

MAKE  
THINGS  
HAPPEN



NEDBANK

NEDBANK GROUP LIMITED  
**INTEGRATED REPORT**

for the year ended 31 December 2012

A Member of the OLD MUTUAL Group

# 2013 Financial Calendar

Nedbank Group prides itself on supplying stakeholders with updated information on a regular basis. This information can be found at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za) or on the **Nedbank App Suite™**.

<b>2012</b>	Dec	Financial year-end – 31 December
<b>2013</b>	Jan	
	Feb	Annual results and announcement of final dividend – 25 February
	Mar	Final dividend payment – 25 March, for Nedbank Ltd preference shares
	Mar	Publication and posting of integrated report
	Apr	Final dividend payment – 8 April, for Nedbank Group ordinary shares
	May	Annual general meeting – 3 May First-quarter trading update
	Jun	
	Jul	
	Aug	Interim results and announcement of interim dividend
	Sept	Interim dividend payment
	Oct	Third-quarter trading update
	Nov	
	Dec	Financial year-end – 31 December
<b>2014</b>	Jan	
	Feb	Annual results and announcement of final dividend
	Mar	Publication and posting of integrated report
	Apr	Final dividend payment
	May	Annual general meeting

Dates correct at the time of going to print.

## ANNUAL GENERAL SHAREHOLDERS' MEETING

Nedbank Group's annual general shareholders' meeting will be held on Friday, 3 May 2013, at 09:00.

**Venue:** Nedbank Headoffice, 135 Rivonia Road, Sandton, Gauteng, SA.

## DISTRIBUTION POLICY

All reports are available in English and can be downloaded at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za)

Supplementary information is on the CD attached to the back cover of this report.

## CONTENT OF THE REPORT

This 2012 Nedbank Group Integrated Report has been prepared to assist our primary stakeholders in making an informed assessment of Nedbank Group's ongoing ability to sustain and create value.

## INVESTOR RELATIONS

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Head of Investor Relations

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## ACCESSING INFORMATION IN THIS REPORT

This report has been produced with a view to simplifying the process of accessing the relevant information required by specific stakeholders. As was the case with the 2011 report, the 2012 report is extensively cross-referenced to ensure that related information is simple to find and the Global Reporting Initiative and Financial Services Sector Supplement requirements are easily identifiable. Detailed supplementary information can be accessed at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za)



Cross-referencing



Reporting standard



2012 Nedbank Group Pillar 3 Basel II Public Disclosure Report



2012 Nedbank Group Transformation Report

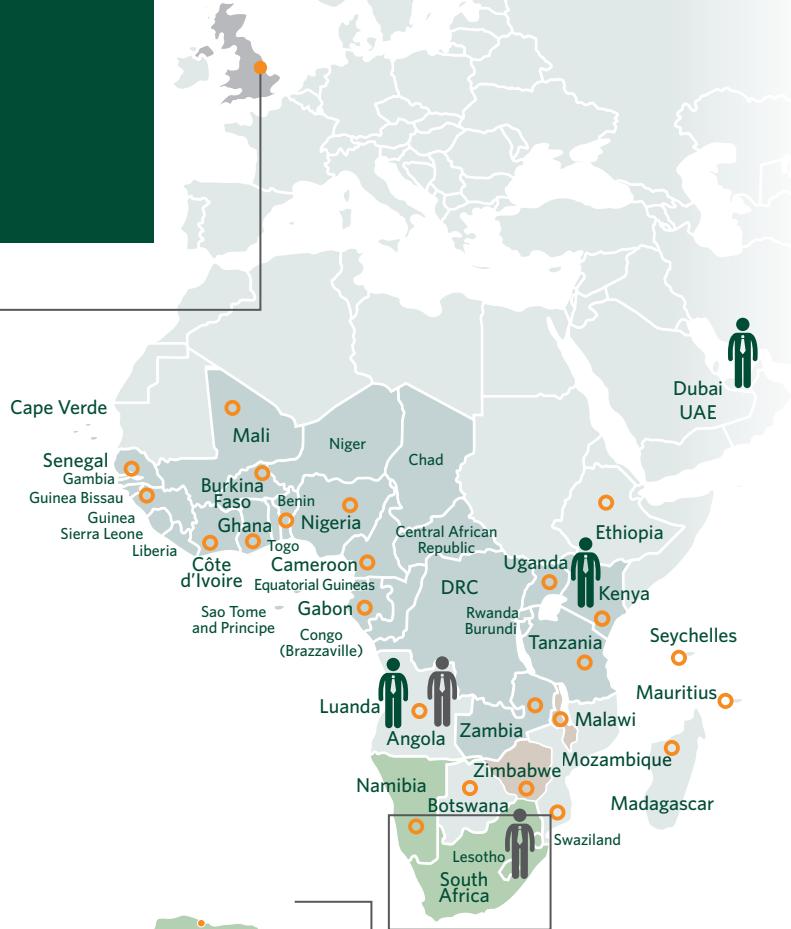


Content available online at  
[www.nedbankgroup.co.za/financial/Nedbank\\_ar2012/Portal.asp](http://www.nedbankgroup.co.za/financial/Nedbank_ar2012/Portal.asp)

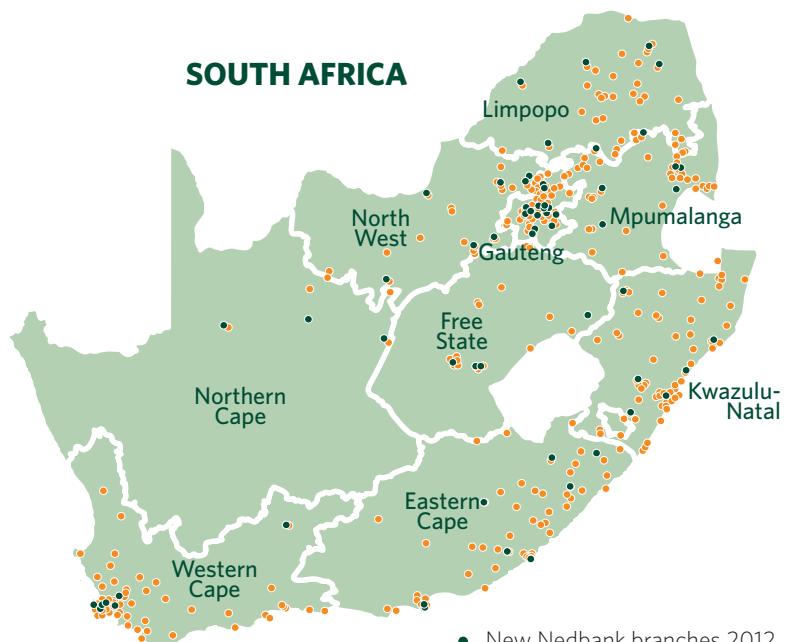


Supplementary information is available online at  
[www.nedbankgroup.co.za](http://www.nedbankgroup.co.za)

# Operational Footprint



## SOUTH AFRICA

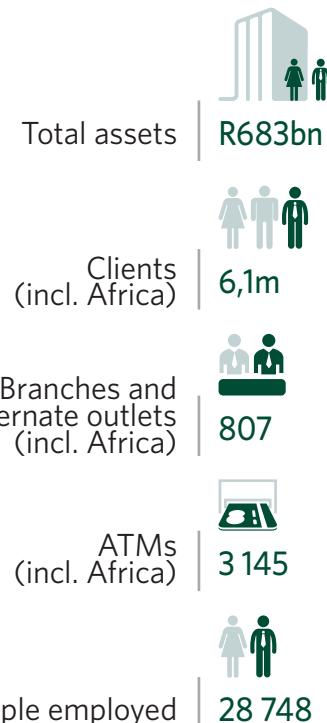


- New Nedbank branches 2012
- Existing Nedbank branches

- Ecobank footprint
- Nedbank footprint
- Nedbank and Ecobank footprint
- Nedbank representative offices
- Ecobank representative offices
- Deals concluded in Africa



# Group Profile



Nedbank Group Ltd is a bank holding company and one of the four largest banking groups in SA measured by assets, with a strong deposit franchise and over six million clients.

Our principal banking subsidiary is Nedbank Ltd. Our ordinary shares have been listed on JSE Ltd since 1969 and on the Namibian Stock Exchange since 2007 and we have a market capitalisation of R95,4bn at 31 December 2012. Old Mutual plc is the majority shareholder, owning 52% of the group.

## THE SERVICES AND PRODUCTS WE PROVIDE

- Wholesale and retail banking services<sup>1</sup>
- Insurance
- Asset management
- Wealth management



## OUR FOCUS AND POSITIONING

- Southern Africa with selected African expansion.
- Positioned as a bank for all.
- Top two wholesale bank and strong market positioning in commercial property finance, business banking, vehicle finance, card acquiring, deposit taking, asset management and high-net-worth banking services.
- Pan-African banking alliance with Ecobank Transnational Inc for West and Central Africa, providing clients with access to 36 countries across Africa.
- Leadership in sustainability, transformation and community involvement.

## HOW WE ARE STRUCTURED

- Nedbank Capital
- Nedbank Corporate
- Nedbank Business Banking
- Nedbank Retail
- Nedbank Wealth
- Central management functions in support of frontline businesses (incorporating Rest of Africa)

## WHERE WE ARE BASED

- Headoffice in Sandown, Sandton, Johannesburg, SA.
- Large operational centres in Durban and Cape Town.
- Regional branch network throughout SA - more than 750 staffed outlets.
- Branches and representative offices in other Southern African countries and certain key global financial centres<sup>2</sup>. These meet the international banking requirements of our SA-based multinational and high-net-worth clients.

Investment Case Pg 12 - 15

Business Profile Pg 50 - 53

GRI FSSS:FS6

GRI 3.1: 2.2, 2.4, 2.6

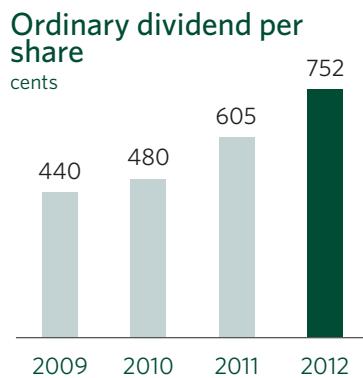
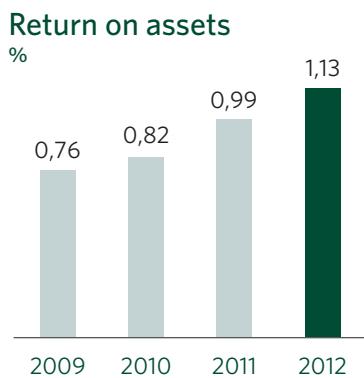
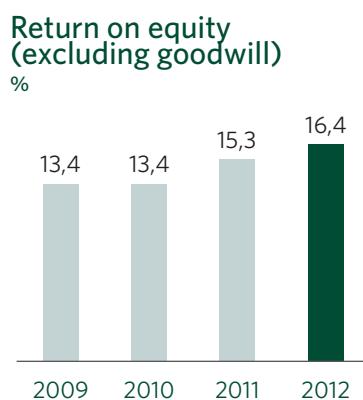
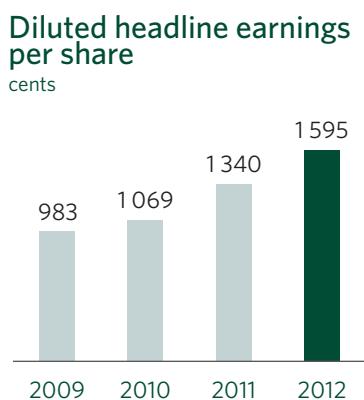
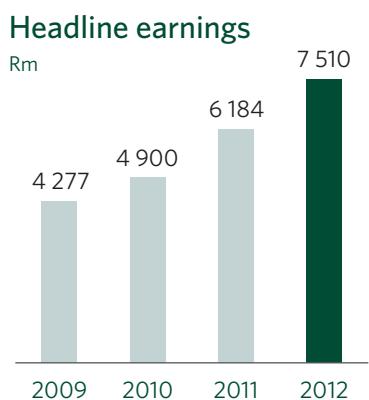
<sup>1</sup> Including lending, deposit-taking, transactional banking and advisory services.

<sup>2</sup> Refer to operational footprint and company structure for further details.

# 2012 Highlights

Making things happen for all stakeholders in a challenging economic environment.

## Financial highlights



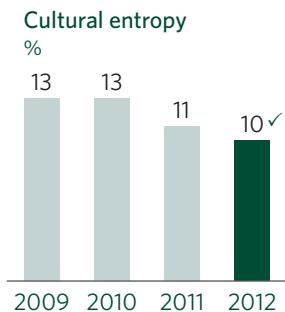
GRI 3.1: EC1

# Non-financial highlights

## Staff



Staff Pg 18 - 19



Appointed 452 additional permanent employees

Cultural entropy level of 10% at worldclass levels

Continued high levels of staff morale

609 managers through business education and executive education training programmes

1 312 employees through Leading for Deep Green training programme

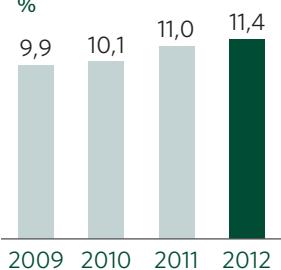
8 500 staff through diversity training programme

## Regulators



Regulators Pg 26 - 27

### Common equity tier 1 ratio (Basel II.5) %



## Clients



Clients Pg 20 - 23

Grew total retail individual and small business clients by 655 841

R144bn new loans extended

80 new staffed outlets

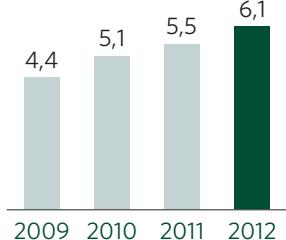
476 more ATMs

Client satisfaction scores at multiyear highs

Exciting innovations launched such as Nedbank App Suite™, Approve-it™, MyFinancialLife™, Small Business Friday and the home loan online application process

Euromoney's best bank in SA in 2012

### Number of clients Millions



11,6% pro forma Basel III common equity ratio (CER) (or 11,4% Basel II.5)

Contributing to working groups on new regulation

Worldclass Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process maintained

Nedbank debt rating upgraded in July in line with peers by Fitch

R6,2bn total tax paid to SA government in direct, indirect and payroll taxes

## Shareholders



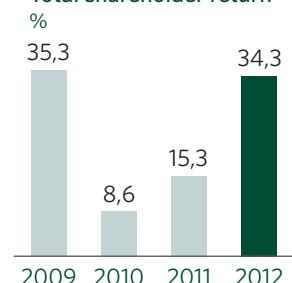
34,3% total shareholder return

Delivered R1 511m economic profit

Participate in Africa growth opportunity through rights to acquire 20% in Ecobank Transnational Incorporated

Continued recognition for leadership in transparent reporting

### Total shareholder return %



Shareholders Pg 24 - 25

Most transformed JSE Top 50 company under dti Codes

Achieved dti Code level 2 for fourth consecutive year

Contributed R116m to socioeconomic development

73% local procurement spend

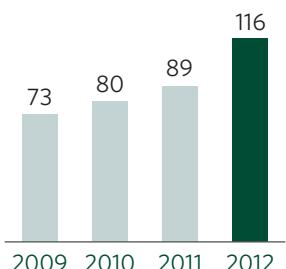
Maintained position as Africa's only carbon-neutral bank

Operational water consumption addressed through support of the WWF-SA Water Balance Programme

*Financial Times* 2012 Sustainable Bank of the Year Middle East and Africa

Official sponsor of the WWF Sustainable Agriculture Programme

### Socioeconomic spend Rm



## Performance highlights

		% change 2011 - 2012	2012
<b>ECONOMIC</b>			
Headline earnings	Rm	21,4	7 510
Income attributable to shareholders	Rm	20,8	7 476
Diluted earnings per share:			
- Headline	cents	19,0	1 595
- Basic	cents	18,4	1 588
Dividend declared per share	cents	24,3	752
Dividend cover	times		2,19
Net asset value	Rm	9,6	57 730
Tangible net asset value per share	cents	11,3	10 065
Net interest income (NII) to average interest-earning banking assets	%		3,53
Credit loss ratio – banking advances	%		1,05
Non-interest revenue (NIR) to total income	%		46,8
NIR to total operating expenses	%		84,4
Efficiency ratio	%		55,5
Group capital adequacy ratios:			
- Common Equity Tier 1	%		11,4*
- Tier 1	%		12,9*
- Total	%		14,9*
Total assets under administration	Rm	9,6	833 474
Total assets	Rm	5,4	682 979
Assets under management	Rm	34,1	150 495
Return on total assets	%		1,13
Return on ordinary shareholders' equity (ROE) (excluding goodwill)	%		16,4
ROE	%		14,8
Headline earnings	Rm		7 510
* Basel II.5			
** Basel II			
<b>ENVIRONMENTAL</b>			
Green star rated buildings			3
Carbon footprint per full-time employee	tCO <sub>2</sub> e <sup>1</sup>	1,8	7,89
Offset through carbon emission reduction projects allowing buffer	tCO <sub>2</sub> e <sup>1</sup>		240 000
Carbon status	tCO <sub>2</sub> e <sup>1</sup>		neutral
<b>SOCIAL</b>			
Socioeconomic development spend <sup>2</sup>	Rm	33,7	116
<b>CULTURAL</b>			
BEE credentials (dti)			level 2 <sup>✓</sup>
Barrett entropy	%		10 <sup>✓</sup>

<sup>1</sup> tCO<sub>2</sub>e = tonnes of CO<sub>2</sub> equivalent.

<sup>2</sup> Includes community trust.

2011	2010	2009	2008
6 184	4 900	4 277	5 765
6 190	4 811	4 826	6 410
1 340	1 069	983	1 401
1 341	1 050	1 109	1 558
605	480	440	620
2,26	2,30	2,30	2,29
52 685	47 814	44 984	40 073
9 044	8 160	7 398	7 179
3,48	3,36*	3,39	3,66
1,13	1,36	1,52	1,17
46,1	44,3	42,2	39,9
81,5	79,6	78,8	78,1
56,6	55,7	53,5	51,1
11,0**	10,1**	9,9**	8,2**
12,6	11,7	11,5	9,6
15,3	15,0	14,9	12,4
760 358	711 288	657 907	651 404
648 127	608 718	570 703	567 023
112 231	102 570	87 204	84 381
0,99	0,82	0,76	1,09
15,3	13,4	13,4	17,7
13,6	11,8	11,8	20,1
6 184	4 900	4 277	5 765

2	1	-	-
7,74	8,25	8,77	-
240 000	220 000	220 000	-
neutral	neutral	neutral	-

89      80      73      67

### Economic



**R7 510m**

Headline earnings



Transformation Report

### Environmental



### Social



**neutral**

Carbon status

**R116m**

Socioeconomic development spend

level 2	level 2	level 2	level 3
11	13	13	14

**10%**  
Barrett entropy

### Cultural



# Introduction

The report reflects Nedbank Group's commitment to integrating economic, environmental, social and cultural sustainability across the organisation for the benefit of all stakeholders.

The compilation of this report has been aligned with the requirements of the King Code of Governance Principles for SA (King III Code) and complies with Global Reporting Initiative (GRI) Guidelines, which inform not only Nedbank Group's annual reporting, but also its ongoing reporting initiatives throughout the year.

For ease of reading and information accessibility this report is written in the first person. The terms, 'Nedbank Group', 'Nedbank', 'the group', 'we', and 'us' all refer to Nedbank Group Ltd and its associated operations, unless otherwise indicated.

This integrated report builds on the 31 December 2011 Nedbank Group Integrated Report and has been approved by the board 7 March 2013.

## SCOPE OF REPORTING

The Nedbank Group Ltd Integrated Report is published annually. This particular issue of the report provides information on our operations, financial and non-financial performance and integrated sustainability developments during the year to 31 December 2012. The report covers all group clusters, operational areas and businesses of Nedbank Group.

Organisations in which we hold a minority stake are not included in the scope of this report. This report is addressed to our primary stakeholders, being our staff, clients, shareholders, regulators and communities.

This report should be read in conjunction with other supporting reports and supplementary information, all of which are available at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za):

- 2012 Nedbank Group Annual Financial Statements
- 2012 Risk and Balance Sheet Management Report
- 2012 Nedbank Group Risk and Capital Management Pillar 3 Report
- 2012 Nedbank Group Transformation Report
- Supplementary Sustainable Development Performance information
- 2012 Nedbank Group Global Reporting Initiative Financial Services Sector supplement
- 2012 Nedbank Group Global Reporting Initiative G3.1 index
- 2012 Nedbank Group Governance and Ethics Report

The 2012 report builds on the insights, understanding and stakeholder feedback of the past three years and seeks to provide a detailed overview of the group's financial and non-financial performance for the period 1 January to 31 December 2012.

## ASSURANCE AND INDEPENDENT ASSESSMENT

Assurance of the Nedbank Group Integrated Report 2012 is the responsibility of a combined financial and non-financial assurance team from Deloitte & Touche and KPMG.

The assurance statement by Deloitte & Touche and KPMG on page 74 confirms:

- The preparation of this report in accordance with the self-declared Global Reporting Initiative G3.1 Guidelines A+ application level using the principles of materiality, completeness and sustainability.
  - The use of the principles of inclusivity, materiality, and responsiveness in accordance with AccountAbility's AA1000APS (2008).
  - Limited assurance expressed over the following specified key performance indicators and which are marked with a ✓ in the report.
- |  |  |
|--|--|
| <input type="checkbox"/> Net promoter score      | <input type="checkbox"/> Waste to landfill                 |
| <input type="checkbox"/> Net primary client gain | <input type="checkbox"/> Waste recycled                    |
| <input type="checkbox"/> Banking Ombudsman cases | <input type="checkbox"/> Entropy level                     |
| <input type="checkbox"/> FAIS pass rate          | <input type="checkbox"/> Employee surveys                  |
| <input type="checkbox"/> IT systems availability | <input type="checkbox"/> Employee turnover                 |
| <input type="checkbox"/> Equator Principle deals | <input type="checkbox"/> Value-added statement             |
| <input type="checkbox"/> Carbon footprint        |  |
| <input type="checkbox"/> Water                   | <input type="checkbox"/> All elements of the dti scorecard |
| <input type="checkbox"/> Paper                   |  |



Stakeholder Overview  
Pg 16 - 33



GRI 3.1: 1.2,  
3.1,  
3.2,  
3.3,  
3.5,  
3.6,  
3.8,  
3.9,  
3.13

In addition to the annual financial statements being audited, the condensed financial information has been audited and the opinion is on page 85.

This integrated report also conforms to the requirements of the South African Companies Act 71 of 2008 (Companies Act) and JSE Ltd (the JSE) Listings Requirements.

All dti and black economic empowerment (BEE) information contained in this report has been verified and signed off by the audit firm SizweNtsalubaGobodo Inc.

An analysis of our compliance with the full Global Reporting Initiative (GRI) and the GRI Financial Services Sector Supplement indices (FSSS) are available online at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za).

## MATERIAL MATTERS

Key to Nedbank Group's goal of entrenching integrated sustainability across every area of our business is our focus primarily on those matters and issues that are most material to our stakeholders.

### Economic

#### Material matters

- Becoming more client-centred.
- Economic conditions and financial performance.
- Governance, compliance and ethics.
- Responsible business management, lending and investment practices.
- Effective risk and balance sheet management.
- Integrity of information technology (IT) systems.

#### Materiality drivers

- Building trust with clients.
- Optimise strategic intent, sustainable economic profit (EP) and growth.
- Creating sustainable stakeholder value.
- Contributing to a stable economic and financial environment for group operations.
- Minimising non-compliance liability.
- Managing risk exposure.



Determining these material matters is an ongoing process, involving the study of all reports submitted for board or executive discussion, key business risk factors and identified opportunities, all formal and informal stakeholder feedback, our strategic objectives, and integrated sustainability imperatives.

The resulting material matters inform content priority for this report. They are also linked to and inform our strategy and actions. The Nedbank Group Executive Committee assumes responsibility for approval of the material matters prior to their endorsement by the Group Transformation, Social and Ethics Committee, a subcommittee of the board.

### Environmental

#### Material matters

- Environmental and social impacts of lending, investments and products.
- Resource consumption (including water).
- Carbon emissions (including climate change).

#### Materiality drivers

- Ensuring compliance with existing and developing environmental regulations.
- Contributing to behaviour change for a more sustainable future.
- Reducing environmental impact.



### Social

#### Material matters

- Socioeconomic development (including skills development).
- Responsible access to finance and financial literacy.
- Lending to enable healthcare, housing and education, enterprise development and community upliftment.
- Economic empowerment.
- Preferential procurement.



#### Materiality drivers

- Contributing to social stability to support group operations.
- Developing new markets, revenue streams and the Nedbank Group client base.
- Contributing to social upliftment and social welfare.

### Cultural

#### Material matters

- Building a resilient corporate culture.
- Embedding talent management.
- Developing staff capacity.

#### Materiality drivers

- Building a unique, innovative and client-centric culture that is core to our competitive advantage.

Optimising talent by attracting, retaining and developing high performing and capable employees.

# 2012 Recognition Received



## BEST BANK IN SA 2012

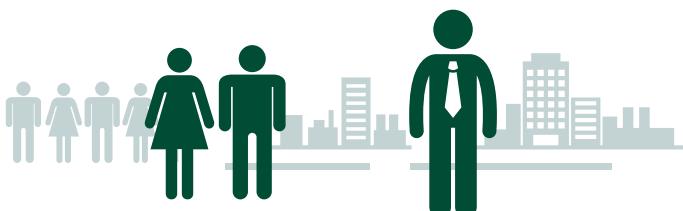
*Euromoney Awards for Excellence 2012*

CMAT™ Assessment 2012



**SECOND HIGHEST CMAT™  
SCORE EVER OUT OF 900  
COMPANIES GLOBALLY**

Nedbank Business Banking



## SUSTAINABLE BANK OF THE YEAR FOR MIDDLE EAST AND AFRICA 2011

*Financial Times and International Finance Corporation Awards 2012*



Nkonki and *Financial Mail* 2012  
Integrated Reporting Awards

## BEST INTEGRATED REPORT 2010 IN THE FINANCIAL SECTOR



## BEST SOUTH AFRICAN TRADE BANK

Nedbank Capital

*Trade Finance Magazine's Global/EMEA Awards for Excellence 2012*



## BEST CUSTODIAN IN AFRICA

Nedbank Corporate

Global Finance Award 2012



African Business Awards 2012

## ENVIRONMENTAL SUSTAINABILITY IN AFRICA 2011



## THIRD OVERALL IN THE DOMESTIC FUND MANAGER CATEGORY

Nedgroup Investments

Plexcrown Fund Ratings 2012



Chartered Secretaries and JSE Awards 2012

## MERIT AWARD BEST INTEGRATED REPORT 2011

2012 Morningstar SA Fund Awards

## NOMINATED AMONG THE TOP 3 LARGE FUND HOUSES IN SA

Nedgroup Investments

Professional Adviser International Fund and Product Awards 2012

## BEST INTERNATIONAL WEALTH PROVIDER IN THE OFFSHORE FINANCIAL SERVICES INDUSTRY

Nedbank Private Wealth

# Group Strategy

Nedbank Group's vision of building Africa's most admired bank by our staff, clients, shareholders, regulators and communities continues to be supported by its long-term objectives, which are referred to internally as Deep Green aspirations.

## Our vision

Building Africa's most admired bank  
by our staff, clients, shareholders, regulators and communities



## Deep Green aspirations

	Great place to work	Great place to bank	
Most respected and aspirational brand	Great place to invest	Great at collaboration	Leading transformation
Highly involved in the community and environment	Worldclass at managing risk	Community of leaders	Living our values

What makes us different and guides our long-term strategy?

Great at listening, understanding clients' needs and delivering

## Our brand expression



## Our eight strategic focus areas

Client-centred	Manage for value	Primary client and cross-sell	Risk as an enabler
Productivity and execution	Unique and innovative culture	Transformation	Green and caring bank

## Our scope of the game



Banking and selected financial services



Bank for all



Southern Africa focus with selected African expansion

## Our values

Integrity, respect, accountability, pushing beyond boundaries, people-centred



## OUR STRATEGIC FOCUS AREAS

We continued to make good progress in delivering on our strategic focus areas, supported by strong capital and liquidity. The 2012 annual results were again driven by the strength of the Nedbank franchise together with the momentum built in implementing our strategy.

### Repositioning Retail

- Distinctive client-insight-led value propositions.
- Capturing the virtuous circle of household and business.
- Integrated channels strategy, including digital innovation, to accelerate growth across more micro markets, while optimising presence, systems and processes to cover costs.
- Effective risk management for quality asset portfolios and liabilities.
- Client-centred innovation.
- Collaborative, networked culture of trust.

### Portfolio tilt

- Manage towards strategically important higher economic profit pools, optimising scarce resources, including capital and liquidity.
- Strategically positioning for Basel III.
- Grow faster: transactional banking/ clients, deposits, wealth and asset, management, insurance, investment banking.
- Selective growth: unsecured lending, home loans, commercial property finance.

### Client-centred approach

We have developed business-specific strategic initiatives aimed at delivering a choice of distinctive client-centred banking experiences consistently and seamlessly across and within clients' channels of choice (physical and digital). Our integrated-channels strategy, leveraging digital innovation, is a key enabler to delivering this experience at an optimal cost and mix of presence within each micro market. We expect the overall client experience to be evidenced by improved Net Promoter scores across the various businesses and continued increases in our digitally enabled client base.

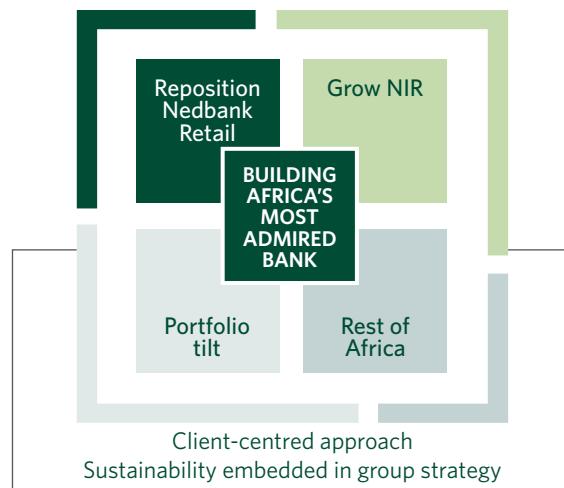
### Fulfilling our social purpose

Sustainable revenues depend on sustainable communities. As highlighted in our Chairman's Statement last year, 'Changing business practices both locally and internationally lead us to believe that the age of accountability has dawned as business starts to face its responsibilities to society and the environment.' In considering our role in the future of SA, we have realised that we need to get more involved in protecting the society, which provides the basis for our performance, and that we need to get involved through doing what we do best and most efficiently, which is lending capital to drive economic activity. Given the immense influence that banks have in directing flows of capital, we have considered deeply our ability to leverage change.

During 2012 we adopted a board-approved long-term vision that takes a position on SA attaining good economic, social and environmental outcomes. This is expressed in terms of eight goals relating to job creation, access to energy services, water and sanitation, savings

### Grow non-interest revenue

- Delivery across all clusters.
- Focus on quality annuity income through commission and fee growth.
- Sustained non-interest revenue (NIR) growth at over 10% for four years and strong cost management producing a positive jaws.
- Consistent progress toward > 85% NIR:expenses target ratio.



Chief Executive's Report Pg 42 - 45

Chief Operating Officer's Report Pg 54 - 57

and investment levels, education and health as well as managing our carbon and water risk exposure. We contribute to these goals through four levers: core business, own operations, corporate social investment and advocacy. The goals are externally referenced, informed by science and by widely accepted societal aspirations as reflected in the SA government's National Development Plan 2030.

This framework is currently being embedded in the group, with each business cluster identifying new products, services and systems aligned with meeting the eight goals. We see the long-term vision and our response thereto, namely Fair Share 2030, as critical to becoming Africa's most admired bank. The initiative is underpinned by a firm belief that our long-term success is inextricably linked to our ability to fulfil our social purpose by delivering better outcomes for society. We will be engaging with our stakeholders as we progress our thinking.

# Investment Case

The Nedbank investment proposition remains compelling. We offer an attractive growth strategy, supported by a strong balance sheet, and competitive value-creating franchises. Our longer-term risk-mitigated strategy in the rest of Africa is supported by an unmatched Pan-African footprint.

## SOUND BANKING SYSTEM IN SA

Through economic cycles SA banks have delivered sustainable returns on equity (ROEs) well above the much larger international banks in the US and EU, with growth driven by continued increases in banking penetration in the retail market, business investment in the SA infrastructure programmes and expansion into the rest of Africa. SA banks are well capitalised, operate in a predominantly closed funding system, are very well regulated as evidenced by being rated second globally in soundness of banks by the World Economic Forum, and currently delivering dividend yields above the JSE all-share index benchmarks.



Value-added statement  
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## OPTIMISING RETURNS TO ALL STAKEHOLDERS

Our objective of building an organisation that optimises returns to all stakeholders and creates a sustainable future is enabled by an integrated approach to the economics of the business, environmental preservation, involvement in society and organisational culture. Incorporating this approach, the investment case for Nedbank Group is built around:

- 1 competitive franchises creating value and enhancing brand value;
- 2 continued delivery on the growth-oriented strategy;
- 3 being well positioned for a cyclical economic upturn, underpinned by operational and financial gearing;
- 4 defensive investment given the stable banking sector in SA; and
- 5 leadership in integrated sustainability.

# Competitive franchises creating value and enhancing brand value

Our historical strength in wholesale banking is evident in the underlying businesses consistently delivering ROEs above 20%, which is a key driver of value creation, while the high-ROE Nedbank Wealth business is growing faster than industry trends and Nedbank Retail is building a sustainable retail banking business targeting returns ahead of the cost of equity in 2013.

1



## Leader in corporate banking and commercial property finance

- Excellent client relationship and ratings.
- Strong market shares, particularly in commercial property finance as well as public sector loans.
- Opportunity to increase transactional banking market share.



## Integrated, lower-risk-taking, investment banking

- Leadership and expertise in mining and resources, infrastructure, energy, telecommunications and oil and gas sectors, providing good growth opportunities in SA and rest of Africa.
- Integrated full-service investment banking model, combined with an ability to leverage client relationships in collaboration with other wholesale clusters.



Chief  
Operating  
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## Strong differentiated and decentralised business banking

- Globally best-in-class customer management practices.
- Excellent client-centred risk management capabilities.
- Strong deposit-generating franchise.
- Sustainably good returns despite low interest rates.



## Innovative client-centred retail banking

- Strong growth drivers in place – evident in significant new-client gains, investment in new outlets, ATMs, new products leading to strong MR gains.
- Building a more client-centred integrated business with strong product lines, eg vehicle finance and card acquiring.
- Effective risk management practices embedded, removing excessive credit loss ratio volatility of past cycles.



## Fast-growing wealth business with high ROEs

- Significant insurance opportunity in penetrating the Nedbank client base and benefiting from various new-product launches.
- Unique Best of Breed™ asset manager generating strong growth in assets under management.
- Newly launched Nedbank Private Wealth brand, supporting a leading high-net-worth franchise.

## Longer-term risk-mitigated capital-efficient strategy in rest of Africa, with unmatched Pan-African geographic footprint

- Providing clients with access to 36 countries across Africa.
- Rights to acquire up to 20% in Ecobank Transnational Incorporated.
- Exploring expansion into the Southern African Development Community and East Africa, where gross domestic product is expected to grow much faster than in SA, even though economic returns in financial services are still below cost of capital in the medium term.

2



## Continued delivery on the growth-oriented strategy

Our key strategic initiatives of repositioning Nedbank Retail, growing non-interest revenue (NIR), implementing the portfolio tilt strategy and expanding into the rest of Africa will continue to drive growth.

 Group  
Strategy  
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3

## Positioned for a cyclical economic upturn on the back of operational and financial gearing

- Operational and financial gearing benefits should enable us to deliver improved profitability ratios.
- Endowment income upside will be unlocked when interest rates increase (a 1% parallel change in interest rates increases pretax earnings through endowment by approximately R813m).

4

## Defensive investment given the stable banking sector in SA

- We have a strong, sustained cost management culture, with the existing strategy favouring an investment-for-growth focus while we remain cautious in the current uncertain economic environment;
- Risk and capital management are embedded in our culture, aimed at creating a strong, stable and economically sustainable organisation. Credit impairment coverage ratios are among the highest in the industry;
- We have a strong common equity tier 1 capital adequacy ratio at 11,6% on a Basel III basis, with sound funding and liquidity ratios that are in line with those of domestic peers;
- Earnings streams are well diversified, with no cluster contributing more than 34% for headline earnings to the group; and
- Attractive revised lower dividend cover range of 1,75 – 2,25 times.

# 5 Leadership in integrated sustainability

Companies that have integrated sustainability into their strategies and operations have been proven to yield superior returns over the longer term. With this in mind, we focus on entrenching and integrating economic, environmental, social and cultural sustainability across the group to enhance our long-term investment appeal.



## Economic

Growth is expected to continue in 2013, despite a challenging macro environment, building on the earnings momentum created in 2012 and the focus and success of the delivery on our strategic growth initiatives.

 Sustainable Development Performance Review  
Pg 58 - 73



## Environmental

We remain committed to reducing our direct and indirect impact on the environment, and assisting our clients, suppliers and business partners to do the same, while simultaneously delivering economic benefits in the form of long-term cost savings.



## Cultural

In 2012 we demonstrated a proven organisational capability to succeed in challenging economic times. A culture of governance, compliance and sustainability is evident in the comprehensive controls and processes integrated throughout the business. Since 2004 positive shifts in staff morale as well as a strong positive move towards a resilient high-performance culture have been evident.

Our stable and skilled management team remains among the most experienced and transformed in the SA banking sector. Group Executive Committee members have an average tenure of 13 years with Nedbank Group and on average more than 22 years' industry and functional experience. The average tenure for the cluster executive members is 11,75 years for the 110 members.

 Group Strategy  
Pg 10 - 11



## Social

Our continued contribution to socioeconomic growth and development remains a key focus for the group. This includes skills development; responsible access to finance and financial literacy; lending to enable healthcare, housing and education, enterprise development; community upliftment; economic empowerment and preferential procurement.

# Stakeholder Overview

Building Africa's most admired bank by delivering sustainably to all stakeholders.



## STAFF

### Reasons for engagement

- To ensure that we remain an employer of choice by providing a safe and inspiring working environment.
- To understand and respond to the needs and concerns of our staffmembers.
- To provide all staff with strategic direction and pertinent information regarding group activities.



Cultural Sustainability  
Pg 69 - 73



### Feedback received

*'There are so many positives in terms of Nedbank being a great place to work. The ethics, respect and the deep green aspirations are publicly expressed and self-development is up to each individual – the opportunities are there for the taking!'*

Nedbank staffmember

### Great place to work

### Types of engagement

A robust combination of face-to-face, written and broadcast communications. These included culture and engagement surveys, roadshows, emails, intranet communications, data casting, magazines and relevant training.



### Seeing the results

- Created 452 additional jobs in SA
- R352m development spend
- Positive shift in corporate culture to worldclass levels
- Continued high levels of staff moral

## CLIENTS

### Reasons for engagement

- To gain a better understanding of the financial services needs of our clients and their perceptions, behaviour, attitudes and mindsets.
- To provide appropriate advice and solutions to meet our clients' identified financial needs.
- To ensure that the high service level expectancies of all our clients are met.
- To ensure accuracy of personal information.



Stakeholder Overview  
Pg 20 - 23



### Feedback received

*'Nedbank staffmembers have been attending to our request to move our business over to Nedbank. Our requests are handled timely, with interest shown in our business and its needs. The solutions they are building will not only favour our business, but also the personal accounts of the directors and staff.'*

Business Banking client

### Great place to bank

### Types of engagement

Interactions through branch outlets, relationship managers and call centres, complaint lines, client seminars, social media, surveys and marketing and advertising activities.



### Seeing the results

- Grew total retail individual and small business clients by 655 841
- Payout of R144bn new loans
- 80 new outlets and 476 ATMs
- Strong client gains – now above 6,1m
- Market-leading innovations
- Majority of Net Promoter Scores at multiyear highs
- Euromoney's best bank in SA for 2012

## SHAREHOLDERS

Great place to invest



Stakeholder Overview  
Pg 24 - 25

### Reasons for engagement

To provide relevant and timely information to current and future shareholders.



### Feedback received

'Nedbank is delivering on its strategic focus areas – Retail repositioning, NIR growth and portfolio tilt.'



### Seeing the results

- Economic profit up 63,5%
- Total shareholder return of 34,3%
- Dividend of 752 cents, up 24,3%
- Rights to 20% in Ecobank Transnational Incorporated in Rest of Africa

### Types of engagement

Local and international roadshows.

Ad hoc communications and answering investor and analyst questions.

Annual general meeting and other investor meetings.

Conferences and presentations.

Securities Exchange News Service (SENS) announcements.

Media releases.

Investment analyst briefings.

Feedback via broker reports and the corporate website.

Detailed information on all published documents to ensure full disclosure of relevant information.

In addition to the above, Nedbank Group regularly engages with its holding company, Old Mutual Group, to ensure alignment of policies and methodologies, the effective capturing of synergies and leveraging of opportunities.

## REGULATORS

Worldclass at managing risk



Stakeholder Overview  
Pg 26 - 27

### Reasons for engagement

To maintain open, honest and transparent relationships with regulators and ensure compliance with their legal and regulatory requirements, thereby retaining our various operating licences and minimising our operational risk.



### Feedback received

*Other than normal housekeeping issues, no major concerns were raised by the SARB Banking Supervision Department (BSD) during 2012.*

*No issues of significance were raised by regulators in the countries in which Nedbank foreign subsidiaries operate.*

### Types of engagement

These include various forums, from trilateral meetings with the board and management including one-on-one discussions with various executive officials at prudential meetings and onsite meetings.



### Seeing the results

- Strong capital and liquidity ratios
- Commitment to responsible banking practices
- One of SA's largest taxpayers: R6,2bn in direct, indirect and payroll taxes

Highly involved in the community and environment

## COMMUNITIES

### Types of engagement

Nedbank Foundation – ongoing support of projects and interaction with a wide variety of non-profit and governmental organisations.

Environmental/Sustainability partnerships with the World Wide Fund for Nature SA, Cambridge Programme for Sustainability Leadership, Sustainability Institute and the United Nations Environment Programme Finance Initiative (UNEP FI).



Stakeholder Overview  
Pg 28 - 33

### Reasons for engagement

To create partnerships that will best facilitate our integrated sustainability activities.

