace of transformation not only in respect of the staff complement, but also in the way that it conducts business in line with its vision of leading transformation.

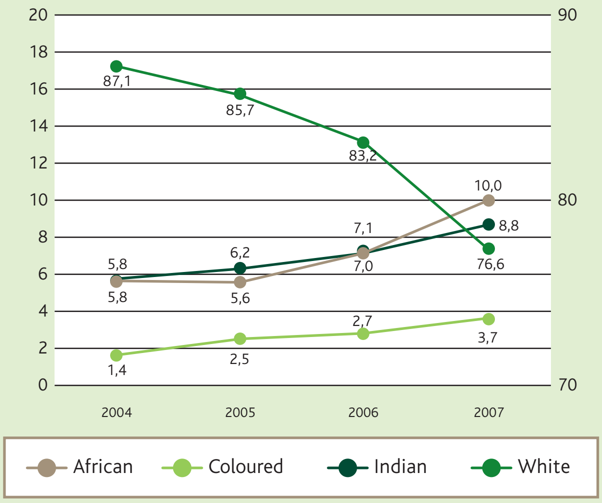
The graphs below and alongside indicate progress by race since 2004 (based on FSC classification).

There are indications that focusing on the targets to balance different racial groups has yielded positive results, as indicated by the graphs below and alongside. There is movement in the intended direction in all racial groups at all occupational levels. Agreed targets by Nedbank Group are therefore intended to accelerate progress towards a diverse workforce.

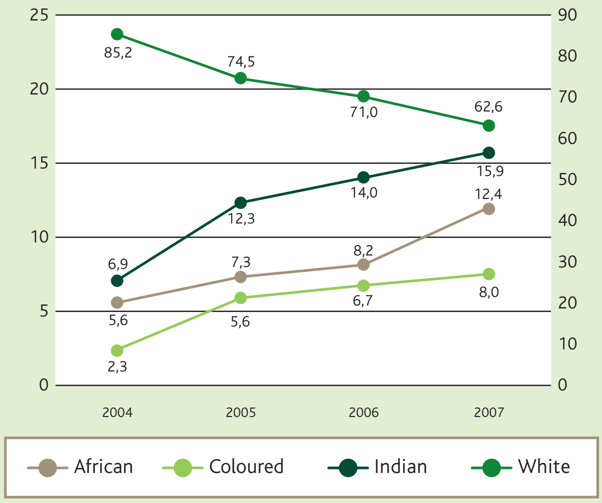
Top management – progress by race group



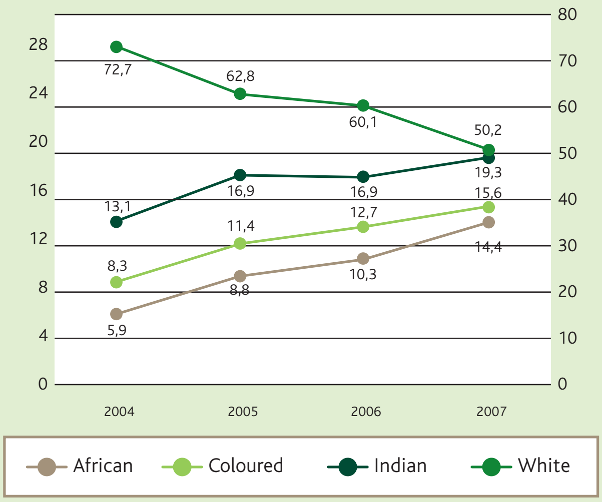
Senior management – progress by race group



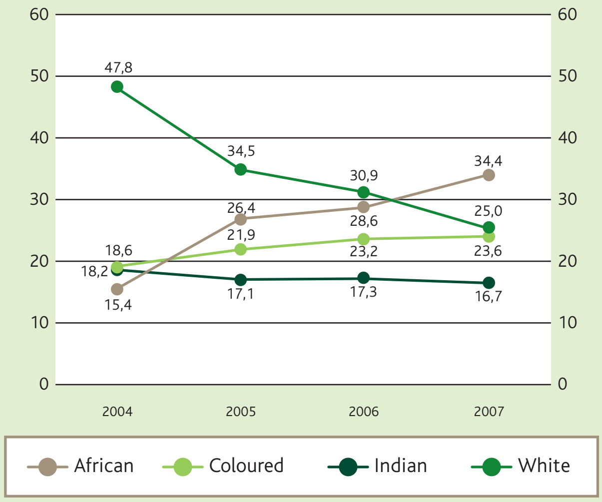
Professionally qualified – progress by race group



Technically skilled – progress by race group



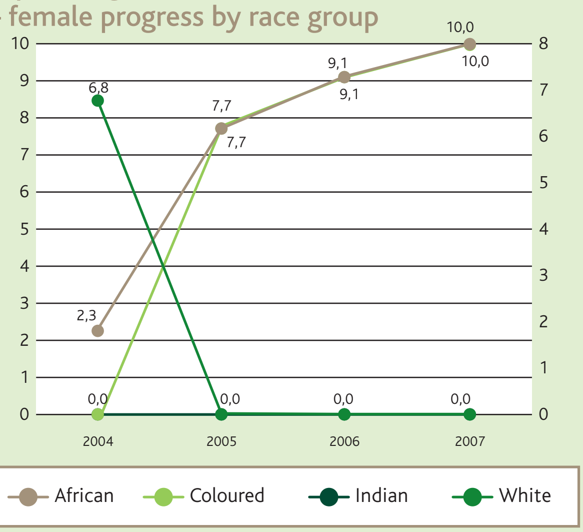
Semiskilled – progress by race group



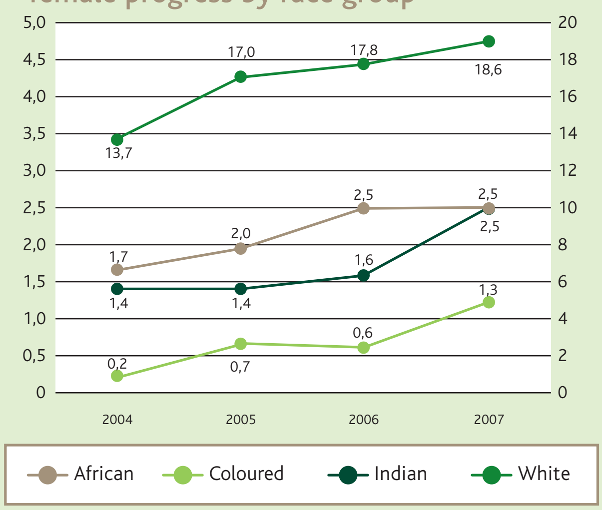
The graphs below indicate progress by gender (based on FSC classification).

Although progress is notable in the acceleration of females as a designated group, Nedbank Group has set targets to focus on black females further to enhance their representation by race group.

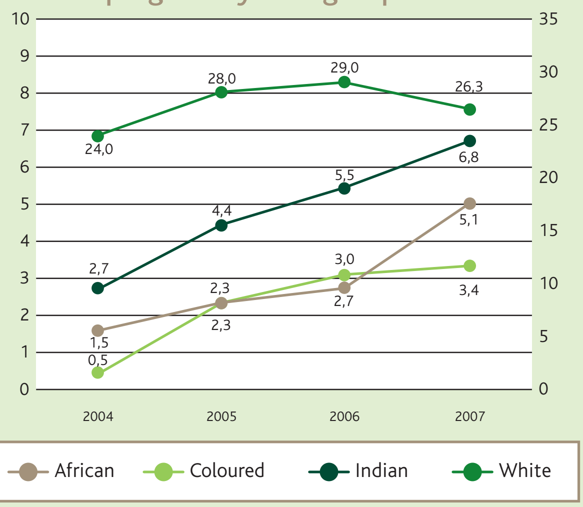
Top management – female progress by race group



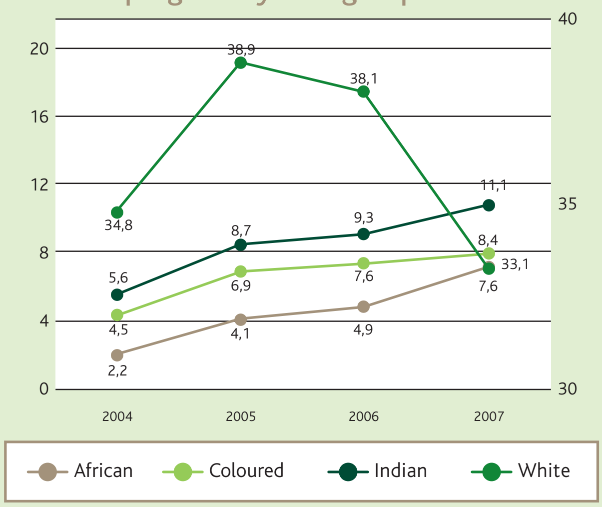
Senior management – female progress by race group



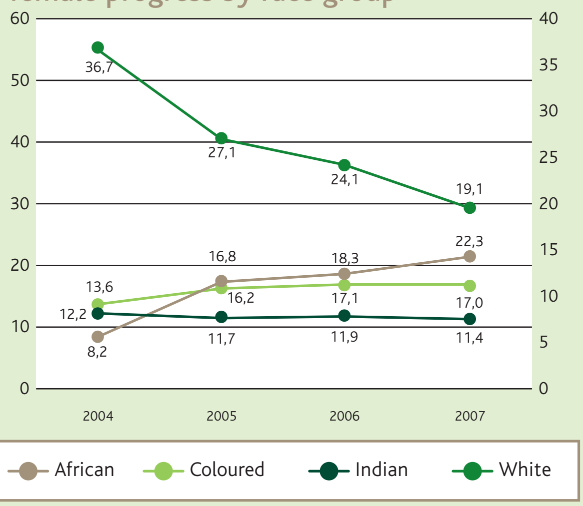
Professionally qualified – female progress by race group



Technically skilled – female progress by race group



Semiskilled – female progress by race group



Employment equity plans

In line with the Employment Equity Act requirements Nedbank Group is currently finalising the 2008 – 2010 Employment Equity Plan. The process of developing the EE plan will include conducting an analysis in consultation with staff that will assist in understanding the current barriers to EE. Objectives and action plans will then be formulated to address the barriers identified by staff.

Numerical goals have been set for the 2008 – 2010 EE plan. These goals have been included in the business scorecard and employment equity has been allocated 10% for the scorecard with an additional 5% for other pillars of the dti codes, amounting to a total of 15% for transformation as a whole.

Chief Financial Officer's Report

'While the general banking environment in 2008 will be much tougher than in previous years, the group is confident of continuing to improve its financial performance off the platform built over the past four years.'

Mike Brown | Chief Financial Officer

Introduction

Nedbank Group has consistently improved its financial performance over the past four years and delivered on the commitments made to stakeholders. This has been achieved while investing in people, systems, risk management, the brand and our distribution network to ensure that financial targets were not achieved at the expense of future growth or increased risk.

As part of the turnaround strategy initiated in 2004 the group made a commitment to achieve a return on equity (ROE) of 20% and an efficiency ratio of 55% by 2007, and it is most pleasing to report that both these targets were exceeded.

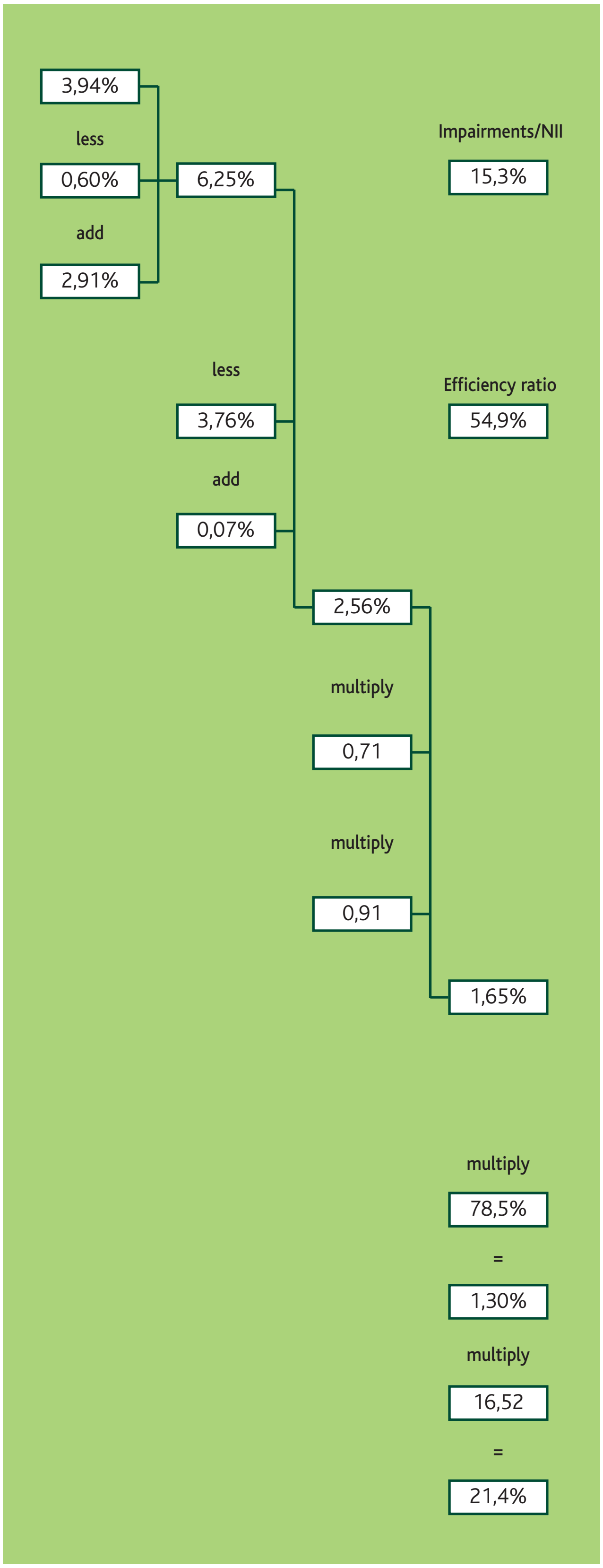
Nedbank Group has made consistent progress since 2004, increasing its ROE from 11,0% in 2004 to 21,4% in 2007, while the efficiency ratio has improved from 71,8% to 54,9% over the same period.

To illustrate the improvement in ROE over this period we have set out a simple Du Pont analysis. This analysis reflects how various revenue drivers combine to provide a return on the assets of the group. This return on assets (ROA), together with the group's gearing ratio, then provides the return on ordinary shareholders' funds or ROE.

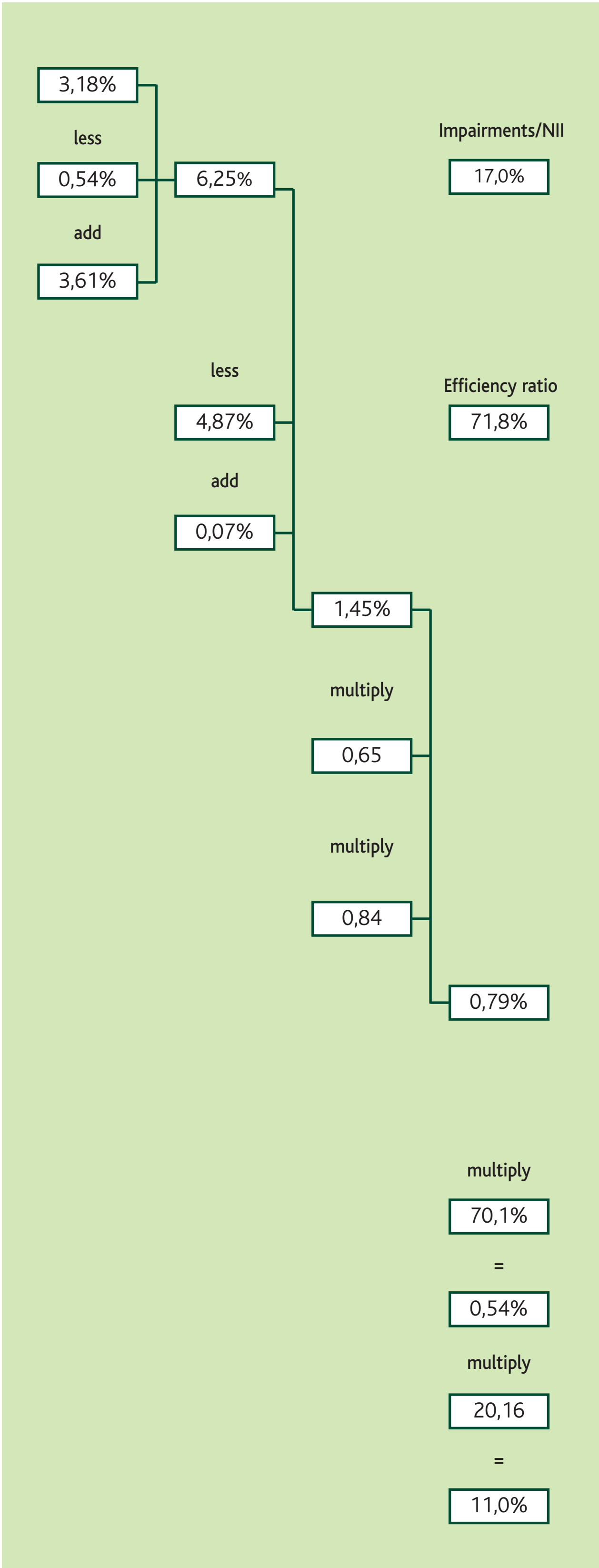
Return-on-equity drivers (Rm)	2007	2004	
Net interest income	14 146	7 145	Net interest income/average interest-earning banking assets
Impairment of loans and advances	(2 164)	(1 217)	Impairments/average interest-earning banking assets
Non-interest revenue	10 446	8 099	Non-interest revenue/average interest-earning banking assets
Income from normal operations	**22 428**	14 027	
Total operating expenses	(13 489)	(10 939)	Total expenses/average interest-earning banking assets
Share of profits of associates and joint ventures	239	147	Associate income/average interest-earning banking assets
Net profit before taxation	**9 178**	3 235	
Indirect taxation	(305)	(470)	
Direct taxation	(2 336)	(668)	1 – effective taxation rate
Net profit after taxation	**6 537**	2 097	
Minority interest	(616)	(354)	Income attributable to minorities
Headline earnings	**5 921**	1 743	Headline earnings
Daily average interest-earning banking assets*	**358 824**	224 598	Interest-earning banking assets/daily average total assets
Daily average total assets*	**399 049**	299 817	Interest-earning banking assets/simple average total assets
Simple average total assets	**456 884**	320 507	**Return on total assets**
Simple average shareholders' funds	**27 655**	15 895	**Gearing**
			Return on ordinary shareholders' equity

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

2007


3,94%
less
0,60%
add
2,91%
6,25%
Impairments/NII
15,3%
less
3,76%
add
0,07%
Efficiency ratio
54,9%
2,56%
multiply
0,71
multiply
0,91
1,65%
multiply
78,5%
=
1,30%
multiply
16,52
=
21,4%

2004


3,18%
less
0,54%
add
3,61%
6,25%
Impairments/NII
17,0%
less
4,87%
add
0,07%
Efficiency ratio
71,8%
1,45%
multiply
0,65
multiply
0,84
0,79%
multiply
70,1%
=
0,54%
multiply
20,16
=
11,0%

Chief Financial Officer's Report | continued

The main drivers of improving ROE include the following:

- A higher net interest margin of 3,94% in 2007 relative to 3,18% in 2004 was achieved through:
  - disposal of non-core assets, reducing the associated funding costs;
  - appropriate hedging of interest rate risk within an approved risk appetite; and
  - overall growth in endowment combined with the redemption of expensive subdebt.
- The credit loss ratio (using daily average interest-earning banking assets) deteriorated from 0,54% to 0,60% as the benefits of the improved collections processes, risk management and credit management policies were offset by the impact increased interest rates, particularly in the retail portfolios, had on affordability.
- Non-interest revenue (NIR) to average interest-earning banking assets decreased from 3,61% to 2,91% as a result of:
  - sustained competitive pressure on fees and margins in both the wholesale and retail banking markets;
  - Nedbank Retail reducing its fees by a total average of 19% in the past two years;
  - poor trading results reported in the 2007 financial year (detailed below);
  - a continuous move from cheques to electronic channels by business banking clients; and
  - growth in the advances book and small market share gains, which caused interest-earning assets to increase at a faster rate than NIR.

Over the recovery period the volatility of earnings due to foreign exchange translation movements was reduced as surplus foreign capital was repatriated.

Improving the NIR contribution is a longer-term objective, with the main focus being on increasing the number of new primary clients. While the group has started to see an improvement, with primary client gains in both the retail and wholesale areas, it will take some time for this to be reflected in more rapid NIR growth.

- A focus on tight expense management resulted in a reduction in total expenses as a percentage of average interest-earning assets, despite investments in the retail distribution footprint, frontline staff, marketing and product innovation. In line with this the efficiency ratio improved from 71,8% to 54,9%.
- The combination of these management actions resulted in the return on average assets – a key measure of performance – increasing from 0,54% to 1,3%, further demonstrating the improved operational performance throughout the group.
- Over the period the group reduced its dividend cover ratio to 2,25 times in 2007 from 4 times in 2004, and actively managed its capital, including share buybacks. The resultant gearing ratio of 16,52%, combined with the ROA of 1,3%, translates into the group achieving an ROE of 21,4% for 2007.

Risk and capital management

At the beginning of the recovery process in 2004 the group sought to reduce substantially the financial risks affecting the business and set about implementing improved processes to measure and control these risks. Good progress was made and the group has reduced earnings volatility. The discussion of risks below does not necessarily represent all the potential risks the group could face, but seeks to highlight the key financial risks that have been identified by management. Further detail on risk is covered in the Risk and Capital Management section of this annual report on pages 98 to 147.

The main financial risk types affecting earnings, economic profit (EP) and the capital levels of Nedbank Group are credit, market, operational and business risks. Changes in macroeconomic factors have an impact on the measurement of the above risk types, which in turn affect the components of earnings [notably net interest income (NII), impairments, NIR, operating expenses, and capital endowment and projected business growth]. These then have a direct impact on capital requirements and capital available for meeting regulatory- and economic-capital targets.

The key macroeconomic factors affecting earnings and ultimately capital adequacy projections are interest rates, real GDP growth, inflation, strength of our currency, property prices, the household-debt-to-income ratio and equity prices on the JSE Limited.

These factors are taken into account in building three-year plans, showing that the group is continuing to make steady financial progress, even though the banking environment is becoming much more challenging. Taking expected growth into account, we are comfortable that we hold sufficient surplus regulatory and economic capital (Ecap) to cover potential economic scenarios that could evolve.

Key points considered in reviewing capital scenarios:

- Capital actions geared towards maintaining adequate capital in terms of Nedbank's capital adequacy ratio and risk appetite targets are reviewed as part of the three-year strategic planning process and also adjusted in line with quarterly business reviews.
- Dividend flows are planned in terms of board-approved policy, and lower earnings would generate lower dividends in a stress scenario (we have a dividend policy of headline earnings covering dividends 2,25 to 2,75 times).
- The positioning of capital on the short end of the yield curve provides a natural hedge against increasing impairments in an increasing-rate environment by means of increasing interest revenue.

Basel II was successfully implemented on 1 January 2008. This is in line with the revisions to the Banks Act and the new internationally based Basel II banking regulations introduced by the South African Reserve Bank (SARB), which came into effect on 1 January 2008. The main purpose of Basel II is to promote significant enhancement and sophistication of risk and capital measurement and management, thereby further elevating the safety and soundness of the banking industry.

One of Nedbank's notable Basel II achievements was receiving formal approval from the SARB for the Advanced Internal Ratings Based (AIRB) approach for credit risk, noting that Imperial Bank, Fairbairn Private Bank and the African subsidiaries have adopted the standardised approach. Nedbank's risk and capital management positioning provides the bank with sophisticated management science and capabilities to optimise the risk-return equation and grow our businesses profitably within the clearly established risk appetite of the group.

Aligned with the Basel II initiative, the group has rolled out its Economic Capital Framework, which has facilitated both cluster and client profitability measurement on a return on risk-adjusted capital (RORAC) basis. From 2008 the group will report its segmental analysis by using RORAC, and this will lead to an increased focus on shareholder value creation. This has been combined with improved transfer pricing of central costs, reducing unallocated operational costs at the centre.

Generally divisional headline earnings on an economic-capital allocation basis reduce as less capital, and hence less endowment, is allocated together with the unallocated central costs. RORAC in Nedbank Corporate is well above ROE, as we now allocate a more appropriate amount of capital to our low-risk corporate banking portfolios.

During the year the group continued to manage its capital actively and:

- redeemed the expensive NED2 R4 billion bond on its call date in July 2007;
- concluded several Tier 2 subordinated-debt issues totalling R6,77 billion, thereby continuing to build a smooth and diversified subordinated-debt maturity profile. A highlight was the R2 billion inaugural Tier 2 investment in a South African bank by the International Finance Corporation and the African Development Bank;
- completed a R1,7 billion Imperial Bank asset securitisation;
- completed a R1,87 billion Nedbank Retail home loan securitisation; and
- issued Tier 1 perpetual preference shares of R364 million.

Revised segmental analysis

Rm – year ended 2007	**Average capital allocation**		**Headline earnings**		**ROE %**	**RORAC %**
Division	Basel I	**Ecap**	Basel I	**Ecap**	Basel I	**Ecap**
Nedbank Capital	3 461	**2 887**	1 272	**1 174**	36,8	**40,7**
Nedbank Corporate	14 345	**9 977**	3 063	**2 632**	21,4	**26,4**
Nedbank Retail	8 270	**8 490**	2 008	**1 876**	24,3	**22,1**
Imperial Bank	950	**950**	227	**227**	23,9	**23,9**
Operating units	27 026	**22 304**	6 570	**5 909**	24,3	**26,5**
Shared services		**1 112**	(12)	**(15)**		
Central management	629	**442**	(637)	**27**		
	27 655	**23 858**	5 921	**5 921**	21,4	**24,8**
Goodwill		**3 797**				
Total	27 655	**27 655**	5 921	**5 921**	21,4	**21,4**

Hybrid capital instruments now qualify as Tier 1 regulatory capital under Basel II and the group is well-advanced in planning its inaugural issue, should market conditions be favourable.

The group currently expects to issue further Tier 2 capital and hybrid forms of Tier 1 capital in 2008. Nedbank is committed to improving its profile as an issuer in the debt capital markets and this should result in a more robust subordinated-debt yield curve for the group.

Liquidity management

With continued upside risk to interest rates during 2007, which has continued into 2008, long-dated-deposit appetite has been low as depositors have continued to roll maturing deposits into the short to medium term to position for possible further interest rate hikes. This persistent upside risk to interest rates has therefore made it challenging for the market to attract term deposits, which has resulted in an overall shortening of the bank's funding profile. In addition, Nedbank experienced strong asset growth through 2007, with small market share gains across a number of key asset categories, which increased the bank's funding requirements. Throughout the year the bank was adequately funded and no liquidity issues similar to those abroad were experienced, with appropriate liquidity buffers in place.

With the retail deposit base having grown slower than retail assets during 2007, the proportion of wholesale funding continues to increase. Retail deposits are seen as cheaper and more stable funding than wholesale deposits. In the more challenging liquidity environment liquidity risk monitoring has been enhanced since August 2007, focusing on the impact that the global liquidity crisis could have on South African markets. Nedbank has been successful at managing the possible contagion risk from international markets within its Enterprise Risk Management Framework.

Ratings agencies

Nedbank Group Limited, Nedbank Limited and Imperial Bank Limited all received rating upgrades from Moody's and Fitch during 2007 (refer to page 146). This was very pleasing and recognises the successful turnaround of the group over the past few years.

Economic-profit-based incentives

To align the group short-term incentive scheme (STI scheme) with the group strategic recovery plan, the targets for the STI scheme have historically been aligned with annual ROE targets, with the 2007 ROE target being 20%.

With the recovery now successfully completed, the STI scheme has been amended to align more appropriately with shareholder value drivers.

The Nedbank Group STI scheme has also been altered to incentivise appropriately a combination of profitable returns and growth from financial year 2008 onwards, and is now driven from an EP basis.

EP = average ordinary shareholders' equity (excl goodwill) x (ROE excl goodwill – COE)

The change of the STI scheme to an EP-driven basis will require of the executive and employees simultaneous growth and return results in order to sustain and improve on the available STI pool.

Group economic-profit calculation for 2007

	Rm
Headline earnings	**5 921**
Cost of equity (13,68% x R23 858m)	**3 264**
Economic profit	**2 657**

Financial overview

Key financial indicators

	2007	2006
Headline earnings (Rm)	**5 921**	4 435
Headline EPS (cents)	**1 485**	1 110
Fully diluted HEPS (cents)	**1 429**	1 076
ROE (%)	**21,4**	18,6
ROE (excluding goodwill) (%)	**24,8**	22,1
ROA (%)	**1,30**	1,14
Margin (%)	**3,94**	3,94
Credit loss ratio(%)	**0,62**	0,52
Efficiency ratio (%)	**54,9**	58,2
Total assets (Rbn)	**488,9**	424,9
Tangible NAV per share (cents)	**6 207**	5 106
Group capital adequacy (%)	**12,2**	11,8
Dividend per share (cents)	**660**	493

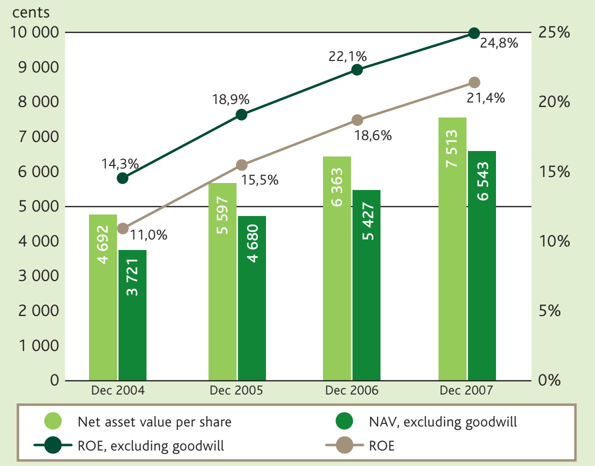
Headline earnings increased by 33,5% to R5 921 million. Basic earnings grew by 32,9% to R6 025 million.

Headline earnings per share (EPS) increased by 33,8% to 1 485 cents (2006: 1 110 cents). Diluted headline earnings per share (HEPS) increased by 32,8% from 1 076 cents to 1 429 cents. Basic EPS grew by 33,1% from 1 135 cents in 2006 to 1 511 cents in 2007.

The graph on the next page reflects the progress the group has made in improving its ROE and increasing the net asset value (NAV) of the group over the recent past.

NAV and ROE

3-year CAGR: NAV = 17,0%   NAV excl goodwill = 20,7%



Income statement

NII – margin analysis

% of daily average interest-earning banking assets	%	Rm
December 2006	**3,94**	**10 963**
2007 asset growth		3 179
Net endowment effect	0,17	626
Liability price movement:	0,13	466
Current and savings accounts	0,23	828
Increased cost of funds	(0,10)	(362)
Asset pricing movement:	(0,30)	(1 088)
Personal loans pricing and mix	(0,10)	(350)
Home loans margin	(0,06)	(206)
Commercial mortgage margin	(0,10)	(362)
Other	(0,04)	(170)
December 2007	**3,94**	**14 146**

Net interest income

NII grew 29,0% to R14 146 million (2006: R10 963 million) due to strong growth in average interest-earning banking assets of 29,0%.

The group's net interest margin for the 12-month period was 3,94%, the same level as reported in 2006. The margin:

- benefited from the endowment impact of interest rate increases on capital and current and savings accounts of 0,4%. This comprises the net endowment effect of interest rate increases on the group's capital, which is predominantly invested at the short end of the yield curve, and the positive effect of increasing rates on current and savings account balances held by the bank;
- decreased as a result of liability margin compression of 0,1% as deposit interest rates continued to price in upside risk and as the sector had to source a higher proportion of funding from the wholesale deposit market; and
- decreased as a result of asset margin compression of 0,3% mainly from the impact of strategic changes in the product mix of personal loans and competitive pricing behaviour, particularly in home loans and commercial mortgages.

Impairment losses on loans and advances

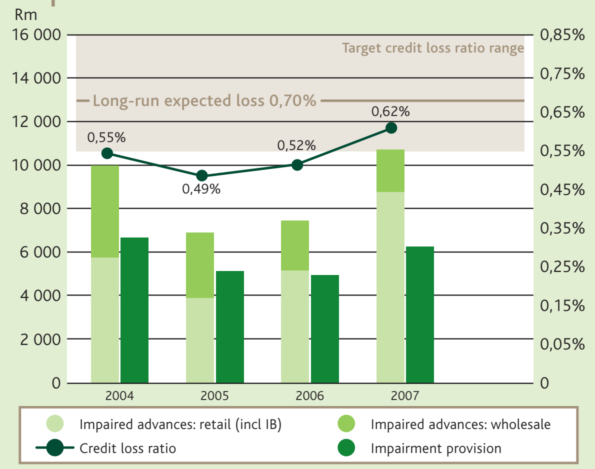
Impairments charge

Rm – year ended	% of average advances	2007	2006
Impairments charge		**2 164**	1 483
As % of NII		**15,3**	13,5
As % of average advances	100,0	**0,62**	0,52
Nedbank Capital	14,0	**0,05**	0,28
Nedbank Corporate	41,3	**0,11**	0,15
Nedbank Retail	35,6	**1,26**	1,10
Personal loans	1,7	**9,94**	12,14
Other retail	33,9	**0,82**	0,64
Imperial Bank	9,1	**1,28**	0,87

The credit loss ratio increased from 0,52% in 2006 to 0,62% for the year. The growth in advances and the increase in the credit loss ratio are reflected in a 45,9% increase in the impairments charge to R2 164 million. Impairment levels have risen in Nedbank Retail and Imperial Bank, while the credit loss ratios in Nedbank Capital and Nedbank Corporate have remained at lower-than-expected levels, assisted by active credit management and unusually high levels of recoveries. The effect of the deteriorating retail environment has been mitigated to an extent through tighter credit policies and an early focus on collections processes and systems. The group has continued to apply stringent credit management policies and has tightened credit-granting requirements in the retail areas most affected by the worsening credit cycle over the last two years.

Nedbank Retail raised an additional incurred but not reported (IBNR) provision of R167 million in December 2007 to anticipate the effect of the current higher interest rates not yet evident in the historic data used for provisioning calculations.

Impairment trends



Impaired advances increased by 37,6% from R7 743 million to R10 652 million as the credit environment worsened. Impairment provisions increased by 17,2% from R5 184 million to R6 078 million, this increase being limited by improvements in underlying security values.

Overall, the credit loss ratio is expected to increase further as the level of wholesale recoveries decreases and as a result of the increase in household indebtedness and higher interest rates within the retail environment. Our present forecast is that there will not be further interest rate increases in 2008, and consequently we do not currently expect the credit loss ratio to move above the upper end of our targeted range of 85 basis points for the full 2008 year. However, any further interest rate increases would in our current estimation move the credit loss ratio above 85 basis points.

Nedbank has no direct exposure to US subprime mortgages. The group is indirectly exposed through banking relationships with large institutions who themselves have subprime exposure. These are relatively small and are not expected to lead to any losses to the group.

Non-interest revenue

Rm – year ended	% change	2007	2006
Commission and fees	15,1	**7 528**	6 538
Trading income	(19,0)	**1 334**	1 647
Private-equity income	58,3	**915**	578
Other investment income and fair-value adjustment	(15,8)	**85**	101
Rental income	2,0	**51**	50
Foreign currency translation gains	(>100)	**–**	4
Sundry income	(3,1)	**533**	550
Non-banking subsidiaries	(15,0)	**271**	319
Other	13,4	**262**	231
Total NIR	10,3	**10 446**	9 468

NIR for the period increased by 10,3% to R10 446 million (2006: R9 468 million).

This growth in NIR was driven primarily by the following:

- Commission and fee income growth of 15,1%, including fees in Bond Choice, which grew by 22,1% from R614 million to R750 million.
- An increase of 58,3% in private-equity revaluations, realisations and dividend income from R578 million to R915 million.

This growth was partially offset by the following:

- Fee reductions introduced by Nedbank Retail.
- The low level of wholesale-fee increases.
- Weak trading results as reported in the first half, mainly due to poor trading within the business alliance with Macquarie, resulting in trading income for the year decreasing by 19,0% to R1 334 million.
- The competitive pricing structure for transactional products adopted in Nedbank Retail, where fees have been reduced by an average of 19% since mid-2006.
- A continuous move from cheque payments to electronic channels in the business banking and retail clusters.

Expenses

Rm – year ended	% change	2007	2006
Staff costs	16,4	**7 079**	6 082
Computer processing	11,2	**1 673**	1 504
Communication and travel	18,4	**559**	472
Accommodation	10,9	**1 068**	963
Marketing and public relations	13,4	**887**	782
Fees and insurance	6,8	**1 498**	1 402
Other	7,9	**577**	535
Operating expenses	13,6	**13 341**	11 740
BEE	1,4	**148**	146
Total expenses	13,5	**13 489**	11 886

Growth in operating expenses slowed, as anticipated, from 14,8% at June 2007 to 13,6% at December 2007. The 'jaws' ratio continued to improve, with total revenue growth of 20,4% being 6,9% above expense growth, resulting in the efficiency ratio improving from 58,2% for 2006 to 54,9%.

Staff expenses increased by 16,4%, reflecting the investment the group has made in client-facing and credit management staff and an increase in variable pay as a result of the continued improvement in operating performance. Staff numbers increased by 10,4% during the year. Marketing costs increased, as planned, by 13,4% as the group continued to invest in repositioning the Nedbank brand.

Computer processing increased by 11,2%, which related to increased volumes, innovation spend on new and improved products and processes, the distribution expansion and regulatory compliance readiness, particularly around the National Credit Act.

Expenses include:

- costs for the integration of Old Mutual Bank into Nedbank of R64 million;
- Bond Choice's expenses, which grew by 17,2% from R538 million to R630 million; and
- The IFRS2 charge in respect of the group's BEE transaction, which increased by 6,5% from R138 million to R147 million.

Direct taxation

The effective taxation rate decreased from 27,8% to 26,3% as the group benefited from lower tax risk provisions.

Non-trading and capital items

Non-trading and capital items of R104 million (2006: R98 million) comprised mainly profits on the sale of:

- MasterCard Worldwide shares issued to the group at the time of the listing of MasterCard of R85 million;
- a portion of the shares in Bond Choice of R12 million; and
- the group's investment in Taquanta Investment Holdings Limited of R10 million.

Balance sheet

Capital

The group is well-capitalised under Basel I, with a Tier 1 group capital adequacy of 8,3% and total group capital adequacy ratio of 12,2%. Under Basel II parameters the group remains well-capitalised with a pro forma Tier 1 group capital adequacy of 8,0% (target: 8% to 9%) and a pro forma total group capital adequacy ratio of 11,2% (target: 11% to 12%). Under Basel II the regulatory minimum for Tier 1 is 7% and for total group capital adequacy 9,75%.

Advances

During the period under review advances grew 21,2% to R374 billion, with average interest-earning banking assets increasing by 29,0% to R359 billion.

As a result of the strong advances growth, total assets increased 15,1% to R489 billion. Growth in higher-risk areas, such as personal loans, slowed as the group tightened credit criteria and focused on higher-quality, lower-margin personal loans.

Advances growth by cluster was as follows:

Rm	2007	2006	Increase (%)
Nedbank Corporate	**153 718**	133 254	15,4
Nedbank Capital	**51 233**	40 560	26,3
Nedbank Retail	**133 492**	106 974	24,8
Imperial Bank	**35 320**	27 735	27,3
Other	**193**	40	
Total	**373 956**	308 563	21,2

Deposits

Deposits increased by 18,5% from December 2006 to R385 billion at December 2007.

Nedbank's liquidity remains sound in an overall liquidity environment that was made more challenging by the negative international liquidity developments. Contagion of South African markets has been limited, with little direct exposure by local banks to US subprime markets. The impact on Nedbank and the South African markets has, to date, been limited to a reduction in international liquidity (which has traditionally not been a large portion of the funding base) and an increase in the pricing of capital market debt. This has had a small negative impact on the cost of rolling over conduit paper and new subordinated-debt issues.

During 2007 Nedbank successfully launched its inaugural auto loans and residential mortgage-backed securitisation programmes, raising R1,7 billion and R1,87 billion respectively. These programmes have diversified the funding base and lengthened the bank's existing funding profile. In addition, Nedbank issued a further foreign syndicated club loan of $500 million in February 2007, raising additional foreign funding and creating further funding diversification.

Dividend policy

The group's dividend cover range remains 2,25 to 2,75 times HEPS. The interim and final dividends in 2007 were declared at 2,25 times dividend cover. At each dividend declaration date the board reviews capital levels and anticipated growth rates in deciding on the appropriate cover level within the above range.

The amendments to section 38 of the Companies Act will, subject to ordinary shareholder and black economic empowerment (BEE) participant approval at an extraordinary general meeting to be held in May 2008, enable the group to amend the terms of its BEE ownership scheme and revert to cash-only dividends with effect from the date of the 2008 interim dividend.

The year ahead

The slowdown in consumer spending, the increase in consumer credit stress, the currency volatility, continuing electricity shortages and ongoing volatility in credit and equity markets are likely to make the year ahead significantly more challenging for the South African economy and the banking sector. The key factors influencing performance in 2008 are:

- slower growth in retail advances;
- continued good growth in wholesale advances, although the influence of electricity shortages on the economy may slow this growth;
- total advances that are expected to grow in the mid teens;
- lower margins as margin compression in certain categories of advances and continued reliance on wholesale funding are expected to be only partially offset by an endowment benefit in the margin resulting from past interest rate increases;
- higher impairments charges due to the impact of higher interest rates on the retail portfolios and lower wholesale recoveries; and
- fewer positive once-off items and revaluations in the private-equity portfolios.

Medium-term targets

After successfully delivering on the short-term financial targets of a 20% ROE and a 55% efficiency ratio in 2007, the group has set the following key medium- to long-term targets:

- ROE (excluding goodwill) 10% above the group's cost of equity (COE). For 2008 the target is 24%.
- Growth in diluted HEPS of at least average CPIX plus GDP growth plus 5%. For 2008 the target is 16%. In the present economic environment these targets would currently be at the top end of the group's expectations for 2008.

In the medium term the group targets to meet or exceed the comparable performance of its peers. The group's medium- to long-term financial targets are set out on page 6.

Conclusion

2007 has been a significant year for the group as all targets set in 2004 were successfully achieved. While the general banking environment in 2008 will be much tougher than in previous years, the group is confident of continuing to improve its financial performance off the platform built over the past four years.

We look forward to the year ahead, which promises both interesting opportunities and challenges.

Acknowledgements

I would like to thank all the finance management and staff across the group for their ongoing support and commitment, which has enabled us consistently to deliver quality financial information to our stakeholders.

Mike Brown
Chief Financial Officer

Sandton
5 March 2008

Selby Baqwa SC (56)
Chief Governance and Compliance Officer

5 years' service • BJuris, LLB, MBA (De Mont Fort University, Leicester, UK and Harvard)

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

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

Enterprise Governance and Compliance

Nedbank Group has adopted an enterprise governance framework that covers both the corporate governance and business governance aspects of an organisation. It encompasses governance structures that are strategically linked with performance management, enabling companies to focus on the key areas that drive their business.

Enterprise governance and compliance constitute part of the entire accountability framework of the organisation, and require a balance between accountability and assurance (conformance) and value creation and resource utilisation (performance).

Conformance includes corporate governance and covers issues such as board structures and roles, and executive remuneration. Performance includes business governance and focuses on strategy and value creation, enabling the board to:

- make strategic decisions;
- understand its appetite for risk and the key drivers of performance; and
- identify key principles of decisionmaking.

In tandem with management of governance issues, the compliance function ensures compliance not only with regulatory laws and standards, but also with internal policies and procedures.

The Chief Governance and Compliance Officer, Selby Baqwa SC, is a member of the Group Executive Committee (Group Exco), reports directly to the Chief Executive and attends the board and board committee meetings by invitation. He also has direct access to the Chairman of the Nedbank Group and Nedbank Boards.

A strong network of divisional governance and compliance officers works closely with the central Enterprise Governance and Compliance Division in training, project implementation and monitoring, as well as the creation of an appropriate governance and compliance culture.

Philosophy, strategy and objectives

Nedbank Group recognises that good governance and compliance practices are crucial in developing and sustaining any successful business and is committed to incorporating good governance and compliance processes into all its operations.

The enterprise governance and compliance functions are an essential part of Nedbank Group's control structure, having responsibility for the management of regulatory and reputational risk. A comprehensive Enterprise-wide Risk

Management Framework has been developed in line with the requirements stipulated in section 60A of the Banks Act, read with the provisions of regulation 49 (previously 47).

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

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

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

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

The Enterprise Governance and Compliance Division works closely with the Company Secretary and Group Risk in promoting a culture of good governance and compliance within the group.

The division's key objectives are to:

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

Compliance

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

The group manages compliance risk through the following key activities:

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

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

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

Enterprise Governance and Compliance continued

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

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

Relationship with Old Mutual plc

The relationship between Nedbank Group and its parent company, Old Mutual plc, continued to develop over the past year, as evidenced by the integration of Old Mutual Bank into Nedbank Retail, the launch of the Greenzone project, the Nedgroup Life joint venture and ongoing initiatives to realise synergies among group companies and a broader career development process within the Old Mutual Group.

A formal relationship agreement, covering issues such as the appointment of officers, strategy, reporting and policy or structural changes, governs the relationship between the two companies and ensures that synergies between the companies are promoted. This agreement is available on the Nedbank Group website. The agreement further deals with managing potential conflicts of interest to protect the interests of minority shareholders. The board monitors Nedbank Group's compliance with the provisions of the relationship agreement on an ongoing basis.

King II implementation plan

Nedbank Group fully subscribes to and supports the Code of Corporate Practices and Conduct contained in the King Committee Report on Corporate Governance (King ll or the code) and has developed a comprehensive implementation and monitoring plan to meet the requirements and recommendations thereof. The plan incorporates the corporate governance requirements of the regulations to the Banks Act and the recommendations of the Myburgh Report.

The plan has been approved by the board and its implementation is monitored by the Directors' Affairs Committee on an ongoing basis.

Nedbank Group complies substantially with the code. The only areas of non-compliance with the code, which the board is satisfied does not impair the governance integrity or perceptions of it, are indicated below:

- The Chairman, Reuel Khoza, is a non-executive director, but not independent, as a result of his positions as a representative of Aka Capital, a strategic business partner in the group's black economic empowerment (BEE) transaction, and as a non-executive director of the group's holding company, Old Mutual plc.
- Chairmen of the following board committees are non-executive directors, but not independent, as defined by the code:
  - Group Directors' Affairs Committee (Reuel Khoza);
  - Group Credit Committee (Michael Katz); and
  - Group Transformation and Sustainability Committee (Lot Ndlovu).

In other respects, as far as compliance with the code is concerned:

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

Governance/Compliance culture

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

During 2007 there was a continued focus on the rolling out of governance and compliance training and awareness programmes to all employees. Over 79% of employees have completed the training in corporate governance and 78% of employees have been trained in compliance. Other eLearning training included the introduction of FAIS, Money-laundering-control Awareness, Employment Equity and Occupational Health and Safety Act training.

EGC hosts regular governance and compliance forums to enable employees to engage with thought leaders such as Judge Mervyn King and Raymond Ackerman. Many valuable lessons are learnt from their examples of promoting a culture of integrity in their respective businesses.

A communications and awareness plan was rigorously applied in 2007 and included interventions such as email communications, magazine inserts, booklets on ethics and corporate citizenship, awareness through the Nedbank TV channel, governance and compliance regional roadshows and a workshop with the main regulators of the bank.

Africa and offshore subsidiaries

The mandate of the Enterprise Governance and Compliance Division is enterprise-wide and the Nedbank Group Board is responsible for the state of corporate governance and compliance in the entire organisation.

In 2007 the division provided governance and compliance assistance to the group's operations in Africa, including:

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

Enterprise Governance Framework

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

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

This framework is included in the 2007 Nedbank Group Sustainability Report.

Corporate governance strategy

Formalised governance objectives

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

Strategy

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

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

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

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

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

The board of directors

Role and composition

The Nedbank Group Board has a unitary structure comprising 17 directors.

The Nedbank Limited Board has the same structure and composition, but separate meetings are held.

Members of the Nedbank Group Board at 1 January 2008 classified in terms of the King Code definition around independence were:

Independent non-executive directors (7)

- Barry Davison
- Brian de L Figaji
- Chris Ball
- Thenjiwe Chikane
- JB Magwaza
- Mafika Mkwanazi
- Cedric Savage

Non-executive directors (8)

- Jim Sutcliffe
- Bob Head
- Gloria Serobe
- Lot Ndlovu
- Michael Katz
- Mustaq Enus-Brey
- Reuel Khoza
- Rosie Harris

Executive directors (2)

- Tom Boardman
- Mike Brown

Altogether 57% of the directors are black generic in terms of the Financial Sector Charter (FSC) definitions at 31 December 2007 when applying the FSC's exclusion proviso. This proviso applies to the three board members appointed by our majority shareholder.

Rosemary Harris, the Group Risk Director of Old Mutual plc, was appointed a non-executive director during the year, and Nick Dennis resigned from the board.

Four of the eight non-executive directors, including the Chairman, are not considered independent since they either serve as directors on the board of the group's holding company, Old Mutual plc, or are employees of Old Mutual plc. The three board appointments in terms of the BEE transaction, Mustaq Enus-Brey, Gloria Serobe and the Chairman, Reuel Khoza, are also not considered independent because of their relationship with Nedbank Group's BEE partners. Michael Katz and Lot Ndlovu were previously executive directors of the group and are therefore not considered independent directors.

Recognising that the Chairman is not an independent director, and in line with the recommendations of the UK combined code, Chris Ball was appointed senior independent non-executive director in February 2007.

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

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

Board appointment and evaluation

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

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

A full assessment of the effectiveness of the board and board committees, as well as an evaluation of the Chairman of the board, took place during 2007, with the board evaluation and peer evaluations being done by an independent third party, the Institute of Directors, to elicit feedback from boardmembers, which ensures constant refinement of the governance structure and responsibilities. An assessment of the board's performance by management was included in the process.

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

Board Charter

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

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

- determining the overall objectives for the group;
- developing strategies to meet those objectives in conjunction with management;
- formulating company policies;
- rating the group's own performance;
- assuming overall responsibility for risk management;
- appointing a chief executive for the group; and
- evaluating the performance of the group's directors.

The charter also formalises policies regarding board membership and composition, board procedures, the conduct of directors, risk management, remuneration, board evaluation and induction.

Board committees

The board committee structure is designed to assist the board in the discharge of its duties and responsibilities, and was unchanged during 2007.

Current board committees:

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

Separate Risk and Capital Management and Directors' Affairs Committees have been established for Nedbank Group and Nedbank Limited, and separate meetings are held to ensure adequate focus on the interests of the bank.

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

Board Strategic Innovation Management Committee

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

Group Audit Committee

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

Group Credit Committee

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

Group Directors' Affairs Committee

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

Group Finance and Oversight Committee

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

Group Remuneration Committee

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

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

The Remuneration Report, commencing on page 155, covers all the corporate governance aspects and disclosure with respect to remuneration of directors.

Group Risk and Capital Management Committee

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

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

Group Transformation and Sustainability Committee

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

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

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

Nedbank Group Limited and Nedbank Limited committee structure and membership schedule at 31 December 2007

Nedbank Limited Board of Directors

Nedbank Risk and Capital Management Committee
Chairman: BE Davison
CJW Ball • N Dennis • ML Ndlovu
RM Head • ME Mkwanazi

*****Nedbank Directors' Affairs Committee**
Chairman: RJ Khoza
CJW Ball • BE Davison • MM Katz • JB Magwaza
ME Mkwanazi • ML Ndlovu • JH Sutcliffe

Nedbank Group Limited Board of Directors

Board Strategic Innovation Management Committee (SIMCO)
Chairman: ME Mkwanazi
TCP Chikane • MM Katz
CML Savage • CJW Ball

****Group Remuneration Committee**
Chairman: JB Magwaza
CJW Ball • B de L Figaji
CML Savage • JH Sutcliffe

******Group Transformation and Sustainability Committee**
Chairman: ML Ndlovu
B de L Figaji • CJW Ball •JB Magwaza
MM Katz • TCP Chikane

Group Finance and Oversight Committee
Chairman: CJW Ball
BE Davison • MM Katz
ME Mkwanazi • RM Head

***Group Credit Committee**
Chairman: MM Katz
CJW Ball • N Dennis • B de L Figaji • ML Ndlovu

Group Risk and Capital Management Committee
Chairman: BE Davison
CJW Ball • N Dennis • ML Ndlovu
RM Head • ME Mkwanazi

Group Audit Committee
Chairman: CJW Ball
TCP Chikane • JB Magwaza • CML Savage
MA Enus-Brey • BE Davison • RM Head
GT Serobe

*****Group Directors' Affairs Committee**
Chairman: RJ Khoza
CJW Ball • BE Davison • MM Katz • JB Magwaza
ME Mkwanazi • ML Ndlovu • JH Sutcliffe

* Chief Executive, Chief Risk Officer, Chief Financial Officer and Chief Credit Officer are members for purposes of the approval of large exposures only.
** Trustees of the 1994 Nedcor Group Employee Share Purchase Trust, the 2005 Nedbank Group Share Trust and the NIB Share Trust (two trustees only) to be the members of the Group Remuneration Committee, as set out above.
*** Incorporating the Chairman's Committee, Nomination Committee and Corporate Governance Committee.
**** Incorporating the Social and Environment Committee.

Enterprise Governance and Compliance continued

Chairman and Chief Executive

In line with best practice the roles of chairman and chief executive are separate. The board is led by the Chairman, Reuel Khoza, and the executive management of the group is the responsibility of the Chief Executive, Tom Boardman.

This clearly accepted division of responsibilities at the helm of the group ensures a balance of authority and power, so that no one individual has unrestricted decisionmaking powers. At the same time the board and executive management work closely together in determining the strategic objectives of the group.

Company Secretary and director development

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

New directors are informed of their duties and responsibilities by way of an induction course that is run by the Company Secretary and other experts on board effectiveness, corporate governance and banking and technical information, familiarising the directors with the bank's senior management and strategies. A formal ongoing director development programme was instituted during 2006, focusing on relevant briefings of all members of the board and board committees to ensure that they are kept up to date with local and international industry developments, technology issues, risk management and corporate governance best practice. All business cluster heads also undertake regular presentations to update the board on progress and key issues within particular clusters.

During 2007 the director development was continued. The following topics have been included as part of the internal training schedule for directors:

- General understanding of the Advanced Internal Ratings Based (AIRB) credit system (Basel II).
- Summary of the new Basel II regulations, revision of the Banks Act and Nedbank Group's Internal Capital Adequacy Assessment Process (ICAAP) required for Basel II.
- Reasons for the failure at Barings Bank and Nedbank's controls to counteract such occurrences.
- Procurement strategy and BEE procurement.
- Climate change and the impact on business.
- Group's tax risks and provisions.
- How accounting controls are managed/reviewed to ensure that overall Group policies are adhered to.

During 2007 the South African Reserve Bank also encouraged directors to attend external training workshops with the Gordon Institute of Business (GIBS). The programme put together by GIBS is the Banking Board Leadership Programme, which was attended by seven board members. The GIBS director development will continue in 2008.

Succession planning

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

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

Business governance

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

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

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

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

A number of subcommittees ensure this alignment:

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

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

- liquidity risk;
- capital management risk;
- interest rate risk, both local and foreign; and
- market risk, including
  - currency translation risk,
  - trading market risk and
  - financial instruments used for purposes other than trading (eg balance sheet hedges and investments).

The role of the **Basel II Steering Committee** is to promote, direct and oversee the successful implementation of the new Basel Capital Accord (Basel II) across the Nedbank Group and, particularly, to monitor and direct its implementation.

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

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

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

Enterprise Governance and Compliance continued

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

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

The primary role of the **Nedbank Corporate Property Investment Committee** is considering private equity investments in client-driven property ventures and strategic investments in the listed-property sector and allied-service companies, including initial approval, periodic reviews and any material changes.

The **Business Risk Management Forum's** role is to provide leadership in assessing the impact of and promoting, directing and overseeing the successful implementation of any new regulatory requirements and legislation across Nedbank Group.

The primary role of **AIRB Credit Exco** is to approve and monitor all material aspects of the bank's AIRB credit system, and receive regular reporting thereon. In addition, the bank's AIRB Credit Framework and policies, including any changes thereto, are reviewed and approved.

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

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

Risk management

Risk management in the financial services industry is a fundamentally important process in ensuring profitability, growth and long-term sustainability. Therefore, it follows that one of Nedbank Group's Deep Green aspirations is 'to be world-class at managing risk'. Relevant in this regard are the following:

- Regulation 39 of the Banks Act states that the 'process of corporate governance includes the maintenance of effective risk management'.
- King ll has a dedicated risk management section (section 3), detailing a board's responsibility for designing, implementing and monitoring the process of risk management and setting risk appetite limits or tolerance.
- Basel II regulations enforce a significant increase in risk management sophistication and reporting internationally.

These driving forces have ensured ongoing focus on the role played by risk management in the corporate governance process and vice versa.

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

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

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

Nedbank Group has adopted a comprehensive risk management strategy and methodology, enterprise-wide risk management, which has the principles of corporate governance best practice embedded in its foundation.

The Enterprise-wide Risk Management Framework consists of three layers of defence:

- Enterprise-wide risk management forums, internal control environment and individual responsibilities.
- Risk management and corporate governance structures.
- Internal and external audit functions to detect any deficiencies in processes or controls.

A key-issues control log has been developed as a tool to assist in achieving good governance. It represents a holistic, yet focused, view of any issues that require attention, raising concerns around these and the actions taken to address them.

Internal audit and operational risk

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

Internal Audit

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

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

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

Operational risk

The sophisticated risk assessment methodology used for the identification, assessment, management, monitoring and reporting of risk is discussed in more detail under the operational risk section on pages 135 and 136.

Internal control

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

This is primarily carried out through the risk committee structure within Nedbank Group. The detailed design, implementation and operation of adequate internal controls are generally delegated to the management team of Nedbank Group. These controls provide reasonable assurance that significant risks are appropriately managed, that management and financial information emanating from Nedbank Group is reliable and that assets are safeguarded. This, together with the associated responsibility for reviewing periodically the effectiveness of such internal control, is formally acknowledged by the head of each business unit once a year. Regulation 40(4) of the Banks Act requires that a board of directors annually reports to the Registrar of Banks on the adequacy of internal controls, adherence to these, maintenance of ethical standards, any material malfunctions and whether a bank will continue as a going concern.

The board reports that:

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

Enterprise Governance and Compliance continued

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

Personal-account and insider trading

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

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

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

Financial statements and external review

Going concern

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

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

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

Directors' declaration

The directors of Nedbank Group confirm and acknowledge that:

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

External auditors

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

The report of the independent auditors on page 151 sets out the responsibilities of the external auditors with regard to reviewing the financial statements and the group's compliance with both statutory and accounting standard requirements.

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

The external auditors provide non-audit services to Nedbank Group through their consulting divisions.

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

The total fee for non-audit services provided by the external auditors for the year ended 31 December 2007 was R25 million (2006: R28 million). This amounts to 27% of the total audit and non-audit services (2006: 30%).

The non-audit services focused on credit impairment modelling, tax opinions and system reviews. The fees for non-audit services include costs related to quarterly reporting as necessitated by the Old Mutual Group's listing requirements.

Internet site

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

Code of ethics and organisational integrity

Nedbank Group is a values-driven organisation. Its values of integrity, respect, accountability, pushing beyond boundaries and being people-centred have been incorporated into a code of ethics as the foundation of the Nedbank culture.

During 2007 the code, which is available on the website at www.nedbankgroup.com, has been reviewed to adhere to accepted international standards, and an awareness thereof has been a key focus area as a crucial part of making governance a reality for employees at all levels. Awareness communications and various practical case studies have been sent out during the year, reinforcing values and ethics principles. The Tip-offs Anonymous reporting line has also been marketed, creating an environment in which employees have the responsibility to report incidents of unethical behaviour. There is also a dedicated Ethics Forensic Investigator in the Enterprise Governance and Compliance Division. Awareness was also created during roadshows in 2007 by focusing strongly on the code of ethics and the Conflict of Interests Policy. To create further awareness the *Ethics and Principles of Corporate Citizenship* booklet was developed and distributed to all employees.

Business training was rolled out for various business units. This year the focus was on executive awareness. Various sessions were arranged and approximately 400 executives down to divisional level attended. The Ethics Institute of South Africa is assisting Nedbank in the rollout of its training programmes, and two accredited ethics officers form part of the Enterprise Governance and Compliance Division. During the year 42 compliance and governance officers in the group received ethics and related policy training to equip them to implement ethics management and the relevant policies.

Group Risk Services and Human Resources assist in the reporting and resolution of ethics issues that arise in the business.

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

The Nedbank Group Board has committed to this programme by adopting a formal Board Ethics Statement.

A staff survey on ethics that was conducted during the year under review showed the following results:

The number of respondents increased from 3 324 in 2006 to 3 358 in 2007. The overall rating increased from 78,1% to 83%, which represents a significant positive shift in employee perception. The questions have been reviewed for 2007 to provide a more practical view of problems experienced. Nine new questions were incorporated. Benchmarking results will be available in 2008.

To address all conflicts of interest an electronic solution has been developed to record declarations of gifts given and gifts received. This tool will also be used for policy management purposes where all employees will be required electronically to acknowledge group policies and complete a survey that will indicate the level of understanding of policy principles.

Code of Banking Practice

Nedbank Group subscribes to the Code of Banking Practice of The Banking Association South Africa. This code governs Nedbank Group's conduct regarding relationships with authorities, clients, competitors, employees, shareholders, local communities and other primary stakeholders.

The group has in place appropriate procedures and mechanisms to ensure that all elements of the code are adhered to fully. Nedbank Group, primarily through its Client Services Advisory Unit, also works constructively with the Banking Ombudsman's Office to ensure that client complaints are resolved appropriately and timeously.

Political contributions

Nedbank Group fully supports the South African democratic system, but does not contribute to individual political parties. It does, however, periodically enter into arm's length banking transactions in the ordinary course of business with political parties.

The group's stance is apolitical, a principle that extends to not funding projects that are specifically undertaken under the auspices of political parties. Nedbank Group assists with worthy causes initiated by civic organisations and it is not inconceivable that these initiatives may involve political figures.

Money-laundering control/Combating terrorist financing

Nedbank Group is committed to combating money laundering and terrorist financing, and has introduced policies and procedures to ensure that statutory duties and regulatory obligations are met.

The Business Risk Management Forum (BRMF), a group exco subcommittee, ensured consistent implementation of the Money-laundering-control Programme (MLCP) through a process of reporting and reviewing at the quarterly BRMF meetings, including monthly MLCP Executive Steering Committee meetings.

The following deliverables were achieved in 2007:

- A project was initiated to enhance the data content and structure relating to the Fortent (SearchSpace) automated Money-laundering-detection System (MLDS). These enhancements were required to improve the quality of alerts generated by the system.
- Business, together with Group Risk and Compliance, agreed on an ongoing process to restrict clients whose records reflect their not having been verified within a specified period after account opening. This ongoing restriction process supports the independent compliance checks occurring in the Central Verification Hub (CVH), which forms part of the bank's Electronic Verification and Recordkeeping Solution (EVRS). At the end of December 2007 the accounts of 96 232 unverified clients remain restricted.
- Money-laundering-control training remains a high priority. Training completed at 3 December 2007:
  - 24 324 employees completed the Money-laundering-control Awareness Training.
  - 13 517 employees completed the Money-laundering-control Basic Training.
  - 3 812 employees completed the Money-laundering-control Specialised Training for Corporate and Merchant Banking.
  - 4 635 employees completed the Money-laundering-control Process Training.
- The Nedbank Africa Anti-money-laundering (AML) implementation project (Phase III) handover was completed. This focused on the implementation of requirements in line with local legislation and Nedbank Group minimum standards (specifically client reverification initiatives).
- The Money-laundering-control Client Verification Reporting Project was completed. The project was implemented to centralise money-laundering-control data and reporting, automate reporting and migrate it to the Enterprise Data Warehouse (EDW).
- The Financial Action Task Force (FATF) mutual evaluation mock questionnaire was completed in preparation for the expected country evaluation in mid-2008. In addition, a high-level regulatory gap analysis was conducted and forms the basis of current and future MLCP initiatives.
- The group-level Money-laundering-control Policy and the Client Acceptance, Maintenance and Monitoring Policy were updated, as part of the annual review.
- There have been positive interactions with the regulator and the supervisors, contributing to sustainable and trusting relationships beneficial to all parties.

Financial Advisory and Intermediary Services Act

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

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

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

National Credit Act

The National Credit Act (NCA) was promulgated on 15 March 2006 and came into effect on 1 June 2007.

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

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

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

Sustainability reporting

Nedbank Group has issued a separate sustainability report in accordance with the Global Reporting Initiative (G3) guidelines, taking into account the recommendations of King II. This report is available at: www.nedbankgroup.co.za

Board meetings

In 2007 the board met 10 times. It is policy for the board to meet frequently, and a formal work plan is annually submitted to the board.

Additional or other matters of significance to Nedbank Group are required to be brought to the board's attention in a timely manner and, in a number of instances, it was necessary for the board to convene outside the scheduled plan of meetings.

The record of attendance at board and board committee meetings for Nedbank Group and Nedbank Limited for 2007 is shown on the following page.