To obtain input from communities and representative non-governmental organisations (NGOs) regarding key focus areas.

To obtain input from environmental experts to ensure that our operations are environmentally responsible.

To create awareness of our integrated sustainability commitment and initiatives.



### Feedback received

*'I'm happy to see Nedbank T-shirts here, because they are doing a lot of positive stuff in education.'*

**Enver Surty, Deputy Minister of Education**

### Seeing the results

- More affordable and accessible banking
- Most transformed JSE Top 50 company
- Level 2 dti contributor for fourth year
- R116m spent on socioeconomic development
- Africa's only carbon-neutral bank
- FT sustainable Bank of the Year: Africa and Middle East
- Local procurement amounted to 73% of total spend in 2012

# Staff



## REVIEW OF 2012

In 2012 we improved our cultural sustainability performance as measured by non-financial key performance indicators. This was a direct result of our cultural sustainability focus of delivering on our strategic objectives. The performance scorecard below reflects the most significant performance indicators for the period under review.

2012 Objective	Making things happen in 2012	2012 Scorecard
<b>Client-centred culture</b>	<p>The entropy results of the Nedbank culture (Barrett) survey in 2012 improved, with the overall entropy (extent of dissonance in an organisation) score decreasing from 11% in 2011 to 10%<sup>✓</sup>. This indicates that Nedbank is within the range of a worldclass organisational culture, which is 10% and lower in terms of this measure. The number of aligned values is also important as it illustrates the degree to which employees believe the organisation is on the right track. In 2012 there were five<sup>✓</sup> matches. While this is a decline on the six achieved in 2011, it remains within the four-to-six range indicating that staff have a strong level of confidence in the current direction of the organisation.</p> <p>The year 2012 saw a significant improvement in the Nedbank Staff Survey result, from 74,4% in 2011 to 76,2%<sup>✓</sup>. Statistically significant improvements were attained on eight of the 12 dimensions.</p> <p>The Hewitt Engagement score improved to 71%<sup>✓</sup> (2011: 63%). This saw the Nedbank Group returning to the 'high performance' range. This indicates that employees are highly engaged.</p> <p>In 2012 the Net Promoter Score (NPS) was introduced to measure employee advocacy levels of Nedbank as a great place to work and bank. Scores indicated that Nedbank Group has a high percentage of employees who are promoters of Nedbank being a great place to work and bank.</p>	  Cultural Sustainability Pg 69 – 73
<b>Personal and team leadership effectiveness through the LFDG programme</b>	<p>The LFDG programme gained further momentum in 2012. During 2012 altogether 1312 (2011: 656) managers attended the programme, surpassing the target of 1000 managers set for 2012.</p>	  GRI 3.1: 4.4, 4.17
<b>Integrated Talent Framework - ie succession planning, talent acquisition, workforce planning and employee value proposition</b>	<p>An integrated talent framework was developed to provide line managers with an end-to-end view of the talent management process. Aligned to this, a series of tools have been developed to guide managers in managing talent effectively.</p> <p>Employees' views on the Nedbank employee value proposition (EVP) were obtained through three workshops. This feedback will form the basis of a revitalisation of the EVP. In addition, key integration points of the EVP and the client value proposition (CVP) have been identified.</p>	  Transformation Report
<b>Functional expertise in prioritised job roles</b>	<p>During 2012 the Nedbank Academies gained significant momentum within the Human Resources, Risk and Leader/Manager Academy pilots.</p> <p>We reached 12,59 points on the skills development pillar of the dti scorecard out of a maximum of 15 points. This places Nedbank in a leading position based on the 2012 Financial Mail Most Empowered Companies Survey.</p>	  Exceeded
<b>Accelerate transformation</b>	<p>Overachieved on the target with 3,43% of Nedbank employees declaring their disabilities.</p> <p>Attained a score of 10,71 points in employment equity against the increased adjusted targets effective from 2012.</p>	  Achieved

## TARGETS FOR 2013

- People with disabilities target: 3,02%, with 1,65% being black
- EE black senior management target: 35,64%
- EE black middle management target: 56,00%
- EE black junior management target: 81,38%
- LFDG workshops target: 110



2012 Objective	Making things happen in 2012	2012 Scorecard
<b>Nedbank Group reward strategy</b>	<p>A review of the group's reward strategy commenced in 2012. The aim is to ensure that the strategy remains fit for purpose, is commercially sensible and enables the attraction and retention of key talent for the organisation.</p> <p>Additional areas of focus included:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Remaining compliant with the evolving financial services remuneration governance requirements.</li> <li><input type="checkbox"/> Maintaining appropriate interaction between the Group Remuneration Committee and the Group Risk and Capital Management Committee.</li> <li><input type="checkbox"/> Reviewing our approach to variable remuneration in the context of prudent risk-taking and evolving best practice.</li> <li><input type="checkbox"/> Balancing the demand for remuneration adjustments, while maintaining job security in challenging economic conditions.</li> <li><input type="checkbox"/> Concluding an independent review of the implementation of our reward policy.</li> </ul>	



Transformation Report



Supplementary content online

## OBJECTIVES FOR 2013 AND BEYOND

- Driving transformation to create a diverse workforce in an inclusive environment.
- Development and retention of key black talent to create bench strength for senior black managers through recruitment, retention and accelerated development.
- Continued enabling of a unique, innovative and client-centred culture through the development of a long-term employee engagement strategy with the aim of activating Nedbank brand ambassadors to enhance the client experience.
- Ongoing building of personal and team leadership effectiveness through the Leading for Deep Green (LFDG) programme.
- Embedding the Integrated Talent Framework – including succession planning and talent acquisition, together with revitalising the EVP.
- Reviewing and enhancing the Nedbank reward, performance and benefits strategies in support of a differentiated employee proposition.
- Creating a learning organisation to support employee development and the achievement of business objectives.
- Building functional expertise in prioritised job roles through job-family-related learning academies.

HOT TOPICS	RESULTING DEVELOPMENTS
Strength of personal relationships across the group to leverage growth opportunities	Transformation dialogues, diversity training and the LFDG programme have all aided in addressing this concern.
Growth and development, including mentoring for young employees	<p>In addition to the Nedbank Graduate Programme and learnerships, the Coaching for Growth Programme was rolled out further and Nedbank academies were implemented.</p> <p>A total of 14 new internal coaches are being accredited through the International Coaching Federation (ICF) to assist with the further development of staff.</p>
Gender advancement	<p>We remain focused on gender equity and advancement of women in the workplace.</p> <p>Numerous initiatives, including sessions with our female senior managers and some high-potential middle managers were held so that we can better understand the challenges facing women wishing to advance into more senior roles.</p>
Work/home life balance	We have seen an increase in the uptake in flexiwork practices, Wellness Days were implemented to raise awareness of the importance of a healthy lifestyle and work/life balance.
Focus on Innovation	A formal idea generation platform incorporating social media principles was introduced for staff. In 2012 almost 1 400 ideas relating to innovation were logged and are now part of a formal innovation pipeline.
Strategic communication	A staff website was launched for our Chief Executive, Mike Brown, in order to increase strategic communication with employees. Face-to-face sessions with the group executive were also held and roadshows in the regions.
Retirement Planning Assistance	Retirement Planning Programme was implemented to address this important lifestage.

# Clients



## REVIEW OF 2012

Nedbank's Deep Green aspiration to become a great place to bank continued to drive a 'client first' mindset across all areas of the bank. Delivering distinctive client-centred banking experiences and the ability to delight clients in every interaction with the brand remain fundamental to our growth and sustainability.

Over time all of the client-facing clusters have developed a deep understanding of their clients' needs and life stages and are delivering a choice of distinctive, client-centred offerings. The year 2012 saw the development of a number of new and refined value propositions (namely the Nedbank 4me youth offering, Personal Relationship Banking and SimplyBiz), the launch of new products (eg the Nedbank Green Savings Bond, MyFinancialLife™, MoneyTrader and JustSave), channel innovation (eg the Nedbank App Suite™ branch-of-the-future concept and enhanced self-service capabilities) and refinement of processes (eg Approve-it™ and account opening in branch).

All of these contributed towards enhanced client-satisfaction metrics, increased brand strength and growth in the client base.

2012 Objective	Making things happen in 2012	2012 Scorecard	GRI FSSS: FS13 FS14
<b>Reposition Nedbank Retail</b>	<p>In line with its strategy to provide a choice of distinctive, client-centred banking experiences for all in SA, Nedbank Retail continued to develop segment-specific solutions, successfully launching the Nedbank 4me youth offering and revitalising the SimplyBiz platform for small business in 2012. Developing and consistently investing in distinctive CVPs such as Nedbank Savvy (for middle-market banking), Nedbank Ke Yona (for entry-level banking) and Retail Relationship Banking (for the 'I know you' client experience) – all of which are changing perceptions of Nedbank as well as improving the actual client experience and underlying product usage. The aspirational Nedbank brand is increasingly more accessible and relevant to all in SA, with a 74% increase in new entry-level banking clients including youths, from 67%.</p> <p>The global Customer Management Assessment Tool (CMAT™) score of 58% in 2012 was above the industry average for retail businesses, up from 44% in 2008. This increase maintains the momentum generated in the previous year and confirms a real step change when compared with the period 2008 to 2010.</p> <p>Further details are included under Nedbank Retail's review of 2012 in the 'Business Overview' section.</p>		 Supplementary content online
<b>Ramp up Nedbank Wealth</b>	<p>In Nedbank Wealth the consolidation of the high-net-worth offerings of BoE Private Clients and Fairbairn Private Bank under the new brand of Nedbank Private Wealth was completed and launched in 2012. The introduction of Nedbank Private Wealth signifies a step change in the strategic direction for the high-net-worth segment by consolidating the various value propositions and brands into a single distinctive international high-net-worth business.</p> <p>Asset Management delivered excellent fund performance across all ranges and continued to attract strong net inflows both locally and internationally.</p> <p>Insurance delivered good growth across traditional and new products, including credit life, single-premium investments, funeral and simple savings solutions as well as the niche motor vehicle value-added range. Significant progress has been made on initiatives to align distribution and marketing efforts of the life and short-term insurance offerings so as to create a single, client-centred Nedbank insurance experience.</p>		 Exceeded   Achieved   Not achieved

## TARGETS FOR 2013

- Retaining and growing primary-banked clients and increase share of wallet, emphasising portfolio tilt
- Ongoing repositioning of Nedbank Retail
- Becoming the leader in business banking for SA
- Becoming the public sector bank of choice
- Continuing as one of the top two wholesale banks
- Ramping up the wealth management, asset management and insurance businesses



2012 Objective	Making things happen in 2012	2012 Scorecard
<b>Retain the group's leadership position in wholesale banking</b>	<p>We maintained the largest property finance market share among banks in SA at 30,4%, while ensuring a high-quality portfolio.</p> <p>Nedbank Corporate maintained strong market share of 12,8% of private sector other loans (excluding foreign currency loans) and 30,2% of public sector loans.</p>	
<b>Leader in business banking for SA</b>	<p>Nedbank Business Banking continued to invest in its client management capabilities, and significantly increased its CMAT™ score in 2012, making it the second highest CMAT™ score ever from any sector out of 900 companies assessed globally.</p> <p>Client satisfaction metrics have increased significantly in 2012 and are at a long-time high, following consistent investments in strengthening the service culture, enhancing people effectiveness and delivering through the localised client service teams.</p>	
<b>Grow primary-client status and transactional income streams</b>	<p>Nedbank Retail grew its total clients by 655 841 and its number of primary clients by 150 720✓, and improved the quality of revenue per client.</p> <p>Nedbank Business Banking delivered strong net primary-banked client gains of 775✓, with the rate of gain having increased by over 70% since 2009.</p> <p>Nedbank Corporate grew primary clients, continuing the momentum gained over the past three years.</p>	
<b>Expand the group's distribution footprint</b>	<p>Significant investment was made to expand our distribution footprint with an additional 80 staffed points of presence and 476 ATMs. We implemented an integrated-channel strategy to deliver a seamless client experience leveraging digital innovations, and to support high-growth-potential micro markets and area collaboration.</p>	
<b>Improve the group's positioning in the public sector</b>	<p>Nedbank Group participated in the majority of public sector business tenders during 2012 and was once again appointed primary banker to the Western Cape Government for a further five years until 2017. The business retained its share of public sector liabilities. Feedback from various levels of government has indicated that we are well recognised as a reliable partner to the public sector.</p>	



Business Profile  
Pg 50 - 53

## Clients (CONTINUED)

2012 Objective	Making things happen in 2012	2012 Scorecard
<b>Improve service levels to worldclass standards</b>	<p>Besides participating in a number of annual industry surveys, Nedbank Group commissions its own ongoing client research. The main metric common to the majority of the bank is the Net Promoter Score (NPS), which is used both as a measure of the overall health of client relationships and as a behavioural driver seeking to enhance client loyalty and organic growth. All businesses in Nedbank Group for which NPS is tracked have seen further improvements in their scores in 2012.</p> <p>Nedbank Retail and Nedbank Business Banking commission other benchmarking studies to measure customer management capabilities and resulting customer satisfaction. On this basis Nedbank's NPS in 2012 compares favourably✓ with local banks and the CMAT™ scores demonstrate significant progress across all elements of customer management.</p> <p>Nedbank Corporate's NPS score has increased in excess of 10%✓ over the past two years.</p> <p>This research, complemented by relevant focus group discussions and one-on-one client interviews, serves to deepen understanding of the customer experience and inform required actions.</p> <p>We are supporting the newly introduced consumer protection programme – Treating Customers Fairly. It was introduced by the National Treasury and is being driven by the Financial Services Board. The programme aims to improved customer confidence through the supply of appropriate products and services and to enhance transparency and discipline in the industry. The programme aligns with our current client-centric ethos and code of conduct. We anticipate that the additional focus this programme brings to client imperatives will further enhance client trust and service levels. For further detail please refer to the operational risk section of this report.</p> <p>In the spirit of ensuring accurate and relevant client advice, our 2012 FAIS pass rate is 91%✓. This compares favourably with the October 2012 industry average of 84%.</p> <p>The Hackett Group benchmark of Nedbank Group's information technology (IT) capability against peer group and worldclass organisations was last conducted at the end of 2011. A strong set of results positioned Nedbank Group IT within the first quartile✓ (deemed 'worldclass' by Hackett) in terms of effectiveness and in the upper second quartile (just below 'worldclass') in terms of efficiency.</p> <p>Overall, 2012 was a pleasing year from a systems availability perspective. The group measures the overall uptime of its major infrastructural platforms as well as its most critical application systems, and the blended uptime score for both infrastructure and applications was 99,88%✓ versus a target of 99,70%. It is important to note that this was achieved against a record number of complex changes deployed in the IT environment.</p> <p>While we are fully committed to meeting our client's needs, they are able to approach the Ombudsman for Banking Services in cases where we are unable to resolve an issue to their satisfaction. The number of cases opened against us dropped again in 2012 and 648✓ (2011: 683) Nedbank Group-related cases were opened and 659✓ closed (2011: 663). Some 30%✓ of cases opened relate to ATM disputes and in the main these have to do with some form of cloning.</p>	 Governance and Ethics Review Pg 140 - 145 
<b>Selectively expand into Africa and leverage the Ecobank-Nedbank Alliance</b>	<p>The group continued to build on the initial foundations of the Ecobank-Nedbank Alliance, with a number of major achievements during 2012. Various banking initiatives were implemented that align with the vision of providing clients with a one-bank experience across the African continent. These included the enabling of Ecobank regional cards on Nedbank ATMs in SA. Revenue is being generated as a result of an effective client engagement approach supported by streamlined operational processing. Client activity in sub-Saharan Africa increased significantly during 2012 and is reflected in the increased pipeline, transactional revenue and account openings that have been recorded across the business clusters.</p> <p>Nedbank Corporate made strides into Africa by leveraging the Ecobank alliance to provide Africa-destined clients with banking on the ground and participated in lending opportunities in Ghana, Nigeria and Zambia.</p>	 Exceeded  Achieved  Not achieved

## STRATEGIC FOCUS AREAS AND OBJECTIVES FOR 2013 AND BEYOND

- Retaining and growing primary-banked clients and increasing share of wallet, emphasising portfolio tilt.
- Ongoing repositioning of Nedbank Retail.
- Becoming the leader in business banking for SA.
- Becoming the public sector bank of choice.
- Continuing as one of the top two wholesale banks.
- Ramping up the wealth management, asset management and insurance businesses.
- Delivering on the creation of a single Nedbank Group high-net-worth proposition.
- Continuing to focus on client needs and the provision of customised and innovative solutions.
- Continuing to leverage the existing brand position in green products and solutions.
- Exploring new growth opportunities within SA and across the continent and further leveraging the alliance with Ecobank.

## DATA PROTECTION AND PRIVACY

Nedbank Group subscribes to the Code of Banking Practice of The Banking Association SA and complies with the Consumer Protection Act and the Protection of Information Act, all of which require that all personal client information be treated as private and confidential. The group is further committed to complying with the Electronic Communications and Transactions Act regarding client privacy as well as the Financial Intelligence Centre Act (FICA) and Financial Advisory and Intermediary Services (FAIS) Act.

Formal policies and processes are in place to manage client privacy and confidentiality. For more details on cybercrime issues, such as online fraud, fraud prevention and anti-money laundering, please see the 'Operational risk' section online.

## RESPONSIBLE PRODUCT/INFORMATION LABELLING

Detailed product brochures that comply with all relevant legislation, such as the National Credit Act, are available to the group's clients. However, relationship managers are also responsible for explaining the characteristics, benefits and implications of products to clients in accordance with the FAIS Act. Product policies and procedures and product review committees are also in place.



HOT TOPICS	RESULTING DEVELOPMENTS
Holistic understanding of client's businesses	<p>We actively match the skills of our bankers to client needs.</p> <p>We ensure that our clients have access to specialists when needed.</p> <p>Significant investment is made in training of our people.</p> <p>This is executive oversight of client relationships.</p>
Multiple brands in the high-net-worth segment	The high-net-worth brands have been consolidated into a single distinctive international proposition: Nedbank Private Wealth.
Seamless wealth management solutions	Nedbank Private Wealth clients, both in SA and internationally, now have access to enhanced and integrated wealth management solutions.
Turn-around times on lending decisions	We have significantly streamlined our credit processes to make decisions faster while maintaining the integrity and diligence of the process.
Onboarding process and take up of new products	<p>We have simplified the client onboarding process including the prepopulation of forms, and where required we ensure regional coordination.</p> <p>We undertook biometrics, Paperless Signature pad and Verifone functionality has been deployed and rolled out to all branches in 2012.</p> <p>Contact centre rationalisation of more than 513 numbers for clients to access our contact centre services and have simplified the call routing process.</p>
Access to working capital requirements for small to medium enterprises	We launched a new client value proposition including preassessed credit facilities.
Banking fees	We strive to provide great-value banking and have saved clients R163m through promoting the use of bundled products.

# Shareholders



## REVIEW OF 2012

- During 2012 Nedbank Group delivered to shareholders in multiple ways:
  - Total shareholder return of 34,3%.
  - Increase in price to tangible book value for the year from 1,6 times to 2,0 times.
  - Second-best-performing large bank on the JSE Ltd.
  - Economic profit up 63,5% to R1 511m underpinned by good revenue growth, an improving credit loss ratio and responsible expense management while investing for growth.
  - Total dividend of 752 cents, up 24,3%.
- Leadership in transparent stakeholder reporting was maintained.

## STRATEGIC FOCUS AREAS FOR 2013

- Further progressing towards meeting the medium-to-long-term financial targets.
- Delivering on our strategic focus areas (refer to the investment case on page 12 for more details).
  - Reposition Nedbank Retail.
  - Grow NIR.
  - Portfolio tilt.
  - Rest of Africa.

Governance and Ethics Review Pg 140 - 145

Financial Report Pg 76 - 83

GRI 3.1: 4.17



Metric	2012	Medium-to-long-term target	2013 Outlook vs 2012
<b>ROE<sup>1</sup> (excluding goodwill)</b>	<b>16,4%</b>	5% above COE <sup>2</sup>	Improving, remaining below target.
<b>Diluted HEPS<sup>3</sup> growth</b>	<b>19,0%</b>	≥ CPIX <sup>4</sup> + GDP <sup>5</sup> growth + 5%	Meeting target.
<b>Credit loss ratio</b>	<b>1,05%</b>	0,60% - 1,00%	Improving into upper end of target.
<b>NIR<sup>6</sup>: expenses</b>	<b>84,4%</b>	> 85%	Improving to meet the target.
<b>Efficiency ratio</b>	<b>55,5%</b>	< 50%	Improving, remaining above target.
<b>Core Tier 1 CAR<sup>7</sup></b>	<b>Basel III 11,6%</b>	Basel III basis (new): 10,5% - 12,5%	Strengthening, remaining around mid-point of new target.
<b>Tier 1 CAR<sup>7</sup></b>	<b>13,1%</b>	11,5% - 13,0%	
<b>Total CAR<sup>7</sup></b>	<b>15,1%</b>	14,0% - 15,0%	
<b>Economic capital</b>		ICAAP <sup>8</sup> A debt rating (including 10% capital buffer)	
<b>Dividend cover</b>	<b>2,19 times</b>	1,75 to 2,25 times (new)	

<sup>1</sup> Return on equity.

<sup>2</sup> Cost of equity.

<sup>3</sup> Headline earnings per share.

<sup>4</sup> Consumer price index excluding mortgage bond interest cost.

<sup>5</sup> Gross domestic product.

<sup>6</sup> Non-interest revenue.

<sup>7</sup> Capital adequacy ratio.

<sup>8</sup> Internal Capital Adequacy Assessment Process.

## CHALLENGES IN DELIVERING ON OBJECTIVES IN 2012

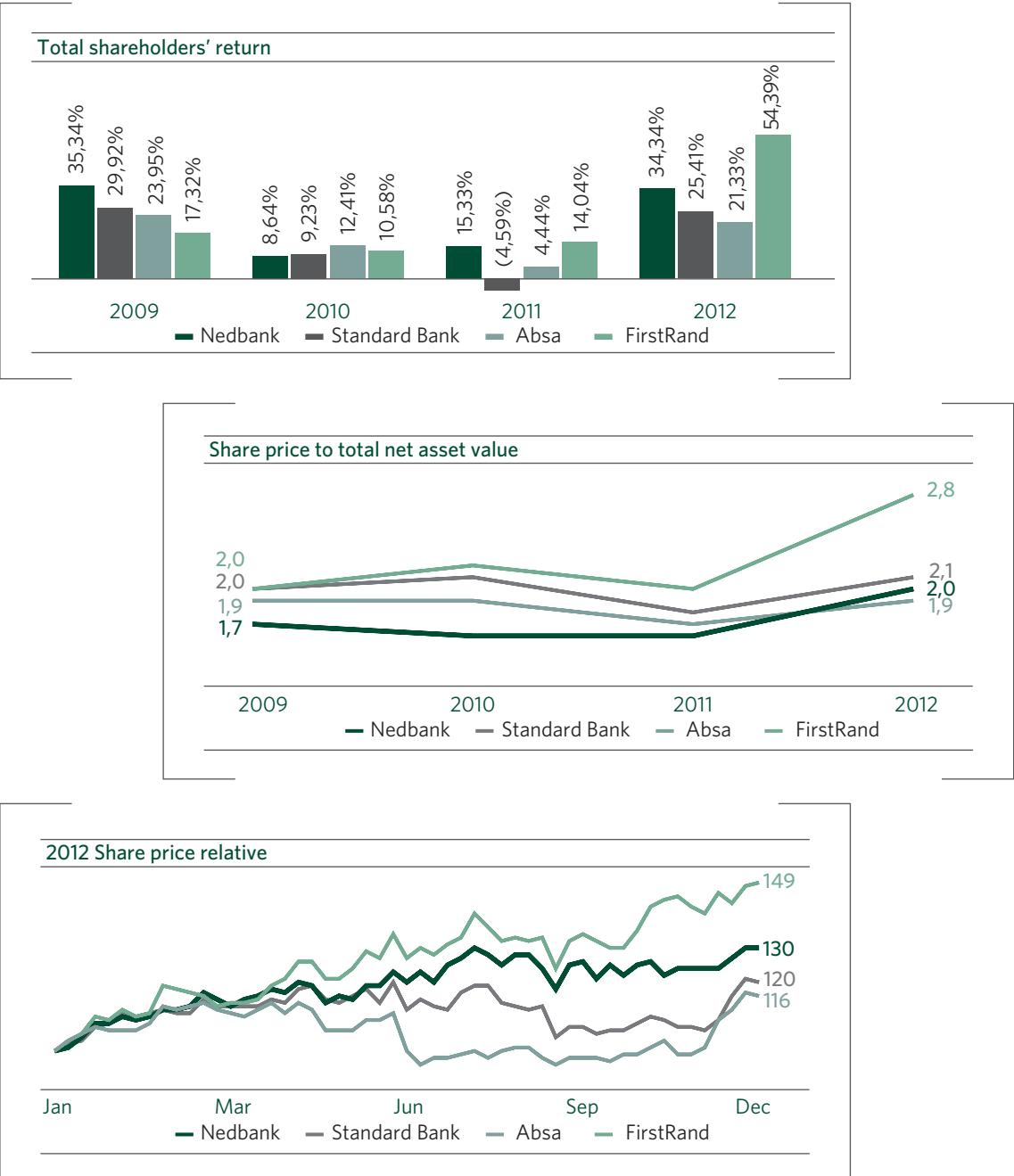
- Weak global economic environment resulting in SA's low GDP growth of 2,5% for 2012 compared with 3,1% in 2011.
- A 50 basis point interest rate cut in July 2012 led to endowment income pressure.

- Muted advances growth:
  - consumer debt to disposable income remains high at 75%; and
  - lack of business confidence reflected in purchasing managers' index of 47,4 (2011: December 50,3).

We believe that, based on our current economic outlook, we will continue to make progressing in delivering on these medium-to-long-term financial targets in 2013.

Achieved

Not achieved



HOT TOPICS	RESULTING DEVELOPMENTS
Unsecured lending	Personal loan book growth slowed down in H2 2012. The portfolio impairment charge strengthened. Selective risk-based origination enabled our client's financial fitness.
Bank fees	We kept increases below inflation. We provided bundled benefits for clients (R163m in 2012). We simplified pricing and communication.
Impact of deteriorating environment	We managed our expenses well, with growth at 8,5% (2011: 14%). Increased portfolio impairment charge and strengthened coverage. Capital ratios and liquidity positioning strengthened.
Progress on Nedbank Retail	Refer to Retail strategic drivers on page 53. We gained a significant amount of new clients, achieved higher cross-sell ratios, continued investment in the footprint, introduced new innovative CVPs and products, and continued proactive risk management.
Potential for further return on equity	Improvements were experienced across all key performance indicators. A sustainable approach was maintained by continuing to invest for future growth and strengthening the balance sheet.

# Regulators



## REVIEW OF 2012

Included in Nedbank Group's vision is to be highly regarded by its regulators. Nedbank Group's primary regulator is the Bank Supervision Department of the SARB. The SARB is highly rated internationally as a regulator, especially following SA's successful navigation through the global financial crisis. The World Economic Forum's competitiveness report of 2012 ranked SA as number two in the category 'Soundness of Banks' and number one in the category 'Strength of Auditing and Reporting Standards'.

Other important regulators with whom Nedbank Group interacts frequently include JSE Ltd (the JSE), the Financial Services Board (FSB), the Financial Intelligence Centre (FIC), the National Credit Regulator (NCR), the Consumer Protection Regulator (CPA), regulators in the countries in which our subsidiaries operate, the Financial Surveillance Department of the SARB and the Department of Labour.

Regular and open communication with regulators ensures that Nedbank Group is seen to be transparent in its dealings with regulators, thereby instilling trust in risk management in the group and in the Nedbank brand.

2012 Objective	Making things happen in 2012	2012 Scorecard
<b>Manage risk as an enabler</b>	Sound regulatory relationships, with good feedback from regulators and government stakeholders.	
	Following approval of the Advanced Management Approach (AMA) for operational risk and the Internal Measurement Approach (IMA) for market risk by the South African Reserve Bank (SARB), ensure these are embedded in risk and business processes, with positive regulatory feedback following their ongoing onsite reviews.	
	No significant matters/outcomes from the SARB onsite visits around governance and embedding of Basel II principles.	
	Make significant progress towards the successful implementation of Basel III and Solvency 2 (SAM) in insurance businesses.	
	Internalise and operationalise new regulation/legislation efficiently and effectively.	
	Engage proactively with the South African Police Services and other crime prevention initiatives to aid reductions in robberies, ATM bombings and cyber-related crimes. Improved physical security and bolstering of forensic skills.	

Risk and Balance Sheet Management Pg 130 - 139

GRI 3.1: 4.17

- Exceeded
- Achieved
- Not achieved

## TARGETS FOR 2013

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



## KEY STRATEGIC OBJECTIVES FOR 2013 AND BEYOND

International and local regulatory reform (in particular Basel III and Twin Peaks) has materially increased capital levels and liquidity costs, and internationally is changing business models. Regulatory risk remains high, but there is now less uncertainty due to Basel III being substantially finalised by BIS and SARB, while Twin Peaks is expected to be finalised in 2013 with an ongoing emphasis on consumer protection. To meet the stringent requirements of all regulators fully Nedbank Group will:

- Maintain good, regular and transparent relationships with all regulators.
- Ensure compliance with all legal and regulatory requirements.

A comprehensive risk strategy is in place and forms an integrated component of the group's business plan. The salient features include continuing to evolve the strong risk culture, the Enterprisewide Risk Management Framework (ERMF), risk and balance sheet management and building of worldclass risk management, with particular emphasis on maintaining strong relationships with regulators.

### HOT TOPICS

### RESULTING DEVELOPMENTS

Implementation and impact of Basel III Regulations relating to Banks in 2013	We achieved compliance for Basel III on 1 January 2013 and we are well placed to comply with the impact on increased capital requirements and liquidity.
Increased focus on consumer protection such as Twin Peaks regulation, Consumer Protection Act and Protection of Private Information	We are well on track with our preparation for the new regulatory regime of Twin Peaks.
Solvency Assessment and Management (SAM) regime for the South African Insurance Sector	Nedgroup Insurance remains well capitalised and is on track to implement SAM.
Unsecured lending	We continued to work with the SARB and the National Treasury to give effect to a policy of responsible lending.
African strategy	We are adopting a risk mitigated, capital efficient, longer-term strategic approach.
Resolution and recovery planning	As part of our commitment to sustainable operations at every level, Nedbank operates a clearly defined enterprise risk management framework. This includes a comprehensive ICAAP that includes an ILAAP that facilitates the measure of capital and liquidity adequacy, based on our risk profile, financial, liquidity and capital positions. There is also a comprehensive stress and scenario testing framework.



# Communities

## REVIEW OF 2012

Continue to lead as a corporate citizen to ensure that we remain SA's leading 'green and caring' bank, thereby building a sustainable and highly relevant business in the communities we serve.

2012 Objective	Making things happen in 2012	2012 Scorecard
<b>Lead as a 'caring bank'</b>		
<b>Deliver on transformation commitment</b>	<p>Ranked third in the 2012 <i>Financial Mail</i> Top Empowerment Companies Survey done in partnership with Association of BEE Verification Agencies (ABVA) for the third consecutive year, and first of the top 50 JSE-listed companies.</p> <p>Maintained our level 2 rating in respect of the broad-based black economic empowerment (B-BBEE) Codes of Good Practice of the dti.</p> <p>A total of 53% black representation on the board and 27% representation by black women.</p>	
<b>Be a truly SA bank:</b>  Socioeconomic development (including external skills development)  Access to finance  Lending to enable healthcare, housing and education, enterprise development (ED) and community upliftment  Economic empowerment  Preferential procurement	<p>Altogether 85% of the total cost of external bursaries awarded went to 203 black students, of which 120 (59%) were women.</p> <p>Exceeded the requirement of the dti Codes to direct at least 1% of net profit after tax (NPAT) towards socioeconomic development. We spent 1,60% of our 2011 SA NPAT, or R95m (2011: R78m) in support of 584 socioeconomic development or social sustainability initiatives in all nine SA provinces.</p> <p>R36m of black agriculture financing went to SA 87 beneficiaries, of which 30 are new clients during 2012.</p> <p>R1 199m of loans to black-owned, small and medium enterprises was granted to 2 989 beneficiaries, of which 1 122 were new clients.</p> <p>Successfully completed a further eight black economic empowerment financing transactions totalling R906m.</p> <p>Black-women-owned supplier spend was up 37% year-on-year, compared with 2011.</p> <p>At the end of 2012 our national point-of-presence footprint was 1 071 (2011: 1 080), comprising 480 full-service branches, 190 in retailer outlets, 88 Personal Loans branches and 313 Personal Loans kiosks, as well as various non-traditional banking outlets.</p> <p>In 2012, 73% of our procurement spend was sourced locally.</p>	

 Sustainable Development Performance Review Pg 58 - 73

 GRI 3.1: 4.17

-  Exceeded
-  Achieved
-  Not achieved

## TARGETS FOR 2013

- Continued integration of sustainability into long-term strategy through the implementation of Fair Share 2030
- Accelerated development of sustainable products and services
- Maintaining our carbon neutrality despite increases in the scope of our carbon measurements
- Intensified focus on water stewardship with a particular focus on access, quality and quantity
- Maintain level 2 B-BBEE rating and continue to improve scores
- Enhance the impact of our corporate social investment spend and strengthen partnerships



2012 Objective	Making things happen in 2012	2012 Scorecard
<b>Lead as a 'green bank'</b>		
<b>Integrated sustainability step change:</b>		
<b>Impacts of lending</b>	<p>Continued refinement of our Social and Environmental Management System.</p> <p>Altogether 15<sup>✓</sup> Nedbank Capital transactions that comply with the Equator Principles (per risk category) had their first drawdowns in 2012, compared with two in 2011.</p>	
<b>Product and service development</b>	<p>Continued successful involvement in SA's Renewable-energy Independent Power Producer Programme, securing a 39% share of the allocated megawatt capacity for funding of approved preferred suppliers for the second phase, on the back of a 33% share from the first phase.</p> <p>Raising awareness of the Nedbank Green Index as a benchmark for environmentally conscious investors – as confirmed by the Responsible Investment for Carbon Change and Water Study conducted by the World Wide Fund for Nature SA (WWF-SA), which showed the index to have a combined carbon footprint that is 15% smaller than that of the FTSE/JSE Top 100 companies and highlighted it as one of the 'few sources of credible, publicly available data for passive investors to use in developing sophisticated investment strategies'.</p> <p>Ongoing growth in investment in the BGreen Exchange-traded Fund, with total funds under management having reached R119m at 4 December 2012.</p> <p>Successful launch of SA's first Green Savings Bond, which offers individuals and institutions access to a long-term savings mechanism while allowing them to contribute to renewable-energy projects at no cost to them. On 31 December 2012 investments in the Green Savings Bond reached almost R1bn.</p> <p>Growth in Nedbank Affinity donations from R18,7m in 2011 to R20,9m in 2012 with support given to nearly 2000 social and environmental projects across SA. Since inception donations of more than R200m to the respective trusts by the four Nedbank Affinities.</p>	
<b>Management of carbon emissions</b>	<p>Included in the South African Carbon Disclosure Project index, with a score of 92%. This was lower than the score achieved in 2011 and meant that we were not included in the Leadership Index. The drop in score was, however, due to a technical error in the disclosure submission rather than to any decline in our actual performance.</p> <p>We remained a constituent on the Nedbank Green Index and are committed to continued improvements in this area while maintaining our carbon-neutral status.</p> <p>Nedbank has the highest number of Green Star rated buildings in SA.</p>	
<b>Reduce our resource intensity</b>	Maintained our carbon-neutral status for fourth consecutive year.	
<b>Contribute to resource conservation</b>	<p>Greenhouse gas (GHG) emissions increased by 1,84% per fulltime employee (FTE). This was due to organic growth and ongoing efforts to expand our GHG report boundary and scope. Emissions per m<sup>2</sup> of office space were reduced by 3,84%.</p> <p>Continued investment in water security through the WWF Water Balance Programme. Water consumption on campus sites was reduced.</p> <p>Electricity usage declined by 0,67% per FTE and by 6,21% based on total floor space.</p> <p>Built on our growing portfolio of food security commitments with an R8,3m investment in the WWF-SA Sustainable Agriculture Programme.</p>	(partly)



Transformation Report



Supplementary content online

## Communities (CONTINUED)

### 2012 SUMMARISED ANNUAL dti CODES SCORECARD: LEVEL 2✓

Ownership	Voting rights		Economic interest			Employee schemes/ Broad-based schemes, etc	Net equity value	Total score	Weighting				
	Black people	Black women	Black people	Black women	Designated groups								
	34,61%	14,62%	32,03%	12,85%	18,81%	29,28%	32,03%	23,00	20%				
Management	Black executive directors		Senior top management		Other top management		Bonus: independent directors	Total score	Weighting				
	Board	51,67%	41,67%	28,13%	n/a		80,00%	9,19	10%				
Employment equity	Senior management		Middle management		Junior management		Disabled as % of total	Total score	Weighting				
	29,11%		55,41%		80,86%		1,97%	10,71	15%				
Skills development	Skills spend %			Disabled skills spend %		Category B, C and D programmes		Total score	Weighting				
	3,03%			0,06%		5,56%		12,59	15%				
Preferential procurement	% spend		% spend on QSEs <sup>1</sup> and EMEs <sup>2</sup>		% spend black-owned		% black-women-owned	Total score	Weighting				
	103,57%		32,46%		13,90%		5,50%	19,38	20%				
Enterprise development	% contributions							Total score	Weighting				
	5,62%							15,00	15%				
Socioeconomic development	% contributions							Total score	Weighting				
	1,60%							5,00	5%				

### Non-scoring performance✓

Product/Area	Mzansi	FSC <sup>3</sup> branches	Black SMMEs <sup>4</sup>	Black agriculture	Affordable housing	Targeted investments	BEE <sup>5</sup> transaction financing	Consumer education	Weighting
Achieved	245 899	7	R5 003m	R186m	R5 527m	R13 553m	R6 061m	0,23%	0%
Growth vs 2010	(15,48%)	(12,50%)	27,74%	13,77%	69,92%	27,97%	(17,52%)	(59,98%)	
Total B-BBEE score	Audited and verified by SizweNtsalubaGobodo								94,87
B-BBEE level									2

<sup>1</sup> Qualifying small entity.

<sup>2</sup> Exempt microenterprises.

<sup>3</sup> Financial sector charter.

<sup>4</sup> Small, medium and microenterprises.

<sup>5</sup> Black economic empowerment.

We played an active part in the negotiation of the dedicated Financial Sector Code (FS Code) for the financial sector that was promulgated in November 2012. This is a major step for the sector as it will contribute to its transformation. The FS Code includes Empowerment Financing and Access to Financial Services previously not recognised by the dti Codes.

Measurement according to the FS Code will officially be done during 2013 and with scoring only happening in 2014, but we will submit our first report to the FS Code Council in 2013 based on 2009-to-2012 performance.

We remain committed to building on our solid empowerment credentials by aligning with the FS Code and ensuring that existing and new initiatives build on our current successes to advance its transformation journey further and will continue to contribute to B-BBEE.

## STRATEGIC FOCUS AREAS FOR 2013

### Maintain and enhance our position as SA's 'green and caring' bank

Our positioning as a 'green and caring' bank is more than a strategic or reputational issue – it reflects our continued commitment to embedding sustainability in all its forms across every area and function of our business.

## KEY STRATEGIC OBJECTIVES AND TARGETS FOR 2013 AND BEYOND

Objective	Target
Maintain our step change focus on more holistically integrating sustainability initiatives and considerations into all business activities	Continued integration of sustainability into a long-term strategy through the implementation of Fair Share 2030. Accelerated development of sustainable products and services. Enhancement and expansion of responsible lending and investment practices.
Continue to pursue carbon awareness, measurement and reduction and maintain our carbon-neutral status as a key component of our climate change journey	Focused minimisation of our carbon footprint through the pursuit of clearly defined electricity, paper, waste and business travel reduction targets and ongoing recycling initiatives. Maintaining our carbon neutrality despite increases in the scope of our carbon measurements.
Further reduce resource consumption	Intensified focus on water stewardship with a particular focus on access, quality and quantity.
Consistently deliver on transformation as a vital component of becoming a truly SA bank	Maintaining our level 2 B-BBEE rating and continuing to improve scores. Continued focus on enhancing and extending access to all financial services. Growing our involvement in empowerment financing. Enhancing the impact of our corporate social investment spend and strengthening partnerships.



Transformation Report



Supplementary content online

## HOT TOPICS

## RESULTING DEVELOPMENTS

Support for the National Development Plan	We are committed to contributing proactively to shaping a sustainable future for SA that benefits all of its citizens. Our Vision 2030 aligns with the National Development Plan (NDP) and sees a prosperous SA that has successfully addressed its critical socioeconomic challenges by 2030. Our strategic response, Fair Share 2030, will see us contribute towards this transition to prosperity and sustainability.
Funding of transformation imperatives	To be a truly sustainable business, we recognise that we should make a lasting and valuable contribution to the socioeconomic transformation of our country. We continue our efforts to accelerate transformation - both within our organisation and in the greater SA context.
Allocation of socioeconomic spend	In 2012 we allocated R95m (2011: R78m) in support of 584 socioeconomic development or social sustainability initiatives in all nine SA provinces. This was mainly in the areas of education (> 50%), welfare, community development and the environment.
Funding of coal-related projects	We play an intermediary role in this issue, which demands a delicate balance between meeting current energy needs and ensuring a sustainable future as it relates to energy security. A carbon-constrained future will demand that many industries radically transform, but the transition must be orderly and logical. We are committed to doing our part to help meet the energy demands of SA today, while moving the country towards a renewable-energy future.
Funding of green innovations/companies	Collaboration is one of the cornerstones of our sustainability approach and we proactively look for opportunities to work with, or fund, companies involved in green development or innovation. We do, however, have to balance our attraction for environmental partnerships with a realistic consideration of these companies' economic sustainability realities.