Enterprise Governance and Compliance continued

	Status	Nedbank Group Limited Board	Nedbank Group Limited Board pre-scheduled	Nedbank Group Limited Board short notice/ ad hoc	Nedbank Limited Board	Nedbank Limited Board pre-scheduled	Nedbank Limited Board short notice/ ad hoc
Number of meetings		9	8	1	10	8	2
Directors	**Status**						
CJW Ball	xx	9/9	8/8	1/1	10/10	8/8	2/2
TA Boardman	*	9/9	8/8	1/1	10/10	8/8	2/2
MWT Brown	*	9/9	8/8	1/1	10/10	8/8	2/2
TCP Chikane	x	9/9	8/8	1/1	10/10	8/8	2/2
BE Davison	x	9/9	8/8	1/1	9/10	8/8	1/2
N Dennis	x 1	8/9	7/8	1/1	8/10	7/8	1/2
MA Enus-Brey	#	9/9	8/8	1/1	10/10	8/8	2/2
B de L Figaji	x	8/9	7/8	1/1	9/10	7/8	2/2
R Harris	# 2	0/0	0/0	0/0	0/0	0/0	0/0
RM Head	#	9/9	8/8	1/1	10/10	8/8	2/2
MM Katz	#	8/9	7/8	1/1	9/10	7/8	2/2
RJ Khoza	#	9/9	8/8	1/1	10/10	8/8	2/2
JB Magwaza	x	9/9	8/8	1/1	10/10	8/8	2/2
ME Mkwanazi	x	9/9	8/8	1/1	10/10	8/8	2/2
ML Ndlovu	#	9/9	8/8	1/1	10/10	8/8	2/2
CML Savage	x	7/9	7/8	0/1	8/10	7/8	1/2
GT Serobe	#	8/9	7/8	1/1	9/10	7/8	2/2
JH Sutcliffe	#	9/9	8/8	1/1	10/10	8/8	2/2

* *Executive.*
** *Only prescheduled meetings were held.*
\# *Non-executive.*
x *Independent non-executive.*
xx *Senior independent non-executive director.*
1 *Resigned as director with effect from 31 December 2007.*
2 *Appointed as director with effect from 10 December 2007.*

Nedbank and Nedbank Group Directors' Affairs Committees**	Group Remuneration Committee	Group Remuneration Committee prescheduled	Group Remuneration Committee short notice/ ad hoc	Group Audit Committee**	Board Strategic Innovation Management Committee**	Group Credit Committee	Group Credit Committee prescheduled	Group Credit Committee short notice/ ad hoc
4	7	5	2	6	5	5	4	1
4/4	6/7	5/5	1/2	6/6	4/5	5/5	4/4	1/1
				6/6	3/5			
4/4				5/6				
						5/5	4/4	1/1
				6/6				
	5/7	4/5	1/2			3/5	3/4	0/1
				6/6				
3/4					4/5	5/5	4/4	1/1
4/4								
4/4	7/7	5/5	2/2	5/6				
4/4					5/5			
3/4						5/5	4/4	1/1
	7/7	5/5	2/2	4/6	5/5			
				6/6				
4/4	6/7	4/5	2/2					

	Status	Nedbank and Nedbank Group Risk and Capital Management Committee	Nedbank and Nedbank Group Risk and Capital Management Committee prescheduled	Nedbank and Nedbank Group Risk and Capital Management Committee short notices/ ad hoc	Group Transformation and Sustainability Committee**	Group Finance and Oversight Committee**
Number of meetings		5	4	1	4	4
Directors	**Status**					
CJW Ball	xx	5/5	4/4	1/1	4/4	4/4
TA Boardman	*					
MWT Brown	*					
TCP Chikane	x				3/3	
BE Davison	x	4/5	4/4	0/1		4/4
N Dennis	x 1	4/5	3/4	1/1		
MA Enus-Brey	#					
B de L Figaji	x				4/4	
R Harris	# 2					
RM Head	#	4/5	3/4	1/1		3/4
MM Katz	#				2/4	3/4
RJ Khoza	#					
JB Magwaza	x				4/4	
ME Mkwanazi	x	5/5	4/4	1/1		4/4
ML Ndlovu	#	5/5	4/4	1/1	4/4	
CML Savage	x					
GT Serobe	#					
JH Sutcliffe	#					

* *Executive.*
** *Only prescheduled meetings were held.*
\# *Non-executive.*
x *Independent non-executive.*
xx *Senior independent non-executive director.*
1 *Resigned as director with effect from 31 December 2007.*
2 *Appointed as director with effect from 10 December 2007.*

Sustainability Report summary

Sustainability has become a key driving force in the growth of Nedbank Group, underpinning the long-term targets that have guided the group's progress in recent years and forming the foundation of the cultural transformation programme.

Sustainability is fundamental to ensuring financial prosperity and stability for investors and staff, integrating social and environmental responsibility for local communities and the countries in which the group operates, and remaining relevant and accessible to clients. Sustainability is a crucial part of the Nedbank culture, and one of the group's Deep Green aspirations remains 'to be highly involved in the community and environment'.

Nedbank is positioned as a caring bank for all South Africans, and sustainability considerations have been integrated into business practices. During 2007 the group contributed more than R44,1 million (2006: R42 million) to a broad range of community projects through the Nedbank Foundation, the BoE trusts and payroll giving, as well as the Green, Sports and Arts & Culture Trusts and the Nelson Mandela Children's Fund.

Sustainability, good governance, transparency and detailed reporting are integral to maintaining the group's credibility among its stakeholders. Progress in this regard was recognised when the Nedbank Group 2006 Sustainability Report was ranked third in the Ernst & Young Sustainability Reporting Awards for 2007. A further gratifying achievement was the group being acknowledged as the Emerging Markets Sustainable Bank of the Year: Mid-East and Africa at the *Financial Times* Sustainable Banking Awards in London. During 2007 Nedbank was included for the fourth consecutive year in the local JSE Socially Responsible Investment Index and the Dow Jones World Sustainability Index.

A detailed sustainability report has again been produced together with this annual report. Should you not have received a copy of the report and would like one, copies are available from www.nedbankgroup.co.za or

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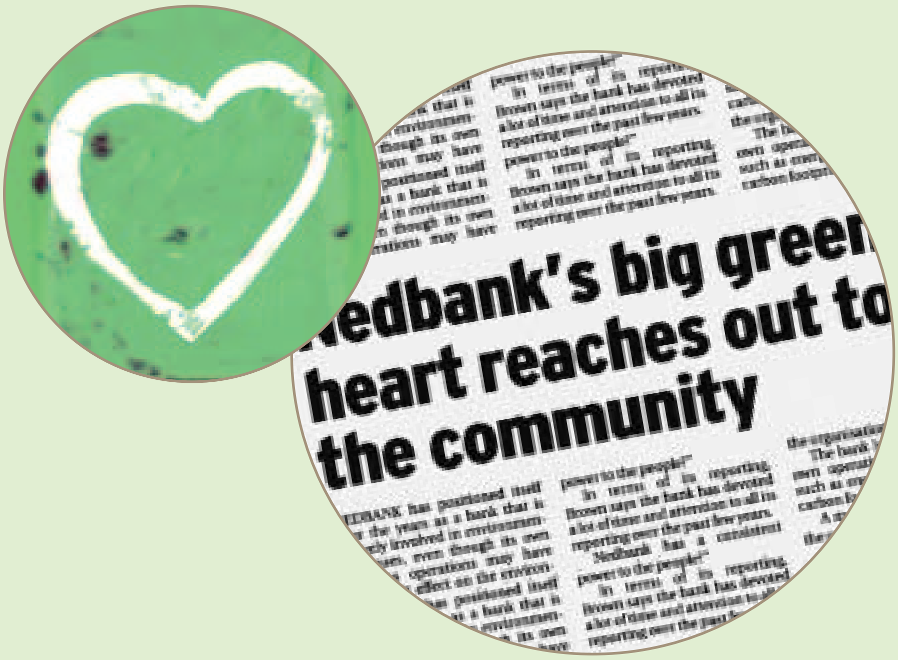
The report covers the following broad issues and stakeholder groups:

- Nedbank Group, its highlights, challenges and key risks.
- Enterprise governance and compliance.
- Shareholders.
- Clients.
- Employee matters.
- Nedbank's transformation and black economic empowerment programmes.
- Corporate social investment and staff participation.
- The environment.
- The Green, Sports and Arts & Culture Trusts, and the Nelson Mandela Children's Fund.
- Sustainability in our African and international operations.

Key sustainability indicators

Indicator	2007	2006	2005
Headline earnings (Rm)	**5 921**	4, 435	3 167
Headline EPS (cents)	**1 485**	1 110	797
ROE (%)	**21,4**	18,6	15,5
Efficiency ratio (%)	**54,9**	58,2	65,1
ROA (%)	**1,30**	1,14	0,93
Group capital adequacy (%)	**12,2**	11,8	12,9
Assets under management (Rm)	**85 438**	86 212	63 925
Share price appreciation (cents)	**250**	3 350	2 220
Number of permanent employees	**26 522**	24 034	22 188
Black generic staff at executive level (%)	**30**	27	18,2
Black generic staff at senior management level (%)	**22,25**	18,87	15
Black generic staff at middle management level (%)	**35,99**	30,66	27
Black generic staff at junior management level (%)	**48,88**	41,97	38,1
Training and skills development spend as percentage of payroll	**2,02**	2,65	2,32
Black economic empowerment procurement (%)	**53,1**	46	34,9
Compliance (%) of buildings participating in the Occupational Health and Safety Programme	**91,22**	94,33	98,94
Corporate social investment spend (Rm) (excluding affinities)	**35**	35	35
Energy consumption (kilowatt-hours)	**99 926 192**	87 157 454	82 722 132
Water consumption (kilolitres)	**424 861**	336 139	346 485
Green Trust disbursements (Rm)	**5,3**	5	4,15
Inclusion in sustainability indices			
Dow Jones World Sustainability Index	✔	✓	✓
JSE SRI Index	✔	✓ (rated first in category)	✓ (rated in top 20%)



Value-added statement

	2007		2006	
	Rm	**%**	Rm	%
Value added is the wealth created from providing quality services to clients				
Net interest income	**14 146**	**81**	10 963	76
Impairment losses on loans and advances	**(2 164)**	**(12)**	(1 483)	(10)
Income from lending activities	**11 982**	**69**	9 480	66
Non-margin-related income*	**10 796**	**62**	9 745	68
Other expenditure	**(5 434)**	**(31)**	(4 910)	(34)
	17 344	**100**	14 315	100
Value allocated				
– Employees	**7 079**	**41**	6 082	42
– Government (taxes)**	**2 648**	**15**	2 278	16
– Shareholders***	**3 018**	**17**	2 090	15
– Retentions for growth	**4 599**	**27**	3 865	27
Depreciation and amortisation	**976**	**6**	894	6
Retained income	**3 623**	**21**	2 971	21
	17 344	**100**	14 315	100

* *Includes non-interest revenue, foreign currency translation gains/losses, non-trading and capital items, and share of profits of associates and joint ventures.*

** *Includes direct and indirect taxation.*

*** *Value is allocated to shareholders in respect of cash dividends (does not include the underlying value of capitalisation shares awarded) and income attributable to minority shareholders.*

Risk and Capital Management Report

Philip Wessels (49)
Chief Risk Officer
13 years' service • BCom, CTA CA(SA), • Diploma in Advanced Banking Law, Institute of Stockbrokers

Risk management has been at the forefront of Nedbank Group's transformation over the past few years. Philip is the Chief Risk Officer and is responsible for Group Risk, which creates and maintains risk frameworks and which monitors compliance with frameworks, mandates and policy for the many risks faced by the group, including credit, market and operational risks.

Philip was appointed to his post in 2004 after holding positions as Divisional Director in Nedbank Business Banking and Nedbank Corporate. Prior to that he was an executive director of BoE Limited, Managing Director of BoE Securities, Chief Executive of BoE International (London) and Managing Director of BoE Bank, Business Banking, and Boland Bank between 1995 and 2003. He was also previously a partner at Deloitte & Touche from 1989 to 1995.

Significant investment has positioned Nedbank Group at the leading edge of risk management. This, coupled with the sophisticated management science and capabilities derived from Basel II, is being used to optimise the risk/return and growth of our business, consistent with the risk appetite of the group.

Focus areas for the year ahead include the following:

- Deriving full value from the implementation of Basel II on 1 January 2008.
- Ensuring that Basel II is used as a risk enabler and facilitates active credit management in the more challenging credit cycle.
- Capitalising on the forensic capability already achieved through highly successful practices in South Africa by rolling out similar practices in the group's African operations.
- Finalising the group's disaster recovery plans to ensure sound business resumption and continuity.

Our risk culture and strategy

The end of 2007 was an important milestone for Nedbank, not only for having achieved the financial targets committed to in 2004, but also for the significant progress made in our vision to become worldclass at managing risk. We have invested significantly in advanced risk and capital management capabilities, as well as resources and systems, and have transformed these using our comprehensive Basel II programme as the main catalyst.

Basel II and enterprise-wide risk management in Nedbank

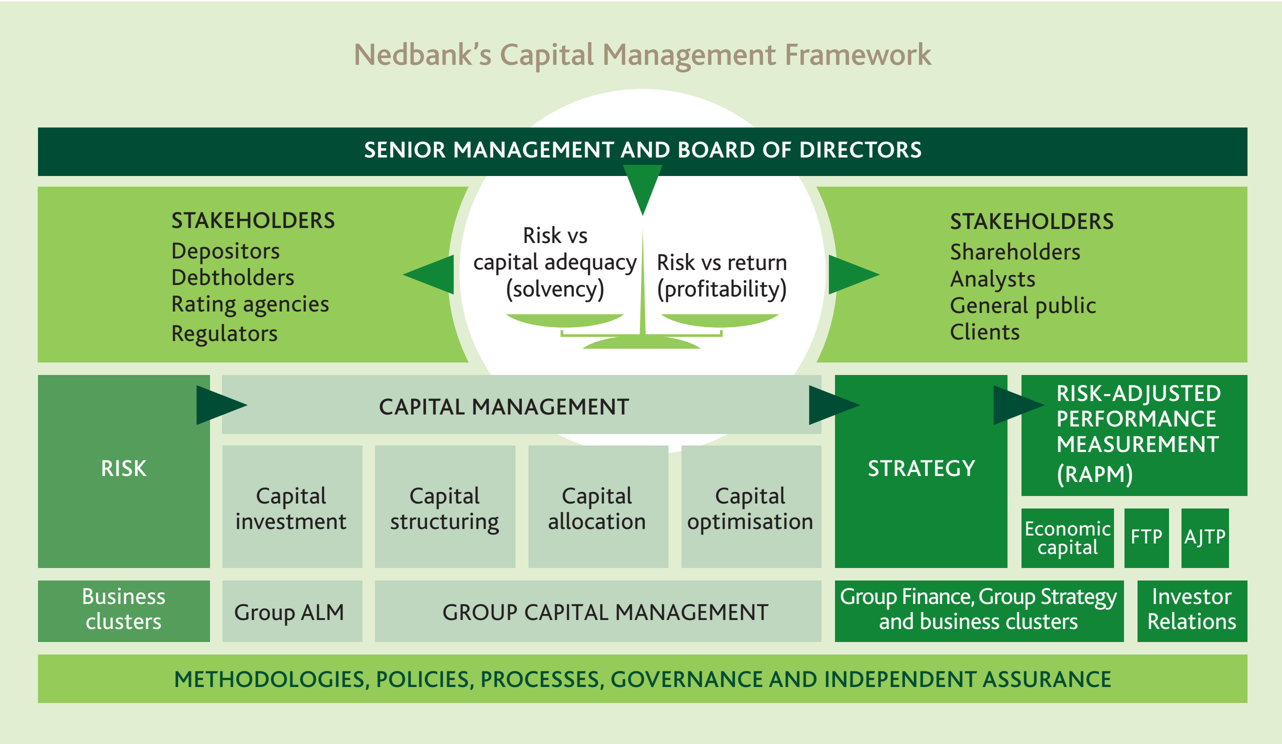
Nedbank has successfully implemented Basel II. This is in line with the revisions to the Banks Act and the new Basel II banking regulations introduced by the South African Reserve Bank (SARB), which became effective on 1 January 2008. The main purpose of Basel II is to enhance the level of sophistication of risk and capital measurement and management, thereby further elevating the safety and soundness of the banking industry.

Since 2003 Nedbank has been following a strategic-based approach to its Basel II implementation, not only to comply with Basel II, but also to elevate the group's risk management, capital management and performance measurement to worldclass standards. This has involved implementing best-practice enterprise-wide risk management (ERM) across the Nedbank Group.

ERM is a structured and disciplined approach to risk management, aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the opportunities, threats and uncertainties the group faces as it creates shareholder value. It involves integrating risk and capital management effectively across the group's risk universe, business units and operating divisions, geographical locations and legal entities.

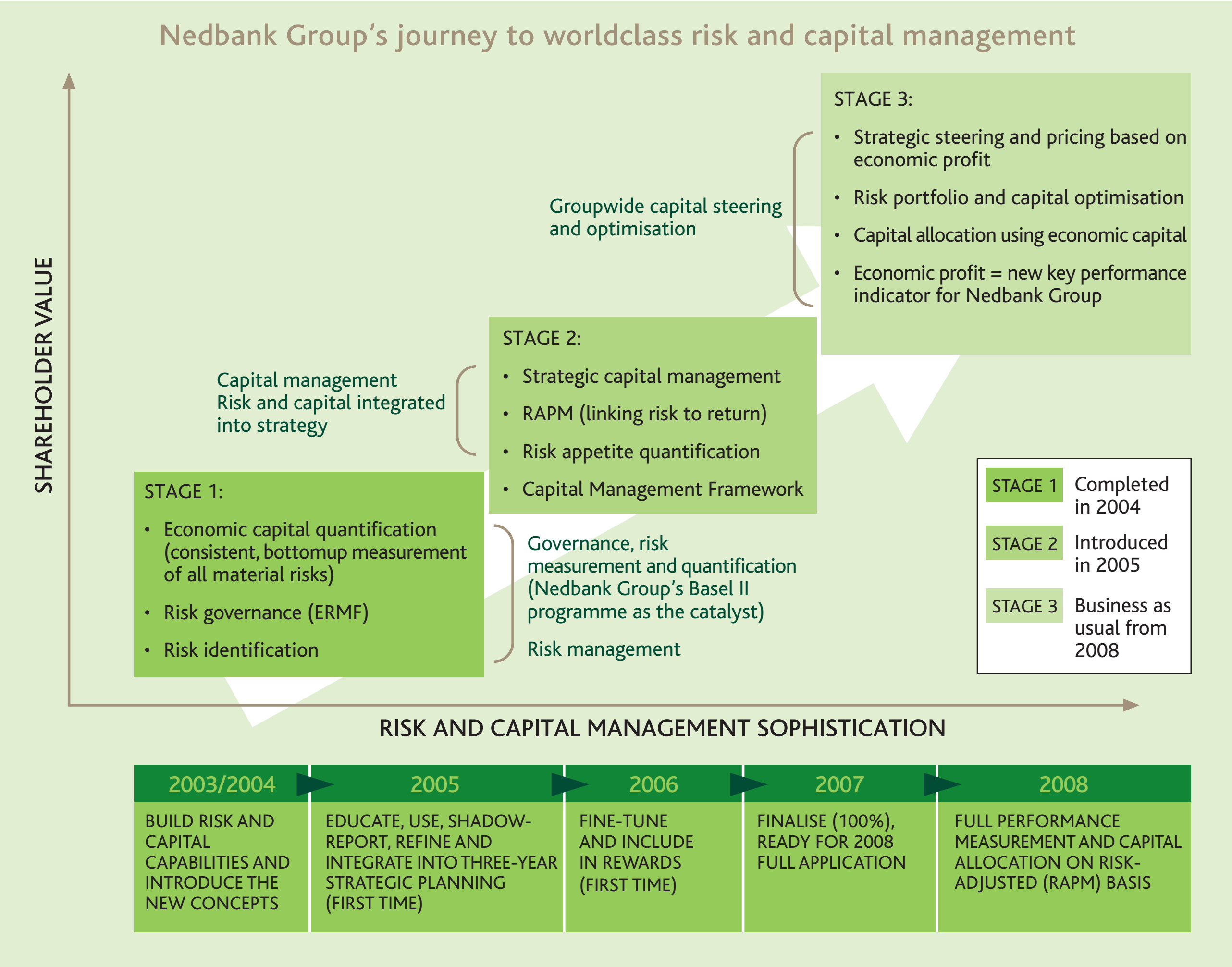
Capital Management Framework and value-based management

The implementation of ERM across Nedbank is evident in our Capital Management Framework.



Nedbank's Capital Management Framework meets our key stakeholders' needs, both those focused more on the financial return or profitability of the group relative to the risk assumed (risk versus return) and those focused more on the adequacy of the group's capital in relation to its risk profile or solvency. The challenge for management and the board of directors is to achieve an optimal balance between these two dimensions. The framework is based on worldclass risk and capital management, integrated with strategy, performance measurement and incentives (remuneration).

Nedbank's risk and capital management positioning provides the bank with sophisticated management science and capabilities to optimise the risk/return performance and growth of our various businesses, aligned with the clearly established risk appetite of the group. This enables Nedbank, going into 2008, to consolidate its five-year Basel II implementation journey and operate on 'value-based management' principles focused on optimising economic value creation and shareholder value-add. The journey is set out on the next page.



In line with the completion of Nedbank's strategic recovery, the implementation of Basel II in South Africa and the strong focus in the future on economic-value-based management principles, the primary basis for performance measurement in Nedbank switches from 2008 awards.

After being in shadow-reporting since 2005, economic profit (EP) replaces ROE as the primary financial performance measure in Nedbank Group. EP is a best-practice measure, as it better incentivises an appropriate balance between return and growth. A summary of the group's basis for performance measurement and risk-based capital allocation for 2008 is provided below:

At group level	
Current 2007 basis	**Comments**
ROE measured on simple average return on ordinary shareholders' equity using: • Target IFRS earnings. • Target monthly average book equity (capital).	Operates efficiently in a recovery phase, but does not optimally incentivise growth.

New 2008 basis	Comments
EP using: • Target IFRS earnings. • Target monthly average book equity (capital). • Computed cost of equity, using the Capital Asset Pricing Model. • Target ROE % used for initial EP target setting [ie for establishing hurdle rate(s)].	Incentivises both return and growth. Target ROE (as a relative % measure) remains important and is used as a secondary measure.

At business cluster level

Current 2007 basis	Comments
ROE with capital allocation being 10% of Basel I risk-weighted assets.	Not fully aligned to shareholder value-added methodology and out of line with Basel II and best practice (ie not risk-based).

New 2008 basis	Comments
EP using: • Target average economic-capital allocation (ie properly risk-based). • Target IFRS earnings. • Business clusters' target ROE % (differentiated for each cluster) used for initial EP target setting (ie for establishing individual cluster hurdle rates).	RAPM, which aligns with the shareholder value-add emphasis, best practice and Basel II (risk-based); incentivises both return and growth. Also better facilitates and encourages risk and capital optimisation. Target ROE remains important and is used as a secondary measure.

Risk and capital management are now well-positioned in Nedbank to support the key value drivers of the business in 2008 and beyond. Our challenge now becomes maintaining and continually enhancing this position over time.

Risk and capital management supports the key value drivers of the business

Key value driver	Role of risk and capital management	EP
Growth	• Provide the toolkits to identify and incentivise good-quality growth, as well as enable risk optimisation and client value management. Price for risk appropriately.	Revenue
		– Operational costs
Funding costs	• Encourage the debt/capital markets to recognise the group's sophisticated risk and capital management. • Provide the toolkits to optimise funding costs through sophisticated funds transfer pricing, liquidity risk management and overall asset and liability management.	– Cost of funds
Risk costs	• Minimise credit and operational losses, manage through the economic cycle and encourage diversification/optimisation of risk (eg active credit portfolio management).	– Risk costs
		= Profit
Capital costs	• Manage capital strategically to optimise capital levels, mix and structure. • Work with rating agencies and regulators to align capital requirements to economic risks. • Allocate risk-based capital (economic capital) to business units.	– Cost of capital
		= EP

Key 2007 achievements and 2008 objectives

Set out below is a reflection of the achievements for 2007 and objectives for 2008 for risk and capital management in Nedbank.

2007 key achievements

- Basel II implementation:
  - Completed in all material respects in line with the 1 January 2008 effective date for South Africa.
  - Received formal approval from SARB for the Advanced Internal Ratings Based (AIRB) approach for credit risk for Nedbank Limited's entire credit portfolio.
- Further diversified the group's funding base and alternatives to manage liquidity risk, including securitisation.
- Dynamically managed the capital levels and structure of the bank and group through active capital management.
- Implemented, in all material respects, the requirements of the National Credit Act (NCA) and the Financial Intelligence Centre Act (FICA).
- Implemented more change management ahead of risk-based capital allocation and EP replacing ROE as the primary financial performance and reward metric from 2008.
- Further embedded the culture of risk as an enabler, new risk management science and advanced capabilities, and the principles of value-based management to optimise shareholder returns.
- Further enhanced enterprise-wide risk application, integrating credit and market risk related to operational risk into the existing 'operational risk committees', amending their terms of reference (charters) and changing the name of those committees to 'enterprise-wide risk committees'.

2008 key objectives

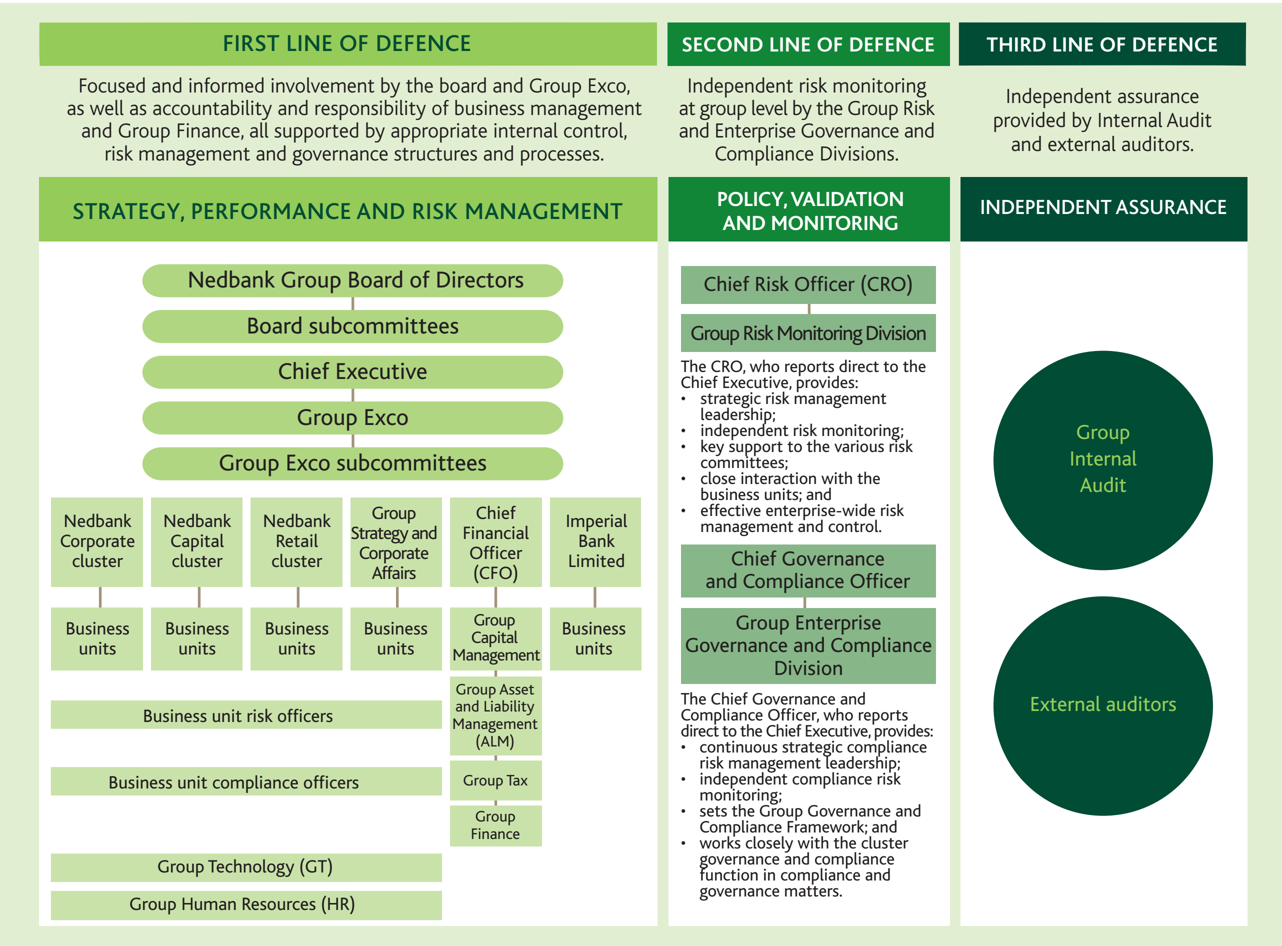
- Focus strongly on liquidity risk management and continue with the further diversification of the funding base.
- Focus further on credit quality amid the worsening economic climate, and our strategic theme 'to manage through the economic cycle'.
- Refine, where necessary, our Basel II implementation and comply with the new banking regulations.
- Finalise sufficient data history to complete outstanding work and lodge application with SARB for internal model approval for market trading risk.
- Complete preparations for implementation of Advanced Measurement Approach (AMA) requirements for operational risk.
- Continue to focus on improving data quality.
- Initiate and execute on credit portfolio optimisation and related risk transfer/optimisation.
- Focus strongly on application and refinement of value-based management principles to extract significant shareholder value from the Basel II investment, and to optimise risk portfolios and capital levels.

Risk universe and governance

Nedbank sees strong risk governance applied pragmatically and consistently as the foundation for successful risk management.

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

The three lines of defence, as well as the principal responsibilities that extend across the group, function as follows:



The ERMF, fully embedded across Nedbank Group, is supplemented by individual subframeworks such as those for credit risk, market risk, liquidity risk, operational risk and capital risk.

The ERMF facilitates effective challenge at executive management and board levels, and strong interaction across the group between the businesses and central group services. An overview of Nedbank Group's ERMF, including the 17 key risks that comprise the group's risk universe and the risk governance structures, is provided below.

Further detail on the group's enterprise-wide governance is given on pages 76 to 94. This includes the role of the board, which includes setting and monitoring the group's risk appetite and oversight of the ERMF, duly assisted by its board subcommittees.

At executive management level the Group Exco is also assisted with its risk, strategic and operational responsibilities by eight subcommittees. The AIRB Credit Executive Committee (AIRB Credit Exco) was added as a new subcommittee in 2006. The AIRB Credit Exco arose from our Basel II implementation and is an executive management body with delegated authority from the board to approve, provide 'effective challenge' and oversee all material aspects of the AIRB credit system across Nedbank.

Overview of Nedbank Group's Enterprise-wide Risk Management Framework

RISK UNIVERSE*	ACCOUNTING AND TAXATION RISKS	ENTERPRISE-WIDE RISK	OPERATIONAL RISK	INSURANCE AND ASSURANCE RISKS	NEW BUSINESS RISK	LIQUIDITY RISK	CAPITAL RISK

FIRST LINE OF DEFENCE

BOARD OF DIRECTORS

BOARD SUBCOMMITTEES	GROUP AUDIT COMMITTEE	GROUP FINANCE AND OVERSIGHT COMMITTEE	GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE

GROUP EXECUTIVE COMMITTEE (GROUP EXCO)

GROUP EXCO SUBCOMMITTEES

- GROUP OPERATIONAL COMMITTEE
  - EXECUTIVE TAXATION COMMITTEE
  - BRAND COMMITTEE
  - BUSINESS RISK MANAGEMENT FORUM
- ALCO AND EXECUTIVE RISK COMMITTEE
  - BASEL II STEERING COMMITTEE

NEDBANK CORPORATE, NEDBANK CAPITAL, NEDBANK RETAIL AND GROUP TECHNOLOGY

BUSINESS CLUSTERS' RISK GOVERNANCE

- Cluster and business unit excos, divisional credit committees (DCCs), Trading Risk Committee and enterprise risk committees (ERCOs) and other appropriate specialist committees, with representation from the relevant independent group functions.

GROUP FINANCE DIVISION (CHIEF FINANCIAL OFFICER)

CENTRAL FINANCIAL RISK AND CAPITAL MANAGEMENT	GROUP CAPITAL MANAGEMENT	GROUP ALM	GROUP TAX	FINANCIAL AND MANAGEMENT ACCOUNTING

SECOND LINE OF DEFENCE

GROUP RISK DIVISION (CHIEF RISK OFFICER)

INDEPENDENT FUNCTIONS FOR GROUP POLICY, RISK MONITORING, MODEL VALIDATION AND CHALLENGE	BASEL II	GROUP RISK SERVICES	GROUP LEGAL AND INSURANCE	ENTERPRISE-WIDE RISK MANAGEMENT

THIRD LINE OF DEFENCE

INTERNAL AUDIT AND EXTERNAL AUDIT

INDEPENDENT ASSURANCE	GROUP INTERNAL AUDIT

** Refer to pages 301 to 309 for definitions of the various risk types in Nedbank's risk universe.*

MARKET RISKS (TRADING BOOK / BANKING BOOK)	INVESTMENT RISK	INFORMATION TECHNOLOGY RISKS	CREDIT RISK	COMPLIANCE RISK	STRATEGIC RISK	REPUTATIONAL RISK	SOCIAL AND ENVIRONMENTAL RISKS	PEOPLE RISK

BOARD OF DIRECTORS

- BOARD STRATEGIC INNOVATION MANAGEMENT COMMITTEE
- GROUP CREDIT COMMITTEE
- NEDBANK AND NEDBANK GROUP DIRECTORS' AFFAIRS COMMITTEE
- GROUP TRANSFORMATION AND SUSTAINABILITY COMMITTEE
- GROUP REMUNERATION COMMITTEE

GROUP EXECUTIVE COMMITTEE (GROUP EXCO)

- PROPERTY STRATEGY COMMITTEE
- EXECUTIVE STRATEGIC INNOVATION MANAGEMENT COMMITTEE
- AIRB CREDIT EXCO
- GROUP OPERATIONAL COMMITTEE
- BUSINESS RISK MANAGEMENT FORUM
- GROUP OPERATIONAL COMMITTEE
- TRANSFORMATION AND HUMAN RESOURCES EXECUTIVE COMMITTEE

NEDBANK CORPORATE, NEDBANK CAPITAL, NEDBANK RETAIL AND GROUP TECHNOLOGY

- Heads of risk and risk functions, independent of business origination, report direct to the business cluster heads.

GROUP FINANCE DIVISION (CHIEF FINANCIAL OFFICER)

- REGULATORY REPORTING, BUDGETING AND CENTRAL ACCOUNTING SERVICES
- GROUP PLANNING AND ALIGNMENT
- SUPPORT SERVICES
- INVESTOR RELATIONS
- RISK COMPLIANCE AND SARB

GROUP RISK DIVISION (CHIEF RISK OFFICER)

- GROUP OPERATIONAL RISK MONITORING
- GROUP CREDIT RISK MONITORING
- GROUP MARKET RISK MONITORING

CHIEF GROUP ENTERPRISE GOVERNANCE AND COMPLIANCE OFFICER

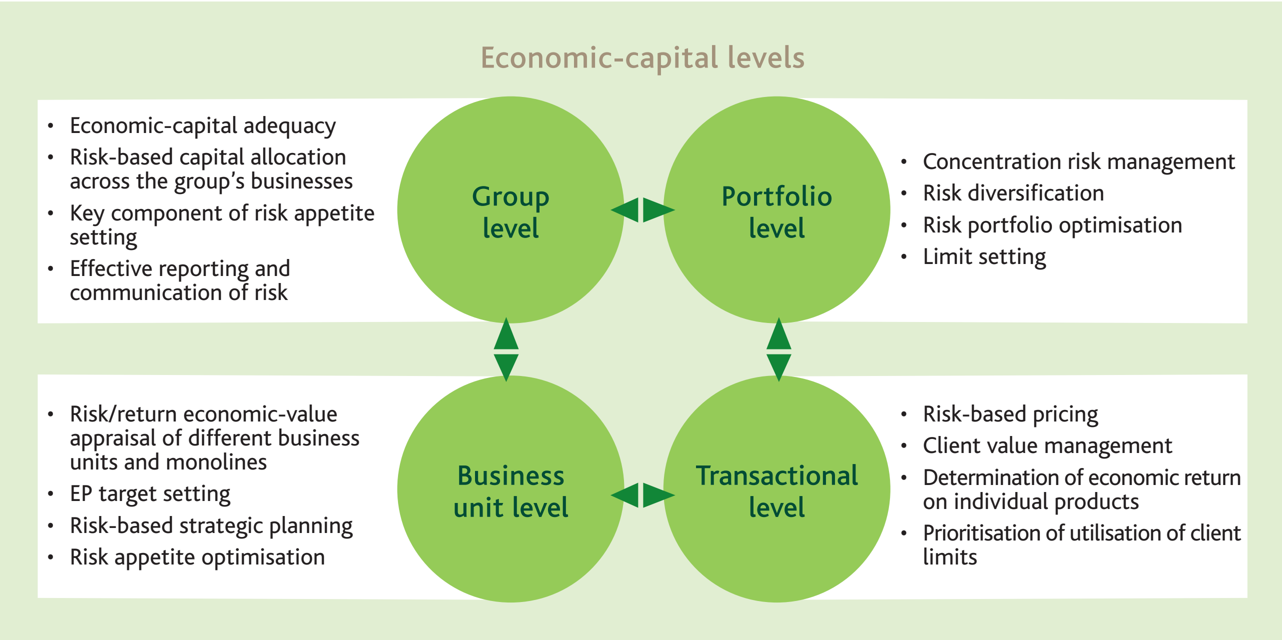
INTERNAL AUDIT AND EXTERNAL AUDIT

DELOITTE AND KPMG

Economic capital

Economic capital is embedded in the management and performance culture of Nedbank Group and is fundamental in the assessment of risk/return at various levels and of internal capital adequacy on a true economic basis.

Economic capital is the 'common currency of risk' that we use in all the levels described below.



Economic capital is a sophisticated, consistent measurement and comparison of risk across business units, risk types and individual products or transactions. This enables a focus on both downside risk (risk protection) and upside potential (earnings growth).

Nedbank assesses the internal requirements for capital using its proprietary economic-capital methodology, which models and assigns economic capital within seven quantifiable risk categories.

Nedbank regularly enhances its economic-capital methodology and benchmarks the outputs to external reference points. This methodology incorporates the key credit risk parameters based on average credit conditions (ie through the cycle), rather than those prevailing at the balance sheet date, thus seeking to minimise cyclicality from the economic-capital calculation. The methodology also reflects the time horizon, correlation of risks and risk concentrations. A single cost of equity, calculated using the standard Capital Asset Pricing Model, is applied to calculate the cost of capital at a group level. Economic-capital allocations reflect the varying levels of risk.

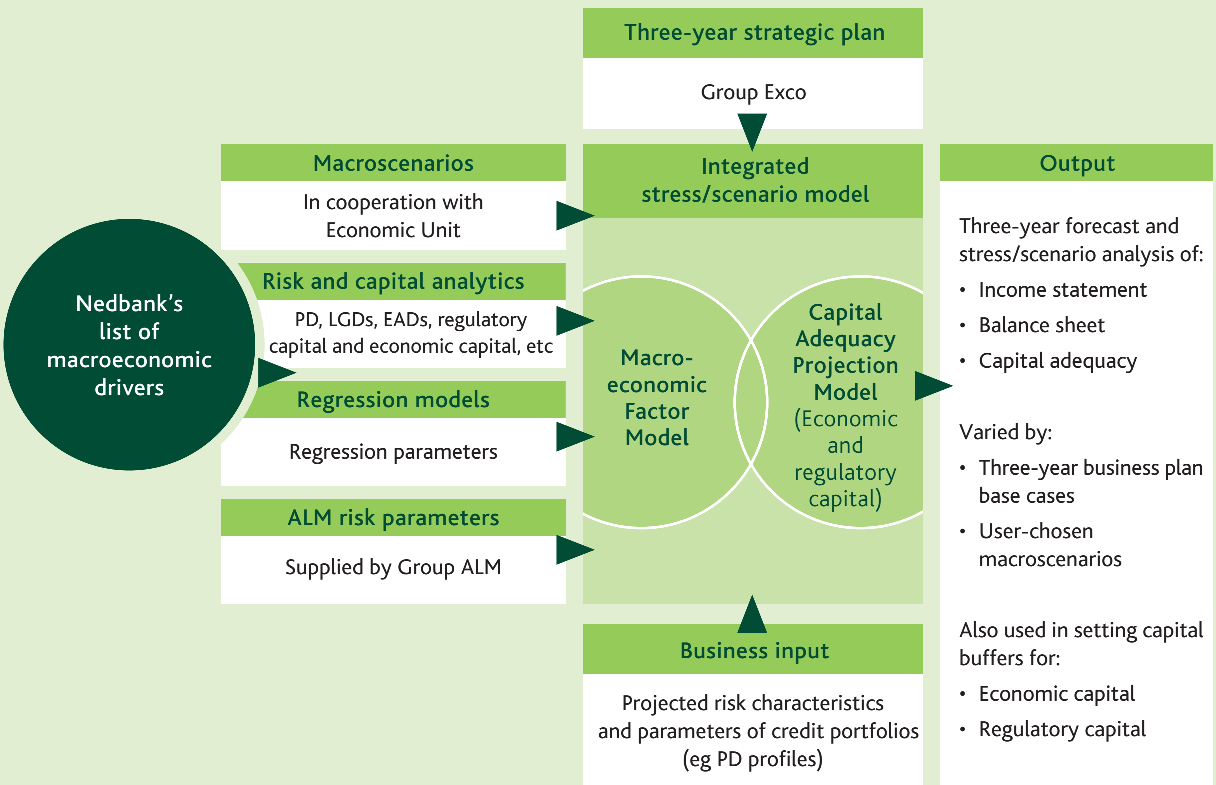
The total average economic capital required by the group, as determined by the quantitative risk models and after incorporating the group's estimated portfolio effects, is supplemented by a capital buffer of 10% to cater for any residual cyclicality and stressed scenarios. The total requirement is then compared with available financial resources (AFR). For further detail on economic-capital adequacy and AFR refer to page 145.

Our Economic-capital Framework is also a major component of Nedbank's Internal Capital Adequacy Assessment Process (ICAAP) required by Pillar 2 in Basel II (see page 141), a comprehensive annual submission of which is required by SARB.

Stress and scenario testing

Stress- and scenario-testing capabilities were enhanced in 2006 with our building of a proprietary macroeconomic factor model and completion of a comprehensive stress- and scenario-testing framework. This framework goes beyond the minimum Pillar 1 and Pillar 2 requirements of Basel II and has been integrated with Nedbank's existing Risk Appetite and Capital Adequacy Projection Models.

Overview of Nedbank's Stress- and Scenario-testing Framework



Changes in certain macroeconomic variables such as interest rates, exchange rates, equity and property prices, and household debt to income ratios represent environmental stresses that may reveal systemic credit and market risk sensitivities in the group's retail and wholesale portfolios. More complex scenarios, such as recessions, can be represented by combinations of such variables. These scenarios allow senior management to gain a better understanding of how portfolios are likely to react to changing economic conditions and how the group can best react to them. The stress tests simulate the balance sheet and income statement effects of stresses, investigating the impact on earnings and the ability to maintain appropriate capital ratios. Insights gained are integrated into the ALM, capital management and risk appetite processes of the bank.

Nedbank estimates the capital needed to survive an extreme but highly improbable level of stressed loss. The calculations are based on the historical volatility of losses. Capitalisation occurs to a level sufficient to provide a high level of confidence in the group, consistent with the group's A-target debt rating.

As described earlier the 10% economic-capital buffer was determined and set using the above process. In addition, Principle 3 in Pillar 2 of Basel II requires the board to set a buffer above the minimum regulatory-capital levels (which from 2008 are 9,75% total ratio; 7% Tier 1 capital ratio). Again the above process was used to arrive at the Basel II target regulatory-capital levels of 11% – 12% (total) and 8% – 9% (Tier 1) – see page 141 for more on regulatory capital.

Risk appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk Nedbank Group is willing to accept in pursuit of its strategy, duly set and monitored quarterly by the board, and integrated into our strategy and business plans.

We measure and express risk appetite in terms of quantitative risk measures. These include earnings at risk (EaR) (or earnings volatility) and, related to this, the 'chance of regulatory insolvency', 'chance of experiencing a loss', economic-capital adequacy and various risk limits.

Earnings volatility is the level of potential deviation from expected financial performance that Nedbank is prepared to sustain at relevant points on the risk profile. It is established with reference to the strategic objectives and business plans of the group, including the achievement of financial targets, payment of dividends, funding of capital growth and maintenance of target capital ratios.

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

Nedbank Group's risk appetite is defined across five categories within our board-approved Risk Appetite Framework:

- Group-level risk appetite metrics.
- Specific risk-type limit setting clarifying across our businesses the mandate levels that are of an appropriate scale relative to the risk and reward of the underlying activities so as to minimise concentrations and operational risks that could lead to unexpected losses of a disproportionate scale.
- Stakeholder targets (such as target debt rating for economic-capital adequacy and dividend policy).
- Policies, procedures and controls.
- Zero-tolerance statements.

Nedbank's group level risk appetite metrics

Group metrics	Definition	Measurement methodology	Targets for 31 December 2007	Target achieved
Earnings at risk (EaR)	Pretax economic earnings potentially lost over a one-year period	Measured as a 1-in-10-year event (ie 90% confidence level)	EaR less than 100% of pretax economic earnings	✔
Chance of experiencing a loss	Event in which Nedbank Group experiences an annual loss (on an economic basis)	Utilises EaR by comparing with expected profit over the next year	Better than 1 in 10 years	✔
Chance of regulatory insolvency	Event in which losses would result in Nedbank being undercapitalised relative to minimum regulatory-capital ratios (both Tier 1 and total capital ratios)	Utilises EaR and compares with capital buffer above regulatory minimum – expressed as a 1-in-x-year chance of regulatory insolvency	Basel II basis: 1 in 30 to 50 years	✔
Economic-capital adequacy	Nedbank adequately capitalised on an economic basis to its current international foreign currency target debt rating	Measured by comparing available financial resources with economic capital requirement	Equivalent rating of A- or better	✔

The allocation of limits, below cluster level, to individual business units is driven primarily using economic capital.

Nedbank has a cascading system of risk limits at all levels of the group and for all financial risks, which is a core component of the implementation of the Risk Appetite Framework. The size of the various limits is a direct reflection of the board's risk appetite, given the business cycle, market environment, business plans and strategy, and capital planning.

Another key component of the ERMF is a comprehensive set of board-approved policies and procedures, which are updated annually. The coordination and maintenance of this process rests with the head of ERM, who reports direct to the Chief Risk Officer.

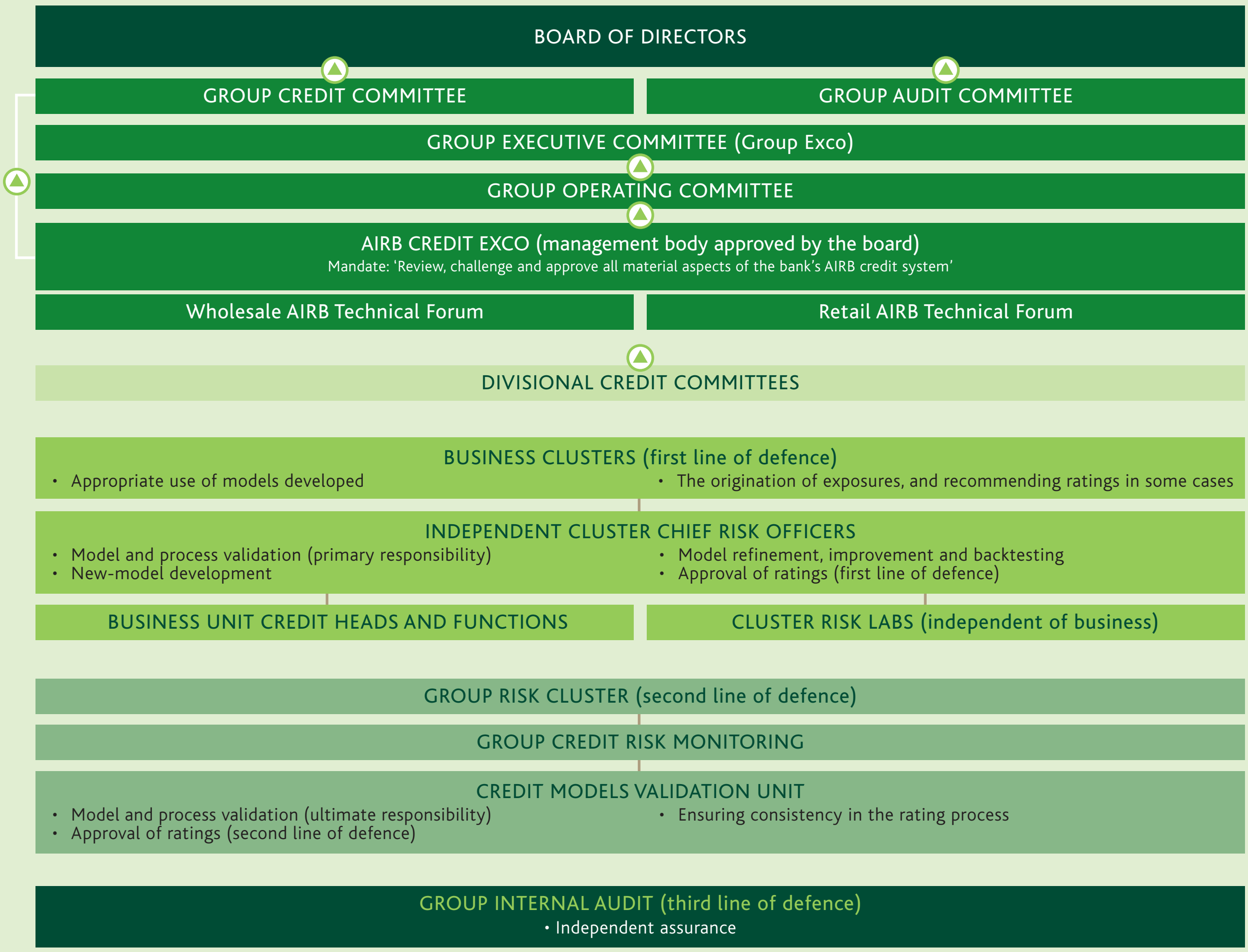
Credit risk

Credit risk strategy, governance structures and processes

Credit risk arises from lending and other financing activities that constitute the group's core business. It is by far the most significant risk type and accounts for approximately 70% of the group's economic-capital requirement.

One of the major investments by Nedbank in risk in recent years has been to elevate its credit risk management to best practice. This, together with our strong client service focus, not only positioned Nedbank to achieve higher growth and returns, but also to obtain approval from SARB for the AIRB approach for credit risk.

Governance structure of Nedbank's AIRB credit system



Credit risk is managed across the group in terms of its board-approved Group Credit Risk Management Framework (GCRF), which encompasses comprehensive credit policy, mandate limits and governance structures. It is a key component of the group's ERMF and the Economic Capital and Risk Appetite Frameworks discussed earlier.

The GCRF, which covers the macrostructures for credit risk management, monitoring and approval mandates, has been updated to include the AIRB Credit Executive Committee, its two technical forums and a Group Credit Ad Hoc Ratings Committee as set out on the next page.

The AIRB Credit Exco is the designated committee appointed by the board to monitor, challenge and ultimately approve all material aspects of the bank's credit rating and risk estimation processes.

In this regard the board and its Group Credit Committee (GCC) are required by the new Basel II regulations to possess a general understanding of the AIRB credit system and the related reports generated. They also need to ensure the independence of the bank's credit risk control unit, the Credit Models Validation Unit (CMVU) and the effective functioning of the AIRB Exco.

The technical understanding required of senior management is greater than that required at board level. Management must possess a detailed understanding of the AIRB credit system and the reports it generates. They need to ensure the effective operation of the AIRB credit system assisted by the independent credit risk control units.

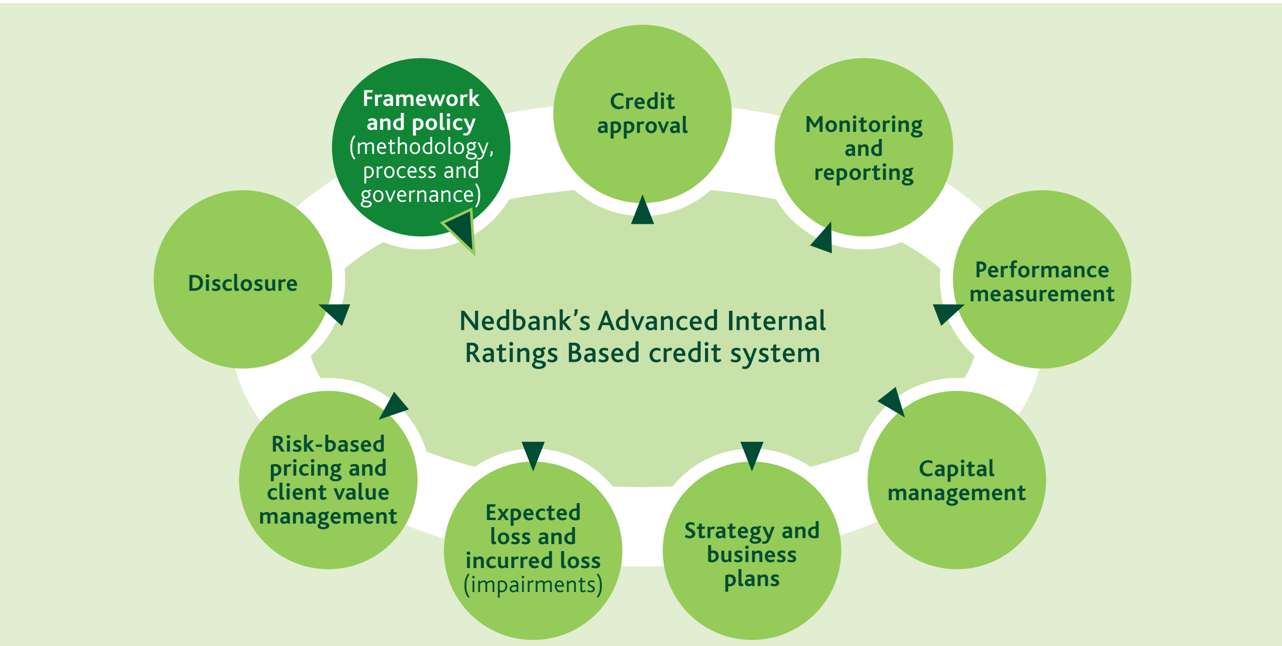
Divisional credit committees (DCCs), with chairpersons independent of the business units, operate for all major business units across the group. The DCCs are responsible for approving and recommending credit and credit policy, as well as reviewing divisional-level credit portfolios, parameters, impairments, expected loss and credit capital levels.

An independent Group Credit Risk Monitoring (GCRM) Unit is part of Group Risk. It champions the ongoing enhancement of credit risk management across the group, the GCRF and AIRB credit system, monitors credit portfolios and reports to executive management, DCCs, the AIRB Credit Exco and ultimately the board's GCC on a regular basis. As part of GCRM the CMVU has overall responsibility for the ongoing championing of the Basel II AIRB methodology across the group and ensuring consistency in the rating processes as well as ultimate responsibility for independent model validation.

In each of the three business clusters credit risk management functions operate independently of credit origination, reporting into the cluster head of risk, who in turn reports to the cluster managing director. In line with the Basel II AIRB methodology each cluster has implemented economic-capital quantification and economic-profit performance measurement. Each cluster also has cluster credit labs that are responsible for the ongoing expert design, implementation, validation and performance of their business cluster's internal rating systems, with input and oversight by the CMVU.

Nedbank's AIRB credit system forms the basis for its measurement and management of credit risk across the bank. The bank requires that ratings be performed for all transactions, not only to achieve Basel II regulatory compliance, but more importantly to allow the bank to measure credit risk consistently and accurately across its portfolio. The Group Credit Portfolio Management Unit in the Group Capital Management Division (GCMD) strives to manage and optimise the group's credit portfolios and credit concentration risk. For this purpose the group uses a sophisticated and tailored Credit Portfolio Model (CPM), which calculates credit economic capital (or credit value at risk) and provides other key inputs for best-practice credit risk and capital measurement.

The AIRB credit system is used for the following major aspects of Nedbank's business and risk management:



Credit risk measurement and reporting systems

Nedbank's Basel II AIRB credit methodology is fully implemented and operational for all material credit portfolios. This is the culmination of five years of intense work.

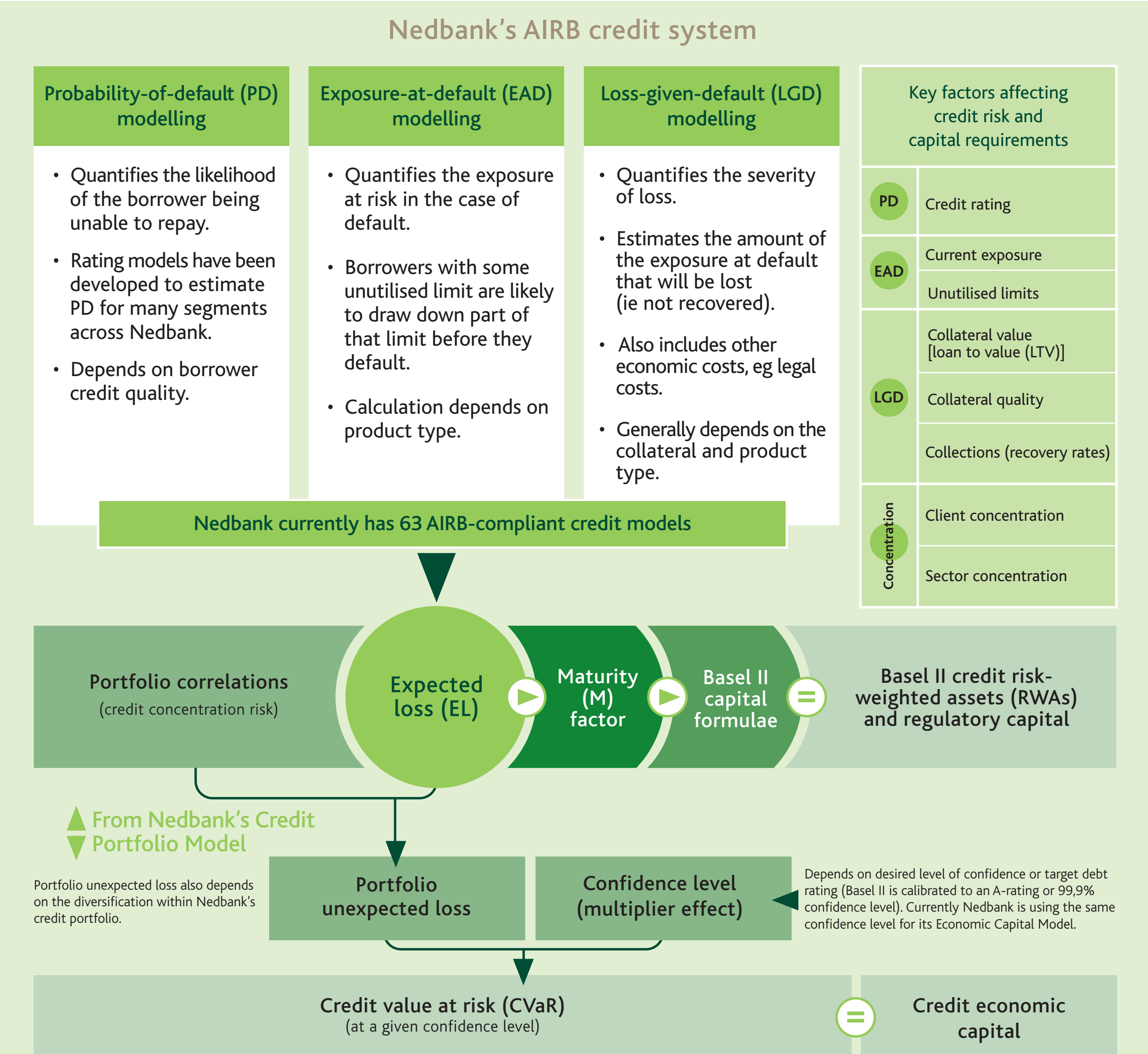
Under this methodology credit risk is essentially measured by two key components, namely:

- expected loss (EL), which is a 12-month estimate based on the long-run annual average level of credit losses through a full credit cycle based on time series data history; and
- unexpected loss (UL), which is the annualised volatility of expected losses for credit risk.

Analytically, EL and UL are defined respectively as the average and one standard deviation from that average of the distribution of potential losses inherent in the bank's credit portfolio.

These statistically estimated losses are determined by the key Basel II AIRB credit risk parameters, namely probability of default (PD), exposure at default (EAD), loss-given default (LGD) and maturity (M), as set out below. These, together with the Basel II capital formulae, culminate in the Pillar 1 minimum regulatory-capital requirements for credit risk.

Nedbank's credit economic capital is separately derived by integrating the same key Basel II AIRB credit risk parameters with Nedbank's sophisticated CPM. The CPM takes portfolio concentrations and diversifications into account.



Nedbank uses two master rating scales for measuring credit risk. The first measures borrower risk without the effect of collateral and any credit risk mitigation (ie PD only), while the second measures transaction risk (ie EL), which incorporates the effect of collateral and any credit risk mitigation.

All credit applications are required to carry the borrower PD rating [from the Nedbank Group rating (NGR) master rating scale], estimate of LGD and overall transaction rating [from the Nedbank transaction rating (NTR) master rating scale].

Nedbank's PD master rating scale (NGR ratings) – international scale

Rating category	Rating class	Geometric mean (%)	PD band (%) Lower bound (PD>)	PD band (%) Upper bound (PD≤)	Mapping to Standard and Poor's grades
Performing	NGR 00	0,000	0,000	0,000	
	NGR 01	0,010	0,000	0,012	AAA
	NGR 02	0,014	0,012	0,017	AA+
	NGR 03	0,020	0,017	0,024	AA
	NGR 04	0,028	0,024	0,034	AA-
	NGR 05	0,040	0,034	0,048	A+
	NGR 06	0,057	0,048	0,067	A+ to A
	NGR 07	0,080	0,067	0,095	A to A-
	NGR 08	0,113	0,095	0,135	A- to BBB+
	NGR 09	0,160	0,135	0,190	BBB+
	NGR 10	0,226	0,190	0,269	BBB+ to BBB
	NGR 11	0,320	0,269	0,381	BBB to BBB-
	NGR 12	0,453	0,381	0,538	BBB-
	NGR 13	0,640	0,538	0,761	BBB- to BB+
	NGR 14	0,905	0,761	1,076	BB+ to BB
	NGR 15	1,280	1,076	1,522	BB
	NGR 16	1,810	1,522	2,153	BB to BB-
	NGR 17	2,560	2,153	3,044	BB- to B+
	NGR 18	3,620	3,044	4,305	B+
	NGR 19	5,120	4,305	6,089	B+ to B
	NGR 20	7,241	6,089	8,611	B to B-
Watch list	NGR 21	10,240	8,611	12,177	B to B-
	NGR 22	14,482	12,177	17,222	B- to CCC
	NGR 23	20,480	17,222	24,355	CCC
	NGR 24	28,963	24,355	34,443	CCC to C
	NGR 25	40,960	34,443	100	CCC to C
Non-performing	NP 1	100	100	100	D
	NP 2	100	100	100	D
	NP 3	100	100	100	D

The comprehensive PD rating scale, which is mapped to default probabilities and external rating agency rating scales, enables the bank to rate all borrowers on a single scale, whether they are the very best corporate or most risky borrower. The principal benefit thereof is that comparisons can be made between the riskiness of borrowers making up various portfolios. A brief explanation of the scale follows (the same rating scale is used for Basel II credit risk capital calculations):

NGR01 to NGR20 reflect a profile of credit risk starting with very-low-risk borrowers with a PD as low as 0,01%, to risky borrowers with a default probability as high as approximately 8%.

NGR21 to NGR25 represent very-high-risk borrowers with default probabilities of 10% or more. While many banks would generally not expose themselves to this degree of risk, these rating grades exist for three reasons:

- Being an emerging market, there are times when local banks would be willing to take on this level of risk, while pricing appropriately.
- It caters for borrowers that were healthy but have migrated down the rating scale to the point of being near default.
- From time to time the bank may grant facilities to very risky borrowers on the basis of significant collateral offered. This particular rating scale measures only the likelihood of the borrower defaulting and does not recognise that a very high level of default risk may well have been successfully mitigated.

The final ratings on the scale represent those borrowers that have defaulted. NP1 applies to recent defaults, NP2 represents those accounts in respect of which the bank is proceeding to legal recovery of moneys owing and NP3 is for long-term legal cases, exceeding a period of 12 months.

Basel II specifically requires that AIRB banks maintain two ratings, one measuring the probability of the borrower defaulting and the second considering facility characteristics. The NTR table below reflects EL as a percentage of EAD and contains 10 rating bands – the first three bands representing facilities of very low risk, the next three bands being for facilities of average or acceptable risk and the final four bands indicating facilities of high or very high risk.

Nedbank's EL transaction rating scale (NTRs)

	EL as a % of EAD	
Rating class	Lower bound (EL>)	Upper bound (EL≤)
NTR01	0,00	0,05
NTR02	0,05	0,10
NTR03	0,10	0,20
NTR04	0,20	0,40
NTR05	0,40	0,80
NTR06	0,80	1,60
NTR07	1,60	3,20
NTR08	3,20	6,40
NTR09	6,40	12,80
NTR10	12,80	100,00

The NTR scale measures the total or overall credit risk (ie expected loss) in individual exposures, thereby allowing credit officers to consider the mitigating effect of collateral, other credit risk mitigation and recovery rates on borrower risk. This reflects the true or complete measurement of credit risk, incorporating not only PD, but – importantly – also LGD.

Both rating scales are based on the requirements of Basel II, namely that defaults that are 90 days or more past due date be consistently recognised across the group as exposures, unless there are other qualitative considerations that render default classification prior to that point. All estimates are also based on a through-the-cycle (TTC) view of risk. Basel II requires banks to base their LGD estimates for regulatory-capital requirements on a downturn scenario (ie downturn LGD), rather than an average TTC loss estimate. Downturn LGD thus represents what could be expected in downturn economic conditions in the trough of a business cycle.

Our approach is also consistent with the Basel II requirement that risk estimates be based on a bank's long-run default history. Nedbank also calculates 'point in time' (PIT) measures, based on current economic conditions. These are incorporated in business decisionmaking as well as in determining appropriate levels of impairment in accordance with the requirements of International Financial Reporting Standards (IFRS).

The central tendencies used by Nedbank in the calibration of its rating models are based on credit loss data that includes the high-interest-rate environments of 1998/9 and 2001/2. This meets the requirements of Basel II and has resulted in the determination of credit risk measures that are suitably conservative and therefore appropriate for ensuring long-term sustainability.