## Communities (CONTINUED)

HOT TOPICS	RESULTING DEVELOPMENTS
<p><b>Driving awareness/Encouraging behaviour change:</b></p> <ul style="list-style-type: none"><li><input type="checkbox"/> <b>financial education and advice</b></li><li><input type="checkbox"/> <b>sustainability education</b></li><li><input type="checkbox"/> <b>paper usage/wastage</b></li></ul>	<p>Given our extensive reach through stakeholders such as clients and suppliers, we act as a catalyst for behavioural change and sensitisation in terms of social and environmental issues.</p> <p>Our reputation for holistic consumer education is well established. At a business level advice and education are at the heart of our enterprise development approach and we achieve this through a variety of business guidance programmes, incubators and business development initiatives designed to transfer essential skills.</p> <p>Our Greening Your Business Programme continues to be well supported by organisations of all sizes seeking to undertake or enhance their sustainability journeys. Please see the environment section for more information.</p> <p>At a local community level we conduct extensive consumer financial and banking education programmes. We continue to extend our Caring for Communities Programme, which helps impoverished communities understand the value of sustainability initiatives, and implement such initiatives for the benefit of individuals and families.</p> <p>While paper is only 2% of our total footprint, we understand that it is a visible part of banking with us. As such we have:</p> <ul style="list-style-type: none"><li>- stepped up efforts to reduce the amount of paper used in our application and product process and more than 9 600 boxes of paper have been saved through this work alone;</li><li>- encouraged clients to switch to electronic statements; and</li><li>- worked, and are continuing to work, on our client data to eradicate duplication and ensure client data is up to date.</li></ul> <p>We remain committed to reaching our target of a 10% reduction in paper usage despite an increase of 4,3% in 2012.</p>

MAKE  
THINGS  
HAPPEN

### CASE STUDY

## Green Savings Bond helps South Africans save ... and save the planet

The launch of the Nedbank Green Savings Bond in July 2012 was greeted favourably by the targeted investment audience. The positive response was understandable, given that this unique product offers individuals access to an exceptional long-term savings mechanism, while at the same time allowing them to contribute to renewable-energy projects – at no cost to them.

The savings vehicle, which carries a low minimum investment of R1 000, a competitive interest rate of up to 6,90% and a capital guarantee, has been designed to align perfectly with our commitment to integrated sustainability. While it encourages people to develop a much-needed savings habit, capital raised through the Nedbank Green Savings Bond is

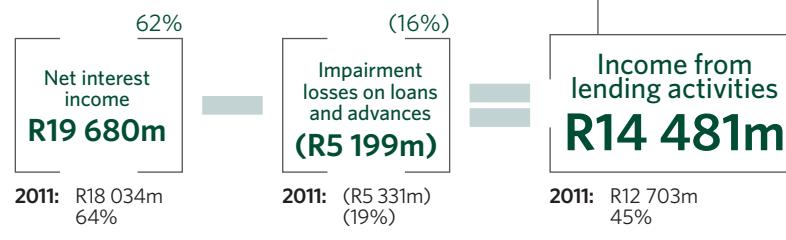
earmarked for investment in the various renewable-energy projects financed by Nedbank Capital.

It is an innovative way for the 'green bank' to extend its integrated sustainability philosophy to a greater number of South Africans from all sectors of society. This product can also be linked to the Nedbank Green Affinity Programme, where the more a client invests, the more money is donated to the WWF Nedbank Green Trust for the funding of various environmental projects.

In the six months since it was launched the Nedbank Green Savings Bond has attracted investment inflows of close to R1bn – proof of the appetite that exists in SA for banking and investment products that help people save for, and contribute to, a better future.

# Value-added Statement

**VALUE ADDED IS THE WEALTH CREATED FROM PROVIDING QUALITY SERVICES TO CLIENTS**



**R17 295m**

2011: R15 398m  
55%



**Other banking income**

*Includes non-interest revenue, non-trading and capital items and share of associates and joint ventures.*



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Pg 76 - 97

GRI 3.1: EC1

## VALUE ALLOCATED



**Employees**

**R11 390m**

2011: R10 243m  
36%

**Socioeconomic development spend**

**R95m**

2011: R78m

**Other expenditure**

*Includes expenses relating to computer processing, communication and travel, occupation and accommodation, marketing and public relations and fees and insurances.*

**R7 574m**

2011: R7 200m  
26%



**Government (taxes)**

*Includes direct and indirect taxation.*

**R3 436m**

2011: R2 679m  
10%

**Shareholders**

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

**R3 584m**

2011: R2 921m  
10%



**Retentions for growth**

**R5 697m**

2011: R4 980m  
18%



13%

5%



2011: R3 582m  
13%

# Chairman's Report

Dr Reuel J Khoza  
Non-executive Chairman



## Creating an enabling environment for our country to thrive



GRI 3.1: 1.1

### SA IS A YOUNG VIBRANT DEMOCRACY

As a country we have progressed in many areas since 1994. Gross domestic product per capita (in constant prices) has increased 31% to R36 908 and domestic fixed-capital formation from 16% to 19,3% of GDP, after reaching 24,5% just before the advent of the global economic recession. Access to services has improved, with 75,8% (1994: 58,2%) of the population having access to electricity, 94,5% (1994: 62%) to water and 82% (1994: 51%) to sanitation, while 11m people have been accommodated in formal housing.

We are blessed with a wealth of natural resources and have the most developed infrastructure and economy in the whole of Africa.

SA has good prospects for strong economic growth. It is important to have an environment enabling large and small business to flourish, to leverage our positioning in Africa to the full and to benefit further from a global economic upturn given our positioning in the agriculture, mining and manufacturing spheres.

Across the world 2012 was yet another difficult year for the global economy. Eurozone woes continued well into the year, with the region slipping back into recession, China's economy slowing and the US's fiscal problems hitting the headlines once again with the approaching 'fiscal cliff'. However, the year ended on a better note as some calm returned to bond markets in peripheral Europe, the US housing and labour markets showed promising signs of recovery and Chinese indicators started improving.

The SA economy grew slowly partly due to the subdued climate for exports but also due to various domestic constraints, including the infrastructure deficit, worsening labour relations, policy uncertainty and weak business confidence.

The recent sovereign bond rating downgrade by three of the international rating agencies – attributed to deteriorating global and local economic growth prospects and sociopolitical stresses leading to a weaker business and investment climate – is a stark reminder of the importance of sound, consistent policies to address the challenges within our economy and society.

It is in this context that we welcome the formal endorsement of the National Development Plan (NDP) as the key platform from which to tackle unemployment, eradicate poverty and reduce inequality, and to provide the policy certainty that is so important. The NDP provides a powerful beckoning vision and a compelling blueprint for national action. In the NDP the nation has a rallying point, an impeccable forward driving force around which to align.

We fully embrace the NDP and encourage all stakeholders, and particularly business and labour, to work constructively with government in support of the NDP's objectives in our collective drive to deliver a better life for all, especially for the poor, youth and working class in our country.

The NDP must be undergirded by the public and private sector driving implementation in a manner that is imbued with compunction and probity and with an unrelenting bias for action and dedication to serve the national interest.

I strongly believe that, if leadership in the public and private sectors work together constructively, it can make a positive contribution towards creating a better life for all.



## THE ROLE OF BANKS IN SOCIETY

The significant impact of unsound banking practices on the economic health of many countries around the world is a salutary reminder of the profound responsibilities banks have as custodians of nations' savings and as enablers of the efficient deployment of capital to lay the foundation for economic growth and job creation.

Our group has been growing the strength of its banking franchise by investing significantly in our own infrastructure, and by increasing the number of people we employ and the amounts we lend to our clients to better their lives at a personal and business level.

Since 2009, the pinnacle of the global crisis, we have increased the number of our staffed outlets by 48% to 1 071 and ATMs by 74% to 3 048, creating 1 700 new jobs in the process. We disbursed R144bn in additional loans in 2012 and the entry-level banking and youth markets gained 1,1m net new clients in the past three years, most of them new to formal banking.

We assist our clients in growing their businesses and create jobs through initiatives such as Small Business Friday™, in association with the National Small Business Chamber, through which we promote doing business with SMEs, while sponsoring entrepreneur market days and learner materials at schools, which in 2012 involved 29 000 learners in 44 junior schools.

Our commitment to substantive transformation is inextricably linked to our desire to be a bank for all, serving all communities, as demonstrated by our having been acknowledged independently as the third most transformed company on the JSE and the most transformed large company measured on all seven elements of the dti scorecard.

We continued to invest in our people through our management development programmes, skills training, mentoring and coaching. Since 2009 close to 6 500 staff have enhanced their leadership and business skills by participating in our various development programmes.

We are advocates of responsible banking and lending practices in the unsecured-lending market, where our focus is on ensuring that credit is made available to enable people to improve their circumstances. In November 2012 the banking industry

developed a policy framework, together with the National Treasury, The Banking Association SA (BASA), the South African Reserve Bank (SARB) and the Financial Services Board (FSB), to ensure responsible lending practices and prevent households from being caught in a debt spiral. We call on all participants in the financial services sector to join the banking industry in adopting these practices.

We have been reducing our own carbon footprint consistently over time and we were Africa's first and only carbon-neutral bank – we had to walk the road ourselves, at the same time helping our clients to fund a large share of SA's renewable-energy programme.

Nedbank is committed to contributing proactively to shaping a sustainable future for SA for the benefit of all its citizens through our growth strategies, and we have adopted a concept called the Fair Share 2030 initiatives. These initiatives align closely with the NDP, which describes a prosperous SA that has successfully addressed a series of critical socioeconomic challenges by 2030, having attained an optimal level of employment and savings and investment rates sufficient to meet its development objectives and having met a range of vitally important social and environmental objectives.

### STRONG FOUNDATIONS IN PLACE

The World Economic Forum 2012/13 Competitiveness Report has once again confirmed the high standards that SA firms demonstrate in the efficacy of corporate boards and the strength of auditing and reporting standards (rated first in the world) as well as the protection of minority shareholders' interests and the soundness of banks (rated second).

The SA banking industry has further enhanced its historically strong reputation by weathering the global credit crisis, which can be attributed to the long-established sound and traditional banking practices adopted within a well-managed and well-regulated environment.

Strong governance and ethics are at the heart of our organisation and whose 'Vision led Values based' approach is fundamental to our strategy, as reflected in our vision to build Africa's most admired bank by our staff, clients, shareholders, regulators and communities. A commitment to sound governance and ethical behaviour behove our strategy and our business's leadership actions to be predicated on principles of morality.

It is incumbent on leadership to behave in a manner that is beyond reproach and to hold itself accountable to stakeholders.

Our Nedbank Group Ethics and Corporate Accountability Framework shapes our board's and management's approach to business in line with best-practice levels of governance. I refer you to our Governance and Ethics Review on page 140 of the 2012 Nedbank Group Integrated Report.

### BOARD CHANGES

Alan Knott-Craig resigned as a non-executive director with effect from 24 February 2012. Professor Brian Figaji retired as a non-executive director of Nedbank Group and Nedbank Ltd during May 2012, following many years of playing a valuable role on the board and its various subcommittees. Wendy Lucas-Bull resigned as a non-executive director with effect from 5 November 2012.

I wish to express my and the board of directors' appreciation for the dedication, passion and expertise of Alan, Brian and Wendy in their directorship roles.

Ian Gladman, Strategy Director at our parent company Old Mutual plc, was appointed a non-executive director of Nedbank Group and Nedbank Ltd with effect from June 2012.

Gawie Nienaber retired as Group Company Secretary on 30 June 2012 on reaching the mandatory retirement age in terms of our normal retirement policy after a very distinguished career in the group. We wish Gawie well in the future and thank him for his outstanding contribution in this important role in the organisation.

Thabani Jali was appointed to succeed Gawie as Group Company Secretary and Jackie Katzin was appointed Deputy Group Company Secretary of Nedbank Group and Nedbank Ltd.

Following these changes, the board comprises 15 directors - 12 of them non-executive and five of these classified as independent in terms of King III.

We have a rigorous succession process in place for boardmember appointments to ensure that the group is well positioned as regards the capacity of the board to be equipped with the necessary range of leadership and technical skills that are essential for them to lead our organisation.

## OLD MUTUAL RELATIONSHIP

Nedbank Group is a material part of the Old Mutual Group and works constructively with all parts of the group to create value and unlock synergies.

## AN ATTRACTIVE INVESTMENT CASE

The year 2012 has been a rewarding one for shareholders, with Nedbank Group delivering a total shareholder return of 34,3%. In a challenging environment we continue to offer qualities that we believe are attractive to investors and should support continued earnings growth. Key considerations include:

- continued delivery of our long-term growth-oriented strategy by expanding our footprint, growing our client base, launching innovative products and exploring growth opportunities in the rest of Africa;
- competitive franchises creating value and enhancing brand value:
  - a strong wholesale banking franchise generating high returns on equity
  - strong differentiated and decentralised business banking
  - innovative client-centred retail banking
  - a fast-growing wealth business with high returns on equity;
- a longer-term, risk-mitigated, capital-efficient strategy in the rest of Africa, with an unmatched Pan-African geographic footprint;
- a growth investment with protection on the downside, given the stable, sound banking sector in SA, the sustained cost-management culture, the sound risk management practices, a strong, well-capitalised balance sheet with a prudent funding structure, sound liquidity and well-diversified income streams;
- leadership in integrated sustainability, as companies that have integrated sustainability built into their strategies and operations have been proved to yield superior returns over the longer term;
- a stable and experienced management team; and
- high levels of staff morale and a values-based culture.

## APPRECIATION

Thank you to my fellow directors for their contributions, insights and commitment to the affairs of the group. I am extremely pleased that we delivered strongly to all stakeholders in 2012 and congratulate Mike Brown and the Group Executive Committee.

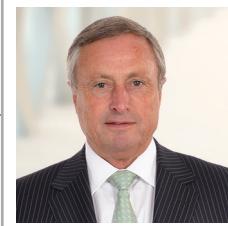
We thank our staff for their contribution towards making 2012 a year of record earnings for Nedbank Group as they continually strive to exceed the expectations of our stakeholders.

To our clients who have chosen Nedbank as their bank of choice, we thank you for your support on our journey towards making Nedbank a great place to bank.



Dr Reuel J Khoza  
Chairman

# Board of Directors



## Thomas Andrew Boardman (63)

### Non-executive Director

**Appointed:** November 2002 as an executive director and March 2010 as a non-executive director

**Qualifications:** BCom, CA (SA)

**Nationality:** SA



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## Dr Reuel Jethro Khoza (63)

### Non-executive Chairman

**Appointed:** August 2005 as a non-executive director and May 2006 as Chairman

**Qualifications:** BA(Hons) Psychology (University of Limpopo), MA Marketing Management (Lancaster, UK), EngD (Warwick, UK), IPBM-IMD (Lausanne, Switzerland), PMD (Harvard Business School, USA), LLD(hc) Rhodes

**Nationality:** SA

Reuel was appointed the non-executive Chairman of the group in May 2006. He is also Chairman of Aka Capital (Pty) Ltd, and a non-executive director of Nampak Ltd, Protea Group Ltd and Old Mutual plc. He is president of the Institute of Directors and, in this capacity, served on the King II and King III Committees on corporate governance. He is a founding director of the Black Management Forum and the former Chairman of Eskom Holdings Ltd. Reuel is also the Chancellor of the University of Limpopo.

**Committees:** Group Directors' Affairs Committee (Chairman)

**Shares: Nedbank Group Ltd ordinary shares:**

7 800 beneficial direct and

6 974 beneficial indirect

**Nedbank Ltd preference shares:** 0

Tom was Chief Executive of Nedbank Group Ltd from December 2003 to February 2010. He was previously Chief Executive and an executive director of BoE Ltd, one of SA leading private and investment banking companies that was acquired by Nedbank in 2002. He was the founding shareholder and Managing Director of retail housewares chain Boardmans, which he sold to Pick n Pay Stores Ltd in 1986. Prior to this he was Managing Director of Sam Newman Ltd and worked for the Anglo American Corporation Ltd for three years. He served his articles at Deloitte.

He is a non-executive director of Nedbank Group Ltd, Woolworths Holdings Ltd, Royal Bafokeng Holdings (Pty) Ltd and African Rainbow Minerals Ltd. Tom has also been appointed as a non-executive director of Kinnevik, a listed Swedish investment company.

He is a director of The Peace Parks Foundation and is the Chairman of The David Rattray Foundation, and serves as a trustee on a number of other charitable foundations.

**Committees:** Group Information Technology Committee (Chairman), Group Transformation, Social and Ethics Committee, Group Credit Committee (Chairman), Large-exposure Approval Committee, Group Finance and Oversight Committee, Group Directors' Affairs Committee

**Shares: Nedbank Group Ltd ordinary shares:**

24 012 beneficial direct and

62 758 beneficial indirect

**Nedbank Ltd preference shares:**

85 000 beneficial indirect



GRI 3.1: 4.3



### Michael William Thomas Brown (46)

#### Chief Executive

**Appointed:** June 2004 as Chief Financial Officer and March 2010 as Chief Executive

**Qualifications:** BCom, Dip Acc, CA (SA), AMP (Harvard Business School, USA)

**Nationality:** SA

Mike was an executive director of BoE Ltd and, after the merger between Nedbank Ltd, BoE Ltd, Nedbank Investment Bank Ltd and Cape of Good Hope Bank Ltd, was appointed Head of Property Finance at Nedbank Ltd. He was appointed as the Chief Financial Officer of Nedbank Group in June 2004 and then as the Chief Executive in 2010.

**Committees:** Large-exposure Approval Committee, Group Credit Committee

**Shares:** **Nedbank Group Ltd ordinary shares:**

55 049 beneficial direct and

294 648 beneficial indirect

**Nedbank Ltd preference shares:** 0



### Graham Wayne Dempster (57)

#### Chief Operating Officer

**Appointed:** August 2009

**Qualifications:** BCom, CTA, CA (SA), AMP (Harvard Business School, USA)

**Nationality:** SA

Graham joined the group in 1980 in the Corporate Finance Division of UAL Merchant Bank Ltd. He was appointed General Manager in 1987 and Joint Head of the Special Finance Division in 1989. In 1992 he was transferred to Nedbank Ltd, and in 1998 was appointed Head of the International Division. He assumed responsibility for the Corporate Banking Division in 1999 and was appointed Managing Director of Nedbank Corporate in 2003. Graham was appointed as the Chief Operating Officer of Nedbank Group in August 2009.

**Committees:** Group Credit Committee

**Shares:** **Nedbank Group Ltd ordinary shares:**

17 822 beneficial direct and

123 211 beneficial indirect

**Nedbank Ltd preference shares:** 0



### Thenjiwe Claudia Pamela Chikane (47)

#### Independent Non-executive Director

**Appointed:** November 2006

**Qualifications:** CA

**Nationality:** SA

Thenjiwe was previously the Chief Executive Officer of MGO Consulting and the Head of the Gauteng Department of Finance and Economic Affairs. She is a board member of Datacentrix Holdings Ltd, Murray and Roberts Holdings Ltd and the Institute of Directors and a trustee of the Africa Rice Center. She was previously a non-executive director of the Development Bank of Southern Africa, Telkom SA Ltd, The Petroleum, Oil and Gas Corporation of SA (SOC) Ltd (PetroSA) and Chairman of the State Information Technology Agency.

**Committees:** Group Transformation, Social and Ethics Committee, Group Audit Committee, Group Credit Committee, Group Information Technology Committee, Group Directors' Affairs Committee, Large-exposure Approval Committee, Group Remuneration Committee (Chairman)

**Shares:** **Nedbank Group Ltd ordinary shares:**

24 326 beneficial indirect

**Nedbank Ltd preference shares:** 0



### Mustaq Ahmed Enus-Brey (58)

#### Non-executive Director

**Appointed:** August 2005

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

**Nationality:** SA

Mustaq was appointed as a Nedbank Group director in August 2005. He is also a director of Brimstone Investment Corporation Ltd and Oceana Group Ltd.

**Committees:** Group Risk and Capital Management Committee (Chairman), Group Directors' Affairs Committee, Group Credit Committee, Group Finance and Oversight Committee, Large-exposure Approval Committee

**Shares:** **Nedbank Group Ltd ordinary shares:**

2 113 beneficial indirect

**Nedbank Ltd preference shares:** 0

## Board of directors (CONTINUED)



### Ian David Gladman (48)

**Non-executive Director**

**Appointed:** June 2012

**Qualifications:** BA(Hons) in History (Christ's College, Cambridge)

**Nationality:** British

Ian is currently the Group Strategy Director of Old Mutual plc. Previous positions held by him include Head of Corporate Finance (SA) and Joint Head, Financial Institutions Group, EMEA, at UBS Investment Bank.

**Committees:** Group Credit Committee, Group Risk and Capital Management Committee

**Shares: Nedbank Group Ltd ordinary shares:** 0

**Nedbank Ltd preference shares:** 0



### Paul Mpho Makwana (42)

**Independent Non-executive Director**

**Appointed:** 17 November 2011

**Qualifications:** BAdmin(Hons)

**Nationality:** SA

Immediate past Chairman of Eskom Holdings Ltd. Independent director of Adcock Ingram Ltd, and Chairman of ArcelorMittal SA Ltd.

**Committees:** Group Remuneration Committee, Group Transformation, Social and Ethics Committee

**Shares: Nedbank Group Ltd ordinary shares:** 0

**Nedbank Ltd preference shares:** 0



### Donald Ian Hope (56)

**Non-executive Director**

**Appointed:** December 2009

**Qualifications:** Member of the Association of Corporate Treasurers, 1989

**Nationality:** New Zealand

Don joined the Old Mutual Group as Group Treasurer in May 1999 with responsibility for developing the group's international treasury function. He has since served as Group Head of Strategy Development and is currently a senior adviser to the Old Mutual Group Chief Executive. Don is Chairman of Old Mutual (Bermuda) Ltd.

**Committees:** Group Risk and Capital Management Committee, Group Remuneration Committee, Group Finance and Oversight Committee

**Shares: Nedbank Group Ltd ordinary shares:** 0

**Nedbank Ltd preference shares:** 0



### Nomavuso Patience Mnxsasana (56)

**Independent Non-executive Director**

**Appointed:** October 2008

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

**Nationality:** SA

Nomavuso is a director at Winhold Ltd, JSE Ltd, Transnet SOC and Land and Agricultural Development Bank of SA Ltd (Land Bank). She was a senior partner and member of the executive committee of SizweNtsaluba before serving as Group Audit and Risk Executive at Imperial Holdings Ltd.

**Committees:** Group Audit Committee, Group Remuneration Committee, Group Risk and Capital Management Committee

**Shares: Nedbank Group Ltd ordinary shares:** 11 620 beneficial indirect

**Nedbank Ltd preference shares:** 0



### Raisibe Kgomaraga Morathi (43)

**Chief Financial Officer**

**Appointed:** September 2009

**Qualifications:** BCompt(Hons), CA (SA), H Dip Tax, AMP (INSEAD)

**Nationality:** SA

Raisibe has held senior positions in banking and insurance over the past 19 years. Prior to joining Nedbank Group she was an executive director of Sanlam Ltd and a non-executive director of Santam Ltd. She previously held several executive positions at the Industrial Development Corporation of SA Ltd, the last position being Chief Operating Officer.

**Committees:** Large-exposure Approval Committee, Group Credit Committee

**Shares: Nedbank Group Ltd ordinary shares:**

12 615 beneficial direct and 155 762 beneficial indirect

**Nedbank Ltd preference shares:** 0



### Joel Khathutshelo Netshitenzhe (56)

**Independent Non-executive Director**

**Appointed:** August 2010

**Qualifications:** MSc (University of London, UK)

**Nationality:** South African

Joel is an executive director of the Mapungubwe Institute for Strategic Reflection (MISTRA) and a member of the National Planning Commission. He has been a member of the National Executive Committee of the African National Congress since 1991, and serves on the African National Congress' Economic Transformation and Political Education Subcommittees.

He served as Head of Policy Coordination and Advisory Services in The Presidency from 2001 until December 2009. He was previously Chief Executive of the Government Communication and Information System and also served as Head of Communication in the President's Office. He is a non-executive director on the board of Life Healthcare Group Holdings Ltd.

**Committees:** Group Risk and Capital Management Committee

**Shares: Nedbank Group Ltd ordinary shares:** 0

**Nedbank Ltd preference shares:** 0



### Julian Victor Frow Roberts (55)

**Non-executive Director**

**Appointed:** December 2009

**Qualifications:** Fellow of Institute of Chartered Accountants, member of Association of Corporate Treasurers, Accountancy and Business Law (University of Stirling, Scotland)

**Nationality:** British

Julian was appointed Group Chief Executive of Old Mutual plc in September 2008. Prior to this he was Chief Executive of the Old Mutual Group's Skandia business.

Julian originally joined Old Mutual plc as Group Finance Director in August 2000. Before joining Old Mutual plc, he was Group Finance Director of Sun Life & Provincial Holdings plc (now part of AXA) and, prior to that, Chief Financial Officer of Aon UK Holdings Ltd.

**Committees:** Group Directors' Affairs Committee, Group Remuneration Committee

**Shares: Nedbank Group Ltd ordinary shares:** 0

**Nedbank Ltd preference shares:** 0



### Gloria Tomatoe Serobe (53)

**Non-executive Director**

**Appointed:** August 2005

**Qualifications:** BCom (Unitra), MBA (Rutgers, USA)

**Nationality:** South African

Gloria is the Chief Executive of Wipcapital Ltd and also founder and executive director of Wiphold Ltd. She was previously the Executive Director of Finance at Transnet SOC Ltd.

Gloria serves on several boards, including that of JSE Ltd. She is also a non-executive director of Old Mutual Life Assurance Company (SA) Ltd.

**Committees:** Group Transformation, Social and Ethics Committee (Chairman),

Group Credit Committee, Large-exposure Approval Committee,

Group Directors' Affairs Committee

**Shares: Nedbank Group Ltd ordinary shares:** 1296 non-beneficial indirect

**Nedbank Ltd preference shares:** 0



### Malcolm Ian Wyman (66)

**Senior Independent Non-executive Director**

**Appointed:** August 2009

**Qualifications:** CA (SA), AMP (Harvard Business School, USA)

**Nationality:** British

Malcolm is a non-executive director of Imperial Tobacco plc and a non-executive director of Tsogo Sun Holdings Ltd. He was previously an executive director and the Chief Financial Officer of SABMiller plc until August 2011.

**Committees:** Group Audit Committee (Chairman), Group Risk and Capital Management Committee, Group Directors' Affairs Committee, Group Remuneration Committee, Group Finance and Oversight Committee (Chairman)

**Shares: Nedbank Group Ltd ordinary shares:** 350 non-beneficial indirect

**Nedbank Ltd preference shares:** 0

# Chief Executive's Report

Mike Brown  
Chief Executive



# Building Africa's most admired bank



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GRI 3.1:1.1

## INTRODUCTION

It is pleasing to report to shareholders on the group's 2012 performance across a broad front.

Nedbank Group's strong franchise and growth orientation together with the momentum built in the first half of the year resulted in the group's delivering headline earnings growth of 21% to R7,5bn and the return on equity (ROE) (excluding goodwill) increasing from 15,3% to 16,4%, underpinned by improvements in the return on assets. All key performance indicators improved and all business clusters showed growth in earnings. This performance was achieved through strong revenue growth, an improved credit loss ratio and responsible expense management while strengthening the balance sheet and investing for growth.

We have continued to deliver on the four key strategic focus areas that we announced at the time of my appointment as Chief Executive three years ago, which demonstrates that disciplined execution of our strategy is producing sustainable growth.

My report covers the key highlights for the year in the context of the macro environment as well as progress made against our key strategic focus areas and our medium-to-long-term financial targets.

The Chairman's Report covers broader sociopolitical and sustainability issues, while the report of the Chief Financial Officer provides a detailed analysis of our financial performance in 2012 and provides guidance for 2013.

## BANKING AND ECONOMIC ENVIRONMENT

The global economic slowdown continued for most of 2012, with recessionary conditions in many advanced economies negatively affecting growth in leading emerging economies such as China, India and Brazil. Signs of improvement in various geographies emerged in the fourth quarter of the year, giving rise to cautious optimism that global economic conditions may stabilise and potentially start to improve in 2013.

SA's gross domestic product (GDP) is expected to have grown at around 2,5% in 2012 after expanding 3,5% in 2011. Concerns around the operating environment and infrastructure constraints, the widening current account deficit, rising national debt, higher inflation, high levels of unemployment, declining trends in competitiveness and wage settlements outpacing productivity were included in the rationale by international rating agencies Moody's, Standard and Poor's and Fitch Ratings for the downgrade of SA's sovereign-debt rating, which in turn placed pressure on the rand. Domestic bond yields have, however, remained stable.

Households remained the primary driver of private sector credit demand, with the unexpected 50 basis points (bps) reduction in interest rates in July 2012 providing some relief for highly indebted consumers against rising electricity, food and fuel costs. Growth rates in unsecured lending are slowing as expected.

Corporate credit demand improved towards the end of the year as the recovery in public sector infrastructure spending supported industries producing capital goods and other inputs for local projects, although corporates on the whole remained cautious, constrained by a weak Eurozone and a relatively sluggish domestic economic environment.

## BUILDING AFRICA'S MOST ADMIRED BANK BY DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS

During the year we developed a strategic framework that will enable delivery of our vision of building Africa's most admired bank by all our stakeholders and assist in creating a vibrant and flourishing SA through appropriate alignment of our activities with the National Development Plan. This is underpinned by a firm belief that our long-term success is inextricably linked to our ability to fulfil our social purpose.

In 2012 we continued to deliver to all our stakeholders and a few of our achievements are listed below to highlight our progress in realising our vision:



### Clients

More people in SA chose to bank with Nedbank as we gained new clients across Nedbank Retail, Nedbank Wealth and our wholesale businesses, taking overall client numbers above 6m for the first time. We paid out R144bn in new loans, an increase of 24,1% on the previous year. We launched a number of market-leading innovations such as the Nedbank App Suite™, MyFinancialLife™ and Small Business Friday™ in association with the National Small Business Chamber. With pricing uppermost in the minds of our clients, we strive to provide great-value banking and have saved clients R163m through promoting the use of bundled products. We continued to increase our footprint and added 80 new staffed outlets and 476 new ATMs, making banking more convenient for our clients. Client satisfaction metrics measured by Net Promoter Scores across the group are at multiyear highs. It was therefore pleasing to see Nedbank being externally recognised by *Euromoney* as the best bank in SA in 2012, following on from our winning the prestigious *FT/The Banker* award as Bank of the Year in SA for 2011.



### Regulators

We remain aware of the importance of all regulators to our industry, especially in view of the regulatory issues many global banks are still dealing with. To be admired by our regulators has now been part of our vision for nearly a decade, and we continue to work well with all of them. We are glad to report that our capital levels are robust and that we were well positioned for the implementation of Basel III on 1 January 2013, with a pro forma common equity Tier 1 (CET1) ratio of 11,6% under Basel III. We are also on track for the Solvency Assessment and Management regime on 1 January 2015. Cash taxation contributions of R6,2bn relating to direct, indirect and other taxation, including PAYE on behalf of staff, were made. The strength of our balance sheet and franchise was recognised, with Fitch upgrading our credit rating in July 2012, although the five largest SA banks were downgraded in January 2013 following the downgrade of the SA sovereign rating.



### Staff

We created over 450 new permanent jobs in SA as we expanded our reach at a time that many businesses locally and internationally were looking at large-scale retrenchments. We invested R352m in the development of our staff and more than 1300 managers attended our personal mastery and team effectiveness Leading for Deep Green Programme in the period under review. Our multiyear focus on values-based behaviour has led to higher levels of staff morale and an ongoing positive shift in corporate culture, which now are at worldclass levels as measured by our Barrett Survey. We continued to focus on diversity at all levels in the organisation and in the review period 8 500 staffmembers participated in our Batho Pele Diversity Programme.



### Shareholders

In 2012 the Nedbank Group share was the second best performer among the shares of the big four banks, having generated a 34,3% total shareholder return and a total dividend of 752 cents, which is up 24,3%. We have the exciting opportunity for shareholders to participate in the Africa growth story through our rights to acquire 20% in Ecobank Transnational Incorporated (ETI), with our combined operations creating the largest Pan-African banking footprint.



### Communities

We continue to make banking more accessible and affordable for the entry-level market and rural communities, having identified numerous growth nodes in non-urban areas for expansion. We have invested R1,4bn to increase our staffed outlets and ATMs by over 44% and 75% respectively since 2009. From inception we have donated more than R200m to charities through our innovative card affinity programmes and in 2012 we contributed R116m to socioeconomic development. On the transformation side we achieved a Department of Trade and Industry (dti) code level 2 for the fourth consecutive year and were ranked first overall out of the top 50 JSE-listed companies in the *Financial Mail/Empowerdex Top Empowered Companies* survey. Our leadership role in environmental sustainability was demonstrated by initiatives such as the funding of a large percentage of SA's renewable-energy programme and the introduction of the Nedbank Green Savings Bond. We maintained our carbon-neutral status and received the *Financial Times* 2012 Sustainable Bank of the Year for Africa and the Middle East as well as African Business Environmental Sustainability in Africa 2012 award.

## GROUP STRATEGIC FOCUS

Our strategic focus areas remain relevant and outward-looking, with a focus on growing the franchise and delivering on its key strategic initiatives of repositioning Nedbank Retail, growing non-interest revenue (NIR), implementing the portfolio tilt strategy and expanding into the rest of Africa.

Nedbank Retail is allocated 39,1% of the group's capital and its strategic repositioning will contribute significantly to the ongoing improvements in the group's performance. While endeavouring to leverage the early turnaround gains to achieve an ROE at or above the cost of equity (COE) of 13% by the end of 2013, a year ahead of the original 2014 target, the deteriorating credit health of consumers noted in the last quarter of 2012 could make this challenging to deliver. Continued excellent progress was made in positioning Nedbank Retail as a more client-centred and integrated business while maintaining growth momentum in the underlying businesses, growing the number and quality of clients, embedding effective risk management practices and strengthening balance sheet impairments.

Our NIR-to-expenses ratio target of > 85% is a key focus area as we continue to deliver good-quality annuity income through commission and fee growth from primary-client gains, volume growth, new innovative products and cross-sell. This should reduce the volatility of future earnings. We are also focused on disciplined expense management and resource optimisation, and in our Technology Division we enabled greater efficiencies, including the rationalisation of 20 banking systems and the reduction of our servers from 3 500 to 1 139 since 2009.

The portfolio tilt strategy continued to gain traction, enabling economic profit (EP) growth from R57m in 2009 to R1 511m in 2012. Excellent growth in commission and fee income of 13,7%, insurance income of 24,9%, assets under management of 34,1%, and deposits of 5,1%, while emphasising profitable secured lending, demonstrates the benefit of focusing on these strategically important EP-rich, lower-capital and liquidity-consuming activities.

In the short to medium term the group's primary focus on SA and the Southern African Development Community (SADC) area continues to benefit the group, as this region has the largest EP pool for financial services in sub-Saharan Africa. The rights to acquire a shareholding of up to 20% in ETI in less than two years create a path to provide a significant benefit for Nedbank clients in the rest of Africa and the opportunity for shareholders to gain access to the higher economic growth in the rest of Africa in a prudent yet substantive manner.

## STRATEGIC DEVELOPMENTS

The consolidation of the high-net-worth offerings of BoE Private Clients and Fairbairn Private Bank under the new brand of Nedbank Private Wealth was completed and the newly constituted Nedbank Private Wealth launched in 2012. This signifies a step change in

strategic direction for the high-net-worth segment through the consolidation of the various value propositions and brands into a single distinctive international high-net-worth business. This move eliminates previous confusion linked to multiple brands and enables Nedbank Private Wealth to leverage Nedbank's strong brand equity. Nedbank Private Wealth's existing and prospective clients, both in SA and internationally, now have access to an integrated wealth management solution that includes investments, banking, fiduciary services, insurance and philanthropy.

In 2011 we highlighted that early warning signals indicated a decline in the health of consumer credit. Our observations revealed an increased consumer demand for larger and longer unsecured loans, a deterioration in the number of clients in good credit standing and a steady increase in debt counselling applications. Through our risk management practices and wish to see increased consumer financial fitness, we continue to monitor these macro and micro indicators. We are of the view that the high industry growth rates in personal loans are masking the underlying level of distress in this market, as clients close to default can be 'cured' through debt consolidation mechanisms provided by the many players offering larger loan sizes and longer tenors. For this reason we have not changed the loan size and tenor maxima since 2009 and have increased conservatism in our impairment policies. We remain vigilant in respect of our risk appetite, ensuring quality granting of credit in line with a client's overall affordability and as part of a holistic value proposition that aims to improve overall financial fitness. The Nedbank Ke Yona banking offering is a good example of this.

In that spirit Nedbank launched the Ke Yona TV advert in mid-2011 that was broadcast in three languages and warned consumers 'not to take expensive loans that take forever to pay back'. We have formulated and implemented various initiatives to improve our debt review processes and practices. This forms part of our commitment to working with all our regulators, including the National Credit Regulator (NCR), to ensure a stable and sustainable credit industry in SA. We continue to support debt review dispute resolution forums such as the National Debt Mediation Association (NDMA) and Credit Ombud. As referred to in the Chairman's Report, Nedbank and other banks reached an agreement with various industry bodies to improve responsible lending and prevent households from being caught in a debt spiral. Together with members of The Banking Association SA (BASA), we are actively engaged in workstreams covering six key initiatives to refine lending practices and formulate appropriate debt relief measures for distressed borrowers.

## BASEL III

Unlike delays experienced in Europe and the USA, Basel III has been successfully implemented in SA from 1 January 2013, and Nedbank is extremely well positioned, particularly with regard to the key capital, liquidity and leverage components. Our group CET1 capital adequacy ratio strengthened in 2012 under



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Basel II.5 from 10.5% to 11.4% and to 11.6% on a pro forma Basel III basis.

We reset our target capital adequacy ratio (CAR) range for CET1 under Basel III to 10.5% - 12.5% (Basel II: 7.5% - 9.0%) based on the final, fully phased-in 2019 Basel III set of minimum regulatory requirements, which constitutes a full through-the-cycle target range and includes a conservative management buffer and allowance for any potential Pillar 2B bank-specific South African Reserve Bank (SARB) add-on. Under Basel III we are already in the middle of our new target range, and approximately at the planned operating level, excluding any countercyclical capital buffer (CCB) add-on that may be introduced from 2016. The CCB is unlikely to be required in the foreseeable future, as we do not anticipate excess aggregate credit growth over the medium term.

In May 2012 the SARB announced that banks would be able to include cash reserves in the calculation of the liquidity coverage ratio (LCR) and that it would make available a committed liquidity facility (CLF) of up to 40% of the LCR requirements - on this basis we would be compliant with the Basel III LCR on a pro forma basis at 31 December 2012. Amendments to the LCR announced by the Basel Committee on Banking Supervision on 6 January 2013 are likely to be adopted by the SA regulator. The revisions to the LCR will be beneficial for banks, with associated cost savings and more time to implement the LCR.

The Basel Committee also announced that work to revise the net stable funding ratio (NSFR) will commence in 2013 and span 12 to 24 months. The impact of NSFR compliance by SA and most banking industries worldwide would be punitive if the NSFR is implemented as currently set out in the draft requirements, significantly impacting both global and domestic economic growth and job creation. Structural constraints within SA financial markets will add further challenges to domestic compliance with the NSFR. The SARB and National Treasury, in conjunction with the financial services industry, are engaging proactively during the observation period prior to implementation in order to address any unintended consequences for SA and we expect that a fundamental revision and a pragmatic approach will be applied to the NSFR well in advance of its proposed implementation in 2018.

SA's banking system as a whole is less risky than many banking sectors elsewhere and has much lower leverage, and deleveraging is not a factor in SA.

## MACROECONOMIC OUTLOOK

Despite a more promising start to many financial markets in 2013, there appears to be downside risk in most developed and many emerging-market economies, and forward visibility is limited.

SA's GDP is forecast to grow by 2.6% in 2013. Interest rates are likely to remain lower for longer and are expected to be unchanged through most of 2013.

Consumer indebtedness is anticipated to ease gradually, but still remains high in comparison with historical levels, particularly with 39-year-low interest rates and the changing mix, with the proportion of unsecured lending increasing. Combined with uncertainties around job security, this is expected to limit the growth in demand for housing and other secured loans. Industry growth rates in unsecured lending are unsustainable and are expected to continue to moderate. General uncertainty is likely to continue to affect the level of business confidence and contain capital expenditure and growth in wholesale assets in the private sector. Government and public corporations are forecast to escalate their infrastructure spending, which should contribute to improved wholesale advances growth.

## MAKING PROGRESS TOWARDS OUR MEDIUM-TO-LONG-TERM TARGETS

The group's medium-to-long-term targets remain unchanged as shown on page 24 of the report, with the exception of revised targets relating to capital adequacy and dividend cover following finalisation of the SARB guidelines on Basel III capital levels and the new dividend tax regime in SA announced during the year.

We have strongly growing and diverse annuity income streams, a long-term record of disciplined expense management, a sound funding base, improving asset quality trends, strong capital levels and stable management teams. These attributes, together with a multiyear focus on the importance of culture and values, position us well to continue to deliver to all our stakeholders in 2013 and to adapt to a volatile and challenging economic environment.

## APPRECIATION

In this challenging operating environment from both a macroeconomic and regulatory perspective the leadership and guidance afforded to me by our Chairman, Reuel Khoza, are highly valued. I would like to thank him and my board colleagues for the guidance, oversight and governance provided. Your commitment and active participation in the group are invaluable.

It is a privilege to work with a high-performing and talented executive team that is aligned behind the vision and values of Nedbank. Together we have achieved a significant amount in the past three years and I thank you for your support and commitment in ensuring that the group continues to deliver across the social, economic, environmental and cultural pillars of sustainability as we build Africa's most admired bank.

Finally, thank you to all our clients for choosing to bank with Nedbank and to all our 28 000 people across the group in and outside SA for your hard work and loyalty. I look forward to your continued support in 2013 and beyond.



Mike Brown  
Chief Executive



Risk Review  
Pg 130 - 139



Shareholders  
Pg 24

# Group Executive Committee

Our leadership team remains among the most skilled and transformed in the SA banking sector.