The new methodologies, afforded Nedbank Group as a result of its AIRB credit system and other significant investments in CPM and economic capital, contribute significantly to considerable new risk intelligence for use in pricing, loan approval, client value management, etc.

Credit risk reporting across the bank is, to a large extent, based on the twin rating scales discussed above. Business units report on the distribution of their credit exposures across the various rating scales and explain any changes in such distribution, including the migration of exposures between rating grades and underlying reasons therefor.

The level of reporting, based on the new AIRB rating system, is extremely comprehensive and consistent, and provides significant insight into credit risk across the businesses and the group, and has allowed Nedbank to make significant strides in the field of credit risk management in line with international best practice.

Risk and Capital Management Report continued

Credit risk policies and approaches

Group credit policy incorporates the relevant credit risk principles in the new regulations relating to banks as well as best practice. This policy is implemented across the group, with detailed and documented policies and procedures, suitably adopted for either the retail, commercial or corporate business units, forming the cornerstone of sound credit risk management. This provides a firm framework for credit granting as well as the subsequent monitoring of credit risk exposures.

In respect of credit approvals, knowing the client, identifying and understanding all the risks and having an adequate free cashflow to service the loan remain key drivers in granting good credit. Following credit approval, all facilities/portfolios are subject to an ongoing credit risk management process as well as annual review. In terms of this process credit exposures are identified, classified, measured, managed, controlled and monitored on a continuous basis and regularly reported on. There is considerable emphasis on the early identification of high-risk loans, which, together with a proactive intervention and workout approach, ensures an acceptable cure rate of such loans. In addition, renewed focus on the risk/reward relationship and the resultant pricing for risk ensure that credit risk is managed within the predetermined credit risk appetite of the group.

For credit risk the following Basel II regulatory approaches have been fully adopted by Nedbank Group in the various subsidiaries:

Subsidiary	Basel II approach	Description of banking activity	Total credit exposure (size relative to total group) %
Nedbank Limited	Advanced IRB (AIRB)	Full commercial banking (wholesale and retail)	92
Imperial Bank Limited	Standardised	Commercial and retail banking	4
Nedbank Namibia Limited	Standardised	Commercial and retail banking	1
Nedbank (Swaziland) Limited	Standardised	Commercial and retail banking	<1
Nedbank (Lesotho) Limited	Standardised	Commercial and retail banking	<1
Nedbank (Malawi) Limited	Standardised	Commercial and retail banking	<1
Fairbairn Private Bank (IOM) Limited	Standardised	Private banking	<1
Fairbairn Private Bank Limited	Standardised	Private banking	2
			100

All credit exposure and asset classes in Nedbank Limited are covered by the AIRB approach.

Imperial Bank Limited has initially adopted the standardised approach, but is well-advanced in its AIRB implementation (used for economic-capital purposes). The non-South African subsidiaries are all dealt with under the standardised approach and, due to their current level of materiality to the group, there is no intention to migrate them to AIRB in the near future.

The above Basel II regulatory approaches all carry the formal approval of SARB.

Credit portfolio review

The following table summarises the group's credit portfolio quality and level of impairments at year-end (further detail can be found in note 26 to the annual financial statements, and the operational reviews of the four business clusters):

	2007		2006	
	Rm	**% of TA**	Rm	% of TA
Gross loans and advances	**380 034**		313 747	
Less: Total impairments	**6 078**	**1,6**	5 184	1,7
– Specific impairment	**4 341**	**1,1**	3 787	1,2
– Portfolio impairment	**1 737**	**0,5**	1 397	0,5
Total advances (i)	**373 956**		308 563	
• Nedbank Corporate	**153 718**	**41,1**	133 254	43,2
• Nedbank Capital	**51 233**	**13,7**	40 560	13,1
• Nedbank Retail	**133 492**	**35,7**	106 974	34,7
• Imperial Bank	**35 320**	**9,4**	27 735	9,0
• Central Management and Shared Services	**193**	**0,1**	40	0,0
% growth in total advances (year-on-year)	**21,19**		24,22	
Properties in possession (PIPs)	**308**	**0,1**	131	0,0
Impaired advances, including PIPs (ii)	**10 652**	**2,9**	7 743	2,5
Credit loss charge to income statement	**2 164**	**0,6**	1 483	0,5

Notes:

(i) Total advances (TA) are given net of impairments on an IFRS basis.

(ii) Impaired advances include advances in the 'substandard', 'doubtful' and 'loss' categories, in accordance with the bank's historical credit risk classification system, which terminates in 2008 when Basel II comes into effect in South Africa and is replaced by the 'definition of default'.

The credit risk profile and quality of Nedbank Group's advances book are considered sound, well-managed and commensurate with the risk appetite of the board.

Total growth in advances for Nedbank Group for the year was sound at 21%, but impaired advances and specific impairments grew 38% and 15% respectively. These trends are in line with the changed economic conditions over the past year, with higher inflation and interest rates as well as slower economic growth. Impairment methodology across the group has been refined and tested, and now appropriately places more reliance on collection and recoveries from borrowers. There has, however, been an above-average increase in impaired advances, which can specifically be attributed to retail portfolios in Nedbank Retail and Imperial Bank. It is expected that the early part of 2008 will see further deterioration in the credit quality that will be reversed should interest rates decline. There has been limited early indication of deterioration in the quality of the Nedbank Corporate and Capital credit portfolios.

Nedbank assesses the adequacy of impairments on a regular basis. Specific impairment is created in respect of non-performing advances where there is objective evidence that all amounts due will not be collected. Portfolio impairment is created in respect of performing advances based on historical evidence and trends of losses in each component of the performing portfolio, in line with IFRS. Careful consideration is given to the AIRB credit rating system, NGRs and NTRs ratings, as well as rating migrations. Best estimate of expected loss for the impaired portfolios is compared with specific impairments on a monthly basis to ensure alignment, taking into account the difference in emergence periods.

The ratings and associated PDs are applied for different conventions. PIT PDs are used to estimate the default expectations under the current economic cycle, as required for determining IFRS impairments, whereas TTC PDs reflect a one-year forward estimate based on a long-term average through an economic cycle and are used for the group's economic-capital calculations. PDs are also applied in different circumstances, as appropriate, to business and regulatory requirements under Basel II.

EL is a forward-looking measure, on a TTC basis (ie the long-run average) of the statistically estimated credit losses for the forthcoming 12 months. For Nedbank's active portfolio, portfolio impairment is estimated using the PIT PD estimates

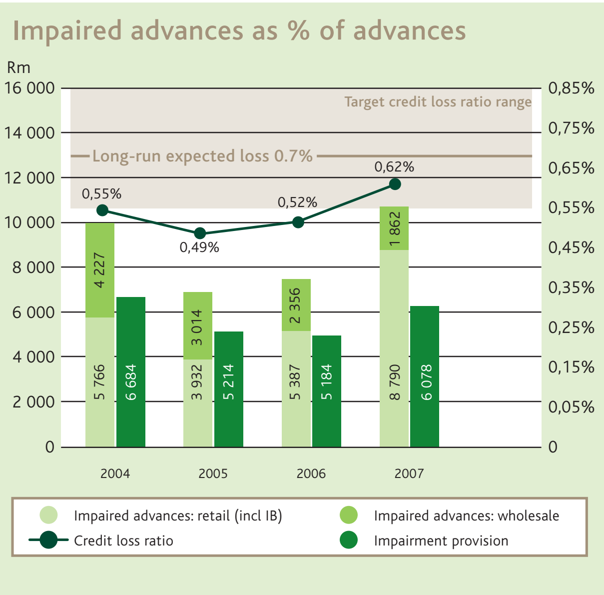
(NGRs) that are based on emergence periods of 12 months or less. The EL and the portfolio impairment are compared after the impairment is adjusted to a 12-month emergence period. Should the total EL for the active portfolio be higher than the portfolio impairment, the difference is subtracted from eligible capital. Should the portfolio impairment be higher than the EL, the difference is added to eligible capital up to a maximum of 0,6% of credit risk-weighted assets (RWAs).

Nedbank Group's long-run average EL for its current credit portfolio is estimated at 0,7%.

The generic methodological differences between EL estimation and provisioning/impairment are summarised in the table below:

	Basel II	IAS 39
PDs		
Intention of estimate	• Conservative estimate of PD within next 12 months	• Best estimate of likelihood and timing of credit losses over life of loan
Period of measurement	• Long-run historical average over whole economic cycle – 'TTC'	• Should reflect current economic conditions – 'PIT'
LGDs		
Intention of estimate	• Conservative estimate of discounted value of post-default recoveries	• Conservative estimate of discounted value of post-default recoveries
Treatment of collection costs	• Recoveries net of direct and indirect collection costs	• Recoveries net of direct cash collection costs only
Discount rate	• Recoveries discounted using entity's cost of capital	• Cashflows discounted using instrument's original effective interest rate
Period of measurement	• Reflects period of high credit losses • Downturn LGDs required	• Should reflect current economic conditions – 'PIT'
EL		
Basis of exposure	• Based on EAD, which includes unutilised facilities	• Based on actual exposure (on and off balance sheet)

The graph below indicates the history of the group's impaired-advances percentage and non-performing loans (NPLs) on the Basel I basis.

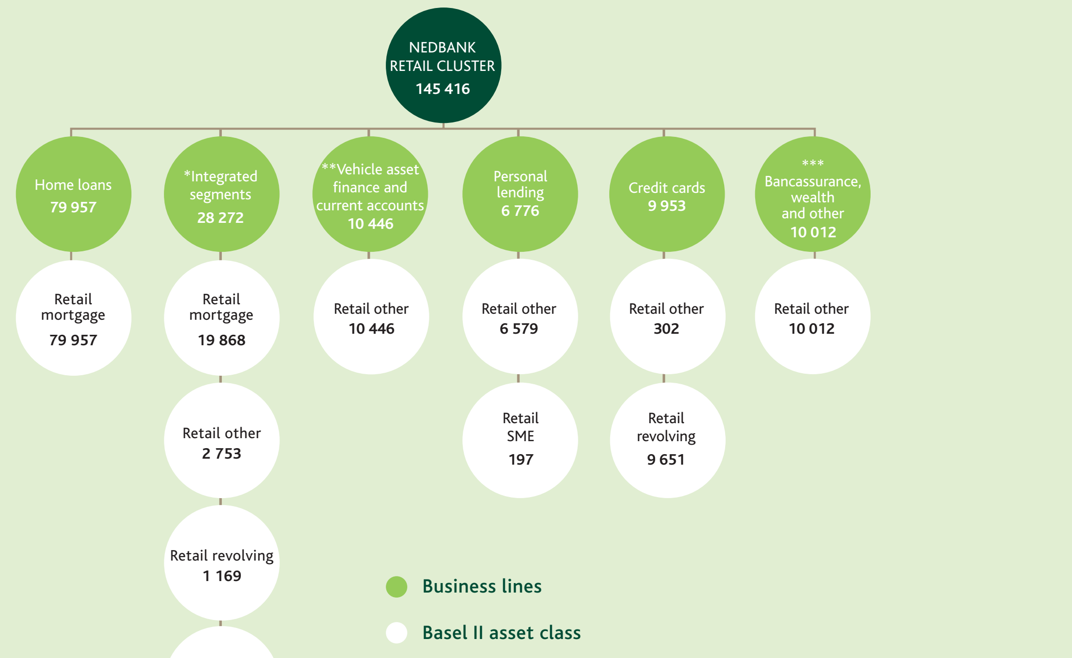


Roadmap of Nedbank's AIRB credit rating systems

Nedbank's AIRB credit rating system provides an overview of the bank's credit risk profile by business line (note: the roadmap below excludes Imperial Bank and the non-South African portfolios that are dealt with under the standardised approach) and major Basel II asset classes. Basel II credit exposure is reported on the basis of EAD, on which basis the roadmap is set out.

Retail AIRB rating system

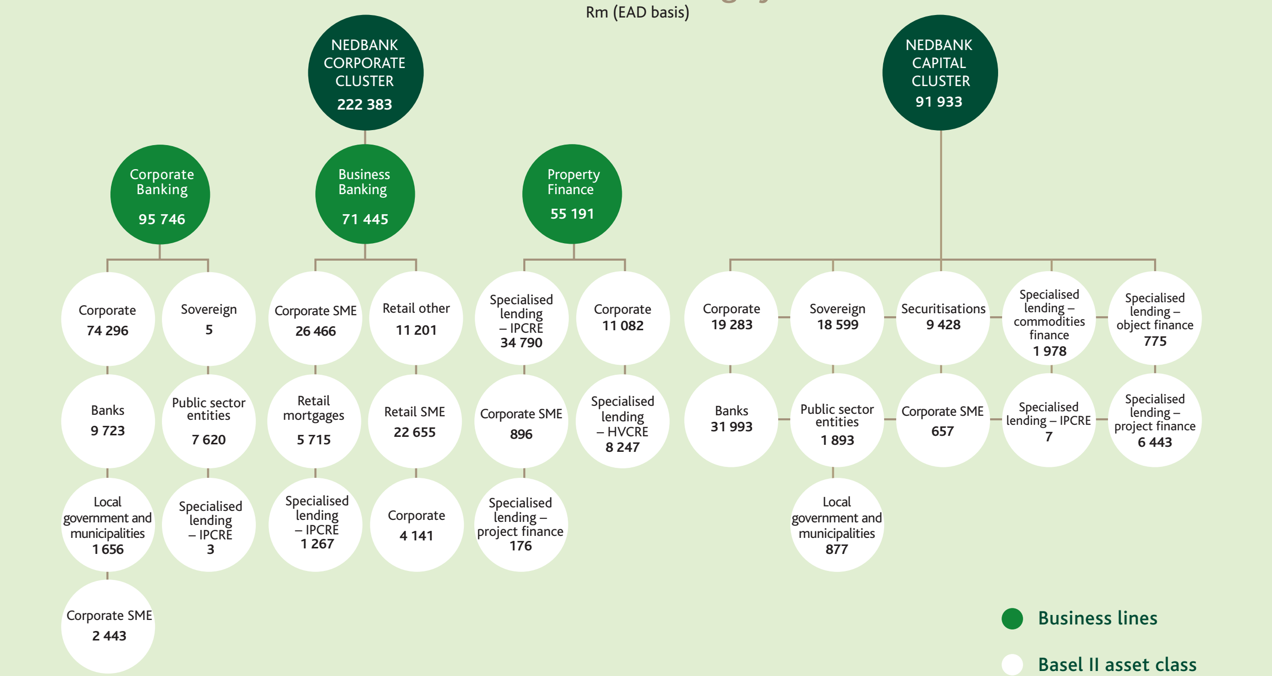
Rm (EAD basis)



* Includes Private Bank, Small Business Services, Go Banking and Old Mutual.
** Combines vehicle and asset finance and current accounts for all non-integrated services business units.
*** Includes BoE.

Wholesale AIRB rating system

Rm (EAD basis)



Nedbank does not rely on external ratings except for benchmarking purposes.

Nedbank has implemented robust processes to rate its various credit portfolios. These processes have been designed to ensure the integrity and accuracy of the rating process and are subjected to regular audits by the bank's Internal Audit Department.

An overview of the principal rating processes follows:

Corporate [including small and medium enterprises (SMEs), specialised lending and purchased corporate receivables], sovereign and bank

Nedbank's corporate lending portfolio includes a number of subportfolios, including:

- Large corporates
- Large private firms
- SMEs
- Commercial property finance
- Property development finance
- Project finance
- Leveraged buyouts and BEE finance
- Commodity finance
- Exposures to sovereigns
- Exposures to other banks

A range of bespoke rating models has been developed to rate these various subportfolios and to produce estimates of PD, LGD and EAD. All models are developed in accordance with international best practice and are, wherever possible, based on Nedbank's own internal data and long-run default experience. For certain low-default portfolios, such as exposures to other banks, Nedbank simply does not have sufficient default experience to allow robust statistical modelling. In these instances suitable data has been sourced from appropriate data bureaus and the models developed in terms thereof. When external data is used to develop the models, great care is taken to ensure it is both appropriate and relevant.

When utilising models to rate corporate exposures, a pure statistical approach is not always the best option. While Nedbank's models include both financial and qualitative factors, it is not always possible or even appropriate to include all relevant qualitative information in model inputs. For this reason all corporate ratings are subject to review by suitable experts, who have the authority to override model-based ratings within well-defined authority levels. This is in accordance with Basel II, which states that 'Sufficient human judgement and human oversight is necessary to ensure that all relevant and material information, including that which is outside the scope of the model, is also taken into consideration, and that the model is used appropriately' (par 417). The override process is subjected to regular audits by the bank's Internal Audit Department to ensure that overrides are appropriate and take place within authority levels.

All subportfolios utilise the Basel II standard definition of default of 90 days overdue, although the earlier recognition of default is encouraged, when appropriate.

For one subportfolio (property development finance) Nedbank makes use of the supervisory slotting approach to map internal ratings to five supervisory categories, each of which is associated with a specific risk weight. A rating model is under development for the property development finance (high-volatility commercial real estate) portfolio, which will allow Nedbank to utilise its own estimates of PD for this portfolio.

Equities

Nedbank utilises the simple risk weight method for equity exposures that are held in its banking book, other than in respect of investments in property holding and development companies where the PD/LGD approach is utilised. These equity exposures typically originate when the bank takes an equity stake in a property company over and above normal lending exposure to such entity, and both the equity and lending exposures are accorded the same PD, although the prescribed supervisory LGD of 90% is used for the equity exposure.

Retail

Nedbank's retail portfolio comprises a number of subportfolios, including the following:

- Residential mortgages
- Vehicle and asset finance
- Credit cards
- Personal loans
- Retail SMEs
- Overdrafts

All applications are rated at the time of application by way of a number of bespoke rating scorecards tailored to the various segments that make up the portfolio. These scorecards have been internally developed and are based on Nedbank's own default experience for this portfolio and developed on internal data, relevant credit bureau data or a suitable combination thereof.

The existing subportfolios are rerated monthly via a range of bespoke behavioural scorecards that have been developed based on Nedbank's own internal data and experience of the portfolios.

Given the volumes of default data that exist in respect of retail portfolios, a pure statistical approach has been followed in respect of all rating models, including PD, LGD and EAD. Models are developed in accordance with best-practice methodologies that are based on the best of methodologies adapted from Oliver Wyman and a number of other sources. As the large data volumes used to develop these models mean that the likelihood of statistical anomalies is considerably reduced, rating overrides are not permitted on retail exposures.

Nedbank has implemented processes within its AIRB Framework to conduct back-testing and so actively monitor the performance of all models, including analysing model predictions against actual outcomes. A direct comparison is not appropriate as models are calibrated to cycle neutral default rates, but we are able to neutralise the impact of changes in the economic cycle when doing such comparisons. Formal back-testing of the models takes place at least annually and the models are also monitored on an ongoing basis to ensure that they remain predictive.

Distribution and migration of Nedbank's credit risk profile

The graphs on the following pages are based on the AIRB credit system and provide a means of comparative analysis across Nedbank's portfolios. Long-run average LGDs are used in these graphs in line with internal economic-capital purposes instead of downturn LGDs used for Basel II regulatory capital.

The trends in the graphs can mainly be attributed to three factors, namely the change in the economic cycle, methodological changes and data improvements ahead of final Basel II implementation on 1 January 2008, and the switch to proper risk-based economic-capital allocation for 2008 performance measurement.

The economy has moved from a benign economic cycle with a low base of credit defaults into a worsening credit environment. The effects of the interest rate increases are evident in the trends in Nedbank Retail. However, strong risk management in Nedbank Retail should assist in managing the credit pressures in 2008.

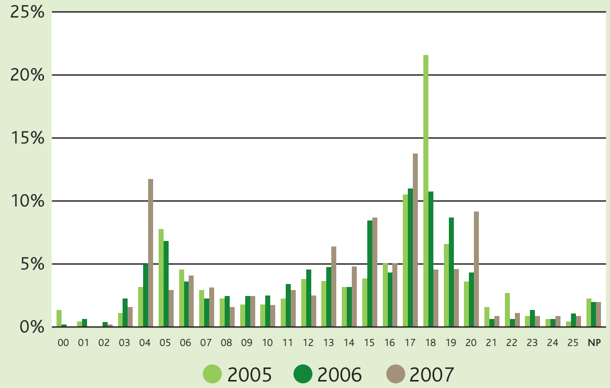
Methodological changes are also responsible for some of the movements since 2006. In Nedbank Capital a more sophisticated approach was introduced for the treatment of bank LGDs, which rendered an overall reduction in LGDs for this portfolio. In the Corporate Banking portfolio further refinement of the corporate PD model resulted in lower PDs for this portfolio. Refinement of models has also generally helped further to increase the granularity in the risk measures across the portfolio.

In 2007, ahead of the Basel II implementation on 1 January 2008, Nedbank dedicated efforts to continuously improving data and risk parameters that are key inputs into the AIRB rating system. In the graphs below this focus is apparent in some changes to the allocation of exposures among Basel II asset classes and rating grades in 2007, when compared with previous years.

Distribution of total credit exposure of Nedbank Group*

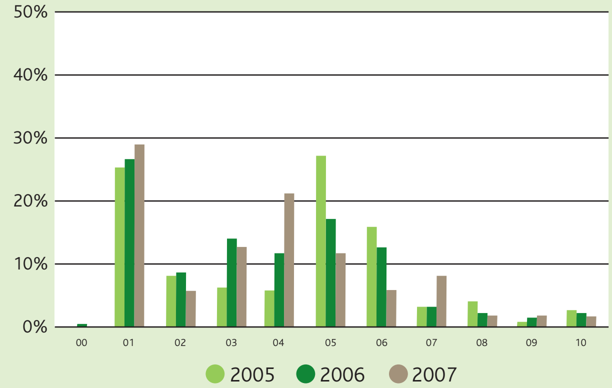
Based on master credit rating scale (PD)

NGR scale



Based on master transaction rating scale (EL)

NTR scale



- Average EAD-weighted PD 2,67%
- Average EAD-weighted LGD 26,23%
- Average EAD-weighted EL 0,70%

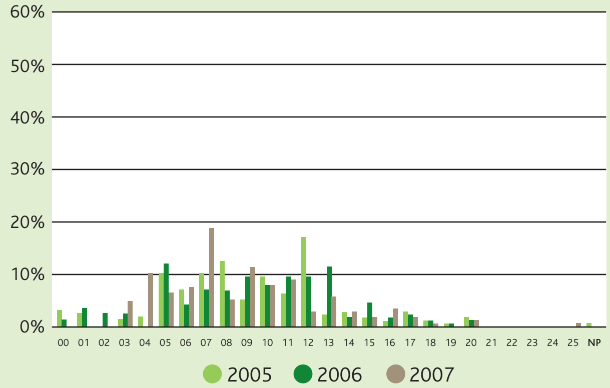
** For reporting group results, AIRB benchmarks based on expert judgement are applied to Imperial Bank and the small subsidiaries under the standardised approach (refer to page 69). Nedbank Limited operates fully under the AIRB approach, and this accounts for 92% of total group credit exposure.*

Distribution of Nedbank Limited's total credit exposure by major business line

NEDBANK CORPORATE CLUSTER: Corporate Banking

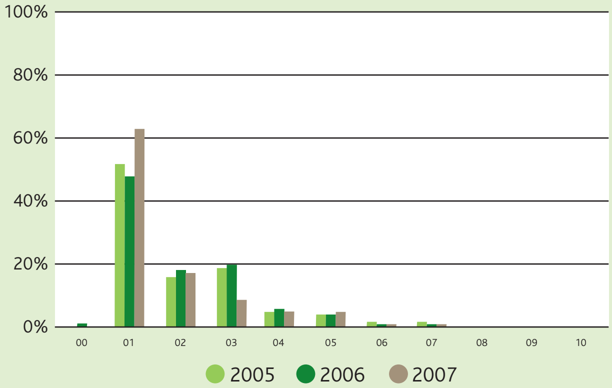
Based on master credit rating scale (PD)

NGR scale



Based on master transaction rating scale (EL)

NTR scale

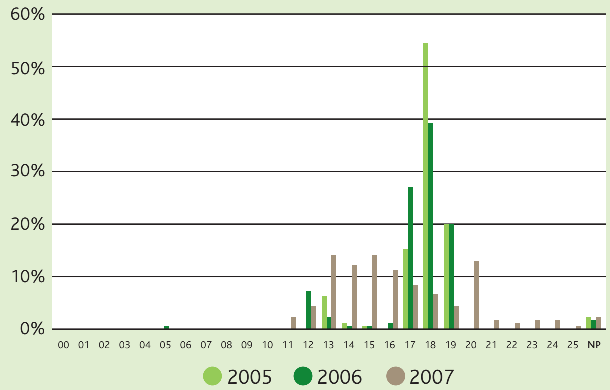


- Average EAD-weighted PD 0,47%
- Average EAD-weighted LGD 26,87%
- Average EAD-weighted EL 0,12%

NEDBANK CORPORATE CLUSTER: Business Banking

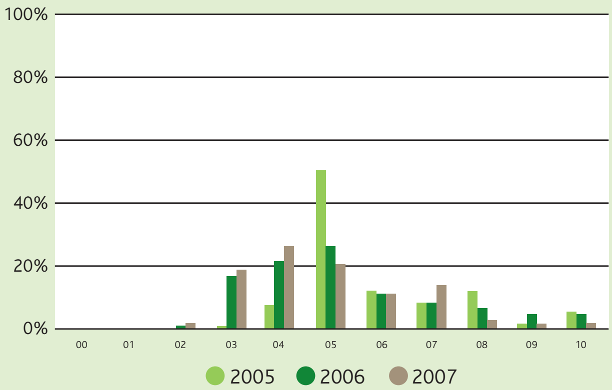
Based on master credit rating scale (PD)

NGR scale



Based on master transaction rating scale (EL)

NTR scale

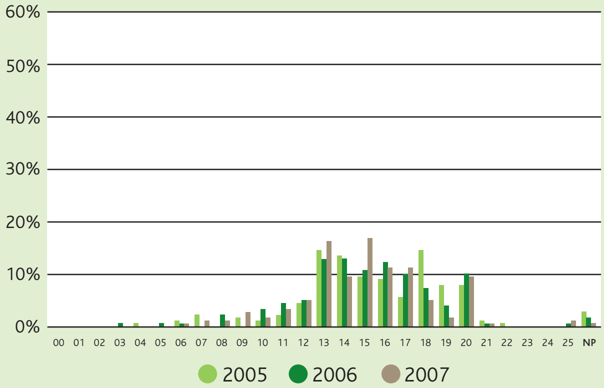


- Average EAD-weighted PD 3,66%
- Average EAD-weighted LGD 30,55%
- Average EAD-weighted EL 1,11%

NEDBANK CORPORATE CLUSTER: Property Finance

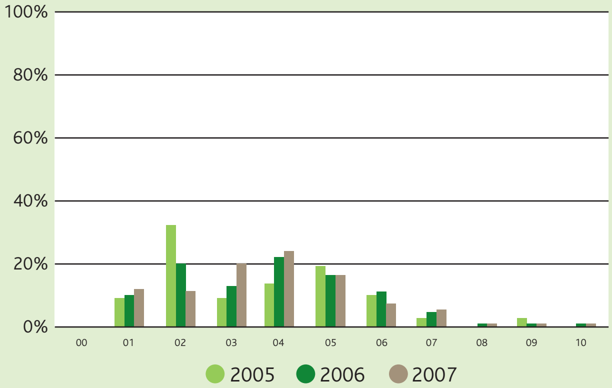
Based on master credit rating scale (PD)

NGR scale



Based on master transaction rating scale (EL)

NTR scale

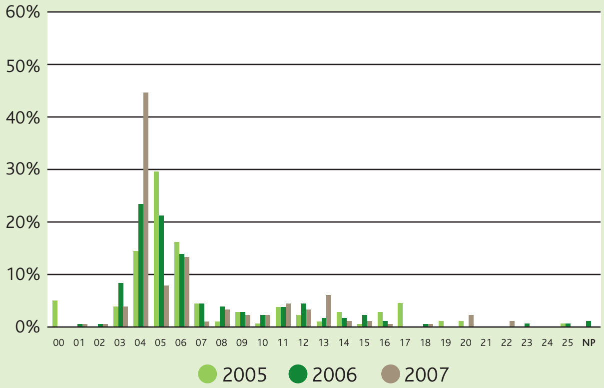


- Average EAD-weighted PD 2,54%
- Average EAD-weighted LGD 23,72%
- Average EAD-weighted EL 0,61%

NEDBANK CAPITAL CLUSTER

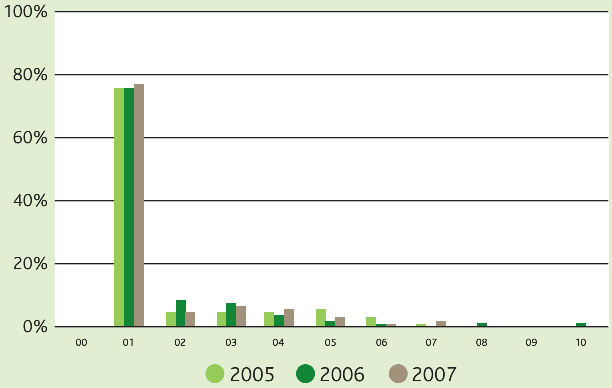
Based on master credit rating scale (PD)

NGR scale



Based on master transaction rating scale (EL)

NTR scale

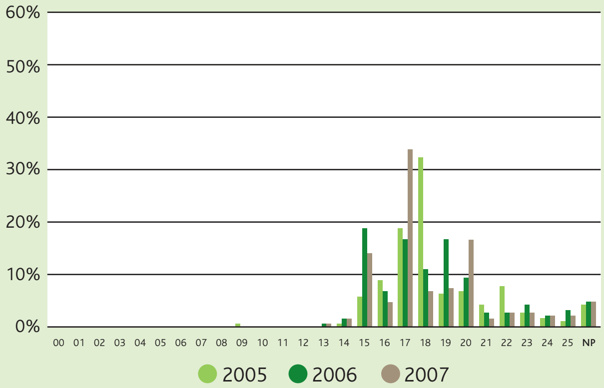


- Average EAD-weighted PD 0,64%
- Average EAD-weighted LGD 24,85%
- Average EAD-weighted EL 0,18%

NEDBANK RETAIL CLUSTER

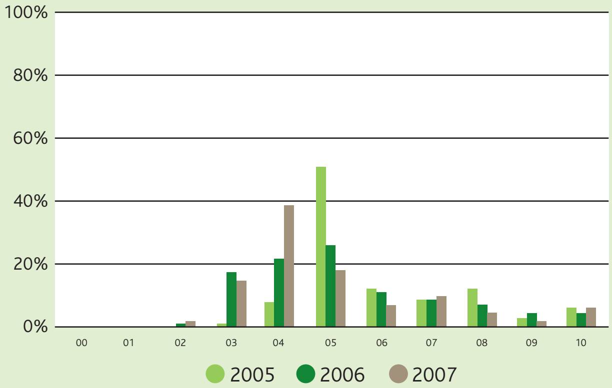
Based on master credit rating scale (PD)

NGR scale



Based on master transaction rating scale (EL)

NTR scale



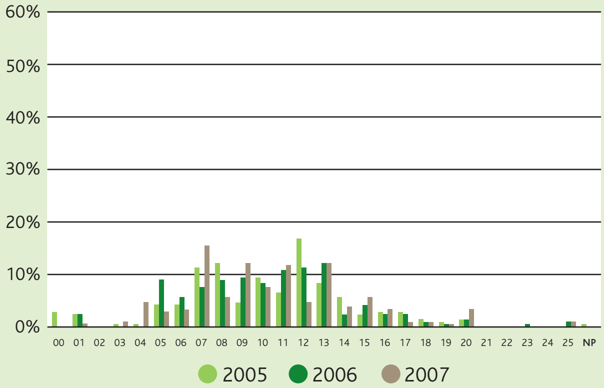
- Average EAD-weighted PD 5,34%
- Average EAD-weighted LGD 20,09%
- Average EAD-weighted EL 1,25%

Distribution of total credit exposure by selected major Basel II asset classes

CORPORATES

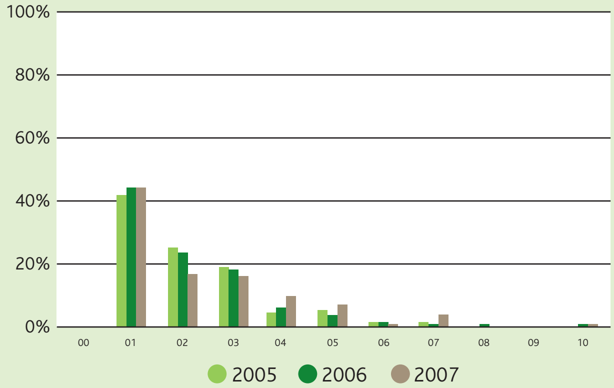
Based on master credit rating scale (PD)

NGR scale



Based on master transaction rating scale (EL)

NTR scale

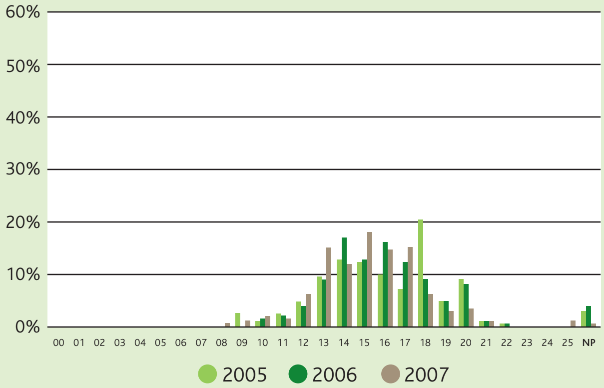


- Average EAD-weighted PD 0,96%
- Average EAD-weighted LGD 29,33%
- Average EAD-weighted EL 0,30%

SPECIALISED LENDING (income-producing real estate)

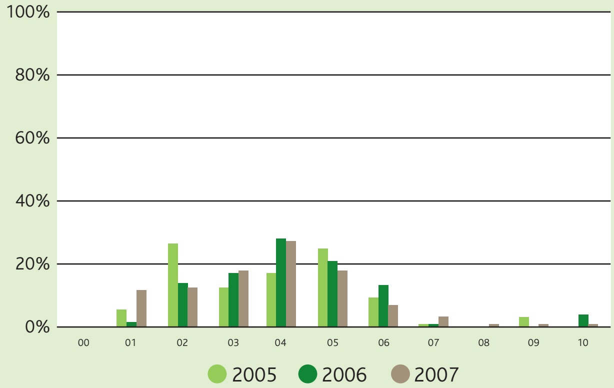
Based on master credit rating scale (PD)

NGR scale



Based on master transaction rating scale (EL)

NTR scale

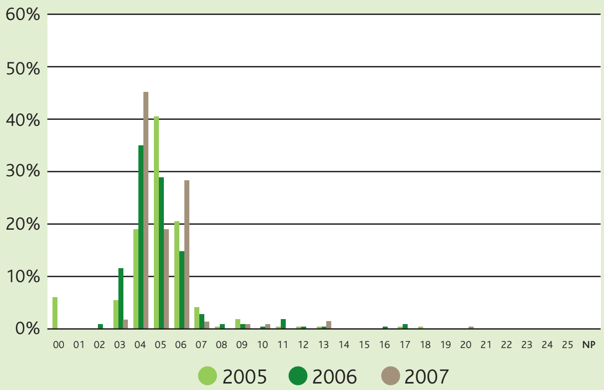


- Average EAD-weighted PD 2,21%
- Average EAD-weighted LGD 20,69%
- Average EAD-weighted EL 0,46%

BANKS

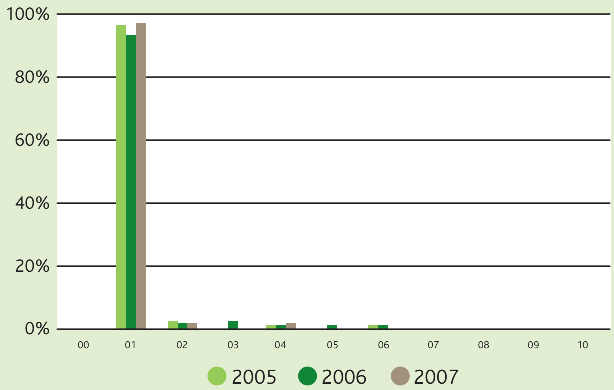
Based on master credit rating scale (PD)

NGR scale



Based on master transaction rating scale (EL)

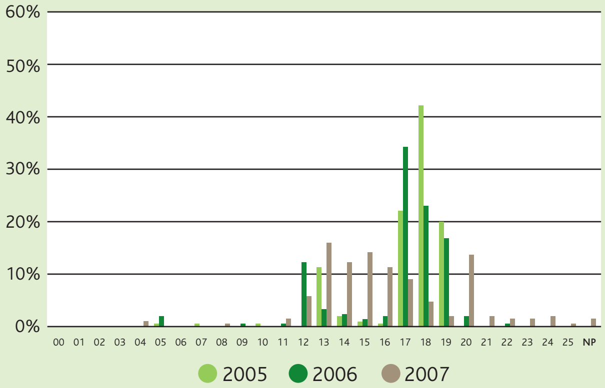
NTR scale



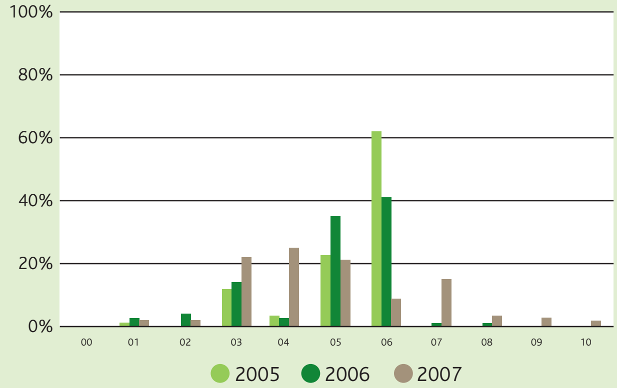
- Average EAD-weighted PD 0,10%
- Average EAD-weighted LGD 26,61%
- Average EAD-weighted EL 0,04%

CORPORATE SME

Based on master credit rating scale (PD)
NGR scale



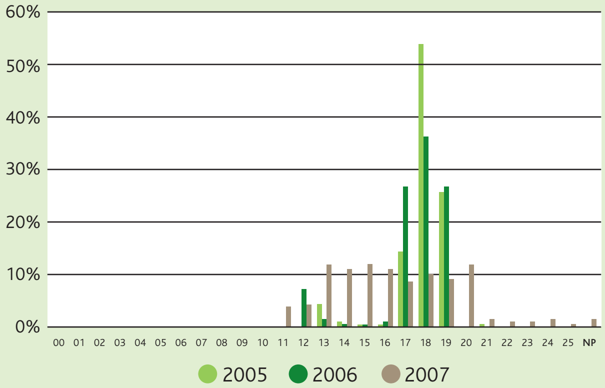
Based on master transaction rating scale (EL)
NTR scale



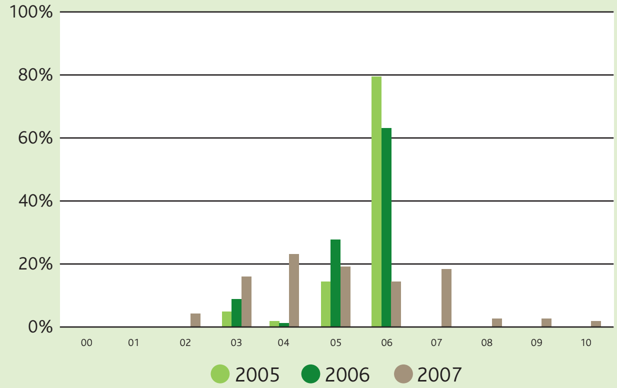
- Average EAD-weighted PD 3,55%
- Average EAD-weighted LGD 30,48%
- Average EAD-weighted EL 1,07%

RETAIL SME

Based on master credit rating scale (PD)
NGR scale



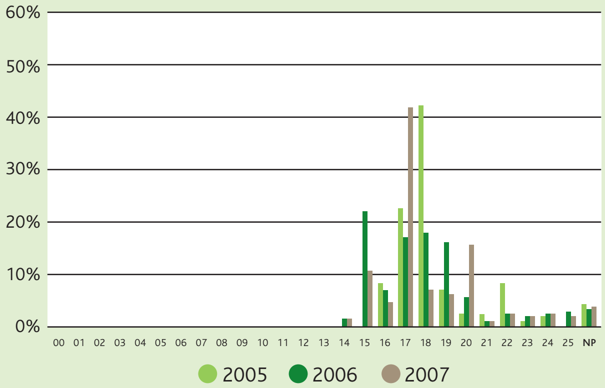
Based on master transaction rating scale (EL)
NTR scale



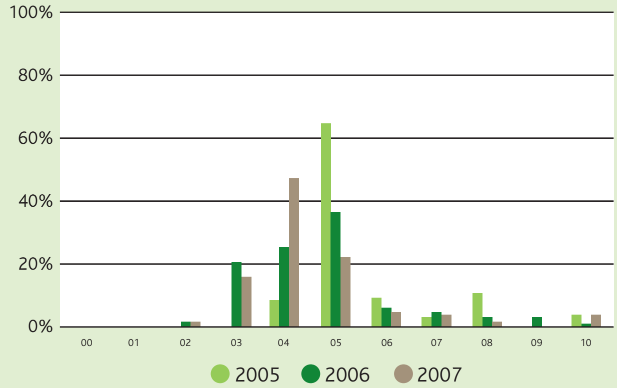
- Average EAD-weighted PD 3,47%
- Average EAD-weighted LGD 32,16%
- Average EAD-weighted EL 1,13%

RETAIL MORTGAGES

Based on master credit rating scale (PD)
NGR scale



Based on master transaction rating scale (EL)
NTR scale

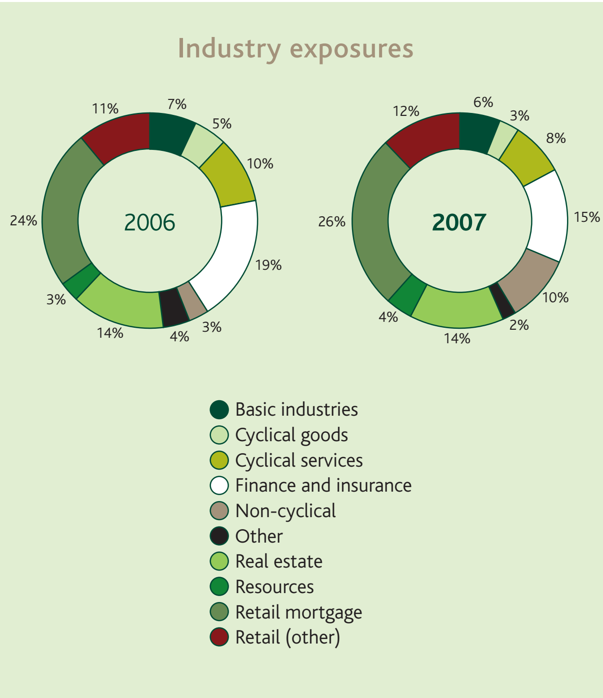


- Average EAD-weighted PD 5,24%
- Average EAD-weighted LGD 11,12%
- Average EAD-weighted EL 0,58%

Credit concentration risk

Geographically, almost all Nedbank Group's credit exposures originate in South Africa (non-South African exposure is approximately 4%).

An analysis of exposures by industry classification is provided below.



Counterparty credit risk

Nedbank applies the Basel II current exposure method (CEM) for counterparty credit risk and expects to implement an internal model method in 2009.

The risk quantification of trading credit risk exposures within Nedbank Group includes a total risk exposure measure, which is made up of current market value plus potential future exposure. Monte Carlo simulations are used to calculate potential future exposure. In terms of active management of counterparty credit risk there is continued emphasis on the use of credit mitigation strategies, such as netting and collateralisation of exposures. These strategies have been particularly effective in situations where there has been a high risk of default.

Economic capital calculations currently utilise the Basel II CEM results as input in the determination of credit economic capital. This methodology will migrate to the use of internal model outputs after implementation in 2009.

Credit limits for large corporate and bank exposure are determined on a total-exposure basis to ensure that both the tenor and nature of the exposure are correctly identified. Limits for Corporate and Business Banking are favouring a nominal limit to facilitate monitoring.

Nedbank and its large bank counterparties have International Swops and Derivative Association (ISDA) master agreements and credit support (collateral) agreements in place to support bilateral margining of exposures. Limits and appropriate collateral are determined on a risk-centred basis. Collateral arrangements make provision for adjustment of the collateral posted should there be a credit rating downgrade of either Nedbank or our counterparty bank.

Nedbank does not have significant exposure to credit derivatives. Please refer to note 22 of the financial statements for details.

Securitisation

Nedbank Group entered the securitisation market during 2004 and currently has three securitisation transactions, Synthesis Funding Limited (Synthesis), an asset-backed commercial paper programme (ABCP programme) launched during 2004, Octane ABS 1 (Pty) Limited (Octane), a securitisation programme of motor vehicle loans advanced by Imperial Bank Limited through its subsidiary Motor Finance Corporation, which was launched in July 2007, and GreenHouse Funding (Pty) Limited (GreenHouse), a residential-mortgage-backed securitisation programme (RMBS programme) launched in December 2007. Nedbank views securitisation primarily as a funding diversification tool, which is a Group ALCO and Executive Risk Committee initiative. Nedbank has an established inhouse securitisation team within Nedbank Capital.

Synthesis is an ABCP programme that invests in longer-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 is assigned the highest short-term RSA local-currency credit rating by both Fitch and Moody's, and is listed on the South African Bond Exchange.

Nedbank currently fulfils a number of roles in relation to Synthesis, including acting as sponsor, liquidity facility provider, credit enhancement facility provider, swap provider and investor. The exposures to Synthesis that Nedbank assumes are assessed, from a regulatory point of view, by using the ratings-based approach and the standardised formula approach under the internal ratings-based (IRB) approach for securitisation exposures, thereby aligning with the methodology adopted across the wider Nedbank Group. Synthesis is consolidated under Nedbank in terms of IFRS.

GreenHouse is a RMBS programme established in December 2007 to securitise Nedbank's residential mortgages. The inaugural transaction under GreenHouse entailed the securitisation of R2 billion of residential mortgages under GreenHouse Series 1. Nedbank currently fulfils a number of roles in relation to GreenHouse Series 1, including acting as originator, service provider, credit enhancement (subordinated loan) facility provider, swap provider and investor. The commercial paper issued by GreenHouse Series 1 has been assigned credit ratings by both Fitch and Moody's and is listed on the South African Bond Exchange. The assets of GreenHouse continue to be recognised on the balance sheet of Nedbank Group in terms of IFRS and GreenHouse is consolidated under Nedbank Group.

The inaugural transaction under Octane entailed the securitisation of R2 billion of auto loans under Octane Series 1. Nedbank Group companies currently fulfil a number of roles in relation to Octane Series 1, including acting as originator, service provider, credit enhancement (subordinated loan) facility provider, swap provider and investor. The commercial paper issued by Octane Series 1 has been assigned credit ratings by Fitch and is listed on the South African Bond Exchange. The assets of Octane continue to be recognised on the balance sheet of Nedbank Group in terms of IFRS and Octane is consolidated under Nedbank Group.

The outstanding securitisation balances at year-end were as follows:

	2007			2006	
	Total amount securitised Rm	**Liquidity facility Rm**	**Amount retained/ purchased Rm**	Total amount securitised Rm	Liquidity facility Rm
Synthesis	**9 233**	**9 390***		7 619	7 623*
Octane	**2 000**		**292**		
Greenhouse	**2 000****		**226**		
Total	**13 233**	**9 390**	**518**	7 619	7 623

* *These amounts relate to the provision of a liquidity facility to Synthesis.*
** *In terms of the GreenHouse Series 1 structure Nedbank has 12 months to transfer the mortgages to GreenHouse.*

The Basel II IRB consolidated group capital charges for securitised assets are as follows:

	2007 Rm
AAA or A1 / P1	**–**
AA	**1,1**
AA-	**1,4**
A+	**–**
A or A2 / P2	**–**
A-	**4,3**
BBB+	**–**
BBB or A3 / P3	**4,2**
BBB-	**3,8**
BB+	**15,6**
BB	**–**
BB-	**8,9**
Unrated	**–**
Unrated liquidity facilities to ABCP programme	**55,6**
Total	**94,9**

The Basel II IRB capital resource deductions relate to mortgage advances to the amount of R25 million and to instalment debtors and leasing to the amount of R43 million.

Asset and liability management

ALM addresses three of Nedbank's major risk types, namely liquidity risk, interest rate risk in the banking book and foreign currency translation risk in respect of foreign investments and/or foreign loans or borrowings.

Group Asset and Liability Management (Group ALM) is one of three support functions to the Group ALCO, specifically facilitating this committee's responsibility regarding these three important risks. Group ALM, which reports direct to the Group Chief Financial Officer, is supported by an established ALM desk and maintains close interaction with the centralised funding desk, both desks located in the Treasury dealing room. These desks facilitate the implementation of on- and off-balance-sheet strategies by providing access to products and tools available within Group Treasury.

Liquidity risk

A bank's role in financial intermediation is the transformation of short-term deposits into longer-term loans. This mismatch arises due to a depositor's requirement to have short- to medium-term access to its asset versus a borrower's requirement to service debt over the long term in order to ensure affordability. This makes banks inherently susceptible to liquidity mismatches, particularly in times of distress. Accordingly, banks rely on ready access to money and capital markets to source liquidity from bank and non-bank participants with surplus liquidity. In an orderly functioning market, banks manage these mismatches with relative ease through a combination of strategic initiatives.

The recent international market turbulence continues to affect many financial markets around the world has sharply focused attention on the crucial role liquidity plays in assuring the effective functioning of the banking sector and related markets. The significant reduction of liquidity in short-term international money markets and virtual drying-up of liquidity in the securitisation and covered-bonds markets, coupled with problems in accessing funding in the secured financing markets – even for highly rated assets – have caused severe liquidity difficulties for many international companies in funding their on- and off-balance-sheet requirements.

The impact of these events on Nedbank, however, has been negligible, primarily because of the group's immaterial foreign-funding requirements, small relative international footprint and relatively small conduit business that has no foreign balance sheet components – and because Nedbank has and continues to have no direct exposure to the US subprime market.

Although the impact of recent global liquidity developments was insignificant for the Nedbank Group in 2007, Nedbank Group ALCO continues to monitor these developments closely to identify any early signs of contagion within the South African market in order to manage such risk appropriately.

Liquidity risk strategy, governance structures and processes

The group is exposed to potential liquidity risk throughout its operations because of the natural liquidity mismatches discussed above. Accordingly, liquidity management is a vital risk function in all entities across all jurisdictions and currencies, and is a key focus of the Nedbank Group.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has approved an appropriate liquidity risk management framework for the management of the group's funding requirements and liquidity mismatches. This framework includes, inter alia, appropriately constituted non-executive and executive risk committees, a funding strategy forum, a centralised funding desk and divisional pricing/interest rate committees. It also includes appropriately defined charters for these forums as well as supporting policies and limits defining the risk appetite.

The group's daily liquidity requirements are managed by an experienced centralised funding team in Group Treasury. Net daily funding requirements are forecast by estimating daily rollovers and withdrawals, managing pipeline deal flow and actively managing daily settlements. The centralised funding desk maintains regular interaction with all of the group's large depositors to understand and manage their cashflow requirements. Close liaison with the retail banking, business banking and corporate banking deposit-raising activities, through separate direct dealing desks within this team, ensures that stable sources of funds are maximised and priced correctly. This interaction further facilitates an understanding of client rollovers and flows, which facilitates the management of the associated cashflows. The net daily cashflow requirements are managed via the professional money market.

Medium- to long-term strategic liquidity initiatives are motivated and supported by Group ALM, who interacts closely with the centralised funding desk. These strategic initiatives are motivated to and approved by Group ALCO before execution.

Portfolios of marketable and highly liquid assets that can be liquidated to meet unforeseen or unexpected funding requirements are held in the group in terms of the Liquidity Risk Management Framework. The bank also ensures that, on an ongoing basis, it has earmarked sufficient sources of liquidity to meet its estimated 'hot money' withdrawals by investors most likely to withdraw their funds in a stress scenario. This position is managed to ensure that funds identified as potential funds at risk during a time of bank-specific stress are adequately covered by sources of quick liquidity. Holding appropriate levels of quick liquidity is seen as imperative, as liquidity risk normally occurs as a sudden unexpected event.

Not only is it important to maintain liquidity surpluses, but it is imperative to have an established early-warning or trigger mechanism that highlights early signals of potential liquidity distress. Nedbank has established a number of liquidity contingency triggers, which are monitored regularly to facilitate such early warning. This process is recognised as an important liquidity risk management process, which is supported by an appropriate liquidity risk contingency plan and framework.

Funding mismatches are managed by currency and a focus is placed on managing short-term funding maturities, daily settlements and collateral management processes. This includes the preplanning of daily cashflow requirements.

Liabilities are appropriately diversified, including by product, market and maturity. As the bank sources its funding from a large variety of depositors representing a cross-section of South African public and private economic sectors, industries, commercial enterprises and individuals with a wide range of maturities and using a large number of investment and transactional banking products, concentration risk within the deposit base is appropriately diversified.

Group ALM and the centralised funding desk continue to look for new alternate sources of funding, facilitated by peer group benchmarking, innovation and marketing. During 2007 new alternate sources of funding included both the issue of Nedbank's inaugural auto loans securitisation programme and RMBS programme, through which approximately R3,4 billion in new funding was raised for the group. Nedbank also raised further long-term foreign funding in 2007 through enhanced relationships with foreign banks. Nedbank anticipates using both these markets to continue diversifying funding sources in the future.

Liquidity risk measurement, policies and portfolio review

The graph below reflects the contractual liquidity gap and estimated business-as-usual scenario developed by Nedbank Limited. Scenario analysis is used in the management of the bank's liquidity risk, including stress scenarios. The management of liquidity risk and particularly cashflows is strongly focused on the short to medium term to ensure that risk management is quick to respond to the immediate cashflow requirements under different stress scenarios. This is particularly relevant given that the severity of this risk normally changes quickly.

Nedbank Limited cumulative liquidity gap

Behavioural modelling and stress analyses to identify business as usual as well as potential stress cashflow requirements are carried out regularly and are evolving as markets develop. Behavioural modelling and stress analyses need continual evolution as behaviours are difficult to predict and events are seldom similar.

Medium- and long-term liquidity strategies are derived and motivated by Group ALM, approved by Group ALCO and implemented by the business units and/or Group Treasury. Group ALCO monitors all liquidity strategies to ensure compliance with the Liquidity Risk Management Framework and successful implementation.

The Group ALCO has identified deposits that are deemed to be potential funds at risk. These funds are adequately covered by sources of quick liquidity, excluding the statutory liquid asset holding and cash reserve position. Including these assets, this position was well-covered at the year-end.

Sources of quick liquidity include:	Estimated amount (Rbn)
Sale of other bank paper and unutilised bank credit lines	16,4
Sale of marketable securities held on certain trading desks	21,2
Foreign-correspondent balances and price-sensitive overnight loans	20,8
Surplus liquid assets, and notes and coin	6,2
Quick liquidity, excluding statutory balances	**64,6**
Statutory liquid assets	17,2
Cash reserves	7,5
Quick liquidity, including statutory balances	**89,3**

Based on the behaviour of the bank's clients, it is estimated that more than 74% of the total deposit base is stable in nature.

The table below shows the expected profile of Nedbank Group's cashflows in a business-as-usual scenario:

Liquidity gap* – Nedbank Group Limited

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-determined	Total
2007							
Cash and cash equivalents (including mandatory reserve deposits with central bank)	10 426					8 282	18 708
Other short-term securities	25 793						25 793
Derivative financial instruments	1 736	819	653	3 857	1 982		9 047
Government and other securities	29 637						29 637
Loans and advances	70 054	16 855	43 924	137 306	105 817		373 956
Other assets	5 957					25 758	31 715
	143 603	17 674	44 577	141 163	107 799	34 040	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	169 911	61 978	76 571	15 690	60 391		384 541
Other liabilities	8 097					37 335	45 432
Long-term debt instruments			616	3 748	7 962		12 326
	179 785	62 847	78 077	24 549	71 138	72 460	488 856
Net liquidity gap	(36 182)	(45 173)	(33 500)	116 614	36 661	(38 420)	–

** Adjusted for business-as-usual liquidity assumptions. During 2007 the assumptions for the expected behaviour of the overnight loan portfolio have been enhanced.*

Group ALCO's funding and liquidity management is undertaken with the support of the Group ALM function, which reports and models appropriate risk-based management information. Liquidity risk dashboards provide Group ALCO and the Executive Risk Committee, as well as the board's Group Risk Committee, with appropriate, timely liquidity risk information. This includes measures of compliance with approved policies and limits.

Interest rate risk in the banking book (IRRBB)

IRRBB strategy, governance structures and processes
Interest rate risk in the banking book is managed through a combination of on- and off-balance-sheet strategies, including hedging activities. The principal interest-rate-related contracts used this year included interest rate swaps and forward rate agreements. Basis products, caps, floors and swaptions are used to a lesser extent. IRRBB strategies are evaluated regularly to align with interest rate views and defined risk appetite, ensuring that optimal on- and off-balance-sheet strategies are applied, either positioning the balance sheet or protecting interest income through different interest rate cycles. The balance sheet was well-positioned for interest rate increases experienced in 2007, enhancing net interest income during this period.

Nedbank Group is exposed to interest rate risk primarily because:

- the bank writes a large quantum of prime-linked assets;
- funding is prudently raised across the curve at fixed-term deposit rates that reprice only on maturity;
- short-term demand funding products reprice to different short-end base rates;
- certain ambiguous-maturity accounts are non-rate sensitive; and
- the bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not reprice for interest rate changes.

This is not dissimilar to the other peer group banks given the markets within which we operate and the clients we service.

Group ALCO has made further progress in 2007 in analysing, aligning and managing IRRBB in terms of the likely change in impairments for similar interest rate changes. This relationship between interest rate sensitivity and impairments, which is seen as a natural net income hedge, has become a key focus of Group ALCO in managing IRRBB. This analysis includes an assessment of the lag in impairment changes and the exponential change in impairment charges for consecutive interest rate changes. Due to the complexity in determining the extent of this natural net income hedge, the modelling of this relationship and associated risk management strategies is challenging and continues to be refined and improved.

On-balance-sheet strategies are executed through any one of the business units, depending on the chosen strategy. Changes to the structural interest rate risk profile of the banking book are effected primarily through the use of the derivative instruments mentioned above and/or new on-balance-sheet asset and liability products. Hedges are transacted through Group Treasury via the ALM desk, whereby any unwanted IRRBB is passed through a market-making desk into market risk limits or into the external market.

IRRBB cannot be taken by business units and is accordingly extracted from these units via a funds transfer-pricing solution. This solution removes reprice risk from the business units, while leaving credit and funding spread in the businesses in terms of which they are measured. Certain basis risks and endowment on free funds as well as ambiguous deposits reside within these businesses so that basis risk may be managed through pricing and endowment may naturally hedge impairment changes for similar interest rate changes. Strategies regarding the reprice risk are separately measured and monitored, having been motivated by Group ALM and approved by Group ALCO.

IRRBB measurement, policies and portfolio review
The group employs various analytical techniques to measure interest rate sensitivity within the banking book. This includes a static reprice gap analysis, simulated modelling of the bank's earnings at risk and economic value of equity for a standard interest rate shock, as well as stress-testing earnings at risk and economic value of equity for a number of stressed interest rate scenarios. These analyses include the application of parallel and non-parallel interest rate shocks and rate ramps.

At the end of 2007 the group's margin-at-risk sensitivity of the banking book for a 1% parallel reduction in interest rates was 1,65% of total group equity (2006: 2,20% of total group equity), well within the approved risk limit of 2,5%. The increase in sensitivity during 2006 and subsequent decrease in sensitivity at the end of 2007 were the result of specific strategies of Group ALCO aligning with risk appetite and the committee's view on interest rates. Nedbank Limited's economic value of equity decreased to R97 million this year, measured for a 1% parallel decrease in interest rates (2006: R279 million), due to the strategies referred to above.

The table on the following page highlights the group's and the bank's exposure to interest rate risk as measured for normal and stressed interest rate changes:

Sensitivity to interest rate risk

Rm	Note	Year	Nedbank Limited	Other group companies	Nedbank Group
Net interest income sensitivity					
1% instantaneous decline in interest rates		**2007**	**(491)**	**(87)**	**(578)**
		2006	(584)	(63)	(647)
2% instantaneous decline in interest rates		**2007**	**(978)**	**(168)**	**(1 146)**
	1	2006	(1 168)	(126)	(1 294)
Linear path space	2				
Lognormal interest rate sensitivity		**2007**	**(495)**	**n/a**	**n/a**
		2006	n/a	n/a	n/a
Basis interest rate risk sensitivity	3				
0,25% narrowing of prime/call differential		**2007**	**(157)**	**(38)**	**(195)**
		2006	(183)	(33)	(216)
Economic value of equity sensitivity	4				
1% instantaneous decline in interest rates		**2007**	**(97)**	**n/a**	**n/a**
		2006	(279)	n/a	n/a
2% instantaneous decline in interest rates		**2007**	**(195)**	**n/a**	**n/a**
		2006	n/a	n/a	n/a
Stress testing					
Net interest income sensitivity					
Instantaneous stress shock	5	**2007**	**(1 974)**	**n/a**	**n/a**
		2006	(1 461)	n/a	n/a
Stress shock modelled as a ramp	6	**2007**	**(1 992)**	**n/a**	**n/a**
		2006	(1 164)	n/a	n/a
Linear path space	2				
Absolute-return interest rate sensitivity		**2007**	**(2 528)**	**n/a**	**n/a**
		2006	n/a	n/a	n/a

n/a: not modelled.

Notes

1 **Interest rate risk**, as currently modelled, exhibits very little convexity. In certain cases the comparative figures have been estimated assuming a linear risk relationship to the interest rate moves.

2 **Linear path space** is a stochastic method used to generate random interest rate paths. These paths are then modelled and a probabalistic impact of interest rate changes on NII is derived. The 'Lognormal interest rate sensitivity' uses two years of interest rate movements to derive interest rate volatility. The stress scenario 'Absolute-return interest rate sensitivity' is based on the volatility of interest rates over nine years.

3 **Basis interest rate risk sensitivity** is quantified using a narrowing in the prime/call interest rate differential of 0,25% and is an indication of the sensitivity of the margin to a squeeze in short-term interest rates.

4 **Economic value of equity sensitivity** is calculated as the net present value (npv) of asset cashflows less the net present value of liability cashflows. Economic value of equity sensitivity is measured using a 1% parallel decrease in the yield curve.

5 **The instantaneous stress shock** is derived from the principles espoused in the Bank for International Settlements paper 'Principles for the Management and Supervision of Interest Rate Risk'. For 2007 the shock scenario uses an instantaneous interest rate shock of a 4% (2006: 2,5%) downward shift in interest rates.

6 The **stress shock modelled as a ramp** uses the same interest rate shock as the instantaneous stress shock described above, but the rate shock is phased in over a nine-month period.

The table below shows the repricing profile of Nedbank Group's banking book balance sheet and highlights the fact that assets reprice quicker than liabilities following derivative-hedging activities:

Interest rate repricing gap – Nedbank Group Limited

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Trading and non-rate	Total
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		

Currency translation risk

Currency translation risk remains relatively low and currently aligns with an optimal offshore capital structure. Risk limits are based on the levels of currency-sensitive foreign capital of approximately US$254 million (2006: US$278 million).

Market risks

Market risk in the Nedbank Group arises in three main areas:

- Market risk (or position risk) in the trading book arises exclusively in Nedbank Capital.
- Equity (investment) risk in the banking book arises in the private-equity and property portfolios within the Nedbank Capital and Nedbank Corporate clusters respectively, and in other strategic investments of the group.
- IRRBB arising from repricing and/or maturity mismatches between on- and off-balance-sheet components originated across all the business clusters. This is covered in the ALM section above.

Market risk strategy, governance structures and processes
The board approves the market risk appetite and related limits for both the banking book (asset and liability management and investments) and trading book. Group Market Risk Monitoring (GMRM) reports on the market risk portfolio and is instrumental in ensuring that market risk limits are compatible with a level of risk acceptable to the board. Risk taking in the trading activities remained within the group's market risk appetite and limits at all times during the year.

The Group Market Risk Framework, as well as comprehensive governance structures, is in place to achieve effective independent monitoring and management of market risk as follows:

- The board's Group Risk Committee.
- The ALCO and Executive Risk Committee (Group ALCO), which is responsible for ensuring that the impact of market risks is effectively managed and reported on throughout Nedbank Group, and that all policy, risk limit and relevant market risk issues are reported to the Group Risk Committee.
- An independent function within the Group Risk Division, namely Group Market Risk Monitoring (GMRM), which monitors market risks across the Nedbank Group – this is a specialist risk area that provides independent oversight of market risk, validation of risk measurement, policy coordination and reporting.
- The federal model followed by Nedbank Group in terms of which business clusters are responsible and accountable for the management of the market risks that emanate from their activities.
- A specialist trading risk committee within Nedbank Capital.
- Specialist investment risk committees within the relevant business areas.

Market (position) risk (ie risk from taking proprietary trading positions) means the risk of loss in on- and off-balance-sheet positions arising from movements in market prices. This risk covers trading book:

- interest rate risk;
- equity position risk;
- foreign exchange risk, including gold;
- commodities risk; and
- options risk (in each of the above risks).

The above risks are managed in terms of the Group Market Risk Framework referred to above, which ensures that market risks are identified and managed. Relevant group, bank and business level policy and methodology documentation supports this framework. The documentation has been comprehensively reviewed to ensure that an appropriate management and control environment supports our aspirations of achieving a worldclass risk management environment.

During the period under review further enhancements to the governance structure were made with the introduction of a Nedbank Capital Trading Risk Committee, which actively monitors the above risks.

Market (position) risk measurement and reporting systems
Market risk exposures for trading activities are measured using value at risk (VaR), supplemented by sensitivity and stress scenario analyses, and limit structures are set accordingly.

The VaR risk measure estimates the potential loss in pretax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by Nedbank Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies, employed to calculate daily risk numbers, utilise the historical approach to calculate exposure.

While VaR captures Nedbank's exposure under normal market conditions, sensitivity and stress scenario analyses (and in particular stress testing) are used to add insight to the possible outcomes under abnormal market conditions. Nedbank Group uses a number of stress scenarios to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, reflecting the decreased liquidity that frequently accompanies market shocks.

A comprehensive revision of the market risk management and reporting system was undertaken during 2007. The revision provides for additional flexibility in reporting and monitoring market risk exposures as well as providing an improved capability to rerun components of the environment.

Market risk reports are available at a variety of levels and with a variety of details, ranging from individual trader level right through to a group level view of market risk. Market risk limits are approved at board level and are reviewed periodically, but at least annually. The limits approved by the board are VaR and stress trigger limits. These limits are then allocated to the business clusters, and exposures against these limits are reported to management and bank executives on a daily basis.

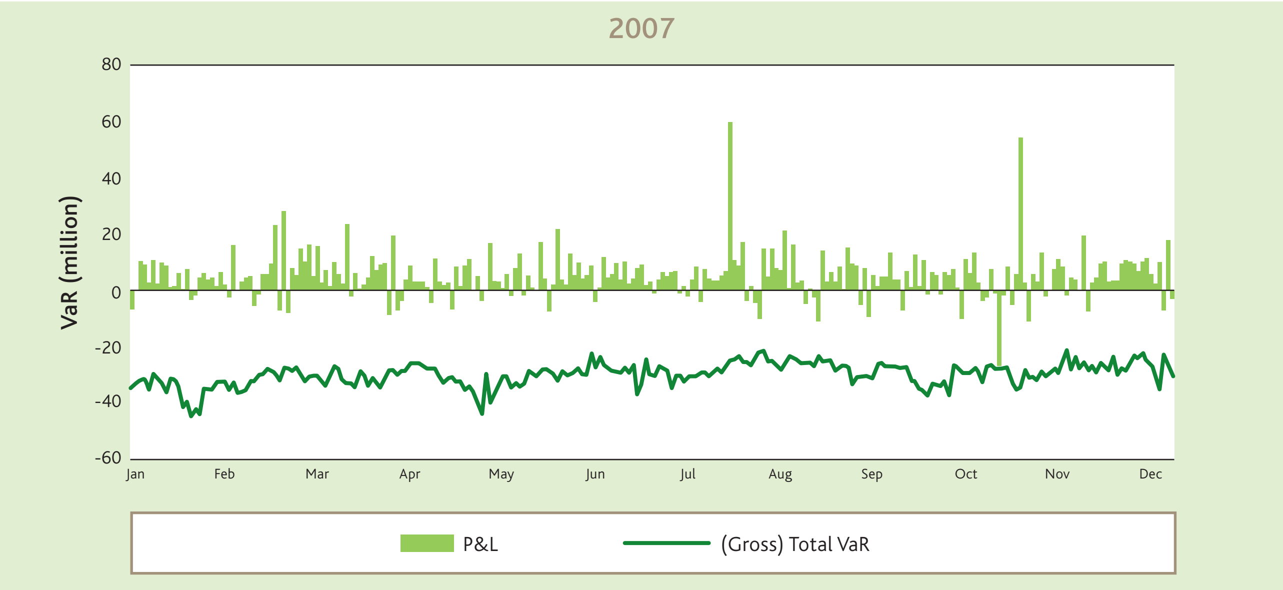
The market risk management environment also makes extensive use of sensitivity and stress testing to ensure that conditions that may not be highlighted by the VaR methodology utilised are identified and appropriately managed within limit structures approved at cluster level. Market risk exposures are measured and reported on a daily basis. Documented policy and procedures are in place to ensure that exceptions are timeously resolved.

Nedbank currently has regulatory approval for the standardised approach for market (position) risk, but anticipates receiving approval for the internal model approach in 2008/9. Please refer to page 141 for further details on the regulatory-capital requirements.

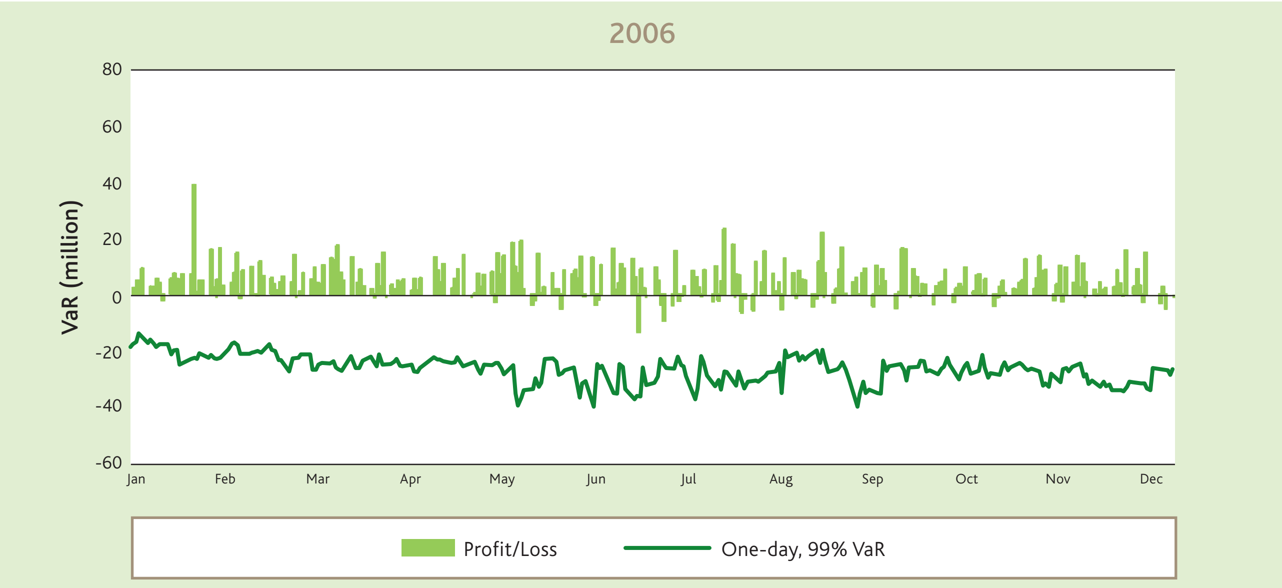
Market (position) risk policies and portfolio review
Market risk is governed by a number of group, bank and cluster level policies, which cover management, identification, measurement and monitoring. In addition, all market risk models are subject to independent validation in terms of the Market Risk Governance Framework.

Rm	Average	Minimum	Maximum	Year-end
	Historical VaR (99%, one-day) by risk type for the year ended 31 December 2007			
Foreign exchange	**2,5**	**0,7**	**6,4**	**4,4**
Interest rate	**14,5**	**10,4**	**22,0**	**13,8**
Equity products	**12,6**	**5,7**	**28,7**	**7,5**
Diversification	**(4,7)**			**(2,4)**
Total VaR exposure	**24,9**	**14,9**	**37,4**	**23,3**

Rm	Average	Minimum	Maximum	Year-end
	Historical VaR (99%, one-day) by risk type for the year ended 31 December 2006			
Foreign exchange	2,8	0,7	5,7	1,4
Interest rate	16,6	7,1	22,9	10,7
Equity products	14,6	4,9	28,0	20,2
Diversification	(6,6)			(4,8)
Total VaR exposure	27,4	14,2	41,2	27,5



The risk appetite within the trading business has remained largely unchanged over the past two years, with foreign exchange and interest rate activities producing consistent revenue. VaR for all significant risk factors has been reported. Daily profit and loss results have been adjusted for the effects of the once-off changes to valuation of the Macquarie joint-venture alliance, as well as for the impact when a portion of the book was sold on to Macquarie. These adjustments total a loss of R305 million for the 2007 financial year.



Equity risk (investment risk) in the banking book

The total equity portfolio for investment risk is R2 473 million. Of that, R2 285 million is held for capital gain, while the rest is mainly strategic investments. The accounting policies and valuation methodologies for equity risk in the banking book are covered in the notes to the financial statements.

	Publicly listed		Privately held		Total	
Investments	**2007**	2006	**2007**	2006	**2007**	2006
Fair value disclosed on balance sheet	**598**	552	**1 875**	1 325	**2 473**	1 877
Cumulative realised gains/(losses) arising from sales and liquidations	**88**	90	**211**	123	**300**	213
Total unrealised gains to income statement (fair value through profit and loss)	**47**	56	**184**	36	**230**	92

The information on gains and losses in the above table includes only the portion of the portfolio (ie 92%) that is actively managed and held for capital gain.

Nedbank Group has adopted the market-based simple risk weight approach for regulatory capital purposes. This was approved by SARB. Please refer to page 141 for further details.

Operating risks – business and operational risks

Business risk

Business risk is the risk of adverse outcomes resulting from a weak competitive position or from a poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include revenue volatility owing to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing, and structural inefficiencies.

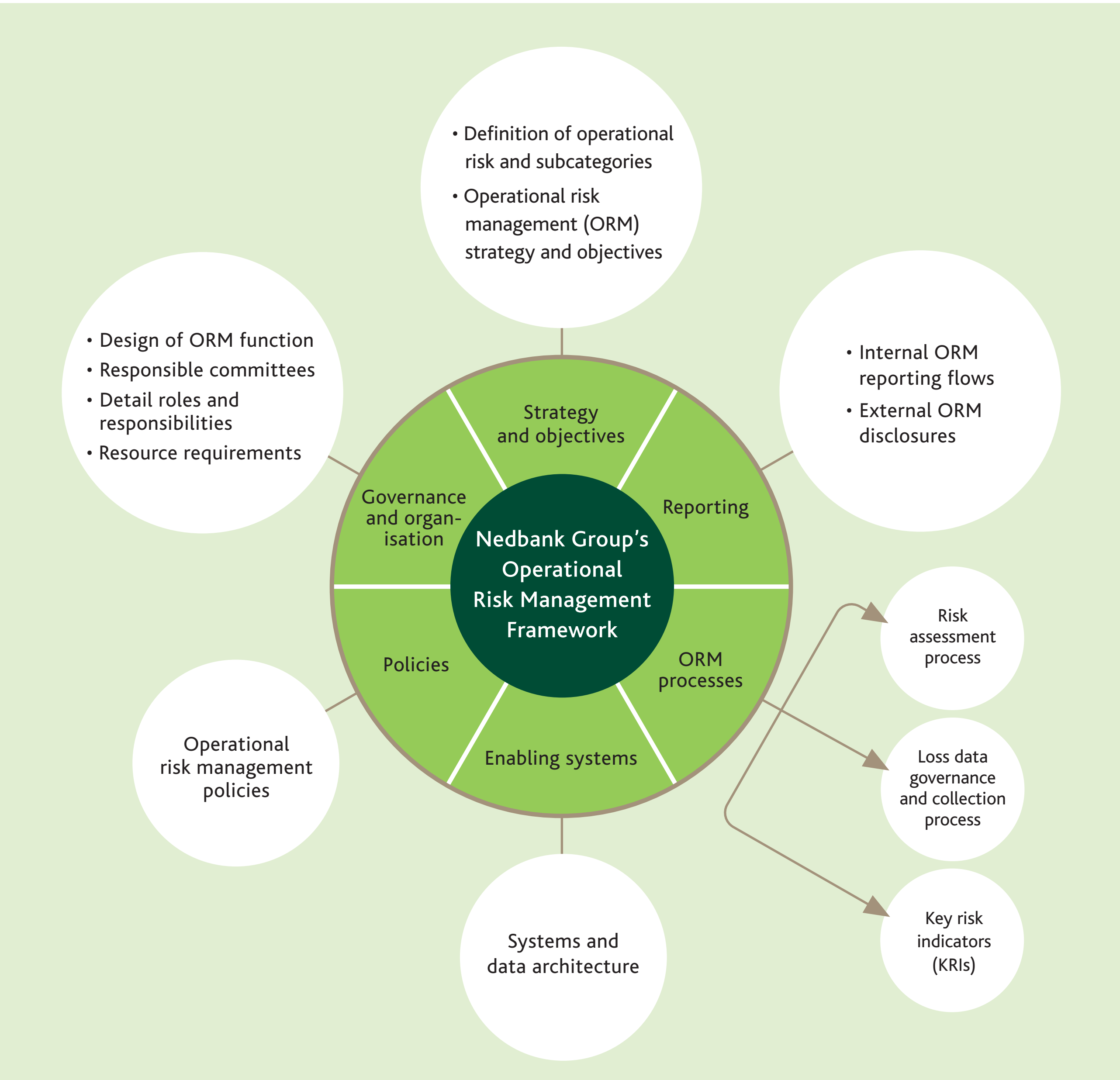
Nedbank Group actively manages business risk through the various management structures, as set out in the ERMF, and within Group Capital Management by using an earnings-at-risk methodology similar to the group's risk appetite metrics. It is one of the major risk types within the group's Economic Capital Model. Please refer to page 145 for further details.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and/or from external events, including legal risk but not strategic or reputational risk.

Operational-risk strategy, governance structures and processes
To minimise the exposure to operational risk that arises as a consequence of the group's financial risk-taking (credit and market) and operating activities, we have embedded our Group Operational Risk Management Framework (GORF), which facilitates a consistent and worldclass approach to operational risk management (ORM).

Operational risk is inherent in most of the group's activities and other key risk types, and there are a variety of operational risk sources. This necessitates an integrated approach to the identification, measurement, management and monitoring of operational risk.



Nedbank Group has approval from SARB to use the standardised approach to operational risk for Basel II regulatory capital from 1 January 2008. We are well-advanced on our operational-risk measurement journey to the advanced measurement approach (AMA), having implemented worldclass operational-risk management in all other respects.

Business management is responsible for the identification, management and monitoring of risk. Operational risk is addressed at the divisional enterprise-wide risk committees (ERCOs). Significant operational risks are escalated to the cluster operational-risk committees and then, if warranted, to the board's Group Risk and Capital Management Committee. Operational-risk officers, who are tasked with coordinating the implementation and maintenance of the operational-risk management processes and GORF in the business, support management in the execution of its duties.

Group Operational-risk Monitoring (GORM) functions in the second line of defence, its primary responsibilities being to maintain and champion the Operational-risk Management Framework (which incorporates Basel II requirements), policies and enablers to support operational-risk management in the business. GORM also champions the implementation of the Basel II requirements for operational risk.

Specialist functions in Group Risk, for example Forensic Services, Business Continuity Planning, Group Legal and Corporate Insurance, also assist frontline businesses with specialist advice, policies and standard setting. Pervasive operational-risk trends are monitored and reported to the Group Risk and Capital Management Committee.

Group Internal Audit (the third line of defence) and Enterprise Governance and Compliance provide assurance to the board that the Operational-risk Management Framework is sound and that the policies and processes related to operational-risk management are adhered to.

Operational-risk measurement, policies and reporting systems

The three primary operational-risk management processes in the group are risk assessment, loss data collection and the tracking of KRIs, which are designed to function in a mutually reinforcing manner.

Risk and control self-assessments are designed to be forward-looking. In other words, management is identifying risks that could threaten the achievability of business objectives, together with the required set of controls and actions, to mitigate the risks. Loss data collection and tracking are backward-looking and enable the monitoring of trends and the analysing of the root causes of loss events. KRIs are designed to be both forward- and backward-looking in the sense that they function not only as early-warning indicators but also as escalation triggers where set risk tolerance levels have been exceeded.

The results of the three processes are utilised to enhance the internal control environment, with the ultimate aim of reducing losses incurred, improving process efficiency and reducing earnings volatility.

Risk profiles, loss trends and risk mitigation actions are reported to and monitored by the risk governance structures of the group.

Management is responsible for developing and maintaining control environments to mitigate operational risks inherent in their business. Specific mitigating action is reported at the ERCOs.

Nedbank Group is in the process of finalising operational-risk tolerance levels and incorporating these into the overall risk-adjusted performance calculations of the group that will drive performance measurement and recognition of the group. At this point the Basel II standardised-approach capital requirements are used in Nedbank Group's Economic Capital Model.

The board annually reviews and approves group level policies.

There are several other important operational-risk specialist functions that assist the business in managing operational risk. These functions include but are not limited to:

- information security;
- safety and security services;
- regulatory-risk services (including money-laundering control, financial advice and the new credit legislation awareness);
- forensic services;
- business continuity planning and disaster recovery;
- legal-risk management; and
- the group insurance programme.

Nedbank Group considers financial crime to be a major operational risk that leads not only to financial losses but also damages the very fabric of society. For this reason the group pursues a vigorous policy of mitigating this risk through the following measures:

- Pursuance of a zero-tolerance policy in respect of staff dishonesty.
- Proactive identification and prevention of criminal onslaught against the group.
- Reactive investigation and recovery of losses.
- Close cooperation with government and industry roleplayers to ensure the successful apprehension and conviction of the perpetrators of financial crime.

Capital management

Capital management strategy, governance structures and process

Nedbank's Capital Management Framework reflects the integration of risk, capital, strategy and performance measurement (and incentives) across the group. This contributes significantly to successful enterprise-wide risk management.

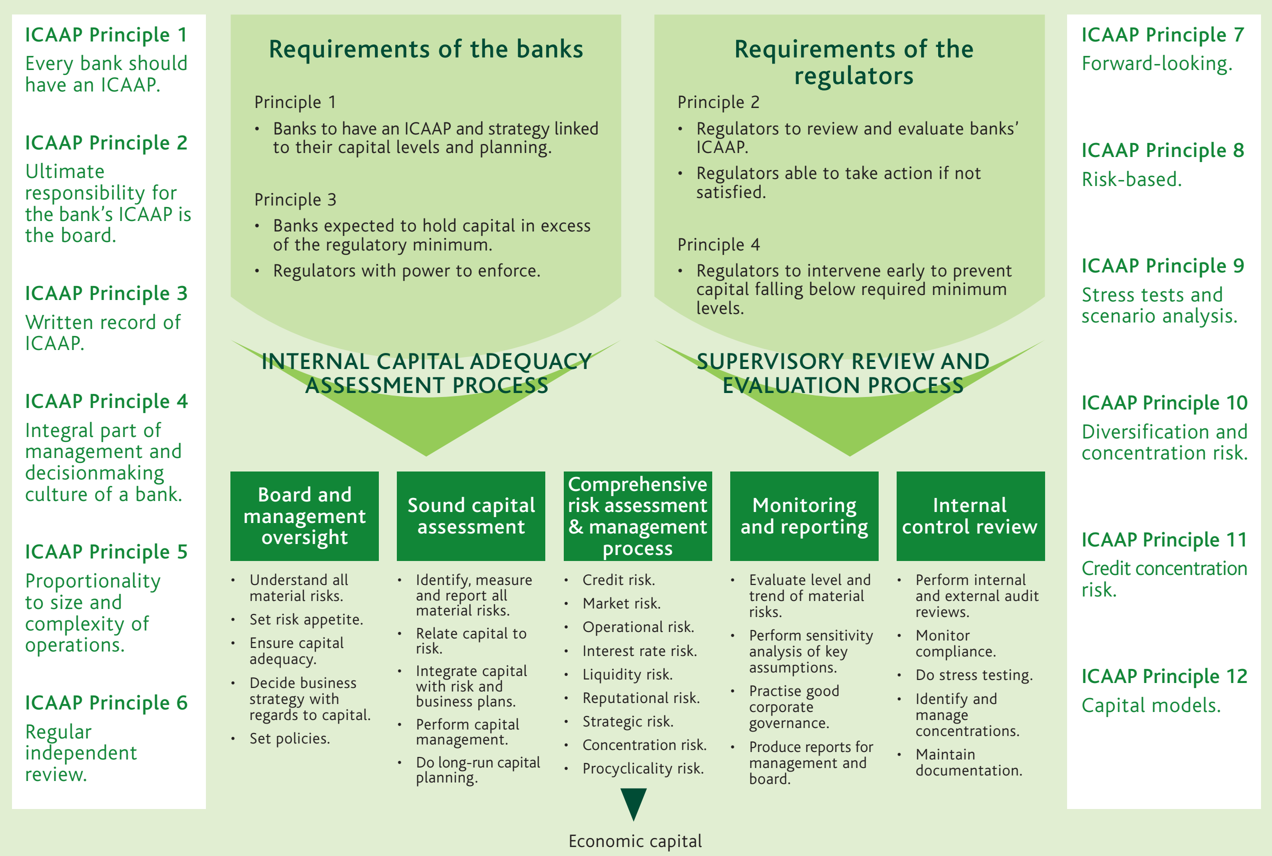
Our comprehensive Capital Management Framework, depicted on page 99, is designed to meet our key external stakeholders' needs, both those focused more on the return or profitability of the group relative to the risk assumed (or risk versus return) and those focused more on the adequacy of the group's capital in relation to its risk profile (or solvency). The challenge for management and the board is to achieve an optimal balance between these two important dimensions. The framework is based on worldclass risk and capital management, integrated with strategy, performance measurement and incentives.

The key objectives contained within the Capital Management Framework are as follows:

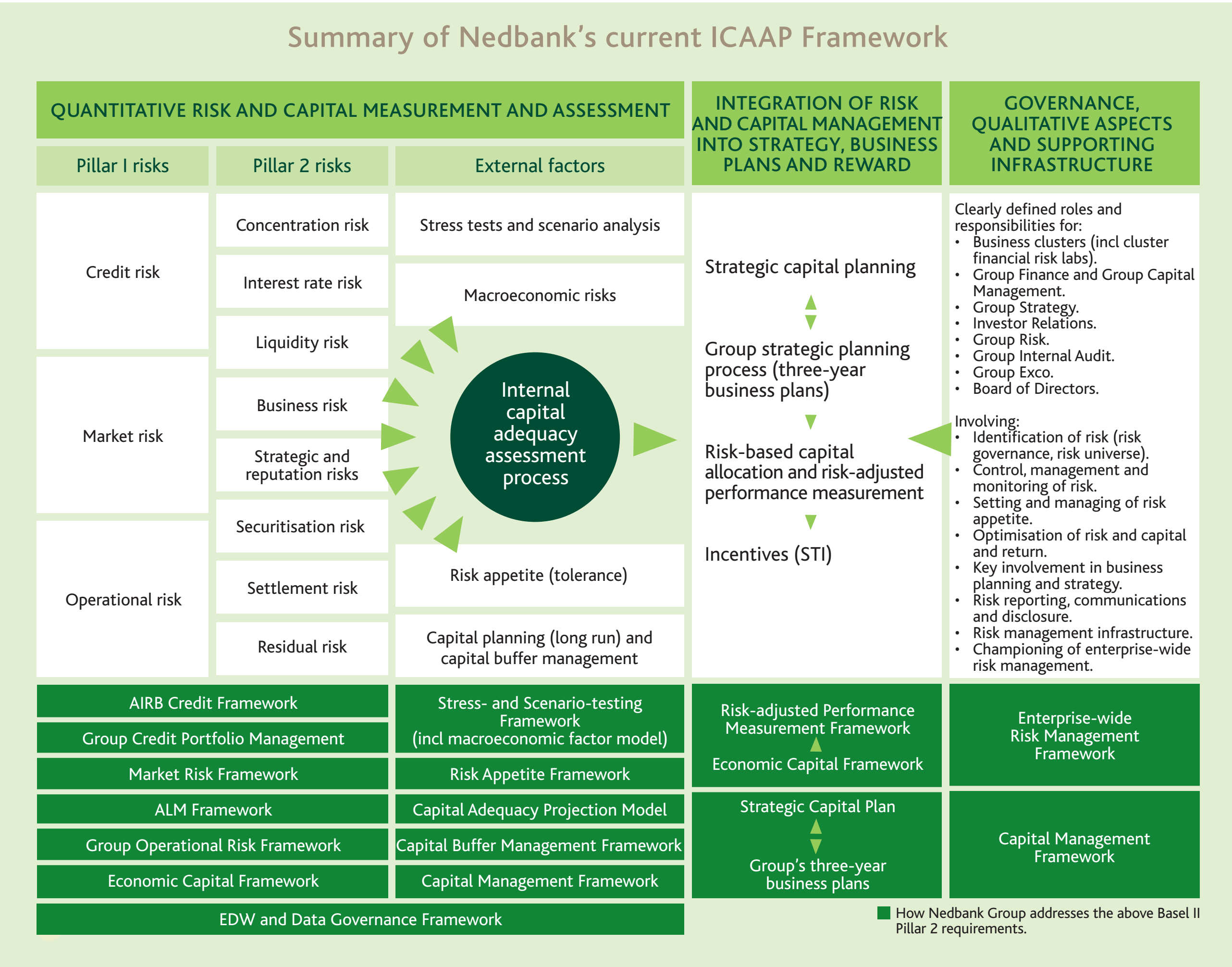
- Capital adequacy to be the greater of economic capital and regulatory capital at all times, providing an appropriate capital buffer to ensure solvency.
- Worldclass risk capital analytics, strategic capital management, resources, systems and processes to be integrated to facilitate the optimisation of economic-value creation (and so shareholder value-add) through value-based management (VBM) principles and practices.
- Risk portfolios and capital levels, mix and structure to be optimised within the group's risk appetite.
- The group's cost of capital to be minimised.
- A best-practice internal capital adequacy assessment process (ICAAP) that comprehensively satisfies Basel II to be maintained.

Internal capital adequacy assessment process
Pillar 2 of Basel II contains four fundamental principles. These are set out below and essentially require implementation of a comprehensive ICAAP by each bank and banking group, and a supervisory review and evaluation process (SREP) thereof by the regulator.

Summary of internal capital adequacy assessment process requirements

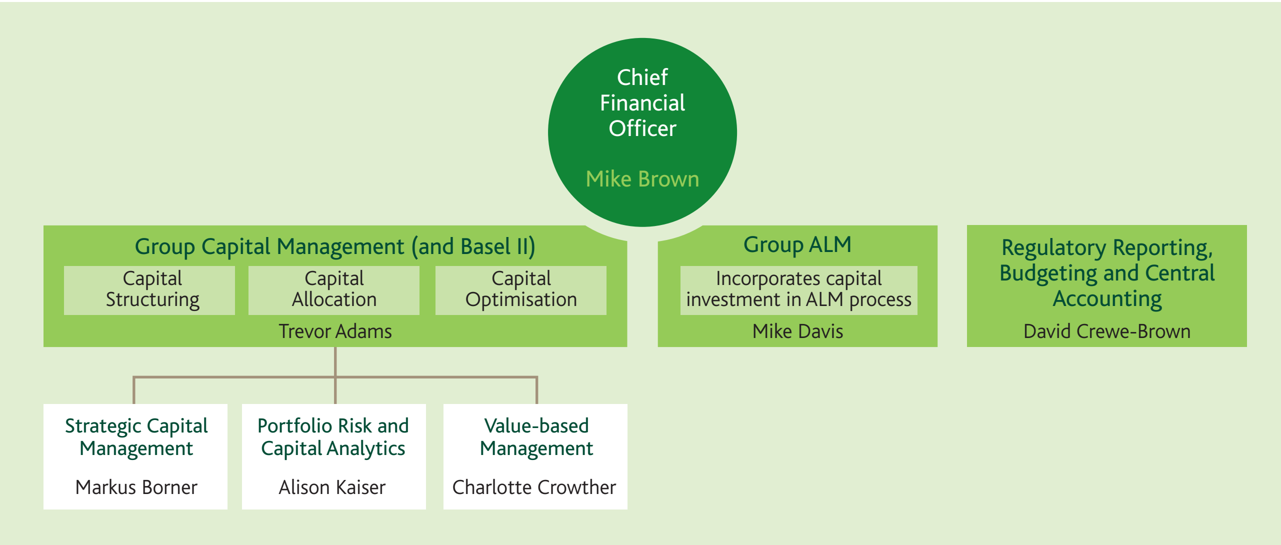


Nedbank's ICAAP blueprint is provided below:



Group Capital Management responsibilities

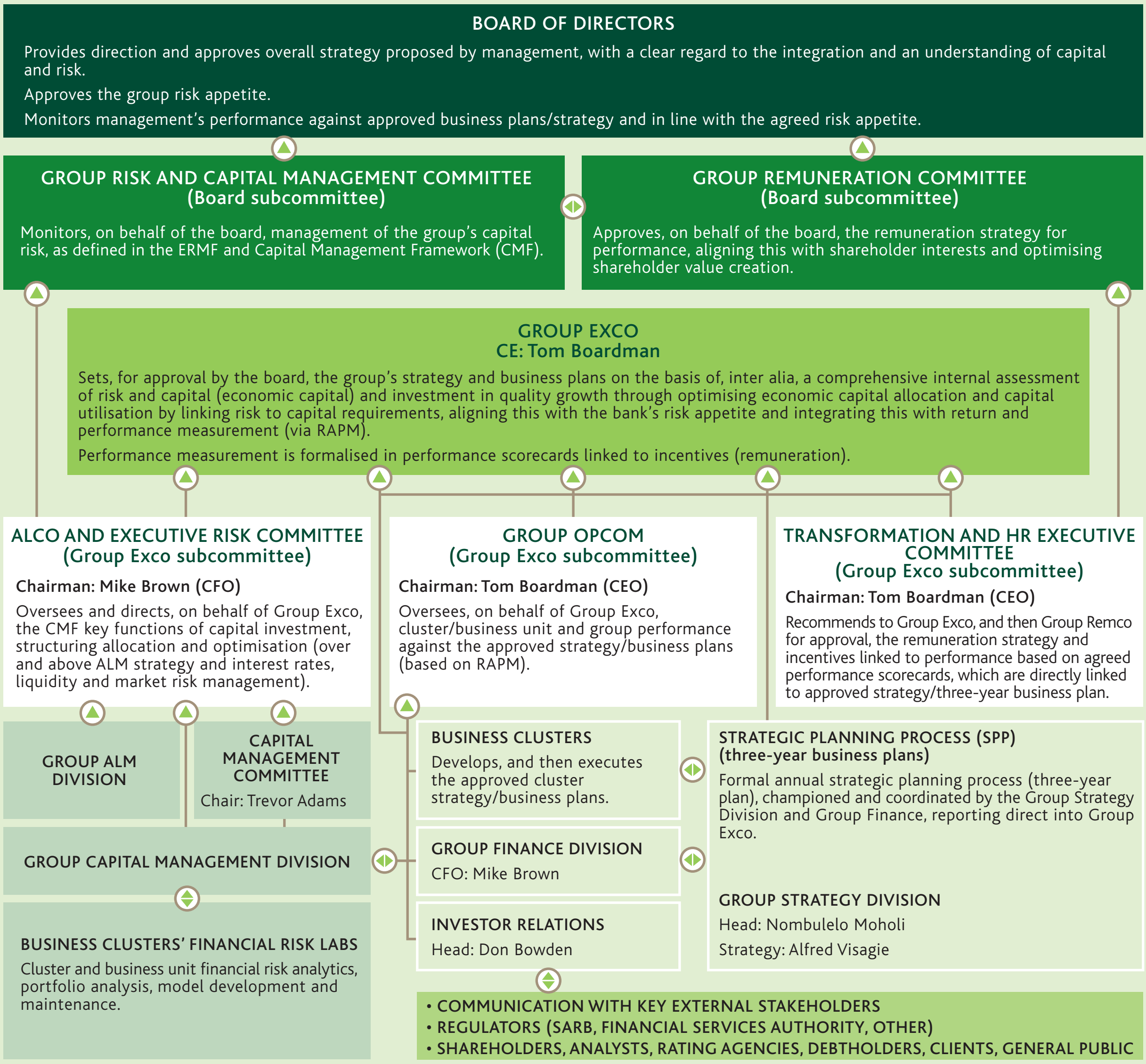
The Group Capital Management Division reports direct to the Chief Financial Officer and is mandated to champion the successful implementation of the Capital Management Framework and ICAAP across the group. Also reporting to the CFO are the heads of Group ALM and Regulatory Reporting, Budgeting and Central Accounting, who are also key roleplayers in the group's integrated capital management.



The risk and capital management responsibilities of the board and Group Exco are incorporated in their respective terms of reference (charters) contained in the ERMF. They are assisted in this regard, and in overseeing the group's capital risk (defined in the ERMF), by the board's Group Risk and Capital Management Committee, and the ALCO and Executive Risk Committee (Group ALCO) respectively.

Group ALCO, in turn, is assisted by the Group Capital Management and Group ALM Divisions and the Capital Management Committee (subcommittee of Group ALCO).

Nedbank's ICAAP reporting system



Nedbank has been on a journey to implement and thereafter consistently apply worldclass risk and capital management, with our comprehensive Basel II programme as the main catalyst. We believe we have achieved this, and the challenge going forward is to continue enhancing that position and extract the value from our considerable investments in this regard.

Capital investment

Group ALM is responsible for managing the investment profile created through the issue of capital and the internal generation of capital (ie retention of profits). This is integrated into the overall ALCO process of Nedbank Group. Group ALM and Group Capital Management Division work closely together, both being part of Group Finance Division reporting to the CFO.

Our Macroeconomic-factor Model provides further science behind ALCO's decisions on the extent to which the group's capital should be hedged against interest rate changes, if at all, and hence the impact on endowment income. This is done by modelling the relationship between changes in credit extension volumes, impairment levels and the group's endowment income when the economic cycle changes, and the extent to which a natural hedge exists between them.

Capital structuring, allocation and optimisation

Capital adequacy

Group Capital Management measures, assesses, recommends and reports on the group's capital adequacy via the comprehensive ICAAP described above.

This incorporates use of some of the following capabilities to assess and project the group's capital needs with a view to supporting current and future business activities:

- Group's three-year business plans;
- Group Credit Portfolio Model;
- Regulatory- and Economic-capital Models (capital calculation engines);
- Macroeconomic-factor Model for capital stress testing, as well as the group's comprehensive Stress- and Scenario-testing Framework, for arriving at appropriate capital buffers;
- Capital Adequacy Projection Model (of both economic- and regulatory-capital requirements in current year and over next three years); and
- strategic capital plan and scenario/sensitivity analysis, focused on optimising the level, mix and structure of the capital base in line with established risk appetite and target capital ratios (including our target debt rating).

Regulatory-capital adequacy

The capital base of the group provides the foundation for lending, off-balance-sheet transactions and other activities. Capital adequacy is measured in terms of the Banks Act, 94 of 1990, under which the group must maintain a minimum level of capital based on risk-adjusted assets and off-balance-sheet exposures.

Until 31 December 2007 the registered banks within the group are subject to regulatory-capital adequacy requirements under Basel I, which changes to Basel II from 1 January 2008. The Basel II Capital Accord also applies to Nedbank Group Limited, being the banking group.

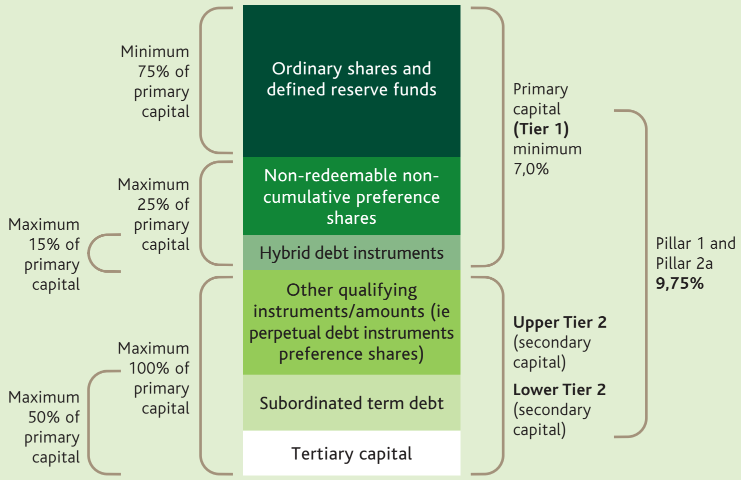
The minimum regulatory-capital requirement was 10% of risk-weighted assets under Basel I until 31 December 2007. Under Basel II the minimum regulatory-capital requirements from 1 January 2008 are as follows:

Pillar 1	8,00%
+ Pillar 2a (South African systemic risk)	1,50%
	9,50%
+ Pillar 2b (**May vary over time at SARB's discretion** – bank-specific idiosyncratic risk)	0,25%
Minimum required capital ratio	9,75%
+ buffer (principle 3 of Pillar 2) (Board decision – see Nedbank's target ratios below)	X%

Qualifying capital and reserves

- Minimum primary (Tier 1) capital percentage is 7% of RWA.
- 25% of primary capital can be in the form of perpetual preference shares and/or hybrid Tier 1 instruments.
- 15% of primary capital may be in the form of hybrid Tier 1 capital.
- Term secondary (Tier 2) capital instruments are restricted to 50% of primary capital (Tier 1).
- Total secondary and tertiary (Tier 3) capital remains restricted to 100% of primary capital.

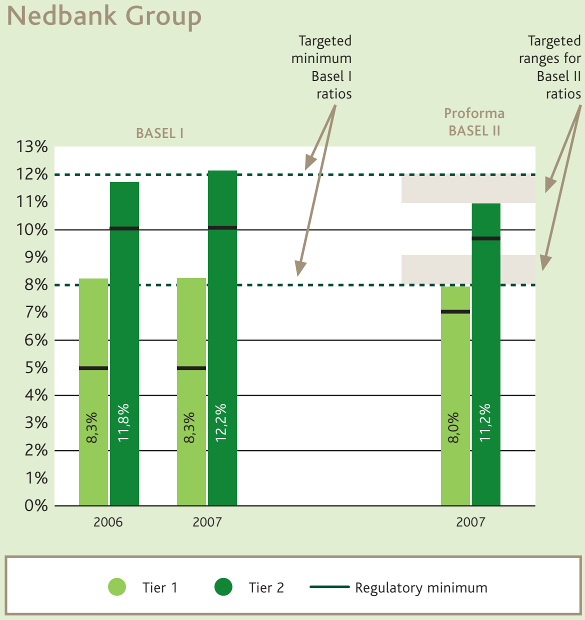
Regulatory minimum capital structure

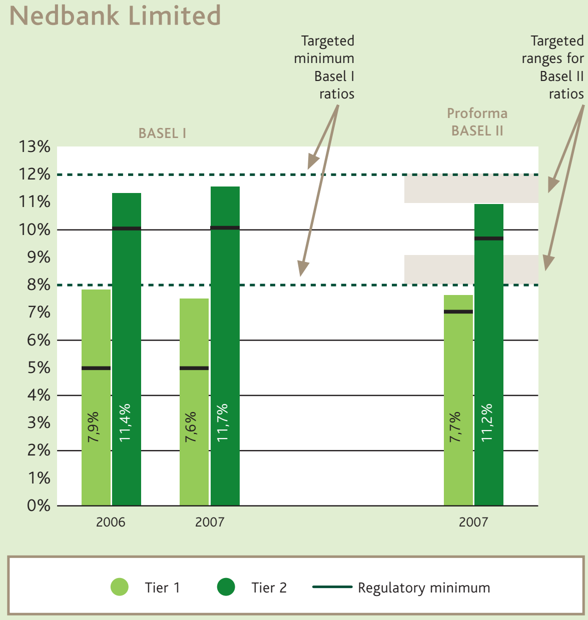


The group's and bank's target capital ratios are summarised below:

	From 1 January 2008 Basel II	To 31 December 2007 Basel I
Total ratio	11 – 12%	**12%**
Tier 1 ratio	8 – 9%	**8%**

The regulatory capital ratios of the group and Nedbank are summarised below:





The pro forma Basel II capital requirements for the group per the major risk categories are indicated in the table below:

Group Basel II regulatory capital requirements vs available resources – pro forma 31 December 2007

Risk type	Capital requirements Rm
Credit risk	**26 033**
Credit portfolios subject to AIRB approach (ie Nedbank Limited):	22 174
Corporate, sovereign, bank (incl SME)	12 130
Residential mortgage	5 724
Qualifying revolving retail	737
Other retail	3 582
Credit portfolios subject to standardised approach:	3 779
Corporate, sovereign, bank	1 738
Retail exposures	2 041
Securitisation exposures (IRB approach)	81
Equity risk	**1 671**
Equity portfolios subject to the market-based simple risk weight method approach:	
– Listed (300% risk weighting)	45
– Unlisted (400% risk weighting)	1 626
Market risk	
Trading portfolios subject to standardised approach	452
Operational risk	
Portfolios subject to the standardised approach	2 775
Other assets	1 719
TOTAL MINIMUM CAPITAL REQUIREMENTS (9,75% of risk-weighted assets)	**32 650**
QUALIFYING CAPITAL AND RESERVES	**37 421**
Net surplus over minimum regulatory-capital requirements	**4 771**

The qualifying regulatory capital and reserves of the group, highlighting the changes under Basel II on a pro forma basis, are provided below:

	Basel I 2007 Rm	%	Basel I 2006 Rm	%	Pro forma Basel II 2007 Rm	%
Tier 1 capital (Primary)	**27 785**	**8,3**	22 932	8,3	**26 611**	**8,0**
Share capital and reserves	30 193		25 116		30 193	
Minority interest: ordinary shareholders	1 511		1 202		1 511	
Minority interest: preference shareholders	3 421		3 070		3 421	
Impairments	(8)		(7)		(8)	
Goodwill	(3 898)		(3 695)		(3 898)	
Unappropriated profits	(672)		(668)		(852)	
Excess of expected loss over eligible provisions (50%)	–		–		(854)	
Other regulatory differences and non-qualifying reserves	(2 762)		(2 086)		(2 902)	
Tier 2 capital (Secondary)	**12 855**	**3,8**	9 593	3,4	**10 510**	**3,1**
Long-term debt instruments	12 326		8 518		12 326	
Tier 2 bonds not qualifying as Tier 2 capital	(1 453)		(416)		(1 453)	
Provision for performing loans	1 685		1 296		350	
Excess of expected loss over eligible provisions (50%)	–		–		(854)	
Other regulatory differences	297		195		141	
Tier 3 capital (Tertiary)	**253**	**0,1**	158	0,1	**300**	**0,1**
Total	**40 893**	**12,2**	32 683	11,8	**37 421**	**11,2**

Details of capital instruments issued by Nedbank Group are listed in note 42 to the financial statements on page 242. Nedbank Group's strategic capital management is focused on optimising the level, mix and structure of the capital base. The group continued with its dynamic management of capital with a view to managing Tier 1 capital and the overall capital mix most efficiently, subject to the appropriate shareholder and regulatory approvals, and in careful consideration of the new Basel II regulations.

Risk and Capital Management Report continued

The following is a summary of our capital management actions for 2007:

- Redeemed the NED2 R4 billion subordinated debt (July 2007).
- Concluded R6,77 billion in subordinated-debt issues.
- Included in the above number is a 10-year landmark deal with the International Finance Corporation and African Development Bank for R2 billion (NED 9).
- Subordinated-debt issuance was significant during the year due to refinancing of the NED2 R4 billion bond and in support of organic business growth. There are no further significant subordinated-debt redemptions planned prior to 2011.
- Completed a R1,7 billion Imperial Bank asset securitisation.
- Completed a R1,87 billion Nedbank Retail home loan securitisation.
- Issued R364 million in preference shares in April 2007.
- Executed no share buybacks.

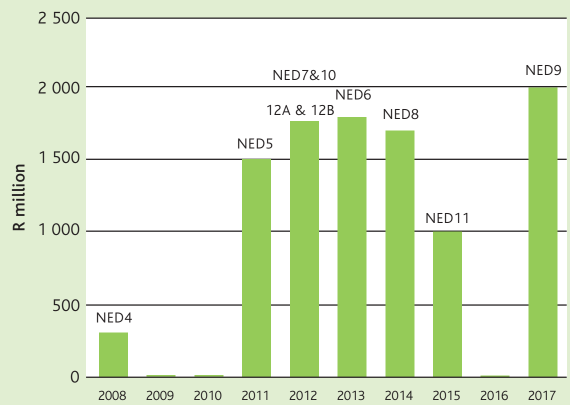
The group maintained its dividend cover policy at 2,25 to 2,75 times.

Our capital plans for 2008 currently include the following:

- Maintain dividend cover policy of 2,25 to 2,75 times.
- Support balance sheet growth by Tier 1 hybrid and Tier 2 debt issues.
- Continue active management of the core Tier 1 and overall capital levels.

Nedbank has now achieved the objective of a smoothed subordinated-debt maturity profile. Further capital issues will continue to build on this.

Nedbank's subordinated-debt maturity profile



Economic-capital adequacy

Nedbank Group's economic capital has been discussed on page 69. Set out below is the group's economic-capital adequacy at 31 December 2007, including an analysis by risk type and business segment.

Nedbank Group's ICAAP confirms that the group is well-capitalised to its A- or 99,9% confidence level target debt rating (or solvency standard) in terms of its proprietary economic-capital methodology set out earlier. This includes a 10% capital buffer, which is set based on the group's risk appetite metrics and results of stress testing of the projected capital requirements.

Nedbank's Economic-capital Model and position by risk type at 31 December 2007

CREDIT RISK
(including concentration risk)

Basel II AIRB credit methodology and sophisticated credit portfolio modelling, taking concentration risk and interrisk diversification into account.

+

MARKET RISK

Trading risk	ALM risk	Property risk	Investment risk
VaR scaled to one year using VaR limits.	A stochastic interest rate model applied to earnings at risk.	Multiple of exposure, based on volatility measures.	Multiple of exposure, based on volatility measures.

+

OPERATING RISK

Basel II standardised approach

+

BUSINESS RISK

EAR Model

=

MINIMUM ECONOMIC CAPITAL REQUIREMENT
(after intrarisk diversification benefits)

+

CAPITAL BUFFER
(10% buffer for procyclicality, stressed scenarios, etc)

=

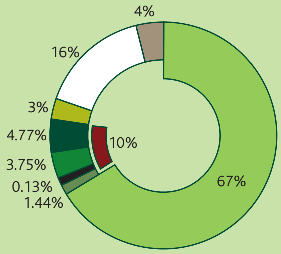
TOTAL ECONOMIC-CAPITAL REQUIREMENT

Measurement period/Time horizon: one year (same as Basel II).

Confidence interval (solvency standard): 99,9% (A-) (currently same as Basel II).

This is higher than South Africa's international foreign currency rating of BBB+.

	Rm
Credit risk	16 335
Market risk	2 472
Trading risk	353
ALM risk	31
Property risk	919
Investment risk (incl forex risk)	1 169
Operational risk	1 099
Business risk	3 885
Other assets risk	730
Minimum Ecap	**24 521**



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Minimum economic-capital requirement
R24 521 million

+

Capital buffer (10%)
R2 452 million

=

Total economic-capital requirement
R26 973 million

vs

Available financial resources
R32 744 million

=

Surplus
R5 771 million

External ratings

Nedbank Group, Nedbank Limited and Imperial Bank Limited all received rating upgrades from Moody's and/or Fitch during 2007. This has been very pleasing and recognises the turnaround of the bank over the past few years.

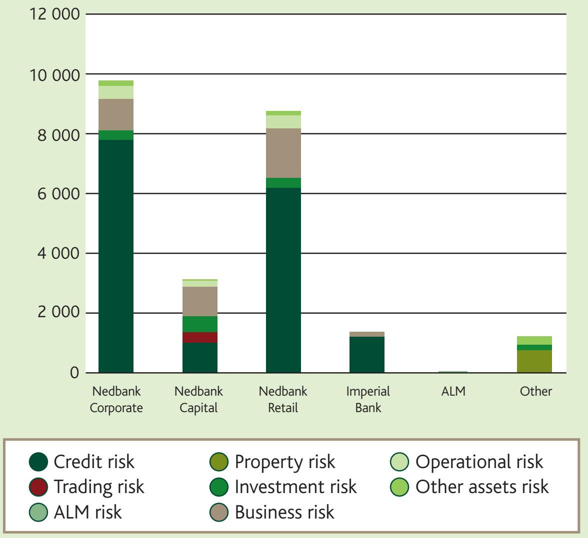
	Nedbank Group	Nedbank Limited	Imperial Bank Limited
FITCH			
Foreign currency			
Short-term	F3	F2	
Long-term	BBB	BBB+	
Long-term rating outlook	Stable	Stable	Stable
Local currency			
Long-term senior	BBB	BBB+	
Long-term rating outlook	Stable	Stable	Stable
National			
Short-term	F1 (zaf)	F1+ (zaf)	F1+ (zaf)
Long-term	AA- (zaf)	AA (zaf)	AA- (zaf)
MOODY'S			
Global local currency long-term deposits		Aa3	Aa3
Global local currency short-term deposits		Prime-1	Prime-1
Foreign currency – long-term bank deposits		Baa1	
Foreign currency – short-term bank deposits		Prime-2	
National scale rating		Aa1.za	
Outlook – deposits		Positive	

Capital allocation and risk-adjusted performance measurement

Capital optimisation in Nedbank Group is about seeking an optimal level of capital by optimising the risk profile of the balance sheet through portfolio and value-based management principles, risk-based strategic planning, economic-capital allocation and sound management of the capital buffers. This is achieved by integrating risk-based capital into the group's strategy and aligning this with management's performance measurement, through established governance and management structures, the formal strategic planning process, performance scorecards and as set out in the group's RAPM Framework.

Group Capital Management is also responsible for managing the efficient employment of capital across Nedbank Group's businesses, based on economic-capital allocation and risk-adjusted performance measurement.

Economic capital allocation by business cluster – at 31 December 2007



Risk-adjusted performance measurement
RAPM is ultimately the component in the group's CMF that is essential to achieve successful capital allocation, optimisation and integration into strategy.

Two main measures are implemented through the RAPM Framework: RORAC, which expresses the profit with respect to the risk based capital necessary to generate the revenue, giving a relative measure of performance; and EP, which is an absolute measure of shareholder value creation.

EP and RORAC are now embedded as the group's interpretation and primary measure for shareholder value creation, in conjunction with the existing traditional ROE measure, and form the key inputs into short-term incentive quantification from 2008.

The use of EP and RORAC increases focus on risk versus return in the decisionmaking process and, consequently, stimulates the use of scarce capital in the most efficient way. Risk-adjusted pricing and client value management (CVM) tools are also used as a basis for the pricing of many transactions and as an important determinant in the credit approval process.

invest

shaping the way we do banking

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 2007; 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, 61 of 1973, as amended.

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

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

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

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

Approval of group annual financial statements and annual financial statements

The group annual financial statements and annual financial statements of Nedbank Group Limited, as identified in the first paragraph, were approved by the Nedbank Group Board of Directors on 5 March 2008 and are signed on its behalf by:

Dr RJ Khoza
Chairman

TA Boardman
Chief Executive Officer

Sandown
5 March 2008

Company Secretary's certification

In terms of section 268G(d) of the Companies Act, 61 of 1973, as amended (the act), 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 2007 all such returns as are required of a public company in terms of the act, and that all such returns are true, correct and up to date.

GS Nienaber
Company Secretary

Sandown
5 March 2008

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 2007; the income statements, the statements of changes in equity and cash flow 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 152 to 281.

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 statements 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 2007, and of its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc

KPMG Inc
Registered Auditors

Per TA Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road, Parktown, 2193
Johannesburg

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

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.

Sandown
5 March 2008

Deloitte & Touche

Deloitte & Touche
Per CG Troskie
Partner

Deloitte Place, The Woodlands
Woodlands Drive, Woodmead
Sandton

National Executive:
GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Tax), L Geeringh (Consulting), L Bam (Strategy), CR Beukman (Finance), TJ Brown (Clients and Markets), NT Mtoba (Chairman of the Board), J Rhynes (Deputy Chairman of the Board)

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

Directors' Report 2007

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 financial services. Nedbank Group maintains a primary listing under 'Banks' on the JSE Limited (the JSE), with a secondary listing on the Namibian Stock Exchange.

Financial results

Full details of the financial results are set out on pages 168 to 281 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 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 38 to the annual financial statements.

Ownership

The holding company of Nedbank Group is Old Mutual Life Assurance Company (South Africa) Limited, and associates, which holds 52,95% 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 page 282.

Dividends

Details of the dividends appear in note 19 to the annual financial statements.

Directors

Biographical details of the current directors appear on pages 30 to 33. Details of directors' remuneration and shareholding appear on pages 158 to 167.

During the period under review the following changes occurred in the Nedbank Group Board:

- R Harris was appointed a non-executive director (10 December 2007).
- N Dennis resigned as an independent non-executive director (31 December 2007).

Subsequent to year-end Messrs BE Davison and CML Savage resigned/retired as independent non-executive directors with effect from 2 August 2008 and 14 May 2008 respectively.

The directors who, in terms of the articles of association, retire by rotation at the annual general meeting are Messrs TA Boardman, MWT Brown, B de L Figaji, RM Head and ML Ndlovu and they, being eligible, make themselves available for reelection. Ms R Harris was appointed on 10 December 2007, and in terms of the articles her appointment terminates at the annual general meeting. She is available for election.

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

Name	Position as director	Date appointed as director	Date resigned/retired (where applicable)
CJW Ball	Senior independent non-executive 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	
N Dennis (British)	Independent non-executive director	25 November 2002	31 December 2007
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 – 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	
ML Ndlovu	Vice-chairman – non-executive director	5 May 1993	
CML Savage	Independent non-executive director	1 November 2002	
GT Serobe	Non-executive director	16 August 2005	
JH Sutcliffe (British)	Non-executive director	10 December 2001	

continued

Company secretary and registered office

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

Business address
Nedbank Group Limited
Nedbank Sandton
135 Rivonia Road
Sandown, 2196
South Africa

Registered address
135 Rivonia Road
Sandown
2196

Postal address
Nedbank Group Limited
PO Box 1144
Johannesburg, 2000
South Africa

Property and equipment

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

Contracts

In 2004 Nedbank Group Limited 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 our website www.nedbankgroup.co.za.

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. Accordingly, 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.

Directors' service contracts

There are no service contracts with the directors of the company, except for the service contracts with Dr RJ Khoza and Messrs TA Boardman and MWT Brown, and a consultancy contract with Mr ML Ndlovu. The aforementioned directors 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 also addresses, inter alia, his remuneration and term for occupying the position of 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 is 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. Mr Ndlovu has also undertaken, in addition to his board duties, to provide certain consultancy services to Nedbank Group.

Insurance

The group has placed cover in the London traditional insurance market 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 in 2006.

Subsidiary companies

Details of principal subsidiary companies are reflected on pages 268 to 270 of the annual financial statements.

Special resolutions by subsidiaries

BoE Clock Tower Nominees (Proprietary) Limited passed a special resolution at a general meeting on 8 October 2007 amending its articles of association with effect from 31 October 2007 to allow for payments to shareholders in terms of section 90 of the Companies Act, 1973, as amended.

Nedcor Insurance Company Limited passed special resolutions at a general meeting on 15 August 2007 changing its name, with effect from 25 October 2007, to Nedgroup Financial Services 104 Limited and its main business and object to that of providing financial services.

Directors' Report 2007

for the year ended 31 December

FBCF Nominees (Proprietary) Limited and FBCF Nominees No 1 (Proprietary) Limited passed special resolutions at general meetings held on 13 August 2007 and on 16 August 2007 respectively, changing the purpose and the object of these nominee companies with effect from 3 September 2007, the purpose and object now being 'to conduct the business of a nominee company by taking title of assets on behalf of clients, holding such assets in trust on behalf of the clients of the nominee company and otherwise only dealing with such assets as may be instructed by such clients', and inserting a new article into the articles of association to include the prescribed restrictions on the nominee company in conducting its business as a nominee company.

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

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

Repurchase of shares

No shares in Nedbank Group were acquired by Nedbank Group or by a Nedbank Group subsidiary during the financial year ended 31 December 2007, other than in respect of the repurchase of shares from the Nedbank Eyethu Retail Scheme, the terms and conditions of which scheme are detailed in the circular to ordinary shareholders dated 15 June 2005. 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 balance sheet date and 5 March 2008.

Directors' interests

The directors' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative preference shares in Nedbank Limited at 31 December 2007 are set out in the Remuneration Report on pages 166 to 167.

Remuneration Report

Remuneration philosophy

Nedbank Group's philosophy is to encourage 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 with the interests of stakeholders.

Nedbank has adopted a total-reward philosophy as part of an enterprise-wide 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, and forms an integral part of the Nedbank employee value proposition. The group's market position is to pay for performance, while ensuring that there is a distribution of remuneration around the market median where 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 business level after the finalisation of the year-end results on the achievement of agreed objectives. The financial results drive the STI pools, which are distributed to individuals on the basis of relative individual performance measured against agreed targets as stated in the individual performance scorecards.

Nedbank Group's long-term incentive (LTI) schemes are primarily aimed at the retention of key, high-impact employees.

Nedbank does not use an internal grading structure. Instead, the bank benchmarks remuneration in terms of the jobs employees are employed 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, 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.

The committee comprises four independent non-executive directors, namely JB Magwaza (Chairman), Chris Ball, Brian Figaji and Cedric Savage, and one non-executive director, namely Jim Sutcliffe. Tom Boardman, Chief Executive; Bob Head, Group Director, Southern Africa Old Mutual plc, and non-executive director of Nedbank Group; and Shirley Zinn, Group Human Resources Director, Nedbank, are permanent invitees to the committee meetings. Tom Boardman and Shirley Zinn recuse themselves from discussions on their own remuneration. The committee met seven times during 2007.

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 allocation of final STI pools for distribution in respect of eligible employees;
- reviewing, monitoring and approving the Nedbank Group Employee Share Scheme rules, including the Eyethu Employee Scheme rules;
- approving the granting of share incentives to employees, the applicability of financial targets linked to these incentives and the actual financial targets, where applicable;
- making recommendations to the board on remuneration adjustments, short- and long-term incentives for the executive directors and other senior executives of the group (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, Vice-chairman 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 practicable, 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 2007 to provide a guideline for evaluating the committee's effectiveness in operational and strategic matters and to 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 operated more effectively than in 2006. High-level feedback confirmed that the committee:

- operated within the scope of its mandate;
- received adequate direction from the board;
- received timeous notification of meetings and preparatory material; and
- is well-chaired.

The committee agreed that, in the coming year, there should be a greater focus on terms and conditions of employment applicable to staff.

Advisers to the committee

The committee is informed of market-related information on guaranteed package (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, GRS Top Remuneration Survey, 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 utilised the services of Vasdex Associates, PricewaterhouseCoopers and 21st Century Pay Solutions during the year. During 2007 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 formal half-day training session on current reward trends and practices was facilitated by Dr Mark Bussin, executive Chairman of 21st Century Pay Solutions, in November 2007.

Guaranteed-package increases

Annual increases in 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 from 1 April.

Non-managerial employees form part of a bargaining unit, and annual increases granted depend on negotiations with the recognised trade unions, SASBO and IBSA. In April 2007 the non-managerial remuneration bill was increased by 7% and the managerial and executive remuneration bill increased by 6%. Individual increases are granted on the basis of personal performance and market comparisons.

Chief Executive Tom Boardman's guaranteed package was reviewed in February 2007 and adjusted by 10% to R3 850 000 pa with effect from 1 April 2007, commensurate with his performance and comparative remuneration information. Chief Financial Officer Mike Brown's guaranteed package was adjusted by 9,5% to R2 300 000 pa with effect from 1 April 2007. These increases cover the period from 1 April 2007 to 31 March 2008.

Remuneration

All employees in the Nedbank Group are remunerated on a 'total cost to company' basis (referred to in this report as 'guaranteed package'), which includes a basic salary, 13th cheque (if selected), allowances and contributions to benefit funds. From the guaranteed package, contributions are made to the Nedgroup Medical Aid Scheme, a postretirement medical aid fund (applicable only to qualifying employees), a retirement fund, a disability fund and a death benefit scheme. A car allowance/company car contribution may be structured into the package where the employee is required to travel on group business. The amounts stipulated under basic salary and other benefits in table 1 on page 158 exclude the contributions to the retirement fund, but include contributions to the disability fund, the car allowance/company car contribution, medical aid contributions and postretirement medical aid subsidy.

Retirement scheme

The executive directors are members of Nedbank's defined-contribution retirement schemes. Contributions to the retirement funds form part of the guaranteed package.

In September 2007 members were given notice of the pending closure of the Nedbank Executive Provident Fund. Members were given the option to continue contributing the same percentage towards their defined-contribution fund or cease their contribution and retain this in the cash component of their 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 cluster incentive schemes are designed according to those principles.

The achievement of Nedbank Group's ROE target of 20% for 2007 was the condition for the creation of the target incentive pool for all support clusters and the group pool component for the income-generating clusters.

In the income-generating clusters, incentive pools are structured from 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 on a combination of group ROE results and the clusters' ROE and headline earnings 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 ROE target and the amounts calculated taking into consideration each cluster'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.

Executive remuneration is benchmarked to data provided in national executive remuneration surveys and information disclosed in annual financial statements. Bonuses are based on actual performance measured against agreed financial and non-financial targets included in the performance scorecards.

To align the group's STI scheme with the group's strategic recovery plan, the targets for the STI scheme have been aligned with the annual recovery plan ROE targets, culminating in a 20% ROE target for the 2007 financial year.

The STI scheme has been changed to correspond with value drivers that align with market measurements of performance as the group moves out of a recovery phase (from financial year 2008 and onwards). To focus employees on a combination of return and growth from financial year 2008 onwards, Nedbank Group's STI has been altered to be driven from economic-profit (EP) targets.

Changing the STI scheme to an EP-driven formula will require the executive and employees to produce simultaneous growth and return results in order to sustain and improve on the available STI pool.

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 a small number of key employees, serving as a retention scheme. The Chief Executive and members of the Group Executive Committee were excluded from this scheme. At 31 December 2007 the scheme included 336 key employees. An initial payment took place in 2006 and the balance of the DSTI (less tax) is payable in October 2008 for most employees and in October 2009 for employees in Nedbank Capital. Employees leaving the service of Nedbank before the termination date of the scheme are required to reimburse Nedbank with the gross incentive amount paid.

Executive directors

Service contracts

Tom Boardman's employment is governed by a service contract with the group, which commenced on 10 December 2003 for an initial period of five years. The final termination date of his contract has now been extended to 28 February 2010 to coincide with the results presentation following his 60th birthday in December 2009. 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 at age 60.

Executive directors' remuneration

The remuneration of executive directors for the years ended 31 December 2007 and 31 December 2006 was as follows:

Table 1: 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.

Table 2: Executive directors' remuneration – year to 31 December 2006

Name	Basic salary and other benefits* (R000)	Retirement fund contributions (R000)	Guaranteed remuneration (R000)	Performance bonus*** (R000)	Total (R000)	2006 on 2005 change (%)
TA Boardman	3 191	240	3 431	6 500	9 931	14,6
MWT Brown	1 809	252	2 061	4 200	6 261	16,0
Total	**5 000**	**492**	**5 492**	**10 700**	**16 192**	**1,4****

* *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.*

** *Refers to total remuneration cost in respect of executive directors in service. Different directors were in service year-on-year.*

*** *Performance bonus relates to performance in 2006, paid in March 2007.*

Performance bonus for executive directors

In 2004, at the inception of Nedbank's three-year turnaround programme, the Chief Executive committed to achieving an ROE of 20% by the end of 2007. The achievement of this objective in 2007 represents a significant point of delivery in Nedbank's turnaround.

The bonus pool for distribution to the Chief Executive and Chief Financial Officer was dependent on the achievement of the group's ROE target (20%) for the 2007 financial year.

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

- Financial – improving ROE, headline earnings and efficiency ratio.
- Client – achieving profitable asset growth and accomplishing quality growth in net transactional banking, as well as improving client service and enhancing Nedbank's image in the external environment.
- Internal processes – creating an acceptable risk environment, successfully implementing Basel II and drawing up credible business plans for 2008 to 2010.
- Organisational learning – achieving Financial Sector Charter (FSC) employment equity targets and the group's transformation targets and creating a high-performance culture.

Performance across all four of these dimensions in 2007 was exceptional, with all targets exceeded.

Severance arrangements for executive directors

The following formula will apply in calculating a severance package for executive directors in the event of their services being terminated: two weeks' guaranteed remuneration per completed year of defined operational service, with no maximum. In addition, the executive is entitled to a maximum notice period of six months, during which he or she 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.

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.

Non-executive directors' remuneration for the years ended 31 December 2007 and 31 December 2006 was as follows:

Name	Board meeting fees (R000)	Committee meeting fees (R000)	**2007 (R000)**	2006 (R000)
CJW Ball ####	175	759	**934**	749
WAM Clewlow #				688
RG Cottrell**** ####				571
BE Davison	175	286	**461**	236
N Dennis ******	175	125	**300**	215
MA Enus-Brey ####	175	171	**346**	289
B de L Figaji	175	160	**335**	280
R Harris *****	10		**10**	
RM Head*	175	186	**361**	278
MM Katz	175	375	**550**	527
RJ Khoza##		2 500	**2 500**	1 561
JB Magwaza	175	286	**461**	385
ME Mkwanazi	175	200	**375**	312
ML Ndlovu	175	345	**2 120****	2 450**
JVF Roberts* ***				84
CML Savage	175	186	**361**	244
GT Serobe	175	96	**271**	215
TCP Chikane ###	175	156	**331**	18
JH Sutcliffe*	175	95	**270**	225
Total	2 460	5 926	**9 986**	9 327

 # WAM Clewlow retired on 4 May 2006.
This amount includes chairman fees in respect of his appointment as Chairman with effect from 5 May 2006.
TCP Chikane joined on 1 November 2006.
Includes fees for board, subsidiary board and committee memberships (including Imperial Bank), for the years 2006 and 2007.
** Fees for Messrs Roberts, Head and Sutcliffe and Ms Harris are paid to Old Mutual (South Africa) Limited.*
*** This amount includes consulting fees of R2 million paid in 2006 and R1,6 million paid in 2007.*
**** JVF Roberts resigned as a non-executive director on 5 May 2006.*
***** RG Cottrell retired as an independent non-executive director on 30 November 2006.*
****** R Harris was appointed a non-executive director with effect from 10 December 2007.*
******* N Dennis resigned as an independent non-executive director effective 31 December 2007.*

Remuneration for non-executive directors for committee membership is as follows:

Committee	Proposed (with effect from 01-01-2008)*** (R)	**Annual fee 2007 (R)**	Annual fee 2006 (R)
Boards			
Chairman of the board*	3 000 000	**2 500 000**	2 250 000
Nedbank Group Limited**	130 000	**95 000**	75 000
Nedbank Limited**	110 000	**80 000**	60 000
Committees			
Group Audit Committee**	105 000	**96 000**	80 000
Group Finance and Oversight Committee	20 000	**30 000**	30 000
Group Remuneration Committee**	60 000	**55 000**	50 000
Group Risk and Capital Management Committee**	75 000	**60 000**	50 000
Group Credit Committee	65 000	**65 000**	65 000
Group Directors' Affairs Committee	40 000	**40 000**	40 000
Board Strategic Innovation Management Committee**	40 000	**35 000**	30 000
Group Transformation and Sustainability Committee**	65 000	**40 000**	30 000

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

** *At the annual general meeting held on 18 May 2007 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 2008 annual general meeting.*

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 consisting of Tom Boardman, Jim Sutcliffe and Bob Head after due consideration of market practice and trends. In 2007 PricewaterhouseCoopers assisted the subcommittee with its decisionmaking with detailed market information. The subcommittee recommended the above increases with effect from 1 January 2008. These were approved by the board, but are still subject to shareholder approval at the annual general meeting to be held on 13 May 2008.