*From left to right*  
**Nedbank Capital**  
Brian Kennedy  
**Nedbank Corporate**  
Mfundo Nkuhlu  
**Nedbank Wealth**  
Dave Macready  
**Nedbank Retail and Business Banking**  
Ingrid Johnson

## CLIENT-FACING CLUSTERS

**Chief Executive**  
Mike Brown



*From left to right*  
**Business Banking**  
Sandile Shabalala  
**Consumer Banking**  
Ciko Thomas



## CENTRAL CLUSTERS

*From left to right*  
**Chief Operating Officer**  
Graham Dempster  
**Chief Financial Officer**  
Raisibe Morathi  
**Chief Risk Officer**  
Philip Wessels  
**Chief Governance and Compliance Officer**  
Thabani Jali



*From left to right*

**Chief Information Officer**  
Fred Swanepoel



**Balance Sheet Management**  
Trevor Adams



**Human Resources**  
Abe Thebyane



**Marketing, Communications and Corporate Affairs**  
Thulani Sibeko



**Strategic Planning and Economics**  
John Bestbier



## Trevor Adams (50)

**Group Executive:** Balance Sheet Management  
**Service:** 16 years  
**Qualifications:** BCom(Hons), CA (SA), Risk Management in Banking (INSEAD)

## John Bestbier (57)

**Group Executive:** Strategic Planning and Economics  
**Service:** 17 years  
**Qualifications:** BBusSci Actuarial, CA (SA)

## Thabani Jali (54)

**Group Executive:** Enterprise Governance and Compliance; Group Company Secretary  
**Service:** 1 year  
**Qualifications:** BA (Fort Hare), LLB (Natal University), LLM (Tulane University, USA)

## Ingrid Johnson (46)

**Managing Executive:** Retail and Business Banking  
**Service:** 19 years  
**Qualifications:** BCom, BAcc, CA (SA), AMP (Harvard Business School, USA)

## Brian Kennedy (52)

**Managing Executive:** Nedbank Capital  
**Service:** 17 years  
**Qualifications:** MSc (Eng)(Elec), MBA, AMP (Harvard Business School, USA)

## Dave Macready (54)

**Managing Executive:** Nedbank Wealth  
**Service:** 15 years  
**Qualifications:** BCom(Hons), CA (SA), SEP (Harvard Business School, USA)

## Mfundzo Nkuhlu (46)

**Managing Executive:** Nedbank Corporate  
**Service:** 9 years  
**Qualifications:** BA(Hons), Strategic Management in Banking (Insead Business School), AMP (Harvard Business School, USA)

## Sandile Shabalala (46)

**Managing Executive:** Business Banking  
**Service:** 17 years  
**Qualifications:** BAdmin, National Higher Diploma: Management Practice, CAIB (SA), MBL, Strategic Management in Banking (Insead Business School France), AMP (Harvard Business School USA)

## Thulani Sibeko (41)

**Group Executive:** Group Marketing, Communication and Corporate Affairs  
**Service:** 1 year  
**Qualifications:** BSc (Acc), Graduate Certificate

## Fred Swanepoel (49)

**Chief Information Officer**  
**Service:** 16 years  
**Qualifications:** BCom(Hons), MBA, SEPSA, AMP (Harvard Business School, USA)

## Ciko Thomas (43)

**Managing Executive:** Consumer Banking  
**Service:** 3 years  
**Qualifications:** BSc, MBA

## Abe Thebyane (52)

**Group Executive:** Group Human Resources  
**Service:** 2 years  
**Qualifications:** BAdmin, Postgraduate Diploma in Management (Human Resources), MBA

## Philip Wessels (54)

**Chief Risk Officer**  
**Service:** 17 years  
**Qualifications:** BCom, CTA, CA (SA), Diploma in Advanced Banking Law, Institute of Stockbrokers

# Cluster Management

**Nicholas Andrew (41)**  
**Nedbank Wealth**  
 Managing Executive:  
 Asset Management  
 14 years' service

**Graeme Auret (43)**  
**Nedbank Corporate**  
 Managing Executive:  
 Corporate Banking  
 9 years' service

**Gareth Baines (52)**  
**Nedbank Wealth**  
 Managing Executive:  
 Insurance  
 1 year's service

**Frank Berkeley (56)**  
**Nedbank Corporate**  
 Managing Executive:  
 Property Finance  
 18 years' service

**Sam Bhembe (44)**  
**Rest of Africa**  
 Managing Executive:  
 Banking Subsidiaries  
 7 years' service

**Luigi Bianco (45)**  
**Group Finance**  
 General Manager:  
 Planning, Measurement  
 and Control  
 20 years' service

**Jacobus Bisschoff (52)**  
**Balance Sheet  
Management**  
 Chief Financial Officer  
 2 years' service

**Lance Blumeris (41)**  
**Nedbank Wealth**  
 Executive Head: Life  
 Insurance  
 15 years' service

**Jan Bosch (41)**  
**Nedbank Business  
Banking**  
 Executive Head: Business  
 Banking and Retail  
 Relationship Banking  
 Specialist Services  
 15 years' service

**Anel Bosman (47)**  
**Nedbank Capital**  
 Chief Operations Officer  
 12 years' service

**Vince Boule (48)**  
**Nedbank Wealth**  
 Managing Executive:  
 Wealth Management  
 (Local)  
 8 years' service

**Ayn Brown (47)**  
**Group Human Resources**  
 HR Executive:  
 Organisational  
 Development  
 22 years' service

**Brigitte Burnett (45)**  
**Enterprise Governance  
and Compliance**  
 Head: Sustainability  
 13 years' service

**Lloyd Buthelezi (34)**  
**Nedbank Wealth**  
 Executive Head: Financial  
 Planning  
 5 years' service

**John Chemaly (48)**  
**Nedbank Capital**  
 Executive Head: Global  
 Markets  
 13 years' service

**Brenda Chetty (38)**  
**Enterprise  
Governance and  
Compliance**  
 Head: Client Facing  
 Clusters, FAIS and  
 Special Projects  
 15 years' service

**Thabang Chiloane  
(38)**  
**Marketing**  
 Divisional Executive:  
 Public Affairs  
 2 years' service

**Rian Cloete (39)**  
**Group Finance**  
 General Manager:  
 Group Tax  
 10 years' service

**Anthony Costa (41)**  
**Business Performance  
Executive**  
 11 years' service

**David Crewe-Brown  
(44)**  
**Nedbank Retail**  
 Executive Head:  
 Finance, Projects and  
 Strategy  
 17 years' service

**Smit Crouse (36)**  
**Rest of Africa**  
 Managing Executive:  
 Investments, Alliances  
 and Strategy  
 4 years' service

**Gina Davidson (37)**  
**Group Human  
Resources**  
 HR Executive: Talent  
 Management  
 12 years' service

**Michael Davis (41)**  
**Balance Sheet  
Management**  
 Executive Head: Group  
 Asset, Liability and  
 Capital Management  
 16 years' service

**Herman de Kock (39)**  
**Nedbank Business  
Banking**  
 Divisional Executive:  
 Northern Business Unit  
 10 years' service

**Anton de Wet (46)**  
**Nedbank Retail**  
 Managing Executive:  
 Client Engagement  
 Management  
 15 years' service

**Bedresh Dhanjee (43)**  
**Nedbank Business  
Banking**  
 Executive Head: Risk  
 23 years' service

**Lionel Diakanyo (37)**  
**Group Finance**  
 Executive Head: Risk  
 and Compliance  
 11 years' service

**Sicelwesihle Dlamini  
(44)**  
**Enterprise  
Governance and  
Compliance**  
 Head: Governance and  
 Compliance Shared  
 Services  
 10 years' service

**Brian Duguid (51)**  
**Nedbank Retail**  
 Managing Executive:  
 Nedbank Integrated  
 Channels  
 31 years' service

**Adriaan du Plessis (53)**  
**Nedbank Corporate**  
 Executive Head:  
 Transactional Banking  
 21 years' service

**Sarel du Plessis (52)**  
**Group Human  
Resources**  
 Executive: HR  
 Operations  
 19 years' service

**Dennis Dykes (52)**  
**Strategic Planning and  
Economics**  
 Group Chief  
 Economist  
 29 years' service

**Craig Evans (47)**  
**Nedbank Business  
Banking**  
 Divisional Executive:  
 Coastal and Inland  
 Business Unit  
 19 years' service

**Alan Faber (48)**  
**Balance Sheet  
Management**  
 Executive Head:  
 Strategic Projects,  
 Reporting and  
 Execution  
 15 years' service

**Gerda Ferreira (48)**  
**Group Risk**  
 Head: Group Forensic  
 Services  
 9 years' service

**Annette Francke (38)**  
**Nedbank Business  
Banking**  
 Executive Head: Retail  
 and Business Banking  
 Strategy, Group  
 Innovation; BB  
 Marketing and  
 Communication  
 7 years' service

**Ian Fuller (57)**  
**Group Finance**  
 General Manager:  
 Group Shared Services  
 Centre  
 15 years' service

**Gregory Garden (56)**  
**Marketing,  
Communications and  
Corporate Affairs**  
 Group Brand Executive  
 14 years' service

**Sydney Gericke (54)**  
**Nedbank Retail**  
 Managing Executive:  
 Retail Card and  
 Payments  
 24 years' service

**John Gibson (50)**  
**Nedbank Wealth**  
 Executive Head: Trust  
 and Fiduciary (Local)  
 1 years' service

**Kershini Govender (39)**  
**Marketing,**  
**Communications and  
Corporate Affairs**  
 Divisional Executive:  
 Strategy and  
 Alignment  
 10 years' service

**Konehali Gugushe (37)**  
**Marketing,**  
**Communications and  
Corporate Affairs**  
 Divisional Executive:  
 Corporate Social  
 Responsibility  
 5 years' service

**Nancy Gwama (41)**  
**Nedbank Wealth**  
 Executive Head:  
 Marketing  
 Less than 1 years' service

**Dhiren Haripersad  
(34)**  
**Balance Sheet  
Management**  
 Executive Head: Group  
 Value-based  
 Management  
 2 years' service

**Greg Horton (56)**  
**Nedbank Wealth**  
 Managing Executive:  
 Wealth Management  
 (International)  
 18 years' service

**Glynis Hunziker (41)**  
**Group Risk**  
 (Direct reporting to  
 Chair of Group Audit  
 Committee) Chief  
 Internal Auditor  
 17 years' service

**Keith Hutchinson (54)**  
**Nedbank Retail**  
 Managing Executive:  
 Retail Secured Lending  
 26 years' service

**Nick Jacobs (47)**  
**Group Risk**  
 General Manager:  
 Group Legal and Risk  
 Services  
 19 years' service

<b>Bertus Janse van Rensburg (38)</b> <b>Nedbank Wealth</b> Chief Risk Officer 7 years' service	<b>Shamelle Maharaj (40)</b> <b>Nedbank Corporate</b> Executive Head: Human Resources 15 years' service	<b>Chico Naidu (57)</b> <b>Nedbank Business Banking</b> Executive Head: Innovation, Process and Project Integration Services 35 years' service	<b>Clinton Rodgers (41)</b> <b>Group Human Resources</b> HR Executive: Rewards Management Less than 1 year's service	<b>Nomaxabiso Teyise (33)</b> <b>Nedbank Business Banking</b> Executive Head: Human Resources 9 years' service
<b>Karel Janse van Rensburg (39)</b> <b>Nedbank Capital</b> Executive Head: Finance 5 years' service	<b>Patricia Maqetuka (53)</b> <b>Group Technology</b> Divisional Executive: Wholesale Banking Technology 20 years' service	<b>Priyabashni Naidoo (39)</b> <b>Nedbank Corporate</b> Executive Head: Finance and Strategy 12 years' service	<b>Sarel Rudd (57)</b> <b>Nedbank Retail</b> Managing Executive: Personal Loans 10 years' service	<b>Johan Theron (43)</b> <b>Group Risk</b> Chief Credit Officer 14 years' service
<b>Anthony Johnson (35)</b> <b>Balance Sheet Management</b> Executive Head: Group Credit Portfolio Management 4 years' service	<b>Walter Marte (36)</b> <b>Nedbank Wealth</b> Chief Financial Officer 7 years' service	<b>Dion Nair (37)</b> <b>Nedbank Wealth</b> Executive Head: Insurance Distribution 7 years' service	<b>Iolanda Ruggiero (42)</b> <b>Nedbank Wealth</b> Chief Operating Officer 10 years' service	<b>Tabby Tsengiwe (41)</b> <b>Marketing, Communications and Corporate Affairs</b> Divisional Executive: Group Communications 5 years' service
<b>Patiswa Jumba (40)</b> <b>Nedbank Wealth</b> Executive Head: Human Resources 4 years' service	<b>Bradley Maxwell (38)</b> <b>Nedbank Capital</b> Executive Head: Investment Banking 11 years' service	<b>Thulane Ngele (40)</b> <b>Group Human Resources</b> HR Executive: Industrial Relations, Transformation and Compliance Less than 1 year's service	<b>Andrew Sematimba (45)</b> <b>Group Technology</b> Divisional Executive: Africa Technology and E-Commerce 11 years' service	<b>Elsa Tshatedi (51)</b> <b>Nedbank Capital</b> Executive Head: Human Resources Less than 1 year's service
<b>Goolam Kader (46)</b> <b>Nedbank Business Banking</b> Divisional Executive: Cape Business Unit 14 years' service	<b>Sydney Mbhele (39)</b> <b>Marketing, Communications and Corporate Affairs</b> Divisional Executive: Integrated Marketing 1 year's service	<b>Sibongiseni Ngundze (43)</b> <b>Nedbank Retail</b> Managing Executive: Retail Relationship Banking 9 years' service	<b>Terence G Sibya (43)</b> <b>Nedbank Capital</b> Executive Head: Coverage and Origination 1 year's service	<b>Jan van Zyl (43)</b> <b>Group Risk</b> General Manager: Group Operational Risk Management 1 year's service
<b>Grant Kelly (40)</b> <b>Nedbank Corporate</b> Executive Head: Risk 8 years' service	<b>Wayne McAdam (52)</b> <b>Strategic Planning and Economics</b> Head: Group Strategy 20 years' service	<b>Sakkie O'Neil (63)</b> <b>Marketing, Communications and Corporate Affairs</b> Divisional Executive: Transformation 14 years' service	<b>Glenn Smith (54)</b> <b>Group Technology</b> Divisional Executive: Mobile and Digital 16 years' service	<b>Anees Vazeer (43)</b> <b>Nedbank Wealth</b> Executive Head: Short-term Insurance 6 years' service
<b>Thulani Kunene (39)</b> <b>Nedbank Wealth</b> Executive Head: Compliance Less than 1 years' service	<b>Neil McCarthy (41)</b> <b>Nedbank Capital</b> Executive Head: Risk 17 years' service	<b>Anny Pachyannis-Alman (57)</b> <b>Group Risk</b> General Manager: Group Market Risk Monitoring 16 years' service	<b>Bittie Smook (56)</b> <b>Enterprise Governance and Compliance</b> Head: Nedbank Editorial and Language Services 31 years' service	<b>Hendus Venter (41)</b> <b>Group Technology</b> Divisional Executive: Retail Banking and Wealth 11 years' service
<b>Peter Lane (56)</b> <b>Nedbank Capital</b> Group Treasurer 23 years' service	<b>Darryl McMullen (53)</b> <b>Group Finance</b> General Manager: Group Financial Control 25 years' service	<b>Gavin Payne (50)</b> <b>Nedbank Retail</b> Executive Head: Risk Retail and Business Banking 29 years' service	<b>Murray Stocks (46)</b> <b>Nedbank Corporate</b> Executive Head: Corporate Shared Services 21 years' service	<b>Alfred Visagie (40)</b> <b>Group Finance</b> Head of Investor Relations 12 years' service
<b>Millicent Lechaba (45)</b> <b>Nedbank Retail</b> Executive Head: Human Resources 7 years' service	<b>Sheralee Morland (48)</b> <b>Group Risk</b> General Manager: Enterprise Risk Management 7 years' service	<b>Meshack Qacha (49)</b> <b>Group Finance</b> Head: Governance and Ethics 17 years' service	<b>Ashley Sutton-Pryce (59)</b> <b>Nedbank Retail and Business Banking</b> Executive Head: Retail and Business Banking Human Resources and Communications 39 years' service	<b>Veona Watson (46)</b> <b>Group Finance</b> General Manager: Finance Strategy and Projects 13 years' service
<b>Thabang Legae (42)</b> <b>Group Technology</b> Divisional Executive: Solutions Delivery 5 years' service	<b>Maryna Mouton (42)</b> <b>Enterprise Governance and Compliance</b> Head: Governance and Ethics 17 years' service	<b>Dean Retief (38)</b> <b>Group Human Resources</b> HR Executive: People Development 13 years' service	<b>Hendrik Swanepoel (50)</b> <b>Group Technology</b> Divisional Executive: Risk, Security and Shared Services 19 years' service	<b>Mark Weston (49)</b> <b>Nedbank Capital</b> UK Country Head 22 years' service
<b>Douglas Lines (42)</b> <b>Nedbank Business Banking</b> Divisional Executive: Gauteng Business Unit 12 years' service	<b>Khoski Mpungose (34)</b> <b>Group Risk</b> Executive Head: Group Risk Human Resources 7 years' service	<b>Mark Rock-Perring (45)</b> <b>Marketing, Communications and Corporate Affairs</b> Divisional Executive: Market and Client Insights 14 years' service	<b>Colin Wheater (59)</b> <b>Group Technology</b> Divisional Executive: Information Technology Infrastructure and Operations 22 years' service	<b>Andre Young (43)</b> <b>Group Technology</b> Divisional Executive: Human Resources, Marketing and Communications 1 year's service
<b>Andrew Lodge (55)</b> <b>Nedbank Wealth</b> Executive Head: Trust and Fiduciary (International) 16 years' service	<b>Ray Naicker (36)</b> <b>Group Technology</b> Divisional Executive: Programme Management and Design Architecture 12 years' service			
<b>Thando Lukhele (39)</b> <b>Group Technology</b> Divisional Executive: Governance, Compliance, Legal, Procurement and Vendor Management 8 years' service				

# Business Profile



GRI  
G3.1: 2.2,  
2.7,  
EC2

Group



Wholesale and retail banking services  
Insurance  
Asset management  
Wealth management

Nedbank Capital



Investment banking, global markets and treasury solutions to institutional and corporate clients.  
Offices: SA and London  
Representative offices: Angola, Toronto

Nedbank Corporate



Lending, deposit-taking, transactional banking and property finance to SA corporates with a turnover > R700m pa.

Financial metrics

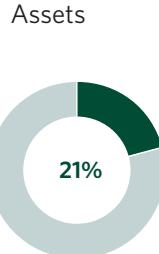


ROE<sup>1</sup>  
16,4%

ECap<sup>2</sup>  
R57,7bn  
(100%)

Headline earnings  
R7,5bn  
(+21,4%)

Financial metrics

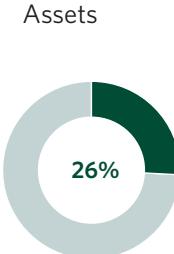


ROE<sup>1</sup>  
25,4%

ECap<sup>2</sup>  
R5,6bn  
(9,9%\*)

Headline earnings  
R1,42bn  
(+16,3%)

Financial metrics



ROE<sup>1</sup>  
22,5%

ECap<sup>2</sup>  
R8,1bn  
(14,0%\*)

Headline earnings  
R1,82bn  
(+15,7%)

<sup>1</sup> Return on equity.

<sup>2</sup> Economic capital.

\* % of group total.

The following pages offer a broad overview of the various clusters making up Nedbank Group's core business. For detailed information on business activities and strategies, as well as a review of 2012, please see the supplementary information on [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za) or on the **Nedbank App Suite™**.



### Nedbank Business Banking



Commercial banking to small to medium-sized businesses with turnover of R7,5m to R700m pa.  
Holistic offering for the business, business owners/households and employees.

### Nedbank Retail



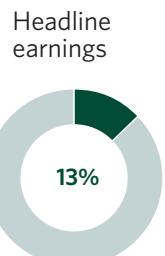
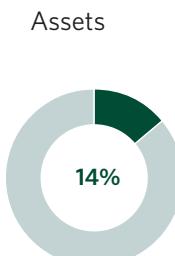
A bank for all financial needs of individuals and small businesses with a turnover < R7,5m pa.  
Transactional, card, lending, deposit-taking, risk management and investment products/services, as well as card-acquiring services for businesses.

### Nedbank Wealth



Insurance, asset management and wealth management, with offices in SA, London, Isle of Man, Jersey, Guernsey and in the Middle East.

#### Financial metrics

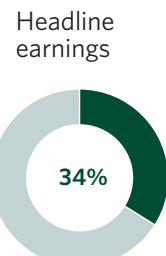
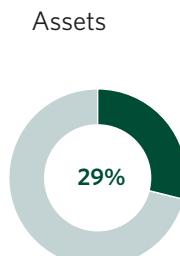


ROE<sup>1</sup>  
21,5%

ECap<sup>2</sup>  
R4,4bn  
(7,6%\*)

Headline earnings  
R0,94bn  
(+9,0%\*)

#### Financial metrics

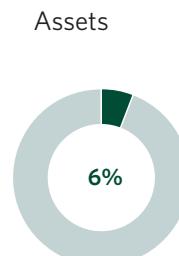


ROE<sup>1</sup>  
12,1%

ECap<sup>2</sup>  
R21,1bn  
(36,5%\*)

Headline earnings  
R2,55bn  
(+22,0%)

#### Financial metrics



ROE<sup>1</sup>  
29,6%

ECap<sup>2</sup>  
R2,4bn  
(4,2%\*)

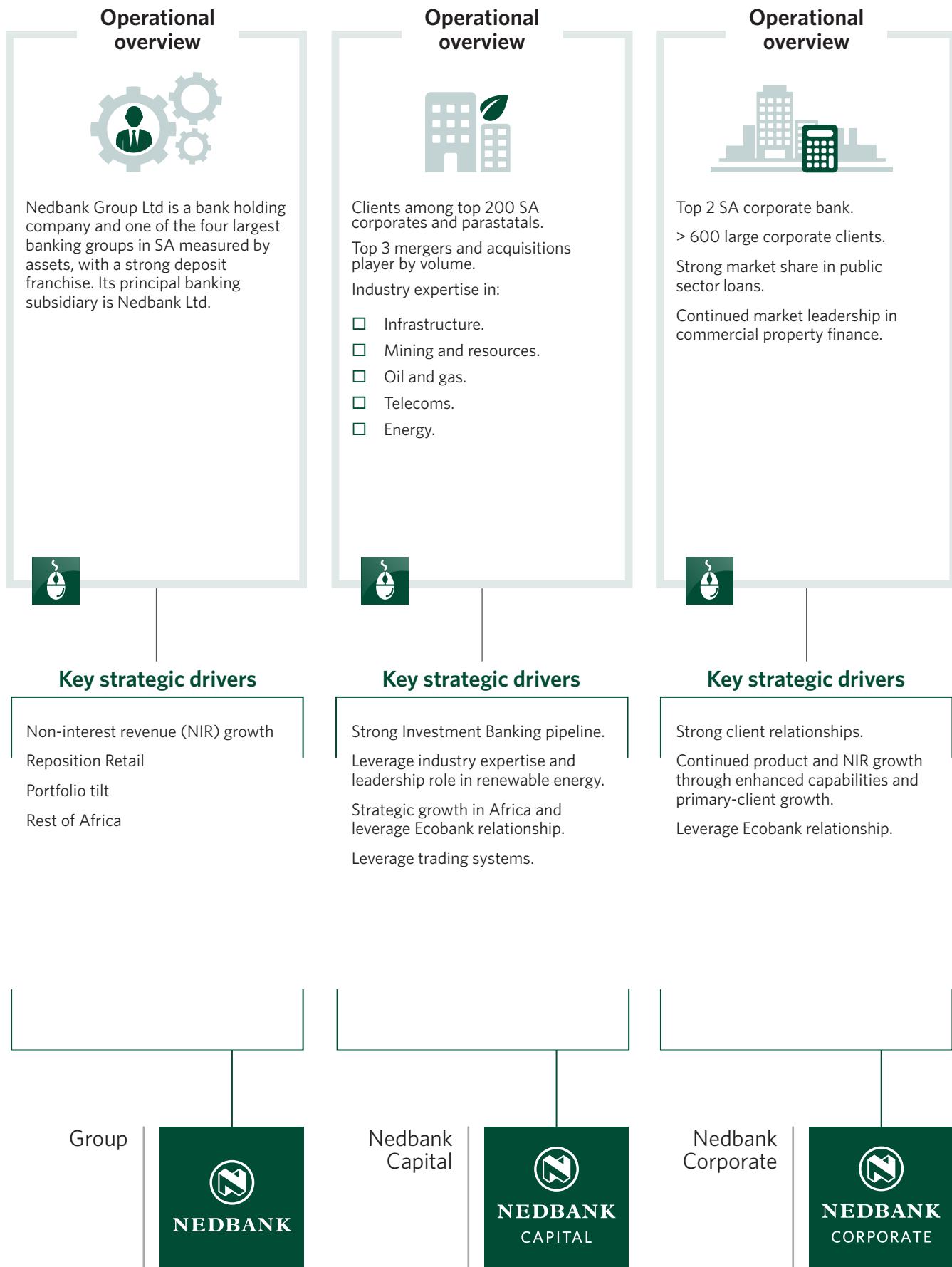
Headline earnings  
R0,72bn  
(+9,5%)

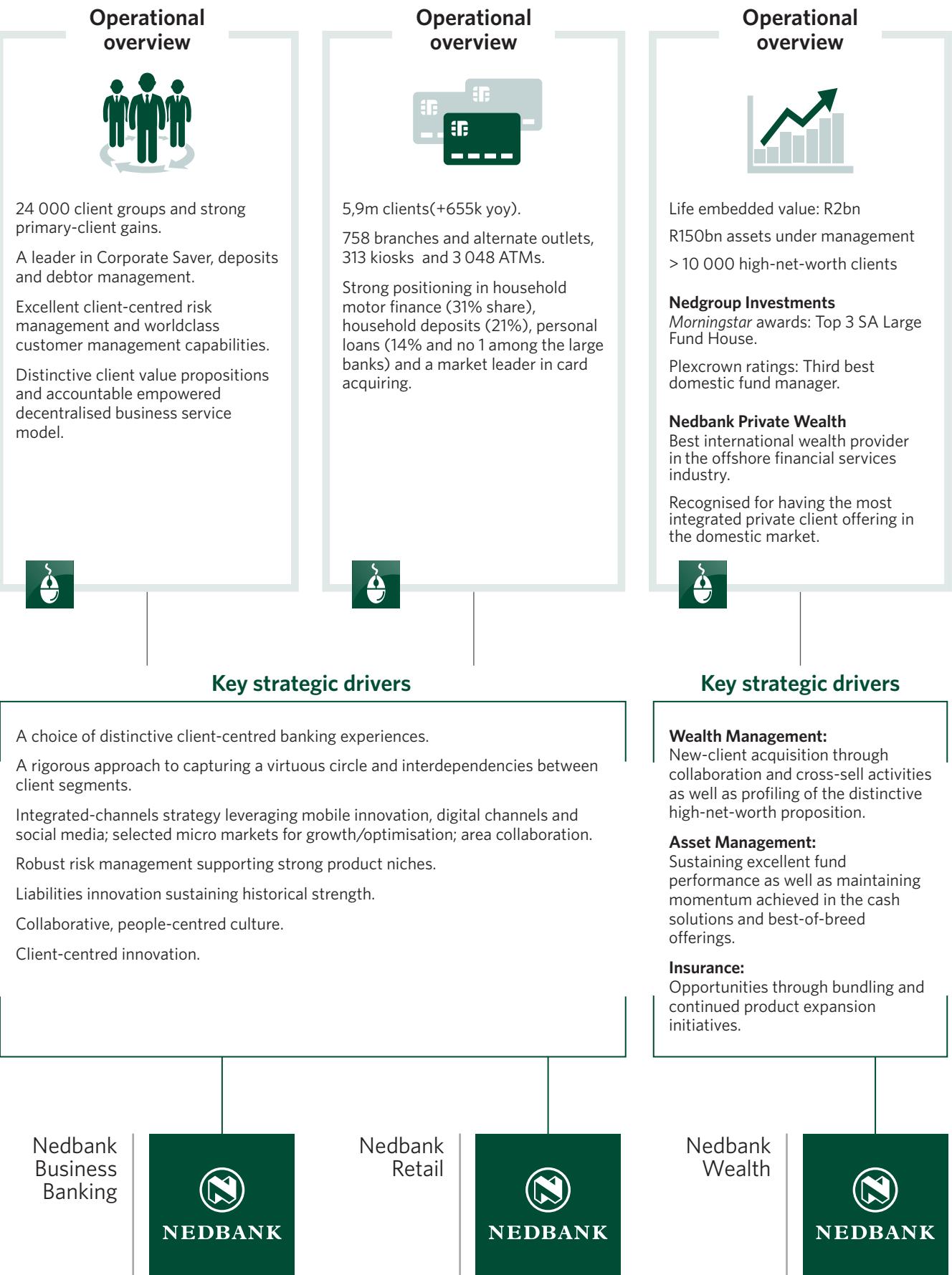
<sup>1</sup> Return on equity.

<sup>2</sup> Economic capital.

\* % of group total.

## Business profile (CONTINUED)





# Chief Operating Officer's Report

Graham Dempster  
Chief Operating Officer



## Enabling frontline clusters to operate effectively

Group  
Strategy  
Pg 10 - 11

### OVERVIEW

The objective of delivering the best possible client experience across all our market segments is ultimately dependent on whether our organisation operates in an aligned manner, enhancing our clients' ability to conduct business with the bank efficiently, and in a way that provides for a positive banking experience that meets and exceeds client's needs and expectations.

We are driven to provide the highest level of service to our clients, and recognise that the central specialist functions housed within the Chief Operating Officer's portfolio have a critical role to play in operating at worldclass levels in a coordinated way that enables the frontline clusters to operate effectively.

### STRATEGIC PLANNING

The group has a well-formulated strategic planning that which incorporates broad participation across the organisation. The process commences with the identification of high-level strategic drivers through in-depth group executive planning sessions, incorporating internal and external contributions, that are thoroughly evaluated and debated both at board level and deep within the organisation. This informs our strategic choices for the organisation, are agreed at board level and act as the framework for detailed three-year planning processes to be undertaken, culminating in the board approving these plans in the fourth quarter of the year. This year the professionalism of the process and collaboration across the organisation resulted in plans of a very high quality, which is fundamental for the disciplined execution of our strategic intent.

## **PORTFOLIO TILT - BASEL III**

Through the bank's specialist skills in balance sheet management, the cluster has ensured that the bank is at the forefront of global thinking in relation to Basel III and the significant advantages that can be derived from leading and incorporating the principles of active balance sheet management in our strategies across the bank. This has enabled the bank to be positioned extremely well from a Basel III capital position and liquidity coverage ratio perspective at the end of 2012. In addition, good traction was maintained on ensuring that our valuable capital and liquidity resources are deployed in line with our strategic intent to build sustainable businesses that generates economic profits, a concept we term 'portfolio tilt'.

## **IT SYSTEMS**

Group Technology has continued to make good progress in rationalising and simplifying our systems from a total of 220 to 60 over the medium term, with 40 systems rationalised to date, reducing the number of systems to 180. In addition, significant developments took place in the digital and electronic field with the establishment of the secure digital highway, which is essential to being able to roll out Apps on a regular basis that are innovative and provide exceptional security for transaction purposes.

The external benchmarking exercise conducted by a global IT expert consultancy last year was vital in guiding our focus on continuing to invest in our IT platforms to close the slight gap and attain a worldclass level in our efficiency.

On a strategic level, approval was granted for an integrated ERP system, incorporating finance, procurement and human resources, to one system in line with our drive to enhance efficiency. In addition, in line with our key strategic focus of growing in the rest of Africa the principle of developing a model bank operating off a common core banking platform with standardised products, policies, processes and procedures has been endorsed, and this is essential to ensuring that the bank is in a position of strength to be able to expand the number of countries in which it operates in a well-managed environment that offers the ability to be efficient, to manage risk appropriately and to provide clients with a consistent, higher level of client experience.

## **NEDBANK BRAND**

We have invested significantly in formulating attractive client propositions in all market segments and our brand awareness and appeal continue to strengthen. During the year the Brand Committee made the decision to appoint a new agency with the brief to create an integrated brand positioning for the entire group in a drive to continue to enhance and accelerate the perceptual step change that the bank wants to achieve in its brand strength.

## **LEADERSHIP DEVELOPMENT**

Last year we reported indepth on our major long-term commitment to investing in the development of our leadership capabilities across all levels of the organisation. We believe that our unique corporate culture, developed through the processes of encouraging personal mastery and team effectiveness, is our ultimate competitive advantage in a people-intensive skills business and that it is vital in building a vision-led, values-driven organisation. We seek feedback from our people through our Barrett corporate culture survey and our staff survey, and the year-on-year improvements were material off an already high base. Particularly pleasing was that our entropy level is now at 10%, indicative of an organisation operating at healthy, worldclass levels.

## **REST OF AFRICA**

At the beginning of 2012, following the deepening of the strategic alliance with Ecobank through the grant of a \$285m term loan and subscription rights for Nedbank to acquire a 20% stake in Ecobank, the Rest of Africa subsidiaries were incorporated into a single division, focused exclusively on the bank's existing operations, investments and expansion activities in the rest of Africa.

# Building our **Pan-African franchise**

## **OVERVIEW**

In 2012 the next step in building our Pan-African franchise was taken through the consolidation of our banking activities on the continent into the Rest of Africa Division by restructuring the Nedbank banking subsidiaries and the Ecobank-Nedbank Alliance into a single unit within the Chief Operating Officer's portfolio. This realignment is in line with growth in the rest of Africa, being one of the four key strategic focus areas of the group.

## **STRATEGY**

Nedbank is expanding its activities on the continent from a position of strength in its SA business, building partnerships and following a longer-term, capital-efficient, risk-mitigated expansion strategy, which is based on following our clients as they expand and grow in the faster economic growth areas in the rest of Africa.

A comprehensive strategy for our expansion on the continent and the detailed operating model have been developed to enable Nedbank to position itself as an African champion bank over the longer term. The plan covers the broadening of activities in the existing subsidiaries, the upgrading of policies and processes and the installation of a standardised model bank core banking platform to enhance quality of client service and cost-efficiencies to be deployed in all businesses, current and future.

The Ecobank-Nedbank Alliance was established in 2008 between Ecobank and Nedbank across both banks' footprints, covering 36 countries across sub-Saharan Africa. This is the largest geographic banking network on the continent. The alliance aims to provide clients with a one-bank client experience, offering banking services and access to local knowledge across the footprint, thereby partnering with and supporting clients as they grow their businesses on the continent.

The term loan and the subscription rights arrangement with Ecobank is value creating, providing resources for Ecobank's expansion and giving Nedbank and its shareholders a significant investment opportunity in the faster growing markets in the continent with a geographically diversified spread of earnings.

Nedbank has banking operations in five countries in SADC and we will continue to strengthen our position in the region:

- We will be investing in our existing subsidiaries in order to increase our presence and improve profitability and efficiency. We are broadening our physical presence and expanding our product offering to appeal to the broader market as well as having a focus on client service and cost-effectiveness.
- A continual process of evaluating opportunities to enter new markets within SADC and East Africa is under way in line with the intent to have a larger country presence in the region.

## OPERATIONAL REVIEW

The Rest of Africa banking subsidiaries provide universal banking in five Southern African Development Community (SADC) countries, namely Lesotho, Malawi, Namibia, Swaziland and Zimbabwe. The subsidiaries offer retail and wholesale banking. The Kenya representative office, based in Nairobi, focuses on trade finance opportunities in East Africa. The Rest of Africa Division produced headline earnings of R168m up 35% on 2011.

Regulators of a number of countries are taking steps to strengthen their banking systems and regulatory environments to provide the foundation for stronger economic growth and to attract investment. These steps include higher minimum capital levels, local equity participation and skills transfer.

This provides opportunities for the group to act as a participant in consolidating and strengthening the banking industry as well as our own competitiveness. Careful evaluation of the size of a banking market relative to the gross domestic product of the country is essential in assessing whether the objectives of strengthening the banking system are structured in a way that also enables individual banks to generate appropriate returns on the enlarged investment requirement.

Following the deepening of the alliance through the \$285m loan facility and rights to acquire an equity stake of up to 20% in Ecobank Transnational Incorporated (ETI), the number of SA corporates utilising the Ecobank-Nedbank Alliance footprint to achieve their own African growth aspirations has increased substantially. Both Nedbank and Ecobank are leveraging the alliance so they may jointly serve multinationals across its combined footprint. We expect this trend to continue as corporates seek the value of access to banking and advisory services in more countries across the subcontinent.

In 2012 Nedbank and Ecobank jointly hosted two major events on the African events calendar:

- The African Banker Awards held at the African Development Bank meetings in Arusha, Tanzania, in May.
- The African Investment Conference held at the Nedbank Headoffice in Sandton, SA, in October. The Honourable President Joyce Banda of Malawi was the keynote speaker at this event.



## LOOKING FORWARD

- We will continue to leverage the relationship with Ecobank in supporting SA and other international corporates seeking growth in Africa through our one-bank value proposition.
- In line with our strategy, we will be seeking new investments in countries in the SADC and East Africa region.
- We will continue to grow a strong franchise through investment in a distribution network, new products and systems in the existing subsidiaries.

# Sustainable Development Performance Review

'For Nedbank Group, sustainability is not simply something we do; it is a state we aspire to achieve. Not just because sustainability is the only morally acceptable path for any organisation today, but also because being a sustainable bank simply makes perfect business sense.'

Mike Brown  
Chief Executive

## BUILDING A SUSTAINABLE SOCIETY, BUILDING A SUSTAINABLE BANK

SA is going through a unique period in its history, wherein the relationships between government, business, labour and society are being remoulded and adapted to meet the unprecedented challenges of the 21st century.

It is our view that this changing business landscape presents both risks and opportunities to Nedbank as, according to our research, companies which have integrated sustainability into their strategies and operations have demonstrated greater resilience and agility when responding to external and internal drivers, as well as optimising their long-term profitability.

For Nedbank Group, we have been refining our ability to adapt and respond to the changing business environment in SA for some time. This has culminated in our current integrated sustainability approach that combines economic, social, environmental and cultural sustainability considerations as our way of contributing towards creating a better future for all people, and the planet on which we live.

As a responsible corporate citizen that recognises the risks our country faces, and the urgency with which we all need to address them, Nedbank Group has accepted and embraced its responsibility to do whatever it can to make a positive impact on the future – and make every effort to encourage and enable others within our sphere of influence to do the same. This is reflected in our long-term vision and our strategic response, namely Fair Share 2030, which provides a framework for delivery on our social purpose – thereby delivering better outcomes for society. For further information refer to page 11.



Material  
Matters  
Pg 7



Group  
Strategy  
Pg 10



Environ-  
mental  
Sustain-  
ability  
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Supple-  
mentary  
content  
online

### Enable sustainability through our products and services

To encourage and support the sustainability efforts of our clients we offer a range of responsible banking and financial solutions. We are also committed to harnessing responsible lending and investment practices as a means of ensuring the long-term sustainability of both our own organisation and those of our clients.

### Lead through collaboration and partnership

As one of Southern Africa's largest banking groups, we know we have the opportunity and the responsibility to use our influence to encourage others to maximise their positive impact. We therefore work closely with selected partners and interested stakeholders to build a more sustainable business and society.

### Manage our own impact

In leading by example we accept responsibility for managing and limiting the direct impact that our operations have on the environment and society.

## SUSTAINABILITY GOVERNANCE STRUCTURES AND POLICY FRAMEWORK

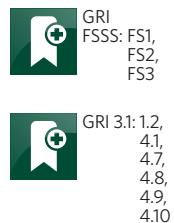
We recognise that robust sustainability governance structures and policies are key to our effectiveness. In addition, by integrating sustainability policies and structures into the fabric of the business, we are able to identify and quickly act on relevant risks and opportunities as these arise.

As a sub-committee of the Nedbank Group board, the Group Transformation, Social and Ethics Committee (GTSEC) assumes ultimate responsibility for monitoring and refining all social, environmental, ethical and human-capital-related policies and ensuring that they are integrated into the Nedbank Group philosophy and practices. However, the Executive Committee member responsible for enterprise governance and compliance assumes overall accountability for such integration of sustainability into the business.

A comprehensive table that sets out potential risks and opportunities, the board and executive risk management committees in place to manage the risk, the policies, and forums supporting the committees and the principles guiding the risk management processes is available online. In addition it further outlines relevant opportunities that arise from pursuing each key strategic focus area. The governance structures simultaneously serve to leverage identified opportunities.

## SOCIAL AND ENVIRONMENTAL RISK MANAGEMENT

During 2012 we continued to focus on consolidating and refining our social and environmental risk policies and management processes. In addition to making the content of these documents more accessible to all stakeholders – thereby encouraging positive environmental and social impacts – the consolidated policies offer greater protection of shareholder value and maximise opportunities to deliver improved returns on capital investments by ensuring and guiding responsible, fair and honest business practices. To this end, all policies are also regularly reviewed and updated where necessary.



### Social and Environmental Management System

Our social and environmental policies are linked to and supported by our Social and Environmental Management System (SEMS). These have also been integrated into the Group Credit Policy. SEMS is based on ISO 14001 and aligned with International Finance Corporation (IFC) best-practice, Equator Principles guidelines and is informed by the latest regulations. It details the policies, procedures, resources and workflow required to identify and assess the environmental or social impacts of lending activities that we undertake.

To give effect to this risk management commitment we developed a social and environmental risk evaluation tool as a screening mechanism for significant investments. The implementation of this evaluation tool across the group was initiated during the year under review.

SEMS further provides that we work with clients to achieve compliance. By supporting clients with the relevant information on legislative requirements, we endeavour to facilitate and promote clients' adherence to and compliance with social and environmental legislation.

In line with local and international best practice, SEMS incorporates specific sector policies developed in respect of high-impact sectors, including mining, oil and gas, agriculture, waste management, biodiversity and ecosystems.

## RESPONSIBLE INVESTMENT FOR SUSTAINABLE SUCCESS

In 2012 Nedbank Group adopted the Old Mutual Group Responsible Investments standards. Nedgroup Investments now participates in the Old Mutual Group Responsible Investment Committee (RIC), which reports into the Group Responsible Business. Our aim is to integrate environmental, social and governance criteria into all our investment-making decisions, in line with the Old Mutual commitment to the United Nations Principles For Responsible Investment (UNPRI) and the Codes for Responsible Investment SA (CRISA). We are also actively encouraging our Best of Breed™ partners to adopt and comply with the CRISA.

# Sustainable Development Performance Review (CONTINUED)

## RESPONSIBLE LENDING FOR SUSTAINABLE SUCCESS

As one of the leading providers of project finance in SA, Nedbank Capital reviews all potential project finance transactions for environmental and social compliance with Equator Principles, IFC performance standards and legislation. The business has adopted a highly integrated and proactive approach to compliance. Key to this approach is compliance with the Equator Principles, an international voluntary framework aimed at ensuring a consistent approach to managing environmental and social risks in project financing. We were the first African bank to adopt the Equator Principles in November 2005.

The risk categories of the Equator Principles are broadly defined as follows:

- Category A: High Risk – Projects with potentially significant adverse social and/or environmental impacts that are diverse, irreversible and/or unprecedented.

- Category B: Medium Risk – Projects with potentially limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
- Category C: Low Risk – Projects with minimal or no social and/or environmental impacts.

A total of 15<sup>v</sup> transactions that comply with the Equator Principles (per risk category) had their first drawdowns in 2012.

This is a significant increase on previous years and the result of a number of interconnected factors, including the establishment of a focused Oil and Gas Team within Resource Finance, which has contributed to a number of new finance opportunities/projects. The completion of a number of project finance transactions, particularly within the renewable-energy sector (many of which had previously been delayed), also contributed to the increase.



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GRI  
FSSS: FS5



GRI 3.1: 4.11,  
4.12,  
EN26,  
HR1,  
EC1

### Total Equator Principles deals 2007 – 2012

	2012	2011	2010	2009	2008	2007
Total number of deals – first drawdown	15 <sup>v</sup>	2	1	5	4	13
Category A	6	1	-	1	1	5
Category B	9	1	1	3	3	4
Category C	-	-	-	1	-	4
Total value of deals (US\$m)	938	172	25	174	84	239

## STAKEHOLDER ENGAGEMENT

In achieving and entrenching its integrated approach to sustainability, we take a highly collaborative approach, ensuring maximum interaction with, and input by, all our stakeholders. Our primary stakeholders are outlined in our vision statement on page 10 of this report.

For Nedbank Group, stakeholder engagement involves far more than merely communicating to our various stakeholder groups. We regard all our stakeholders as partners with our organisation and make every effort to use the engagement we have with them to provide full disclosure, deepen our relationships, influence attitudes and behaviours – particularly around sustainability, and afford them opportunities to provide us with valuable input and feedback that will help us to grow and strengthen our business.

The Nedbank Group Executive Committee holds overall responsibility for the group's stakeholders, however, the various business units and divisions of the organisation are empowered to maintain inclusive, mutually beneficial relationships with their stakeholders and to be proactive in engaging with them in a transparent and ongoing manner.

Online information provides an overview of our stakeholder engagements for 2012, highlights the key matters for attention identified by the various stakeholder groups, and offers a brief explanation of our response.

# Environmental Sustainability

'While Nedbank Group enjoys a well-established reputation for caring for the environment, we remain acutely aware that, to be truly effective, sustainability must not only deliver environmental benefits – it must also impact positively on people, communities, the economy, and the future of the country as a whole.'



Mike Brown  
Chief Executive

## Well-established reputation for environmental awareness, investment and action



We have a well-established reputation for environmental awareness, investment and action. But while our green credentials offer evidence of our commitment to caring for the environment, we believe that effectiveness in environmental sustainability requires an approach that also delivers positive social and economic consequences for SA and its people.

To this end we strive at all times to take an innovative and collaborative approach to environmental sustainability, thereby ensuring that we not only have a positive impact on the environment, but also remain a competent enabler and facilitator of financial and investment opportunities within the green space.

### RESPONDING TO ENVIRONMENTAL RISKS AND OPPORTUNITIES

Currently there is an unprecedented number of risks that have the potential to impact on the future of the planet and its people:



Fuel and energy costs are steadily rising and becoming more volatile and unpredictable owing to supply and production uncertainties;



Material resources are becoming increasingly scarce, causing more damaging extraction practices;



Water scarcity is developing into one of the greatest threats to mankind, limiting growth potential and impacting on energy and food security;



The world's population has reached the 7bn mark, with another 2bn people expected to be added by 2050;



Food security is on the decline, with the effect on prices anticipated to be a 70% to 90% increase by 2030;



The stability and sustainability of ecosystems are declining; and

Deforestation continues unabated.

While each of these risks, or megatrends as they are also known, is significant in and of itself, their potentially negative sustainability impacts are exacerbated by the fact that they are inextricably interconnected – forming a complex and unpredictable system in which a change in one can have an amplifying effect on the others.

The countries regarded as being most vulnerable and least prepared to deal with these risks are those with emerging and/or rural economies. This is of particular interest to us, as the majority of our business is generated in SA and we are actively expanding into the rest of Africa.

We recognise all these interconnected risks, and acknowledge our responsibility to help address them through our integrated sustainability commitment. We also understand that many risks can be transformed into opportunities (more detail is available online), which is why our approach to mitigating the primary risks relevant to our organisation includes identifying the prospects they present for us and our stakeholders.



### ENABLING ENVIRONMENTAL SUSTAINABILITY THROUGH PRODUCTS AND SERVICES

In an effort to stimulate green economy activity as well as to leverage the increasing number of environmentally aware investors, both locally and internationally, we are building a range of relevant products. The green products and services we offered in 2012 included:

#### Nedbank Green Savings Bond

The Nedbank Green Savings Bond is a fixed-term investment that offers flexible terms from 18 months up to five years, a competitive rate and guaranteed returns, while contributing to the green economy by assisting Nedbank to fund SA's renewable energy needs. The total Green Savings Bond balance at the end of 2012 was close to R1bn.

#### Nedbank's BGreen Exchange-traded Fund (BGreen ETF)

Following the successful launch of the Nedbank Green Index we also launched Nedbank's BGreen ETF in December 2011. As it is based on the index, it provides a mechanism for environmentally conscious investors to access the Nedbank Green Index. The BGreen ETF had a market capitalisation of R119m at 4 December 2012.

Nedgroup Life also offers the Guaranteed Exchange-traded Fund Plan as part of its Secure Investments portfolio. As this is based on the BGreen ETF and offered through Nedbank Financial Planners, it is another way in which our clients can gain access to the exciting work we are doing in bringing environmentally driven investments to the market.

#### Greenbacks 'green stream'

Our Greenbacks loyalty programme includes a 'green stream' that allows members to redeem loyalty points for goods that are environmentally friendly. To date 473 green products have been redeemed, with a rand value of over R180 000. The Nedbank Greenbacks Programme has grown by 15% year-on-year since inception in 2009 and will introduce small-business redemption offers in 2013 – a perfect platform on which to promote our Nedbank Greening your Business Programme, in partnership with BDFM.

#### Nedbank Green Affinity

Our clients can support environmental causes through the Green Affinity simply by choosing to use Nedbank Green Affinity banking, investment or insurance products. We donate money to The WWF-Nedbank Green Trust on behalf of these clients at no cost to them. Nedbank Green Affinity donations to the WWF-Nedbank Green Trust increased by a 47% to more than R12,8m (2011: R8,7m).

#### The Nedbank Green Index

The Nedbank Green Index provides an alternative equity benchmark for investors who understand the value of incorporating an environmental dimension into their investment decisions. It is consistent with the growing momentum in SA to incorporate environmental, social and governance (ESG) factors into this process. This is reflected in the latest amendments to the Pension Funds Act as well as the support of the Code for Responsible Investing by Institutional Investors in SA (CRISA) shown by local institutional investors.

#### eStatements

We continue to recommend to our clients that they convert to electronic statements (eStatements). This offering is available to clients with current accounts, cards, home loans, vehicle finance and personal loans. For every current-account client who chooses to convert to eStatements we donate 25 cents to the WWF Nedbank Green Trust. This money is earmarked for the support of projects on the trust's Climate Change Programme.

#### Solar Water Heater Programme

To enable clients to lead a more environmentally conscious lifestyle and to reduce demand on the overburdened electricity grid we have introduced a comprehensive solar water heater initiative, which includes the option for clients to replace burst geysers with solar geysers. The initiative was launched in 2011 and 255 Nedbank clients have used the facility to install affordable solar geysers in their homes or businesses. Nedbank is developing a similar proposition for staff to proactively replace geysers with alternative solutions.

#### Carbon financing

Carbon markets have been through a particularly turbulent time because of continued uncertainty surrounding the long-term international carbon commitments. Given our commitment to driving the green economy our Carbon Finance Unit will monitor developments in this area and respond appropriately.



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GRI  
FSSS: FS8,  
FS14



GRI 3.1: 1.2,  
2.2

## LEADING THROUGH COLLABORATION

As one of Southern Africa's largest banking groups, we know we have the opportunity and the responsibility to use our influence to encourage others to maximise their positive impact. We therefore work closely with selected partners and interested stakeholders to build a more sustainable business and society. Key partnerships include:

### World Wide Fund for Nature SA

Since we first partnered with the World Wide Fund for Nature SA (WWF-SA) in 1990 to establish The Green Trust, we have enjoyed a close working relationship with the organisation that has unlocked numerous mutual benefits and helped to enhance our contribution to environmental sustainability.

In recent years this partnership approach has again been strengthened through our support of two significant WWF-SA projects:

- In 2011 we committed to a R9m investment, over five years, in support of the WWF Water Balance Programme. The initiative is aimed at clearing alien vegetation at key water catchment areas around the country, thereby ensuring maximum water flow into these vital resource collection areas.

A successful 2012 saw the clearing of 131 ha of invasive alien plants, the release of 271 000 kl of water back into the ecosystem and the creation of 12 366 workdays.

- In 2012 we built on our growing portfolio of food security commitments with an R8,3m investment into the WWF-SA Sustainable Agriculture Programme. The project takes a partnership approach to enabling and equipping the country's farmers to become more actively involved in sustainable agriculture practices and more aware of their role as custodians of some of SA's most essential natural resources. In addition, the partnership sees WWF-SA working with our agriculture team for a better understanding of the social and environmental risks and opportunities in this challenging sector.



### Renewable-energy Independent Power Producers Programme

In 2012 we continued our involvement in and commitment to the Department of Energy's Renewable-energy Independent Power Producer Programme (REIPPPP). In 2011 Nedbank Capital provided the funding for 33% of the more than 1 200 mW of energy capacity represented by all the bids submitted in the first phase of the REIPPPP.

In 2012 phase 2 of the programme was launched and Nedbank Capital was mandated to provide funding and technical input for 39% of the allocated megawatt capacity in this phase.

These projects are predominantly in the solar and wind power categories with one small hydropower project.

Our close involvement with so many participants in the bidding process places us in the privileged position of being able to contribute significantly to the development of SA's renewable-energy future and ensure that it unlocks many environmental, social and economic benefits for the country.

## EXTERNAL ENGAGEMENTS AND ENVIRONMENTAL SUSTAINABILITY INITIATIVES

A significant part of our commitment to preserving the environment involves assisting and enabling other South Africans whether individuals or organisations to achieve, and contribute to, environmental sustainability in their home and work environments. As such we choose collaboration partnerships very carefully to ensure that whatever we undertake empowers stakeholders with the knowledge or the tools to make a conscious change to become more sustainable.

Initiatives in 2012 included offering the Nedbank/BDFM Greening Your Business course to small and medium businesses, the quarterly Nedbank Sustainability Outlook that provides cutting-edge thinking in terms of sustainability to our clients and investment analysts, and easy-to-understand SANS10400 energy usage guidelines for homeowners, developers and architects.

## MANAGING OUR IMPACT

### Carbon Neutrality

When we achieved carbon neutrality in 2010, not only were we the first financial services organisation in Africa to do so, but it also had the effect of propelling us into the next important phase of our environmental sustainability journey. The achievement also propelled us towards our vision of becoming a leader and driver of sustainability in SA and further afield.

In the years since we achieved carbon neutrality we have been able to leverage this position to enhance our client value proposition, contribute to the development of SA's green economy, and unlock numerous synergies and partnerships through close collaboration with like-minded organisations.

Importantly, our annual approach to carbon neutrality is to reduce first and then offset. Footprint reductions are achieved through internal behavioural changes and clearly defined reduction targets in terms of paper, water, electricity, waste, travel and carbon emissions.

We obtained the carbon credits required to offset our 2012 footprint from projects throughout Africa that

are delivering benefits for the continent's natural resources as well as its people and communities.

These include:

- The Rukinga Project;
- The Kibale National Park (Uganda) Natural High Forest Rehabilitation Project;
- Reliance Compost;
- eThekwin Landfill Methane Project; and
- Hout Bay Recycling Centre.

It is important to note that there are very few projects with verifiable carbon credits and social upliftment benefits. This has limited the types of projects that we have been able to invest in, particularly within SA.



### REDUCTION TARGETS

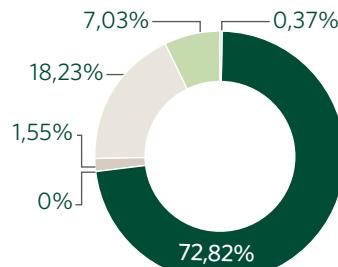
We recognise reduction targets as an effective and accurate way to measure and manage our carbon emissions as well as our impact on other vital resources. The clearly defined targets also ensure full transparency in our reporting on our reduction efforts and overall greenhouse gases (GHG). These are available online.

Resources consumption not reflected in the carbon footprint pie chart below includes 292 325<sup>v</sup>kl of water, 1 850<sup>v</sup> tonnes of paper, 372<sup>v</sup> tonnes of waste sent to landfill and 557<sup>v</sup> tonnes of waste recycled.

### CARBON EMISSIONS

Our total GHG emissions increased by 3,83% for the year under review to 226 309<sup>v</sup> tCO<sub>2</sub>e. The emission rate per FTE also increased by 1,8% from 7,74 tCO<sub>2</sub>e per FTE to 7,89 tCO<sub>2</sub>e per FTE, but decreased by 3,84% based on floor space to 0,34 tCO<sub>2</sub>e/m<sup>2</sup>. The increase per FTE was the result of the continued organic growth and our continuing efforts to expand the scope of our GHG reporting while simultaneously reducing our environmental impact. The positive impact of this approach can be seen in our reduction in electricity consumption per FTE by 0,67% to 5 801 kWh for 2012.

### 2012 Nedbank carbon footprint



- Scope 1: Emissions - 0,37%
- Scope 2: Electricity - 72,82%
- Scope 3: Product distribution - 0%
- Scope 3: Office paper - 1,55%
- Scope 3: Commuting - 18,23%
- Scope 3: Business travel - 7,03%

### Environmental Expenditure

In the 2012 financial year we invested R80,2m (2011: R61,2m) in a vast range of environmental initiatives, the most significant of which were carbon credit offsets (2012: R16,5m; 2011: R15m), energy efficiency initiatives, marketing associated with revitalising The Green Trust and investment in the WWF Agricultural Programme.

# Social Sustainability

Sustainable transformation, both of organisations and communities, is a fundamental South African business imperative.



Nedbank Group's approach to social sustainability and transformation is built on a foundation of trust.

We understand that social sustainability requires significant investments of time, money and effort, but given the moral imperative for transformation and the clear strategic and business opportunities it presents our business, these are investments that we are more than happy to make.

In addition to transforming our own business our social sustainability efforts include how we are

transforming financial services through access to finance, targeted investments, Black Economic Empowerment transaction financing, enterprise development, and preferential procurement. Important socioeconomic development work is also undertaken through our Foundation and related trusts as well as our affinity programmes.

It is important to read this section of the report in conjunction with the 2012 Nedbank Group Transformation Report for a full understanding of the work undertaken in this area.



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GRI  
FSSS: FS1,  
FS2,  
FS13,  
FS14



GRI 3.1: 2.2



Transformation Report



Supplementary content online

## ACCESS TO FINANCIAL SERVICES

By way of realising our goal of being a bank for all South Africans, we continue to invest in making banking services and accounts more accessible to all members of SA's population.

At the end of 2012, our national point of presence footprint stood at 1 071 (2011: 1 080), comprising 480 full-service branches, 190 in-retailer outlets, 88 personal loan branches and 313 personal loans kiosks, as well as various non-traditional banking outlets such as our branch-in-a-box innovation and mobile branches. We have also further invested in continuing building our innovative, alternate distribution outlets through our partnership with Pick n Pay and Boxer Stores for the past six years.

## EMPOWERMENT FINANCING

Consisting of the two elements of targeted investments and BEE transaction finance, empowerment financing is a significant pillar supporting our transformation commitment.

### Verified investment by Nedbank Group in empowerment financing

Category <sup>1</sup> (Rm)	Dec 2012	Dec 2011	Dec 2010
Targeted investments	13 553	10 590	5 681
Transformational infrastructure	2 968	2 781	1 906
Affordable housing	5 395	3 729	2 033
Black agriculture loans <sup>2</sup>	186	164	70
Black SME financing	5 003	3 916	1 672
BEE transaction financing <sup>3</sup>	6 061	7 349	6 570

<sup>1</sup> 2011 and beyond measurements comply with recommended standards developed as part of the FS Code.

<sup>2</sup> Agriculture as a sector had a tough 2012. While we would like to see an increase in the value of loans granted in the black agriculture sector, empowerment financing was further hampered by uncertainty around the regulatory environment, and issues such as labour unrest.

<sup>3</sup> The number of empowerment transaction opportunities continues to significantly reduce year-on-year.

## Targeted Investment

### Affordable housing – mortgages

The environment for mortgage lending in the affordable housing market remained challenging in 2012. Although demand for credit was relatively strong, the continued restrictive lending policies in response to the ongoing global economic crisis led to relatively high decline rates.

The key objective for 2012 was to ensure that good quality and correctly priced loans are placed on the books to ensure a profitable and sustainable affordable housing book.

### Property development finance

In response to the growing need for focused, specialised funding of new affordable housing developments to increase access to housing for South Africans in the lower income segments, the Affordable Housing Division within Nedbank Property Finance continued to leveraged the momentum it achieved in the previous two years to provide further funding of more than R986m and disbursements of R793m during 2012 for new affordable housing developments in the major metros across SA.

The current economic constraint continues to dampen the home loan appetite that banks have for end users. It follows that many developers in the affordable housing space are conservative in securing land, which is negatively impacting potential new business opportunities in this area.

### Agriculture finance

Nedbank's specialist agricultural unit is situated within Business Banking and focuses on tailored solutions for the agricultural industry, including primary production (horticulture, livestock and field crops) as well as secondary agriculture (agribusinesses and agriprocessing).

In 2012, Nedbank assisted 87 emerging black farmers and cooperatives by providing access to finance, supplemented with business skills training and specialist advisory services. This ensured relevant up-skilling, in line with growth and expansion of the agricultural business.

### Black SME financing

SMEs play a critical role in job creation, income generation, economic empowerment, and the economic growth of the country. At Nedbank, we are aware of the challenges that restrict the growth and development of SMEs and hence remain committed to creating an enabling environment that provides opportunities for businesses to become sustainable, job-creating enterprises.

SME clients have access to a skilled banker, who is supported by a team of specialists. Solutions are customised from a suite of products and services to meet the individual business need. This is further augmented by a comprehensive Enterprise Development proposition, which includes easier access to finance underpinned by training, mentorship, specialist advisory services and capacity building.

### BEE transaction financing

Nedbank Group selectively and strategically pursues BEE transaction funding opportunities by matching counterparty risk with structure and pricing. In 2012, we successfully completed a further eight BEE financing transactions worth a total of R906m. It is worth noting that the number of empowerment transaction opportunities continues to significantly reduce year-on-year.

## ENTERPRISE DEVELOPMENT

In 2012, enterprise development (ED) efforts were intensified in line with the strategic objective of ED being a key contributory factor to social and economic sustainability for SA. In addition to facilitating easier



access to finance, Nedbank provided business capacity building and support through various interventions aimed at developing and nurturing emerging businesses in line with market opportunities.

## Business support

During the year under review, we responded to needs of SMEs for specialised support through the introduction of incubators and business development programmes designed to address essential skills and financial requirements. Specific examples of successful interventions and activities aimed at SME businesses in various stages of the business life cycle were:

- The ED Municipality Programme;
- The Nedbank 702 Business Accelerator;
- Financial Management Training for Imbizo Entrepreneurs;
- Supporting cooperatives;
- Small Business Seminars;
- SimplyBiz business tools;
- 'It's My Biz' television series; and
- Small Business Friday™ campaign.

## Preferential procurement

Nedbank Group's procurement policy exists to ensure that sound procurement practices are employed to improve performance in every area of the group. This is achieved through rigorous application of best practice strategic sourcing and procurement principles, to enhance overall efficiency, while maximising the potential to exceed transformation targets.

Despite excellent performance across all areas of the procurement scorecard in 2012, the lack of BWO suppliers in significant categories of our supply chain remains challenging. To address this situation, the procurement department was restructured enabling resources to focus mainly on black women owned suppliers in order to achieve set goals.

In line with our commitment to the Local Procurement Accord in 2012 we undertook an in-depth analysis of our supplier base to better understand the local content of our spend. A high level analysis in 2011 had estimated 77% local content and the results of the 2012 in-depth analysis revised this figure to 73%. We will continue to update our management information as the standards and verification processes become clearer.

## SOCIOECONOMIC DEVELOPMENT

In terms of the B-BBEE Codes, corporates are required to spend at least 1% of their SA operations net profit after tax (NPAT) on social development and upliftment in 2012. For Nedbank this equates to R59,8m for the year under review. However for the 2012 financial year, Nedbank Group spent 1,60% of its 2011 SA NPAT, or R95m (2011: R75m) in support of 584 socioeconomic development or social sustainability initiatives in all

nine South African provinces. These funds are dispersed through the Nedbank Foundation Trusts, Nedbank Affinities, the Nedbank External Bursary Fund, Consumer Education initiatives, as well as corporate social responsibility projects and initiatives undertaken by various business clusters throughout the group.

## Transforming communities through youth and education development

We have continued to focus on building SA's talent pipelines, particularly in terms of critical and scarce skills, while supporting our own leadership development plans. The Nedbank Graduate and Nedbank Bursary programmes are key to this objective.

In 2012, highlights of the two programmes included the delivery of three regional graduate assessment centres, which resulted in 125 (2011: 134) graduates being accepted to the graduate programme for 2013. 104 graduates were employed by Nedbank in 2012. In 2013 an additional 28 external bursars were accepted for funding in qualifications aligned to the Nedbank scarce and critical skills, bringing the total number of Nedbank bursars to 168 (2011:226). The drop in numbers year-on-year was a result of graduations and dropouts.



## Consumer education

In 2012, more than 100 000 SA consumers received banking education training and awareness across all nine provinces. The cost to Nedbank Group of this training was R4,6m. Detailed information can be found online.

## Sustainability education

The Nedbank Caring for Communities programme has, for the past three years, been passing on Nedbank's sustainability expertise to young learners, their teachers and parents in some of SA's poorest communities.

In 2012, 45 Caring for Communities workshops were held, teaching 2 580 learners and 615 adults the value of sustainability for a better future. This was complemented by 62 community sustainability projects involving 1 075 volunteer Nedbank staff.

## THE NEDBANK FOUNDATION

The Nedbank Foundation (the Foundation) was established in 1992 and continues to play a central role in enabling Nedbank Group to fulfil its 'Deep Green' aspiration of 'being highly involved in the community and environment'. It does this by supporting community upliftment and development programmes that are empowering in the short-term and sustainable in the long-term with a particular focus on the four key focus areas of education (primary focus); community development; skills development and job creation; and health. Environmental impact is also given due consideration when projects are selected.

# Social Sustainability (CONTINUED)

Staff volunteerism is a further channel through which our staff are encouraged to support our social sustainability objectives.

Of growing importance in the corporate social investment arena is the ability to measure not only your input (or spend) but also your output (or impact of your investment). In acknowledgement of this we undertook an impact assessment of the current foundation activities. The assessment highlighted that our activities have both an immediate impact (relieves needs in the short-term) and a longer term impact that meaningfully improves the lives of the beneficiaries. More work in this regard will be undertaken in 2013.

## THE NEDBANK FOUNDATION FOCUS AREAS

### Focus area: Education

Worldclass quality education clearly is a prerequisite to continued economic growth and poverty alleviation. As such our Foundation allocates more than half of its CSI spend to this area.

To ensure the maximum positive impact of our education support, we have defined a two-pillar intervention model. The first pillar focuses on individual learners and ranges from support during the developmental early childhood years to bursary schemes for tertiary studies. The second pillar focuses on providing holistic support for the educators and the schools with which we work, enabling them to offer learners more effective education.

During 2012, our total investment in support of education amounted to R26,7m.

### Focus area: Community development

Wherever possible, the social and economic development initiatives we support are integrated sustainably to meet the living, financial and transformational needs of communities. A large number of Nedbank interventions address the immediate needs of the most vulnerable members of society - children, women, the elderly and the disabled.

Through our community development initiatives, we have provided funding to various welfare organisations, looking after orphaned and vulnerable children, including Johannesburg Child Welfare Organisation, Afrika Tikkun, The Lonely Road Foundation and Lebone Village.

The Hippo Water Roller project also continues and in 2012, a further 1 200 units were provided to various communities in KwaZulu-Natal, Mpumalanga, Eastern Cape and Limpopo.

The Nedbank Winter Campaign was rolled out to support orphaned and vulnerable children as well as the elderly, with more than 5 000 people benefiting.

More details of these and other community development initiatives undertaken or supported by Nedbank Group in 2012 are provided in the online version of this report.

The total investment by Nedbank Group into skills development and job creation initiatives amounted to R3,7m.



### SEEING THE RESULTS

'This place has changed my life; before I was enrolled in the course I knocked on many doors unsuccessfully, but have now found a holiday job at a hotel in Port Elizabeth and can provide for my family.'

**Ray Mhlaba, Skills Training Centre Beneficiary, Andiswa Rhode**



Transformation Report



Supplementary content online

### Focus area: Health

We remain firmly of the belief that the sustainable success of any community is inextricably linked to the health and wellbeing of its people. For this reason we continue to partner with organisations committed to driving long-term, sustainable health initiatives. Investment takes the form of both financial aid and sponsorship of infrastructure or vital equipment.

Details of the health and wellbeing initiatives supported by Nedbank Group in 2012 are provided in the online version of this report.

The total investment by Nedbank Group into health initiatives amounted to R1,9m in 2012.



### SEEING THE RESULTS

'It has been a rewarding experience for us to be able to administer this project in two of SA's disadvantaged provinces. It's always great to receive the necessary support from willing partners such as Nedbank, to deal with this global pandemic, which affects our country in a negative manner.'

**Jodi Ramsay, Programme Manager, Regency Foundation Network**

# Cultural Sustainability

True cultural sustainability can only be achieved when employees are encouraged and enabled to achieve their goals through the alignment of their personal and career growth objectives and values.



In 2012 we continued on our journey towards building Africa's most admired bank by all its stakeholders. A key emphasis for the achievement of this vision is the cultural sustainability of the organisation which requires a particular focus on the two specific areas of transformation and culture - both of which are integral to achieving our aspiration of being a great place to work.

The year 2012 also saw us placing a particular focus on creating an inclusive environment where employees have the freedom to contribute to a corporate culture that they desire - a culture where all are encouraged to achieve their goals with shared values and a shared vision for the future. Given our understanding of the importance of transformation and sustainability in cultivating this culture, further emphasis was placed on embedding a values-driven, innovative and client-centric environment.

## STRATEGIC CULTURAL SUSTAINABILITY FOCUS AREAS FOR 2012

### Implementing transformation as a qualitative and quantitative process

- Develop a transformation strategy centred on a culture of inclusion.
- Achieve and sustain senior management targets.
- Transfer knowledge and skills.
- Accelerated development plans.

### Enabling a client-centred culture

- Define our client-centred philosophy to enable client-centredness through integration of this philosophy into the HR value chain.

### Develop a groupwide change capability to enable organisational resilience

- Design a change management framework to embed a common language and approach to change.
- Scope and priorities key groupwide change management priorities to ensure that we deliver cohesively in terms of these priorities.

### Integrated talent framework

- Achieve a fully integrated talent framework.
- Revitalise the employee value proposition in line with the client value proposition.

### Learning academies to support performance

- Build core capabilities in prioritising job roles through job-family related academies.

### Reward and performance

- Reposition the Nedbank Reward Strategy to create a differentiated employee proposition.



Transformation Report

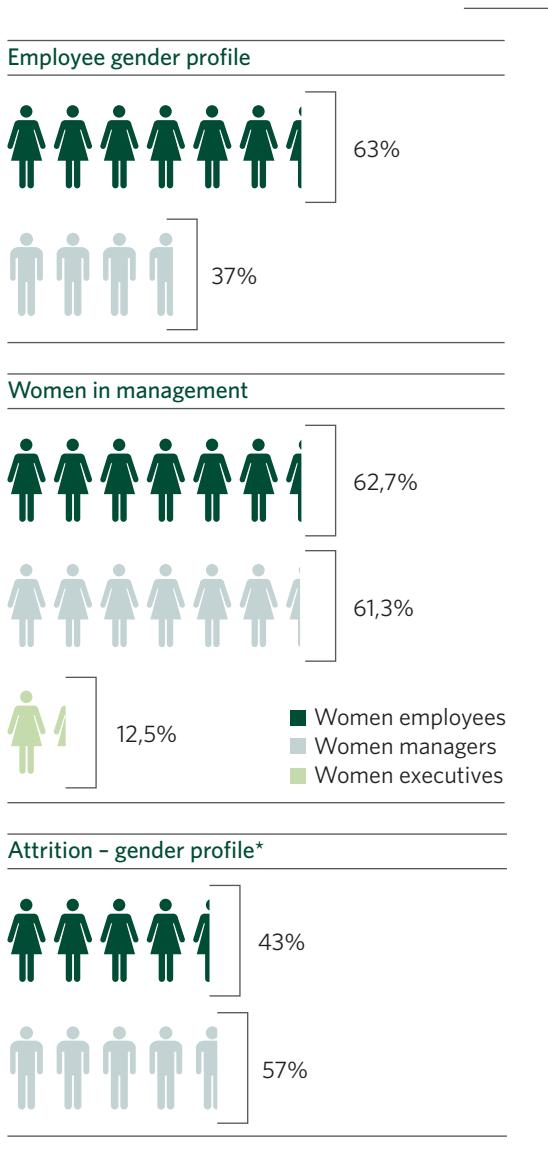


Supplementary content online

# Cultural Sustainability (CONTINUED)

## EMPLOYEE PROFILE

Our 2012 staff compliment was 28 748 (2011: 28 494). A detailed profile is available online.

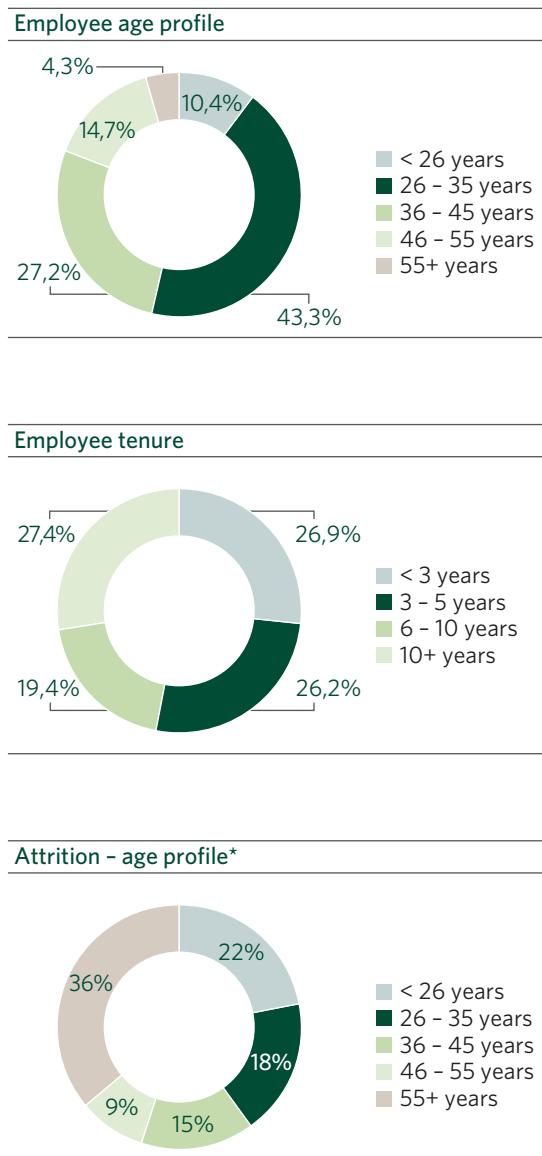


\* Attrition rates: 2012: 8,2%<sup>✓</sup> (2011: 7,6%).

## DRIVING TRANSFORMATION IN SA

We view transformation as a process of change, through which a culture of inclusion can be achieved. We therefore embrace transformation as a moral and a business imperative. Transformation shapes our business principles and is reflected in all our business policies, practices and procedures. We remain committed to leading in transformation both within the group and in support of the country.

During 2011 and 2012 the Department of Labour conducted a Director General Review on Nedbank Group. The results led the Ministry of Labour to conclude that we are one of the most progressive organisations when it comes to recruiting people with disabilities and is one of the SA organisations that has shown significant progress in achieving the goals and objectives of its EE Plan.



## People with disabilities (PWD)

In 2012 we continued our commitment to being a great place to work for employees with disabilities. Interventions and plans in support of this commitment included the Nedbank PWD Communications Plan, which was launched in the first quarter of the year and is closely aligned with the national and international calendar of events for PWD.

The percentage of Nedbank Group employees (total workforce) with disabilities in SA has increased from 2,76% in 2011 to 3,43% at the end of 2012. Significant progress has been seen in this area since 2006 (0,21%).



## Supporting women in the workplace

Our people transformation strategy places great emphasis on the advancement of women. This strategy aims to continue using current platforms, such as the Nedbank Women's Forum, to ensure that Nedbank is a great place to work for all female employees. We also leverage our sponsorship of the Business Women's Association of SA (BWASA) to strengthen our gender equity position.

While attaining female representation at executive and senior management level remains a challenge, research indicates that this is by no means unique to Nedbank Group and that it is indicative of global trends.

Against this challenging backdrop, we continue to focus on the advancement of women in the group.

To identify the barriers that women are facing, Great emphasis has been placed on the feedback received from women who attended the sessions. The recommended action plans have been developed and will be implemented from 2013.

## Employee relations

As part of our commitment to promoting and fostering good employee relations, we recognise the right of our employees to representation, freedom of association and collective bargaining. We also consult with our employees and their recognised unions on any restructuring activities that may be required. The minimum notice period for bargaining and non-bargaining units, as specified in agreements, is three months for any significant operational changes.

Altogether 133 disciplinary incidents and disputes were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) in 2012. This was slightly higher than the 124 in 2011, but the increase cannot be ascribed to any single factor.

The number of dismissals due to disciplinary incidents also increased to 209 for 2012 (2011: 171), with most related to instances of dishonesty and gross negligence. Our approach to dismissals remains firmly rooted in a fair disciplinary process.

During the year under review formal and informal management training and various focus group discussions were offered on the industrial relations aspect of managing discipline, grievances and performance. A total of 1 044 managers and supervisors attended these sessions.

## Collective bargaining

We embrace the principles of collective bargaining as we believe this helps to create healthy employer-employee relationships. On 31 December 2012 a total of 67,46% permanent Nedbank Group employees comprised the collective bargaining unit, although only 50,7% were actual paying members of the two

recognised trade unions. We utilise this process to agree fairly and equitably on the terms and conditions of employment for all bargaining-unit employees.

We also consult with employees and their recognised unions on any restructuring that may be required. During 2012 all such restructuring initiatives were successfully concluded without any forced retrenchments. While there were retrenchments these were voluntary and in most cases with early retirement where the individuals chose this option rather than alternative placements or re-location.

Actions taken to support the right to exercise freedom of association and collective bargaining are entrenched in our human resources policies.

## CREATING A UNIQUE AND INNOVATIVE CULTURE

A significant component of our vision of becoming the most admired bank in Africa by all stakeholders is a focus on effective two-way staff engagement. The annual Barrett Survey and NSS have become integral tools in terms of understanding the organisational culture and the overall corporate climate and working environment. By analysing the results of these surveys, we not only ensure that we constantly measure our cultural sustainability progress, but we are also able to implement practical, staff-driven initiatives supporting our cultural sustainability journey.

### The 2012 Barrett Survey

The results of this survey showed that Nedbank Group is a step closer to being a great place to work by achieving an entropy score of 10%<sup>✓</sup> (2011: 11%). An entropy score of 10% or less is internationally recognised as a minimum requirement for a truly healthy organisational culture.

### The Nedbank Staff Survey

This year also saw more Nedbank Group employees participating in the NSS than in the prior year, and the results showed a significant improvement from 74,4% in 2011 to 76,2%<sup>✓</sup> in 2012. This improvement was underpinned by statistically significant improvements in eight of the twelve dimensions, with the highest scoring dimensions being Strategic Direction and Rewards, Recognition and Performance Management.

## Enabling effective leadership

The Leading for Deep Green (LFDG) Programme provides managers with an opportunity to understand even better how they lead and relate to their team members. In 2012, this programme gained further momentum and it has now been extended to the end of 2015. During 2012, a total of 1 312 (2011: 656) employees were exposed to the programme and this number will continue to grow in 2013 in line with our aim of reaching at least 2 150 employees.



# Cultural Sustainability (CONTINUED)

## MANAGING AND NURTURING TALENT FOR TOP PERFORMANCE

### Talent acquisition

The primary focus for 2012 was to improve existing systems and processes to ensure that the talent acquisition process runs more smoothly and that we have the right partners on board to source the best people for our organisation. Our initiatives this year were focused on the alignment to the scarce-skills list to make sourcing for these skills easier and to build a future pipeline for these skills sets through the graduate and bursary programmes.

In 2012 a total of 164 698 (2011: 173 359) job applications were received, this included 121 358 internal applications and 43 340 external job applications.

2012 saw an increase in attrition, to 8,2%<sup>✓</sup> (2011: 7,6%) which could be attributed to the restabilisation of the job market and economy.

### Scarce skills

In 2011, Nedbank embarked on a journey to clearly define our scarce skills. In order to do this a Scarce Skills Scoring Tool was designed, which helped us to verify the extent and degree of scarcity of a skill. In 2012, we finalised our scarce-skills list, which now comprises 61 scarce-skills in 15 segments. Each of these skills have different ratings, which helps us to target our talent interventions to bridge the gaps in the supply of these skills both in the short and longer term.

### Flexible work practices

Global surveys point to the fact that industries such as finance, insurance, consulting services, and the professional, scientific and technical field, offer good opportunities for flexible work arrangements. In line with this global trend, we offer qualifying employees the opportunity to manage their work time and methods in ways that maximise their productivity. In the past year, we have observed a significant increase in the number of employees taking advantage of the opportunity to work flexibly. In 2012 we saw a significant increase, from 895 to 3 152 employees formally working flexibly. Most notable is the substantial increase in flexitime workers which increased to 2 894 from 658 in 2011.

### REWARD AND RECOGNITION

To deliver on our aspiration of being a great place to work we recognise the need for a highly integrated performance, reward and recognition framework. The findings of the NSS showed that our efforts in this regard are delivering results, with an improvement in employees' perceptions of performance, reward and recognition from 66% in 2011 to 76,6% in 2012.

### Reward

We take a 'total reward' approach to incentivising our employees to deliver optimum performance. This could take the form of a cash bonus (short-term incentive or STI) or share-based (long-term incentive or LTI) remuneration. These rewards are supplemented by a range of market-aligned employee benefits that form part of employees' cost-to-company remuneration packages and help them to achieve their financial planning goals.

### Performance management

An ongoing process of engagement on performance between employees and their line managers is encouraged. This ensures continuous improvement and enables responsiveness to changing business conditions. The process includes a bi-annual performance review where performance is formally rated by both the employee and the line manager. Altogether, 96% of our employees (2011: 92,1%) participated in the final performance review process in 2012 and confirmed their ratings on the Nedbank self-service HR portal.



Remuneration report  
Pg 98 - 129



GRI 31:45,  
LA10,  
LA12,  
LA14



Trans-  
formation  
Report



Supple-  
mentary  
content  
online

### DEVELOPING OUR EMPLOYEES

We understand that, rather than merely doing a job, our employees have unique career aspirations and place a priority on continuous personal development. Providing them with the support they need to reach their full potential is key to our ability to create a great place to work. Empowering employees to perform optimally also enables higher engagement levels and increases the ability of staffmembers to push beyond their boundaries, both for their own benefit and that of the organisation.

Training and development are integral to this philosophy, and thus in 2012, we recorded an average of 44 (2011: 43) hours of training per employee, with an average of 47,2 hours for females.

The training and development programmes and initiatives available to Nedbank Group employees include:

- Business education programmes (BEPs).
- Executive education programmes (EDPs).

- Internal bursary programme.
- Coaching.
- Nedbank academies.
- Learnerships.
- Internship.

## PROMOTING EMPLOYEE WELLNESS

### Employee Wellbeing Programme

In 2012 we continued to offer our employees a comprehensive Employee Wellbeing Programme (EWP), facilitated through Independent Counselling and Advisory Services (ICAS).

The EWP is integral to our overall employee wellness strategy, which aims to create a culture of physical and emotional health that, in turn, fosters personal commitment to healthy lifestyles and the reduction of health risks by employees themselves.

### Managing HIV/Aids and lifestyle diseases

We remain proactively committed to addressing HIV/Aids in a positive, supportive and non-discriminatory manner. We offer treatment to HIV-positive staffmembers through the Nedgroup Medical Aid Scheme. Employees and their dependants who are registered on the programme qualify for an additional unlimited benefit per registered beneficiary, which provides for blood tests and the chronic medication required to monitor and treat the condition. Anti-retroviral drugs are provided as part of a managed-care programme. Personal details are kept anonymous and not shared with anyone in the group.

To assist with the management of chronic lifestyle diseases we have developed a holistic and inclusive wellness strategy covering lifestyle diseases and HIV/Aids.

To date 2 076 employees have undergone comprehensive health testing during wellness days around the country. Of these, 1 337 elected to incorporate HIV testing. Onsite testing and education will be rolled out to more employees during 2013.

## OCCUPATIONAL HEALTH AND SAFETY

At Nedbank Group we place the highest priority on ensuring the health and safety of our employees. To entrench a culture of health and safety, our South African entities comply fully with the Occupational Health and Safety Act, 85 of 1993, including various

regulations and the Compensation for Occupational Injuries and Diseases Act, 130 of 1993.

Our group subsidiaries in other countries are required to comply with their local occupational health and safety laws or Nedbank Group's occupational health and safety policies - whichever are more stringent.

All our stakeholders, including staff, contractors, partners and clients, are required to agree to, and comply with, the Nedbank Group occupational health and safety policies and procedures. In 2012 Nedbank Group compliance with the Occupational Health and Safety Act was maintained at Gold level (2012: 97,39%; 2011: 98%).