Committee meeting attendance is recorded in the Enterprise Governance and Compliance Report on pages 92 to 94.

Share incentives

Share option grants

Long-term incentive schemes are intended to retain high-impact employees and provide these key employees with a reward that corresponds with the rewards that shareholders receive for group performance. The amount of the incentive is based on the most recent performance review, individual career path planning, scarcity of skills and the organisation's need for retaining the individuals. The value of share options allocated is benchmarked to the external market and overall affordability.

The granting of share options (based on skills, merit and performance) is entirely at the discretion of the committee, within agreed criteria and based on recommendations from executive management. Share options are granted twice a year to new employees and those appointed to more senior positions internally, and annually to existing employees on a date determined by the committee. Annual allocations were made to 1 077 employees on 27 February 2007. On-appointment allocations were made to 207 employees in total on 27 February 2007 and 10 August 2007.

At 31 December 2007 share options in issue under the Nedbank employee schemes (vested and unvested), as a percentage of issued share capital, was 4,5%.

Employee share option schemes

2005 Nedbank Employee Share Scheme

This scheme consists of three parts:

1 **Share Option Scheme**

Share options are issued to qualifying employees with or without performance conditions (as determined annually by the committee). The share option scheme offers awards to new employees and internal appointments (on-appointment allocations) and annually to existing employees (annual allocations).

On-appointment allocations (internal and external appointments)

On-appointment share option allocations are offered at the discretion of the committee to new employees and to employees who have been appointed to more senior positions and meet the criteria recommended by the Group Executive Committee. On-appointment allocations take place twice a year, three trading days after the announcement of the interim and annual financial results (in August and February), 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 all targets imposed. All options have to be exercised within two years from the date of vesting.

Annual allocations

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

Annual allocations take place once a year (typically in February), subject to the Nedbank Group Personal Account and Insider Trading Policy. The committee will determine annually whether performance-based vesting conditions will apply in respect of the allocation to qualifying employees. Where applicable, share options will vest only if the predetermined financial hurdle is cleared. In the event of no performance targets applying, time-based vesting criteria will apply. In respect of all options allocated in 2005 and 2006, time-based vesting criteria apply. The committee agreed that an ROE target for the period 2007 – 2009 will apply to the options granted during 2007. All options allocated under this scheme will vest subject to the achievement of targets after three years from the date of allocation. All options have to be exercised within two years from the date of vesting.

Share option allocation price

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

2 Matched Share Scheme

The Matched Share Scheme allows employees an opportunity to allocate up to 50% of their after-taxation bonus towards the acquisition of Nedbank Group shares or to deposit Nedbank Group shares to the equivalent value. 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 for 50% of the matched shares; and
- the group has met the agreed performance targets over a three-year period for the remaining 50% of the matched shares.

3 Restricted Share Plan

The Restricted Share Plan with performance targets was approved as part of the 2005 Nedbank Employee Share Scheme. During the 2005 – 2007 financial years no allocations were made under this scheme.

At the meeting of the committee in November 2007, in line with local and international practice, it was agreed that restricted shares instead of share options would be issued during 2008 to selected staffmembers. The financial targets required for vesting of these shares are aligned with the three-year business plans. All allocations to be made will be recommended for approval to the committee by the Group Executive Committee.

Phantom Share Plan

During 2007 the committee approved the Phantom Share Plan (cash settled) for key staff of the business in the UK. The scheme design principles mirror the South African LTI schemes as far as possible. A total of nine UK employees participated in the newly approved scheme in 2007. None of these employees participates in the South African LTI schemes.

Status of the share schemes

1994 Nedcor Group Employee Incentive Scheme

At 31 December 2007 there were 624 participants and 4 271 871 Nedbank Group share options outstanding, of which 271 409 were as a result of the rights issue grant linked to the underlying options during 2004. Of these share options outstanding 1 311 740 were issued with performance-based vesting criteria and 2 960 131 were time-based allocations.

During 2007 a total of 1 237 227 share options previously issued lapsed owing to the non-achievement of the financial performance targets determined at the time of the allocation.

2005 Nedbank Employee Share Trust

At 31 December 2007 there were 1 644 participants and 16 306 244 Nedbank Group share options outstanding. All share options under this scheme were issued with time-based vesting criteria. The allocations made in 2007 were also linked to the achievement of financial targets. Of these share options 6 377 666 were issued in 2007.

Matched Share Scheme

The number of participants who have committed shares to the scheme at 31 December 2007 is noted below:

	2007	2006	2005
	414	437	461

The total number of shares held in the trust totals 596 762 shares.

Nedbank Eyethu Employee Schemes

Nedbank Group implemented its black economic empowerment (BEE) staff schemes in August 2005. The objective of the schemes is in support of the achievement of Nedbank's broad transformation strategy. The group has initiated a project to ensure that the schemes also meet the requirements of the Department of Trade and Industry (dti) codes.

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 2007 a total of 30 black employees in senior positions with groupwide impact, as identified by the Group Executive Committee and approved by the committee and trustees, are beneficiaries of the Black Executive Trust.

Newly appointed black permanent employees earning in excess of the Financial Sector Charter remuneration band for middle management (R302 653 per annum) received fresh or topup options and shares under the Black Management Scheme in the period under review.

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 May 2007 altogether 57 beneficiaries successfully applied to participate in a programme that provides them with the opportunity to obtain a qualification equivalent to Grade 12.

Eyethu Non-executive Directors Trust

This trust comprises 852 590 shares. At 31 December 2007 a total of 533 900 shares were allocated to four participants. On 3 March 2008 a total of 81 815 shares will be allocated to TCP Chikane.

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. The implementation thereof will be considered during 2008.

Remuneration Report

continued

Executive directors' share option holdings

Name	Opening balance at Dec 2006 Number of options	Date of issue	Issue price (R)	Options issued during 2007 Number of options	Date of issue	Issue price (R)
TA Boardman	126 200	02/07/2002	123,60			
	10 000*	01/04/2003	88,00			
	250 000*	11/05/2004	60,01			
	30 459	10/05/2004	60,00			
	100 000	30/06/2005	76,79			
	120 000	28/02/2006	110,98			
				72 765*	27/02/2007	144,30
	636 659			72 765		
MWT Brown	72 800	02/07/2002	123,60			
	9 000*	01/04/2003	88,00			
	20 000*	11/05/2004	60,01			
	80 000*	10/08/2004	55,75			
	26 684	10/05/2004	45,00			
	20 000	30/06/2005	76,79			
	70 000	28/02/2006	110,98			
				40 000*	27/02/2007	144,30
	298 484			40 000		

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

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

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

Further details of share options granted to employees are included on pages 280 and 281.

Exercised during 2007				Closing balance at Dec 2007				
Number of options	Date of exercise/ cancellation	Issue price (R)	Gain on share options exercised	Number of options	Date of issue	Issue price (R)	Vested	Expiry date
				126 200	02/07/2002	123,60	126 200	02/07/2008
10 000*	28/02/2007	88,00	lapsed					
75 000*	14/05/2007	60,01	6 755 304	125 000*	11/05/2004	60,01		11/05/2010
50 000*	22/05/2007	60,01	4 503 536					
4 167	28/02/2007	60,00	lapsed					
26 292	16/03/2007	60,00	1 843 765					
				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
165 459			13 102 605	**543 965**			**126 200**	
				72 800	02/07/2002	123,60	72 800	02/07/2008
9 000*	28/02/2007	88,00	lapsed					
				20 000*	11/05/2004	60,01		11/05/2010
				80 000*	10/08/2004	55,75		10/08/2010
3 750	28/02/2007	45,00	lapsed	13 934	10/05/2004	45,00	13 934	10/08/2010
9 000	28/03/2007	45,00	864 000					
				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
21 750			864 000	**316 734**			**86 734**	

Shares purchased by executive directors under the Matched Share Scheme for the period 2005 – 2007:

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
MWT Brown	9 803	02/06/2005**	76,50
	7 400	28/03/2006	130,18
	8 878	27/03/2007	141,92

* *The rules of the Nedbank Group (2005) Matched Share Scheme limited participation, if an individual was within three years of retirement. Mr TA Boardman purchased Nedbank shares to the value of 50% of his after-taxation bonus in March 2007, but as a result of the retirement rule could not participate in the scheme. The scheme rule was subsequently amended at the 2007 annual general meeting. The Remuneration Committee has approved an allocation of 13 470 restricted shares to Mr Boardman in February 2008 in lieu of participating in the Matched Share Scheme in 2007 on condition that he holds the shares purchased in March 2007 for three years from that date.*

** *The initial inception date was amended from 25 May 2005 to 2 June 2005 due to an extension granted for participation in the scheme.*

Directors' interests

At 31 December 2007 the directors' interests in ordinary shares in Nedbank Group were as follows:

	Beneficial				Non-beneficial	
	Direct		Indirect		Indirect	
Number of shares	**2007**	2006	**2007**	2006	**2007**	2006
CJW Ball	**10 000**	10 000				
TA Boardman	**50 098**	25 098				
MWT Brown	**26 203**	17 203	**909**	909		
TCP Chikane						
BE Davison						
N Dennis						
MA Enus-Brey*+			**1 622**	1 610	**557**	546
B de L Figaji*			**107 928**	103 364	**2 296**	2 296
R Harris						
RM Head						
MM Katz			**4 682**	4 482		
RJ Khoza*++			**1 031**	1 031	**1 031**	1 031
JB Magwaza*	**160**	153	**107 878**	103 314	**549**	549
ME Mkwanazi*	**1 768**	1 728	**107 928**	103 364	**1 148**	1 148
ML Ndlovu			**232 871**	222 917		
CML Savage	**8 452**	8 452				
GT Serobe*+++			**972**	972	**2 458**	2 458
JH Sutcliffe						
Total	**96 681**	62 634	**565 821**	541 963	**8 039**	8 028

* *Includes shares bought in terms of the Retail Eyethu Scheme by immediate family members.*
\+ *Excludes 4 138 490 and 4 353 200 shares held by The Brimstone-Mtha Financial Services Trust in 2006 and 2007 respectively.*
++ *Excludes 1 758 858 and 1 837 021 shares held by The Aka-Nedbank Eyethu Trust in 2006 and 2007 respectively.*
+++ *Excludes 4 138 490 and 4 366 046 shares held by The Wiphold Financial Services Number Two Trust in 2006 and 2007 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 2007 the directors' interests in the non-redeemable, non-cumulative preference shares of R0,001 each in Nedbank Limited were as follows:

	Beneficial				Non-beneficial	
	Direct		Indirect		Indirect	
Number of shares	**2007**	2006	**2007**	2006	**2007**	2006
CJW Ball	**144 300**	144 300				
TA Boardman					**85 000**	85 000
MWT Brown						
TCP Chikane						
BE Davison						
N Dennis	**47 500**	47 500				
B de L Figaji						
MA Enus-Brey						
R Harris						
RM Head						
MM Katz	**475 000**	475 000			**105 000**	105 000
RJ Khoza						
JB Magwaza						
ME Mkwanazi						
ML Ndlovu						
CML Savage			**212 700**	212 700		
GT Serobe						
JH Sutcliffe						
Total	**666 800**	666 800	**212 700**	212 700	**190 000**	190 000

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

On 3 March 2008 altogether 60 167 restricted shares were granted to TA Boardman and 38 613 restricted shares were granted to MWT Brown in terms of The Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme approved by shareholders on 4 May 2005. On 3 March 2008, TCP Chikane acquired 81 815 ordinary shares through the Nedbank Eyethu Non-executive Directors scheme. There are 437 934 (2006: 625 143) options outstanding that have been granted to executive directors in terms of the Nedcor Group (1994) Employee Incentive Scheme and 422 765 (2006: 310 000) 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 164 and 165.

Group income statement

for the year ended 31 December

	Notes	2007 Rm	2006 Rm
Interest and similar income	10	**42 001**	28 521
Interest expense and similar charges	11	**27 855**	17 558
Net interest income		**14 146**	10 963
Impairments charge on loans and advances	26.1	**2 164**	1 483
Income from lending activities		**11 982**	9 480
Non-interest revenue	12	**10 446**	9 468
Operating income		**22 428**	18 948
Total operating expenses		**13 489**	11 886
Operating expenses	13	**13 341**	11 740
BEE transaction expenses	14	**148**	146
Indirect taxation	15	**305**	345
Profit from operations before non-trading and capital items		**8 634**	6 717
Non-trading and capital items	16	**111**	124
Profit from operations		**8 745**	6 841
Share of profits of associates and joint ventures	30.2	**239**	153
Profit before direct taxation		**8 984**	6 994
Direct taxation	17.1	**2 343**	1 933
Profit for the year		**6 641**	5 061
Profit attributable to:			
Equity holders of the parent		**6 025**	4 533
Minority interest – ordinary shareholders		**344**	309
Minority interest – preference shareholders		**272**	219
		6 641	5 061
Basic earnings per share (cents)	18.1	**1 511**	1 135
Diluted earnings per share (cents)	18.1	**1 454**	1 099
Dividend paid per share (cents)	19.1	**594**	394
Dividend declared per share (cents)	19.1	**660**	493

Group balance sheet

at 31 December

	Notes	2007 Rm	2006 Rm
Assets			
Cash and cash equivalents	20	**10 344**	12 267
Other short-term securities	21	**25 793**	25 756
Derivative financial instruments	22	**9 047**	15 273
Government and other securities	24	**29 637**	22 196
Loans and advances	25	**373 956**	308 563
Other assets	27	**9 313**	12 468
Clients' indebtedness for acceptances		**2 251**	2 577
Current taxation receivable	28	**59**	161
Investment securities	29	**8 318**	7 155
Non-current assets held for sale	31	**31**	490
Investments in associate companies and joint ventures	30	**978**	907
Deferred taxation asset	32	**25**	120
Investment property	33	**171**	158
Property and equipment	34	**3 929**	3 377
Long-term employee benefit assets	35	**1 393**	1 444
Computer software and capitalised development costs	36	**1 349**	1 266
Mandatory reserve deposits with central bank	20	**8 364**	7 039
Goodwill	37	**3 898**	3 695
Total assets		**488 856**	424 912
Equity and liabilities			
Ordinary share capital	38.1	**402**	395
Ordinary share premium		**10 721**	9 727
Reserves		**19 070**	14 994
Total equity attributable to equity holders of the parent		**30 193**	25 116
Minority shareholders' equity attributable to:			
– ordinary shareholders		**1 511**	1 202
– preference shareholders	38.2	**3 421**	3 070
Total equity		**35 125**	29 388
Derivative financial instruments	22	**11 432**	12 904
Amounts owed to depositors	39	**384 541**	324 685
Other liabilities	40.1	**34 225**	37 847
Liabilities under acceptances		**2 251**	2 577
Current taxation liabilities	28	**337**	434
Other liabilities held for sale	31		417
Deferred taxation liabilities	32	**1 616**	1 649
Long-term employee benefit liabilities	35	**1 157**	1 215
Investment contract liabilities	41	**5 846**	5 278
Long-term debt instruments	42	**12 326**	8 518
Total liabilities		**453 731**	395 524
Total equity and liabilities		**488 856**	424 912
Guarantees on behalf of clients	43	**20 579**	15 250

Group currency-adjusted income statement

for the year ended 31 December

	2007 Rm	2006 Rm
Interest and similar income	**42 001**	28 521
Interest expense and similar charges	**27 855**	17 558
Net interest income	**14 146**	10 963
Impairments charge on loans and advances	**2 164**	1 483
Income from lending activities	**11 982**	9 480
Non-interest revenue	**10 446**	9 468
Operating income	**22 428**	18 948
Total operating expenses	**13 489**	11 886
Operating expenses	**13 341**	11 740
BEE transaction expenses	**148**	146
Indirect taxation	**305**	345
Profit from operations before non-trading and capital items	**8 634**	6 717
Non-trading and capital items	**111**	124
Profit from operations	**8 745**	6 841
Share of profits of associates and joint ventures	**239**	153
Profit before direct taxation	**8 984**	6 994
Direct taxation	**2 343**	1 933
Profit for the year	**6 641**	5 061
Minority interest attributable to ordinary shareholders	**344**	309
Minority interest attributable to preference shareholders	**272**	219
Profit attributable to equity holders of the parent	**6 025**	4 533
Less: non-trading and capital items	**104**	98
– Non-trading and capital items	**111**	124
– Tax on non-trading and capital items	**(7)**	(26)
Headline earnings	**5 921**	4 435
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.

continued

2007 US$m	2006 US$m	2007 UK£m	2006 UK£m	2007 €m	2006 €m
5 981	4 184	2 982	2 253	4 339	3 306
3 967	2 576	1 978	1 387	2 877	2 035
2 014	1 608	1 004	866	1 462	1 271
308	218	154	117	224	172
1 706	1 390	850	749	1 238	1 099
1 488	1 389	742	748	1 079	1 097
3 194	2 779	1 592	1 497	2 317	2 196
1 921	1 743	958	939	1 393	1 378
1 900	1 722	947	927	1 378	1 361
21	21	11	12	15	17
43	51	22	27	32	40
1 230	985	612	531	892	778
16	18	8	10	11	14
1 246	1 003	620	541	903	792
34	22	17	12	25	18
1 280	1 025	637	553	928	810
334	284	166	153	242	224
946	741	471	400	686	586
49	45	24	24	36	36
39	32	19	17	28	25
858	664	428	359	622	525
15	14	8	8	10	11
16	18	8	10	11	14
(1)	(4)		(2)	(1)	(3)
843	650	420	351	612	514
0,1424	0,1467	0,0710	0,0790	0,1033	0,1159

Group currency-adjusted balance sheet

at 31 December

	2007 Rm	2006 Rm
Assets		
Cash and cash equivalents	**10 344**	12 267
Other short-term securities	**25 793**	25 756
Derivative financial instruments	**9 047**	15 273
Government and other securities	**29 637**	22 196
Loans and advances	**373 956**	308 563
Other assets	**9 313**	12 468
Clients' indebtedness for acceptances	**2 251**	2 577
Current taxation receivable	**59**	161
Investment securities	**8 318**	7 155
Non-current assets held for sale	**31**	490
Investments in associate companies and joint ventures	**978**	907
Deferred taxation asset	**25**	120
Investment property	**171**	158
Property and equipment	**3 929**	3 377
Long-term employee benefit assets	**1 393**	1 444
Computer software and capitalised development costs	**1 349**	1 266
Mandatory reserve deposits with central bank	**8 364**	7 039
Goodwill	**3 898**	3 695
Total assets	**488 856**	424 912
Equity and liabilities		
Ordinary share capital	**402**	395
Ordinary share premium	**10 721**	9 727
Reserves	**19 070**	14 994
Total equity attributable to equity holders of the parent	**30 193**	25 116
Minority shareholders' equity attributable to:		
– ordinary shareholders	**1 511**	1 202
– preference shareholders	**3 421**	3 070
Total equity	**35 125**	29 388
Derivative financial instruments	**11 432**	12 904
Amounts owed to depositors	**384 541**	324 685
Other liabilities	**34 225**	37 847
Liabilities under acceptances	**2 251**	2 577
Current taxation liabilities	**337**	434
Other liabilities held for sale		417
Deferred taxation liabilities	**1 616**	1 649
Long-term employee benefit liabilities	**1 157**	1 215
Investment contract liabilities	**5 846**	5 278
Long-term debt instruments	**12 326**	8 518
Total liabilities	**453 731**	395 524
Total equity and liabilities	**488 856**	424 912
Guarantees on behalf of clients	**20 579**	15 250
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.

continued

2007 US$m	2006 US$m	2007 UK£m	2006 UK£m	2007 €m	2006 €m
1 516	1 753	**757**	893	**1 031**	1 331
3 781	3 680	**1 888**	1 875	**2 572**	2 795
1 326	2 182	**662**	1 112	**902**	1 657
4 345	3 172	**2 169**	1 616	**2 955**	2 408
54 822	44 094	**27 373**	22 463	**37 283**	33 479
1 365	1 782	**682**	908	**929**	1 353
330	368	**165**	188	**224**	280
9	23	**4**	12	**6**	17
1 219	1 022	**609**	521	**829**	776
5	70	**2**	36	**3**	53
143	130	**72**	66	**98**	98
4	17	**2**	9	**2**	13
25	23	**13**	11	**17**	17
576	483	**288**	246	**392**	366
204	206	**102**	105	**139**	157
198	181	**99**	92	**134**	137
1 226	1 006	**612**	512	**834**	764
572	528	**285**	269	**389**	401
71 666	60 720	**35 784**	30 934	**48 739**	46 102
59	56	**29**	29	**40**	43
1 572	1 390	**785**	708	**1 069**	1 055
2 795	2 143	**1 396**	1 092	**1 901**	1 627
4 426	3 589	**2 210**	1 829	**3 010**	2 725
222	172	**111**	89	**151**	130
502	439	**250**	223	**341**	333
5 150	4 200	**2 571**	2 141	**3 502**	3 188
1 676	1 844	**837**	939	**1 140**	1 400
56 374	46 397	**28 148**	23 637	**38 339**	35 228
5 017	5 408	**2 505**	2 755	**3 412**	4 106
330	368	**165**	188	**224**	280
49	62	**25**	32	**34**	47
	60		30		45
236	236	**118**	120	**161**	179
170	174	**85**	88	**115**	132
857	754	**428**	384	**583**	573
1 807	1 217	**902**	620	**1 229**	924
66 516	56 520	**33 213**	28 793	**45 237**	42 914
71 666	60 720	**35 784**	30 934	**48 739**	46 102
3 017	2 179	**1 506**	1 110	**2 052**	1 655
0,1466	0,1429	**0,0732**	0,0728	**0,0997**	0,1085

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 2005	401 753 557	402	10 465	59
Shares issued for options exercised under the employee incentive schemes	2 382 090	2	293	
Shares issued in terms of capitalisation award	5 025 656	5	551	
Shares issued in terms of BEE transaction	665 442	1	24	
Share issue expenses			(1)	
Shares acquired by group entities	(13 699 677)	(14)	(1 499)	
Shares acquired by BEE trusts	(1 441 586)	(1)	(106)	
Shares issued/(repurchased) by subsidiary				
Preference share dividends paid				
Dividends to shareholders				
Total income and expense for the year		–	–	34
Profit for the year				
Net income/(expense) recognised directly in equity		–	–	34
– Transfer from/(to) reserves				139
– Release of reserve previously not available***				(105)
– Foreign currency translation reserve movements				
– Property revaluation reserve movements				
– Share-based payments reserve movements				
– Available-for-sale reserve movements				
– Other				
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				
Preference share cumulative dividends 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 movements				
– Property revaluation reserve movements				
– Share-based payments reserve movements				
– Available-for-sale reserve movements				
– Acquisition of subsidiaries				
– Disposal of subsidiaries				
– Buyout of minorities				
– Other				
Balance at 31 December 2007	**401 941 399**	**402**	**10 721**	**113**

* *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.*

continued

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
(53)	415	501	233	285	10 183	22 490	1 049	2 770	26 309
						295			295
						556			556
						25			25
						(1)			(1)
						(1 513)			(1 513)
						(107)			(107)
						–	(150)	300	150
						–		(219)	(219)
					(1 562)	(1 562)	(23)		(1 585)
334	70	135	125	(110)	4 345	4 933	326	219	5 478
					4 533	4 533	309	219	5 061
334	70	135	125	(110)	(188)	400	17	–	417
	(7)	(90)	131		(173)	–			–
						(105)			(105)
334						334	21		355
	77					77			77
		225				225			225
				(110)		(110)			(110)
			(6)		(15)	(21)	(4)		(25)
281	**485**	**636**	**358**	**175**	**12 966**	**25 116**	**1 202**	**3 070**	**29 388**
						502			**502**
						651			**651**
						16			**16**
						–		**364**	**364**
						(1)		**(3)**	**(4)**
						(1)			**(1)**
						(166)			**(166)**
						–	**150**		**150**
						–		**(285)**	**(285)**
						–		**(10)**	**(10)**
						–	**(13)**	**13**	**–**
					(2 402)	**(2 402)**	**(41)**		**(2 443)**
(25)	**363**	**238**	**107**	**(41)**	**5 816**	**6 478**	**213**	**272**	**6 963**
					6 025	**6 025**	**344**	**272**	**6 641**
(25)	**363**	**238**	**107**	**(41)**	**(209)**	**453**	**(131)**	**–**	**322**
(22)	**(14)**	**(91)**	**103**	**(3)**	**(212)**	**–**			**–**
						(219)			**(219)**
(3)						**(3)**	**(41)**		**(44)**
	374					**374**			**374**
		329				**329**			**329**
				(38)		**(38)**			**(38)**
	3					**3**			**3**
						–	**(81)**		**(81)**
						–	**(21)**		**(21)**
			4		**3**	**7**	**12**		**19**
256	**848**	**874**	**465**	**134**	**16 380**	**30 193**	**1 511**	**3 421**	**35 125**

Group cashflow statement

for the year ended 31 December

	Notes	2007 Rm	2006 Rm
Cash generated by operations	47.1	**12 453**	9 297
Cash received from clients	47.2	**52 288**	37 806
Cash paid to clients, employees and suppliers	47.3	**(40 388)**	(28 561)
Dividends received on investments		**131**	173
Recoveries on loans previously written off		**417**	296
Effects of exchange rate changes on cash and cash equivalents (excluding foreign borrowings)		**5**	(417)
Change in funds for operating activities		**(10 691)**	(3 739)
Increase in operating assets	47.4	**(66 697)**	(71 591)
Increase in operating liabilities	47.5	**56 006**	67 852
Net cash from operating activities before taxation		**1 762**	5 558
Taxation paid	47.6	**(2 419)**	(953)
Cashflows (utilised by)/from operating activities		**(657)**	4 605
Cashflows utilised by investing activities		**(2 063)**	(1 057)
Acquisition of property and equipment		**(1 039)**	(1 097)
Proceeds on disposal of property and equipment		**46**	57
Net disposal of investment banking assets		**28**	6
Net acquisition of investments in associate companies and other investments		**(1 217)**	(273)
Disposal of investments in subsidiary companies net of cash	47.7	**366**	286
Acquisition of investments in subsidiary companies net of cash	47.8	**(247)**	(36)
Cashflows from/(utilised by) financing activities		**2 122**	(1 131)
Net proceeds/(utilisation) from issue/purchase of ordinary shares		**1 001**	(745)
Increase in long-term debt instruments		**3 808**	1 245
Shares issued by subsidiary company			150
Dividends paid to ordinary shareholders	47.9	**(2 402)**	(1 562)
Preference share dividends paid		**(285)**	(219)
Net (decrease)/increase in cash and cash equivalents		**(598)**	2 417
Cash and cash equivalents at the beginning of the year*		**19 306**	16 889
Cash and cash equivalents at the end of the year*	20	**18 708**	19 306

** Including mandatory reserve deposits with central bank.*

Operational segmental reporting

for the year ended 31 December

	Nedbank Group		Nedbank Corporate	
	2007	2006	**2007**	2006
Balance sheet (Rbn)				
Cash and cash equivalents	**19**	19	**1**	2
Other short-term securities	**26**	26	**1**	1
Derivative financial instruments	**9**	15		
Government and other securities	**30**	22	**1**	1
Loans and advances	**374**	309	**154**	133
Other assets	**31**	34	**4**	5
Intergroup assets	**–**	–	**52**	33
Total assets	**489**	425	**213**	175
Equity and liabilities				
Amounts owed to depositors	**385**	325	**194**	158
Other liabilities	**46**	49	**5**	5
Derivative financial instruments	**11**	13		
Intergroup liabilities	**–**	–		
Long-term debt instruments	**12**	9		
Allocated capital	**35**	29	**14**	12
Total equity and liabilities	**489**	425	**213**	175
Income statement (Rm)				
Net interest income	**14 146**	10 963	**5 818**	4 863
Impairments charge on loans and advances	**2 164**	1 483	**158**	176
Income from lending activities	**11 982**	9 480	**5 660**	4 687
Non-interest revenue	**10 446**	9 468	**3 198**	2 909
Operating income	**22 428**	18 948	**8 858**	7 596
Total expenses	**13 489**	11 886	**4 478**	3 976
Operating expenses	**13 341**	11 740	**4 446**	3 924
BEE transaction expenses	**148**	146	**32**	52
Indirect taxation	**305**	345	**29**	35
Profit/(Loss) from operations	**8 634**	6 717	**4 351**	3 585
Share of profits of associates and joint ventures	**239**	153	**54**	64
Profit/(Loss) before direct taxation	**8 873**	6 870	**4 405**	3 649
Direct taxation	**2 336**	1 907	**1 274**	1 071
Profit/(Loss) after taxation	**6 537**	4 963	**3 131**	2 578
Profit attributable to minority interest				
– ordinary shareholders	**344**	309	**68**	63
– preference shareholders	**272**	219		
Headline earnings	**5 921**	4 435	**3 063**	2 515
Selected ratios*				
Average interest-earning banking assets (Rbn)	**359**	280	**188**	148
Return on average assets (%)	**1,3+**	1,1+	**1,6**	1,7
Return on average equity (%)	**21,4+**	18,6+	**21,4**	21,6
Return on equity, excluding goodwill (%)	**24,8**	22,1	**21,4**	21,6
Interest margin (%)	**3,94**	3,94	**3,09**	3,28
Non-interest revenue to gross income (%)	**42,5**	46,3	**35,5**	37,4
Credit loss ratio (%)	**0,62**	0,52	**0,11**	0,15
Efficiency ratio (%)	**54,9**	58,2	**49,7**	51,2
Efficiency ratio (excluding BEE transaction expense) (%)	**54,3**	57,5	**49,3**	50,5
Effective taxation rate (%)	**26,3**	27,8	**28,9**	29,4
Number of employees	**26 522**	24 034	**6 143**	5 677

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

** These ratios (unless otherwise stated) were calculated using amounts to Rm to provide more accurate information.*

Depreciation of R545 million (2006: R456 million) and amortisation of R431 million (2006: R438 million) of property, equipment, computer software and capitalised development costs are charged on an activity-justified transfer-pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

Operational segmental reporting

for the year ended 31 December

	Nedbank Capital 2007	Nedbank Capital 2006	Nedbank Retail 2007	Nedbank Retail 2006
Balance sheet (Rbn)				
Cash and cash equivalents	**5**	8	**2**	2
Other short-term securities	**17**	18	**7**	6
Derivative financial instruments	**9**	15		
Government and other securities	**22**	17		
Loans and advances	**51**	41	**133**	107
Other assets	**6**	8	**12**	10
Intergroup assets	**34**	31		
Total assets	**144**	138	**154**	125
Equity and liabilities				
Amounts owed to depositors	**101**	89	**87**	77
Other liabilities	**29**	32	**9**	8
Derivative financial instruments	**11**	13		
Intergroup liabilities			**48**	34
Long-term debt instruments			**2**	
Allocated capital	**3**	4	**8**	6
Total equity and liabilities	**144**	138	**154**	125
Income statement (Rm)				
Net interest income	**693**	675	**6 941**	5 442
Impairments charge on loans and advances	**25**	118	**1 572**	1 047
Income from lending activities	**668**	557	**5 369**	4 395
Non-interest revenue	**2 135**	2 048	**4 851**	4 196
Operating income	**2 803**	2 605	**10 220**	8 591
Total expenses	**1 284**	1 171	**7 367**	6 389
Operating expenses	**1 253**	1 149	**7 325**	6 346
BEE transaction expenses	**31**	22	**42**	43
Indirect taxation	**21**	29	**135**	157
Profit/(Loss) from operations	**1 498**	1 405	**2 718**	2 045
Share of profits of associates and joint ventures	**1**		**184**	83
Profit/(Loss) before direct taxation	**1 499**	1 405	**2 902**	2 128
Direct taxation	**227**	242	**858**	630
Profit/(Loss) after taxation	**1 272**	1 163	**2 044**	1 498
Profit attributable to minority interest				
– ordinary shareholders		18	**36**	35
– preference shareholders				
Headline earnings	**1 272**	1 145	**2 008**	1 463
Selected ratios*				
Average interest-earning banking assets (Rbn)	**81**	56	**131**	100
Return on average assets (%)	**0,9**	1,0	**1,4**	1,4
Return on average equity (%)	**36,8**	31,3	**24,3**	23,0
Return on equity, excluding goodwill (%)	**36,8**	31,3	**24,3**	23,1
Interest margin (%)	**0,85**	1,20	**5,31**	5,44
Non-interest revenue to gross income (%)	**75,5**	75,2	**41,1**	43,5
Credit loss ratio (%)	**0,05**	0,28	**1,26**	1,10
Efficiency ratio (%)	**45,4**	43,0	**62,5**	66,3
Efficiency ratio (excluding BEE transaction expense) (%)	**44,3**	42,2	**62,1**	65,9
Effective taxation rate (%)	**15,1**	17,2	**29,6**	29,6
Number of employees	**625**	626	**15 356**	13 442

continued

	Imperial Bank		Shared Services		Central Management		Eliminations	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	1	1	**1**	1	**9**	5		
	1	1						
					7	4		
	35	28			**1**			
	1		**6**	7	**2**	4		
							(86)	(64)
	38	30	**7**	8	**19**	13	**(86)**	(64)
	2			1	**1**			
			3	3		1		
	32	27	**3**	3	**3**		**(86)**	(64)
	1	1			**9**	8		
	3	2	**1**	1	**6**	4		
	38	30	**7**	8	**19**	13	**(86)**	(64)
	1 491	1 079	**(299)**	(197)	**(498)**	(899)		
	412	211	**(4)**	(72)	**1**	3		
	1 079	868	**(295)**	(125)	**(499)**	(902)	**–**	–
	128	64	**408**	411	**(27)**	43	**(247)**	(203)
	1 207	932	**113**	286	**(526)**	(859)	**(247)**	(203)
	489	405	**115**	174	**3**	(26)	**(247)**	(203)
	489	405	**67**	149	**8**	(30)	**(247)**	(203)
			48	25	**(5)**	4		
	34	21	**87**	101	**(1)**	2		
	684	506	**(89)**	11	**(528)**	(835)	**–**	–
				6				
	684	506	**(89)**	17	**(528)**	(835)	**–**	–
	205	120	**(77)**	155	**(151)**	(311)		
	479	386	**(12)**	(138)	**(377)**	(524)	**–**	–
	239	193			**1**			
	13				**259**	219		
	227	193	**(12)**	(138)	**(637)**	(743)	**–**	–
	33	24				3	**(74)**	(51)
	1,4	1,5						
	23,9	24,7						
	23,9	24,7						
	4,59	4,47						
	7,9	5,6						
	1,28	0,87						
	30,2	35,4						
	30,2	35,4						
	30,0	23,7						
	1 008	873	**3 369**	3 399	**21**	17		

Geographical segmental reporting

for the year ended 31 December

	Nedbank Group	
	2007	2006
Balance sheet (Rbn)		
Assets		
Cash and cash equivalents	**19**	19
Other short-term securities	**26**	26
Government and other securities	**30**	22
Derivative financial instruments	**9**	15
Loans and advances	**374**	309
Other assets	**31**	34
Intergroup assets	**–**	–
Total assets	**489**	425
Equity and liabilities		
Total equity	**35**	29
Derivative financial instruments	**11**	13
Amounts owed to depositors	**385**	325
Other liabilities	**46**	49
Intergroup liabilities	**–**	–
Long-term debt instruments	**12**	9
Total equity and liabilities	**489**	425
Income statement (Rm)		
Net interest income	**14 146**	10 963
Impairments charge on loans and advances	**2 164**	1 483
Income from lending activities	**11 982**	9 480
Non-interest revenue	**10 446**	9 468
Operating income	**22 428**	18 948
Total operating expenses	**13 489**	11 886
– Operating expenses	**13 341**	11 740
– BEE transaction expenses	**148**	146
Indirect taxation	**305**	345
Profit from operations	**8 634**	6 717
Share of profits of associates and joint ventures	**239**	153
Profit before direct taxation	**8 873**	6 870
Direct taxation	**2 336**	1 907
Profit after taxation	**6 537**	4 963
Profit attributable to minority interest		
– ordinary shareholders	**344**	309
– preference shareholders	**272**	219
Headline earnings	**5 921**	4 435

continued

South Africa		Rest of Africa		Rest of world	
2007	2006	**2007**	2006	**2007**	2006
17	17	**1**	1	**1**	1
17	18	**1**	1	**8**	7
29	20			**1**	2
9	15				
354	295	**7**	5	**13**	9
28	30	**1**	1	**2**	3
(1)	(3)		1	**1**	2
453	392	**10**	9	**26**	24
30	24	**1**	1	**4**	4
11	13				
363	301	**7**	7	**15**	17
46	48		1		
(9)	(3)	**2**		**7**	3
12	9				
453	392	**10**	9	**26**	24
13 336	10 158	**441**	513	**369**	292
2 087	1 458	**17**	19	**60**	6
11 249	8 700	**424**	494	**309**	286
9 775	8 916	**245**	163	**426**	389
21 024	17 616	**669**	657	**735**	675
12 538	11 009	**461**	445	**490**	432
12 393	10 886	**458**	422	**490**	432
145	123	**3**	23		
298	337	**3**	2	**4**	6
8 188	6 270	**205**	210	**241**	237
238	151	**1**	2		
8 426	6 421	**206**	212	**241**	237
2 247	1 778	**57**	101	**32**	28
6 179	4 643	**149**	111	**209**	209
284	248	**33**	35	**27**	26
272	219				
5 623	4 176	**116**	76	**182**	183

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 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 the entity Nedbank Group Limited, and are rounded to the nearest million rands. They are prepared on the historical-cost basis, except for:

- non-current assets and disposal groups held for sale, which are 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 entities in the group at the date of such transactions by applying to the foreign currency the spot exchange rate ruling at the transaction date. 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. 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 that arise on the settlement and 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. 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 foreign 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. On disposal of a foreign operation, the cumulative exchange differences deferred as a separate component of equity 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 partnerships, that are controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and 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.

Subsidiary undertakings include special-purpose entities (SPEs) that are created to accomplish a narrow, well-defined objective, and may take the form of a company, corporation, trust, partnership or unincorporated entity. The assessment of control 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 also included in the group financial statements.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the 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 values at the acquisition date, 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.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, 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. 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.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

The group financial statements include the assets, liabilities and results of the company and subsidiary undertakings (including SPEs) controlled by the group from the date of acquisition until the date the group ceases to control the subsidiary. Intragroup balances, transactions, income and expenses and profits and losses are eliminated in full 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

Subsidiaries are accounted for on the cost basis.

(ii) Associates

An associate is an entity, including an unincorporated entity such as a partnership, 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).

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

The results and assets and liabilities of associates 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 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.

1 Principal accounting policies (continued)

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.

Where the group has an investment in an associate company held by its venture capital divisions, the investment is classified as held-for-trading and is measured at fair value, with changes in fair value recognised in profit or loss in the period in which they occur.

(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.

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 disposing thereof within 12 months are accounted for as non-current assets held for sale.

Where the group has an investment in a jointly controlled entity held by its venture capital divisions, the investment is classified as held-for-trading and is measured at fair value, with changes in fair value recognised in profit or loss in the period in which they occur.

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 provided in conjunction with an investment contract 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 anticipated 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), employee benefit plans, property and equipment, investment property, provisions, deferred taxation, taxation payable/receivable, intangible assets, leases and goodwill. 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 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 a financial instrument. All purchases of financial assets that require delivery within the time frame 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.

continued

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 recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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) Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification:

- *Financial assets and financial liabilities at fair value through profit or loss*

  Financial instruments at fair value through profit or loss consist of trading instruments and instruments that the group has elected, on initial recognition date, to designate as at fair value through profit or loss.

  Trading instruments are financial assets or financial liabilities acquired or incurred principally for the purpose of sale or repurchase in the near term that form part of a portfolio with a recent actual pattern of short-term profit-taking or that are derivatives. The group's derivative transactions include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options (both written and purchased).

  Financial assets and financial liabilities that the group has elected, on initial recognition date, to designate at fair value through profit or loss are those that meet any one of the criteria below:

  – the fair value through profit or loss designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from using different bases to measure and recognise the gains and losses on financial assets and financial liabilities, or

  – the instrument forms part of a group of financial instruments that is managed, evaluated and reported to the appropriate level of management using a fair-value basis in accordance with a documented risk management or investment strategy, or

  – the financial instrument contains an embedded derivative that significantly modifies the cashflows of the host contract or the embedded derivative clearly requires separation.

  Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, with fair value gains and losses (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) reported in non-interest revenue as they arise. Interest income and interest expense calculated on the amortised-cost basis are reported in interest income and expense.

- *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.

- *Held-to-maturity financial assets*

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

- *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 classified by the group as at fair value through profit or loss or available-for-sale.

1 Principal accounting policies (continued)

Financial assets classified as loans and receivables are carried at amortised cost, with interest income recognised in profit or loss. The majority of the group's advances are included in the loans and receivables category.

- *Available-for-sale financial assets*
  Financial assets are classified as available-for-sale where the intention with regard to the instrument and its origination and designation does not fall within the ambit of the other financial asset classifications. Available-for-sale instruments are typically assets that are held for a longer period and in respect of which short-term fluctuations in value do not affect the group's hold or sell decision.

  Available-for-sale financial assets are measured at fair value, with fair value gains and losses recognised directly in equity along with the associated deferred taxation. Any foreign currency translation gains or losses or interest income, measured on an effective-yield basis, are removed from equity to profit or loss as they arise. When available-for-sale equity instruments are determined to be impaired to the extent that the fair value declines below its original cost, the resultant losses are recognised in profit or loss.

(iv) Embedded derivatives

Embedded derivatives in financial and non-financial instruments, such as an equity conversion option in a convertible bond, are separated from the host contract, when all of the following conditions are met:

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

The host contract is accounted for:

- under IAS 39 if it is, 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 separately to measure the fair value of the embedded derivative, either at acquisition or at a subsequent financial reporting date, the entire hybrid instrument is categorised as at fair value through profit or loss and measured at fair value.

(v) Measurement basis of financial instruments

- *Amortised cost*
  Amortised cost financial assets and financial liabilities are measured at fair value plus transaction costs on initial recognition, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, less any cumulative impairment losses.

- *Fair value*
  Directly attributable transaction costs are included in the initial fair value of financial assets and financial liabilities, other than those at fair value through profit or loss. The best evidence of the fair value of a financial asset or financial liability at initial recognition is the transaction price, unless the fair value of the instrument is evidenced by comparison with other current observable market transactions in the same instrument or based on a valuation technique whose variables include only observable market data.

  Where quoted market prices or rates are available, such market data is used to determine the fair value of financial assets and financial liabilities that are measured at fair value. The bid price is used to measure financial assets held and the offer price is used to measure the fair value of financial liabilities. Mid-market prices are used to measure fair value only to the extent that the group has assets and liabilities with offsetting risk positions.

  If quoted bid prices are unavailable, the fair value of financial assets and financial liabilities is estimated using pricing models or discounted cashflow techniques. 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 transaction 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.

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. 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.

(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.

(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 comes to the attention of the group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, 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

1 Principal accounting policies (continued)

- 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. 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 there is a legally enforceable right to set off and there is an intention of settling 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.

continued

(ix) Collateral

Financial and non-financial assets are held as collateral in respect of certain recognised financial assets. Such 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.

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 method taking into account the expected timing and amount of cashflows. The effective-interest 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*

  See1.4 (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 they do not qualify for derecognition. 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 method. Securities lent

1 Principal accounting policies (continued)

to counterparties are also retained in the financial statements and any interest earned is recognised in profit or loss using the effective-interest method.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale is 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

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

1.6 Taxation

Taxation expense comprises current and deferred taxation. Income 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 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.

(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 charged to 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, 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.

A deferred taxation asset is 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.

1.7 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 acquisition date 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 shall be 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 and deducting any costs related to the realisation of the asset.

  In assessing value in use, the expected future cashflows from the CGU are discounted to their present value using a 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 in profit or loss as the expense is incurred.

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 has been commissioned. Capitalised software is stated at cost less accumulated amortisation and impairment losses. Computer development expenditure, which has not yet been commissioned, is stated at cost less impairment losses.

Amortisation of computer software and development costs is charged to profit or loss on a straight-line basis over the estimated useful lives of these assets, which do not exceed five years. Subsequent expenditure relating to computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Surpluses or deficits on the disposal of computer software are recognised in profit or loss in the period in which they are incurred. The profit or loss is the difference between the net disposal proceeds 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 it has a cost that can be measured reliably. Certain items of property and equipment that had been revalued to fair value on 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Subsequent expenditure is recognised in the carrying amount of items of property and equipment if it is measurable and it is probable that future economic benefits associated with the expenditure will flow to the group. 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.

1 Principal accounting policies (continued)

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 under IFRS 5 are not depreciated. The depreciable amounts of property and equipment are charged to 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.

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.

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 included 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. 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 instruments)

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 at least annually for impairment.

An impairment 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 cashflows from the asset are discounted to their present value using a 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 cash-generating unit 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 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 cyclical 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.

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 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 assessments, 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 to be recognised for each defined-benefit plan is the excess of

1 Principal accounting policies (continued)

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, divided by the expected average remaining working lives of the employees participating in that plan.

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

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

(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 postretirement medical benefits to eligible employees. Non-pension postemployment benefits are accounted for according to their nature, either as defined-contribution or defined-benefit plans. The expected costs of postretirement benefits that are defined-benefit plans in nature are accounted for in the same manner as in the case of defined-benefit pension plans.

(iv) Short-term employee benefits
Short-term employee benefit obligations are measured 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.

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.

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 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 of these instruments. 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 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 charged to income 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 presented in the balance sheet. 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 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 not 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, provisions are 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.

(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.

1 Principal accounting policies (continued)

(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

The group's primary segments are lines of business and its secondary segments are geographic. The group policy is to disclose mandatory segmental information under IAS 14 Segment Reporting and to disclose additional supplemental information for each business segment at the group's discretion. Where financial information is required for primary and secondary segments, this is provided by way of a matrix format.

The segmental disclosure of results by geography is determined by the origin of business transacted.

The accounting policies of the group's reported segments are the same as the accounting policies of the group. Assets, liabilities, revenues or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. 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 remeasurements are 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 held for sale. Income and expenses continue to be recognised. However, assets are not depreciated or amortised. 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. Gains or losses on such assets are recognised as revaluation increases or decreases.

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 dividends within 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.

1.21 Treasury shares

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

2 Standards and interpretations issued but not yet effective

2.1 New standards

The following standards, mandatory for the group's accounting periods commencing on or after 1 January 2008, have not been early-adopted by the group:

(i) IFRS 8 Operating Segments
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 the IFRS is not expected to change the disclosure and measurement basis applied to segment reporting by the group and is not expected to have a significant impact on the group. The group will apply IFRS 8 from its effective date, which is for annual periods commencing on or after 1 January 2009.

2.2 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 revision is applicable prospectively and will not affect past business combinations.

2 Standards and interpretations issued but not yet effective (continued)

(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 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) IAS 23 Borrowing Costs

The revision 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 is effective for annual periods commencing on or after 1 January 2009.

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

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

Under IFRS 2, a 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 amendment is not expected to affect the group's results. The amendment is effective for annual periods commencing on or after 1 January 2009. The group will adopt the amendment on its effective date.

(v) IAS 1 Presentation of Financial Statements: Amendment relating to disclosure of puttable instruments and obligations arising on liquidation

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.

2.3 Interpretations

The following interpretations of existing standards are not yet effective and have not been early-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 shall 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 interpretation has no effect on the group. The interpretation will be applied from its effective date for annual periods beginning on or after 1 March 2007.

(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 will apply the requirements of the interpretation from its effective date, which is for annual periods commencing on or after 1 January 2008.

The group is not party to concession arrangements. As such, IFRIC 12 is not expected to have any impact on the group.

(iii) 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.

(iv) 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 interpretation is effective for annual periods commencing on or after 1 January 2008.

The group will adopt the interpretation on its effective date. Currently, the group's defined-benefit plans are in an asset position. No effect is anticipated on adoption of the interpretation.

3 Key assumptions concerning the future and key sources of estimation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board. In the preparation of the financial statements the bank has assumed certain key sources of estimation in recording various assets and liabilities, as set out below.

3.1 Credit impairment of loans and advances

The group adopted an incurred-loss approach to impairment in accordance with accounting policy 1.5 (vii). Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more past events that has occurred since initial recognition. This necessitates the establishment of 'impairment triggers' on the occurrence of which an impairment loss may be recognised.

Credit impairment is based on discounted estimated future cashflows on an asset or group of assets, where such objective evidence of impairment exists. The discount rate used to calculate the recoverable amount excludes consideration of any anticipated future credit losses.

The group has created a portfolio provision for incurred but not reported (IBNR) losses. The purpose of the IBNR provision is to allow for latent losses on a portfolio of loans and advances that have not yet been individually evidenced. Generally, a period of time will elapse between the occurrence of an impairment event and objective evidence of the impairment becoming evident, which is known as the 'emergence period'. The IBNR provision is based on the probability that loans that are ostensibly performing at the calculation date are impaired, and objective evidence of that impairment becomes evident during the emergence period.

The implementation of these principles are at a divisional level and will be specific to the nature of their individual loan portfolios and the loan loss data available to that division.

3.2 Goodwill impairment

The group determines the recoverable amount, being the higher of the fair value less cost to sell and the value in use, of individual cash-generating units by discounting the expected future cashflows of each of the identified cash-generating units. The risk-adjusted discount rate is approximately 10,8 percent. The recoverable amount is then compared to the carrying value of the respective cash-generating unit and an impairment loss is raised if required.

The calculation uses cashflow projections from business plans for the forthcoming three years, which are then extrapolated for two further years. Extrapolation is achieved using a long-term growth rate, which varies between three and five percent.

3.3 Provisions, contingent liabilities and contingent assets

The group, in the ordinary course of business, enters into transactions that expose the group to tax, legal and business risks. Refer to notes 43 and 44 for further information on provisions, contingent liabilities and contingent assets.

3.4 Fair value through profit or loss

For valuation methodologies utilised to fair value designated financial instruments through profit or loss, refer to note 23.

3.5 Private equity investment valuations

Private equity investments are based on the underlying value of the net assets within the investment vehicles concerned. These values are established either by independent valuers or the directors of those vehicles and are reviewed by Nedbank Group's Investment Committee.

4 Group balance sheet – categories of financial instruments

	Notes	Total Rm	At fair value through profit or loss: Held for trading Rm	At fair value through profit or loss: * Designated Rm	Held-to-maturity investments Rm	** Loans and receivables Rm	Available-for-sale financial assets Rm	** Financial liabilities at amortised cost Rm	Non-financial assets and liabilities Rm
2007									
Assets									
Cash and cash equivalents	20	10 344				10 344			
Other short-term securities	21	25 793	14 574	4 243	992		5 984		
Derivative financial instruments	22	9 047	9 047						
Government and other securities	24	29 637	5 087	12 245	6 219	5 845	241		
Loans and advances	25	373 956	26 005	22 930		325 021			
Other assets	27	9 313	3 715	243		5 355			
Clients' indebtedness for acceptances		2 251							2 251
Current taxation receivable	28	59							59
Investment securities	29	8 318		8 004			314		
Non-current assets held for sale	31	31							31
Investments in associate companies and joint ventures	30	978							978
Deferred taxation asset	32	25							25
Investment property	33	171							171
Property and equipment	34	3 929							3 929
Long-term employee benefit assets	35	1 393							1 393
Computer software and capitalised development costs	36	1 349							1 349
Mandatory reserve deposits with central bank	20	8 364				8 364			
Goodwill	37	3 898							3 898
Total assets		488 856	58 428	47 665	7 211	354 929	6 539	–	14 084
Equity and liabilities									
Ordinary share capital	38.1	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	38.2	3 421							3 421
Total equity		35 125	–	–	–	–	–	–	35 125
Derivative financial instruments	22	11 432	11 432						
Amounts owed to depositors	39	384 541	16 147	54 447				313 947	
Other liabilities	40.1	34 225	26 610					7 615	
Liabilities under acceptances		2 251							2 251
Current taxation liabilities	28	337							337
Other liabilities held for sale	31	–							
Deferred taxation liabilities	32	1 616							1 616
Long-term employee benefit liabilities	35	1 157							1 157
Investment contract liabilities	41	5 846		5 846					
Long-term debt instruments	42	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

continued

	Notes	Total Rm	At fair value through profit or loss: Held for trading Rm	At fair value through profit or loss: * Designated Rm	Held-to-maturity investments Rm	** Loans and receivables Rm	Available-for-sale financial assets Rm	** Financial liabilities at amortised cost Rm	Non-financial assets and liabilities Rm
2006									
Assets									
Cash and cash equivalents	20	12 267				12 267			
Other short-term securities	21	25 756	13 301	6 760			5 695		
Derivative financial instruments	22	15 273	15 273						
Government and other securities	24	22 196	3 231	10 220	3 599	5 146			
Loans and advances	25	308 563	23 084	25 841		259 638			
Other assets	27	12 468	4 106	277		8 085			
Clients' indebtedness for acceptances		2 577							2 577
Current taxation receivable	28	161							161
Investment securities	29	7 155		6 821			334		
Non-current assets held for sale	31	490							490
Investments in associate companies and joint ventures	30	907							907
Deferred taxation asset	32	120							120
Investment property	33	158							158
Property and equipment	34	3 377							3 377
Long-term employee benefit assets	35	1 444							1 444
Computer software and capitalised development costs	36	1 266							1 266
Mandatory reserve deposits with central bank	20	7 039				7 039			
Goodwill	37	3 695							3 695
Total assets		424 912	58 995	49 919	3 599	292 175	6 029	–	14 195
Equity and liabilities									
Ordinary share capital	38.1	395							395
Ordinary share premium		9 727							9 727
Reserves		14 994							14 994
Total equity attributable to equity holders of the parent		25 116	–	–	–	–	–	–	25 116
Minority shareholders' equity attributable to:									
– ordinary shareholders		1 202							1 202
– preference shareholders	38.2	3 070							3 070
Total equity		29 388	–	–	–	–	–	–	29 388
Derivative financial instruments	22	12 904	12 904						
Amounts owed to depositors	39	324 685	18 770	9 647				296 268	
Other liabilities	40.1	37 847	29 769					8 078	
Liabilities under acceptances		2 577							2 577
Current taxation liabilities	28	434							434
Other liabilities held for sale	31	417							417
Deferred taxation liabilities	32	1 649							1 649
Long-term employee benefit liabilities	35	1 215							1 215
Investment contract liabilities	41	5 278		5 278					
Long-term debt instruments	42	8 518		4 131				4 387	
Total liabilities		395 524	61 443	19 056	–	–	–	308 733	6 292
Total equity and liabilities		424 912	61 443	19 056	–	–	–	308 733	35 680

There were no reclassifications of financial assets between categories during the 2006 and 2007 financial years.

* Refer to note 23 in respect of financial instruments designated as at fair value through profit or loss.

** The group designates all significant fixed-rate instruments as at fair value through profit and loss in accordance with the fair-value option under IAS 39. Loans and receivables and financial liabilities that are not carried at fair value are primarily comprised of variable-rate financial assets and liabilities and reprice as interest rates change. In respect of all loans and receivables, as well as financial liabilities at amortised cost, the group has assessed potential changes in credit risk for performing advances using internal credit models and is satisfied that there are no significant changes in fair value due to credit risk. For impaired advances, the carrying value, as determined by the group's IAS39 credit models, is considered the best estimate of fair value. Therefore, the group is satisfied, after considering these internal credit models together with other assumptions and the variable-interest-rate exposure, that the carrying value of these loans and receivables and financial liabilities at amortised cost approximates fair value.

5 Liquidity gap

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-deter-mined	Total
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	**7 625**	**1 283**	**653**	**15 912**	**3 514**	**650**	**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**
	130 057	**17 020**	**26 005**	**125 699**	**151 629**	**38 446**	**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**
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	**(183 199)**	**(7 056)**	**(15 918)**	**100 343**	**139 844**	**(34 014)**	**–**
2006							
Cash and cash equivalents (including mandatory reserve deposits with central bank)	12 900				40	6 366	19 306
Other short-term securities	21 626	1 593	2 135	402			25 756
Derivative financial instruments	433	9 009	798	3 100	1 933		15 273
Government and other securities	4 677	5	515	12 475	4 441	83	22 196
Loans and advances	77 078	9 812	14 254	94 324	109 497	3 598	308 563
Other assets	2 083					31 735	33 818
	118 797	20 419	17 702	110 301	115 911	41 782	424 912
Total equity and liabilities						29 388	29 388
Derivative financial instruments	218	4 432	393	4 962	2 899		12 904
Amounts owed to depositors	265 980	17 326	29 339	10 856	1 184		324 685
Other liabilities	3 383					46 034	49 417
Long-term debt instruments	21		4 254	2 700	1 543		8 518
	269 602	21 758	33 986	18 518	5 626	75 422	424 912
Net liquidity gap	(150 805)	(1 339)	(16 284)	91 783	110 285	(33 640)	–

2006 has been restated to include the maturity profiles of foreign balance sheets. The shortening of the liquidity mismatch is primarily due to an increase in depositors' appetite to stay short in light the of the persistent upside risk to interest rates during 2007.

continued

6 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
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 bank 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**
Other liabilities	**39 586**	**28 338**	**2 251**					**8 997**	**39 586**
Total equity	**35 125**	**465**						**34 660**	**35 125**
	488 856	**57 947**	**304 280**	**25 291**	**43 752**	**25 035**	**11 601**	**43 657**	**511 563**
2006									
Long-term debt instruments	8 518		347	58	4 498	4 955	1 796		11 654
Investment contract liabilities	5 278		5 278						5 278
Amounts owed to bank depositors	324 685	20 494	251 479	17 621	31 723	10 842	743	335	333 237
Current accounts	41 349		41 354						41 354
Savings deposits	13 374		13 376						13 376
Other deposits and loan accounts	203 943	6 297	172 578	8 819	14 048	6 337	735	335	209 149
Foreign currency liabilities	9 267	3 996	5 271						9 267
Negotiable certificates of deposit	45 518	1 802	16 063	8 802	17 675	4 505	8		48 855
Deposits received under repurchase agreements	11 234	8 399	2 837						11 236
Derivative financial instruments – liabilities	12 904	12 904							12 904
Other liabilities	44 139	37 375	13					6 751	44 139
Total equity	29 388	526						28 862	29 388
	424 912	71 299	257 117	17 679	36 221	15 797	2 539	35 948	436 600

This table is based on a contractual, undiscounted basis.

* *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. Reference can be drawn to the behavioural liquidity on page 128.*

7 Historical value-at-risk (99%, one day) by risk type

Rm	2007 Average	2007 Minimum	2007 Maximum	2007 Year-end	2006 Average	2006 Minimum	2006 Maximum	2006 Year-end
Foreign exchange	**2,5**	**0,7**	**6,4**	**4,4**	2,8	0,7	5,7	1,4
Interest rate	**14,5**	**10,4**	**22,0**	**13,8**	16,6	7,1	22,9	10,7
Equity products	**12,6**	**5,7**	**28,7**	**7,5**	14,6	4,9	28,0	20,2
Diversification	**(4,7)**			**(2,4)**	(6,6)			(4,8)
Total value-at-risk exposure	**24,9**	**14,9**	**37,4**	**23,3**	27,4	14,2	41,2	27,5

8 Interest rate repricing gap

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Trading, non-rate and foreign	Total
2007							
Total assets	**380 585**	**4 673**	**3 920**	**23 115**	**12 397**	**64 216**	**488 906**
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**		
2006							
Total assets	283 120	2 044	4 154	22 746	10 291	102 557	424 912
Total equity and liabilities	219 460	14 348	30 176	7 955	2 090	150 883	424 912
Interest rate hedging activities	3 563	6 865	6 730	(10 551)	(6 607)		–
Repricing profile	67 223	(5 439)	(19 292)	4 240	1 594	(48 326)	–
Cumulative repricing profile	67 223	61 784	42 492	46 732	48 326		
Expressed as a percentage of total assets	15,8	14,5	10,0	11,0	11,4		

9 Credit quality of securities

Rm	Government and other securities (note 24)	Other short-term securities (note 21)	Total
2007			
Investment grade	**29 613**	**25 789**	**55 402**
Not rated	**24**	**4**	**28**
	29 637	**25 793**	**55 430**
2006			
Investment grade	22 169	25 709	47 878
Not rated	27	47	74
	22 196	25 756	47 952

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 investments can be equated to a Standard and Poor's rating of B and above (refer to the NGR table on page 112).

continued

10 Interest and similar income

	2007 Rm	2006 Rm
Mortgage loans	**19 028**	12 627
Finance lease and instalment debtors	**6 130**	4 196
Credit cards	**1 003**	581
Bills and acceptances	**99**	126
Overdrafts	**1 727**	1 242
Term loans	**5 181**	3 569
– Personal loans	**2 036**	1 430
– Other term loans	**3 145**	2 139
Government and public sector securities	**1 926**	1 477
Short-term funds and securities	**1 475**	1 132
Other loans	**5 432**	3 571
	42 001	28 521
Interest and similar income may be analysed as follows:		
Interest and similar income from financial instruments not at fair value through profit and loss	**37 669**	24 703
Interest and similar income from financial instruments at fair value through profit or loss	**4 332**	3 818
	42 001	28 521

11 Interest expense and similar charges

	2007 Rm	2006 Rm
Deposit and loan accounts	**17 161**	10 817
Current and savings accounts	**1 708**	1 250
Negotiable certificates of deposit	**5 177**	2 820
Other liabilities	**2 746**	1 698
Long-term debt instruments	**1 063**	973
	27 855	17 558
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	**24 960**	16 757
Interest expense and similar charges from financial instruments at fair value through profit or loss	**2 895**	801
	27 855	17 558

An unaudited margin analysis of the interest income and interest expense by asset and liability category is presented in the additional financial information section on page 285.

12 Non-interest revenue

	2007 Rm	2006 Rm
Commission and fee income	**7 528**	6 538
– Administration fees	**195**	156
– Cash-handling fees	**378**	329
– Insurance commission	**523**	411
– Exchange commission	**294**	238
– Fees	**1 056**	812
– Guarantees	**83**	73
– Other card income	**1 695**	1 463
– Service charges	**1 709**	1 657
– Bond originator income	**578**	487
– Other commission	**1 017**	912
Securities dealing and fair-value adjustments	**841**	500
– Securities dealing*	**836**	523
– Fair-value adjustments (note 12.1)	**5**	(23)
Net trading income*	**1 334**	1 647
– Foreign exchange	**733**	719
– Debt securities	**342**	551
– Equities	**233**	377
– Other	**26**	
Rental income	**51**	50
– Rents received	**49**	48
– Rental income from properties in possession	**2**	2
Investment income	**159**	179
– Long-term asset sales	**28**	6
– Dividends received	**131**	173
Sundry income**	**533**	550
– Income from non-banking subsidiaries	**271**	319
– Other sundry income	**262**	231
Foreign currency translation gains		4
	10 446	9 468

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

** *Sundry income includes R48 million (2006: R135 million) gross profit, comprising turnover of R143 million (2006: R338 million) and cost of sales of R95 million (2006: R203 million) from non-banking subsidiaries.*

12.1 Analysis of fair-value adjustments

Fair-value adjustments can be analysed as follows:

	2007 Rm	2006 Rm
Held for trading	**281**	563
Designated at fair value through profit or loss	**(276)**	(586)
	5	(23)

13 Operating expenses

	2007 Rm	2006 Rm
Staff costs	**7 079**	6 082
– Salaries and wages*	**6 923**	5 979
– Long-term employee benefits*	**20**	1
– Share-based payments expense – employees**	**136**	102
Computer processing	**1 673**	1 504
– Depreciation for computer equipment	**288**	218
– Amortisation of computer software	**431**	438
– Operating lease charges for computer equipment	**126**	55
– Other computer processing expenses	**828**	793
Communication and travel	**558**	472
– Depreciation for vehicles	**3**	6
– Other communication and travel	**555**	466
Occupation and accommodation	**1 068**	963
– Depreciation for owner-occupied land and buildings	**67**	61
– Operating lease charges for land and buildings	**457**	315
– Other occupation and accommodation expenses	**544**	587
Marketing and public relations	**887**	782
Fees and insurances	**1 498**	1 402
– Auditors' remuneration	**93**	92
– Statutory audit – current year	**64**	60
– prior year	**4**	4
– Non-audit services – interim and quarterly reviews	**7**	9
– other services	**18**	19
– Bond Choice fees	**517**	451
– Other fees and insurance costs	**888**	859
Furniture, office equipment and consumables	**297**	258
– Depreciation for furniture and other equipment	**187**	171
– Operating lease charge for furniture and other equipment	**20**	5
– Other office equipment and consumables	**90**	82
Other sundries	**284**	287
Fees to alliance partners – Old Mutual Bank	**(3)**	(10)
Total operating expenses	**13 341**	11 740
Included in staff costs are the following:		
Executive directors' remuneration***	**19**	16
Non-executive directors' remuneration***	**10**	9
	29	25

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

* *Long-term employee benefits expenses for 2006 have been reclassified from salaries and wages to long-term employee benefits.*
** *Excluding amounts related to BEE schemes.*
*** *Refer to pages 158 and 159 of the Remuneration Report for a detailed breakdown of directors' remuneration.*

14 BEE transaction expenses

	2007 Rm	2006 Rm
BEE share-based payments expenses	**147**	138
Fees	**1**	8
	148	146

Refer to note 49 for a description of the BEE scheme.