### Incident recording and injuries on duty

In accordance with the Compensation for Occupational Injuries and Diseases Act 130 of 1993, it is Nedbank Group's policy to record and document all workplace injuries, including minor first-aid incidents, medical incidents and injuries on duty. Appointed accident investigators thoroughly assess and record all injuries on duty sustained by group employees and contractors.



GRI 3.1: LA8



Supplementary content online

### Occupational health and safety education and training

Comprehensive occupational health and safety training is available on the Nedbank Group intranet site and it is compulsory for all employees to complete this training. We also conduct an extensive occupational health and safety awareness programme throughout the year, which includes a wellbeing day, fire fighting challenge, regular 16.2 forums and recognition events. In 2012, a health and safety awareness DVD was also produced to educate staff about emergency risks and procedures.

### Risk control: compliance and emergency procedures

The group has emergency procedures in place for all headoffices buildings and retail outlets. Headoffices sites are also equipped with evacuation chairs, medical equipment and a portable public address system to assist with emergencies. All occupational health and safety appointees are fully trained in emergency procedures. Two annual evacuations drills are held in all headoffice sites and one in every retail outlet, and all staff, contractors and visitors are compelled to participate.

### Trade unions

Whenever necessary, we consult with trade unions on occupational health and safety matters.

# ASSURANCE STATEMENT

Independent Assurance Report on Selected Sustainability Information to the Directors of Nedbank Group Limited

We have undertaken an assurance engagement on selected sustainability information, as presented in the 2012 Nedbank Group Integrated Report (the Report) of Nedbank Group Limited (Nedbank) for the year ended 31 December 2012.

## SUBJECT MATTER AND RELATED ASSURANCE

The subject matter of our engagement and related assurance we are required to provide is as follows:

- 1 Limited assurance on Nedbank's assertions relating to their alignment with the AA1000APS (2008) principles (inclusivity, materiality and responsiveness) as described on page 6 of the Report.
- 2 Limited assurance on the key performance indicators, identified by a ✓ on the relevant pages of the Report, as described in the table below.
- 3 Limited assurance on Nedbank's self declaration of the Global Reporting Initiative (GRI) G3.1 A+ application level online.

Key performance indicators	Description	Page
Net promoter score (NPS)	NPS score variance	22
Net primary client gain	Number of net primary client gain/loss for retail, corporate and business banking	21
Ombudsman for banking services cases	Number of cases opened and closed and percentage cases linked to ATM disputes	22
Systems availability	Blended uptime score for infrastructure and applications, IT capability quartile positioning	22
Equator Principle deals	Number of projects financed	29, 60
Carbon Footprint	Total tonnes of CO <sub>2</sub> equivalents	64
Water	Total kl consumed on Campus sites	64
Paper	Total tonnes consumed for Nedbank Group	64
Waste sent to Landfill	Total tonnes sent to landfill from Campus sites	64
Waste Recycled	Total tonnes recycled from Campus sites	64
Entropy	Entropy score and number of value matches	3, 4, 5, 18, 71
Employee surveys	Nedbank Staff Survey (NSS)	18, 71
Employee turnover	Staff attrition rate	70, 72
BEE scorecard	Scores from B-BBEE and FSC verified scorecard	4, 30
FAIS pass rate	Pass Rate of transitional FAIS affected staff	22
Value Added Statement	Value allocated from Income earned	33

## DIRECTORS RESPONSIBILITIES

The Directors of Nedbank are responsible for the selection, preparation and presentation of the sustainability information, the identification of stakeholders and stakeholder reporting requirements, material issues, for commitments with respect to sustainability performance, establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived, and for such internal control as the directors determine is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error. The Directors are also responsible for the selection and application of the criteria detailed below:

- The AA1000APS (2008) regarding Nedbank's alignment with the AA1000APS (2008) for the three principles of inclusivity, materiality and responsiveness (the AA1000APS (2008) principles);
- The GRI G3.1 Guidelines applied to the selected key performance indicators; and
- The GRI G3.1 Guidelines for Nedbank's self-declaration of the A+ application level.

## INDEPENDENCE AND EXPERTISE

We have complied with the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our engagement was carried out by a multi-disciplinary team with extensive experience in sustainability reporting.

## OUR RESPONSIBILITY

Our responsibility is to express limited assurance conclusions on the selected sustainability information based on our work performed. We have conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE 3000), Assurance engagements other than the Audits or Reviews of Historical Financial Information. That Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

Our procedures selected and the extent of our procedures depend on our judgment including the risks

of material misstatement of the selected sustainability information in the Report, whether due to fraud or error. In making our risk assessments, we considered internal control relevant to Nedbank's preparation of the Report. In a limited assurance engagement, the evidence gathering procedures are less than where reasonable assurance is expressed. We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

## SUMMARY OF WORK PERFORMED

Our work included the following evidence-gathering procedures:

- Interviewing management and senior executives at corporate level to evaluate the application of the GRI G3.1 guidelines and AA1000APS (2008) principles and to obtain an understanding of the control environment related to Integrated Reporting.
- Testing the processes and systems at group level which generate, collate, aggregate, monitor and report selected sustainability information and inspecting related documentation, more specifically:
  - Interviews and discussions with relevant management, key personnel and/or stakeholders of Nedbank to confirm definitions and boundaries for selected performance information, and to gather information on the data collection and report preparation processes.
  - Evaluation of internal data management controls based on system walkthroughs.
  - Inspection of selected internally and externally generated documents and records and comprehensive data analyses.
  - Re-calculation of the key performance indicators.
- Evaluating whether the information presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at Nedbank

and is not materially inconsistent with information contained in the Integrated Report.

## CONCLUSIONS

- 1 *On the AA1000APS (2008) principles of Inclusiveness, Materiality and Responsiveness on which we are required to express limited assurance.* Based on our work performed, nothing has come to our attention that causes us to believe that Nedbank's assertions relating to their alignment with the AA1000APS (2008) principles of inclusivity, materiality and responsiveness, described on page 6, is not properly prepared.
- 2 *On the selected key performance indicators on which we are required to express limited assurance.* Based on our work performed, nothing has come to our attention that causes us to believe that the selected key performance indicators set out in the table above for the year ended 31 December 2012 are not fairly stated, in all material respects, in accordance with the GRI G3.1 Guidelines.
- 3 *On Nedbank's self-declaration on the GRI G3.1 A+ Application level on which we are required to express limited assurance.* Based on our work performed, nothing has come to our attention that causes us to believe that Nedbank's self-declaration of an A+ application level is not fairly stated in all material respects, in accordance with the GRI G3.1 Guidelines.

## LIMITATION OF LIABILITY

Our work has been undertaken to enable us to express the conclusions contained in this report solely to the addressee in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the Directors of Nedbank, for our work, for this report, or for the conclusions we have reached.



### KPMG Services (Pty) Limited

Per Neil Morris  
Chartered Accountant (SA)  
Registered Auditor  
Director  
**KPMG Crescent**  
85 Empire Road, Parktown, Johannesburg, 2193

### KPMG Policy board

**Chief Executive** RM Kgosana  
**Executive Directors** T Fubu, A Hari, D van Heerden, E Magondo, JS McIntosh, CAT Smit  
**Other directors** DC Duffield, AM Mokgabudi, LP Fourie, N Fubu, TH Hoole, A Jaffer, M Letsitsi, A Masemola, Y Suleman (Chairman of the Board), A Thunström

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.

7 March 2013



### Deloitte & Touche

Per Nina le Riche  
Chartered Accountant (SA)  
Registered Auditor  
Partner  
Building 8, Deloitte Place  
The Woodlands, Woodlands Drive, Woodmead, Sandton, 2128

**National Executive** LL Bam (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Risk Advisory), NB Kader (Tax), TP Pillay (Consulting), K Black (Clients and Industries), JK Mazzocco (Talent and Transformation), CR Beukman (Finance), M Jordan (Strategy), S Gwala (Special Projects), TJ Brown (Chairman of the Board), MJ Comber (Deputy Chairman of the Board)

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

# Financial Report

Raisibe Morathi  
Chief Financial Officer



## Strong headline earnings growth, while strengthening the balance sheet and investing in the franchise

### FINANCIAL OVERVIEW OF 2012

The group delivered good headline earnings growth of 21,4% to R7 510m, EP of R1 511m up 63,5%, driven by strong revenue growth, an improved credit loss ratio and responsible expense management, while strengthening the balance sheet and investing for growth.

Return on average ordinary shareholders' equity (ROE), excluding goodwill, increased to 16,4% and ROE to 14,8%, with ROA increasing to 1,13%.

The group recorded headline earnings per share and basic earnings per share of 1 646 and 1 638 cents per share respectively. Diluted headline earnings per share increased 19,0% to 1 595 cents.

Nedbank Group is well capitalised, with our Basel II.5 common equity Tier 1 ratio at 11,4% (2011: pro forma Basel II.5 ratio 10,5%) and the pro forma Basel III common equity Tier 1 ratio at 31 December 2012 is a robust 11,6%. Funding and liquidity levels remained sound. Surplus liquidity buffers were maintained at a level of around R24bn and the average long-term funding ratio increased to 26,0% in the fourth quarter of 2012.

Net asset value per share continued to increase, growing 9,7% to 11 798 cents at 31 December 2012.



GRI 3.1: 2.8,  
EC1



Supple-  
mentary  
content  
online

### WORLDCLASS FINANCIAL REPORTING

During the year we held 375 meetings and attended a number of industry conferences as part of our engagement with the investment community, ensuring that our stakeholders remained well-informed on the progress made by the group in delivering on its key strategic focus areas. Increasing regulation and complexity of financial reporting in banking has placed additional responsibility to increase transparency and disclosure.

The group was again acknowledged for its high standard of relevant, timeous and transparent disclosure in a number of awards for our integrated report and communication efforts.

## DETAILED REVIEW OF 2012 RESULTS

### Improvement across all key performance indicators

Year ended	% change	2012	2011
Headline earnings (Rm)	21,4	7 510	6 184
Economic profit (Rm)	63,5	1 511	924
HEPS (cents)	20,6	1 646	1 365
Diluted HEPS (cents)	19,0	1 595	1 340
Preprovisioning operating profit (Rm)	13,6	15 580	13 709
ROA (%)		1,13	0,99
ROE (excluding goodwill) (%)		16,4	15,3
ROE (%)		14,8	13,6
Tangible NAV per share (cents)	11,3	10 065	9 044
Common equity Tier 1 capital ratio <sup>1</sup> (%)		11,4	10,5
Dividend per share (cents)	24,3	752	605
NII to average interest-earning banking assets <sup>2</sup> (%)		3,53	3,48
Credit loss ratio – banking advances (%)		1,05	1,13
Non-interest revenue/expenses ratio (%)		84,4	81,5
Efficiency ratio (%)		55,5	56,6
Assets under management (Rm)	34,1	150 495	112 231
Life assurance embedded value (Rm)	33,4	2 030	1 522
Life assurance value of new business (Rm)	37,7	563	409

<sup>1</sup> Basel II.5.

<sup>2</sup> Restated from 3,46% to exclude "Clients' indebtedness from Acceptances" from interest earning banking assets.

### A diversified business portfolio with growth across all business clusters

Our business clusters generated an increased ROE of 17,9% and headline earnings growth of 16,3%, with all line clusters delivering good performances.

Year ended	% change	Headline earnings (Rm)		ROE (%)	
		2012	2011 <sup>1</sup>	2012	2011 <sup>1</sup>
Nedbank Capital	16,3	1 428	1 228	25,4	22,6
Nedbank Corporate <sup>2</sup>	15,7	1 817	1 571	22,5	24,5
Nedbank Business Banking	9,0	944	866	21,5	21,3
Nedbank Retail	22,0	2 552	2 091	12,1	10,8
Nedbank Wealth	9,5	716	654	29,6	27,7
Line clusters	16,3	7 457	6 410	17,9	17,1
Centre <sup>2</sup>	> 100	53	(226)		
Group	21,4	7 510	6 184	14,8	13,6
Group (excluding goodwill)				16,4	15,3

<sup>1</sup> 2011 restated for enhancements to economic capital allocation methodologies in 2012.

<sup>2</sup> Restated for transfer of Rest of Africa Division from Nedbank Corporate to Centre.

Economic capital allocated to the business clusters was revised from 10,0% to 11,0% to align the businesses with the higher operating capital levels under Basel III and the allocation of capital impaired against certain intangible assets, previously held at the centre. This resulted in a dilution of the clusters' ROE performance and had no impact on group results. The cluster's headline earnings and ROE numbers for 2011 were restated on a like-for-like basis.

Strong earnings growth of 16,3% and the 25,4% ROE in Nedbank Capital were driven by good asset growth and pipeline conversion in investment banking, together with strong performance from global markets that resulted in materially increased structuring and trading

income. The cluster's CLR improved, although remaining above its through-the-cycle range.

Nedbank Corporate performed well, producing good earnings growth of 15,7% and an ROE of 22,5%, underpinned by increased cash and electronic banking volumes, a strong delivery from the listed-property investment portfolio and favourable deposit growth. This performance was achieved within a well-managed impairment and expense environment across the businesses.

Nedbank Business Banking achieved headline earnings growth of 9,0% to R944m through maintaining quality client relationships and outstanding risk management practices, as reflected in the CLR of 0,34%, down from

## Financial Report (CONTINUED)

0,53% in the prior year. Good underlying momentum was noted in asset payouts, deposits and new client gains, notwithstanding the protracted challenges facing the small and medium-enterprise (SME) sector in SA, which resulted in EP for the year of R368m and a sustained high ROE of 21,5%.

Nedbank Retail's momentum is reflected in the 22,0% headline earnings growth and ROE improvement to 12,1%, narrowing the gap in relation to the cost of equity. This is testimony to the excellent progress strategically and financially in repositioning the cluster. The embedding of sound risk practices is reflected in the CLR of 2,01% remaining within the through-the-cycle range, while continuing to reduce defaulted loans and strengthen balance sheet impairments. Investment in distribution and distinctive client value propositions is yielding strong client gains and related transactional, deposit and lending volumes.

Nedbank Wealth continued to record sound earnings growth of 9,5% and an excellent ROE of 29,6%, supported by solid performance in the asset management and insurance businesses. These results were achieved despite pressure on impairments, a considerable deterioration in the short-term insurance claims environment in the second half of 2012 and the R31,5m (post-tax) rebranding costs relating to the launch of our new single high-net-worth offering, Nedbank Private Wealth.

The centre produced a small profit in 2012 from a loss of R226m in 2011, largely as a result of a R200m portfolio impairment provision recognised at group level in the prior year. The Rest of Africa Division, now included in the centre, delivered a strong performance with an increase in headline earnings of 35,2%.

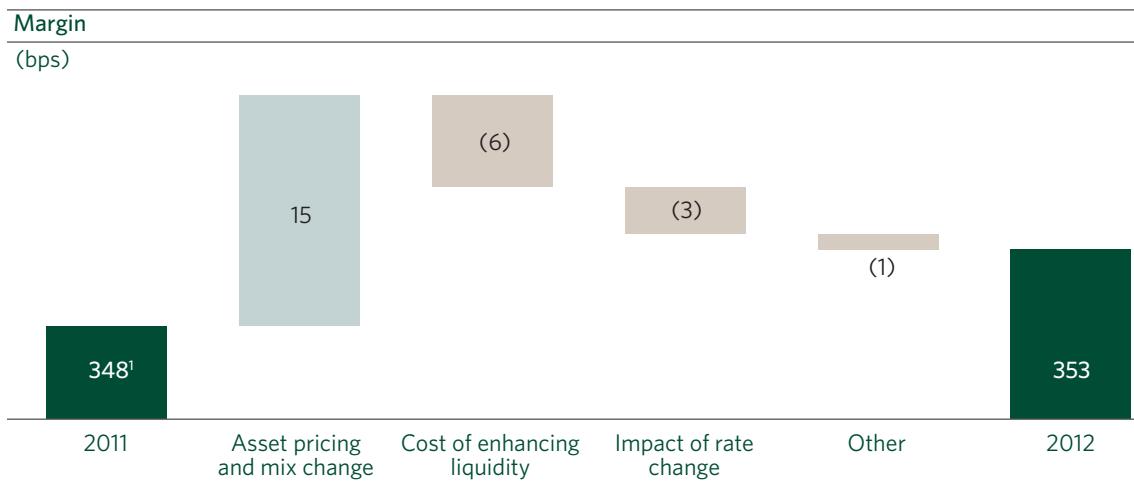
Detailed segmental information is available on the group's website at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za) under the 'Financial information' section.

### Strong revenue growth, an improved credit loss ratio and responsible expense management while investing for the future

Year ended (Rm)	% change	2012	2011
Net interest income	9,1	19 680	18 034
Impairments	(2,5)	(5 199)	(5 331)
Income from lending activities	14,0	14 481	12 703
Non-interest revenue	12,4	17 324	15 412
Total expenses	8,5	(20 528)	(18 919)
Indirect taxation	11,1	(561)	(505)
Associate income	> 100	1	-
Headline profit before taxation	23,3	10 717	8 691
Direct taxation	30,9	(2 871)	(2 194)
Minorities and preference shares	7,3	(336)	(313)
Headline earnings	21,4	7 510	6 184
Attributable earnings	20,8	7 476	6 190

#### Net interest income (NII)

NII increased 9,1% to R19 680m driven by average interest-earning banking assets growth of 7,5%.



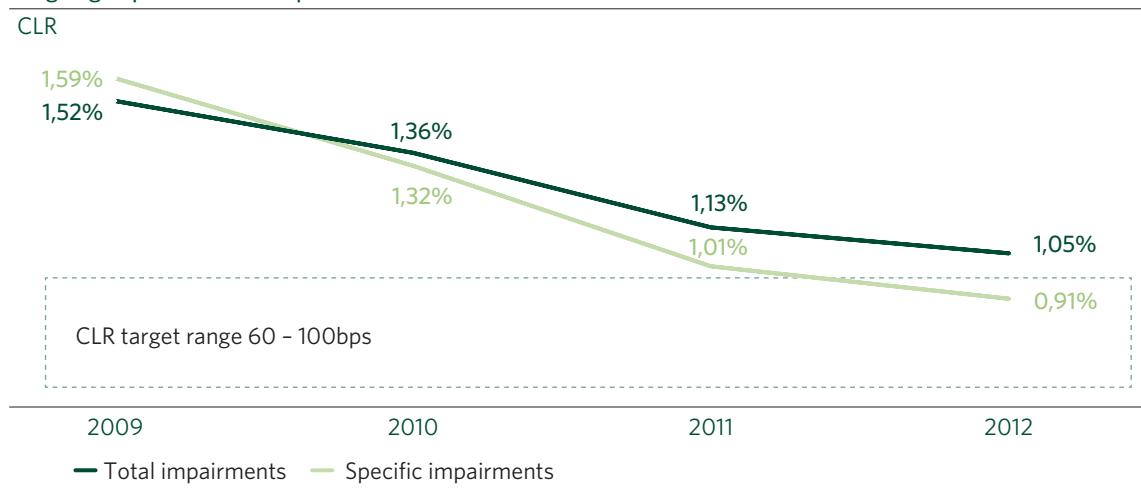
<sup>1</sup> Restated from 3,46% to exclude "Clients' indebtedness from Acceptances" from interest earning banking assets

The net interest margin (NIM) increased to 3,53% from the restated 3,48% level achieved in 2011. Margin expansion reflects ongoing benefits of risk-adjusted pricing of new advances and portfolio-tilt-driven changes in the asset and deposit mix, partially offset by negative endowment, and the cost of carrying higher levels of lower-yielding liquid assets as the group prepared for the implementation of Basel III liquidity coverage ratios.

#### **Impairments charge on loans and advances**

The impairment charge decreased 2,5% to R5 199m, and the CLR improved to 1,05% from 1,13% in 2011 as specific impairments reduced to 0,91% as a result of a 17,0% decrease in defaulted advances to R19 273m, while further strengthening the portfolio impairments charge to 0,14% on the performing personal loans, Motor Finance Corporation (MFC) and home loans books.

#### **Ongoing improvement in impairments**

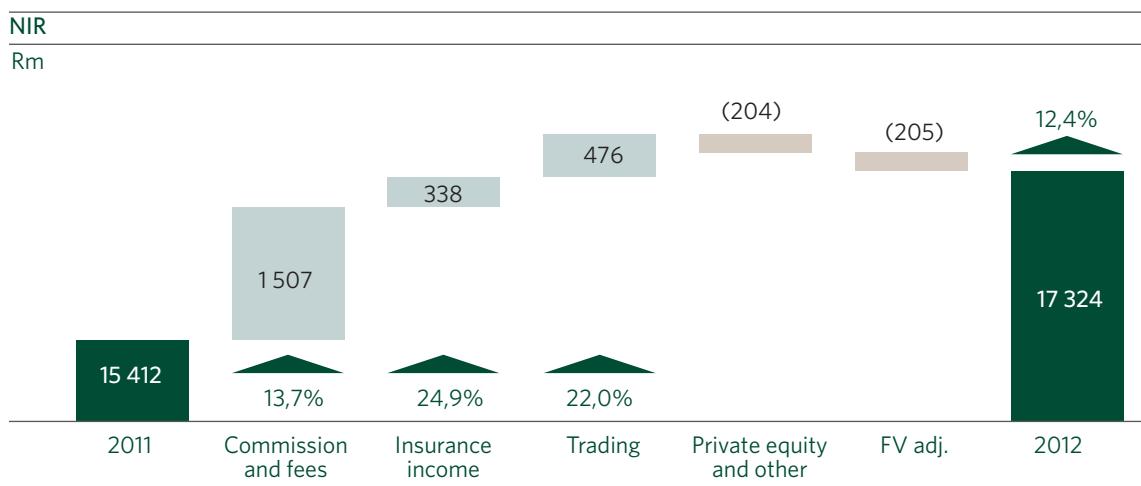


Increased portfolio impairments were mostly from methodology alignment and book growth in personal loans as well as the lengthening of the emergence period in the MFC book. The group also retained a R200m central portfolio provision set aside last year. The specific impairment coverage ratio increased to 38,6%.

CLRs in the wholesale clusters improved in the second half of the year. Nedbank Retail's CLR was maintained within its through-the-cycle range and at levels similar to those in the first six months of the year, reflecting the effect of asset mix changes, while a subdued property market negatively impacted Nedbank Wealth's CLR.

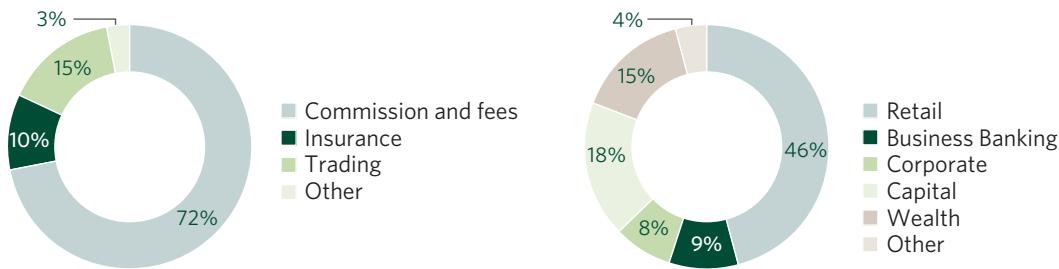
#### **Non-interest revenue**

Strong NIR growth of 12,4% to R17 324m, lifted the ratio of NIR to expenses to 84,4% from 81,5%, closer to the group's medium-to-long-term target of > 85,0%. The group has delivered compound growth in NIR, excluding fair-value adjustments, of 11,0% over a four-year period.



## Financial Report (CONTINUED)

### Contribution to NIR



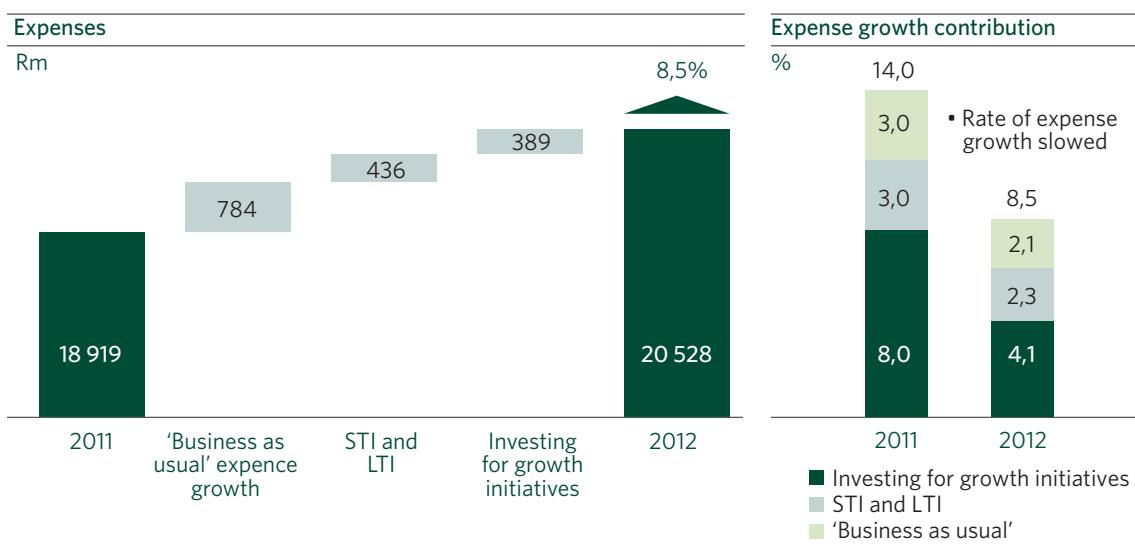
Good quality annuity income comprised of commission and fee income and insurance income, represented 82% of the group's NIR. Commission and fee income increased 13,7% to R12 538m on the back of increased activity in transactional banking, card, personal loans, and investment banking. Insurance income grew 24,9%, despite poor weather conditions and fire-related claims in the second half of the year.

Favourable market conditions and good performance in the trading business, notably in fixed income, delivered excellent trading income growth of 22,0% to R2 644m. Realisations and dividends received in Nedbank Corporate property and Nedbank Capital investment portfolios generated R211m in private equity income. Following the scheduled termination of the contract with Swisscard that previously housed the Tando card processing operations, NIR was negatively impacted as no further revenue was generated in 2012.

Negative fair-value adjustments of R265m compared to a loss of R60m in 2011 was recognised on basis risk on the centrally hedged positions and on accounting mismatches in the hedged portfolios.

### Expenses

Nedbank's expenses grew at a lower rate of 8,5% compared to 14,0% in the prior year, consisting of 4,1% for business-as-usual activities, 2,1% for investing in growth initiatives and 2,3% for variable compensation.



Since 2007 Nedbank Group's five-year compound NIR growth of 10,6% exceeded the related compound expense growth of 8,8%.

## Taxation

The tax charge excluding tax on non-trading and capital items, increased 30,9% to R2 871m, with the effective tax rate increasing to 26,8% from 25,2%. The increase resulted mainly from lower levels of dividend income received and an increase in capital gains tax (CGT) rate from 14,0% to 18,65%.

## Our balance sheet continues to strengthen

### Loans and advances

Loans and advances grew 5,6% to R527bn with strong growth in trading advances of 49,2%. Excluding trading advances, banking advances growth of 3,8% was largely underpinned by advances growth in Nedbank Capital and Nedbank Retail.

**Loans and advances by cluster at year-end are as follows:**

Year ended (Rm)	2012 Dec	2011 Dec	% change
Nedbank Capital	82 494	68 510	20,4
Banking activity	52 732	48 558	8,6
Trading activity	29 762	19 952	49,2
Nedbank Corporate	162 730	157 271	3,5
Nedbank Business Banking	60 115	58 856	2,1
Nedbank Retail	190 647	183 748	3,7
Nedbank Wealth	19 864	19 624	1,2
Other	11 316	11 014	2,7
	527 166	499 023	5,6

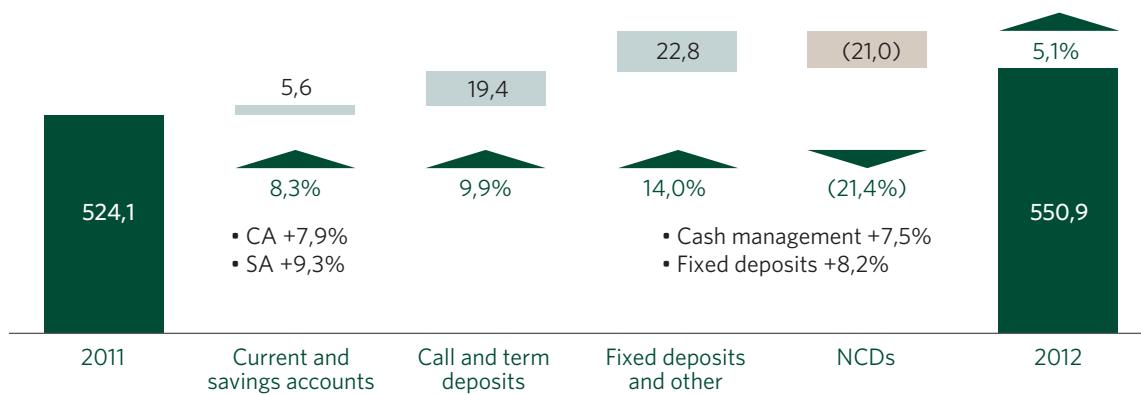
Nedbank Capital's banking advances growth was driven by successful conversion of its robust investment banking pipeline and better market conditions resulted in increased trading advances. Nedbank Corporate recorded favourable growth in term loans and commercial mortgages of 8,4% and 5,3% respectively, while reducing the levels of lower-yielding overnight loans. Continuing pressure in the SME environment saw Nedbank Business Banking's clients defer expansion plans, deleverage further and transact less, which - together with judicious risk management - kept advances growth to 2,1%. Retail's advances growth came from strong gains in cards of 16,1% and in MFC of 10,3%, while tightening criteria resulted in personal loans growing at a reduced rate of 28,7%, down from 36,5%. Low consumer demand for home loans in conjunction with selective advances growth and the roll-off of the backbook led to a 5,5% reduction in the retail home loans book, with origination through our own client relationships and channels being emphasised.

### Deposits

Deposits grew by a healthy 5,1% to R551bn, maintaining a strong loan-to-deposit ratio of 95,7%.

#### Increased term funding, lower reliance on NCDs and conservative loans-to-deposits ratio

Deposits (Rbn)



## Financial Report (CONTINUED)

The lengthening of the funding profile was primarily due to an increase in the current and savings accounts of 7,9% and 9,3% respectively, underpinned by Nedbank's strong franchise. Ongoing growth in call and term deposits of 9,9% and fixed deposits of 8,2% was as a result of strong uptake in the Retail Savings Bond of R3,3bn and wholesale deposit offerings such as Corporate Saver. Cash management deposits grew 7,5%, boosted by net primary banking client gains, whereas the more volatile negotiable certificate of deposit (NCD) category decreased 21,4%. Altogether, these improvements in the funding profile ensured that Nedbank continued to hold a higher proportion of household deposits relative to the size of our retail bank.

However, strong competition for deposits in 2012 resulted in some loss of overall market share in household deposits. The launch of innovative new deposit products such as Nedbank Money Trader, increasing functionality on our worldclass internet and mobile banking applications, and various other initiatives will contribute to growing the transactional client base and positioning Nedbank strongly for sustainable growth in savings and investment deposits.

### Capital

The group's Basel II.5 capital ratios strengthened, positioning the organisation favourably for the adoption of Basel III, successfully implemented on 1 January 2013.

During the year, R1,8bn of Tier 2 subordinated debt was redeemed and the group also obtained approval from the South African Reserve Bank (SARB) to manage the MFC book on its Advanced Internal Ratings-based Credit Approach. The resultant reduction in risk-weighted assets, along with good earnings growth, contributed to further strengthening of the Basel II.5 common equity Tier 1 ratio to 11,4%.

The group reset its internal targets in line with the new SA Basel III regulations based on the increased minimum regulatory requirements for common equity Tier 1 in 2019, and Tier 1 and total ratios in 2015. The new internal targets include a conservative management buffer and allowance for potential Pillar 2B bank-specific add-ons while taking cognisance of anticipated Basel III capital levels in other jurisdictions, the view of rating agencies and Nedbank's Internal Capital Adequacy Assessment Process.

	Dec 2012 (Pro forma Basel III)	Dec 2012 (Basel II.5)	Dec 2011 (Basel II.5)	Internal target range (Basel III)	Regulatory minimum (Basel III)
Common equity Tier 1 ratio	11,6%	11,4%	10,5%	10,5% - 12,5%	9,00%
Tier 1 ratio	13,1%	12,9%	12,0%	11,5% - 13,0%	11,25%
Total capital ratio	15,1%	14,9%	14,6%	14,0% - 15,0%	13,50%

*Ratios calculated include unappropriated profits.*

The group's ratios are anticipated to continue improving in 2013, driven by projected earnings growth and our portfolio tilt strategy.

### Funding and liquidity

Nedbank Group remains well funded with a strong liquidity position and a lengthened funding profile, with the fourth-quarter average long-term funding ratio increasing further to 26,0%.

The notional ability to access the committed liquidity facility (CLF) of up to 40% of the LCR requirements, Nedbank's cash reserves, our liquid assets held for regulatory purposes and the surplus liquidity buffer, enabled Nedbank to be compliant with the Basel III LCR on a pro forma basis at 31 December 2012.

Further amendments to the LCR by the Basel Committee on Banking Supervision (BCBS) on 6 January 2013, likely to be adopted by the SA regulator, will be beneficial for banks, with associated cost savings and more implementation time.

The impact of NSFR compliance by SA and most banking industries worldwide would be punitive if implemented as currently set out in the draft requirements, significantly impacting both global and domestic economic growth and job creation. Structural constraints within SA financial markets add further challenges to domestic compliance with the NSFR. It is anticipated, based on extensive global discussion and the experiences gained from the LCR

implementation process, that a fundamental revision and a pragmatic approach will be applied to the NSFR well in advance of its proposed implementation in 2018.

## **ROBUST BUSINESS PLANNING ENABLES CREDIBLE FINANCIAL GUIDANCE**

Throughout the challenging economic and banking operating environment in the past few years, Nedbank continued to provide comprehensive financial guidance on our medium-to-long-term targets as well as expectations for the next financial year.

The group's robust three-year rolling business planning process incorporating the business and support clusters enables us to provide insight into our business outlook and performance. The process combines top-down and detailed bottom-up analysis. The top-down component sets directional, stretch targets and forecasts that includes various stakeholder expectations and aligns business cluster targets to the group's strategy and risk appetite. The detailed bottom-up component allows for the group's targets to be disaggregated into the client-facing business clusters and underlying business units. This detailed approach to business planning is critical as the business plans can be affected by the macro-environment such as changes in interest rates, business confidence, and others. Continuous monitoring, governance and performance evaluation is undertaken throughout the year and aligned to both individual and cluster scorecards and remuneration.

Nedbank's institutionalised, robust planning and forecasting process, assists in reducing the level of forecast risk in our financial guidance and leads to increased investor confidence.

In addition, we also provide a broader perspective on the global and local economic environment and the strength of SA's banking system, given that Nedbank is one of the four largest banks in SA, serving many stakeholders including our staff, clients, shareholders, regulators and communities.

## **Prospects for 2013**

In the context of the anticipated economic environment and continued low interest rates in SA, the group's guidance for 2013 is as follows:

- Advances to grow at mid to upper single digits.
- NIM to remain at levels similar to those in 2012.
- The CLR to continue improving into the upper end of the group's through-the-cycle target range.
- NIR (excluding fair-value adjustments) to grow at low double digits, and allow the group to meet the medium-to-long-term NIR-to-expenses target of > 85%.
- Expenses to increase by mid to upper single digits.

## **APPRECIATION**

My appreciation goes to all the finance teams across the bank for the hard work that everyone has put in over the year enabling Nedbank to be recognised for its transparent reporting and to all the Nedbank staff who contributed to these financial results.

# ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2012

The abridged financial statements on pages 86 to 97 are derived from the Nedbank Group Limited annual financial statements for the year ended 31 December 2012. The group has applied the provisions of the new Companies Act 71 of 2008 (as amended), of South Africa, which allows for abridged financial statements as disclosed in this Integrated Report.

In the preparation of the consolidated annual financial statements the group has applied key assumptions concerning future and other inherent uncertainties in recording various assets and liabilities. The assumptions applied in the financial statements for the year ended 31 December 2012 were consistent with those applied during the 2011 financial year. These assumptions are subject to ongoing review and possible amendments.

The Nedbank Group's principal accounting policies have been prepared in terms of International Financial Reporting Standards (IFRS) of the International Accounting Standards Board and have been applied consistently over the current and prior financial years.

These abridged financial statements have been prepared under the supervision of Rasibe Morathi, the group Chief Financial Officer.

## 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 Ltd, comprising the statements of financial position at 31 December 2012; the statements of comprehensive income, the statements of changes in equity and statements of cashflows for the year then ended; the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes; and the directors' report in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, the Financial Reporting Guides as issued by the Accounting Practices Committee, and the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listings Requirements.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

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 Ltd, as identified in the first paragraph, were approved by the Nedbank Group board of directors on 22 February 2013 and are signed on its behalf by:



Dr RJ Khoza  
Chairman

Sandown  
22 February 2013



MWT Brown  
Chief Executive

# INDEPENDENT AUDITORS' REPORT

to the shareholders of Nedbank Group Ltd

The accompanying abridged group financial statements of Nedbank Group Limited, which comprise the abridged group statement of financial position at 31 December 2012, and the related abridged group statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, set out on pages 86 to 97 are derived from the audited group financial statements of Nedbank Group Limited for the year ended 31 December 2012. We expressed an unmodified opinion on those group financial statements in our auditor's report dated 22 February 2013.

The abridged group financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the group financial statements of Nedbank Group Limited. Reading the abridged group financial statements, therefore, is not a substitute for reading the group financial statements.

KPMG Inc

KPMG Inc  
Registered Auditor

Per H Berrange  
Chartered Accountant (SA)  
Director

KPMG Crescent, 85 Empire Road  
Parktown, 2193

**Policy board:**

**Chief Executive:** RM Kgosana  
**Executive Directors:** T Fubu, A Hari, D van Heerden,  
E Magondo, JS McIntosh, CAT Smit  
**Other directors:** DC Duffield, AM Mokgabudi, LP Fourie,  
N Fubu, TH Hoole, A Jaffer, M Letsitsi, A Masemola, Y Suleman  
(Chairman of the Board), A Thunström

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

7 March 2013

## DIRECTORS' RESPONSIBILITY FOR THE ABRIDGED GROUP FINANCIAL STATEMENTS

The directors' are responsible for the preparation of the abridged group financial statements.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the abridged group financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

## OPINION

In our opinion, the abridged group financial statements derived from the audited group financial statements of Nedbank Group Limited for the year ended 31 December 2012 are consistent, in all material respects with those financial statements.

 Deloitte & Touche

Deloitte & Touche  
Registered Auditor

Per D Shipp  
Chartered Accountant (SA)  
Partner

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

**National Executive** LL Bam (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Risk Advisory), NB Kader (Tax), TP Pillay (Consulting), K Black (Clients and Industries), JK Mazzocco (Talent and Transformation), CR Beukman (Finance), M Jordan (Strategy), S Gwala (Special Projects), TJ Brown (Chairman of the Board), MJ Comber (Deputy Chairman of the Board)

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	2012 Rm	2011 Rm
Interest and similar income	1	44 730	42 880
Interest expense and similar charges	2	25 050	24 846
<b>Net interest income</b>		<b>19 680</b>	<b>18 034</b>
Impairments charge on loans and advances	3	5 199	5 331
<b>Income from lending activities</b>		<b>14 481</b>	<b>12 703</b>
Non-interest revenue	4	17 324	15 412
<b>Operating income</b>		<b>31 805</b>	<b>28 115</b>
Total operating expenses	5	20 528	18 919
Operating expenses		20 450	18 725
BEE transaction expenses		78	194
Indirect taxation		561	505
<b>Profit from operations before non-trading and capital items</b>		<b>10 716</b>	<b>8 691</b>
Non-trading and capital items		(18)	(14)
Fair-value adjustments of investment properties		(12)	
<b>Profit from operations</b>		<b>10 686</b>	<b>8 677</b>
Share of profits of associates and joint ventures		1	*
<b>Profit before direct taxation</b>		<b>10 687</b>	<b>8 677</b>
Direct taxation		2 875	2 174
<b>Profit for the year</b>		<b>7 812</b>	<b>6 503</b>
<b>Other comprehensive income net of taxation</b>		<b>247</b>	<b>697</b>
Exchange differences on translating foreign operations		162	469
Fair-value adjustments on available-for-sale assets		43	(21)
Gains on property revaluations		42	249
<b>Total comprehensive income for the year</b>		<b>8 059</b>	<b>7 200</b>
<b>Profit attributable to:</b>			
- Equity holders of the parent		7 476	6 190
- Non-controlling interest - ordinary shareholders		43	32
- preference shareholders		293	281
		<b>7 812</b>	<b>6 503</b>
<b>Total comprehensive income attributable to:</b>			
- Equity holders of the parent		7 719	6 879
- Non-controlling interest - ordinary shareholders		47	40
- preference shareholders		293	281
<b>Total comprehensive income for the year</b>		<b>8 059</b>	<b>7 200</b>
Basic earnings per share (cents)		1 638	1 367
Diluted earnings per share (cents)		1 588	1 341

\* Represents amounts less than R1m.