15 Indirect taxation

	2007 Rm	2006 Rm
Value-added taxation	**258**	270
RSC levies	**(3)**	34
Revenue stamps	**4**	1
Other transaction taxes	**46**	40
	305	345

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

16 Non-trading and capital items

	2007 Rm	2006 Rm
Impairment of goodwill		(70)
Profit on sale of subsidiaries, investments and property and equipment	**118**	248
Impairment of investments	**(6)**	
Impairment of property and equipment, and capitalised development costs	**(1)**	(55)
Other non-trading and capital items		1
	111	124

continued

17 Direct taxation

17.1 Charge for the year

	2007 Rm	2006 Rm
South African normal taxation		
– Current charge at 29%	**1 882**	403
– Capital gains taxation	**6**	26
– Deferred taxation	**224**	1 229
Foreign taxation	**106**	163
Current and deferred taxation on income	**2 218**	1 821
Prior-year overprovision – current taxation	**(24)**	(43)
Prior-year underprovision – deferred taxation	**21**	67
Total taxation on income	**2 215**	1 845
Secondary taxation on companies (STC)	**121**	62
Taxation on non-trading and capital items	**7**	26
Impairment of fixed assets		(14)
Deferred taxation on sale of subsidiaries, investments and property and equipment	**7**	40
	2 343	1 933

	%	%
17.2 Taxation rate reconciliation		
Standard rate of South African normal taxation	**29**	29
Non-taxable dividend income	**(4)**	(4)
Differences between foreign taxation rates and South African taxation rate	**(1)**	(1)
Effect of taxation losses utilised		(1)
Risk provision	**1**	3
Structured deals	**(1)**	(1)
STC	**1**	1
Other	**1**	2
Effective taxation rate	**26**	28

17.3 Future taxation relief

The group has estimated taxation losses of R314 million (2006: R11 480 million) that can be set off against future taxable income, of which R221 million (2006: R10 710 million) has been applied to a deferred taxation balance. Furthermore, the group has accumulated STC credits amounting to R511 million at the year-end (2006: R338 million), which have arisen as a result of dividends received exceeding dividends paid. A deferred taxation asset of R51 million (2006: R36 million) has been raised on these STC credits.

18 Earnings

18.1 Earnings per share

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

	Basic		Headline	
	Basic	**Diluted**	**Basic**	**Diluted**
2007				
Profit attributable to equity holders of the parent	**6 025**	**6 025**	**6 025**	**6 025**
Adjusted for:				
– Non-trading and capital items (note 16)			**(111)**	**(111)**
– Taxation on non-trading and capital items (note 17)			**7**	**7**
Adjusted profit attributable to equity holders 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**
2006				
Profit attributable to equity holders of the parent	4 533	4 533	4 533	4 533
Adjusted for:				
– Non-trading and capital items (note 16)			(124)	(124)
– Taxation on non-trading and capital items (note 17)			26	26
Adjusted profit attributable to equity holders of the parent	4 533	4 533	4 435	4 435
Weighted average number of ordinary shares	399 509 771	399 509 771	399 509 771	399 509 771
Adjusted for:				
– Share schemes that have a dilutive effect		12 778 352		12 778 352
Adjusted weighted average number of ordinary shares	399 509 771	412 288 123	399 509 771	412 288 123
Earnings per share (cents)	1 135	1 099	1 110	1 076

18.2 Earnings reconciliation

	2007		2006	
	Gross	**Net**	Gross	Net
Profit attributable to equity holders of the parent		**6 025**		4 533
Less: non-trading and capital items		**104**		98
Impairment of goodwill			(70)	(70)
Profit on sale of subsidiaries, investments and property and equipment	**118**	**111**	248	208
Net impairment of investments, property and equipment and capitalised development costs	**(7)**	**(7)**	(54)	(40)
Headline earnings		**5 921**		4 435

19 Dividends

19.1 Ordinary shares

	Last date to register	Millions of shares	Cents per share	Rm
2007				
Final declared for 2006 – paid 2007	**29 Mar 07**	**402**	**284**	**1 142**
Interim declared for 2007	**14 Sept 07**	**406**	**310***	**1 260**
Ordinary dividends paid 2007			**594**	**2 402**
Final ordinary dividend declared for 2007			**350***	
2006				
Final declared for 2005 – paid 2006	24 Mar 06	401	185	742
Interim declared for 2006	8 Sept 06	392	209**	820
Ordinary dividends paid 2006			394	1 562
Final ordinary dividend declared for 2006			284**	

* *Total dividend declared for 2007 = 660 cents per share.*
** *Total dividend declared for 2006 = 493 cents per share.*

19.2 Minority interest – preference shareholders

	Days	Rate %	Rm
2007			
Dividends paid:			
Nedbank Limited			
1 July 2006 – 31 December 2006	**184**		**122**
1 July 2006 – 3 August 2006	**34**	**8,23**	**21**
4 August 2006 – 15 October 2006	**73**	**8,63**	**48**
16 October 2006 – 10 December 2006	**56**	**9,00**	**38**
11 December 2006 – 31 December 2006	**21**	**9,38**	**15**
1 January 2007 – 30 June 2007	**181**		**146**
1 January 2007 – 10 June 2007	**161**	**9,38**	**127**
11 June 2007 – 30 June 2007	**20**	**9,80**	**19**
Imperial Bank Limited			
22 June 2006 – 31 December 2006	**193**		**13**
22 June 2006 – 3 August 2006	**43**	**7,70**	**3**
4 August 2006 – 15 October 2006	**73**	**8,05**	**5**
16 October 2006 – 10 December 2006	**56**	**8,40**	**4**
11 December 2006 – 31 December 2006	**21**	**8,80**	**1**
1 January 2007 – 30 June 2007	**181**		**13**
1 January 2007 – 10 June 2007	**161**	**8,75**	**12**
11 June 2007 – 30 June 2007	**20**	**9,10**	**1**
			294

19 Dividends (continued)

19.2 Minority interest – preference shareholders (continued)

	Number of shares	Cents per share	Rm
Dividends declared:			
Nedbank Limited			
Final declared for 2006 – paid March 2007	**277 298 896**	**44,14**	**122**
Interim declared for 2007 – paid September 2007	**312 781 032**	**46,72**	**146**
Imperial Bank Limited			
Final declared for 2006 – paid March 2007	**3 000 000**	**430,93**	**13**
Interim declared for 2007 – paid September 2007	**3 000 000**	**435,82**	**13**
			294
Final declared for 2007 – payable March 2008 (Nedbank Limited)	**312 781 032**	**51,55**	**161**
Final declared for 2007 – payable March 2008 (Imperial Bank Limited)	**3 000 000**	**481,18**	**14**
2006			
Dividends paid:			
Nedbank Limited			
1 July 2005 – 31 December 2005	184	7,88	110
1 January 2006 – 30 June 2006	181		109
1 January 2006 – 8 June 2006	159	7,88	95
9 June 2006 – 30 June 2006	22	8,25	14
	365		219
Dividends declared:			
Nedbank Limited			
Final declared for 2005 – paid March 2006	277 298 896	39,70	110
Interim declared for 2006 – paid August 2006	277 298 896	39,27	109
			219

20 Cash and cash equivalents

	2007 Rm	2006 Rm
Coins and bank notes	**2 439**	2 480
Money at call and short notice	**6 318**	9 668
Balances with central banks – other than mandatory reserve deposits	**1 587**	119
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**10 344**	12 267
Mandatory reserve deposits with central banks	**8 364**	7 039
	18 708	19 306

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, balances with central banks and mandatory reserve deposits are non-interest bearing. Other money-market placements are floating interest rate assets.

continued

21 Other short-term securities

	2007 Rm	2006 Rm
21.1 Analysis		
Negotiable certificates of deposit	**21 320**	19 666
Treasury bills	**4 377**	6 081
Other	**96**	9
	25 793	25 756
21.2 Sectoral analysis		
Banks	**21 320**	19 666
Government and public sector	**4 473**	6 090
	25 793	25 756

22 Derivative financial instruments

These transactions have been entered into in the normal course of business and no material losses are anticipated other than those for which provision has been made in the income statement. 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 over-the-counter (OTC) agreements between two parties to exchange periodic payments of interest, or payments for the change in value of a commodity or related index, over a set period based on notional principal amounts. The group enters into swap transactions in several markets. Interest rate swaps exchange fixed rates for floating rates of interest based on notional amounts. Basis swaps exchange floating or fixed interest calculated using different bases. Cross currency swaps are the exchange of interest based on notional values of different currencies.

Options

Currency and interest rate 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 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 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.

Risk monitoring

Details of the group's financial risk management objectives and policies are included in the Risk and Capital Management Report on pages 98 to 147 and the interest rate risk analysis is detailed on pages 129 to 131.

22 Derivative financial instruments (continued)

22.1 Total carrying amount of derivative financial instruments

	2007 Rm	2006 Rm
Gross carrying amount of assets	**9 047**	15 273
Gross carrying amount of liabilities	**(11 432)**	(12 904)
Net carrying amount	**(2 385)**	2 369

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

22.2 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.

	2007 Notional principal Rm	2007 Positive value Rm	2007 Negative value Rm	2006 Notional principal Rm	2006 Positive value Rm	2006 Negative value Rm
Equity derivatives	**382 433**	**184 632**	**197 801**	164 317	82 619	81 698
Options written	**45 842**		**45 842**	70 833		70 833
Options purchased	**46 788**	**46 788**		71 149	71 149	
Swaps	**253 700**	**126 651**	**127 049**	–		
Futures	**36 103**	**11 193**	**24 910**	22 335	11 470	10 865
Exchange rate contracts	**160 962**	**81 037**	**79 925**	192 118	101 024	91 094
Forwards	**147 949**	**76 520**	**71 429**	177 435	94 628	82 807
Currency swaps	**10 336**	**3 129**	**7 207**	13 183	5 614	7 569
Options purchased	**1 388**	**1 388**		782	782	
Options written	**1 289**		**1 289**	718		718
Interest rate contracts	**375 147**	**164 343**	**210 804**	300 497	138 863	161 634
Interest rate swaps	**247 861**	**103 774**	**144 087**	205 838	87 181	118 657
Forward rate agreements	**84 324**	**37 328**	**46 996**	73 874	39 906	33 968
Options purchased	**4 145**	**4 145**		1 280	1 280	
Options written	**4 600**		**4 600**	1 055		1 055
Futures	**24 819**	**12 177**	**12 642**	10 092	6 087	4 005
Caps	**4 731**	**2 752**	**1 979**	5 591	3 162	2 429
Floors	**3 656**	**3 156**	**500**	2 176	796	1 380
Credit default swaps	**1 011**	**1 011**		591	451	140
Total notional principal	**918 542**	**430 012**	**488 530**	656 932	322 506	334 426

22.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the 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.

	2007 Net carrying amount Rm	2007 Carrying amount of assets Rm	2007 Carrying amount of liabilities Rm	2006 Net carrying amount Rm	2006 Carrying amount of assets Rm	2006 Carrying amount of liabilities Rm
Equity derivatives	**(1 321)**	**2 015**	**3 336**	3 673	7 479	3 806
Options written	**(2 191)**		**2 191**	(3 551)		3 551
Options purchased	**939**	**939**		7 206	7 206	
Swaps	**365**	**698**	**333**	–		
Futures	**(434)**	**378**	**812**	18	273	255
Exchange rate contracts	**32**	**3 208**	**3 176**	516	4 735	4 219
Forwards	**351**	**2 747**	**2 396**	526	4 327	3 801
Exchange futures	**–**			–		
Currency swaps	**(309)**	**441**	**750**	(10)	402	412
Options purchased	**20**	**20**		6	6	
Options written	**(30)**		**30**	(6)		6
Interest rate contracts	**(1 096)**	**3 824**	**4 920**	(1 820)	3 059	4 879
Interest rate swaps	**(1 138)**	**3 653**	**4 791**	(1 846)	2 962	4 808
Forward rate agreements	**14**	**106**	**92**	18	65	47
Options purchased	**11**	**11**		1	1	
Options written	**(11)**		**11**	(14)		14
Futures	**(5)**	**1**	**6**	2	4	2
Caps	**3**	**23**	**20**	5	12	7
Floors	**4**	**4**		3	4	1
Credit default swaps	**26**	**26**		11	11	
Total carrying amount	**(2 385)**	**9 047**	**11 432**	2 369	15 273	12 904

22 Derivative financial instruments (continued)

22.4 Analysis of derivative financial instruments

	Exchange rate contracts Rm	Interest rate contracts Rm	Equity derivatives Rm	Total Rm
Derivative assets				
2007				
Maturity analysis				
Under one year	**2 219**	**368**	**621**	**3 208**
One to five years	**966**	**1 582**	**1 309**	**3 857**
Over five years	**23**	**1 874**	**85**	**1 982**
	3 208	**3 824**	**2 015**	**9 047**
2006				
Maturity analysis				
Under one year	3 959	386	5 895	10 240
One to five years	691	956	1 453	3 100
Over five years	85	1 717	131	1 933
	4 735	3 059	7 479	15 273
Derivative liabilities				
2007				
Maturity analysis				
Under one year	**2 262**	**496**	**778**	**3 536**
One to five years	**885**	**1 725**	**2 500**	**5 110**
Over five years	**29**	**2 699**	**58**	**2 786**
	3 176	**4 920**	**3 336**	**11 432**
2006				
Maturity analysis				
Under one year	3 408	332	1 300	5 040
One to five years	763	1 757	2 444	4 964
Over five years	48	2 790	62	2 900
	4 219	4 879	3 806	12 904
Notional principal of derivatives				
2007				
Maturity analysis				
Under one year	**139 480**	**194 190**	**87 802**	**421 472**
One to five years	**19 329**	**116 267**	**294 198**	**429 794**
Over five years	**2 153**	**64 690**	**433**	**67 276**
	160 962	**375 147**	**382 433**	**918 542**
2006				
Maturity analysis				
Under one year	168 742	141 925	106 534	417 201
One to five years	18 809	108 753	57 122	184 684
Over five years	4 567	49 819	661	55 047
	192 118	300 497	164 317	656 932

23 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 policy as described in note 1.5(iii).

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

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

Various instruments are designated as at fair value through profit or loss, which is consistent with the relevant entity's documented risk management or investment strategy. In these risk management or investment strategies the fair value is the instrument attribute that is managed and reviewed on a regular basis. Business strategies, operating mandates and/or investment strategies are aligned with the fair value of the instruments. The risk of the portfolio is measured and monitored on a fair-value basis. Performance measurement is directly aligned to the fair value, and is reported to key management staff on a regular basis.

23.1 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 (refer to note 26) Rm	Cumulative Rm
2007			
Negotiable certificates of deposit (NCDs) 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

23 Financial instruments designated as at fair value through profit or loss (continued)

23.1 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 (refer to note 26) Rm	Cumulative Rm
2006			
Negotiable certificates of deposit (NCDs) purchased	1 044		
Treasury bills	5 716		
Government-guaranteed	8 958		
Other dated securities	1 262		
Commercial mortgage loans	10 930	(34)	9
Instalment credit	64	3	4
Leases and debentures	192		
Preference shares	1 344		
Debentures	7		
Loans and advances (secured and unsecured)	7 325		10
Unsecured loans and advances	24		
Overdrafts	31		
Foreign correspondents	2 061		
Other loans	2 480	4	95
Loans to other banks	684		
Trade and other bills and acceptances	699		
Debtors and accruals	277		
Listed investments	487		
Unlisted investments	666		
Endowment policy	390		
Insurance policyholder investments	5 314		
Policyholder assets	(36)		
	49 919	(27)	118

Nedbank Group has estimated the change in credit risk in accordance with IAS 39 Financial Instruments: Recognition and Measurement as the amount of the change in fair value of the financial instrument that is not attributable to changes in market conditions that give rise to market risk. For loans and receivables that have been designated as at fair value through profit or loss, individual credit spreads are determined at inception 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.

continued

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

	Fair value Rm	Contractually payable at maturity Rm	Change in fair value due to change in credit risk: Current period Rm	Change in fair value due to change in credit risk: Cumulative Rm
2007				
Long-term subordinated-debt instruments	**(7 725)**	**(7 971)**	**47**	**55**
Call and term deposits	**(18 294)**	**(18 397)**	**2**	**5**
Fixed deposits and shares	**(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 (NCDs)	**(30 716)**	**(30 884)**	**9**	**9**
	(68 018)	**(68 535)**	**54**	**69**
2006				
Long-term subordinated-debt instruments	(4 131)	(4 122)	8	8
Call and term deposits	(1 957)	(1 944)	2	3
Fixed deposits and shares	(289)	(292)	(2)	(1)
Promissory notes and other liabilities	(1 915)	(1 921)	9	5
Foreign currency liabilities	(5 486)	(5 483)		
Investment contract liabilities	(5 278)	(5 278)		
	(19 056)	(19 040)	17	15

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

The curves were 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 (NCDs) and promissory notes (PNs) out to five years, and thereafter the offer rates of bonds.

24 Government and other securities

		2007 Rm	2006 Rm
24.1	**Analysis**		
	Government and government-guaranteed securities	**19 240**	12 609
	Other dated securities	**10 397**	9 587
		29 637	22 196
24.2	**Sectoral analysis**		
	Financial services, insurance and real estate	**5 670**	2 061
	Banks	**2 266**	6 691
	Manufacturing		24
	Transport, storage and communication	**161**	106
	Retailers, catering and accommodation*	**200**	651
	Government and public sector	**21 053**	12 608
	Other services*	**287**	55
		29 637	22 196
24.3	**Valuation**		
	Listed securities		
	– Carrying amount	**29 335**	21 590
	– Market value	**29 316**	21 659
	Unlisted securities		
	– Carrying amount	**302**	606
	– Directors' valuation	**302**	609
	Total market/directors' valuation	**29 618**	22 268

** 2006 comparatives have been reclassified to reflect more accurate sectoral disclosure.*

25 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.

25.1 Classification of loans and advances

	2007 Rm	2006 Rm
Mortgage loans	**184 025**	145 157
Homeloans*	**123 980**	98 944
Commercial mortgages	**60 045**	46 213
Net finance lease and instalment debtors (note 25.4)*	**52 568**	43 358
Gross investment	**58 025**	47 090
Unearned finance charges	**(5 457)**	(3 732)
Credit cards	**7 109**	5 283
Other loans and advances	**136 332**	119 949
Properties in possession	**308**	131
Overdrafts	**12 514**	13 761
Term loans	**39 835**	33 948
Personal loans	**6 912**	5 477
Other term loans	**32 923**	28 471
Overnight loans	**18 336**	17 392
Other loans to clients	**47 786**	38 583
Foreign client lending	**13 734**	17 324
Remittances in transit	**196**	160
Other loans**	**33 856**	21 099
Preference shares and debentures	**9 377**	6 840
Factoring accounts	**494**	839
Deposits placed under reverse repurchase agreements	**5 839**	6 703
Trade, other bills and bankers' acceptances	**1 843**	1 752
	380 034	313 747
Impairment of advances (note 26)	**(6 078)**	(5 184)
	373 956	308 563
Comprises:		
Loans and advances to customers	**361 668**	296 282
Loans and advances to banks	**18 366**	17 465
	380 034	313 747

* *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, Debt Capital Markets in Nedbank Capital and other loans in Nedbank Corporate and Nedbank Retail.*

25 Loans and advances (continued)

	2007 Rm	2006 Rm
25.2 Sectoral analysis		
Individuals	**164 315**	128 289
Financial services, insurance and real estate	**100 220**	79 552
Banks	**18 366**	17 465
Manufacturing	**13 942**	11 792
Building and property development	**8 323**	8 767
Transport, storage and communication	**9 769**	9 362
Retailers, catering and accommodation	**5 249**	7 448
Wholesale and trade	**8 734**	7 053
Mining and quarrying	**9 352**	6 162
Agriculture, forestry and fishing	**2 763**	2 560
Government and public sector	**6 666**	6 714
Other services	**32 335**	28 583
	380 034	313 747
25.3 Geographical analysis		
South Africa	**362 182**	291 986
Other African countries	**8 522**	6 444
Europe	**7 074**	13 228
Asia	**1 266**	993
USA	**493**	403
Other	**497**	693
	380 034	313 747
25.4 Net finance lease and instalment debtors		
Gross finance lease and instalment debtors:		
No later than one year	**11 236**	8 545
Later than one year and no later than five years	**43 055**	38 351
Later than five years	**3 734**	194
	58 025	47 090
Unearned future income on finance lease and instalment debtors	**(5 457)**	(3 732)
Net finance lease and instalment debtors	**52 568**	43 358
The net finance lease and instalment debtors may be analysed as follows:		
No later than one year	**10 180**	7 867
Later than one year and no later than five years	**39 006**	35 312
Later than five years	**3 382**	179
	52 568	43 358

26 Impairment of advances

		Total impairments 2007 Rm	Total impairments 2006 Rm	Specific impairments 2007 Rm	Specific impairments 2006 Rm	Portfolio impairments 2007 Rm	Portfolio impairments 2006 Rm
26.1	**Impairment of advances**						
	Balance at the beginning of the year	**5 184**	5 214	**3 787**	4 418	**1 397**	796
	Income statement charge	**2 164**	1 483	**1 843**	968	**321**	515
	– loans and advances	**2 267**	1 510	**1 946**	995	**321**	515
	– advances designated as at fair value through profit or loss (note 23.1)	**(103)**	(27)	**(103)**	(27)		
	Amounts written off against the impairment	**(1 687)**	(1 809)	**(1 706)**	(1 895)	**19**	86
	Recoveries of amounts previously written off against the impairment	**417**	296	**417**	296		
	Impairment of advances	**6 078**	5 184	**4 341**	3 787	**1 737**	1 397
26.2	**Impairment of advances by classification**						
	Home loans	**1 104**	998	**693**	703	**411**	295
	Commercial mortgages	**502**	465	**154**	207	**348**	258
	Properties in possession	**36**	66	**36**	66		
	Credit cards	**456**	282	**408**	260	**48**	22
	Overdrafts	**696**	685	**544**	481	**152**	204
	Other loans to clients	**2 176**	1 652	**1 675**	1 316	**501**	336
	Net finance lease and instalment debtors (note 25.4)	**1 038**	944	**779**	686	**259**	258
	Preference shares and debentures	**70**	90	**52**	67	**18**	23
	Trade, other bills and bankers' acceptances		2		1		1
	Impairment of advances	**6 078**	5 184	**4 341**	3 787	**1 737**	1 397
26.3	**Sectoral analysis**						
	Individuals	**3 601**	1 240	**2 886**	1 008	**715**	232
	Financial services, insurance and real estate	**767**	983	**401**	579	**366**	404
	Manufacturing	**194**	229	**127**	110	**67**	119
	Building and property development	**183**	176	**126**	134	**57**	42
	Transport, storage and communication	**132**	158	**67**	132	**65**	26
	Retailers, catering and accommodation	**176**	109	**59**	69	**117**	40
	Wholesale and trade	**295**	231	**277**	214	**18**	17
	Mining and quarrying	**45**	64	**16**	30	**29**	34
	Agriculture, forestry and fishing	**96**	77	**42**	46	**54**	31
	Government and public sector	**29**	34	**11**	28	**18**	6
	Other services	**560**	1 883	**329**	1 437	**231**	446
		6 078	5 184	**4 341**	3 787	**1 737**	1 397
26.4	**Geographical analysis**						
	South Africa	**5 910**	5 050	**4 238**	3 718	**1 672**	1 332
	Other African countries	**90**	124	**59**	64	**31**	60
	Europe	**67**	7	**42**	3	**25**	4
	Asia	**4**	1			**4**	1
	Other	**7**	2	**2**	2	**5**	
		6 078	5 184	**4 341**	3 787	**1 737**	1 397
26.5	**Ratio of impairments**						
	Impairment of advances at the end of the year	**6 078**	5 184				
	Total advances	**380 034**	313 747				
	Ratio (%)	**1,60**	1,65				

27 Other assets

	2007 Rm	2006 Rm
Sundry debtors and other accounts	**5 598**	8 341
Trading securities and spot positions	**3 715**	4 127
	9 313	12 468

28 Current taxation

	2007 Rm	2006 Rm
Normal taxation		
– Current taxation receivable	**59**	161
– Current taxation liabilities	**(337)**	(434)
	(278)	(273)

29 Investment securities

29.1 Carrying amount

	2007 Rm	2006 Rm
Listed investments	**598**	552
Eland Platinum Holdings Limited		19
Enaleni Pharmaceuticals	**2**	2
MasterCard Incorporated		66
Private-equity portfolio	**482**	382
Other	**114**	83
Unlisted investments	**1 874**	1 325
Endowment policies	**245**	390
Dr Holsboer Investment Portfolio	**240**	205
Morning Tide Investments 168 (Pty) Limited	**94**	
Strate Limited	**16**	20
Private-equity portfolio	**916**	449
Other	**363**	261
Total listed and unlisted investments	**2 472**	1 877
Listed policyholder investments at market value	**5 178**	4 433
Equities other than property	**419**	495
Government, public and private sector stock	**196**	162
Unit trusts	**4 563**	3 776
Unlisted policyholder investments at directors' valuation	**703**	881
Equities other than property	**7**	8
Negotiable certificates of deposit, money market and other short-term funds	**696**	873
Policyholder liabilities	**(35)**	(36)
Total policyholder investments	**5 846**	5 278
Total investment securities	**8 318**	7 155

29.2 Fair value of listed and unlisted investments

	2007 Rm	2006 Rm
Listed at market value	**598**	552
Unlisted at directors' valuation	**1 874**	1 332
	2 472	1 884

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

30 Investments in associate companies and joint ventures

		2007 Rm	2006 Rm
30.1	**Carrying amount**		
	Unlisted investments	**978**	907
		978	907
30.2	**Movement in carrying amount**		
	Carrying amount at the beginning of the year	**907**	657
	Share of associate companies' and joint ventures' profit after taxation for the current year	**239**	153
	Dividends received	**(163)**	(76)
	Net (disposals)/acquisitions of associate companies and joint ventures at cost	**(5)**	174
	Foreign currency translation differences		(1)
	Carrying amount at the end of the year	**978**	907
30.3	**Analysis of carrying amount**		
	Associate investments – on acquisition		
	– Unlisted: net asset value	**827**	543
	– Unlisted: goodwill		197
	Share of retained earnings since acquisition	**447**	319
	Dividends received	**(296)**	(152)
		978	907
	Information relating to investments in associate companies appears on pages 266 and 267.		
30.4	**Valuation**		
	Unlisted at directors' valuation	**978**	1 002
		978	1 002
30.5	**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**	198
	– Cost	**197**	234
	– Accumulated impairment losses		(36)
	Realised through disposals	**(197)**	(1)
	Carrying amount at the end of the year	**–**	197
	– Cost		197

30.6 Sectoral analysis of investments in associate companies and joint ventures

	Joint ventures Rm	Associates Rm	Total Rm
Summarised financial information			
2007			
Total assets	**3 448**	**3 182**	**6 630**
Total liabilities	**3 349**	**2 254**	**5 603**
Operating results	**368**	**650**	**1 018**
2006			
Total assets	2 358	1 959	4 317
Total liabilities	2 237	1 647	3 884
Operating results	165	174	339

31 Non-current assets and liabilities held for sale

	Previously included in:	Non-current assets held for sale Rm	Non-current liabilities held for sale Rm	Net carrying amount Rm
2007				
Properties sold not yet transferred*	**Property and equipment**	**31**		**31**
		31	**–**	**31**
2006				
Taquanta Companies**		448	417	31
Properties sold not yet transferred*	Property and equipment	42		42
		490	417	73

* *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 years.*

** *The businesses previously had a minority BEE partner. The BEE partner along with management purchased 100% of all businesses. The sale was subject to Competition Commission approval. The Competition Commission process was concluded in the first half of 2007. The final sale price was only determined on the date of Competition Commission approval, so no gain or loss on sale had been recognised at the end of 2006. The gain or loss was not expected to be material at the end of 2006. A gain of R2,6 million after tax relating to non-current assets held for sale was recognised in profit and loss during 2007 when the transaction was concluded.*

32 Deferred taxation

32.1 Reconciliation of deferred taxation balance

	2007 Rm	2006 Rm
Deferred taxation asset		
Balance at the beginning of the year	**120**	680
Current-year temporary differences	**(95)**	(560)
– Client credit agreements		(33)
– Credit impairments		(316)
– Income and expenditure accruals	**(95)**	2 011
– Taxation losses – transferred to deferred taxation liabilities		(2 222)
Balance at the end of the year	**25**	120
Deferred tax liability		
Balance at the beginning of the year	**1 649**	959
Current-year temporary differences	**155**	788
– Client credit agreements	**(794)**	368
– Credit impairments		(314)
– Income and expenditure accruals	**(1 244)**	3 321
– Taxation losses – utilised during the year	**2 193**	(365)
– Taxation losses – transferred to deferred taxation liabilities		(2 222)
Other movements	**(188)**	(98)
Balance at the end of the year	**1 616**	1 649

32 Deferred taxation (continued)

32.2 Analysis of deferred taxation

	2007 Rm	2006 Rm
Deferred taxation asset		
Credit impairments	**3**	3
Income and expenditure accruals	**22**	117
	25	120
Deferred taxation liability		
Client credit agreements	**1 089**	2 367
Credit impairments	**(314)**	(314)
Income and expenditure accruals	**905**	2 183
Taxation losses	**(64)**	(2 587)
	1 616	1 649

33 Investment property

33.1 Fair value

	2007 Rm	2006 Rm
Fair value at the beginning of the year	**158**	163
Acquisitions	**10**	1
Disposals	**(15)**	(23)
Net gain from fair-value adjustments	**18**	17
Fair value at the end of the year	**171**	158

33.2 Fair value of investment property

The above investment properties are freehold and are either held for earning 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 policy 1.10. 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 these registered independent valuers who have recent experience in the location and category of the property being valued. The assumed discount rate applied was between 10% and 18%, and takes into account the type of property and the property location.

	2007 Rm	2006 Rm
Valuations determined by reference to existing market conditions	**162**	92
Valuations based on discounted future income streams	**9**	66
	171	158

33.3 Rental income and operating expenses from investment property

	2007 Rm	2006 Rm
Rental income from investment property	**17**	16
Direct operating expense arising from investment property that generated rental income	**20**	18

33.4 Minimum contractual lease rental income from investment property

	2007 Rm	2006 Rm
2007		13
2008	**13**	14
2009	**13**	15
2010	**11**	16
	37	58

34 Property and equipment

	Land		Buildings	
	2007	2006	**2007**	2006
Gross carrying amount				
Balance at 1 January	**396**	368	**1 808**	1 770
Acquisitions	**5**	2	**52**	26
Increases arising from revaluations	**213**	30	**327**	80
Transfers to non-current assets held for sale		(4)		(14)
Disposals			**(216)**	
Reclassification			**32**	(35)
Writeoff of accumulated depreciation on revaluations			**(46)**	(22)
Effect of movements in foreign exchange rates				3
Balance at 31 December	**614**	396	**1 957**	1 808
Accumulated depreciation and impairment losses				
Balance at 1 January			**156**	119
Depreciation charge for the year			**67**	61
Acquisitions				
Writeoff of accumulated depreciation on revaluations			**(46)**	(22)
Transfers to non-current assets held for sale				(2)
Impairments				
Disposals			**(59)**	
Reclassification			**35**	
Effect of movements in foreign exchange rates				
Balance at 31 December	**–**	–	**153**	156
Carrying amount				
At 1 January	**396**	368	**1 652**	1 651
At 31 December	**614**	396	**1 804**	1 652

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 fair value, 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 1.8. 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 determining the fair value of properties the assumed discount rates applied for future income streams range between 8,5% and 14,5% and take into account the type of property and the property's location.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R1 381 million (2006: R1 530 million).

continued

	Computer equipment		Furniture and other		Vehicles		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	2 153	1 923	**1 499**	1 391	**45**	43	**5 901**	5 495
	332	445	**350**	219	**4**	10	**743**	702
							540	110
		8		(15)			**–**	(25)
	(99)	(223)	**(121)**	(98)	**(19)**	(8)	**(455)**	(329)
			(44)				**(12)**	(35)
							(46)	(22)
	(3)		**3**	2			**–**	5
	2 383	2 153	**1 687**	1 499	**30**	45	**6 671**	5 901
	1 508	1 509	**835**	750	**25**	22	**2 524**	2 400
	288	218	**187**	171	**3**	6	**545**	456
							–	–
							(46)	(22)
							–	(2)
	(10)						**(10)**	–
	(99)	(222)	**(121)**	(81)	**(13)**	(4)	**(292)**	(307)
			(14)				**21**	–
		3		(5)		1	**–**	(1)
	1 687	1 508	**887**	835	**15**	25	**2 742**	2 524
	645	414	**664**	641	**20**	21	**3 377**	3 095
	696	645	**800**	664	**15**	20	**3 929**	3 377

35 Long-term employee benefits

The group has a number of defined-benefit and defined-contribution plans in terms of which it provides pension, postretirement medical aid and long-term disability benefits to employees and their dependants on retirement, death or disability. All eligible employees and former employees are members of trustee-administered or underwritten schemes within the group, financed by company and employee contributions. All 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 and 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 valuation the defined-benefit plans were in a sound financial position in terms of section 16 of the Pension 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 2007.

Refer to note 13 for the expense relating to the defined-benefit plans.

Post-employment benefits

Defined-benefit pension and provident funds

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

Defined-benefit medical aid funds

- Nedgroup Medical Aid Scheme for Nedbank employees and pensioners.
- Nedgroup Medical Aid Scheme for 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].

  Optiplus (Nedgroup Pension Fund) and OMART (Nedbank Group Disability Fund) are insurance policies, the proceeds of which can be used only 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.

Restatement

The restatement corrects the recognition of the Optiplus asset and liability gross-up in the 2006 disclosure.

35.1 Analysis of long-term employee benefits assets and liabilities

	Assets	Liabilities	Net asset/ (liability)
2007			
Post-employment benefits	**1 126**	**(976)**	**150**
Other long-term employee benefits – Disability fund	**267**	**(181)**	**86**
	1 393	**(1 157)**	**236**
2006			
Post-employment benefits	1 209	(1 065)	144
Other long-term employee benefits – Disability fund	235	(150)	85
	1 444	(1 215)	229

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 special-purpose entity controlled by the group and was established to fund this defined-benefit obligation.

35.2 Post-employment benefits

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised actuarial (gains)/losses and assets	Net asset/ (liability)
Analysis of post-employment benefit assets and liabilities (Rm)					
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**	**4**		**(4)**		**(4)**
Total	**3 774**	**5 472**	**1 698**	**(1 548)**	**150**
2006					
Pension funds	3 000	4 265	1 265	(999)	266
– Nedgroup Fund*	2 318	3 327	1 009	(749)	260
– BoE Funds	270	424	154	(156)	(2)
– Nedbank UK Fund	226	265	39	(26)	13
– Fairbairn Funds	80	63	(17)	12	(5)
– Other funds	106	186	80	(80)	–
Medical aid funds	810	700	(110)	(12)	(122)
– Nedgroup scheme for Nedbank employees	715	700	(15)	(13)	(28)
– Nedgroup scheme for BoE employees	90		(90)	1	(89)
– Nedbank Namibia scheme**	5		(5)		(5)
Total	3 810	4 965	1 155	(1 011)	144

* *2006 restated.*
** *Unfunded.*

35 Long-term employee benefits (continued)

35.2 Post-employment benefits (continued)

	Pension and provident funds	Medical aid funds	Total
Present value of defined-benefit obligation (Rm)			
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)/losses	**(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**
2006			
Balance at the beginning of the year*	2 951	714	3 665
Current service cost	29	27	56
Interest cost	225	58	283
Contributions by plan participants	8		8
Actuarial (gains)/losses	(24)	43	19
Benefits paid	(188)	(32)	(220)
Other movements	(1)		(1)
Balance at the end of the year*	3 000	810	3 810
Fair value of plan assets (Rm)			
2007			
Balance at the beginning of the year	**4 265**	**700**	**4 965**
Expected return on plan assets	**361**	**58**	**419**
Actuarial gains/(losses)	**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**
2006			
Balance at the beginning of the year*	3 658	614	4 272
Expected return on plan assets	297	49	346
Actuarial gains/(losses)	448	47	495
Contributions by the employer	41	22	63
Contributions by plan participants	8		8
Benefits paid	(188)	(32)	(220)
Other movements	1		1
Balance at the end of the year*	4 265	700	4 965

** 2005 and 2006 restated.*

35.2 Post-employment benefits (continued)

	Pension and provident funds	Medical aid funds	Total
Net asset/(liability) recognised (Rm)			
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)/losses	**(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)**
2006			
Present value of defined-benefit obligation**	(3 000)	(810)	(3 810)
Fair value of plan assets**	4 265	700	4 965
Funded status	1 265	(110)	1 155
Unrecognised net actuarial (gains)/losses	(786)	(12)	(798)
Unrecognised asset due to asset ceiling	(213)		(213)
	266	(122)	144
Asset	1 209		1 209
Liability	(943)	(122)	(1 065)
Total expense recognised (Rm)			
2007			
Current service cost	**33**	**31**	**64**
Interest cost	**227**	**70**	**297**
Expected return on plan assets	**(361)**	**(58)**	**(419)**
Actuarial (gains)/losses	**16**	**(1)**	**15**
Effect of application of asset ceiling	**63**		**63**
	(22)	**42**	**20**
2006			
Current service cost	29	27	56
Interest cost	225	58	283
Expected return on plan assets	(297)	(49)	(346)
Actuarial (gains)/losses	(8)		(8)
Effect of application of asset ceiling	16		16
	(35)	36	1
Movements in net asset/(liability) recognised (Rm)			
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**
2006			
Balance at the beginning of the year	190	(108)	82
Net expense recognised in the income statement	35	(36)	(1)
Contributions paid by the employer	41	22	63
Balance at the end of the year	266	(122)	144

*** 2006 restated.*

35 Long-term employee benefits (continued)

35.2 Post-employment benefits (continued)

	Pension and provident funds	Medical aid funds	Total
Distribution of plan assets (%)			
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**
2006			
Equity instruments	36,93	24,00	35,40
Debt instruments	22,21		19,58
Property	1,30		1,14
Cash	7,61	49,00	12,52
International	8,03	7,00	7,91
Other	23,92	20,00	23,45
	100,00	100,00	100,00
Actual return on plan assets (Rm)			
2007	**794**	**80**	**874**
2006	745	96	841
Principal actuarial assumptions (%)			
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**	
2006			
Discount rates	4,8 and 8	8 and 8,5	
Expected rates of return on plan assets	4 to 9	8,5	
Inflation rate	2,75 to 5	5,5	
Expected rates of salary increases	4,3 and 5,75	6,5	
Pension increase allowance	2,75 to 4,25		
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 at the latest available date were used and adjustments were made to reflect the effect of expenses.

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

Medical aid funds

The overall expected long-term rate of return on plan assets is 8,5%. The expected rate of return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. The expected rate of return is based on the expected performance of the entire portfolio.

35.2 Post-employment benefits (continued)

	Pension and provident funds	Medical aid funds	Total
Experience adjustments on present value of defined-benefit obligation for past five years			
2007	**(17)**	**(64)**	**(81)**
2006	105	43	148
2005	(22)	47	25
2004	(95)	16	(79)
2003	(62)	42	(20)
Experience adjustments on fair value of plan assets for past five years			
2007	**433**	**22**	**455**
2006	448	47	495
2005	374	42	416
2004	144	28	172
2003	(86)	10	(76)
Estimate of future contributions			
Contributions expected for ensuing year	**23**	**4**	**27**

Surplus/(Deficit) for past five years

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Pension funds			
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
2003	2 615	2 863	248

*** *restated*

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Medical aid funds			
2007	**811**	**749**	**(62)**
2006	810	700	(110)
2005	714	614	(100)
2004	628	538	(90)
2003	552	471	(81)

Effect of 1% change in assumed medical cost trend rates (Rm)

	2007 Rm	2006 Rm
1% increase – effect on current service cost and interest cost	**18**	15
1% increase – effect on accumulated benefit obligation	**120**	115
1% decrease – effect on current service cost and interest cost	**(15)**	(13)
1% decrease – effect on accumulated benefit obligation	**(98)**	(103)

36 Computer software and capitalised development costs

	Software Rm	Software development costs Rm	Total Rm
2007			
Cost			
Balance at the beginning of the year	**2 886**	**499**	**3 385**
Other acquisitions – separately acquired	**102**	**414**	**516**
Other acquisitions – internally developed	**8**		**8**
Development costs commissioned to software	**308**	**(308)**	**–**
Foreign exchange and other movements	**(40)**	**43**	**3**
Disposals and retirements	**(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 and 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**
2006			
Cost			
Balance at the beginning of the year	2 637	476	3 113
Other acquisitions – separately acquired	63	374	437
Other acquisitions – internally developed	1		1
Development costs commissioned to software	345	(345)	–
Disposals or retirements	(168)		(168)
Foreign exchange and other movements	8	(6)	2
Balance at the end of the year	2 886	499	3 385
Accumulated amortisation and impairment losses			
Balance at the beginning of the year	1 613	180	1 793
Amortisation charge	438		438
Impairment losses	55		55
Foreign exchange and other movements	2	(2)	–
Disposals or retirements	(167)		(167)
Balance at the end of the year	1 941	178	2 119
Carrying amount			
At the beginning of the year	1 024	296	1 320
At the end of the year	945	321	1 266

37 Goodwill

37.1 Reconciliation of carrying amount

	2007 Rm	2006 Rm
Carrying amount at the beginning of the year	**3 695**	3 687
Arising on business combinations	**225**	5
Realised through disposals	**(21)**	
Impairments recognised through the income statement		(70)
Foreign currency translation and other	**(1)**	73
Carrying amount at the end of the year	**3 898**	3 695

37.2 Analysis

	2007 Cost Rm	2007 Accumulated impairment losses Rm	2007 Carrying amount Rm	2006 Cost Rm	2006 Accumulated impairment losses Rm	2006 Carrying amount Rm
Fairbairn Private Bank (Jersey) Limited/Fairbairn Trust Company Limited (Guernsey)	**449**	**(138)**	**311**	450	(138)	312
Peoples Mortgage Limited	**198**	**(198)**	**–**	198	(198)	–
Imperial Bank Limited	**285**	**(25)**	**260**	285	(25)	260
Nedbank Limited	**3 565**	**(739)**	**2 826**	3 565	(739)	2 826
Nedcor Investment Bank Limited	**375**	**(375)**	**–**	375	(375)	–
Old Mutual Bank Limited	**206**		**206**			
Nedbank Namibia Limited	**134**	**(2)**	**132**	115	(2)	113
SBM Nedbank International			**–**	5	(5)	
Capital One	**82**		**82**	82		82
American Express	**81**		**81**	81		81
Lion Match Factory (Pty) Limited			**–**	21		21
	5 375	**(1 477)**	**3 898**	5 177	(1 482)	3 695

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 regard the useful lives of all cash-generating units to be indefinite.

Refer to note 3.2 for key assumptions made during goodwill impairment testing.

	2007 Rm	2006 Rm
The goodwill when split on a geographical basis (area in which the cash-generating unit operates) is as follows:		
Africa	**3 587**	3 383
Europe	**311**	312
	3 898	3 695
The value in use is estimated as follows:		
Africa	**237 427**	136 783
Europe	**1 943**	1 462
	239 370	138 245
Net estimated recoverable amounts:		
Africa	**233 840**	133 400
Europe	**1 632**	1 150
	235 472	134 550

38 Share capital

38.1 Ordinary share capital

	2007 Rm	2006 Rm
Authorised		
600 000 000 (2006: 600 000 000) ordinary shares of R1 each	**600**	600
Issued		
459 278 075 (2006: 450 884 556) fully paid ordinary shares of R1 each	**459**	451
Treasury shares arising from share repurchases by subsidiaries of 57 336 676 (2006: 56 199 074) fully paidup ordinary shares of R1 each	**(57)**	(56)
	402	395

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 in the May 2007 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.

38.2 Preference share capital and premium

	2007 Rm	2006 Rm
Nedbank Limited preference share capital and premium		
Authorised		
1 000 000 000 (2006: 1 000 000 000) non-redeemable, non-cumulative preference shares of R0,001 each	**1**	1
Issued		
312 781 032 (2006: 277 240 023) non-redeemable, non-cumulative preference shares of R0,001 each	*	*
Preference share premium	**3 121**	2 770
	3 121	2 770
Imperial Bank Limited preference share capital and premium		
Authorised		
8 000 000 (2006: 8 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0,0005 each	*	*
Issued		
3 000 000 (2006: 3 000 000) non-redeemable, non-cumulative, non-participating preference shares of R 0,0005 each	*	*
Preference share premium	**300**	300
	300	300
Total preference share capital and premium	**3 421**	3 070

** Represents amounts less than R1 million.*

38.2 Preference share capital and premium (continued)

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

The 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 Limited preference shares, and is never compounded. The dividends, if declared, accrue half-yearly on 30 June and 31 December and are payable within 120 days of these dates respectively.

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

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

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

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

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

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

38.3 Share options – staff schemes

Share options granted under the Nedbank Group (1994) Share Option Scheme and Nedbank Group (2005) Share Option Scheme have an exercise price fixed at the market price of the share on the day prior to the date on which the option is granted. Options may be exercised at rates determined by the schemes' trustees and expire at the earlier of termination or at varying periods of up to 10 years from the granting of the option. On exercise of the option, the schemes will subscribe for shares in Nedbank Group Limited at the full market price then ruling. The difference between such market price and the exercise price is recoverable from the subsidiary that employs the relevant employee. Any amounts accrued by subsidiaries prior to exercise are transferred to non-distributable reserves net of the amount paid in respect of options exercised.

Refer to pages 280 and 281 for further detail on share option schemes.

39 Amounts owed to depositors

39.1 Classifications

	2007 Rm	2006 Rm
Current accounts	**45 920**	41 349
Savings deposits	**13 925**	13 374
Other deposits and loan accounts	**251 424**	203 942
– Call and term deposits	**153 684**	119 525
– Fixed deposits	**24 378**	22 651
– Cash management deposits	**41 910**	39 273
– Securitisation notes	**1 236**	
– Other deposits and loan accounts	**30 216**	22 493
Foreign currency liabilities	**8 230**	9 267
Negotiable certificates of deposit	**56 166**	45 518
Deposits received under repurchase agreements*	**8 876**	11 235
	384 541	324 685
Comprises:		
– Amounts owed to depositors	**339 562**	292 292
– Amounts owed to banks	**44 979**	32 393
	384 541	324 685

Deposit products include current accounts, savings accounts, call and notice deposits, fixed deposits and negotiable certificates of deposit. Term deposits vary from six months to five years in both the wholesale and retail markets.

Foreign currency liabilities are either matched by advances to clients or hedged against exchange rate fluctuations.

** Government and other related securities (note 24) amounting to R8 633 million (2006: R11 001 million) have been pledged as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred but that do not qualify for derecognition under IAS 39.*

39.2 Sectoral analysis

	2007 Rm	2006 Rm
Banks	**44 979**	32 393
Government and public sector	**28 921**	26 944
Individuals	**134 028**	102 481
Business sector	**176 613**	162 867
	384 541	324 685

Refinements to sectoral data extracting processes from product systems in 2007 have resulted in the 2006 data being adjusted accurately to reflect a comparable view of the sectoral disclosure.

39.3 Geographical analysis

	2007 Rm	2006 Rm
South Africa	**354 459**	300 506
Other African countries	**8 541**	7 937
Europe	**18 009**	13 321
Asia	**838**	951
USA	**294**	686
Other	**2 400**	1 284
	384 541	324 685

40 Other liabilities

40.1 Other liabilities

	2007 Rm	2006 Rm
Creditors and other accounts	**6 758**	7 170
Insurance contracts	**451**	487
Short trading securities and spot positions	**26 545**	29 769
Provision for onerous contracts (note 40.2)	**18**	20
Leave pay accrual (note 40.3)	**453**	401
	34 225	37 847

40.2 Provision for onerous contracts

	2007 Rm	2006 Rm
Balance at the beginning of the year	**20**	4
Recognised in profit or loss	**(2)**	16
Balance at the end of the year	**18**	20

40.3 Leave-pay accrual

	2007 Rm	2006 Rm
Balance at the beginning of the year	**401**	366
Movements from business combinations	**5**	1
Recognised in profit or loss	**50**	41
Utilised during the year	**(1)**	(5)
Unused amounts reversed	**(2)**	(2)
Balance at the end of the year	**453**	401

Provisions have been raised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as set out in note 43.

40.4 Day-one gains and losses

The group enters into transactions where the fair value of the financial instruments is determined using valuation models for which not all inputs are 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 swaps traded in the gold market and are included in creditors and other accounts (refer to note 40.1).

	2007 Rm	2006 Rm
Opening balance	**37**	54
Deferral of profit on new transactions	**29**	
Recognised in the income statement – amortisation	**(9)**	(17)
Closing balance	**57**	37

41 Investment contract liabilities

	2007 Rm	2006 Rm
Movements in policyholder liabilities during year		
Market value at the beginning of the year	**5 278**	4 166
Net movement in value of contracts	**568**	1 112
Market value at the end of the year	**5 846**	5 278

Policies that are under investment contracts are market-related.

42 Long-term debt instruments

	Instrument terms	2007 Rm	2006 Rm
Rand-denominated		**12 199**	8 389
R515 million bonds repayable on 4 December 2008 (IPB1)	13,5% per annum	**528**	553
R500 million bonds repayable on 30 December 2010 (IPB2)	8,38% per annum	**472**	506
R4 billion subordinated callable notes repayable on 9 July 2012 (NED02)*** +	13,15% per annum*		4 254
R1,5 billion subordinated callable notes repayable on 24 April 2016 (NED05)***	7,85% per annum*	**1 406**	1 456
R1,8 billion subordinated callable notes repayable on 20 September 2018 (NED06)****	9,84% per annum*	**1 844**	1 616
R200 million unsecured debentures repayable on 30 November 2029	Zero coupon	**5**	4
R650 million subordinated callable notes repayable on 8 February 2017 (NED07)***	9,03% per annum*	**641**	
R1,7 billion subordinated callable notes repayable on 8 February 2019 (NED08)****	8,90% per annum*	**1 667**	
R2 billion subordinated callable notes repayable on 6 July 2022 (NED09)******	JIBAR + 0,47% per annum**	**2 050**	
R500 million subordinated callable notes repayable on 15 August 2017 (NED10)***	JIBAR + 0,45% per annum**	**507**	
R1 billion subordinated callable notes repayable on 17 September 2020 (NED11)*****	10,54% per annum*	**1 048**	
R500 million subordinated callable notes repayable on 14 December 2017 (NED12A)***	JIBAR + 0,70% per annum**	**503**	
R120 million subordinated callable notes repayable on 14 December 2017 (NED12B)***	10,38% per annum*	**119**	
R291 million callable notes repayable on 18 November 2039 (GRN1A1)#	JIBAR + 0,25% per annum**	**293**	
R1 billion callable notes repayable on 18 November 2039 (GR1A2A)#	JIBAR + 0,60% per annum**	**991**	
R74 million callable notes repayable on 18 November 2039 (GRN1B)#	JIBAR + 0,85% per annum**	**75**	
R50 million callable notes repayable on 18 November 2039 (GRN1C)#	JIBAR + 1,1% per annum**	**50**	
US dollar-denominated		**125**	128
US$18 million repayable on 31 August 2009	1,5 basis points below 6-month Libor on nominal value	**125**	128
Namibian dollar-denominated		**2**	1
N$40 million long-term debenture issue repayable on 15 September 2030	17% per annum until 15 September 2000 – thereafter zero coupon	**2**	1
Total long-term debt instruments in issue		**12 326**	8 518

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

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

* *Interest on these notes is payable biannually.*

** *Interest on these notes is payable quarterly.*

*** *Callable by the issuer, Nedbank Limited, after five years from date of issue, being 9 July 2002, 24 April 2006, 8 February 2007, 15 August 2007, 14 December 2007 and 14 December 2007 (ie 9 July 2007, 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 2,75%, 1,70%, 1,95%, 1,45% 1,70% and 1,70% respectively.*

**** *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.*

***** *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%.*

****** *Callable by the issuer, Nedbank Limited, after 10 years from the date of issue, being 6 July 2007 (ie 6 July 2017), at which time the interest will step up by 1,00% to a floating three-month JIBAR rate, plus a spread of 1,47%.*

\+ *The debt instrument was redeemed on its call date 9 July 2007.*

\# *Callable by the issuer, Greenhouse Funding (Pty) Limited, after approximately five years from the date of issue, being 10 December 2007 (ie 18 November 2012), at which time the interest rate on the notes (GRN1A1, GR1A2A, GRN1B, GRN1C) will step up to three-month JIBAR rate, plus a spread of 0,40%, 0,80%, 1,10% and 1,35% respectively.*

Tier 3 capital

Included in fixed deposits on page 240 is a R300 million subordinated-debt instrument, issued on 20 September 2005 and callable on 20 September 2008, of which R253 million qualified as Tier 3 capital. At 31 December 2006 R300 million was included in deposits, of which R158 million qualified as Tier 3 capital.

43 Contingent liabilities

	2007 Rm	2006 Rm
Guarantees on behalf of clients	**20 579**	15 250
Confirmed letters of credit and discounting transactions	**2 427**	2 820
Unutilised facilities and other	**48 632**	45 736
	71 638	63 806

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.

44 Contingent assets

At the time of preparation of these financial statements, the trustees of the Nedgroup Pension Scheme are awaiting confirmation of the existence of additional benefits in respect of certain fund policies in which the fund has invested. In accordance with IAS 37, an asset will be recognised when the timing and quantum become virtually certain.

45 Commitments

45.1 Capital expenditure approved by directors

	2007 Rm	2006 Rm
Contracted	**687**	394
Not yet contracted	**432**	231
	1 119	625

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 charges will increase in future in line with negotiated escalations and expansions. The following are the minimum lease payments under non-cancellable leases:

	2008 Rm	2009 Rm	2010 Rm	2011 Rm	2012 and beyond Rm
2007					
Land and buildings	**529**	**575**	**654**	**747**	**4 136**
Furniture and equipment	**221**	**235**	**235**	**244**	**518**
	750	**810**	**889**	**991**	**4 654**

	2007 Rm	2008 Rm	2009 Rm	2010 Rm	2011 and beyond Rm
2006					
Land and buildings	412	467	506	561	3 586
Furniture and equipment	185	224	238	264	617
	597	691	744	825	4 203

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 22).

46 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:

	2007 Actual	2006 Actual	2007 Average	2006 Average
United States dollar	**0,1466**	0,1429	**0,1424**	0,1467
Pound sterling	**0,0732**	0,0728	**0,0710**	0,0790
Euro	**0,0997**	0,1085	**0,1033**	0,1159

47 Cashflow information

47.1 Reconciliation of profit from operations to cashflows from operating activities

	2007 Rm	2006 Rm
Profit from operations	**8 745**	6 841
Adjusted for:		
– Depreciation (note 13)	**545**	456
– Amortisation: computer software (note 13)	**431**	438
– Goodwill impairment (note 16)		70
– Movement in impairment of advances	**2 581**	1 779
– Profit on disposal of property and equipment	**(20)**	(11)
– Net income on investment banking assets	**(28)**	(6)
– Effects of exchange rate changes on cash and cash equivalents (excluding foreign borrowings)	**5**	(417)
– Impairment losses on investments, property and equipment (note 16)	**7**	55
– Profit on sale of subsidiaries, investments and property (note 16)	**(118)**	(248)
– Other non-trading and capital items (note 16)		(1)
– Transaction taxes	**305**	345
– Foreign currency translation profit		(4)
Cash generated by operations	**12 453**	9 297

47.2 Cash received from clients

	2007 Rm	2006 Rm
Interest and similar income (note 10)	**42 001**	28 521
Commission and fees (note 12)	**7 528**	6 538
Net trading income (note 12)	**1 334**	1 647
Other income	**1 425**	1 100
	52 288	37 806

47.3 Cash paid to clients, employees and suppliers

	2007 Rm	2006 Rm
Interest expense (note 11)	**(27 855)**	(17 558)
Staff costs (note 13)	**(7 079)**	(6 082)
Other operating expenses	**(5 454)**	(4 921)
	(40 388)	(28 561)

47.4 Increase in operating assets

	2007 Rm	2006 Rm
Other short-term securities	**(37)**	(8 742)
Government and other securities	**(7 441)**	462
Advances and other accounts	**(59 219)**	(63 311)
	(66 697)	(71 591)

47.5 Increase in operating liabilities

	2007 Rm	2006 Rm
Current and savings accounts	**5 122**	7 705
Other deposits, loan accounts and foreign currency liabilities	**46 445**	37 804
Negotiable certificates of deposit	**10 648**	11 836
Deposits received under repurchase agreements	**(2 359)**	6 029
Creditors and other liabilities	**(3 850)**	4 478
	56 006	67 852

47 Cashflow information (continued)

		2007 Rm	2006 Rm
47.6	**Taxation paid**		
	Amounts payable at the beginning of the year	**(273)**	(332)
	Income statement charge (excluding deferred taxation)	**(2 086)**	(523)
	Total indirect taxation (note 15)	**(305)**	(345)
	Portion of transaction taxation on property and equipment acquired to be depreciated in future years	**(33)**	(26)
	Amounts payable at the end of the year (note 28)	**278**	273
		(2 419)	(953)
47.7	**Disposal of investments in subsidiary companies net of cash**		
	Cash and cash equivalents	**40**	13
	Loans and advances	**68**	
	Other assets	**131**	
	Investment securities	**261**	
	Non-current assets held for sale	**532**	
	Investments in associate companies and joint ventures		298
	Property and equipment	**170**	
	Amounts owed to depositors	**(191)**	(3)
	Other liabilities	**(105)**	(8)
	Other liabilities held for sale	**(467)**	
	Deferred taxation liabilities	**(14)**	
	Net assets disposed	**425**	300
	Profit/(Loss) on disposal	**19**	(1)
	Minority interest	**(57)**	
	Goodwill	**19**	
	Consideration received	**406**	299
	Cash and cash equivalents disposed	**(40)**	(13)
	Net consideration	**366**	286
47.8	**Acquisition of investments in subsidiary companies net of cash**		
	Cash and cash equivalents		(29)
	Loans and advances		(15)
	Investments in associate companies and joint ventures		77
	Amounts owed to depositors		(94)
	Current taxation liabilities		1
	Net assets acquired	**–**	(60)
	Minority interest*	**(23)**	
	Goodwill	**(224)**	(5)
	Consideration paid	**(247)**	(65)
	Less: Cash and cash equivalents acquired		29
	Net cash outflow	**(247)**	(36)
47.9	**Dividends paid**		
	Recognised in the group statement of changes in total shareholders' equity	**(2 402)**	(1 562)

** This amount relates to the buyout of Nedbank Namibia minorities during 2007.*

48 Managed funds

	2007 Rm	2006 Rm
48.1 Fair value of funds under management – by type		
Unit trusts	**40 070**	32 780
Third party	**2 832**	23 320
Private clients	**42 536**	30 112
	85 438	86 212
48.2 Fair value of funds under management – by geography		
South Africa	**70 675**	72 827
Rest of world	**14 763**	13 385
	85 438	86 212

	Unit trusts Rm	Third party Rm	Private clients Rm	Total Rm
48.3 Reconciliation of movement in funds under management – by type				
Balance at 31 December 2005	23 866	17 893	22 166	63 925
Inflows	14 197	7 309	7 186	28 692
Outflows	(11 712)	(5 333)	(5 741)	(22 786)
Mark-to-market value adjustment	5 910	3 079	5 594	14 583
Foreign currency translation differences	519	372	907	1 798
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**

	South Africa Rm	Rest of world Rm	Total Rm
48.4 Reconciliation of movement in funds under management – by geography			
Balance at 31 December 2005	52 808	11 117	63 925
Inflows	25 074	3 618	28 692
Outflows	(18 623)	(4 163)	(22 786)
Mark-to-market value adjustment	13 568	1 015	14 583
Foreign currency translation differences		1 798	1 798
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**

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

49 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.