## HEADLINE EARNINGS RECONCILIATION

for the year ended 31 December

Rm	2012		2011	
	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to equity holders of the parent	7 476		6 190	
Less: non-headline earnings items	(30)	(34)	(14)	6
Profit on sale of subsidiaries, investments and property and equipment	33	29	40	60
Net impairment of investments, property and equipment and capitalised development costs	(51)	(51)	(54)	(54)
Fair-value adjustments of investment properties	(12)	(12)		
<b>Headline earnings</b>	<b>7 510</b>		<b>6 184</b>	

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

	Notes	2012 Rm	2011 Rm	2010 Rm
<b>Assets</b>				
Cash and cash equivalents		14 445	13 457	8 650
Other short-term securities		43 457	35 986	27 044
Derivative financial instruments		13 812	12 840	13 882
Government and other securities		26 753	30 176	31 824
Loans and advances*	6	527 166	499 023	477 226
Other assets		9 488	12 051	10 014
Current taxation receivable		246	698	483
Investment securities		16 577	14 281	11 918
Non-current assets held for sale		508	8	5
Investments in associate companies and joint ventures		668	568	936
Deferred taxation assets		399	266	284
Investment property		205	614	199
Property and equipment		6 398	6 312	5 612
Long-term employee benefit assets		2 258	2 118	2 052
Mandatory reserve deposits with central bank		12 677	11 952	11 095
Intangible assets		7 922	7 777	7 494
<b>Total assets</b>		<b>682 979</b>	<b>648 127</b>	<b>608 718</b>
<b>Equity and liabilities</b>				
Ordinary share capital		457	455	449
Ordinary share premium		16 033	15 934	15 522
Reserves		37 460	32 557	28 130
<b>Total equity attributable to equity holders of the parent</b>		<b>53 950</b>	<b>48 946</b>	<b>44 101</b>
Non-controlling interest attributable to:				
- ordinary shareholders		219	178	153
- preference shareholders		3 561	3 561	3 560
<b>Total equity</b>		<b>57 730</b>	<b>52 685</b>	<b>47 814</b>
Derivative financial instruments		13 454	13 853	12 052
Amounts owed to depositors*	7	550 878	524 130	492 393
Provisions and other liabilities		15 526	14 751	18 245
Current taxation liabilities		193	200	191
Other liabilities held for sale		36		
Deferred taxation liabilities		781	1 345	1 804
Long-term employee benefit liabilities		1 591	1 479	1 414
Investment contract liabilities		9 513	8 237	7 309
Insurance contract liabilities		2 979	2 005	1 392
Long-term debt instruments		30 298	29 442	26 104
<b>Total liabilities</b>		<b>625 249</b>	<b>595 442</b>	<b>560 904</b>
<b>Total equity and liabilities</b>		<b>682 979</b>	<b>648 127</b>	<b>608 718</b>

\* 2011 and 2010 reclassified. Refer note 56 in the annual financial statements available on the attached CD or online.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rm	Total equity attributable to equity holders of the parent	Non- controlling interest attributable to ordinary shareholders	Non- controlling interest attributable to preference shareholders	Total equity
Balance at 31 December 2010	44 101	153	3 560	47 814
Dividend to shareholders	(2 608)	(11)		(2 619)
Dividend in respect of BEE transaction	(310)			(310)
Preference share dividend			(281)	(281)
Issues of shares net of expenses	323			323
Shares acquired/cancelled by group entities and BEE trusts	95			95
Total comprehensive income for the year	6 879	40	281	7 200
Share-based payment reserve movement	446			446
Dilution of shareholding in subsidiary	11	(11)		-
Acquisition of subsidiary		7	1	8
Other movements	9			9
<b>Balance at 31 December 2011</b>	<b>48 946</b>	<b>178</b>	<b>3 561</b>	<b>52 685</b>
Dividend to shareholders	(3 248)	(8)		(3 256)
Preference share dividend			(293)	(293)
Issues of shares net of expenses	14			14
Shares acquired/cancelled by group entities and BEE trusts	119			119
Total comprehensive income for the year	7 719	47	293	8 059
Share-based payment reserve movement	396			396
Regulatory risk reserve provision	2			2
Acquisition of subsidiary		2		2
Other movements	2			2
<b>Balance at 31 December 2012</b>	<b>53 950</b>	<b>219</b>	<b>3 561</b>	<b>57 730</b>

# CONDENSED GEOGRAPHICAL SEGMENTAL REPORTING

for the year ended 31 December

Rm	Operating income		Headline earnings	
	2012	2011	2012	2011
SA	29 748	26 228	6 906	5 695
- Business operations	29 748	26 228	7 267	6 162
- BEE transaction expenses			(68)	(186)
- Profit attributable to non-controlling interest - preference shareholders			(293)	(281)
Rest of Africa	1 259	1 101	290	246
Rest of world - business operations	798	786	314	243
<b>Total</b>	<b>31 805</b>	<b>28 115</b>	<b>7 510</b>	<b>6 184</b>

# CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December

	2012 Rm	2011 Rm
<b>Cash generated by operations</b>	<b>18 804</b>	<b>16 552</b>
Cash received from clients	61 947	57 850
Cash paid to clients, employees and suppliers	(44 109)	(42 367)
Dividends received on investments	100	428
Recoveries on loans previously written off	866	641
<b>Change in funds for operating activities</b>	<b>(5 947)</b>	<b>(4 080)</b>
Increase in operating assets	(35 690)	(35 200)
Increase in operating liabilities	29 743	31 120
<b>Net cash from operating activities before taxation</b>	<b>12 857</b>	<b>12 472</b>
Taxation paid	(3 914)	(3 609)
<b>Cashflows from operating activities</b>	<b>8 943</b>	<b>8 863</b>
<b>Cashflows utilised by investing activities</b>	<b>(4 696)</b>	<b>(3 702)</b>
Acquisition of property and equipment, computer software and development costs and investment property	(1 748)	(1 697)
Disposal of property and equipment, computer software and development costs and investment property	8	32
Net movement in non-current assets held for sale	(500)	(71)
Disposal of investment banking assets	7	14
Acquisition of associate companies	(278)	(373)
Disposal of associate companies	122	373
Acquisition of other investments	(5 486)	(3 629)
Disposal of other investments	3 278	1276
Acquisition of investments in subsidiary companies net of cash	(99)	
<b>Cashflows (utilised by)/from financing activities</b>	<b>(2 552)</b>	<b>557</b>
Net proceeds from issue of ordinary shares	133	418
Issue of long-term debt instruments	3 633	4 901
Redemption of long-term debt instruments	(2 777)	(1 563)
Dividends paid to ordinary shareholders	(3 248)	(2 918)
Preference share dividends paid	(293)	(281)
<b>Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)</b>	<b>18</b>	<b>(54)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1 713</b>	<b>5 664</b>
Cash and cash equivalents at the beginning of the year*	25 409	19 745
<b>Cash and cash equivalents at the end of the year*</b>	<b>27 122</b>	<b>25 409</b>

\* Including mandatory reserve deposits with central banks.

# SEGMENTAL REPORTING

for the year ended 31 December

	Nedbank Group		Nedbank Capital		Nedbank Corporate		Nedbank Wealth	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>STATEMENT OF FINANCIAL POSITION (Rm)</b>								
Cash and cash equivalents	27 122	25 409	4 399	4 474	2 623	1 667	433	602
Other short-term securities	43 457	35 986	26 972	40 958	(99)	(90)	5 042	3 279
Derivative financial instruments	13 812	12 840	13 672	12 755	5 989	4 933	2	
Government and other securities	26 753	30 176	7 820	13 044	162 730	157 271	19 864	19 624
Loans and advances*	527 166	499 023	82 494	68 510	3 830	3 293	16 931	14 252
Other assets	44 669	44 693	6 929	10 048				
Intergroup assets	-	-						
<b>Total assets</b>	<b>682 979</b>	<b>648 127</b>	<b>142 286</b>	<b>149 789</b>	<b>175 073</b>	<b>167 074</b>	<b>42 270</b>	<b>37 759</b>
<b>Equity and liabilities</b>								
Total equity	57 730	52 685	5 632	5 428	8 089	6 426	2 420	2 363
Derivative financial instruments	13 454	13 853	13 419	13 824				
Amounts owed to depositors*	550 878	524 130	100 908	77 877	160 618	148 521	15 897	13 713
Provisions and other liabilities	30 619	28 017	8 449	8 610	2 266	1 892	14 250	11 375
Long-term debt instruments	30 298	29 442	849	812				
Intergroup liabilities	-	-	13 029	43 238	4 100	10 235	9 703	10 308
<b>Total equity and liabilities</b>	<b>682 979</b>	<b>648 127</b>	<b>142 286</b>	<b>149 789</b>	<b>175 073</b>	<b>167 074</b>	<b>42 270</b>	<b>37 759</b>
<b>STATEMENT OF COMPREHENSIVE INCOME (Rm)</b>								
Net interest income	19 680	18 034	1 521	1 186	3 326	3 043	494	483
Impairments charge on loans and advances	5 199	5 331	526	549	385	439	118	45
<b>Income from lending activities</b>	<b>14 481</b>	<b>12 703</b>	<b>995</b>	<b>637</b>	<b>2 941</b>	<b>2 604</b>	<b>376</b>	<b>438</b>
Non-interest revenue	17 324	15 412	3 049	2 454	1 469	1 261	2 617	2 252
<b>Operating income</b>	<b>31 805</b>	<b>28 115</b>	<b>4 044</b>	<b>3 091</b>	<b>4 410</b>	<b>3 865</b>	<b>2 993</b>	<b>2 690</b>
<b>Total operating expenses</b>	<b>20 528</b>	<b>18 919</b>	<b>1 978</b>	<b>1 737</b>	<b>1 968</b>	<b>1 792</b>	<b>1 914</b>	<b>1 703</b>
Operating expenses	20 450	18 725	1 973	1 726	1 964	1 778	1 911	1 701
BEE transaction expenses	78	194	5	11	4	14	3	2
Indirect taxation	561	505	31	51	29	30	90	68
<b>Profit/(Loss) from operations</b>	<b>10 716</b>	<b>8 691</b>	<b>2 035</b>	<b>1 303</b>	<b>2 413</b>	<b>2 043</b>	<b>989</b>	<b>919</b>
Share of profits of associates and joint ventures	1	-			(2)		(2)	
<b>Profit/(Loss) before direct taxation</b>	<b>10 717</b>	<b>8 691</b>	<b>2 035</b>	<b>1 303</b>	<b>2 411</b>	<b>2 043</b>	<b>987</b>	<b>919</b>
Direct taxation	2 871	2 194	602	75	594	472	271	265
<b>Profit/(Loss) after direct taxation</b>	<b>7 846</b>	<b>6 497</b>	<b>1 433</b>	<b>1 228</b>	<b>1 817</b>	<b>1 571</b>	<b>716</b>	<b>654</b>
Profit attributable to non-controlling interest:								
- ordinary shareholders	43	32	5					
- preference shareholders	293	281						
Headline earnings/(loss)	7 510	6 184	1 428	1 228	1 817	1 571	716	654
<b>SELECTED RATIOS</b>								
Average interest-earning banking assets (Rm)	556 846	517 794	93 949	79 516	163 639	152 898	24 586	22 159
Return on total assets (%)	1,13	0,99	0,96	0,91	1,07	0,99	1,78	1,84
Return on ordinary shareholders' equity (%)	14,8	13,6	25,4	22,6	22,5	24,5	29,6	27,7
Net interest income to average interest-earning banking assets (%)	3,53	3,48	1,62	1,49	2,03	1,99	2,01	2,18
Non-interest revenue to total income (%)	46,8	46,1	66,7	67,4	30,6	29,3	84,1	82,3
Non-interest revenue to total operating expenses (%)	84,4	81,5	154,1	141,3	74,6	70,4	136,8	132,2
Credit loss ratio - banking advances (%)	1,05	1,13	1,06	1,23	0,24	0,29	0,61	0,25
Efficiency ratio (%)	55,5	56,6	43,3	47,7	41,1	41,6	61,5	62,3
Efficiency ratio (excluding BEE transaction expenses) (%)	55,3	56,0	43,2	47,4	41,0	41,3	61,4	62,2
Effective taxation rate (%)	26,8	25,2	29,6	5,7	24,6	23,1	27,5	28,9
Contribution to group economic profit	1 511	924	690	523	758	736	399	345
Number of employees	28 748	28 494	705	721	2 188	2 194	2 028	1 991

\* 2011 reclassified. Refer note 56 in the annual financial statements available on the attached CD or online.

The segmental results for the year ended 31 December 2011 have restated for the following adjustments: (a) enhancements to the allocation of economic capital; (b) the reallocation of negotiable certificates of deposit from Nedbank Capital to the centre; and (c) transferring the Rest of Africa Cluster from Nedbank Corporate to Central Management. These restatements have no effect on the group results and ratios, and only affect the segment results and related ratios presented in the segmental reporting and geographical segmental reporting, as well as the non-interest revenue, operating expenses, loans and advances, impairments of loans and advances and amounts owed to depositors segmental analyses.

Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Shared Services		Central Management, including Rest of Africa	
		2012	2011	2012	2011	2012	2011	2012	2011
2 088	1 852	2 088	1 852			86	168	17 493	16 646
-	-							11 443	(8 251)
-	-							239	173
-	-							12 944	12 199
250 762	242 604	190 647	183 748	60 115	58 856	38	20	11 278	10 994
5 463	4 906	5 337	4 798	126	108	6 470	7 127	5 046	5 067
31 885	29 961			31 885	29 961			(31 885)	(29 961)
290 198	279 323	198 072	190 398	92 126	88 925	6 594	7 315	26 558	6 867
25 478	23 348	21 077	19 282	4 401	4 066	1 780	1 653	14 331	13 467
-	-							35	29
186 125	175 809	98 935	91 490	87 190	84 319	486	408	86 844	107 802
3 743	3 901	3 208	3 361	535	540	71	418	1 840	1 821
2 216	1 517	2 216	1 517					27 233	27 113
72 636	74 748	72 636	74 748					(103 725)	(143 365)
290 198	279 323	198 072	190 398	92 126	88 925	6 594	7 315	26 558	6 867
13 583	12 617	10 659	9 784	2 924	2 833	(220)	(235)	976	940
4 134	4 053	3 928	3 729	206	324			36	245
9 449	8 564	6 731	6 055	2 718	2 509	(220)	(235)	940	695
9 540	8 538	7 962	7 052	1 578	1 486	240	494	409	413
18 989	17 102	14 693	13 107	4 296	3 995	20	259	1 349	1 108
13 788	12 612	10 849	9 889	2 939	2 723	(31)	186	911	889
13 775	12 597	10 839	9 878	2 936	2 719	(70)	146	897	777
13	15	10	11	3	4	39	40	14	112
196	210	171	185	25	25	195	132	20	14
5 005	4 280	3 673	3 033	1 332	1 247	(144)	(59)	418	205
-	-							5	
5 005	4 280	3 673	3 033	1 332	1 247	(144)	(59)	423	205
1 472	1 291	1 084	910	388	381	(180)	(62)	112	153
3 533	2 989	2 589	2 123	944	866	36	3	311	52
-	-	37	32					38	32
37	32	37	32					256	249
3 496	2 957	2 552	2 091	944	866	36	3	17	(229)
278 965	266 879	187 598	180 683	91 367	86 196	44	14	(4 337)	(3 672)
1,22	1,10	1,32	1,12	1,03	1,00				
13,7	12,7	12,1	10,8	21,5	21,3				
4,87	4,71	5,68	5,41	3,20	3,29				
40,70	40,40	42,8	41,9	35,0	34,4				
69,20	67,70	73,4	71,3	53,7	54,6				
1,62	1,63	2,01	1,98	0,34	0,53				
59,6	59,6	58,3	58,7	65,3	63,0				
59,7	59,5	58,2	58,7	65,2	62,9				
31,0	30,2	29,5	30,0	29,1	30,5				
159	(78)	(209)	(416)	368	338	(197)	(212)	(298)	(390)
18 872	18 668	16 568	16 323	2 304	2 345	3 506	3 479	1 449	1 441

Depreciation costs of R878m (2011: R789m) and amortisation costs of R591m (2011: R609m) for property, equipment, computer software, capitalised development and other intangible assets are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December

## 1 INTEREST AND SIMILAR INCOME

	2012 Rm	2011 Rm
Home loans (including properties in possession)*	10 222	10 645
Commercial mortgages*	7 883	7 725
Finance lease and instalment debtors	7 293	7 077
Credit cards	1 311	1 165
Overdrafts	1 284	1 224
Term loans	8 867	7 542
Personal loans	4 325	3 172
Other term loans	4 542	4 370
Government and other securities	3 360	3 072
Short-term funds and securities	1 719	1 217
Other loans	2 791	3 213
	<b>44 730</b>	42 880
Interest and similar income may be analysed as follows:		
- Interest and similar income from financial instruments not at fair value through profit and loss	38 358	36 729
- Interest and similar income from financial instruments at fair value through profit or loss	6 372	6 151
	<b>44 730</b>	42 880

\* 2011 reclassified. Refer to note 26.1 in the annual financial statements available on the attached CD or online.

## 2 INTEREST EXPENSE AND SIMILAR CHARGES

Deposit and loan accounts	14 078	12 882
Current and savings accounts	590	640
Negotiable certificates of deposit	5 867	7 153
Other interest-bearing liabilities	1 998	1 739
Long-term debt instruments	2 517	2 432
	<b>25 050</b>	24 846
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	20 297	19 629
- Interest expense and similar charges from financial instruments at fair value through profit or loss	4 753	5 217
	<b>25 050</b>	24 846

An unaudited margin analysis of the interest income and interest expense by asset and liability category is presented as additional financial information on page 165 in the annual financial statements available on the attached CD or online.

### 3 IMPAIRMENTS

Rm	Nedbank Group	Nedbank Capital	Nedbank Corporate	Nedbank Wealth	Total Nedbank Retail and Nedbank Business Banking	Nedbank Retail	Nedbank Business Banking	Shared Services and Central Management, including Rest of Africa
<b>2012</b>								
Opening balance	11 497	821	1 191	77	9 107	7 599	1 508	301
Specific impairment	8 749	722	852	53	7 087	5 906	1 181	35
Portfolio impairment	2 748	99	339	24	2 020	1 693	327	266
Impairments charge	6 065	587	407	123	4 897	4 658	239	51
Statement of comprehensive income impairment charge net of recoveries	5 199	526	385	118	4 134	3 928	206	36
Specific impairment	4 517	489	361	118	3 538	3 371	167	11
Portfolio impairment	682	37	24		596	557	39	25
Recoveries	866	61	22	5	763	730	33	15
Amounts written off/other transfers	(6 692)	(989)	(702)	(88)	(4 863)	(4 376)	(487)	(50)
Specific impairments	(6 689)	(1 013)	(703)	(88)	(4 863)	(4 376)	(487)	(22)
Portfolio impairment	(3)	24	1		-			(28)
Total impairments	10 870	419	896	112	9 141	7 881	1 260	302
Specific impairment	7 443	259	532	88	6 525	5 631	894	39
Portfolio impairment	3 427	160	364	24	2 616	2 250	366	263
<b>2011</b>								
Opening balance	11 226	923	1 369	107	8 828	7 572	1 256	(1)
Specific impairment	9 072	806	932	82	7 251	6 237	1 014	1
Portfolio impairment	2 154	117	437	25	1 577	1 335	242	(2)
Impairments charge	5 972	549	449	46	4 678	4 328	350	250
Statement of comprehensive income impairment charge net of recoveries	5 331	549	439	45	4 053	3 729	324	245
Specific impairment	4 754	568	498	47	3 617	3 334	283	24
Portfolio impairment	577	(19)	(59)	(2)	436	395	41	221
Recoveries	641		10	1	625	599	26	5
Amounts written off/other transfers	(5 701)	(651)	(627)	(76)	(4 399)	(4 301)	(98)	52
Specific impairments	(5 719)	(653)	(588)	(77)	(4 406)	(4 264)	(142)	5
Portfolio impairment	18	2	(39)	1	7	(37)	44	47
Total impairments	11 497	821	1 191	77	9 107	7 599	1 508	301
Specific impairment	8 749	722	852	53	7 087	5 906	1 181	35
Portfolio impairment	2 748	99	339	24	2 020	1 693	327	266

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December

## 4 NON-INTEREST REVENUE

Rm	Nedbank Group		Nedbank Capital		Nedbank Corporate	
	2012	2011	2012	2011	2012	2011
Commission and fee income	12 538	11 031	491	305	1 194	1 055
Insurance income (note 14.2)***	1 695	1 357				
Fair-value adjustments (note 14.1) <sup>+</sup>	(265)	(60)	1	7	(37)	(19)
Net trading income	2 644	2 168	2 443	1 962	8	19
Private equity income	211	323	13	249	198	74
Investment income	107	40	83	3	5	13
Sundry income	394	553	18	(72)	101	119
Foreign currency translation movements	*	*				
<b>Total non-interest revenue</b>	<b>17 324</b>	<b>15 412</b>	<b>3 049</b>	<b>2 454</b>	<b>1 469</b>	<b>1 261</b>

\* Represents amounts less than R1m.

\*\* Revenue earned from insurance dealings during 2011 has been reclassified within Nedbank Retail, between insurance commission and insurance income.

The reclassification had no effect on the total non-interest revenue.

+ Refer to the full set of annual financial statements on the attached CD or online.

## 5 OPERATING EXPENSES

Rm	Nedbank Group		Nedbank Capital		Nedbank Corporate	
	2012	2011	2012	2011	2012	2011
Staff costs	11 390	10 243	991	819	1 030	949
Computer processing	2 461	2 421	157	120	255	169
Communication and travel	793	771	106	105	104	96
Occupation and accommodation	1 730	1 525	64	56	137	132
Marketing and public relations	1 281	1 093	48	41	37	37
Fees and insurances	1 801	1 790	75	113	390	409
Furniture, office equipment and consumables	449	380	9	11	48	44
Other operating expenses	545	502	42	19	30	41
Indirect transfer pricing	-	-	481	442	(67)	(99)
<b>Operating expenses</b>	<b>20 450</b>	<b>18 725</b>	<b>1 973</b>	<b>1 726</b>	<b>1 964</b>	<b>1 778</b>
BEE transaction expenses	78	194	5	11	4	14
<b>Total operating expenses</b>	<b>20 528</b>	<b>18 919</b>	<b>1 978</b>	<b>1 737</b>	<b>1 968</b>	<b>1 792</b>

Nedbank Wealth				Total Nedbank Retail and Nedbank Business Banking				Nedbank Business Banking				Central Management, including Rest of Africa			
2012	2011	2012	2011	Nedbank Retail		Nedbank Business Banking		Shared Services		2012		2011		2012	
1 361	1 209	9 016	8 034	7 544	6 674	1 472	1 360	40	39	436	389				
1 274	1 053	421	304	421	304	(7)	(4)			(159)	(77)				
		(70)	29	(63)	33	98	100			46	40				
		147	147	49	47										
		-	-	1	1	9	10	9	10		1				
(18)	2	10	11	10	(7)	6	20	191	445	86	60				
		16	13												
		-	-												
2 617	2 252	9 540	8 538	7 962	7 052	1 578	1 486	240	494	409	413				

Nedbank Wealth				Total Nedbank Retail and Nedbank Business Banking				Nedbank Business Banking				Central Management, including Rest of Africa			
2012	2011	2012	2011	Nedbank Retail		Nedbank Business Banking		Shared Services		2012		2011		2012	
966	837	5 870	5 291	4 705	4 211	1 165	1 080	2 075	1 900	458	447				
82	84	518	496	464	417	54	79	1 386	1 490	63	62				
54	51	384	371	340	328	44	43	108	112	37	36				
106	97	1 383	1 187	1 257	1 070	126	117	(70)	(25)	110	78				
126	98	667	590	607	537	60	53	428	345	(25)	(18)				
134	145	755	696	682	618	73	78	268	318	179	109				
16	16	232	203	221	192	11	11	112	75	32	31				
90	84	253	267	243	258	10	9	68	50	62	41				
337	289	3 713	3 496	2 320	2 247	1 393	1 249	(4 445)	(4 119)	(19)	(9)				
1 911	1 701	13 775	12 597	10 839	9 878	2 936	2 719	(70)	146	897	777				
3	2	13	15	10	11	3	4	39	40	14	112				
1 914	1 703	13 788	12 612	10 849	9 889	2 939	2 723	(31)	186	911	889				

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December

## 6 LOANS AND ADVANCES

Rm	Nedbank Group		Nedbank Capital		Nedbank Corporate	
	2012	2011	2012	2011	2012	2011
Mortgage loans	234 033	232 642	1	-	79 885	75 697
Home loans*	136 301	139 923	1		464	298
Commercial mortgages*	97 732	92 719			79 421	75 399
Net finance lease and instalment debtors	75 764	71 168			3 250	3 169
Credit cards	10 019	8 666				
Other loans and advances	218 220	198 044	82 912	69 331	80 491	79 596
Properties in possession	574	619			220	186
Overdrafts	13 694	13 152	18	60	1 935	2 276
Term loans	88 354	77 980	8 297	7 187	54 485	50 251
Personal loans	22 969	17 847				
Other term loans	65 385	60 133	8 297	7 187	54 485	50 251
Overnight loans	18 341	19 104			17 412	18 342
Other loans to clients	51 482	52 463	39 353	37 096	1 008	3 473
Foreign client lending	5 760	9 364	2 125	5 523	406	493
Remittances in transit	193	195	1	3	32	65
Other loans**	45 529	42 904	37 227	31 570	570	2 915
Preference shares and debentures	16 948	17 960	10 893	12 046	5 416	5 068
Factoring accounts	4 461	3 822				
Deposits placed under reverse repurchase agreements	24 338	12 911	24 338	12 911		
Trade, other bills and bankers' acceptances	28	33	13	31	15	
Loans and advances before impairments	538 036	510 520	82 913	69 331	163 626	158 462
Impairment of advances	(10 870)	(11 497)	(419)	(821)	(896)	(1 191)
<b>Total loans and advances</b>	<b>527 166</b>	<b>499 023</b>	<b>82 494</b>	<b>68 510</b>	<b>162 730</b>	<b>157 271</b>
Comprises:						
- Loans and advances to clients	508 134	490 539	60 150	56 497	160 877	156 223
- Loans and advances to banks	29 902	19 981	22 763	12 834	2 749	2 239
<b>Loans and advances before impairments</b>	<b>538 036</b>	<b>510 520</b>	<b>82 913</b>	<b>69 331</b>	<b>163 626</b>	<b>158 462</b>

\* 2011 reclassified. Refer to note 26.1 in the annual financial statements available on the attached CD or online.

\*\* 2011 reclassified. Refer to note 56 in the annual financial statements available on the attached CD or online.

## 7 AMOUNTS OWED TO DEPOSITORS

Rm	Nedbank Group		Nedbank Capital		Nedbank Corporate	
	2012	2011	2012	2011	2012	2011
Current accounts	55 843	51 733	1 123	168	3 457	3 665
Savings deposits	17 373	15 900			2	3
Other deposits and loan accounts	374 052	334 293	80 366	58 682	152 985	142 723
Call and term deposits	216 333	196 889	10 547	6 155	99 842	93 225
Fixed deposits	32 911	30 424	3 839	3 364	1 742	1 168
Cash management deposits	56 609	52 682	172	234	51 158	46 037
Other deposits and loan accounts*	68 199	54 298	65 808	48 929	243	2 293
Foreign currency liabilities	10 161	9 342	3 313	4 197		
Negotiable certificates of deposit	76 888	97 840		215		
Deposits received under repurchase agreements	16 561	15 022	16 106	14 615		
<b>Amounts owed to depositors</b>	<b>550 878</b>	<b>524 130</b>	<b>100 908</b>	<b>77 877</b>	<b>160 618</b>	<b>148 521</b>
Comprises:						
- Amounts owed to clients	520 832	487 762	74 371	47 122	157 286	143 331
- Amounts owed to banks	30 046	36 368	26 537	30 755	3 332	5 190
<b>Total amounts owed to depositors</b>	<b>550 878</b>	<b>524 130</b>	<b>100 908</b>	<b>77 877</b>	<b>160 618</b>	<b>148 521</b>

\* 2011 reclassified. Refer note 56 in the annual financial statements available on the attached CD or online.

Nedbank Wealth				Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Shared Services		Central Management, including Rest of Africa	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
16 051	15 645	135 543	139 101	104 716	108 490	30 827	30 611	-	-	2 553	2 199		
11 926 4 125	12 037 3 608	121 310 14 233	125 219 13 882	104 128 588	107 849 641	17 182 13 645	17 370 13 241			2 600 (47)	2 369 (170)		
294 9 3 622	300 24 3 732	70 897 10 008 43 455	66 431 8 642 37 537	59 393 9 879 24 540	54 374 8 544 19 939	11 504 129 18 915	12 057 98 17 598	38	21	1 323 2 7 702	1 268 2 7 827		
31 115 583	24 108 633	323 9 009 23 936	409 8 463 18 861	307 1 721 22 224	397 1 868 17 269	16 7 288 1 712	12 6 595 1 592	(2) -	-	2 619 1 053	2 245 1 048		
2 581	2 631	22 224 1 712	17 268 1 593	22 221 3	17 267 2	3 1 709	1 1 591			743 310	577 471		
2 892	2 941	567 4 586	726 4 604	288	405	567 4 298	726 4 199	-	(8)	362 3 643	36 4 357		
2 892	2 941	380 55 4 151	318 33 4 253	1 50 237	1 31 373	379 5 3 914	317 2 3 880		(8)	2 849 105 689	3 030 102 1 225		
1	24	573 4 461	652 3 822			573 4 461	652 3 822	40	29	25	141		
2	-	-	-										
19 976 (112)	19 701 (77)	259 903 (9 141)	251 711 (9 107)	198 528 (7 881)	191 347 (7 599)	61 375 (1 260)	60 364 (1 508)	38	21 (1)	11 580 (302)	11 294 (300)		
19 864	19 624	250 762	242 604	190 647	183 748	60 115	58 856	38	20	11 278	10 994		
18 068 1 908	17 139 2 562	259 848 55	251 678 33	198 478 50	191 316 31	61 370 5	60 362 2	38	28 (7)	9 153 2 427	8 974 2 320		
19 976	19 701	259 903	251 711	198 528	191 347	61 375	60 364	38	21	11 580	11 294		

Nedbank Wealth				Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Shared services		Central Management including Rest of Africa	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
991 7 857 7 049	943 6 634 6 136	46 866 8 858 128 239	43 600 8 660 120 945	27 850 8 625 62 147	26 420 8 459 56 343	19 016 233 66 092	17 180 201 64 602	31	1	3 406 656 5 382	3 357 603 5 806		
6 723 141 183 2	5 837 104 190 5	96 104 25 761 4 940 1 434	88 527 24 306 5 797 2 315	36 517 24 690 16 924	31 981 23 047 15 1 300	59 587 1 071 4 924 510	56 546 1 259 5 782 1 015	21 10	1	3 117 1 428 135 702	3 145 1 482 424 755		
		2 162 -	2 604 -	313	268	1 849	2 336			512 76 888	411 97 625		
15 897	13 713	186 125	175 809	98 935	91 490	87 190	84 319	486	408	86 844	107 802		
15 897	13 713	186 045 80	175 405 404	98 805 130	91 008 482	87 240 (50)	84 397 (78)	476 10	407 1	86 757 87	107 784 18		
15 897	13 713	186 125	175 809	98 935	91 490	87 190	84 319	486	408	86 844	107 802		

# Remuneration Report

## STATEMENT FROM THE CHAIRMAN OF THE GROUP REMUNERATION COMMITTEE

I am pleased to report to you, our stakeholders, on Nedbank Group's remuneration practices, which were aligned to our strategic objectives and performance during the 2012 financial year.

Globally shareholders are becoming more vocal on matters relating to remuneration. Advisory votes on remuneration and so-called 'say on pay' arrangements are now common across the world. Reporting and disclosure standards are evolving to ensure that stakeholders are able to understand better how remuneration decisions are made and to assess the outcomes of these decisions. There is also increasing focus on what executives and other highly paid individuals are being paid for, on what happens when they get it wrong, and how, in these instances, remuneration can be recouped or 'clawed back'.

In SA there has been focus on the absolute levels of executive remuneration, and on the relativities between this and the remuneration of employees in general, particularly those earning at the lower end of the earnings spectrum. Following a period of heightened industrial action during mid-2012, the issue culminated, during October, in the development of a dialogue around a freeze on executive pay for a year.

We have consistently applied the principle that our remuneration should be fair and competitive, and should be reflective of the performance of the business. At the same time, the Remuneration Committee aligns itself with the statement issued by Business Leadership SA (BLSA) that 'Our members have also taken note of the call for restraint in executive pay, and we are confident that companies and their boards, who are and remain, the responsible decisionmakers about these matters will take note of this call. For this call to have the symbolic effect intended other social partners both in government and in labour will need to support it. No leader in our

society should engage in ostentatious, extravagant and unproductive use of resources, especially at this time.'

BLSA media statement - 24 October 2012.



GRI 3.1: 4.5,  
EC3



Pillar 3

Accordingly, we believe that the most appropriate way of responding to the issues facing our country is not only to show restraint, but also to place our support and commitment firmly behind the National Development Plan, with which our Fair Share initiatives are aligned. We also believe that this can be assisted by proactively and consistently seeking to close the wage gap and improving the lives of lower-paid employees by paying appropriate attention to the issue of minimum wages and income differentials.

It is also important for stakeholders to note that the Remuneration Report that follows takes account of the full 2012 financial year. Some decisions and their related impact, particularly the setting of targets in respect of performance-related pay, were made before some of the issues outlined above arose.

It is against this backdrop that the Group Remuneration Committee (Group Remco) carried out its mandate during 2012. In so doing, Group Remco has been cognisant of the evolving local and global regulatory environment within which remuneration (and particularly remuneration in financial services firms) is governed and reported. This includes the international Financial Stability Board (FSB) Principles for Sound Compensation Practices and the associated Implementation Standards, King III and the Basel Committee on Banking Supervision's Pillar 3 Disclosures on Remuneration. We are also of the opinion that our practices and our reporting thereof are compliant with these standards. The Remuneration Report accordingly contains considerably more detail on matters such as our risk-adjusted approach in regard to remuneration, and provides greater detail on the aggregate remuneration of those individuals in the group who are responsible for running major parts of the business, or whose individual actions have a material impact on our risk exposure.

We have produced excellent results this year, and have delivered strong progress against all of our major strategic objectives. This is dealt with in detail in other parts of this integrated report. A summary of some of the key relevant financial and non-financial metrics that influence our remuneration outcomes is provided below:

	2012	2011	yo change (%)
Headline earnings (Rm)*	7 510	6 184	21,4
Economic profit (Rm)	1 511	924	63,5
Return on equity (excluding goodwill)(%)*	16,4	15,3	7,2
Year-end share price (cents)*	18 800	14 500	29,7
FINI 15 Index	10 644	8 363	27,3
Nedbank Staff Survey (%)	76,2	74,4	2,4
Barrett Staff Survey entropy level (%)	10,0	11,0	9,1 <sup>#</sup>

\* The improvement in the Barrett Staff Survey manifests in a lower score. The change is thus recorded as positive.

\* Audited.

Our core approach to the Group Remuneration Policy is to ensure that total remuneration:

- is appropriately prudent and commercially sensible to enable the attraction and retention of talented people and those with scarce skills;
- is implemented in the context of effective and sustainable risk adjustment in the determination of remuneration programmes and individual awards;
- brings about an alignment with the interests of other stakeholders; and
- ensures fairness and a sustainable minimum wage.

We have, over the past several years, kept our core remuneration policy and principles largely consistent. In 2009 amendments were introduced which provided for deferral of short-term incentive (STI) awards, and included forfeiture rights. The implementation of the policy and principles in practice has seen a reduction in the STI pool in circumstances where business performance has declined, and has seen the lapsing of performance share awards in instances where the corporate performance targets were not met.

Our performance has improved significantly in 2011 and 2012 and this is reflected in the increased STI pools earned and approved for both years. There is also a higher anticipated probability that the 2011 and 2012 performance-based share allocations will vest. This is against the backdrop of all long-term incentive (LTI) awards that were subject to performance conditions and which have been issued between 2005 and 2009 lapsing due to lack of fulfilment of the performance conditions. I am satisfied that the high levels of engagement between members of Group Remco have contributed to the effective implementation of the core principles of the remuneration policy.

In the Group Remco Chairman's Statement in the 2011 Remuneration Report several key matters to be considered in 2012 were highlighted. These, together with the actions initiated by us to address these, are set out below:

Matters for consideration in 2012	Actions taken in 2012
Ensuring that we remain compliant with the latest principles of good remuneration governance and practice, including the FSB Principles and Basel Pillar 3 disclosure requirements.	We have ensured that our compensation practices remain compliant with the FSB Principles for Sound Compensation Practice, and our Remuneration Report, as set out in the following pages, is compliant with Regulation 43 of the Banks Act, which gives effect to the Pillar 3 remuneration disclosure requirements.
Continuing to have a strong relationship between Group Remco and the Group Risk and Capital Management Committee (GRCMC) and for Group Remco to react appropriately to any concerns or issues raised by GRCMC.	The chairpersons of Group Remco and GRCMC met, which ensured combined focus on the relationship between risk and reward, with the following activity having taken place during 2012: <ul style="list-style-type: none"> <li><input type="checkbox"/> The group's Risk function conducted an assessment of the risk-related aspects of our compensation practices and there were no issues identified in the July 2012 review.</li> <li><input type="checkbox"/> Where relevant, matters arising in Group Remco that have a bearing on risk were raised at GRCMC to enable appropriate alignment across the two committees.</li> </ul>

## Remuneration Report (CONTINUED)

Matters for consideration in 2012	Actions taken in 2012
Reevaluating our approach to variable remuneration within the context of prudent risk-taking and evolving best practice.	<p>Group Remco reviewed the methodologies employed to determine the annual STI and LTI pools. Group Remco concluded that the methodologies are appropriately risk adjusted, and that there is sufficient discretion available to Group Remco to amend the pools if there are material issues that would need to be considered beyond those specifically covered under the relevant pool determination approaches.</p> <p>The allocation of variable compensation is individually determined, with this discretion informed by a combination of financial and non-financial performance metrics. There is no direct, formulaic incentivisation of outcomes that could give rise to imprudent risk-taking.</p>
Managing the demand for remuneration adjustments while maintaining job security within a tough economic outlook.	<p>Average increases in guaranteed packages were generally in line with those awarded in the financial services sector. This is regarded as necessary to ensure that our guaranteed pay position remains competitive. We did, however, increase our minimum guaranteed-package level by a higher overall percentage than applicable in our peer group. This process was again followed in our 2013 negotiations, which were constructively and efficiently concluded with our recognised trade unions. This approach is adopted to ensure that we take steps to improve the standard of living of our lowest-paid employees. Our minimum salary for any role in our SA operations was R96 000 per annum from 1 April 2012, and this will increase to R110 000 per annum from 1 April 2013.</p> <p>Group Human Resources and the group's monthly Operations Committee meetings review the expenditure on out-of-cycle pay increases to ensure that the number and cumulative value of increases awarded are appropriately approved, commercially sensible, sustainable, and within the overall budget set for staff cost increases for the financial year.</p> <p>The issue of sustainable pay increases in the context of increasingly challenging economic circumstances remains a material consideration into 2013.</p>
Arranging for an independent review of the implementation of the Group Remuneration Policy.	PricewaterhouseCoopers (PwC) was commissioned by the Group Remco to conduct an independent review of the implementation of the Group Remuneration Policy. PwC's report was presented to Group Remco in July. The implementation of the policy was adjudged as being consistent with the policy principles, which were appropriately aligned to the global governance standards. PwC was comfortable with the governance of remuneration in the group. Certain issues, none of which are material in the context of the policy and our practice, were highlighted for possible attention. These included enhancement of governance arrangements in the Rest of Africa businesses, reviewing the approach to employee retention, with a focus on using share-based instruments to ensure alignment with shareholder interests, and the length of executive notice periods. These issues have received the necessary focus, and will continue to develop into 2013.

Our remuneration strategy is regularly reviewed, to ensure that it continues to adapt to changing market conditions, and that it remains appropriately aligned with our overall business strategy. Some of the key themes that Group Remco will consider in 2013 will be:

- reviewing the overall competitiveness and fitness-for-purpose of our total remuneration and benefits offering relative to the markets in which we compete, while remaining appropriately commercial and agile to respond to changes in market conditions;
- detailed review of our approach to performance management; and
- ongoing monitoring of and adaptation to the evolving remuneration governance requirements applicable to financial services firms.

I am grateful to my fellow Group Remco members for the way in which they have engaged in line with the board-approved charter, and for the levels of rigour they have applied to the debates on our remuneration policy and practice in these challenging times.



TCP Chikane  
22 February 2013

## REMUNERATION POLICY

Shareholders are requested to vote on the following remuneration policy by way of a non-binding advisory resolution.

There have been no material changes to the substance of the remuneration policy voted on by shareholders at the previous Nedbank Group Annual General Meeting (AGM) held on 4 May 2012, where the remuneration policy was endorsed by 94,3% of shareholders entitled to vote. However, aspects of the policy have been enhanced to improve the transparency of our policies and processes, and to ensure that the remuneration policy continues to reflect the evolving remuneration governance requirements, and our responses to these.

The Nedbank Group Remuneration Policy for 2012 is reflected below.

### Objective and philosophy

The purpose and philosophy of the total remuneration approach is to:

- attract, retain, motivate and reward employees appropriately;
- encourage sustainable long-term performance of the group; and
- align performance with the strategic direction and specific value drivers of the business and the interests of stakeholders in a manner that does not encourage excessive risk-taking.

Total reward is a combination of all types of rewards, including financial and non-financial, indirect and direct, intrinsic and extrinsic rewards, and the total remuneration policy forms part of total reward and supports the Nedbank employee value proposition (EVP).

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

In designing the remuneration policy, the group is cognisant of best practice, the applicable legislation as well as adherence to codes of good remuneration and governance practice.

### Scope

This policy reflects the board's vision of how remuneration should be managed, namely that it must:

- be a board-approved policy implemented by management;
- describe how total remuneration is to be managed in its various businesses;
- form part of the group's operating philosophy, policies and standards;
- apply to all group companies, including international subsidiaries, subject to local regulatory requirements, and excluding companies in which the group only has a private equity investment; and
- be supported by detailed operating policies, procedures, processes and practices at local and business unit level.

## Terminology

### Interpretation and definitions

For the purposes of this policy:

- the masculine gender includes the other genders, and vice versa, and the plural includes the singular, and vice versa;
- the terms 'must,' 'is/are to', 'is/are required to', 'needs/need to' and 'has/have to' are used interchangeably and have the same degree of obligation;
- 'group' means Nedbank Group Ltd;
- 'board' means the boards of Nedbank Group Ltd and Nedbank Ltd;
- 'Group Remco' means the Group Remuneration Committee, a board committee that has ultimate responsibility and accountability for all remuneration-related matters in the group;
- 'GRCMC' means the Group Risk and Capital Management Committee, a board committee established in accordance with the Banks Act, 94 of 1990, and Companies Act, 71 of 2008;
- 'CE' means Chief Executive;
- 'Group Exco' means the Group Executive Committee;
- 'EVP' means employee value proposition;
- 'remuneration' means all moneys received by an employee for services rendered and includes any short-term incentive, long-term incentive and other monetary rewards, but excludes any amounts paid to employees as a reimbursement for expenses incurred in the course of executing duties;
- 'GP' means guaranteed package;
- 'LTI' means long-term incentive, being any award or grant from the group's share-based incentive schemes;
- 'CPT' means corporate performance target;
- 'STI' means short-term incentive, being all bonuses, annual incentive awards and other cash incentive arrangements, and includes any deferral on annual performance incentives; and
- 'regulation', 'regulations' or 'regulatory' means any statute, legislation, subordinate legislation, regulation, code, guideline, guidance note, supervisory requirement or regulatory directive with which the group must by law comply or to which it adheres for the purposes of ensuring good corporate governance.