49.1 Description of arrangements

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

continued

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

49 Share-based payments (continued)

49.1 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 a 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.

continued

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

49 Share-based payments (continued)

49.1 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 a 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 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.

continued

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

49 Share-based payments (continued)

49.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2007	2006	**2007**	2006
	Rm	Rm	**Rm**	Rm
Traditional employee schemes	**136**	102	**356**	263
Nedbank Group (1994) Share Option Scheme	**17**	37	**96**	140
Nedbank Group (2005) Share Option Scheme	**103**	55	**223**	104
Nedbank Group (2005) Matched Share Scheme	**15**	9	**33**	16
Old Mutual UK Sharesave Scheme	**1**	1	**4**	3
Nedbank UK long-term incentive plan**	*		*	
Nedbank Eyethu BEE schemes	**146**	117	**501**	357
Black Business Partner Scheme***	**19**		**234**	215
Non-executive Directors' Scheme	**12**	2	**15**	3
Retail Scheme	**30**	38	**69**	39
Corporate Scheme	**56**	51	**121**	65
Black Executive Scheme	**7**	7	**16**	9
Black Management Scheme	**22**	19	**46**	26
Nedbank Namibia Omufima BEE schemes	**1**	21	**17**	16
Namibia Black Business Partner Scheme		9	**9**	9
Namibia Affinity Group Scheme		3	**3**	3
Namibia Education Scheme		4	**4**	4
Namibia Black Management Scheme	**1**		**1**	
Namibia Broad-based Employee Scheme		5		
	283	240	**874**	636

* *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.*

49.3 Movements in number of instruments

	2007 Number of instruments	2007 Weighted average exercise price R	2006 Number of instruments	2006 Weighted average exercise price R
Nedbank Group (1994) Share Option Scheme				
Outstanding at the beginning of the year	**9 123 748**	**79,33**	16 457 215	84,02
Forfeited	**(1 444 777)**	**80,89**	(501 256)	77,11
Exercised	**(3 254 387)**	**80,14**	(2 311 648)	80,31
Expired	**(152 713)**	**105,97**	(4 520 563)	96,71
Outstanding at the end of the year	**4 271 871**	**78,00**	9 123 748	79,33
Exercisable at the end of the year	**2 146 189**	**93,20**	3 490 864	102,28
Weighted average share price for options exercised (R)		**143,80**		123,80
Nedbank Group (2005) Share Option Scheme				
Outstanding at the beginning of the year	**10 811 210**	**95,19**	5 586 759	77,71
Granted	**6 377 666**	**143,16**	6 142 374	110,71
Forfeited	**(612 944)**	**107,13**	(828 423)	94,02
Exercised	**(249 088)**	**91,67**	(89 500)	79,19
Expired	**(20 600)**	**84,04**		
Outstanding at the end of the year	**16 306 244**	**113,68**	10 811 210	95,19
Exercisable at the end of the year	**51 600**	**107,00**	90 800	86,46
Weighted average share price for options exercised (R)		**138,80**		130,47
Nedbank Group (2005) Matched Share Scheme				
Outstanding at the beginning of the year	**449 650**		327 025	
Granted	**179 917**		153 960	
Forfeited	**(32 805)**		(31 335)	
Outstanding at the end of the year	**596 762**	**–**	449 650	–
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**–**		–
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares – GBP)				
Outstanding at the beginning of the year	**821 847**	**0,86**	968 330	0,67
Granted	**252 283**	**1,31**	173 597	1,53
Forfeited	**(6 107)**	**0,97**	(28 428)	0,77
Exercised	**(52 473)**	**0,76**	(282 555)	0,60
Expired	**(101 003)**	**1,46**	(9 097)	1,53
Outstanding at the end of the year	**914 547**	**0,93**	821 847	0,86
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (GBP)		**–**		1,67

49 Share-based payments (continued)

49.3 Movements in number of instruments (continued)

	2007 Number of instruments	2007 Weighted average exercise price R	2006 Number of instruments	2006 Weighted average exercise price R
Nedbank UK long–term incentive plan				
Granted	**37 500**	**134,27**		
Forfeited	**(2 500)**	**134,27**		
Outstanding at the end of the year	**35 000**	**134,27**	–	–
Exercisable at the end of 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	**344 351**	**108,04**	344 351	108,04
Other movements*	**148 855**			
Outstanding at the end of the year	**493 206**	**108,04**	344 351	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	**1 438 451**		459 382	
Granted	**2 137**		985 724	
Forfeited	**(240 292)**		(6 655)	
Outstanding at the end of the year	**1 200 296**	**–**	1 438 451	–
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**–**		–
Corporate Scheme				
Outstanding at the beginning of the year	**9 939 141**	**108,06**	9 051 369	108,06
Granted	**300 282**	**108,06**	892 130	108,06
Forfeited	**(8 716)**	**108,06**	(4 358)	108,06
Outstanding at the end of the year	**10 230 707**	**108,06**	9 939 141	108,06
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**–**		–
Black Executives Scheme				
Outstanding at the beginning of the year	**852 050**	**60,60**	672 000	56,06
Granted	**233 170**	**96,22**	217 501	72,43
Forfeited	**(114 515)**	**58,29**	(37 451)	47,90
Expired	**(24 000)**	**74,75**		
Outstanding at the end of the year	**946 705**	**69,29**	852 050	60,60
Exercisable at the end of the year	**–**	**–**	24 000	74,75
Weighted average share price for options exercised (R)		**–**		–

* *The movement in the number of instruments is due to an incorrect interpretation of the trust deed applied in prior periods.*

continued

49.3 Movements in number of instruments (continued)

	2007 Number of instruments	2007 Weighted average exercise price R	2006 Number of instruments	2006 Weighted average exercise price R
Black Management Scheme				
Outstanding at the beginning of the year	**3 801 976**	**75,10**	3 554 438	68,47
Granted	**1 335 806**	**127,62**	902 751	100,01
Forfeited	**(482 176)**	**79,52**	(592 293)	73,34
Exercised	**(88 290)**	**75,01**	(28 012)	74,75
Expired	**(13 207)**	**74,75**	(34 908)	74,75
Outstanding at the end of the year	**4 554 109**	**90,03**	3 801 976	75,10
Exercisable at the end of the year	**–**	**–**	40 226	73,93
Weighted average share price for options exercised (R)		**143,00**		119,99
Namibia Black Business Partner Scheme				
Outstanding at the beginning of the year	**199 929**	**278,98**		
Granted			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**		
Granted			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**		
Granted			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**		
Granted			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)		**–**		–

49 Share-based payments (continued)

49.4 Instruments outstanding at the end of the year by exercise price

	2007		2006	
	Number of instruments	**Weighted average remaining contractual life (years)**	Number of instruments	Weighted average remaining contractual life (years)
Nedbank Group (1994) Share Option Scheme				
45,00	**271 409**	**0,7**	1 132 882	1,7
55,75	**271 700**	**2,6**	345 800	3,6
60,00			82 169	1,7
60,01	**1 978 132**	**2,3**	3 270 796	3,3
61,40	**14 500**	**2,4**	25 000	3,4
69,20	**67 915**	**1,8**	162 115	2,8
74,40	**440 700**	**3,3**	463 500	4,3
81,00	**2 222**	**0,3**	2 890	1,3
86,40			221 159	0,8
88,00	**2 500**	**0,3**	985 214	2,2
89,70			22 058	0,6
90,90	**6 667**	**0,1**	7 667	1,1
96,00			5 208	0,1
102,19	**54 750**	**1,2**	84 250	2,2
102,65	**62 650**	**0,8**	82 050	1,8
111,00	**20 001**	**0,5**	35 556	1,5
123,00			21 347	0,8
123,60	**945 175**	**0,5**	1 725 579	1,4
125,00	**133 550**	**0,2**	297 975	1,2
130,80			72 950	0,7
136,20			500	0,2
150,00			385	0,2
151,00			98	0,2
157,00			76 600	0,2
	4 271 871	**1,8**	9 123 748	2,4
Nedbank Group (2005) Share Option Scheme				
76,79	**4 199 047**	**2,5**	4 499 709	3,5
84,68	**488 850**	**2,6**	576 400	3,5
107,03	**384 500**	**3,6**	418 900	4,6
110,98	**5 006 081**	**3,1**	5 316 201	4,1
134,30	**725 300**	**4,6**		
144,30	**5 502 466**	**4,2**		
	16 306 244	**3,4**	10 811 210	3,8
Nedbank Group (2005) Matched Share Scheme				
0,00	**596 762**	**1,2**	449 650	1,7
	596 762	**1,2**	449 650	1,7
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares – GBP)				
0,60	**450 590**	**0,5**	461 540	1,5
0,78	**40 244**	**1,5**	85 430	1,4
1,03	**106 152**	**1,1**	110 377	2,1
1,53	**87 876**	**1,4**	164 500	2,6
1,31	**229 685**	**3,3**		
	914 547	**1,4**	821 847	1,8
Nedbank UK long-term incentive plan				
134,30	**35 000**	**5,6**		
	35 000	**5,6**	–	–

continued

49.4 Instruments outstanding at the end of the year by exercise price (continued)

	2007 Number of instruments	2007 Weighted average remaining contractual life (years)	2006 Number of instruments	2006 Weighted average remaining contractual life (years)
Black Business Partners Scheme				
171,82	7 891 300	7,6	7 891 300	8,6
	7 891 300	7,6	7 891 300	8,6
Non-executive Directors' Scheme				
108,04	493 206	3,6	344 351	4,6
	493 206	3,6	344 351	4,6
Retail Scheme				
0,00	1 200 296	1,1	1 438 451	2,1
	1 200 296	1,1	1 438 451	2,1
Corporate Scheme				
108,06	10 230 707	3,6	9 939 141	4,6
	10 230 707	3,6	9 939 141	4,6
Black Executives Scheme				
0,00	270 113	3,2	228 275	3,8
74,75	384 000	4,6	480 000	5,3
107,03	51 239	5,6	51 239	6,6
110,98	80 888	5,6	92 536	6,2
134,30	72 000	6,6		
144,30	88 465	6,2		
	946 705	4,7	852 050	5,1
Black Management Scheme				
0,00	391 759	3,2	324 813	3,8
74,75	2 315 567	4,6	2 730 055	5,5
107,03	360 672	5,6	372 947	6,6
110,98	302 604	5,2	374 161	6,2
134,30	606 437	6,6		
144,30	577 070	6,2		
	4 554 109	5,1	3 801 976	5,6
Namibia Black Business Partner Scheme				
278,98	199 929	9,0	199 929	10,0
	199 929	9,0	199 929	10,0
Namibia Affinity Group Scheme				
282,47	74 048	9,0	74 048	10,0
	74 048	9,0	74 048	10,0
Namibia Education Scheme				
282,47	98 730	9,0	98 730	10,0
	98 730	9,0	98 730	10,0
Namibia Black Management Scheme				
0,00	17 396	4,0	17 396	5,0
101,29	58 004	6,0	58 004	7,0
	75 400	5,5	75 400	6,5

49 Share-based payments (continued)

49.5 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 Scheme	Nedbank Group (2005) Matched Share Scheme	Old Mutual UK Sharesave Scheme (GBP)	Nedbank UK long-term incentive plan	Retail Scheme
2007					
Number of instruments granted	**6 377 666**	**179 917**	**252 283**	**37 500**	**2 137**
Weighted average fair value per instrument granted (R)	**27,19**	**125,10**	**0,46**	**33,45**	**118,41**
Weighted average share price (R)	**134,78**	**141,00**	**1,67**	**135,00**	**136,37**
Weighted average exercise price (R)	**143,16**		**1,31**	**134,27**	
Weighted average expected volatility (%)*	**27,0**	**27,0**	**28,0**	**28,0**	**27,0**
Weighted average life (years)	**4,0**	**3,0**	**4,0**	**5,0**	**3,0**
Weighted average expected dividends (%)**	**4,9**	**4,1**	**4,4**	**5,3**	**4,8**
Weighted average risk-free interest rate (%)	**8,6**	**8,7**	**4,7**	**9,3**	**9,0**
Number of participants	**1 262**	**414**		**8**	**1**
Weighted average vesting period (years)	**3,0**	**3,0**	**3,4**	**4,0**	**3,0**
Possibility of not vesting (%)	**10**	**7**		**10**	**1**
Expectation of meeting performance criteria (%)	**100**	**100**	**100**	**100**	**99**
2006					
Number of instruments granted	6 142 374	153 960	173 597		985 724
Weighted average fair value per instrument granted (R)	28,12	114,45	0,55		99,85
Weighted average share price (R)	118,50	128,45	2,01		114,21
Weighted average exercise price (R)	110,71		1,53		
Weighted average expected volatility (%)*	27,0	27,0	23,0		27,0
Weighted average life (years)	4,0	3,0	3,4		3,0
Weighted average expected dividends (%)**	4,7	3,9	3,1		4,6
Weighted average risk-free interest rate (%)	7,4	7,4	4,4		7,4
Number of participants	1 096	443			30 741
Weighted average vesting period (years)	3,0	3,0	3,4		3,0
Possibility of not vesting (%)	10	7			1,5
Expectation of meeting performance criteria (%)		100	100		98,5

* *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.*

continued

	Corporate Scheme	Black Executives Scheme	Black Management Scheme	Namibia Black Business Partner Scheme	Namibia Affinity Group Scheme	Namibia Education Scheme	Namibia Black Management Scheme	Namibia Broad-based Employee Scheme
	300 282	**233 170**	**1 335 806**					
	63,59	**64,71**	**41,80**					
	134,76	**134,85**	**134,88**					
	108,06	**96,22**	**127,62**					
	27,0	**27,9**	**28,0**					
	3,9	**5,5**	**5,9**					
		3,5	**4,7**					
	9,8	**8,7**	**8,8**					
	2	**10**	**628**					
	3,9	**5,0**	**5,0**					
	5	**5**	**12**					
	892 130	217 501	902 751	199 929	74 048	98 730	75 400	39 816
	55,10	58,76	36,18	45,00	44,55	44,55	59,76	124,70
	121,35	114,61	112,96	124,00	124,00	124,00	124,70	124,70
	108,06	72,43	100,01	278,98	282,47	282,47	77,92	
	28,0	27,9	28,0	29,0	29,0	29,0	27,9	
	4,8	5,7	5,9	10,0	10,0	10,0	5,8	
		3,3	4,6				3,7	
	8,6	7,9	8,0	8,1	8,1	8,1	8,4	
	4	9	423	3	2	1	29	504
	4,8	5,0	5,0	10,0	10,0	10,0	5,0	
	5	5	12,5				5	

50 Related parties

50.1 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 52,95% (2006: 50,58%) 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 268 to 270 and associates and joint ventures of the group are identified on pages 266 and 267.

50.2 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 155 to 167 and details of their shareholdings in the company are disclosed in the Directors' Report on pages 152 to 154. 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)			
2007			
Directors' fees	**10**		**10**
Remuneration	**33**	**68**	**101**
– Short-term employee benefits	**19**	**43**	**62**
– Gain on exercise of options	**14**	**25**	**39**
	43	**68**	**111**
2006			
Directors' fees	9		9
Remuneration	26	61	87
– Short-term employee benefits	16	48	64
– Termination benefits		3	3
– Gain on exercise of options	10	10	20
	35	61	96
Number of share options and instruments			
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**
2006			
Outstanding at the beginning of the year	1 323 209	1 543 823	2 867 032
Granted	210 165	490 420	700 585
Forfeited		(4 575)	(4 575)
Exercised	(179 734)	(247 809)	(427 543)
Expired	(26 917)	(160 260)	(187 177)
Transferred	7 015	94 666	101 681
Outstanding at the end of the year	1 333 738	1 716 265	3 050 003

50.3 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 and are market-related.

Outstanding balances (Rm)	Due from/(owing to) 2007	2006
Parent/Ultimate controlling party		
Loans and advances (from)/to Old Mutual plc	**(545)**	154
Investment in Old Mutual plc bonds		48
Dividend payable to OMSA via its subsidiaries	**(1 382)**	(648)
Forward exchange rate contracts with Old Mutual plc	**(1)**	(2)
Interest rate contracts with Old Mutual plc	**(5)**	(20)
Fellow subsidiaries		
Loans and advances from Old Mutual Life Assurance Company (SA) (Pty) Limited	**(79)**	
Deposits from Old Mutual Life Assurance Company (SA) (Pty) Limited	**(1 444)**	(1 089)
Deposits from Old Mutual Asset Managers (SA) (Pty) Limited	**(1 351)**	(2 711)
Deposits from other fellow subsidiaries	**(1 204)**	(781)
Bank accounts held by Old Mutual Group Achievement Limited		(1 206)
Bank accounts held by Old Mutual Life Assurance Company (SA) (Pty) Limited	**(1 054)**	(1 047)
Bank accounts held by other fellow subsidiaries	**(512)**	(251)
Insurance-related receivables from Mutual & Federal Insurance Company Limited	**20**	33
Joint venture		
Loan to BoE (Pty) Limited	**1**	
Loans from BoE (Pty) Limited	**(118)**	
Bank accounts held by BoE (Pty) Limited	**(139)**	(92)
Associates		
Loans to various associates	**505**	404
Deposits from various associates	**(289)**	(58)
Bank accounts held by various associates including Visigro Investments (Pty) Limited	**(25)**	(1)
Key management personnel		
Mortgage bonds to key management personnel	**11**	19
Loans to entities under the influence of key management personnel		49
Deposits from key management personnel	**15**	(11)
Deposits from entities under the influence of key management personnel	**(229)**	(211)
Bank accounts held by key management personnel	**2**	10
Bank accounts held by key management personnel	**(11)**	(6)
Bank accounts held by entities under the influence of key management personnel	**6**	44
Bank accounts held by entities under the influence of key management personnel	**(19)**	(61)
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	**(20)**	(12)
Key management personnel – directors	**(30)**	(23)
Key management personnel – other	**(34)**	(44)
Share-based payments reserve	**(299)**	(294)
Long-term employee benefit plans		
Deposit from Nedbank Namibia Medical Aid Fund	**(42)**	(15)
Bank account held by Nedbank Swaziland Pension Fund		42
Bank accounts held by other funds	**(49)**	(45)

50 Related parties (continued)

50.3 Related-party transactions (continued)

Transactions (Rm)	Income/(Expense) 2007	2006
Parent/Ultimate controlling party		
Dividend declared to OMSA via its subsidiaries	**(1 382)**	(888)
Insurance fee income from OMSA		3
Fellow subsidiaries		
Interest income from various fellow subsidiaries		2
Interest expense to various fellow subsidiaries	**(125)**	(223)
Facilities management fee to Old Mutual Properties (Pty) Limited	**(5)**	(5)
Insurance premiums to Mutual & Federal Insurance Company Limited	**(342)**	(171)
Claims recovered from Mutual & Federal Insurance Company Limited	**338**	99
Commission income from Mutual & Federal Insurance Company Limited	**84**	60
Handling fees to Mutual & Federal Insurance Company Limited	**(20)**	(16)
Asset management fee to Old Mutual Asset Managers (SA) (Pty) Limited	**(7)**	(4)
Administration fee to Old Mutual Investment Administrators (Pty) Limited		(4)
During the year NedNamibia Holdings Limited, a subsidiary of Nedbank Group Limited, acquired the entire share capital of Nedbank Namibia for R429 million. Prior to the acquisition Nedbank Namibia's shares were held 90,51% by Nedbank Limited, 3,38% by NIB Namibia Holdings (Pty) Limited and 6,11% by minorities.		
Nedbank Limited acquired Old Mutual's 50% interest in Old Mutual Bank for a net consideration of R140 million.		
Joint venture		
Interest income from BoE (Pty) Limited		6
Interest expense to BoE (Pty) Limited	**(12)**	(10)
Lease income from BoE (Pty) Limited		18
Administration fee income from BoE (Pty) Limited	**14**	16
Administration fee expense to BoE (Pty) Limited		(32)
Advisory fee expense to BoE (Pty) Limited	**3**	(9)
Commission expense to BoE (Pty) Limited		(45)
Associates		
Interest income from various associates	**29**	
Interest expense to various associates	**(36)**	(2)
Key management personnel		
Interest income from key management personnel	**1**	2
Interest income from entities under the influence of key management personnel	**5**	4
Interest expense to key management personnel	**(1)**	
Interest expense to entities under the influence of key management personnel	**(31)**	(11)
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)**	(9)
Key management personnel – directors	**(17)**	(9)
Key management personnel – other	**(12)**	(11)
Share-based payments expense	**(37)**	(29)
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE schemes.		
Wiphold consortium	**(10)**	(4)
Brimstone consortium	**(9)**	(3)
Performance fees	**(19)**	(7)

50.3 Related-party transactions (continued)

	Income/(Expense) 2007	2006
Long-term employee benefit plans		
Interest income from Nedbank Swaziland Pension Fund		3
Interest expense from Nedgroup Pension Fund	**6**	
Interest expense to other funds	**4**	(2)
The group has an insurance policy (Optiplus policy) with a fellow subsidiary 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 is 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	**823**	937
Plan assets in OMART cell captive	**267**	235
Included in long-term employee benefit assets	**1 090**	1 172
Optiplus policy obligation	**(823)**	(937)
Disability obligation	**(181)**	(150)
Included in long-term employee benefit liabilities	**(1 004)**	(1 087)

Analysis of investments in associates and joint ventures

for the year ended 31 December

Name of company and nature of business	Percentage holding 2007 %	2006 %	Acquisition date	Year-end
Unlisted				
Joint ventures				
BoE (Pty) Limited	**50**	50	Jan 03	Dec
Nedgroup Life Assurance Company Limited	**50**	50	Jan 03	Dec
Associates				
Access Africa Property Group (Pty) Limited	**40**	25	Jan 06	Feb
Acturis Limited****	**53**	53	Mar 01	Sep
African Spirit Trading 306 (Pty) Limited	**33**	33	Oct 06	Dec
Capricorn Business and Technology Park (Pty) Limited	**42**	42	Nov 98	Sep
Century Square Development Trust***		35	May 01	Feb
Clidet No 683 (Pty) Limited	**49**	49	Aug 06	Feb
Eagle Creek Investments 265 (Pty) Limited	**25**		Aug 07	Feb
Emergent Property Holdings (Pty) Limited (Summer Sun Trading)	**43**		Jul 07	Feb
G & C Shelf 31 (Pty) Limited	**40**	40	May 04	Feb
Kimberly Clark SA Holdings (Pty) Limited***		50	Aug 04	Dec
Lyric Rose (Pty) Limited	**49**	48	Oct 00	Feb
Masingita Property Investment Holdings (Pty) Limited	**35**	35	Aug 05	Feb
Mooirivier Mall (Pty) Limited	**30**		Nov 06	Feb
Nedglen Property Development (Pty) Limited	**35**	35	Nov 04	Jun
Odyssey Developments (Pty) Limited	**49**		Nov 07	Jun
Off The Shelf Investment Forty One (Pty) Limited	**33**	33	Dec 00	Feb
Sandton Square Portion 8 (Pty) Limited	**25**	25	Nov 02	Apr
Nedbank International Limited**			Jul 99	Dec
The Waterbuck Trust	**40**		Oct 07	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.*
** *No longer an associate; consolidated as wholly owned subsidiary as from May 2006.*
*** *Disposed of during 2007.*
**** *Investment in preference shares that do not carry voting rights, therefore accounted for as an associate.*

continued

Date to which equity income accounted for	Equity-accounted earnings 2007 Rm	Equity-accounted earnings 2006 Rm	Carrying amount 2007 Rm	Carrying amount 2006 Rm	Market value/ Directors' valuation 2007 Rm	Market value/ Directors' valuation 2006 Rm	Net indebtedness of loans to/from associates 2007 Rm	Net indebtedness of loans to/from associates 2006 Rm
	184	83	**230**	209	**230**	209	**–**	–
Dec 07	**133**	51	**182**	158	**182**	158		
Dec 07	**51**	32	**48**	51	**48**	51		
	55	70	**748**	698	**748**	793	**505**	404
			9	*	**9**	*	**6**	
			9	10	**9**	10		
			20	9	**20**	9	**20**	9
			17	19	**17**	19	**13**	18
				4		4		1
			211	170	**211**	170	**166**	170
			20		**20**		**11**	
			72		**72**		**66**	
			46	88	**46**	88	**(99)**	21
Jun 07	**14**	31		259		349		
			12	10	**12**	10	**2**	8
			27	26	**27**	26	**28**	24
			29		**29**		**29**	
			6	5	**6**	5		
			110		**110**		**110**	
			8	1	**8**	1	**7**	
			20		**20**		**8**	32
Apr 06		2						
			8		**8**		**8**	
			48	25	**48**	25	**2**	25
Dec 07	**40**	32	*****	54	*****	54		
			10	*	**10**	*	**10**	
Dec 07	**1**	5	**66**	18	**66**	23	**118**	96
	239	153	**978**	907	**978**	1 002	**505**	404

Analysis of investments in subsidiaries

for the year ended 31 December

	Group Issued capital 2007 Rm	Group Issued capital 2006 Rm
Banking		
Nedbank Namibia Holdings Limited	**18**	18
Nedbank Namibia Limited	**17**	17
Nedbank Malawi Limited	**10**	10
Fairbairn Private Bank (Jersey) Limited	**63**	63
Imperial Bank Limited	**3**	3
Nedbank (Lesotho) Limited	**20**	20
Nedbank Limited	**27**	27
Nedbank (Swaziland) Limited	**12**	12
Peoples Mortgage Limited	**45**	45
MN Holdings Limited (Mauritius)***		140
MBCA Bank Limited	*****	*
Trust and participation bond administration		
Fairbairn Trust Company Limited (Guernsey)	**1**	1
Nedgroup Collective Investments Limited	**6**	6
Syfrets Participation Bond Managers Limited***	*****	1
Syfrets Securities Limited	**1**	1
Syfrets Securities Nominees Limited	*****	*
FTNIB Management Company Limited	**2**	2
Other companies		
BoE Holdings Limited	**2**	2
Nedgroup International Holdings Limited	*****	*
BoE Life Limited	**1**	1
BoE Limited	**11**	11
BoE Management Limited	*****	*
Cape of Good Hope Financial Services Limited	**6**	6
BoE Clocktower Nominees (Pty) Limited***		*
Dr Holsboer Benefit Fund		
The Lion Match Company (Pty) Limited**		*
NedEurope Limited (Isle of Man)	**3 057**	3 057
Nedcor Insurance Company (SA) Limited	*****	
Nedcor Group Insurance Company Limited	*****	
Nedgroup Financial Services 104 Limited (formerly Nedcor Insurance Company Limited)	*****	
Nedgroup Investment Holdings 101 Limited	**17**	17
Nedgroup Investment 102 Limited	**6**	6
Nedcor Investments Limited	**28**	28
Nedcor Securities (Pty) Limited	**10**	10
Nedcor Trade Services Limited (Mauritius)	**2**	2
Nedgroup Insurance Company Limited (formerly NedInsurance Company Limited)	**5**	5
Taquanta Securities (Pty) Limited **		
Taquanta Asset Managers (Pty) Limited **		
Taquanta Treasury Solutions (Pty) Limited **		
Tando AG (Switzerland)	**28**	27
The Board of Executors 1838	*****	*
Other companies		

* *Represents amounts less than R1 million.*
** *Disposed of during 2007.*
*** *In the process of liquidation/deregistration at 31 December 2007.*

Note 1

Headline earnings from subsidiaries (after eliminating intercompany transactions):

	2007 Rm	2006 Rm
Aggregate earnings	**6 313**	4 636
Aggregate losses	**392**	201

continued

Group Effective holding 2007 %	Group Effective holding 2006 %	Company Book value of investments 2007 Rm	Company Book value of investments 2006 Rm	Company Net indebtedness 2007 Rm	Company Net indebtedness 2006 Rm
100	94	**429**			
100	94				
97	97				
70	70				
50,1	50,1				
100	100				
100	100	**17 949**	17 949	**(1 397)**	(2 101)
67	67				
100	100				
	100		141		70
15	15				
100	100				
100	100				
	100				
100	100	**3**	3		
99	99				
100	100	**2**	12	**10**	
100	100				
100	100				
100	100				
100	100	**4 321**	4 328	**(1 123)**	(1 171)
100	100			**(3 687)**	(3 687)
100	100			**(6)**	(6)
	100		6		
100	100				
	82				
100	100	**1 205**	1 205		
100	100	**5**	5		
100	100				
100	100	**5**	5		
100	100	**194**	259		
100	100				
100	100				
100	100				
100	100				
100	100	**49**	49		
	51				
	70				
	70				
100	100				
100	100			**(45)**	(39)
				(5)	(5)
		24 162	23 962	**(6 253)**	(6 939)

Note 2

General information required in terms of schedule 4 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.

Major subsidiary companies

at 31 December

Nedbank Group Limited

Nedbank Limited 100%

Local subsidiaries

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

Foreign Nedgroup subsidiaries

- NedEurope Limited 100%
- Nedbank (Malawi) Limited 97,1%
- NedNamibia Holdings Limited 100%
- Nedbank Namibia Limited 100%

Foreign Nedbank subsidiaries

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

BoE Limited 100%

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

Nedgroup Investment Holdings 101 Limited 100%

- Nedcor Securities (Pty) Limited 100%

Other companies/entities

- Depfin Investments (Pty) Limited 100%

- Nedgroup Insurance Company Limited 100%
- Nedcor Insurance Company (SA) Limited 100%
- Nedgroup Financial Services 104 Limited 100%
- The Board of Executors 1838 100%

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

- BoE Management Limited 100%
- BoE Clocktower Nominees (Pty) Limited 100%
- Cape of Good Hope Financial Services Limited 100%
- FTNIB Management Company Limited 100%
- Tando AG 100%
- Dr Holsboer Benefit Fund 100%

Company income statement

for the year ended 31 December

	Note	2007 Rm	2006 Rm
Interest and similar income		**3**	5
Interest expense and similar charges			1
Net interest income		**3**	4
Dividends from subsidiaries		**2 536**	1 016
Dividends from other investments			1
Foreign currency translation gains		**(1)**	(4)
Total income after foreign currency translation gains		**2 538**	1 017
Operating expenses	1	**25**	10
Profit from operations before non-trading capital items		**2 513**	1 007
Capital profit on sale of investment		**56**	146
Impairment of investments		**(83)**	(17)
Impairment of advances	6	**24**	(86)
Loss on waiver of subsidiary loans		**(48)**	
Profit before taxation		**2 462**	1 050
Direct taxation	2	**144**	35
Profit after taxation		**2 318**	1 015

Company balance sheet

at 31 December

	Note	2007 Rm	2006 Rm
Assets			
Sundry debtors and accrued interest	3	**1**	103
Deferred taxation asset			3
Current taxation receivable		**5**	3
Investment in subsidiary companies		**24 497**	24 781
– Shares at cost – unlisted		**24 162**	23 962
– Owing by subsidiaries		**335**	819
Total assets		**24 503**	24 890
Shareholders' equity and liabilities			
Ordinary share capital	4	**459**	451
Ordinary share premium		**14 174**	13 013
Share-based payments reserve	9	**230**	218
Non-distributable reserves		**41**	41
Distributable reserves		**2 802**	3 182
Equity attributable to equity holders of the parent		**17 706**	16 905
Sundry creditors	5	**19**	14
Deferred taxation liabilities		**7**	6
Impairment of advances	6	**183**	207
Amounts owing to subsidiaries		**6 588**	7 758
Total liabilities		**6 797**	7 985
Total shareholders' equity and liabilities		**24 503**	24 890

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 2005	442 811 368	443	12 147	216	41	3 922	16 769
Shares issued for options exercised under the Nedcor Group (1994) Employee Incentive Scheme	2 382 090	2	293				295
Shares issued in terms of BEE transaction	665 442	1	24				25
Other share issues – capitalisation award	5 025 656	5	550				555
Share issue expenses			(1)				(1)
Share-based payments reserve movements				2			2
Profit for the year						1 015	1 015
Ordinary dividends						(1 755)	(1 755)
Balance at 31 December 2006	450 884 556	451	13 013	218	41	3 182	16 905
Shares issued for options exercised under the Nedcor Group (1994) Employee Incentive Scheme	3 493 321	3	499				502
Other share issues – capitalisation award	4 830 026	5	646				651
Other share issues	70 172		16				16
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

Company cashflow statement

for the year ended 31 December

	Note	**2007 Rm**	2006 Rm
Cash generated by operations	7	**2 526**	1 013
Cash received from clients – interest income		**3**	4
Cash paid to clients, employees and suppliers		**(13)**	(8)
Dividends received on investments		**2 536**	1 017
Change in funds for operating activities		**(576)**	(98)
Decrease/(Increase) in operating assets		**588**	(66)
Decrease in operating liabilities		**(1 164)**	(32)
Net cash generated from operating activities before taxation		**1 950**	915
Taxation paid	8	**147**	64
Cashflows from operating activities		**1 803**	851
Cashflows (utilised by)/from investing activities		**(274)**	30
(Acquisition)/Disposal of investments in subsidiary companies		**(274)**	30
Cashflows utilised by financing activities		**(1 529)**	(881)
Proceeds from issue of ordinary shares		**1 169**	875
Share issue expense			(1)
Dividends paid to ordinary shareholders		**(2 698)**	(1 755)
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

	2007 Rm	2006 Rm
Audit fees – current year	**1**	1
BEE transaction share-based payments expenses	**12**	2
Directors' fees	**10**	5
Other	**2**	2
	25	10

2 Direct taxation

2.1 Charge for the year

	2007 Rm	2006 Rm
South African normal taxation		
– Current taxation	**2**	16
Capital gains taxation	**7**	
Secondary taxation on companies	**135**	19
	144	35

2.2 Taxation rate reconciliation

	2007	2006
Standard rate of South African normal taxation	**29**	29
Non-taxable income	**(29)**	(28)
Section 9D provision		1
Non-deductable expenses	**1**	
Non-deductible capital items		(1)
Secondary taxation on companies	**5**	2
Effective taxation rate	**6**	3

3 Sundry debtors

	2007 Rm	2006 Rm
Sundry debtors and accrued interest	**1**	103

These assets are repayable on demand or at short notice and are all owed within South Africa.

4 Share capital

Ordinary share capital

	2007 Rm	2006 Rm
Authorised		
600 000 000 (2006: 600 000 000) ordinary shares of R1 each	**600**	600
Issued ordinary share capital		
459 278 075 (2006: 450 884 556) fully paid ordinary shares of R1 each	**459**	451

5 Sundry creditors

	2007 Rm	2006 Rm
Creditors and other accounts	**19**	14

6 Impairment of advances

Specific impairment has been made of intergroup advances by Nedbank Limited to subsidiary companies. Nedbank Group Limited has guaranteed these intergroup advances for which a provision against these guarantees has been recognised.

	2007 Rm	2006 Rm
Balance at the beginning of the year	**207**	121
Income statement charge	**(24)**	86
Balance at the end of the year	**183**	207

7 Cash generated by operations

Reconciliation of profit before taxation to cash generated by operations

	2007 Rm	2006 Rm
Profit before taxation	**2 462**	1 050
Adjusted for:		
– BEE transaction share-based payments expenses	**12**	2
– Foreign currency translation profit	**1**	4
– Impairment of advances	**(24)**	86
– Impairment of investments	**83**	17
– Loss on waiver of loan to subsidiary	**48**	
– Capital profit on sale of investment	**(56)**	(146)
Cash generated by operations	**2 526**	1 013

8 Taxation paid

	2007 Rm	2006 Rm
Amounts (prepaid)/owing at the beginning of the year	**(3)**	26
Income statement charge – current taxation	**2**	16
Realised deferred taxation	**8**	
Income statement charge – secondary taxation on companies	**135**	19
Amounts prepaid at the end of the year	**5**	3
	147	64

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	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
Black Business Partner Scheme			**215**	215
Non-executive Directors' Scheme	**12**	2	**15**	3
	12	2	**230**	218

9 Share-based payments (continued)

9.3 Movements in number of instruments

	2007 Number of instruments	2007 Weighted average exercise price R	2006 Number of instruments	2006 Weighted average exercise price R
Black Business Partner Scheme				
Outstanding at the beginning of the year	**7 891 300**	**171,82**	7 891 300	171,82
Outstanding at the end of the year	**7 891 300**	**171,82**	7 891 300	171,82
Exercisable at the end of the year	**–**	**–**	–	–
Non-executive Directors' Scheme				
Outstanding at the beginning of the year	**344 351**	**108,04**	344 351	108,04
Other movements*	**148 855**			
Outstanding at the end of the year	**493 206**	**108,04**	344 351	108,04
Exercisable at the end of the year	**–**	**–**	–	–

9.4 Instruments outstanding at the end of the year by exercise price

	2007 Number of instruments	2007 Weighted average remaining contractual life (years)	2006 Number of instruments	2006 Weighted average remaining contractual life (years)
Black Business Partners Scheme				
171,82	**7 891 300**	**7,6**	7 891 300	8,6
	7 891 300	**7,6**	7 891 300	8,6
Non-executive Directors' Scheme				
108,04	**493 206**	**3,6**	344 351	4,6
	493 206	**3,6**	344 351	4,6

** The movement in the number of instruments is due to an incorrect interpretation of the trust deed applied in prior periods.*

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 52,95% (2006: 50,58%) 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 268 to 270 and associates and joint ventures of the company are identified on pages 266 and 267.

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 155 to 167 and details of their shareholdings in the company are disclosed in the Directors' Report on pages 152 to 154. 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.

10.2 Key management personnel compensation (continued)

	Directors	Key management personnel	Total
Compensation (Rm)			
2007			
Directors' fees	**10**		**10**
Remuneration – paid by subsidiaries	**33**	**68**	**101**
– Short-term employee benefits	**19**	**43**	**62**
– Gain on exercise of options	**14**	**25**	**39**
	43	**68**	**111**
2006			
Directors' fees	9		9
Remuneration – paid by subsidiaries	26	61	87
– Short-term employee benefits	16	48	64
– Termination benefits		3	3
– Gain on exercise of options	10	10	20
	35	61	96
Number of share options and instruments			
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**
2006			
Outstanding at the beginning of the year	1 323 209	1 543 823	2 867 032
Granted	210 165	490 420	700 585
Forfeited		(4 575)	(4 575)
Exercised	(179 734)	(247 809)	(427 543)
Expired	(26 917)	(160 260)	(187 177)
Transferred	7 015	94 666	101 681
Outstanding at the end of the year	1 333 738	1 716 265	3 050 003

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 and are market-related.

	Due from/(owing to)	
Outstanding balances (Rm)	**2007**	2006
Parent		
Dividend payable to OMSA via its subsidiaries		(648)
Subsidiaries		
Loan from BoE Management Limited – interest-free	**(3 687)**	(3 687)
Loan from BoE Limited – interest-free	**(1 171)**	(1 291)
Loan from Nedbank Nominees Limited – interest-free		(5)
Advance from Cape of Good Hope Financial Services Limited – interest-free	**(6)**	(6)
Advance from The Board of Executors 1838	**(45)**	(39)
Bank accounts with Nedbank Limited – interest-free	**(1 723)**	(2 201)
Advance to NEST	**325**	
Advance to Nedbank Limited – interest-free		100
Loan to FTNIB Manco	**10**	
Loan to MN Holdings Limited – denominated in USD with interest charged at LIBOR		67
Loan to MN Holdings Limited – denominated in USD and interest-free		2
Dividend due from BoE Limited – interest-free		120
Due from Nedbank Limited on exercise of share options during the year – interest-free	**325**	103
Shares in the company held by Nedbank Eyethu BEE scheme trusts		(762)
Impairment provision in respect of amounts due to Nedbank Limited by its subsidiaries	**(161)**	(179)
Impairment provision in respect of amounts due to Nedgroup Investments Limited by its subsidiaries	**(2)**	(1)
Impairment provision in respect of amounts due by BoE Limited	**(19)**	(25)
Impairment provision in respect of amounts due by MN Holdings Limited		(2)

During the year NedNamibia Holdings Limited, a subsidiary of Nedbank Group Limited, acquired the entire share capital of Nedbank Namibia for R429 million. Prior to the acquisition Nedbank Namibia's shares were held 90,51% by Nedbank Limited, 3,38% by NIB Namibia Holdings (Pty) Limited and 6,11% by minorities.

Nedbank Limited acquired Old Mutual's 50% interest in Old Mutual Bank for a net consideration of R140 million.

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.

	2007	2006
Wiphold consortium	**(108)**	(108)
Brimstone consortium	**(107)**	(107)
Non-executive directors	**(15)**	(3)
Share-based payments reserve	**(230)**	(218)

10.3 Related-party transactions (continued)

Transactions (Rm)	Income/(Expense) 2007	2006
Parent		
Dividend declared to OMSA via its subsidiaries		(888)
Subsidiaries		
MN Holdings Limited	**3**	2
Nedbank Africa Investments Limited		3
Interest income	**3**	5
Nedbank Africa Investments Limited		(1)
Interest expense	**–**	(1)
MN Holdings Limited	**(1)**	9
NedEurope Limited		(13)
Foreign currency translation gains/(losses) on loans to or from subsidiaries	**(1)**	(4)
Nedbank Limited	**1 947**	667
Nedgroup Investment Holdings 101 Limited	**498**	198
Syfrets Securities Limited	**10**	84
BoE Limited	**49**	38
Nedcor Insurance Company Limited		15
SBM Nedcor Holdings Limited		14
Dividends declared by subsidiaries	**2 504**	1 016
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	**(12)**	(2)
Share-based payments expense	**(12)**	(2)

Nedbank Group employee incentive schemes

at 31 December

	2007	2006
Movements		
Options outstanding at the beginning of the year	**20 384 608**	22 370 999
Granted	**6 557 583**	6 296 334
Exercised	**(3 503 475)**	(2 401 148)
Expired	**(173 313)**	(4 520 563)
Surrendered	**(2 090 526)**	(1 361 014)
Options outstanding at the end of the year	**21 174 877**	20 384 608
Analysis		
Performance-based options – 1994 scheme	**1 311 740**	4 079 420
Non-performance-based options – 1994 scheme	**2 960 131**	5 044 328
Performance-based options – 2005 scheme	**6 227 766**	10 811 210
Non-performance-based options – 2005 scheme	**10 078 478**	
Performance-based options – 2005 Matched Share Scheme	**298 381**	224 825
Non-performance-based options – 2005 Matched Share Scheme	**298 381**	224 825
	21 174 877	20 384 608
Summary by scheme		
Nedbank Group (1994) Share Option Scheme	**3 971 572**	7 614 159
Options granted in respect of the rights offer (1994 scheme)	**271 409**	1 215 051
Ex-NIB Share Incentive Scheme – now part of Nedbank Group (1994) Share Option Scheme	**28 890**	294 538
Nedbank Group (2005) Share Option Scheme	**16 306 244**	10 811 210
Nedbank Group (2005) Matched Share Scheme	**596 762**	449 650
Options outstanding at the end of the year	**21 174 877**	20 384 608

Nedbank Group (1994) Share Option Scheme

The following options granted had not been exercised at 31 December 2007:

Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R
			b/f	2 772 947	
10-Aug-10	56 000[P]	55,75	1-Apr-08	2 500	88,00
10-Aug-10	215 700	55,75	25-Feb-09	54 750	102,19
1-Apr-08	10 000	60,01	15-Oct-08	62 650	102,65
1-Oct-08	7 500	60,01	2-Jul-08	945 175	123,60
1-Jan-09	33 000	60,01	1-Jan-08	23 400	125,00
11-May-10	708 850	60,01	15-Apr-08	110 150	125,00
11-May-10	1 218 782[P]	60,01			
11-May-10	2 000	61,40			
11-May-10	12 500[P]	61,40			
1-Oct-09	50 650	69,20			
1-Oct-09	17 265[P]	69,20			
20-Apr-11	440 700	74,40			
Total	**2 772 947**			**3 971 572**	

continued

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

The following options granted had not been exercised at 31 December 2007:

Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R
			b/f	19 371	
1-Jan-08	1 272	45,00	1-Jul-08	8 333	45,00
6-Jan-08	416	45,00	2-Jul-08	186 906	45,00
27-Jan-08	1 166	45,00	15-Oct-08	3 813	45,00
1-Feb-08	834	45,00	25-Feb-09	24 690	45,00
6-Feb-08	2 778	45,00	1-Oct-09	21 103	45,00
1-Apr-08	1 968	45,00	1-Oct-09	7 193[P]	45,00
15-Apr-08	10 729	45,00			
1-May-08	208	45,00			
Total	**19 371**			**271 409**	

Ex-NIB Share Incentive Scheme – now part of Nedbank Group (1994) Share Option Scheme

The following options granted had not been exercised at 31 December 2007:

Option expiry date	Number of shares	Issue price R
6-Feb-08	6 667	90,90
1-Apr-08	2 222	81,00
1-Jul-08	20 001	111,00
Total	**28 890**	

Nedbank Group (2005) Share Option Scheme

The following options granted had not been exercised at 31 December 2007:

Option expiry date	Number of shares	Issue price R
1-Jul-08	6 000	76,79
30-Jun-10	4 193 047	76,79
8-Aug-10	488 850	84,68
10-Aug-11	384 500	107,03
1-Apr-08	20 600	110,98
1-Jul-08	25 000	110,98
28-Feb-11	4 960 481	110,98
10-Aug-12	725 300[P]	134,30
28-Feb-12	5 502 466[P]	144,30
Total	**16 306 244**	

[P] *Performance-based options*

Nedbank Group (2005) Matched Share Scheme

The obligation to deliver the following matched shares, subject to time and performance criteria, exists at 31 December 2007:

Option expiry	Number of shares
3-Jun-08	274 593
1-Apr-09	147 433
1-Apr-10	174 736
Total	**596 762**

Shareholders' analysis

for the year ended 31 December

Register date: **28 December 2007**
Authorised share capital: **600 000 000 shares**
Issued share capital: **459 278 075 shares**

Shareholder spread	No of shareholdings	%	No of shares	%
1 - 1 000 shares	12 649	80,15	2 609 124	0,57
1 001 - 10 000 shares	2 306	14,61	6 604 053	1,44
10 001 - 100 000 shares	618	3,92	20 339 519	4,43
100 001 - 1 000 000 shares	173	1,10	44 290 198	9,64
1 000 001 shares and over	35	0,22	385 435 181	83,92
Total	15 781	100,00	459 278 075	100,00

Distribution of shareholders				
Banks	160	1,01	39 366 479	8,57
Close corporations	121	0,77	200 314	0,04
Empowerment	29	0,18	43 881 534	9,55
Endowment funds	82	0,52	551 058	0,12
Individuals	12 276	77,79	7 434 140	1,62
Insurance companies	55	0,35	17 289 348	3,76
Investment companies	48	0,30	3 526 606	0,77
Medical schemes	16	0,10	382 437	0,08
Mutual funds	255	1,62	25 525 248	5,56
Nominees and trusts	1 871	11,86	3 104 622	0,68
Old Mutual Life Assurance Company (SA) Limited and associates	37	0,23	243 208 047	52,95
Other corporations	143	0,91	5 121 758	1,12
Treasury shares	2	0,01	14 816 229	3,23
Retirement funds	406	2,57	52 524 969	11,44
Private companies	254	1,61	1 104 590	0,24
Public companies	24	0,15	565 285	0,12
Share trusts**	2	0,01	675 411	0,15
Total	15 781	100,00	459 278 075	100,00

Public/Non-public shareholders				
Non-public shareholders	95	0,60	303 126 592	66,00
Directors and associates of the company*	12	0,08	670 541	0,15
Old Mutual Life Assurance Company (South Africa) Limited and associates	37	0,23	243 208 047	52,95
Treasury shares	2	0,01	14 816 229	3,23
Nedbank/Nedbank Group Pension Funds	5	0,03	79 690	0,02
Nedbank Group Limited and associates (share trusts)**	2	0,01	675 411	0,15
Nedbank Group Limited and associates (mutual funds)	15	0,10	343 557	0,07
Nedbank Group BEE Trusts – South Africa**	11	0,07	42 654 698	9,29
Nedbank Group BEE Trusts – Namibia	11	0,07	678 419	0,15
Public shareholders	15 686	99,40	156 151 483	34,00
Total	15 781	100,00	459 278 075	100,00

** Includes shares held by directors in share trusts (executive directors only) and Eyethu schemes. Refer to pages 166 and 167.*
*** Excludes shares held by directors in share trusts (executive directors only) and Eyethu schemes.*

continued

Major managers	No of shares	Dec 2007 % holding	Dec 2006 % holding	Dec 2005 % holding
Old Mutual Group	244 343 186	**53,20**	50,95	50,50
Old Mutual Life Assurance Company (South Africa) Limited and associates (SA)	243 208 047	**52,95**	50,58	50,19
Old Mutual Investment Group (SA)	1 135 139	**0,25**	0,37	0,31
Nedbank Group treasury shares (SA)	57 336 676	**12,48**	12,46	9,63
BEE trusts:				
– Eyethu Scheme – Nedbank South Africa	41 731 815	**9,09**	9,01	9,35
– Omufima Scheme – Nedbank Namibia	638 632	**0,14**	0,14	–
Nedbank Group Limited and associates (Capital Management)	14 715 049	**3,20**	3,26	0,23
Holsboer Trust – NES Investments (Pty) Limited	251 180	**0,05**	0,05	0,05
Public Investment Corporation (SA)	24 370 517	**5,31**	3,56	1,26
Sanlam Investment Management (SA)	12 585 497	**2,74**	1,82	4,57
STANLIB Asset Management (SA)	12 172 132	**2,65**	1,46	3,83
Investec Asset Management (SA)	6 973 531	**1,52**	0,04	0,06
Boston Company Asset Management (US)	6 249 990	**1,36**	2,54	3,28
Lazard Asset Management (US)	5 921 468	**1,29**	–	–
Coronation Fund Managers (SA)	5 688 018	**1,24**	0,10	0,10
Metropolitan Asset Management (SA)	5 425 227	**1,18**	1,27	1,17
Allan Gray Limited (SA)	5 041 907	**1,10**	9,46	8,17

Beneficial shareholders holding 5% or more	No of shares	%
Old Mutual Life Assurance Company (SA) Limited and associates	243 208 047	52,95
Public Investment Corporation (SA)	32 526 351	7,08
Totals	275 734 398	60,03

Geographical distribution of shareholders	No of shares	Dec 2007 % holding	Dec 2006 % holding	Dec 2005 % holding
South Africa	411 259 573	**89,54**	87,22	85,16
United States of America	32 568 433	**7,09**	9,15	10,38
The Netherlands	4 040 006	**0,88**	0,60	0,47
United Kingdom	3 159 374	**0,69**	1,12	1,44
Other countries	8 250 689	**1,80**	1,91	2,55
	459 278 075	**100,00**	100,00	100,00

Additional financial information

The following information does not form part of the audited financial statements, but is included to provide readers with additional analysis on certain financial aspects contained within the financial statements.

Contents

Average banking balance sheet and related interest

for the year ended 31 December

Rm	2007 Average balance	2007 Margin statement Interest		2006 Average balance	2006 Margin statement Interest	
	Assets	**Received**	**%**	Assets	Received	%
Average prime rate			**13,1**			11,1
Loans and advances and clients' indebtedness for acceptances						
Mortgage loans (including properties in possession)	**112 132**	**12 798**	**11,4**	85 310	8 208	9,6
Commercial mortgages	**51 900**	**6 230**	**12,0**	40 050	4 419	11,0
Lease and instalment debtors	**47 101**	**6 130**	**13,0**	37 751	4 196	11,1
Credit card balances	**6 502**	**1 003**	**15,4**	4 515	581	12,9
Bills and acceptances*	**3 244**	**99**	**3,1**	3 063	126	4,1
Overdrafts	**13 416**	**1 727**	**12,9**	11 049	1 242	11,2
Term loans and other**	**89 830**	**10 613**	**11,8**	67 496	7 140	10,6
Impairment of loans and advances	**(5 722)**			(5 135)		
Government and other securities	**20 455**	**1 926**	**9,4**	18 152	1 477	8,1
Short-term funds and trading securities	**19 966**	**1 475**	**7,4**	15 909	1 132	7,1
Interest-earning banking assets	**358 824**	**42 001**	**11,7**	278 160	28 521	10,3
Net interdivisional assets-trading book	**6 765**			7 472		
Revaluation of FVTPL-designated assets	**(21)**			836		
Derivative financial instruments	**282**			325		
Insurance assets	**5 670**			4 543		
Cash and bank notes	**1 662**			1 647		
Other assets	**6 628**			8 681		
Associates and investments	**3 063**			2 464		
Property and equipment	**3 562**			3 315		
Intangible assets	**4 861**			4 891		
Mandatory reserve deposits with central bank	**7 753**			6 082		
Total assets	**399 049**	**42 001**	**10,5**	318 416	28 521	9,0
	Liabilities	**Paid**	**%**	Liabilities	Paid	%
Deposit and loan accounts	**197 326**	**17 161**	**8,7**	157 969	10 817	6,8
Current and savings accounts	**55 966**	**1 708**	**3,1**	48 790	1 250	2,6
Negotiable certificates of deposit	**54 729**	**5 177**	**9,5**	36 882	2 820	7,6
Other interest-bearing liabilities***	**33 740**	**2 746**	**8,1**	24 877	1 698	6,8
Long-term debt instruments	**10 244**	**1 063**	**10,4**	8 424	973	11,6
Interest-bearing banking liabilities	**352 005**	**27 855**	**7,9**	276 942	17 558	6,3
Creditors and other accounts	**9 313**			8 632		
Revaluation of FVTPL-designated liabilities	**(21)**			836		
Derivative financial instruments	**1 084**			1 406		
Investment contract liabilities	**5 669**			4 543		
Ordinary shareholders' equity	**26 233**			22 006		
Minority shareholders' equity	**4 766**			4 051		
Total equity and liabilities	**399 049**	**27 855**	**7,0**	318 416	17 558	5,5
Interest margin on interest-earning banking assets	**358 824**	**14 146**	**3,94**	278 160	10 963	3,94

Where possible, average calculated on daily balances.

* *Includes clients' indebtedness for acceptances.*
** *Includes term loans, preference shares, factoring debtors, other lending-related instruments and interest on derivatives.*
*** *Includes foreign currency liabilities and liabilities under acceptances.*

Restatement of December 2006 interest margin on average interest-earning banking assets: Interest-earning banking assets and liabilities have been restated to reflect the exclusion of the revaluation adjustment relating to fair value through profit or loss (FVTPL)-designated banking assets and liabilities respectively, as the revenue/expense related to these adjustments is recorded within non-interest revenue (NIR).

Segmental reporting: Non-interest revenue

for the year ended 31 December

Rm	Nedbank Group 2007	Nedbank Group 2006	Nedbank Corporate 2007	Nedbank Corporate 2006	Nedbank Capital 2007	Nedbank Capital 2006
Commission and fee income	**7 528**	6 538	**2 543**	2 247	**338**	253
– Administration fees	**195**	156	**56**	52		(4)
– Cash-handling fees	**378**	329	**281**	243		
– Insurance commission	**523**	411	**22**	33		
– Exchange commission	**294**	238	**186**	161		
– Fees	**1 056**	812	**295**	223	**334**	242
– Guarantees	**83**	73	**77**	68	**2**	1
– Other card income	**1 695**	1 463	**36**	33		
– Bond originator income	**1 709**	487	**410**	614		
– Service charges	**578**	1 657	**750**	417		
– Other commission	**1 017**	912	**430**	403	**2**	14
Securities dealing and fair-value adjustments	**841**	500	**327**	247	**500**	215
– Securities dealing	**836**	523	**303**	231	**518**	233
– Fair-value adjustments	**5**	(23)	**24**	16	**(18)**	(18)
Net trading income	**1 334**	1 647	**121**	88	**1 172**	1 516
– Foreign exchange	**733**	719	**121**	88	**571**	588
– Debt securities	**342**	551			**342**	551
– Equities	**233**	377			**233**	377
– Other	**26**	–			**26**	
Rental income	**51**	50	**15**	12		
Investment income	**159**	179	**22**	79	**108**	57
– Long-term asset sales	**28**	6	**8**	6	**2**	
– Dividends received	**131**	173	**14**	73	**106**	57
Sundry income	**533**	550	**170**	236	**17**	7
– Income from non-banking subsidiaries	**271**	319	**46**	135		
– Other sundry income	**262**	231	**124**	101	**17**	7
Foreign currency translation gains	**–**	4				
Total non-interest revenue	**10 446**	9 468	**3 198**	2 909	**2 135**	2 048

Private equity income included in NIR

Rm	Nedbank Group 2007	Nedbank Group 2006	Nedbank Corporate 2007	Nedbank Corporate 2006	Nedbank Capital 2007	Nedbank Capital 2006
Exchange and other non-interest income	**809**	448	**299**	214	**510**	234
Investment income – dividends received	**106**	130	**8**	73	**98**	57
Total private equity NIR	**915**	578	**307**	287	**608**	291
Realised	**409**	460	**78**	164	**331**	296
Unrealised	**506**	118	**229**	123	**277**	(5)
Total private-equity NIR	**915**	578	**307**	287	**608**	291

Nedbank Retail		Imperial Bank		Shared Services		Central Management and eliminations	
2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
4 772	4 059	**39**	35	**33**	97	**(197)**	(153)
146	117			**7**	7	**(14)**	(16)
97	86						
501	377				1		
104	66			**4**	12		(1)
417	317	**14**	(8)	**10**	39	**(14)**	(1)
4	4						
1 659	1 429				1		
1 299							(127)
	1 240					**(172)**	
545	423	**25**	43	**12**	37	**3**	(8)
3	51	**–**	–	**45**	13	**(34)**	(26)
3	51				12	**12**	(4)
				45	1	**(46)**	(22)
41	43	**–**	–	**–**	–	**–**	–
41	43						
1	2			**34**	37	**1**	(1)
2	1	**–**	–	**4**	15	**23**	27
						18	
2	1			**4**	15	**5**	27
32	40	**89**	29	**292**	249	**(67)**	(11)
				225	184		
32	40	**89**	29	**67**	65	**(67)**	(11)
							4
4 851	4 196	**128**	64	**408**	411	**(274)**	(160)

Segmental reporting: Impairments

for the year ended 31 December

Rm Analysis of movements	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank
Opening balance	1 773	370	2 386	622
Specific impairment	861	358	1 994	541
Incurred but not reported	912	12	392	81
Income statement impairments charge	158	25	1 572	412
Specific impairment	40	15	1 441	343
Incurred but not reported	118	10	131	69
Bad debts recovered	154		257	7
Amounts written off/Other transfers	(248)	(11)	(1 282)	(138)
Total impairments	1 837	384	2 933	903
Specific impairment	820	362	2 383	752
Incurred but not reported	1 017	22	550	151
Analysis of impairments				
Specific impairments	820	362	2 383	752
Specific impairment on impaired advances	654	76	2 032	752
Specific impairment for discounted cashflow losses	166		351	
Total specific impairment on impaired advances	820	76	2 383	752
Specific impairment on performing loans (includes discounted cash flow losses)		286		
Incurred but not reported	1 017	22	550	151
Total impairments	1 837	384	2 933	903
Total advances	155 555	51 617	136 425	36 223
Total simple average advances	145 291	46 274	122 893	32 290
Impaired advances (net of security) covered by a portion of the specific impairment				
Segmental analysis				
Mortgage advances	777		4 876	91
Lease and instalment debtors	324		637	818
Credit card balances	10		560	
Personal loans			916	
Other loans and advances	623	98	521	93
Total impaired loans	1 734	98	7 510	1 002
Properties in possession	30		278	
Total impaired advances	1 764	98	7 788	1 002
Less: Security before discounting and expected recoveries	1 110	22	5 756	250
Net uncovered position before discounting	654	76	2 032	752
Losses due to discounting cash flow losses	166		351	
Net uncovered position after discounting	820	76	2 383	752
Specific impairments	820	76	2 383	752
Specific impairment on impaired advances	654	76	2 032	752
Specific impairment for discounted cash flow losses	166		351	
Value at risk/(excess impairment raised)	–	–	–	–
Ratios				
Impairments to total advances (%)	1,18	0,74	2,15	2,49
Impairments charge to total simple average advances (%)	0,11	0,05	1,28	1,28
Properties in possession to total advances (%)	0,02		0,20	
Impaired advances to total advances (%)	1,13	0,19	5,71	2,77
Properties in possession (PIPs)				
Balance at the beginning of the year	21		110	
Disposals/Writedowns/Revaluations	(12)		(95)	
PIPs acquired during the period	21		263	
Balance at the end of the year	30	–	278	–
Unsold	27		172	
Sold, awaiting transfer	3		106	

Central Management	2007 Nedbank Group	2006 Nedbank Group
33	5 184	5 214
33	3 787	4 418
	1 397	796
(3)	2 164	1 483
4	1 843	968
(7)	321	515
	418	296
(9)	(1 688)	(1 809)
21	6 078	5 184
24	4 341	3 787
(3)	1 737	1 397
24	4 341	3 787
	3 514	3 200
	517	303
	4 031	3 503
24	310	284
(3)	1 737	1 397
21	6 078	5 184
214	380 034	313 747
144	346 892	283 685
	5 744	3 610
	1 779	1 497
	570	316
	916	
	1 335	2 189
–	10 344	7 612
	308	131
–	10 652	7 743
	7 138	4 543
–	3 514	3 200
	517	303
–	4 031	3 503
–	4 031	3 503
	3 514	3 200
	517	303
–	–	–
	1,60	1,65
	0,62	0,52
	0,08	0,04
	2,80	2,47
	131	309
	(107)	(226)
	284	48
–	308	131
	199	41
	109	90

Credit risk

Analyses of loans and advances:

Rm	Impaired advances					Performing loans		
	Loss	Doubtful	Sub-standard	PIPs	Total	Special mention	Standard	Total
2007								
Mortgage loans	**1 420**	**1 695**	**2 629**		**5 744**	**3 149**	**175 132**	**184 025**
Lease and instalment debtors	**1 056**	**322**	**401**		**1 779**	**1 022**	**49 767**	**52 568**
Credit card balances	**86**	**310**	**174**		**570**	**466**	**6 073**	**7 109**
Personal loans	**239**	**364**	**313**		**916**	**452**	**5 544**	**6 912**
Other loans and advances	**522**	**243**	**570**		**1 335**	**2 754**	**125 023**	**129 112**
Properties in possession				**308**	**308**			**308**
	3 323	**2 934**	**4 087**	**308**	**10 652**	**7 843**	**361 539**	**380 034**
2006								
Mortgage loans	692	924	1 994		3 610	2 611	138 936	145 157
Lease and instalment debtors	698	537	262		1 497	622	41 239	43 358
Credit card balances	41	171	104		316	241	4 726	5 283
Other loans and advances*	664	570	955		2 189	2 192	115 437	119 818
Properties in possession				131	131			131
	2 095	2 202	3 315	131	7 743	5 666	300 338	313 747

At year-end the group had R109 million (2006: R90 million) properties in possession that are in the process of being sold.

** 2006 includes personal loans.*

Category	**Definition**
(i) Standard (or current)	Items that are fully current, the continued repayment of which are without doubt and for which full repayment is expected.
(ii) Special mention	Items that are subject to conditions that, if left uncorrected, could raise concerns about timely and full repayment and, as such, require more than normal attention.
(iii) Sub-standard	Items showing weaknesses that, if not corrected, could lead to probable loss or in respect of which full repayment is in doubt owing to the primary sources of repayment being insufficient.
(iv) Doubtful	Items that exhibit all the weaknesses inherent in items classified as sub-standard, with the added characteristic that the items are not adequately secured.
(v) Loss	Items that are considered uncollectable and of such little value that the items should no longer be included in advances.
(vi) Properties in possession (PIPs)	Properties acquired through payment defaults on loans secured by properties.
(vii) Impaired advances	Represents an aggregate of items mentioned in categories (iii), (iv), (v) and (vi) above.

Segmental reporting: Total expenses

for the year ended 31 December

Rm	Nedbank Group 2007	Nedbank Group 2006	Nedbank Corporate 2007	Nedbank Corporate 2006	Nedbank Capital 2007	Nedbank Capital 2006
Staff costs	**7 079**	6 082	**1 731**	1 496	**641**	634
Computer processing	**1 673**	1 504	**170**	156	**75**	63
Communication and travel	**559**	472	**94**	87	**66**	49
Occupation and accommodation	**1 068**	963	**182**	156	**32**	32
Marketing and public relations	**887**	782	**116**	105	**28**	21
Fees and insurances	**1 498**	1 402	**734**	608	**96**	81
Office equipment and consumables	**296**	258	**44**	40	**8**	11
Other sundries	**284**	287	**55**	153	**25**	18
Fees to alliance partners						
– Old Mutual Bank	**(3)**	(10)				
Indirect transfer pricing	**–**	–	**1 320**	1 123	**282**	240
Operating expenses	**13 341**	11 740	**4 446**	3 924	**1 253**	1 149
BEE transaction expenses	**148**	146	**32**	52	**31**	22
Total operating expenses	**13 489**	11 886	**4 478**	3 976	**1 284**	1 171
Efficiency ratio (%)	**54,9**	58,2	**49,7**	51,2	**45,4**	43,0

Rm	Nedbank Retail 2007	Nedbank Retail 2006	Imperial Bank 2007	Imperial Bank 2006	Shared Services 2007	Shared Services 2006	Central Management and eliminations 2007	Central Management and eliminations 2006
Staff costs	**3 136**	2 537	**294**	244	**1 289**	1 205	**(12)**	(34)
Computer processing	**346**	244	**30**	14	**1 064**	1 025	**(12)**	2
Communication and travel	**237**	206	**33**	25	**164**	139	**(35)**	(34)
Occupation and accommodation	**790**	650	**24**	38	**22**	83	**18**	4
Marketing and public relations	**499**	456	**49**	39	**219**	188	**(24)**	(27)
Fees and insurances	**397**	411	**18**	21	**391**	395	**(138)**	(114)
Office equipment and consumables	**165**	142	**11**	5	**72**	60	**(4)**	
Other sundries	**155**	79	**30**	19	**37**	26	**(18)**	(8)
Fees to alliance partners								
– Old Mutual Bank	**(3)**	(10)						
Indirect transfer pricing	**1 603**	1 631			**(3 191)**	(2 972)	**(14)**	(22)
Operating expenses	**7 325**	6 346	**489**	405	**67**	149	**(239)**	(233)
BEE transaction expenses	**42**	43			**48**	25	**(5)**	4
Total operating expenses	**7 367**	6 389	**489**	405	**115**	174	**(244)**	(229)
Efficiency ratio (%)	**62,5**	66,3	**30,2**	35,4				

Segmental reporting: Loans and advances

for the year ended 31 December

Rm	Nedbank Group 2007	Nedbank Group 2006	Nedbank Corporate 2007	Nedbank Corporate 2006	Nedbank Capital 2007	Nedbank Capital 2006
Mortgage loans	**184 025**	145 157	**68 021**	54 141	**–**	–
Homeloans	**123 980**	98 944	**14 796**	14 025		
Commercial mortgages	**60 045**	46 213	**53 225**	40 116		
Net finance lease and instalment debtors	**52 568**	43 358	**16 869**	14 485	**230**	239
Credit cards	**7 109**	5 283	**53**	49		
Other loans and advances	**136 332**	119 949	**70 612**	66 352	**51 387**	40 691
Properties in possession	**308**	131	**30**	21		
Overdrafts	**12 514**	13 761	**10 252**	11 509	**44**	158
Term loans	**39 835**	33 948	**29 022**	25 396	**2 059**	1 012
Personal loans	**6 912**	5 477	**343**	349		
Other term loans	**32 923**	28 471	**28 679**	25 047	**2 059**	1 012
Overnight loans	**18 336**	17 392	**18 331**	17 369	**4**	10
Other loans to clients	**47 786**	38 583	**8 073**	7 138	**36 837**	28 507
Foreign client lending	**13 734**	17 324	**2 084**	2 061	**11 649**	15 261
Remittances in transit	**196**	160	**140**	143		
Other loans	**33 856**	21 099	**5 849**	4 934	**25 188**	13 246
Preference shares and debentures	**9 377**	6 840	**4 346**	4 056	**4 828**	2 576
Factoring accounts	**494**	839	**494**	839		
Deposits placed under reverse repurchase agreements	**5 839**	6 703			**5 839**	6 703
Trade, other bills and bankers' acceptances	**1 843**	1 752	**64**	24	**1 776**	1 725
Loans and advances before impairments	**380 034**	313 747	**155 555**	135 027	**51 617**	40 930
Impairment of advances	**(6 078)**	(5 184)	**(1 837)**	(1 773)	**(384)**	(370)
Total loans and advances	**373 956**	308 563	**153 718**	133 254	**51 233**	40 560
Comprises:						
Loans and advances to clients	**361 668**	296 282	**155 226**	134 787	**35 621**	26 062
Loans and advances to banks	**18 366**	17 465	**329**	240	**15 996**	14 868
Loans and advances before impairments	**380 034**	313 747	**155 555**	135 027	**51 617**	40 930

	Nedbank Retail		Imperial Bank		Shared Services		Central Management and eliminations	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	106 645	84 124	**9 638**	7 111	**–**	–	**(279)**	(219)
	105 788	83 410	**3 549**	1 620			**(153)**	(111)
	857	714	**6 089**	5 491			**(126)**	(108)
	9 453	7 983	**26 064**	20 706			**(48)**	(55)
	7 056	5 234						
	13 271	12 019	**521**	540	**146**	108	**395**	239
	278	110						
	2 204	2 019			**3**	7	**11**	68
	8 369	7 117	**385**	411	**–**	12	**–**	–
	6 569	5 128						
	1 800	1 989	**385**	411		12		
	1	13						
	2 338	2 671	**11**	7	**143**	89	**384**	171
	1	2						
	28	24			**28**	(7)		
	2 309	2 645	**11**	7	**115**	96	**384**	171
	78	86	**125**	122				
	3	3						
	136 425	109 360	**36 223**	28 357	**146**	108	**68**	(35)
	(2 933)	(2 386)	**(903)**	(622)	**(2)**	(9)	**(19)**	(24)
	133 492	106 974	**35 320**	27 735	**144**	99	**49**	(59)
	134 412	106 996	**36 223**	28 357	**118**	115	**68**	(35)
	2 013	2 364			**28**	(7)		
	136 425	109 360	**36 223**	28 357	**146**	108	**68**	(35)

Segmental reporting: Amounts owed to depositors

for the year ended 31 December

Rm	Nedbank Group 2007	Nedbank Group 2006	Nedbank Corporate 2007	Nedbank Corporate 2006	Nedbank Capital 2007	Nedbank Capital 2006
Current accounts	**45 920**	41 349	**20 983**	18 318	**74**	(19)
Savings deposits	**13 925**	13 374	**567**	558		22
Other deposits and loan accounts	**251 424**	203 942	**167 411**	133 483	**33 128**	28 812
– Call and term deposits	**153 684**	119 525	**122 338**	90 632	**3 875**	7 710
– Fixed deposits	**24 378**	22 651	**2 356**	3 000	**909**	546
– Cash management deposits	**41 910**	39 273	**41 876**	39 212		
– Other deposits and loans accounts	**31 452**	22 493	**841**	639	**28 344**	20 556
Foreign currency liabilities	**8 230**	9 267	**4 976**	5 045	**3 053**	4 033
Negotiable certificates of deposit	**56 166**	45 518	**421**	545	**55 914**	44 955
Deposits received under repurchase agreements	**8 876**	11 235			**8 616**	11 002
Total amounts owed to depositors	**384 541**	324 685	**194 358**	157 949	**100 785**	88 805

Rm	Nedbank Retail 2007	Nedbank Retail 2006	Imperial Bank 2007	Imperial Bank 2006	Shared Services 2007	Shared Services 2006	Central Management and eliminations 2007	Central Management and eliminations 2006
Current accounts	**24 794**	22 973			**3**	21	**66**	56
Savings deposits	**13 300**	12 760					**58**	34
Other deposits and loan accounts	**49 162**	40 952	**1 547**	144	**25**	603	**151**	(52)
– Call and term deposits	**27 293**	20 492	**239**	116	**8**	573	**(69)**	2
– Fixed deposits	**20 794**	19 232	**21**	20			**298**	(147)
– Cash management deposits	**31**	61					**3**	
– Other deposits and loans accounts	**1 044**	1 167	**1 287**	8	**17**	30	**(81)**	93
Foreign currency liabilities	**201**	191						(2)
Negotiable certificates of deposit							**(169)**	18
Deposits received under repurchase agreements					**260**	233		
Total amounts owed to depositors	**87 457**	76 876	**1 547**	144	**288**	857	**106**	54

Capital adequacy – Basel I

for the year ended 31 December

The group's capital adequacy ratio (CAR) and risk-weighted assets are based on the aggregation of the banks within the group. The requirement of capital adequacy is not a group concept, but is a requirement of each bank. The table below is indicative of the group as a whole, as if it were a bank.

Nedbank Group	Percentage weighting	Risk weighted assets Reviewed December 2007 Rm	Risk weighted assets Reviewed December 2006 Rm
Money, interbank deposits and claims on central government			
Land bank and other public sector bodies	10	**470**	415
Trade transactions with recourse to other banks	20	**8 919**	8 051
Residential mortgage loans	50	**47 924**	37 892
All other banking assets, excluding intergroup assets	100	**220 994**	182 948
Notional trading assets	100	**7 102**	4 905
All other non-banking assets	100	**29 591**	26 586
Total on-balance sheet items		**315 000**	260 797
Off-balance sheet items	0-100	**18 932**	13 538
Counterparty risk	0-100	**2 758**	2 579
Total risk-weighted assets		**336 690**	276 914

Nedbank Group	December 2007 Capital Rm	December 2007 %	December 2006 Capital Rm	December 2006 %
Tier 1 capital (primary)	**27 785**	**8,3**	22 932	8,3
Share capital and reserves	**30 193**	**9,0**	25 116	9,1
Minority interest: ordinary shareholders	**1 511**	**0,5**	1 202	0,4
Minority interest: preference shareholders	**3 421**	**1,0**	3 070	1,1
Impairments	**(8)**		(7)	
Goodwill	**(3 898)**	**(1,2)**	(3 695)	(1,3)
Other regulatory differences	**(3 434)**	**(1,0)**	(2 754)	(1,0)
Tier 2 capital (secondary)	**12 855**	**3,8**	9 593	3,4
Long-term debt instruments	**12 326**	**3,6**	8 518	3,1
Tier 2 bonds not qualifying as Tier 2 capital	**(1 453)**	**(0,4)**	(416)	(0,2)
Provision for performing loans	**1 685**	**0,5**	1 296	0,4
Other regulatory differences	**297**	**0,1**	195	0,1
Tier 3 capital (tertiary)	**253**	**0,1**	158	0,1
	40 893	**12,2**	32 683	11,8

Capital adequacy analysis by bank

(Solo supervision)	Country CARs %	Risk weighted assets 2007 Rm	Capital 2007 %	Risk weighted assets 2006 Rm	Capital 2006 %
Nedbank Limited	10	**288 636**	**11,7**	240 307	11,4
Imperial Bank Limited	10	**33 909**	**10,6**	27 806	10,5
Nedbank (Lesotho) Limited	8	**453**	**21,2**	405	23,3
Nedbank (Swaziland) Limited	8	**582**	**19,2**	547	16,7
Nedbank (Malawi) Limited	8	**97**	**12,8**	77	21,1
Nedbank (Namibia) Limited	10	**3 147**	**11,9**	2 851	11,3
SBM Nedbank International Limited	10			76	211,5
Fairbairn Private Bank (Jersey) Limited	11	**1 504**	**14,7**	1 515	14,1
Fairbairn Private Bank (IOM) Limited	11,5	**2 919**	**12,8**	2 447	14,4

Balance sheet – banking/trading categorisation

2007 Rm	Banking	Trading	Eliminations	Total
Assets				
Cash and cash equivalents	10 712	(368)		10 344
Other short-term securities	11 509	15 946	(1 662)	25 793
Derivative financial instruments	166	9 192	(311)	9 047
Government and other securities	24 646	5 693	(702)	29 637
Loans and advances	347 979	25 977		373 956
Other assets	5 167	4 146		9 313
Clients' indebtedness for acceptances	2 251			2 251
Current taxation receivable	59			59
Investment securities	7 926	392		8 318
Non-current assets held for sale	31			31
Investments in associate companies and joint ventures	978			978
Deferred taxation asset	44	(19)		25
Property and equipment	4 085	15		4 100
Long-term employee benefit assets	1 393			1 393
Mandatory reserve deposits with central banks	8 364			8 364
Intangible assets	5 246	1		5 247
Interdivisional assets	1 044		(1 044)	–
Total assets	431 600	60 975	(3 719)	488 856
Equity and liabilities				
Total equity attributable to equity holders of the parent	27 654	2 539		30 193
Minority shareholders' equity attributable to				
– ordinary shareholders	1 511			1 511
– preference shareholders	3 421			3 421
Total equity	32 586	2 539	–	35 125
Derivative financial instruments	804	10 939	(311)	11 432
Amounts owed to depositors	368 491	17 712	(1 662)	384 541
Other liabilities	6 175	28 752	(702)	34 225
Liabilities under acceptances				–
Current taxation liabilities	2 251			2 251
Other liabilities held for sale	345	(8)		337
Deferred taxation liabilities	1 619	(3)		1 616
Long-term employee benefit liabilities	1 157			1 157
Investment contract liabilities	5 846			5 846
Long-term debt instruments	12 326			12 326
Interdivisional liabilities	–	1 044	(1 044)	–
Total liabilities	399 014	58 436	(3 719)	453 731
Total equity and liabilities	431 600	60 975	(3 719)	488 856

2006 Rm	Banking	Trading	Eliminations	Total
Assets				
Cash and cash equivalents	11 559	708		12 267
Other short-term securities	12 629	14 851	(1 724)	25 756
Derivative financial instruments	273	15 816	(816)	15 273
Government and other securities	19 128	7 602	(4 534)	22 196
Loans and advances	285 512	23 051		308 563
Other assets	5 547	6 921		12 468
Clients' indebtedness for acceptances	2 577			2 577
Current taxation receivable	161			161
Investment securities	7 084	71		7 155
Non-current assets held for sale	42	448		490
Investments in associate companies and joint ventures	907			907
Deferred taxation asset	114	6		120
Property and equipment	3 521	14		3 535
Long-term employee benefit assets	1 444			1 444
Mandatory reserve deposits with central banks	7 039			7 039
Intangible assets	4 958	3		4 961
Interdivisional assets		3 037	(3 037)	–
Total assets	362 495	72 528	(10 111)	424 912
Equity and liabilities				
Total equity attributable to equity holders of the parent	23 065	2 051		25 116
Minority shareholders' equity attributable to				
– ordinary shareholders	1 176	26		1 202
– preference shareholders	3 070			3 070
Total equity	27 311	2 077	–	29 388
Derivative financial instruments	1 138	12 582	(816)	12 904
Amounts owed to depositors	305 916	20 493	(1 724)	324 685
Other liabilities	5 560	36 821	(4 534)	37 847
Liabilities under acceptances	2 577			2 577
Current taxation liabilities	442	(8)		434
Other liabilities held for sale		417		417
Deferred taxation liabilities	1 503	146		1 649
Long-term employee benefit liabilities	1 215			1 215
Investment contract liabilities	5 278			5 278
Long-term debt instruments	8 518			8 518
Interdivisional liabilities	3 037		(3 037)	–
Total liabilities	335 184	70 451	(10 111)	395 524
Total equity and liabilities	362 495	72 528	(10 111)	424 912

Geographical currency representation of balance sheet

at 31 December

2007	Rand Rm	UK£ Rm	US$ Rm	Other Rm	Total Rm
Nedbank Group domestic					
Total assets	438 485	844	13 866	918	454 113
Cash and balances with central banks	16 069	1	26	5	16 101
Other short-term securities	17 206				17 206
Government and other securities	27 254				27 254
Loans and advances and other assets	357 343	843	13 840	913	372 939
Deferred taxation asset	21				21
Current taxation receivable	49				49
Clients' indebtedness for acceptances	2 153				2 153
Other investments	9 255				9 255
Property and equipment and intangible assets	9 135				9 135
Total liabilities	409 179	681	13 884	505	424 249
Long-term debt instruments	12 200				12 200
Amounts owed to depositors and other liabilities	392 995	681	13 884	505	408 065
Deferred taxation liabilities	1 531				1 531
Current taxation liabilities	300				300
Liabilities under acceptances	2 153				2 153
Net assets	29 306	163	(18)	413	29 864
Intercompany	(1 373)	163	(18)	413	(815)
Capital	30 679	–	–	–	30 679

	Rand Rm	UK£ Rm	US$ Rm	Other Rm	Total Rm
Nedbank Group offshore					
Total assets	1 126	10 839	11 121	11 657	34 743
Cash and balances with central banks	665	154	952	836	2 607
Other short-term securities		6 763	1 249	575	8 587
Government and other securities		438	1 235	710	2 383
Loans and advances and other assets	461	3 454	7 615	9 271	20 801
Deferred taxation asset		1		3	4
Current taxation receivable		1		9	10
Clients' indebtedness for acceptances		9	51	38	98
Other investments			18	23	41
Property and equipment and intangible assets		19	1	192	212
Total liabilities	24	9 578	9 685	10 194	29 481
Long-term debt instruments			125		125
Amounts owed to depositors and other liabilities	24	9 556	9 510	10 046	29 136
Deferred taxation liabilities				85	85
Current taxation liabilities		13	(1)	25	37
Liabilities under acceptances		9	51	38	98
Net assets	1 102	1 261	1 436	1 463	5 262
Intercompany	1 102	(262)	(576)	551	815
Capital	–	1 523	2 012	912	4 447

This balance sheet provides a view of the currency in which group balance sheet items are presented, expressed in South African rand.

Geographical currency representation of balance sheet

at 31 December

2006	Rand Rm	UK£ Rm	US$ Rm	Other Rm	Total Rm
Nedbank Group domestic					
Total assets	373 303	205	20 109	942	394 559
Cash and balances with central banks	16 670				16 670
Other short-term securities	18 501				18 501
Government and other securities	19 146				19 146
Loans and advances and other assets	299 875	205	20 109	942	321 131
Deferred taxation asset	116				116
Current taxation receivable	155				155
Clients' indebtedness for acceptances	2 487				2 487
Other investments	8 010				8 010
Property and equipment and intangible assets	8 343				8 343
Total liabilities	348 923	85	20 728	358	370 094
Long-term debt instruments	8 389				8 389
Amounts owed to depositors and other liabilities	336 103	85	20 728	358	357 274
Deferred taxation liabilities	1 590				1 590
Current taxation liabilities	375				375
Liabilities under acceptances	2 466				2 466
Net assets	24 380	120	(619)	584	24 465
Intercompany	(218)	120	(619)	584	(133)
Capital	24 598	–	–	–	24 598

	Rand Rm	UK£ Rm	US$ Rm	Other Rm	Total Rm
Nedbank Group offshore					
Total assets	1 492	9 240	10 069	9 552	30 353
Cash and balances with central banks	693	104	935	904	2 636
Other short-term securities		5 968	771	516	7 255
Government and other securities		204	1 664	1 182	3 050
Loans and advances and other assets	799	2 917	6 630	6 761	17 107
Deferred taxation asset		1		3	4
Current taxation receivable				6	6
Clients' indebtedness for acceptances		36	38	16	90
Other investments			30	22	52
Property and equipment and intangible assets		10	1	142	153
Total liabilities	692	8 233	7 288	9 217	25 430
Long-term debt instruments			128	1	129
Amounts owed to depositors and other liabilities	692	8 182	7 118	9 080	25 072
Deferred taxation liabilities				59	59
Current taxation liabilities		15	4	40	59
Liabilities under acceptances		36	38	37	111
Net assets	800	1 007	2 781	335	4 923
Intercompany	800	(771)	615	(511)	133
Capital	–	1 778	2 166	846	4 790

Currency representation of balance sheet

at 31 December

2007	Rand Rm	UK£ Rm	US$ Rm	Other Rm	Total Rm
Total assets	**439 611**	**11 683**	**24 987**	**12 575**	**488 856**
Cash and balances with central banks	**16 734**	**155**	**978**	**841**	**18 708**
Other short-term securities	**17 206**	**6 763**	**1 249**	**575**	**25 793**
Government and other securities	**27 254**	**438**	**1 235**	**710**	**29 637**
Loans and advances and other assets	**357 804**	**4 297**	**21 455**	**10 184**	**393 740**
Deferred taxation asset	**21**	**1**		**3**	**25**
Current taxation receivable	**49**	**1**		**9**	**59**
Clients' indebtedness for acceptances	**2 153**	**9**	**51**	**38**	**2 251**
Other investments	**9 255**		**18**	**23**	**9 296**
Property and equipment and intangible assets	**9 135**	**19**	**1**	**192**	**9 347**
Total liabilities	**409 203**	**10 259**	**23 569**	**10 699**	**453 730**
Long-term debt instruments	**12 200**		**125**		**12 325**
Amounts owed to depositors	**393 019**	**10 237**	**23 394**	**10 551**	**437 201**
Deferred taxation liabilities	**1 531**			**85**	**1 616**
Current taxation asset	**300**	**13**	**(1)**	**25**	**337**
Liabilities under acceptances	**2 153**	**9**	**51**	**38**	**2 251**
Net assets	**30 408**	**1 424**	**1 418**	**1 876**	**35 126**
Capital	**30 679**	**1 523**	**2 012**	**912**	**35 126**
	271	**99**	**594**	**(964)**	**–**

2006	Rand Rm	UK£ Rm	US$ Rm	Other Rm	Total Rm
Total assets	374 794	9 446	30 178	10 494	424 912
Cash and balances with central banks	17 363	104	935	904	19 306
Other short-term securities	18 501	5 968	771	516	25 756
Government and other securities	19 146	204	1 664	1 182	22 196
Loans and advances and other assets	300 673	3 123	26 739	7 703	338 238
Deferred taxation asset	116	1		3	120
Current taxation receivable	155			6	161
Clients' indebtedness for acceptances	2 487	36	38	16	2 577
Other investments	8 010		30	22	8 062
Property and equipment and intangible assets	8 343	10	1	142	8 496
Total liabilities	349 614	8 319	28 016	9 575	395 524
Long-term debt instruments	8 389		128	1	8 518
Amounts owed to depositors	336 794	8 268	27 846	9 438	382 346
Deferred taxation liabilities	1 590			59	1 649
Current taxation liabilities	375	15	4	40	434
Liabilities under acceptances	2 466	36	38	37	2 577
Net assets	25 180	1 127	2 162	919	29 388
Capital	24 598	1 778	2 166	846	29 388
	(582)	651	4	(73)	–

Definitions

ACCOUNTING AND TAXATION RISK

The risk that the integrity of the financial statements and related information cannot be upheld.

ACCOUNTING RISK

- The risk that inappropriate accounting information causes suboptimal decisions to be made, due to inappropriate policy, faulty interpretation of policy, or plain error.
- The extent to which the financial statements can be affected by exchange rate fluctuations. Also called accounting exposure or translation risk.
- The risk that financial statements and other statutory and regulatory reporting do not accord with international financial reporting standards (IFRS) and/or other relevant statutory requirements are not based on appropriate accounting policies and do not incorporate required disclosures.
- The risk that the internal financial and operational controls of accounting and administration do not provide reasonable assurance that transactions are executed and recorded in accordance with generally accepted business practice and the group's policies and procedures, and that assets are safeguarded.

ASSETS UNDER MANAGEMENT

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

ASSURANCE RISK

The failure to reinsure with other acceptable quality insurers, beyond the level of risk appetite (excessive risk) mandated by the board of directors, risks underwritten by the short-term insurance and/or life assurance activities of the group, including catastrophe insurance (ie more than one insurance claim on the group arising from the same event), leading to disproportionate losses to the group.

ATM

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

BASEL CAPITAL ACCORD (BASEL II)

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

BEE

Black economic empowerment, as defined in the Financial Sector Charter. It means the economic empowerment of blacks, coloureds and Indians who are South African citizens, which include women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socioeconomic strategies.

BEE TRANSACTIONS

Nedbank Group's BEE transaction, implemented in August 2005, which focused primarily on the issuing of shares to BEE partners for the purposes of BEE, equating to approximately 9,33% (41 268 130 shares) of total share capital and equating to black ownership of 11,5% of the value of Nedbank Group's South African businesses; and

Nedbank Namibia's BEE transaction, announced in September 2006, which focused primarily on the issuing of shares to BEE partners and affinity groups for the purpose of BEE in Namibia, equating to approximately 0,15% (665 442 shares) of the total share capital of Nedbank Group Limited and equating to black ownership of 11,13% of the value of NedNamibia Holdings Limited, Nedbank Group's Namibian business.

BRANCH-IN-A-BOX

This is a cost-effective, quick-deployment, relocatable, prefabricated bank branch. It uses modern, broadband satellite technology for communication, which makes it effective for speedy access and hence client convenience. It is also used to test new markets, especially in areas with limited infrastructure such as urban townships and deep rural areas where banking services are not readily available. A branch-in-a-box provides full transaction facilities to clients, including cash withdrawals and deposits, sales and service.

CAPITAL ADEQUACY RATIO (CAR)

The capital adequacy of South African banks is measured in terms of the South African Banks Act requirements. The ratio is calculated by dividing the primary (Tier 1), secondary (Tier 2) and tertiary (Tier 3) capital by the risk-weighted assets. The minimum South African total capital adequacy ratio for banks under Basel I is currently 10% of risk-weighted assets. Under Basel II the minimum total required ratio is 9,5% before adding on bank-specific requirements specified by the regulator. Non-South African banks within the group have similar requirements.

Group capital adequacy

Group capital adequacy is the ratio of group net qualifying capital and reserve funds to total group risk-weighted assets as calculated in accordance with the regulations relating to banks.

Primary (Tier 1) capital

Primary capital consists of issued ordinary share capital and perpetual preference share capital, retained earnings and reserves. This amount is then reduced by the portion of capital that is allocated to trading activities and other specified regulatory deductions.

Secondary (Tier 2) capital

Secondary capital is made up of subordinated debt, portfolio impairments and 50% of any revaluation reserves and other specified regulatory deductions.

Tertiary (Tier 3) capital

Tertiary capital means:

- accrued current-year uncapitalised net profits derived from trading activities; and
- capital obtained by way of unsecured subordinated loans, subject to such conditions as may be prescribed.

Regulatory capital

The total of primary, secondary and tertiary capital.

CAPITAL RISK

The risk that the group will become unable to absorb losses, maintain public confidence and support the competitive growth of the business. This entails ensuring that opportunities can be acted on timeously, while solvency is never threatened.

CASHFLOW

Financing activities

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

Investment activities

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

Operating activities

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

CLOSING PRICE/TANGIBLE NET ASSET VALUE PER SHARE

The closing share price on the JSE at year-end divided by the tangible net asset value per share.

COMPETITION COMMISSION INQUIRY INTO BANKING

A formal inquiry that is being conducted by the Competition Commission of South Africa into competition in the banking sector. This was prompted by the findings in a 2004 report by a task group chaired by Dr Hans Falkena, a research report prepared for the commission in 2006 by FEASibility (Pty) Limited and continued public concern regarding the level of charges by banks and other providers of payment services to consumers. The report outlining the recommendations of the banking inquiry panel to the Competition Commission has been delayed since November 2007 and is currently expected no earlier than April 2008.

COMPLIANCE RISK

The risk to earnings and capital arising from violations of or non-compliance with laws, rules and regulations, as well as internal group policies and authority levels, prescribed practices and ethical standards.

COMPOUND ANNUAL GROWTH RATE (CAGR)

The year-on-year growth rate of an amount over a specified period of time.

CREDIT RISK
The risk to earnings and capital arising from the probability of borrowers and counterparties failing to meet their repayment commitments (including accrued interest). Credit concentration risk arises on a portfolio basis where the bank has significant aggregated exposures to particular credit segments, sectors of industry or other portfolios.

CURRENCY TRANSLATION RISK
The risk to earnings or capital arising from the conversion of the group's offshore banking book assets or liabilities or commitments or earnings from foreign currency to local or functional currency.

DEFERRED TAXATION ASSETS
Deferred taxation assets are the amounts of income taxation recoverable in future years in respect of:
- deductible temporary differences arising from differences between the taxation and accounting treatment of transactions; and
- the carry-forward of unused taxation losses.

DEFERRED TAXATION LIABILITIES
Deferred taxation liabilities are the amounts of income taxation payable in future years as a result of differences between the taxation and accounting treatment of transactions.

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

DIVIDEND/DISTRIBUTION COVER
Headline earnings per share divided by dividends/distribution declared per share.

DIVIDEND/DISTRIBUTION DECLARED PER SHARE
Dividend/Distribution per share is the actual interim dividend paid/capitalisation award issued and the final dividend/capitalisation award declared for the year under consideration, expressed in cents.

DIVIDEND/DISTRIBUTION PAID/CAPITALISED PER SHARE
Dividend/Distribution paid/capitalised per share is the actual final dividend paid/capitalisation award issued for the previous year and the interim dividend paid/capitalisation award issued for the year under consideration, expressed in cents.

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

EARNINGS PER SHARE (EPS)
Basic earnings basis
Income attributable to equity holders for the year divided by the weighted average number of ordinary shares in issue (net of shares held by group entities) during the year.

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

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

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

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

ECONOMIC PROFIT (EP)
Economic profit is an absolute measure of shareholder value creation, adjusting profit with a charge for the economic capital consumed by the specific business, which is determined by the risks associated with the specific business.

Definitions

EFFECTIVE TAXATION RATE

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

EFFICIENCY RATIO (COST-TO-INCOME RATIO)

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

ENTERPRISE-WIDE RISK

All risk types and categories across all business lines, functions, geographical locations and legal entities of the group, collectively known as its 'risk universe'.

ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK (ERMF)

The risk framework developed by Nedbank Group and applied to all of its divisions to monitor and manage risk. Further details are included in the risk management section of this annual report.

EXPECTED LOSS

A one-year view of expected credit losses using through-the-cycle risk parameters.

EXPENSES PER EMPLOYEE

Operating expenses for the year divided by the number of employees at year-end.

EXPENSES TO AVERAGE ASSETS

Operating expenses for the year divided by average total assets.

EXPOSURE AT DEFAULT (EAD)

Quantification of the exposure at risk in case of default.

EYETHU

Eyethu means 'ours' in the Nguni languages and epitomises the inclusive and uniquely South African identity of the BEE transaction.

FAIS

The Financial Advisory and Intermediary Services Act, 37 of 2002. FAIS aims to regulate a wide range of financial advisory and intermediary services to clients. All financial advisers who are authorised to operate under a FAIS licence have to adhere to certain standards and processes.

FICA

The Financial Intelligence Centre Act, 38 of 2001. FICA is aimed at combating money laundering in South Africa. The group's compliance function has developed processes and procedures across the business to ensure that clients are properly identified, suspicious transactions are reported, adequate records are maintained and employees are trained in respect of FICA.

FINANCIAL SECTOR CHARTER (FSC)

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

FOREIGN CURRENCY TRANSLATION GAINS/LOSSES

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

FTSE/JSE AFRICA ALL-SHARE INDEX

This comprises the top 99% of eligible listed companies on the JSE ranked by full market capitalisation.

FTSE/JSE AFRICA BANKS INDEX

This comprises all companies that are constituents of both the FTSE/JSE Africa All-share Index and the banking sector.

GROSS DOMESTIC PRODUCT (GDP)

The total market value of the goods and services produced by a country's economy during a specific period of time.

HEADLINE EARNINGS

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

HEADLINE EARNINGS PER EMPLOYEE

Headline earnings divided by the number of employees in service at year-end.

HEDGE

A risk management technique used to insulate financial results from market, interest rate or foreign currency exchange risk (exposure) arising from normal banking operations. The elimination or reduction of such exposure is accomplished by establishing offsetting positions. For example, assets denominated in foreign currencies can be offset against liabilities in the same currencies or through the use of foreign exchange hedging instruments such as futures, options or foreign exchange contracts.

IFRS

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

IMPAIRMENTS CHARGE TO AVERAGE ADVANCES

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

IMPAIRMENT OF LOANS AND ADVANCES

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

INDIRECT TAXATION

Value-added tax (VAT) and other taxes, levies and duties paid to government, excluding direct taxation.

INSURANCE RISK

The risk of no insurance cover or inadequate/failed insurance cover for insurable business risks.

INFORMATION TECHNOLOGY RISK

The risk resulting from system malfunction and unavailability, security breaches and inadequate systems investment, development, implementation, support and capacity (refer to the definition of 'Operational risk').

INSURANCE RISK

The risk of no insurance cover or inadequate/failed insurance cover for insurable business risks.

INTEREST RATE RISK

Interest rate risk in the banking book is the risk that a bank's earnings or economic value will decline as a result of changes in interest rates. The sources of interest rate risk in the banking book are;

- repricing risk (mismatch risk) – timing differences in the maturity (for fixed-rate) and repricing (for floating-rate) of bank assets, liabilities and off-balance-sheet positions;
- basis risk-imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics;
- yield curve risk changes in the shape and slope of the yield curve; and
- embedded-options risk – the risk pertaining to interest-related options embedded in bank products.

INVESTMENT RISK

The risk of a decline in the net realisable value of investment assets arising from adverse movements in market prices or factors specific to an investment itself (eg reputation and quality of management). Market prices are independent variables, which include interest rates, property values, exchange rates, equity and commodity prices.

'JAWS' RATIO

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

Definitions

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

JSE
JSE Limited (previously JSE Securities Exchange South Africa).

KING II (THE CODE)
The King Report on Corporate Governance 2002, which sets out principles of good corporate governance for South African companies and organisations.

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

LIQUIDITY RISK
There are two types of liquidity risk: market liquidity risk and funding liquidity risk. Market liquidity risk is the risk that the bank cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption. It differs from funding liquidity risk, which is the risk that the bank will not be able efficiently to meet both expected and unexpected current and future cashflow and collateral needs without affecting either daily operations or the financial condition of the bank. However, in many cases, the same factors may trigger both types of liquidity risk.

LOSS-GIVEN DEFAULT (LGD)
Estimate of the amount of the exposure at default that will be lost (ie not recovered). Also includes other economic costs, eg legal costs.

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

MARKET RISK
Market risk is the potential impact on earnings of unfavourable changes in foreign exchange rates, interest rates, prices, market volatilities and liquidity. Market risk includes trading risk and, in terms of the banking book, derivative instruments used for hedging risk in non-trading portfolios, investment risk, translation risk and interest rate risk. Investment risk arises from changes in the fair value of investments and includes private equity and property as well as strategic investments.

MARK-TO-MARKET
Valuation of financial instruments using prevailing market prices or fair value as of the balance sheet date.

MOBILE BOOTKITS
These are mobile sales and service kits that are easily transportable and can be quickly deployed in areas without traditional branch infrastructure.

MZANSI ACCOUNTS
The Mzansi Account is a card-based, entry-level savings/transmission product with a basic set of features and simplified pricing structure. The major banks worked collectively to provide a standard for new bank accounts that offer affordable and accessible products to previously unbanked individuals. Each bank sets its own pricing, but collaboration between the banks allows holders of Mzansi Accounts to make use of any of the participating banks' ATMs at no additional cost.

NATIONAL CREDIT ACT (NCA)
The National Credit Act, 34 of 2005, that became effective in stages commencing on 1 June 2006, 1 September 2006 and 1 June 2007. The NCA sets a framework for every type of credit transaction and replaces the Usury Act, 1968 (governing moneylending transactions) and the Credit Agreements Act, 1980 (governing instalment sale or hire purchase agreements).

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

NET INTEREST INCOME TO AVERAGE INTEREST-EARNING BANKING ASSETS (NET INTEREST MARGIN)
Net interest income expressed as a percentage of average net interest-earning banking assets. Net interest-earning banking assets are used, as these closely resemble the quantum of assets earning income that is included in net margin.

NEW-BUSINESS RISK
Development of new products and business that reach the client distribution channel without the appropriate signoff for compliance with the requirements for managing regulatory, legal, tax, accounting, pricing, strategic and any other relevant risks. Also the risk that new products and business do not generate anticipated revenue or cost savings to the group.

NON-INTEREST REVENUE TO TOTAL INCOME
Income from normal operations, excluding net interest, as a percentage of total income from normal operations.

NON-PERFORMING ADVANCES (NPAS)
Loans and advances are classified as non-performing when:

- they are categorised as 'doubtful' and 'loss' in accordance with the bank regulatory credit risk classification system;
- a counterparty is under judicial management or declared insolvent; or
- management is doubtful about the collection of future cashflows.

NON-TRADING AND CAPITAL ITEMS
These comprise:

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

NUMBER OF SHARES TRADED
Total number of ordinary shares traded on the JSE during the year.

NUMBER OF SHARES TRADED TO WEIGHTED AVERAGE NUMBER OF SHARES
Number of shares traded for the year as a percentage of the weighted average number of shares in issue during the year.

OFF-BALANCE-SHEET ASSETS
Assets managed on behalf of third parties on a fully discretionary basis.

OPERATIONAL RISK
The risk of loss resulting from inadequate or failed internal processes and systems, incompetent people or external events. This definition includes legal risk.

ORDINARY SHAREHOLDERS' FUNDS
Total equity attributable to equity holders of the parent.

PEOPLE RISK
People risk is defined as possible inadequacies in human capital and inadequate management of human resource practices, policies and processes resulting in the inability to attract, manage, develop and retain competent resources. This may stem from inadequate skills or knowledge, no clear consequences of not meeting performance standards, lack of alignment with strategy or a reward system that fails to motivate properly.

PERFORMING ADVANCES
Loans and advances on which all instalments have been paid to date.

PRICE/EARNINGS RATIO
The closing price of ordinary shares divided by headline earnings per share.

PRICE TO BOOK
The group's closing share price relative to the net asset value.

PRIMARY CLIENT
In the case of an individual, a client is classified as a primary client where a form of salary, wage, annuity or pension is paid into either a current account or a savings account.

Definitions

PROBABILITY OF DEFAULT (PD)
Quantification of the likelihood of a borrower being unable to repay.

PROPERTIES IN POSSESSION (PIPS)
Properties acquired through payment defaults on loans secured by properties.

REPUTATIONAL RISK
The risk of impairment of the group's image in the community or the long-term trust placed in the group by its stakeholders as a result of a variety of factors, such as the group's performance, strategy execution, ability to create shareholder value, or an activity, action or stance taken by the group. This may result in loss of business and/or legal action.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY (ROE)
Headline earnings expressed as a percentage of average equity attributable to equity holders of the parent.

RETURN ON RISK-WEIGHTED ASSETS
Headline earnings for the year divided by the average risk-weighted assets.

RETURN ON TOTAL ASSETS
Headline earnings expressed as a percentage of average total assets.

REVENUE PER EMPLOYEE
Headline earnings divided by the number of employees at year-end.

RISK-ADJUSTED PERFORMANCE MEASUREMENT (RAPM)
There are two main measures implemented through Nedbank Group's RAPM framework: risk-adjusted return on capital (RAROC), which expresses the risk-adjusted profit with respect to the capital necessary to generate the revenue, giving a relative measure of performance; and economic profit (EP), an absolute measure of shareholder value creation.

RISK-ADJUSTED RETURN ON CAPITAL (RAROC)
The International Financial Reporting Standards earnings of the business adjusted for the difference between expected loss and impairments, divided by the economic capital consumed by that business, giving a relative measure of performance.

RISK APPETITE
Risk appetite is a tool to express the group's risk tolerance quantitatively and an articulation of the level of risk Nedbank Group is willing to take in pursuit of its strategic goals.

RISK-WEIGHTED ASSETS
Risk-weighted assets are determined by applying risk weights to balance sheet assets and off-balance-sheet financial instruments according to the relative credit risk of the counterparty. The risk-weighting for each balance sheet asset and off-balance-sheet financial instrument is regulated by the South African Banks Act, 94 of 1990 (as amended), or by regulations in the respective countries of the other banking licences.

SECONDARY TAX ON COMPANIES (STC)
STC is a tax paid at company level on the net difference between dividends paid and dividends received. The current rate of STC is 10%. The government has announced that STC will be replaced by a withholding tax on shareholders, which will be introduced once double taxation agreements with several other jurisdictions have been updated to cater for the change.

SEGMENTAL REPORTING

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

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

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

SHARES HELD BY GROUP ENTITIES (TREASURY SHARES)
Ordinary shares in Nedbank Group Limited acquired/held by group companies, including ordinary shares held in share trusts as part of the BEE transactions.

SOCIAL AND ENVIRONMENTAL RISKS
The risks related to non-achievement of a balanced and integrated financial, social and environmental performance (referred to as the 'triple bottomline'), resulting in reputational impairment to the group and ultimately loss of business and profitability.

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

STRATEGIC RISK
Strategic risk relates to the consequences that arise when the environment in which decisions that are hard to implement quickly and to reverse has an unattractive or adverse impact. Strategic risk ultimately has two elements: doing the right thing at the right time; and doing it well.

TANGIBLE NET ASSET VALUE PER SHARE
Total equity attributable to equity holders, less goodwill, computer software and capitalised development costs divided by the number of shares in issue, excluding shares held by group entities.

TAXATION RISK
Taxation risk is the risk of loss (financial or otherwise) as a result of:
- inappropriate tax planning and strategy;
- non-compliance with or incorrect interpretation and application of taxation legislation; or
- the effect of new tax legislation on existing financial structures or products.

TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT
Ordinary share capital, share premium and reserves.

TOTAL INCOME FROM NORMAL OPERATIONS
Net interest income plus non-interest revenue plus foreign currency translation gains/losses.

TRADED PRICE
The last traded price on the JSE on the last business day of the year, also referred to as 'closing price'.

TRADING MARKET RISK
Trading market risk exists within the group's proprietary trading activities (trading on the group's own account). It is defined as the risk of loss occurring as a result of unfavourable changes in market prices such as foreign exchange rates, interest rates, equity prices and commodity prices.

VALUE-AT-RISK (VAR)
A generally accepted risk measurement concept that uses statistical models to estimate the distribution of possible returns on a portfolio at a given level of confidence.

VALUE OF SHARES TRADED
Total value of ordinary shares traded on the JSE during the year.

VALUE TRADED TO MARKET CAPITALISATION
Value of shares traded as a percentage of market capitalisation at year-end.

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

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

Abbreviations, acronyms and initialisms

ABCP	asset-backed commercial paper
ACSA	Airports Company of South Africa
AFR	available financial resources
AIRB	Advanced Internal Ratings Based
AJTP	activity-justified transfer pricing
ALCO	Asset and Liability Committee
ALM	asset and liability management
AMA	advanced measurement approach
AML	anti-money-laundering
AMP	Advanced Management Programme
ASP	application service provider
ATM	automated teller machine
BEE	black economic empowerment
BRMF	Business Risk Management Forum
CAGR	compound annual growth rate
CAR	capital adequacy ratio
CE	chief executive
CEM	current exposure method
CFO	chief financial officer
CGT	capital gains tax
CMAT	Client Management Assessment Tool
CMF	Capital Management Framework
CMVU	Credit Models Validation Unit
COE	cost of equity
CPIX	consumer price index excluding mortgage bond interest cost
CPM	Credit Portfolio Model
CRO	chief risk officer
CVaR	credit value at risk
CVH	central verification hub
CVM	client value management
DBSA	Development Bank of South Africa
DCC	divisional credit committee
DMTN	domestic medium-term note
DSTI	deferred short-term incentive
dti	Department of Trade and Industry
EAD	exposure at default
EaR	earnings at risk
Ecap	economic capital
EDW	enterprise data warehouse
EE	employment equity
EEF	Employment Equity Forum
EGC	enterprise governance and compliance
EL	expected loss
EP	economic profit
EPS	earnings per share
ERCO	Enterprise-wide Risk Committee
ERM	enterprise-wide risk management
ERMF	Enterprise-wide Risk Management Framework
EVRS	electronic verification and recordkeeping solution
Exco	executive committee
FAIS	Financial Advisory and Intermediary Services Act
FATF	Financial Actions Task Force
FCL	foreign currency loans
FICA	Financial Intelligence Centre Act
FSA	Financial Services Authority
FSC	Financial Services Charter
FTP	funds transfer pricing
FVTPL	fair value through profit or loss
GAC	Group Audit Committee
GCC	Group Credit Committee
GCMD	Group Capital Management Division
GCRF	Group Credit Risk Management Framework
GCRM	Group Credit Risk Monitoring
GDP	gross domestic product
GIA	Group Internal Audit
GIBS	Gordon Institute of Business
GMRM	Group Market Risk Monitoring
GORF	Group Operational Risk Management Framework
GORM	Group Operational-risk Monitoring
GT	Group Technology

continued

HEPS headline earnings per share
HR Human Resources
HVCRE high-volatility commercial real estate

IASB International Accounting Standards Board
IB Imperial Bank
IBNR incurred but not reported
ICAAP internal capital adequacy assessment process
IFRIC International Financial Reporting Interpretations Committee
IFRS International Financial Reporting Standards
IPCRE income-producing commercial real estate
IRB internal ratings-based
IRRBB interest rate risk in the banking book
ISDA International Swaps and Derivatives Association
IT information technology

JIBAR Johannesburg Interbank Agreement Rate

KPI key performance indicator
KRI key risk indicator

LGD loss-given default
LTI long-term incentive
LTV loan to value

M maturity
MAP Management Advancement Programme
M&A mergers and acquisitions
M&F Mutual & Federal
MDP Management Development Plan
MFC Motor Finance Corporation
MIS management information system
MLDS money-laundering-detection system

NAV net asset value
NII net interest income
NIR non-interest revenue
NPA non-performing advance
NPL non-performing loan
npv net present value
NTR Nedbank transaction rating

OMART Old Mutual Alternative Risk Transfer Fund
OMSA Old Mutual South Africa
ORM operational risk management
OTC over the counter

PD probability of default
PIP property in possession
PIT point in time
PN promissory note
PSL Premier Soccer League

RAPM risk-adjusted performance measurement
RMBS residential-mortgage-backed securitisation
ROA return on assets
ROE return on equity
RORAC return on risk-adjusted capital
RSC Regional Services Council
RWA risk-weighted asset

SARB South African Reserve Bank
SARS South African Revenue Service
SCMB Standard Corporate & Merchant Bank [now CIB (Corporate and Investment Banking)]
SIMCO Strategic Innovation Management Committee
SME small and medium enterprises
SOA service-oriented architecture
SPE special-purpose entity
SREP supervisory review and evaluation process
SST self-service terminal
STC secondary tax on companies
STI short-term incentive

TA total advance
TIP transactional and investment products
TOPP trading outside public practice
TTC through the cycle

UL unexpected loss

VAF vehicle and asset finance
VaR value at risk
VBM value-based management

YOY year-on-year

Instrument codes

Nedbank Group ordinary shares

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

Nedbank Limited non-redeemable, non-cumulative preference shares

JSE share code:	NBKP
ISIN code:	ZAE000043667

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

JSE share code:	IBLP
ISIN code:	ZAE000081675

Nedbank Limited subordinated debt

Listed on the Bond Exchange of South Africa

	ISIN code
NED4	ZAG000026279
NED5	ZAG000029810
NED6	ZAG000033358
NED7	ZAG000036831
NED8	ZAG000036849
NED9	ZAG000041120
NED10	ZAG000043191
NED11	ZAG000044272
NED12	ZAG000004875
NED12A	ZAG000047937
NED12B	ZAG000047945

Imperial Bank Limited subordinated debt

Listed on the Bond Exchange of South Africa

	ISIN code
IBP1	ZAG000019571
IBP2	ZAG000029422

Contact details

NEDBANK GROUP LIMITED

Incorporated in the Republic of South Africa
Reg No 1966/010630/06

Business address and registered office
Nedbank Sandton
135 Rivonia Road, Sandown, 2196
South Africa

Postal address
PO Box 1144, Johannesburg, 2000
South Africa
Tel: 27 (0)11 294 4444
Fax: +27 (0)11 294 6540
Website: www.nedbankgroup.co.za

NEDBANK LIMITED

Business address
Nedbank Sandton
135 Rivonia Road, Sandown, 2196
South Africa

Postal address
PO Box 1144, Johannesburg, 2000
South Africa
Tel: +27 (0)11 294 4444
Fax: +27 (0)11 294 6540
Website: www.nedbank.co.za

NEDBANK GROUP 2007 ANNUAL REPORT

Should you require a copy of the Nedbank Group 2007 Annual Report, please email your address details to Nedbank Group Investor Relations at nedbankgroupir@nedbank.co.za or send a fax to +27 (0)11 294 6549. It is also available on the enclosed CD or online at www.nedbankgroup.co.za.

INVESTOR RELATIONS

The investor relations and financial media functions at Nedbank Group are outsourced. For investor-related information please contact:

Tier 1 Investor Relations
Grapevine House
Silverwood Close
Steenberg Office Park, Tokai
Cape Town, 7945
South Africa
Tel: +27 (0)21 702 3102
Fax: +27 (0)21 702 3107
Email: nedbankgroupir@nedbank.co.za

NEDBANK CONTACT CENTRE

The Nedbank Contact Centre (NCC) provides a comprehensive range of problem resolution services to all external Nedbank clients, across all brands, products and client groupings, as well as to all Nedbank Group employees.

Telephone	0860 555 111
(all 0860 numbers are tollfree within South Africa only)	
Old Mutual Bank	0860 555 222
Go Banking	0860 654 222
Card Lost and Stolen	0800 110 929
Nedbank Corporate	0860 111 055
Nedbank Retail	0860 115 060
	(06:00 – 22:00)

NEDBANK CAPITAL

B Kennedy: Managing Director
135 Rivonia Road, Sandown, 2196
South Africa
Tel: +27 (0)11 294 3103
Fax: +27 (0)11 295 3103
Email: Brianke@nedbank.co.za

NEDBANK CORPORATE

GW Dempster: Managing Director
135 Rivonia Road, Sandown, 2196
South Africa
Tel: +27 (0)11 295 8165
Fax: +27 (0)11 294 8165
Email: Grahamd@nedbank.co.za

NEDBANK RETAIL

RA Shuter: Managing Director
135 Rivonia Road, Sandown, 2196
South Africa
Tel: +27 (0)11 294 1331
Fax: +27 (0)11 295 1331
Email: Robsh@nedbank.co.za

COMPANY SECRETARY

GS Nienaber: Group Company Secretary
Tel: +27 (0)11 294 9106
Fax: +27 (0)11 295 9106
Email: Gawien@nedbank.co.za

Contact details

continued

TRANSFER SECRETARIES

South Africa:

Computershare Investor Services (Pty) Limited

Business address

70 Marshall Street, Johannesburg, 2001
South Africa

Postal address

PO Box 61051, Marshalltown, 2107
South Africa
Tel: +27 (0)11 370 5000
Fax: +27 (0)11 688 5228

Namibia

Transfer Secretaries (Pty) Limited

Business address

Shop 8, Kaiserkrone Centre, Post Street Mall
Windhoek, Namibia

Postal address

PO Box 2401, Windhoek
Namibia
Tel: +264 (0)61 227 647
Fax: +264 (0)61 248 531

AUDITORS

Deloitte & Touche

Business address

The Woodlands
20 Woodlands Drive, Woodmead, 2128
South Africa

Postal address

Private Bag X6, Gallo Manor, 2052
South Africa
Tel: +27 (0)11 806 5000
Fax: +27 (0)11 806 5003

KPMG Inc

Business address

KPMG Crescent
85 Empire Road, Parktown, 2193
South Africa

Postal address

Private Bag X9, Parkview, 2122
South Africa
Tel: +27 (0)11 647 7111
Fax: +27 (0)11 647 8000

Letter from the Chairman

Chairman's Office

Dear Member

I extend a warm invitation to you to attend the 41st annual general meeting of Nedbank Group Limited to be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, on Tuesday, 13 May 2008, at 09:00.

Included in this document are the following:

- the notice of annual general meeting setting out the resolutions to be proposed at the meeting;
- annexure 1 to the notice of annual general meeting setting out explanatory notes regarding proxies and resolutions for the annual general meeting, as well as important notes about the annual general meeting; and
- a form of proxy.

If you are unable to attend, you will be able to exercise your right as a member to take part in the annual general meeting by following the accompanying explanatory notes.

I should like to remind members of their right to raise questions, at the appropriate time, at the annual general meeting. As it is not possible to answer every question raised at the annual general meeting, and to ensure that matters of particular interest to members are covered, I should like to suggest that members use the attached question form to raise, in advance, any questions of particular interest to them. From the question forms returned we can assess the most popular topics and I shall endeavour to address these at the annual general meeting, ensuring that they will not be overlooked. This advance notice of relevant questions will, of course, not prevent any member from raising questions, at the appropriate time, during the annual general meeting.

The question form can be:

- forwarded to the Company Secretary, Gawie Nienaber, Ground Floor, Block A, Nedbank Sandton, 135 Rivonia Road, Sandown, 2196 (PO Box 1144, Johannesburg, 2000), to be received no later than 09:00 on Monday, 12 May 2008; or
- forwarded by hand, post or fax along with the form of proxy to our transfer secretaries in South Africa, namely Computershare Investor Services (Pty) Limited, fax number +27 (0)11 688 5238, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), or to the transfer secretaries in Namibia, namely Transfer Secretaries (Pty) Limited, fax number +264 61 248 531, Shop 8, Kaiserkrone Centre, Post Street Mall, Windhoek, Namibia (PO Box 2401, Windhoek, Namibia), to be received no later than 09:00 on Monday, 12 May 2008; or
- handed in at the time of registering attendance at the annual general meeting, should the above options not have been chosen.

Yours faithfully

Dr RJ Khoza
Chairman

Sandown
5 March 2008

Headoffice

135 Rivonia Road, Sandown, 2196
PO Box 1144, Johannesburg, 2000, South Africa
Tel: +27 (0)11 294 4444 Fax: +27 (0)11 295 1111 www.nedbankgroup.co.za

Question form for annual general meeting

Name of member

Address

Contact details

Telephone number

Fax number

Email

Questions

Shareholders' diary

2007 financial year

Financial year-end	31 December 2007
Annual results and announcement of final dividend	27 February 2008
Final dividend payment (Nedbank Limited preference shares)	on or about 31 March 2008
Final dividend payment (Nedbank Group Limited ordinary shares)	on or about 14 April 2008
Annual general meeting	13 May 2008

2008 financial year

First-quarter trading update	on or about 7 May 2008
Interim report and announcement of interim dividend	on or about 6 August 2008
Interim dividend payment	during September 2008
Third-quarter trading update	on or about 6 November 2008
Financial year-end	31 December 2008
Annual results and announcement of final dividend	during February 2009
Publication and posting of annual report	during April 2009
Final dividend payment	during April 2009
Annual general meeting	during May 2009

(dates correct at time of going to print)

Map giving location of Nedbank Sandton

The map below indicates the location of Nedbank Sandton, where the annual general meeting will be held.

Notice of annual general meeting

Nedbank Group Limited
(Incorporated in the Republic of South Africa)
Reg No 1966/010630/06
JSE share code: NED; NSX share code: NBK
ISIN: ZAE000004875
(Nedbank Group or the company)

Notice is hereby given that the 41st annual general meeting of the members of Nedbank Group will be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Tuesday, 13 May 2008, at 09:00.

Agenda

1 To receive and adopt the annual financial statements of the company for the year ended 31 December 2007.

2 To note and confirm the interim dividend of 2,31447 shares for every 100 Nedbank Group shares held to those members who elected (or were deemed to have elected) the capitalisation award and 310 cents per ordinary share to those members who did not elect to receive capitalisation shares, declared on 6 August 2007, and the final dividend of a number of Nedbank Group shares, to be determined in terms of the capitalisation award ratio, for every 100 Nedbank Group shares held to those members who elected (or were deemed to have elected) the capitalisation award and 350 cents per ordinary share to those members who did not elect to receive capitalisation shares, declared on 27 February 2008.

3 To reelect as directors of the company

3.1 Mr TA Boardman,

3.2 Mr MWT Brown,

3.3 Prof B de L Figaji,

3.4 Mr RM Head and

3.5 Mr ML Ndlovu,

who retire by rotation in terms of the company's articles of association and, being eligible, make themselves available for reelection. Biographical details of the directors to be reelected are set out on pages 30 to 32 of the annual report.

4 To elect Ms R Harris as a director of the company. Ms Harris was appointed a director of the company during the year and retires in terms of the company's articles of association and, being eligible, makes herself available for election. Biographical details of Ms Harris are set out on page 32 of the annual report.

5 To approve the non-executive directors' fees.

6 To approve the remuneration paid to executive directors.

7 To reappoint Deloitte & Touche (with the designated auditor currently being Mr D Shipp) and KPMG Inc (with the designated auditor currently being Ms TA Middlemiss) as joint auditors.

8 To authorise the Nedbank Group Audit Committee to determine the remuneration of the company's auditors and the auditors' terms of engagement.

9 To consider and, if deemed fit, pass with or without modification the following resolution:

Ordinary resolution 1

Control of authorised, but unissued, shares
'Resolved that authority be and is hereby granted by members to the directors to place the authorised, but unissued, ordinary shares in the share capital of Nedbank Group under the control of the directors to allot these shares on such terms and conditions and at such times as they deem fit, subject to the provisions of the Companies Act, 61 of 1973, as amended, the Banks Act, 94 of 1990, as amended, and the JSE Limited Listings Requirements. The issuing of shares granted under this authority will be limited to Nedbank Group's existing contractual obligations to issue shares, including for purposes of Nedbank Group's BEE transaction approved in 2005 and the NedNamibia BEE transaction approved in 2006, any scrip dividend and/or capitalisation share award, shares required to be issued for the purpose of carrying out the terms of the various Nedbank Group share incentive schemes as well as any alternative coupon settlement mechanism relating to issues, from time to time, of the Nedbank Limited Tier 1 hybrid debt capital instruments.'

continued

10 As **special business**, to consider and, if deemed fit, pass with or without modification the following resolution:

Special resolution 1

General authority to repurchase shares

'Resolved, as a special resolution of the company, that the company and/or its subsidiaries be and are hereby authorised, in terms of a general authority contemplated in sections 85(2) and 85(3) of the Companies Act, 61 of 1973, as amended (the act), to acquire the company's issued shares from time to time on such terms and conditions and in such amounts as the directors of the company may from time to time decide, but always subject to the approval, to the extent required, of the Registrar of Banks, the provisions of the act, the Banks Act, 94 of 1990, as amended, and the JSE Limited (JSE) Listings Requirements, subject to the following limitations:

(a) the repurchase of securities shall be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;

(b) authorisation thereto shall be given by the company's articles of association;

(c) this general authority shall be valid only until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of the passing of this special resolution;

(d) in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority the maximum premium at which such ordinary shares may be acquired shall be 10% of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the five trading days immediately preceding the date of the repurchase of such ordinary shares by the company;

(e) the acquisitions of ordinary shares in the aggregate in any one financial year shall not exceed 10% of the company's issued ordinary share capital of that class in any one financial year;

(f) the company and Nedbank Group shall be in a position to repay their debts in the ordinary course of business for a period of 12 months after the decision by the directors of the company to repurchase shares in the open market;

(g) the assets of the company and Nedbank Group shall be in excess of the liabilities of the company and Nedbank Group for a period of 12 months after the decision by the directors of the company to repurchase shares in the open market – for this purpose the assets and liabilities shall be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements;

(h) the ordinary capital and reserves of the company and Nedbank Group shall be adequate for ordinary business purposes for the 12 months after the decision by the directors of the company to repurchase shares in the open market;

(i) the available working capital shall be adequate to continue the operations of the company and Nedbank Group for a period of 12 months after the decision by the directors to repurchase shares in the open market;

(j) after such repurchase the company shall continue to comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;

(k) neither the company nor its subsidiaries shall repurchase securities during a prohibited period, as defined in paragraph 3.67 of the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period;

(l) when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement shall be made; and

(m) at any point in time the company shall appoint only one agent to effect any repurchase(s) on its behalf.'

In terms of the proposed special resolution the maximum number of Nedbank Group shares that may be repurchased during the term of this authority, subject to (b) above, is 45 940 776 shares (10% of 459 407 756 shares in issue at 5 March 2008).

The reason for and the effect of special resolution 1 is to authorise the company and/or its subsidiaries by way of a general authority to acquire their/its own issued shares on such terms and conditions and in such amounts as determined from time to time by the directors of the company, subject to the limitations set out above. Should the general authority for the acquisition of shares be granted at Nedbank Group's annual general meeting, it will provide the board with the flexibility to repurchase such shares as and when the best interests of the company require it to do so.

Notice of annual general meeting

Statement by the directors of Nedbank Group in terms of section 85(4) of the Companies Act, 61 of 1973, as amended

The directors of Nedbank Group, after considering the effect of the repurchase of shares from the BEE partners, which was approved by the company as special resolution 2 on 22 July 2005, and the repurchase of the maximum number of the company's shares in terms of the general authority, are satisfied that, for the period until the date of the next annual general meeting:

- the company and the group will be able to pay their debts in the ordinary course of business;
- the assets of the company and the group will be in excess of the liabilities, measured in accordance with the accounting policies used in the audited financial statements for the year ended 31 December 2007; and
- the working capital and reserves of the company and the group will be adequate.

Disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are disclosed in the Nedbank Group 2007 Annual Report, as set out below:

Management and Directors	pages 11 and 30 to 33
Major shareholders of Nedbank Group	pages 282 and 283
Directors' interests in securities	pages 166 and 167
Share capital of Nedbank Group	pages 238 and 239

Material change

Other than the facts and developments, as reported in the annual report, there have been no material changes in the affairs or financial position of Nedbank Group and its subsidiaries from 31 December 2007 to the date of the audit report forming part of the annual financial statements.

Directors' responsibility statement

The directors, whose names are given on pages 30 to 33 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 1 and certify that, to the best of their knowledge and belief, no facts have been omitted that would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution and additional disclosure in terms of section 11.26 of the JSE Listings Requirements pertaining thereto contain all such information required by law and the JSE Listings Requirements.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements the directors, whose names are given on pages 30 to 33 of the annual report, are not aware of any legal or arbitration proceedings, including proceedings pending or threatened, that may have or may have had in the recent past, being at least the previous 12 months, a material effect on Nedbank Group's financial position.

Voting by proxy

A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. Completed proxy forms should be received at the office of the transfer secretaries no later than 24 hours before the time appointed for the holding of the annual general meeting.

By order of the board

GS Nienaber
Company Secretary

Sandown
5 March 2008

continued

Registered office
Nedbank Group Limited
Reg No 1966/010630/06
Nedbank Sandton
135 Rivonia Road
Sandown, 2196

PO Box 1144
Johannesburg, 2000

Transfer secretaries in South Africa
Computershare Investor Services
(Pty) Limited
70 Marshall Street
Johannesburg, 2001

PO Box 61051
Marshalltown, 2107
Tel: +27 (0)11 370 5000
Fax: +27 (0)11 688 5238

Transfer secretaries in Namibia
Transfer Secretaries (Pty) Limited
Shop 8, Kaiserkrone Centre
Post Street Mall
Windhoek, Namibia

PO Box 2401
Windhoek, Namibia
Tel: +264 61 227 647
Fax: +264 61 248 531

Annexure 1

Explanatory notes to resolutions for the annual general meeting

1 **Receipt and adoption of annual financial statements and reports**
In terms of the Companies Act, 61 of 1973, as amended (the act), the directors are required to present to members at the annual general meeting the annual financial statements, incorporating the report of the directors, for the year ended 31 December 2007, together with the report of the auditors contained in the annual financial statements.

2 **Payment of dividends**
An interim dividend of 2,31447 shares for every 100 Nedbank Group shares held or 310 cents per ordinary share to those members who did not elect to receive capitalisation shares was declared on 6 August 2007 and issued/paid on 17 September 2007. A final dividend of a number of Nedbank Group shares, to be determined in terms of the capitalisation award ratio, for every 100 Nedbank Group shares held to those members who elected (or were deemed to have elected) the capitalisation award and 350 cents per ordinary share to those members who did not elect to receive capitalisation shares was declared on 27 February 2008. Members are asked to note and confirm the dividends paid/payable.

3 **Election of directors who retire by rotation or retire as a result of filling a casual vacancy**
In terms of the company's articles of association (articles) one-third of the directors are required to retire at each annual general meeting and may make themselves available for reelection. In addition, any person appointed to fill a casual vacancy on the board of directors, or as an addition thereto, since the last annual general meeting is similarly required to retire and is eligible for election at the annual general meeting. Biographical details of the directors of the company retiring by rotation, or as a result of an appointment during the year, are set out on pages 30 to 32 of the Nedbank Group 2007 Annual Report. Voting will be conducted in respect of each director individually.

4 **Remuneration of directors**
In terms of article 17.7 of the company's articles remuneration shall be payable to the directors as determined by the company at a general meeting. Full particulars of all fees and remuneration are contained on pages 155 to 167 of the Nedbank Group 2007 Annual Report. The Nedbank Group Board has recommended the following increases/decreases in the non-executive directors' fees for the 2008 financial year:

- Chairman's fee to be increased from R2 500 000 to R3 000 000 per annum.
- Nedbank Limited Board member fee to be increased from R80 000 to R110 000 per annum.
- Nedbank Group Limited Board member fee to be increased from R95 000 to R130 000 per annum.
- Group Audit Committee member fee to be increased from R96 000 to R105 000 per annum.
- Group Finance and Oversight Committee member fee to be decreased from R30 000 to R20 000 per annum.
- Group Remuneration Committee member fee to be increased from R55 000 to R60 000 per annum.
- Group Risk and Capital Management Committee member fee to be increased from R60 000 to R75 000 per annum.
- Board Strategic and Innovation Management Committee member fee to be increased from R35 000 to R40 000 per annum.
- Group Transformation and Sustainability Committee member fee to be increased from R40 000 to R65 000 per annum.

No changes in fees are proposed for the Nedbank and Nedbank Group Directors' Affairs Committee (currently R40 000 per annum) and Group Credit Committee (currently R65 000 per annum).

The Chairmen of the various committees (apart from Dr RJ Khoza) receive double the member fee.

5 **Reappointment of auditors**
This resolution proposes the reappointment of the company's existing joint auditors, Deloitte & Touche (the designated auditor currently being Mr D Shipp) and KPMG Inc (the designated auditor currently being Ms TA Middlemiss), until the next annual general meeting. The appointments are recommended by the directors of the company following the review and recommendation by the Group Audit Committee.

6 **Remuneration of auditors**
This resolution gives authority to the Nedbank Group Audit Committee to fix the remuneration and the terms of engagement of the auditors (proposed to be reappointed in terms of the above resolution). The aggregate auditors' remuneration for audit and other services paid to the auditors for the financial year ended 31 December 2007 amounted to R93 million (2006: R92 million). Particulars of the auditors' remuneration can be found in note 13 on page 207 of the Nedbank Group 2007 Annual Report.

Notice of annual general meeting

continued

7 **Ordinary resolution 1 – placing of unissued ordinary shares under the control of the directors**
In terms of sections 221 and 222 of the act the members of the company have to approve the placement of unissued shares under the control of the directors. The authority is limited to shares being issued for purposes of Nedbank Group's existing contractual obligations, including Nedbank Group's BEE transaction approved in 2005 and the NedNamibia BEE transaction approved in 2006, for issue of shares for capitalisation share awards and scrip dividends and for the various Nedbank Group share incentive schemes as well as any alternative coupon settlement mechanism relating to issues, from time to time, of the Nedbank Limited Tier 1 hybrid debt capital instruments.

8 **Special resolution 1 – repurchase of shares**
The company's articles contain a provision allowing the company or any of its subsidiaries to repurchase (acquire) the company's issued shares. This is subject to the approval of members in terms of the company's articles, the Companies Act, 61 of 1973, as amended, the Banks Act, 94 of 1990, as amended, and the JSE Limited (JSE) Listings Requirements. The existing general authority, granted by members at the last annual general meeting on 18 May 2007, is due to expire, unless renewed.

The directors are of the opinion that it would be in the best interests of the company to extend such general authority and thereby allow the company to be in a position to purchase its own shares on the open market, should market conditions and price justify such action. The proposed authority would enable the company to purchase a maximum of 45 940 776 ordinary shares in the capital of the company, with a stated upper limit on the price payable, in terms of the JSE Listings Requirements. The board manages the company's equity on a proactive and dynamic basis, and purchases would be made, only after the most careful consideration, in cases where the directors believed such purchases were in the best interests of the company and its members.

No shares in Nedbank Group were acquired by Nedbank Group or by a Nedbank Group subsidiary during the financial year ended 31 December 2007, other than in respect of the repurchase of shares from the Nedbank Eyethu Retail Scheme, the terms and conditions of which scheme are detailed in the circular to ordinary shareholders dated 15 June 2005.

Important notes about the annual general meeting

Venue: The Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown.

Date: Tuesday, 13 May 2008.

Time: The annual general meeting will start promptly at 09:00. Shareholders wishing to attend are advised to be in the auditorium no later than 08:45. The reception area will be open from 08:30, from which time refreshments will be served.

Travel information: The map on page 317 indicates the location of Nedbank Sandton.

Admission: Shareholders and others attending the annual general meeting are asked to register at the registration desk in the auditorium reception area at the venue. Shareholders, shareholder representatives and proxies may be required to provide proof of identity.

Security: Secure parking is provided at the venue. Cellphones should be switched off for the duration of the proceedings.

Questions: Shareholders who wish to ask questions relating to the business of the annual general meeting or on other related matters, but have not lodged or faxed their question forms with or to either the Company Secretary or transfer secretaries are asked to register their names and addresses and hand in their question forms at the question registration desk. A question form is enclosed on page 316 for this purpose. Staff will be on hand to provide any advice and assistance required.

Electronic voting: For the first time we will be taking advantage of the benefits that electronic meeting management can offer. On arrival you will be registered, be linked to your profile on the share register and be given an electronic keypad with which to cast your vote. As your vote is received a message will be displayed on the keypad screen, confirming that your vote has been registered. Results will be fast and will be displayed on an overhead screen within minutes.

Sign language interpreter: Should you require a sign language interpreter to be in attendance at the annual general meeting, please do not hesitate to advise the Company Secretary's office on +27 (0)11 294 9105/6/7 no later than Monday, 5 May 2008, in order for this facility to be arranged.

Certificated shareholders and own-name dematerialised registration
Holders of certificated Nedbank Group ordinary shares wishing to attend the annual general meeting should ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their name and check the number of shares so registered. Should their shares not be registered in their own name, but in any other name or form, shareholders wishing to attend and/or vote at the annual general meeting should follow the instructions and explanatory notes that accompany the notice of the

annual general meeting. Similarly, shareholders who are holding dematerialised Nedbank Group ordinary shares and believe these to be held in their own name should check with the transfer secretaries and take the appropriate action in accordance with the instructions and guidance contained herein or obtain assistance from the transfer secretaries, if necessary.

Participant (previously known as Central Securities Depository Participant) or nominee holdings

Holders of Nedbank Group ordinary shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, participant or broker to furnish such nominee, participant or broker with the necessary authority to attend and vote at the annual general meeting or they should instruct their nominee, participant or broker (as the case may be) on how they wish their votes to be cast on their behalf at the annual general meeting. As far as holdings in a participant are concerned, these will be guided by the terms of the agreement entered into between shareholders and their participant or broker.

Proxies

Shareholders completing a proxy form (see note 1 on page 326) should ensure that their proxy form reaches the address, as indicated in note 9 on page 326, no later than 09:00 on Monday, 12 May 2008.

Enquiries

Any shareholders experiencing difficulties or having questions relating to the annual general meeting or the above are invited to contact the Company Secretary's office on +27 (0)11 294 9105/6/7.

Form of proxy

Nedbank Group Limited
(Incorporated in the Republic of South Africa)
Reg No 1966/010630/06
JSE share code: NED; NSX share code: NBK
ISIN: ZAE000004875
(Nedbank Group or the company)

For use by members and registered holders of certificated Nedbank Group ordinary shares and holders of dematerialised Nedbank Group ordinary shares registered in their own name at the annual general meeting to be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, on Tuesday, 13 May 2008, at 09:00 and at any adjournment thereof.

Holders of Nedbank Group ordinary shares (whether certificated or dematerialised) through a nominee should not complete this form of proxy but should timeously make the necessary arrangements with that nominee or, if applicable, participant (previously referred to as central securities depository participant) or broker (as the case may be) to furnish such nominee, participant or broker with the necessary authority to attend and vote at the annual general meeting or they should instruct their nominee, participant or broker (as the case may be) on how they wish their votes to be cast on their behalf at the annual general meeting.

I/We

of (address)

being the holder(s) of ordinary shares in the company, appoint (see note 1)

1 or failing him/her

2 or failing him/her

3 the chairman of the annual general meeting

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting that will be held for the purpose of considering and, if deemed fit, passing with or without modification the ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against such resolutions and/or to abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions (see note 3):

	Number of votes (one vote per ordinary share)		
Resolutions	For	Against	Abstain
1 Receipt and adoption of annual financial statements			
2 Noting and confirmation of payment of dividends			
3.1 Reelection as a director of Mr TA Boardman, who is retiring by rotation			
3.2 Reelection as a director of Mr MWT Brown, who is retiring by rotation			
3.3 Reelection as a director of Prof B de L Figaji, who is retiring by rotation			
3.4 Reelection as a director of Mr RM Head, who is retiring by rotation			
3.5 Reelection as a director of Mr ML Ndlovu, who is retiring by rotation			
4 Election of Ms R Harris, who was appointed as a director during the year			
5 Approval of the non-executive directors' fees			
6 Approval of the remuneration paid to executive directors			
7 Reappointment of the joint auditors			
8 Determination of the remuneration of the joint auditors			
9 Ordinary resolution 1 – placing of unissued ordinary shares under the control of the directors			
10 Special resolution 1 – general authority to repurchase shares			

Signed at (place) on (date) 2008

Signature

Assisted by me
(where applicable)

Contact details
Tel:
Fax:
Email:

Please read the notes on the reverse side hereof.

Notes to proxy form

1 Each member is entitled to appoint one or more proxies (who need not be a member of the company) to attend, speak and vote in place of that member at the annual general meeting.

2 A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting 'the chairman of the annual general meeting'. The person whose name stands first on the form of proxy and who is present at the annual general meeting shall be entitled to act as proxy to the exclusion of the persons whose names follow.

3 A member's instructions to the proxy have to be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box provided. Failure to comply with this shall be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the annual general meeting or the appointed proxy to vote or to abstain from voting at the annual general meeting, as he/she deems fit, in respect of all the member's votes exercisable thereat.

4 A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.

5 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity has to be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.

6 The chairman of the annual general meeting may reject or accept any form of proxy that is completed and/or received in any manner other than in accordance with these instructions and notes.

7 Any alterations or corrections to this form of proxy shall be initialled by the signatory/signatories.

8 The completion and lodging of this form of proxy shall not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

9 Forms of proxy have to be lodged with or posted to the transfer secretaries in South Africa, namely Computershare Investor Services (Pty) Limited (Computershare), 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), or to the transfer secretaries in Namibia, namely Transfer Secretaries (Pty) Limited, Shop 8, Kaiserkrone Centre, Post Street Mall, Windhoek, Namibia (PO Box 2401, Windhoek, Namibia). The forms of proxy must be received no later than 09:00 on Monday, 12 May 2008. Proxy forms can also be submitted by fax to Computershare [fax number +27 (0)11 688 5238], subject to the proxy instructions meeting all other criteria.

10 This proxy form is to be completed only by those members who are:

- holding shares in a certificated form; or
- recorded in the subregister as holding shares in dematerialised electronic form in their own name.

11 Holders of Nedbank Group ordinary shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, participant (previously referred to as central securities depository participant) or broker (as the case may be) on how they wish their votes to be cast on their behalf at the annual general meeting. As far as holdings in a participant are concerned, these will be guided by the terms of the agreement entered into between members and their participant or broker.

12 Members attending the annual general meeting will be afforded the opportunity of putting questions to the directors and management. A perforated form has been included for this purpose.

Notes

Notes

About this report

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Designed by motiv

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