### Remuneration principles

- The governance and management of remuneration in the group are undertaken by Group Remco, the Group Exco and management to ensure compliance with applicable regulatory requirements and alignment with codes of good remuneration practice.
- In support of the EVP, the group uses and implements an appropriate mix of total reward for its various employee groups that is designed to attract, motivate and retain talented employees, and which stimulate employee satisfaction and engagement.
- Group Remco has the authority to consult independent remuneration consultants, who provide independent advice to ensure that remuneration in the group is in line with current market practices and complies with regulatory requirements.
- The management of remuneration must support and reinforce the group's culture and values.
- The group's remuneration policy must be transparent and communicated to all employees.

# Remuneration Report (CONTINUED)

- All employees' personal remuneration information must be treated as confidential, be respected and always be dealt with in terms of regulatory requirements.
- All remuneration practices will be aligned with the principles of equity and equality, and implemented on the basis of differentiation in respect of performance.
- In the management of remuneration internal and external equity are key considerations.
- To achieve internal equity all employees must be fairly and consistently rewarded according to their roles, individual worth and experience, being cognisant of the group, business unit and individual performance.
- To achieve external equity the group must continuously monitor the relevant job markets to ensure a competitive total reward positioning within the parameters of affordability.
- In terms of labour regulation the group annually assesses its remuneration distribution to ensure fair application and employment practices.
- Premiums for race, gender, specialist skills and other market drivers should be accommodated within broad remuneration ranges.
- Performance management is applied and serves as input into the management of individual employee remuneration.
- The group will provide employees and their dependants with an appropriate level of employee benefits within legislative requirements.

## Total remuneration

### Guaranteed package

- All employees based in SA, including executive directors and prescribed officers, are remunerated on a total-cost-to-company approach. The group has implemented this approach, subject to labour regulations and remuneration practices, in all SA-based operations and certain non-SA entities. The remaining non-SA entities will remain on a salary plus benefit approach.
- The group annually determines the GP earnings ranges applicable to all positions. Earnings ranges are benchmarked against market median information, allowing a reasonable range to accommodate different levels of competence, experience, performance and applicable market drivers.
- The group's remuneration position is to pay for performance, while ensuring appropriate distribution around the market median, reflecting the demand for skills.
- Employees can structure their GP within the framework of applicable policies, practices and regulatory requirements.
- Adjustments, as defined in the appropriate relationship agreement, will be agreed annually with the relevant recognised unions (for members of the bargaining unit).
- Group Remco is responsible for approving the overall mandate for the annual remuneration review.
- Adjustments for the members of the Group Exco and the Company Secretary are recommended by the CE to Group Remco and approved by the board.

- The CE's adjustment is recommended by Group Remco and approved by the board and ratified at the agreed holding company level.
- Remuneration adjustments outside the annual remuneration review exercise may be considered under exceptional circumstances and will be subject to the agreed authorisation.

### Job evaluation and market benchmarking

The principles applicable to job evaluation and benchmarking are that all:

- jobs must be sized or benchmarked, using the appropriate methodologies, and matched to the respective market job and earnings ranges;
- job evaluations and market benchmarks must be managed by the appointed job family committees, which are mandated with specific charters;
- job profile changes must be proposed by the line manager and approved by the appropriate job family committee; and
- employees are entitled to see their market match and earnings range.

### Employee benefits

- All permanent employees have access to the same employee benefits, subject to regulatory requirements, subsidiary policies and local practices.
- Employees have access to the following benefits:
  - leave;
  - retirement funding;
  - healthcare;
  - disability cover; and
  - death cover.
- Depending on the requirements of a role, the group may allow for certain job-specific structures and/or allowances.
- The service contracts of executive directors and prescribed officers are aligned with those of general staff and do not include any golden-parachute arrangements.

### Short-term incentive schemes

- STIs are designed to reward financial and non-financial performance, desired behaviours and deliverables within an agreed risk framework.
- Group Remco has full and final discretion in respect of all the group STI schemes and arrangements.
- The group operates a Compulsory STI Deferral Scheme, the participation and forfeiture rules of which are annually determined by Group Remco.
- The group operates a Voluntary STI Deferral Scheme, which allows eligible participants to receive additional matched shares on selecting participation and meeting certain criteria.
- A signon bonus scheme is used in exceptional circumstances as a recruitment tool to aid in the acquisition of potential candidates.
- Group Remco approves STI pools on an annual basis.

- Group Remco recommends the STI for the CE and members of the Group Exco to the board for approval.
- Group Remco approves the STI for the Company Secretary.
- Group Remco approves all individual STIs in excess of 200% of GP.

#### **Long-term incentive schemes**

- LTIs are designed to retain key employees and to align their long-term performance with the interests of shareholders.
- Group Remco considers and approves all LTI scheme arrangements.
- The relevant legal and governance processes are followed in each jurisdiction to approve each scheme.
- The group operates an option (now closed to new participants) and a restricted-share scheme as the approved share-based LTIs.
- LTI awards are allocated in the form of performance shares and retention shares.
- Group Remco approves the corporate performance targets (CPTs) applicable to performance shares.
- Group Remco approves the total LTI pool for the year.
- Group Remco approves on an individual basis all share-based LTI allocations in excess of a defined limit.
- The group operates a Deferred Short-term Incentive (DSTI) Scheme, which is a cash-based LTI scheme.
- In countries where the group is not listed, a cash-settled phantom arrangement is used as the LTI vehicle. The terms are designed to mirror the restricted-share scheme, save for cash settlement.
- Group Remco recommends the LTI for the CE and members of the Group Exco to the board for approval. Group Remco approves the LTI for the Company Secretary.

#### **Ownership schemes**

As part of the broader black economic empowerment (BEE) initiative, SA or incountry BEE or local ownership/indigenisation schemes may also apply, subject to shareholder and regulatory approval.

#### **Total remuneration: non-executive directors**

The fees of non-executive directors are reviewed annually, in terms of corporate governance regulations, and approved in advance by shareholders at the annual general meeting (AGM) for implementation on 1 July of each year.

#### **Roles and responsibilities**

##### **The board**

The board is responsible for the financial reporting and soundness of the group, including the remuneration policy. The board delegates responsibility for this policy to Group Remco.

##### **The Group Remuneration Committee**

Group Remco is delegated by the board and is responsible for reviewing and approving the remuneration policy and the strategy related to all reward-related matters for the group.

#### **The Group Risk and Capital Management Committee**

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

#### **The Group Executive Committee**

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

#### **Group Rewards Department**

The Group Rewards Department provides supporting frameworks, guidelines and tools to facilitate the process of remuneration management across the group, including providing cluster human resource managers with ongoing support and assistance.

#### **Management**

Management is required to:

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

#### **Cluster Human Resources**

Cluster Human Resources managers:

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

## **REMUNERATION REPORT**

The Nedbank Group Remuneration Policy is enabled and supported by specific Group Remuneration Committee (Group Remco) decisions, as well as internal rules, procedures and processes. The group's predominant approach is one of consistency and stability, within the framework of evolving legislation and remuneration practice. Any changes made are carefully considered to mitigate any unintended consequences or negative effects on the group's stakeholders.

This report sets out the consistent implementation of the Nedbank Group Remuneration Policy within the group during 2012, as well as subsequent events in 2013 where applicable.

# Remuneration Report (CONTINUED)

## REMUNERATION GOVERNANCE

### Remuneration regulation

We are subject to local and global remuneration regulation, including the following:

- The King III Code on Corporate Governance.
- The Financial Stability Board's Principles for Sound Compensation Practice and the related Implementation Standards.
- Regulation 43 of the Banks Act, which gives effect to the Basel Committee on Banking Supervision's Pillar 3 disclosure requirements for remuneration.
- The UK Financial Services Authority's Remuneration Code requirements, which are applicable to our businesses domiciled in the UK.

Group Remco receives regular updates from either its advisers or the Group Reward and Performance team on the evolving regulatory environment to ensure that it is able to respond to changes in this regard appropriately and timeously.

During 2010 and 2011 the South African Reserve Bank (SARB) engaged with us (and other banks) regarding remuneration governance matters. This engagement culminated in a trilateral meeting with our board in 2011. By the end of 2011 we had addressed most matters raised by the SARB, with the following two items standing over for inclusion in the 2012 Remuneration Report:

Outstanding item	Action taken in 2012
How is the group of material risk-takers divided into subgroups or categories (eg members of the executive board, other senior executives, and the most highly paid employees)?	The reporting, as contemplated by the SARB in this regard, is set out under the Pillar 3 remuneration disclosures set out on page 125 of this Remuneration Report.
For senior executive officers and employees whose actions have a material impact on the risk exposure of the firm, does or will the annual report disclose for each of the two groups: <ul style="list-style-type: none"><li><input type="checkbox"/> the amount of remuneration for the financial year?</li><li><input type="checkbox"/> the amount and form of variable compensation?</li><li><input type="checkbox"/> the amount of deferred compensation?</li><li><input type="checkbox"/> any new signon and severance payments made during the financial year?</li><li><input type="checkbox"/> the amount of severance payments awarded during the financial year?</li></ul>	The two outstanding matters are interrelated, and both deal with the required disclosure of aggregate compensation information for those regarded as senior managers and those whose actions have a material impact on the risk exposure of the group (also called material risk-takers). This disclosure is required for reporting on financial years commencing on or after 1 January 2012.  Subsequent to the promulgation of the Companies Act, 71 of 2008, the King III requirement that remuneration paid to the top 3 earners who are not directors be disclosed has been withdrawn. Accordingly, the disclosures in regard to these matters relate to the aggregate remuneration paid or awarded to the groups of employees called senior managers and material risk-takers.

The independent review of the implementation of the Nedbank Group Remuneration Policy conducted by PricewaterhouseCoopers (PwC) confirmed that we have taken appropriate steps to meet our regulatory obligations, as these pertain to remuneration matters.

## Composition of Group Remco

Group Remco currently consists of six members, is made up of a majority of independent non-executive directors and has an independent chairman.

In 2012 Group Remco's membership initially comprised three independent non-executive directors [namely Prof B de L Figaji (Chairman), Mr MI Wyman and Ms NP Mnxaasana], and two non-independent non- executive directors (namely Mr DI Hope and Mr MA Enus-Brey). On 30 January 2012 Mr PM Makwana (an independent non-executive director) was appointed as a member of Group Remco and on 24 February 2012 Ms TCP Chikane (also an independent non-executive director) was appointed as a member and Chairman designate of Group Remco. Prof Figaji retired from the board and Ms TCP Chikane was appointed as Chairman of Group Remco on 4 May 2012.

Group Remco met five times during 2012. A record of attendance at the meetings is set out in the supplementary Governance and Ethics information available online.

The Chief Executive (CE), Chief Operating Officer and Group Executive: Human Resources are permanent invitees to Group Remco meetings and recuse themselves from discussions on their own remuneration. The meetings are also attended by the executive responsible for Reward and Performance in the group, as well as any advisers who Group Remco may deem necessary from time to time.

All members of Group Remco act as trustees of the Nedbank Group (2005) Employee Share Trust. The trustee meeting for this scheme was held on 26 November 2012. Group Remco members were also trustees of the NIB Trust, which was deregistered in October 2012.

## Functioning of Group Remco

Group Remco is delegated by the board to discharge its corporate governance duties related to remuneration strategy, policy and practices. The board ensures that Group Remco is:

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

Group Remco functions according to a charter approved by the board. The board delegates responsibility to Group Remco for the investigation and benchmarking of remuneration practices and for considering and approving, according to rules set out in the

Group Remco charter, all proposals made on remuneration practices that have a direct or indirect financial impact in the group.

Group Remco's responsibilities, which are groupwide in their application and are set out in the Group Remco charter, are to:

- Approve
  - the annual performance scorecards of the CE, executive directors and prescribed officers, and other members of the Group Executive Committee (Group Exco);
  - the corporate performance targets (CPTs) related to the vesting of long-term incentive (LTI) allocations and matched shares;
  - the annual short-term incentive (STI) pool, and the rules of any bespoke incentive schemes;
  - the overall guaranteed remuneration increase budget or mandate for all staff;
  - the proposed STI awards to individuals in excess of a defined limit;
  - on an individual basis, all share-based LTI allocations in excess of a defined limit; and
  - all elements of remuneration for the Company Secretary.
- Recommend
  - to the board for approval all elements of remuneration on an individual basis for the CE, executive directors and other members of the Group Exco; and
  - to the board the remuneration of the Chairman of the board.
- Review
  - remuneration proposals and practices for the group to ensure alignment with best practice and the latest governance principles;
  - the overall financial liability related to all elements of remuneration for the entire group;
  - the material terms and conditions of service of all group staff (where appropriate) to ensure that they are fair and competitive;
  - the proposals for non-executive directors' fees, which is the responsibility of the independent committee;
  - the appropriate peer group against which group remuneration will be evaluated;
  - any issues raised by GRCMC that are related to remuneration;
  - the allocation of guaranteed variable remuneration awards; and
  - the use of independent external advice where necessary.
- Report
  - in an annual remuneration report for the board for publication in our integrated report; and
  - to the board after each meeting and more frequently if required.

Group Remco applies the guiding principles of the remuneration policy as far as is feasible, but the board and Group Remco retain

# Remuneration Report (CONTINUED)

the right to use their discretion to deviate from this policy in exceptional circumstances.

As in previous years, Group Remco conducted a self-assessment to evaluate its effectiveness against the objectives of its charter. The evaluation confirmed that there were no material issues in regard to the effectiveness of Group Remco.

PwC conducted a training session for all boardmembers in July 2012. The focus of this session was on the evolving global remuneration governance environment. PwC also provided insights into possible future changes to remuneration governance, and how we could be impacted by these.

## Advice to Group Remco

Group Remco has full access to independent executive remuneration consultants, and has utilised the services of Vasdex Associates (Pty) Ltd in this regard during 2012.

Group Remco is provided with market-related remuneration information based on a number of independent remuneration surveys in which we participate. These include PwC Remchannel surveys, the Global Remuneration Solutions Top Executive Remuneration Survey, the LMO Executive Remuneration Survey and a number of smaller niche remuneration surveys. Deloitte provided market information regarding non-executive remuneration.

Specialists within Group Reward and Performance analyse the information sourced from external service providers, and provide consolidated feedback to Group Remco in this regard.

## REMUNERATION ELEMENTS

We define total reward as a combination of all types of rewards, including financial and non-financial, indirect and direct, and intrinsic and extrinsic rewards, and our total-remuneration policy forms part of total reward and supports our employee value proposition.

### Guaranteed package

#### SA employees

All employees in the SA operations of the group receive a guaranteed package. In terms of this employees may, within predetermined parameters, allocate elements of their guaranteed package to a range of compulsory or optional employee benefits, which includes a 13th cheque, motor vehicle allowances, and contributions to retirement, medical and death and disability funds. In some instances participation in the applicable employee benefit plans is contractual and therefore compulsory.

A postretirement medical aid fund exists, which provides eligible employees with a partial subsidy of their postretirement medical aid contributions. The fund is currently fully funded.

Certain categories of employees are covered under collective bargaining agreements with Sasbo: The Finance Union and the Insurance Banking Staff Association (IBSA). At 31 December 2012 a total of 67,46% of our employees constituted the bargaining unit. In April 2012 the bargaining unit guaranteed-remuneration bill was increased by 7,2% and non-bargaining unit and executive guaranteed remuneration bill by approximately 6% each.

#### Non-SA employees

Employees in our operations outside SA received guaranteed remuneration either on a guaranteed-package basis, or on the basis of a basic salary with add-on benefits. The structure of guaranteed remuneration and the approach to remuneration reviews are dependent on local market practice, and is subject to local regulatory and collective-bargaining arrangements, where applicable.

#### Annual review of guaranteed remuneration

Guaranteed remuneration is reviewed annually to maintain competitiveness. Annual increases are not guaranteed and are subject to performance, market-relatedness, affordability and, where applicable, the provisions of the relevant collective-bargaining arrangements. Inflation is considered, but is not the primary driver of the review parameters. Annual increases take effect on 1 April.

### Retirement schemes

Our principal position on retirement schemes is that these should be of a defined-contribution nature, with appropriate employee involvement in the governance of these schemes through representation on boards of trustees. We are, however, cognisant of the fact that the scheme design and the relevant governance structures will be largely influenced by local statutory and regulatory conditions.

#### SA employees

The majority of employees (and specifically all appointees since 1 January 1994) are members of the Nedgroup Defined-contribution Pension or Provident Fund. Both include flexible contribution levels and member investment choice. At 31 December 2012 a total of 7 899 employees were members of the Defined-contribution Pension Fund and 17 560 employees were members of the Defined-contribution Provident Fund.

We also have the closed defined-benefit (DB) Nedgroup Pension Fund, with 308 active members and 3 083 pensioners at 31 December 2012. The Nedgroup DB Pension Fund is fully funded, with an actuarial surplus.

#### Non-SA employees

Our operations run a variety of defined-contribution and legacy defined-benefit schemes for the benefit of employees. These are all governed in accordance with the local regulatory environment.

## Short-term incentive schemes

STIs are implemented to drive the achievement of sustainable results within the agreed risk appetite framework and to encourage behaviours consistent with our values and that are aligned with the best interests of our stakeholders. Our STI schemes are structured to support collaborative work across different clusters. Group Remco has agreed a set of principles and all group and cluster incentive schemes are designed according to those principles.

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

In the income-generating clusters incentive pools are structured with a weighting linked to the group, cluster and, where appropriate, divisional performance. The five line income-generating clusters within the group (Capital, Corporate, Business Banking, Retail and Wealth) are measured against a combination of performance targets, namely economic profit (EP), headline earnings and non-financial targets. The incentive pools for all central clusters are based on a combination of group performance relative to the targets in respect of EP, headline earnings and cluster-specific non-financial performance scorecards.

As in previous years, Group Remco continues to institute a control limit whereby there may be no more than a 10% variance between the group topdown performance calculation and the independent bottomup cluster performance calculations.

The detailed process for setting the STI pools is outlined on page 123 of the Remuneration Report.

Distribution of the STI pools at an individual level is on a discretionary basis, is aligned with market practice and utilises individual performance relative to the agreed deliverables in the performance management process. Being cognisant of the importance of long-term sustainability of performance, a portion of the STI earned above a predetermined threshold is deferred, and remains at risk over a future settlement period.

All individual STI payments in excess of 200% of the guaranteed package (GP) are individually motivated by the respective Group Exco members and individually signed off by Group Remco. For the 2012 financial year Group Remco approved 13 STI payments (2011: 6) in excess of 200% of GP (payable March 2013).

The charts below illustrate the distribution of the STI:GP ratio for all permanent SA employees for the financial years 2011 and 2012:

Nedbank Group 2011/2012 distribution of the STI:GP ratio



### Deferral of short-term incentives

STIs are deferred into the Nedbank Group (2005) Matched Share Scheme.

From 2010 we implemented the compulsory deferral of STIs earned in excess of R1m. In terms of these arrangements 50% of any STI award in excess of R1m is subject to deferral for a maximum period of 30 months, with releases from forfeiture taking place in equal proportions at 6 months, 18 months and 30 months from the date of award. Awards in each tranche are subject to a formal release from forfeiture decision, which is subject to board approval and dependent on there having been no material events that would, at the absolute discretion of Group Remco, warrant forfeiture of the particular tranche of the award. If a forfeiture event is declared, the awards for the applicable tranche lapse in part or full, without any option for retesting. Awards will be subject to forfeiture in the event of resignation or dismissal for cause (a so-called 'fault' termination).

Employees may also elect to defer a portion of their post-tax STI voluntarily into the Matched Share Scheme, subject to the total deferral (including compulsory deferral) not exceeding 50% of the total post-tax STI award.

In terms of the Matched Share Scheme rules, should there be no forfeiture of awards outlined above and the employee retains the shares in the scheme for a period of 36 months, he or she may receive matched shares of either 50% or 100% of the number of shares held by him or her in the scheme for the relevant allocation year. The former is based on the employee remaining in the scheme for the stipulated period, whereas the latter is based on both time and the achievement of a predefined corporate performance target.

# Remuneration Report (CONTINUED)

A cash-settled compulsory STI deferral is used for all employees employed in the UK who earned an STI in excess of £150 000. A total of 2 UK employees earned STIs in excess of the threshold for financial year 2012 (payable in 2013).

## Special-purpose short-term variable remuneration

In exceptional circumstances, typically in the context of hiring senior and key employees, we use special-purpose short-term variable remuneration arrangements.

### Signon bonuses

Group Remco annually approves a signon bonus pool from which the CE may allocate awards. This is at his discretion and based on a recommendation of the responsible Group Exco member. Signon bonuses are typically awarded to compensate prospective employees for the loss of certain accrued benefits, or to make them whole in terms of existing contractual obligations. In very exceptional circumstances the awards will be used to increase the overall competitiveness of an employment offer. All signon bonuses are presented to Group Remco for ratification.

Signon bonuses are subject to clawback provisions in the event that the recipient leaves the employment of the group before the expiry of a stipulated timeframe.

For the financial year ended 31 December 2012 R12,7m (2011: R19,96m) was allocated to 20 (2011: 23) employees.

### Deferred Short-term Incentive (DSTI) Scheme

Group Remco annually approves a DSTI pool, which is placed under the control of the CE, and from which he may make discretionary DSTI allocations to specifically identified individuals. Awards may be considered in exceptional circumstances to enable the retention of key employees holding critical skills. DSTI awards may also be considered in the context of the hiring process.

All DSTI payments are individually motivated by the responsible Group Exco member and approved by the CE. All allocations are

ratified by Group Remco. Awards may not be considered for the CE or for members of the Group Exco.

DSTI awards are cash-based awards, comprising an upfront payment, with a deferred component payable subject to a minimum time-based condition. Awards are subject to contract, and to clawback (for the component already paid) and forfeiture of the remaining portion in the event that the recipient leaves the employment of the group during the tenure of the award. Awards are also subject to an ongoing minimum individual performance requirement.

Awards totalling R13,3m (2011: R27m) were allocated to 21 (2011: 41) employees during 2012.

## Long-term incentives

LTI are awarded with the joint aims of aligning performance with the interests of stakeholders and of retaining key employees. Criteria and the quantum of allocations are benchmarked annually. Furthermore, scheme rules and the application thereof are annually evaluated to ensure compliance with legislative and regulatory requirements. The allocation of LTIs is discretionary and is based on the following key eligibility criteria:

- Strategy and individuals key to driving the business strategy
- Talent management strategy and succession planning
- Retention of key talent and scarce skills
- Transformation objectives
- Potential and performance
- Leadership pool

All LTI allocations are motivated by the Group Exco and approved by Group Remco as trustees of the Nedbank (2005) Employee Share Scheme Trust. Specific approval is also required for LTI awards greater than 100% of GP.

The various LTI schemes are indicated below. The operation of the international Long-term Incentive Plan (LTIP) has been brought in line with the Nedbank SA LTIP, but on a phantom basis.

Participants and parameters	2012 allocations
Nedbank (2005) Employee Share Scheme, comprising:	
<b>The Option Scheme</b>  No awards have been made in terms of this section of the scheme since 2007 and there are no unvested awards in this scheme.	
<b>Restricted Share Scheme:</b>  <b>Annual allocations</b>  Group Remco issued restricted shares to eligible participants on the following basis:  <input type="checkbox"/> 50% performance shares: restricted shares with CPTs <input type="checkbox"/> 50% retention shares: restricted shares without CPTs	For the year ending 31 December 2012 allocations in respect of 3 706 882 shares (2011: 4 405 737) were made to 1 740 participants (2011: 1 319) in terms of the Restricted Share Scheme.  All restricted shares are issued in terms of the approved rules of the scheme at no cost to participants. Participants are entitled to receive dividends in the normal course throughout the life of the award.
<b>Restricted Share Scheme:</b>  <b>On-appointment allocations</b>  On-appointment, restricted-share allocations are offered at the discretion of Group Remco to new senior managers and also to employees who have been appointed to more senior positions and have been recommended for an allocation by the Group Exco.  On-appointment allocations take place biannually (and by exception on the date of appointment with specific approval), three trading days after the announcement of the annual or interim financial results. Allocations were made on the following basis:  <input type="checkbox"/> 50% performance shares: restricted shares with CPTs <input type="checkbox"/> 50% retention shares: restricted shares without CPTs	Awards made in terms of this section of the Restricted Share Scheme are included in the award summary above. On-appointment awards are subject to the same conditions as those made during the annual award cycle.
<b>Matched Share Scheme</b>  The Matched Share Scheme provides a vehicle for the compulsory deferral of STI awards in excess of R1m. There is also an opportunity for employees to participate in the scheme by way of a voluntary investment.  In this regard, employees have an opportunity to allocate a portion of their STI to a maximum of 50% of their total after-tax STI (inclusive of any compulsory deferral) towards the acquisition of Nedbank Group shares. Employees may also deposit personally held Nedbank Group shares to the equivalent value into the trust that administers this scheme. The incentive to do so is a matching of this investment to a maximum equivalent value on a one-for-one basis.  The scheme's obligation to deliver or procure the delivery of the matched shares in both the compulsory and voluntary arrangements rests on the two conditions namely that:  <input type="checkbox"/> employees are still in the service of the group on the vesting date three years after allocation under the Matched Share Scheme, for 50% of the matched shares; and <input type="checkbox"/> the group has met an agreed performance target over a three-year period for the remaining 50% of the matched shares.	For the year ending 31 December 2012 a total of 497 600 (2011: 279 831) shares were allocated to 465 (2011: 300) participants in terms of the compulsory and voluntary bonus deferral arrangements under the Matched Share Scheme.  Actual matching took place during 2012 in respect of awards made in 2009 on the basis of the time-based criteria only, giving rise to a 50% match within the scheme. The performance condition was not achieved, and participants therefore forfeited the additional match in this regard.
<b>Phantom Cash-settled Restricted Share Plan</b>  During 2007 Group Remco approved the Phantom Cash-settled Restricted Share Plan (the Nedbank UK LTIP) for key employees in the UK. The design principles and rules mirror the Nedbank (2005) Employee Share Scheme.	For the year ending 31 December 2012 a total of 95 606 shares were allocated to 20 employees in terms of this plan.
<b>Nedbank Africa subsidiary schemes</b>  Approved schemes in Nedbank Namibia and Nedbank Swaziland.	No allocations were made in 2011 and 2012.

Full details of the awards granted during the year in terms of our share-based plans are included in notes 51.3 and 51.5 of the Nedbank Group Annual Financial Statements available online.

\* Table audited.

# Remuneration Report (CONTINUED)

The vesting profiles of the various employee share plans are indicated as follows:

	Issue date	2009 2010 2011 2012 2013 2014 2015	Applicable CPTs	Status
Nedbank (2005) Employee Share Scheme: - Restricted Share Scheme	03/03/2009	►.....►	2009 Matrix	Zero vesting
	04/03/2009	►.....►	None	Fully vested
	11/08/2009	►.....►	None	Fully vested
	02/03/2010	►.....►	ROE <sup>1</sup> + Fini 15	Proportional vesting 03/2013
	03/03/2010	►.....►	None	Fully vesting 03/2013
	05/08/2010	►.....►	ROE <sup>1</sup> + Fini 15	Proportional vesting 08/2013
	06/08/2010	►.....►	None	Fully vesting 08/2013*
	07/03/2011	►.....►	ROE <sup>1</sup> + Fini 15	Too soon to assess
	08/03/2011	►.....►	None	Fully vesting 03/2014*
	04/08/2011	►.....►	ROE <sup>1</sup> + Fini 15	Too soon to assess
	05/08/2011	►.....►	None	Fully vesting 08/2014*
	07/03/2012	►.....►	ROE <sup>1</sup> + Fini 15	Too soon to assess
Nedbank (2005) Employee Share Scheme: - Compulsory Bonus Share Scheme	08/03/2012	►.....►	None	Fully vesting 03/2016*
	06/08/2012	►.....►	ROE <sup>1</sup> + Fini 15	Too soon to assess
	07/08/2012	►.....►	None	Fully vesting 08/2012*
	01/04/2010	►●.....●.....●.....●	ROE <sup>1</sup> of Nedbank Group Ltd of greater than or equal to the cost of equity (COE <sup>2</sup> ) (to be determined annually) + 2% over three financial years	0.5 for 1 match
	01/04/2011	►●.....●.....●.....●		Too soon to assess
	01/04/2012	►●.....●.....●.....●		Too soon to assess
- Voluntary Bonus Share	01/04/2009	►.....►	ROE <sup>1</sup> of Nedbank Group Ltd of greater than or equal to the COE <sup>2</sup> (to be determined annually) + 2% over three financial years	0,5 for 1 match
	01/04/2010	►.....►		0,5 for 1 match
	01/04/2011	►.....►		Too soon to assess
	01/04/2012	►.....►		Too soon to assess

► Issue

► Vested

● Released from forfeiture

\* Subject to there being no reason for Group RemCo to invoke its discretion not to vest individual awards.

<sup>1</sup> Return on equity (excluding goodwill).

<sup>2</sup> Cost of equity.

## Corporate performance targets

Group Remco approved the use of a combination of equally weighted internal absolute and external relative CPTs for the performance shares awarded in 2012, which were unchanged from the targets set in 2011. The details of these targets are set out on page 124 of this Remuneration Report.

CPTs may not be altered once they have been set. This is in accordance with global best practice and the provisions of the relevant remuneration regulations.

## Nedbank Eyethu employee schemes

We implemented our black economic empowerment (BEE) staff schemes in August 2005. The following employee schemes were approved at that time:

- the Black Executive Trust;
- the Black Management Scheme;
- the Broad-based Scheme (fully vested on 27 July 2010); 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.

In 2012 a total of 21 (2011: 5) black employees were selected as new participants of the Black Executive Trust. These participants, who are in senior management positions with groupwide impact, were identified by the Group Exco and approved by Group Remco. At 31 December 2012 the scheme had a total of 60 black participants, this being the fixed number of participants approved for the scheme.

The following adjustments to guaranteed package were approved by Group Remco for implementation on 1 April 2013.

	Guaranteed package*		oy movement*		
	New GP effective April 2013 (R000)	GP at April 2012 (R000)	GP at April 2011 (R000)	2012 - 2013 % change	2011 - 2012 % change
MWT Brown	6 600	6 330	6 000	4,3	5,5
GW Dempster	4 435	4 225	4 000	5,0	5,6
RK Morathi	3 570	3 400	3 150	5,0	7,9
IG Johnson	4 200	4 000	3 600	5,0	11,1
B Kennedy	3 780	3 600	3 400	5,0	5,9
D Macready	3 300	3 000	2 800	10,0	7,1
MC Nkuhlu	3 500	3 325	3 150	5,3	5,6

\* Audited.

No new awards were made in 2012 in terms of the Black Management Scheme. At 31 December 2012 the scheme had a total of 1 366 participants.

The Evergreen Trust was created with the specific purpose of improving the living standards and personal circumstances of black permanent employees at the lower income levels by providing grants and/or benefits to qualifying employees. A total of 12 employees benefited from the trust during 2012.

## Nedbank Africa empowerment schemes

No allocations were made under the Nedbank Swaziland Sinakekelwe Employee Share Scheme and the Nedbank Namibia Ofifiya Black Management Scheme in 2012.

## EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

### Prescribed officers

The board has resolved that our prescribed officers should remain unchanged. The managing executives of the four frontline, income-generating clusters are therefore included in the disclosures set out below.

### Increase in guaranteed package

The remuneration for the CE, executive directors and the prescribed officers were adjusted with effect from 1 April 2012. Increases for executive directors and prescribed officers took into account market benchmarks, performance and remuneration levels relative to peers. The GPs of the CE and other executive directors were considered and recommended by Group Remco, with a further approval by Old Mutual plc for the CE.

# Remuneration Report (CONTINUED)

## Retirement schemes

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

## Service contracts

Service contracts of executive directors and prescribed officers are aligned with the general conditions of service applicable to all group employees based in SA, except for specific provisions relating to notice periods.

Service contracts are subject to the following notice and retirement conditions:

	Notice period	Retirement age
Chief Executive	12 months	60
Executive directors	Six months	60
Prescribed officers	One to three months	60

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

<b>Financial</b>	Delivering sustainable financial outperformance.
<b>Clients</b>	Investing for growth by expanding into the entry-level and middle markets, the public sector and business banking, and implementing the Rest of Africa strategy; improving our client relations by empowering our clients through delivery of affordable banking; and leading as a corporate citizen.
<b>Internal processes</b>	Enhancing productivity and execution; managing risk as an enabler; growing regulatory and government relationships; and growing stakeholder relations.
<b>Transformation</b>	Accelerating transformation in support of achieving our transformation targets, objectives and behaviours.
<b>Organisational learning</b>	Building an innovative and differentiated culture and becoming an employer of choice by creating a great place to work.

## Termination arrangements

If their services are terminated by us as a no-fault termination, executive directors and prescribed officers will be entitled to severance pay equal to two weeks' GP per completed year of service. Contractual notice (where applicable) and accrued leave will also be paid out in the normal course. Treatment of any unpaid bonus, unvested deferrals or unvested LTI awards will be dealt with in accordance with the rules of the various schemes, and will in all instances be subject to Group Remco and board oversight and approval. There are no special termination arrangements or golden-parachute agreements in place.

## Short-term incentive scheme targets

For all executive directors and prescribed officers the STI amounts awarded for 2012 were based on a combination of performance against target in respect of the level of group and respective cluster EP, headline earnings and performance against their individual balanced scorecards.

The dimensions used to measure individual performance were financial, clients, internal processes, transformation and organisational learning. These are consistent with the dimensions applied in 2011, save that certain specifics will have been updated to include the evolving group strategy.

The following table presents the way in which the STI awards have been determined based on the assessment of the group and respective cluster headline earnings and EP performance as well as the performance of each executive director and prescribed officer against his or her agreed individual balanced scorecard:

	On-target STI % of GP	Maximum target STI % of GP	% of GP achieved for group and cluster financial measures	% of GP achieved for individual performance and discretion	Final STI as % of GP	Final STI as % of on-target STI
	A		B	C	D = B+C	E = D/A
<b>Executive directors</b>						
MWT Brown	150	250	163	19	182	121
GW Dempster	150	250	163	22	185	123
RK Morathi	150	250	163	13	176	118
<b>Prescribed officers</b>						
IG Johnson	150	250	163	25	188	125
B Kennedy	250	400	273	27	300	120
D Macready	150	250	168	15	183	122
MC Nkuhlwana	150	250	159	21	180	120

Group Remco is pleased with the performance levels achieved during a challenging year.

### Minimum shareholding requirements

Group Remco in November 2012 approved a minimum shareholding policy, which will apply to all current and future members of the Group Exco, including executive directors and prescribed officers.

In terms of these arrangements, the following minimum shareholding levels must be reached within five years from the date of the March 2013 LTI awards or five years from the date of appointment to the Group Exco, if later:

- CE
  - 2 times guaranteed package
- Executive directors and prescribed officers
  - 1,5 times guaranteed package
- Other members of the Group Exco
  - 1 times guaranteed package.

The CE has already reached the required 2 times guaranteed package holding level, and is therefore immediately compliant with the requirements.

## Remuneration Report (CONTINUED)

### RECONCILIATION BETWEEN REMUNERATION PAID AND REMUNERATION AWARDED IN 2012

	Paid in 2012	Payable in 2013	Payable 2014 – 2016
<b>Remuneration awarded</b>  See table on page 115	<input type="checkbox"/> Fixed remuneration (salary and benefits) payable monthly. <input type="checkbox"/> Any ad hoc payments or benefits (eg travel reimbursement and educational assistance for family members) received in the course of the financial year.	2012 cash performance bonus (paid in March 2013).	LTI award made in March 2013.
<b>Payouts from deferral arrangements and long-term awards made in prior years</b>  See table on pages 116 to 121	<b>RSP arrangements</b> <input type="checkbox"/> Payment in March in respect of the March 2009 Restricted Share Plan (RSP) allocations. Only awards made over retention shares vested – all CPT-based awards lapsed in full. <input type="checkbox"/> Payment in August in respect of the special August 2009 RSP allocation. <b>Bonus deferral</b> <input type="checkbox"/> Payment in September (where the employee chose not to retain the amount in the scheme) of the first tranche of the Compulsory Bonus Share Scheme (CBSS) 2012 release from forfeiture.	<b>RSP arrangements</b> <input type="checkbox"/> Payment in March in respect of the March 2010 RSP allocations will vest 100% in respect of retention shares, and 70,7% in respect of CPT-based shares. <input type="checkbox"/> Payment in August in respect of any on-appointment RSP allocations made in August 2010. <b>Bonus deferral</b> <input type="checkbox"/> First tranche (where the employee chose not to retain the amount in the scheme) of the 2013 CBSS release from forfeiture. <input type="checkbox"/> Second tranche (where the employee chose not to retain the amount in the scheme) of CBSS 2012 release from forfeiture.	<b>RSP arrangements</b> <input type="checkbox"/> Gains from the vesting (subject to conditions) of RSP awards made in 2011, 2012 and 2013. <b>Bonus deferral</b> Initial or subsequent tranches of the CBSS awards made from 2011 to 2016.
	<b>Voluntary matching arrangements</b> <input type="checkbox"/> Matched share on the Voluntary Bonus Share Scheme (VBSS) investment made in 2009.	<b>Voluntary matching arrangements</b> <input type="checkbox"/> Matched shares on the VBSS investment made in 2010. Matching is at 0,5 times the initial investment, as the performance conditions were not fulfilled. Only time-based matching applies.	<b>Voluntary matching arrangements</b> <input type="checkbox"/> Matched shares on the VBSS investment made in 2011 to 2013.

Remuneration paid to executive directors and prescribed officers is also included in aggregate in the regulation 43/Pillar 3 disclosures set out on page 125 of this Remuneration Report.

## TOTAL REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED)

Executive directors (R000)	MWT Brown			GW Dempster			RK Morathi		
	2012	2011	% change	2012	2011	% change	2012	2011	% change
Cash portion of package	5 376	5 096		3 420	3 221		2 647	2 478	
Other benefits <sup>6</sup>	106	114		121	108		282	220	
Defined contribution retirement fund	765	727		627	590		409	377	
<b>Guaranteed remuneration<sup>7</sup></b>	<b>6 247</b>	5 937 <sup>4</sup>	5,2%	<b>4 168</b>	3 919 <sup>4</sup>	6,4%	<b>3 338</b>	3 075 <sup>4</sup>	8,6%
Cash performance incentive	6 250	5 350		4 400	4 000		3 500	2 900	
Performance incentive delivered in shares <sup>1</sup>	5 250	4 350		3 400	3 000		2 500	1 900	
<b>Total STI</b>	<b>11 500</b>	9 700	18,6%	<b>7 800</b>	7 000	11,4%	<b>6 000</b>	4 800	25,0%
<b>Total remuneration<sup>2</sup></b>	<b>17 747</b>	15 637	13,5%	<b>11 968</b>	10 919	9,6%	<b>9 338</b>	7 875	18,6%
<b>Value of share-based awards made in respect of a future performance period<sup>8</sup></b>									
	11 000	10 500	4,8%	7 000	9 000	(22,2%)	6 000	4 500	33,3%
<b>Total direct remuneration<sup>3</sup></b>	<b>28 747</b>	26 137	10,0%	<b>18 968</b>	19 919	(4,8%)	<b>15 338</b>	12 375	23,9%
<b>Other payments<sup>5</sup></b>				<b>21</b>					
<hr/>									
<b>IG Johnson</b> <b>B Kennedy</b> <b>D Macready</b> <b>MC Nkuhlu</b>									
Prescribed officers (R000)	2012	2011	% change	2012	2011	% change	2012	2011	% change
Cash portion of package	3 255	2 910		2 790	2 805		2 358	2 158	
Other benefits <sup>6</sup>	58	52		512	322		148	136	
Defined contribution retirement fund	587	525		248	235		444	406	
<b>Guaranteed remuneration<sup>7</sup></b>	<b>3 900</b>	3 487 <sup>4</sup>	11,8%	<b>3 550</b>	3 362 <sup>4</sup>	5,6%	<b>2 950</b>	2 700 <sup>4</sup>	9,3%
Cash performance incentive	4 250	4 000		5 900	2 875		3 250	2 875	
Performance incentive delivered in shares <sup>1</sup>	3 250	3 000		4 900	1 875		2 250	1 875	
<b>Total STI</b>	<b>7 500</b>	7 000	7,1%	<b>10 800</b>	4 750	127,4%	<b>5 500</b>	4 750	15,8%
<b>Total remuneration<sup>2</sup></b>	<b>11 400</b>	10 487	8,7%	<b>14 350</b>	8 112	76,9%	<b>8 450</b>	7 450	13,4%
<b>Value of share-based awards made in respect of a future performance period<sup>8</sup></b>	<b>8 000</b>	8 000	0,0%	<b>6 000</b>	6 000	0,0%	<b>6 000</b>	5 000	20,0%
<b>Total direct remuneration<sup>3</sup></b>	<b>19 400</b>	18 487	4,9%	<b>20 350</b>	14 112	44,2%	<b>14 450</b>	12 450	16,1%
<b>Other payments<sup>5</sup></b>					<b>1</b>				

<sup>1</sup> This represents 50% of the STI award in excess of R1m. Actual deferrals are on a post tax basis.

<sup>2</sup> Total remuneration is the sum of Guaranteed Remuneration and Total STI.

<sup>3</sup> Total Direct Remuneration is the sum of Total Remuneration and the value of RSP awards.

<sup>4</sup> 2011 Guaranteed Remuneration restated due to double counting of medical aid contributions in the previous year.

<sup>5</sup> Other Payments are typically non-recurring payments including educational assistance and reimbursive travel claims, but excludes gains from vesting share awards which are set out in the tables on pages 116 to 121 of this report.

<sup>6</sup> Other benefits include contributions to medical aid, postretirement medical funding (where applicable), disability insurance, car allowance/company car structured into package.

<sup>7</sup> Guaranteed remuneration is the value of all guaranteed remuneration paid for the years ending 31 December 2012 and 31 December 2011 respectively.

<sup>8</sup> Awards listed under "2012" were granted in March 2013 and apply in respect of the 2013-2015 financial years. Awards listed under "2011" were granted in March 2012, and apply in respect of the 2012-2014 financial years.

# Remuneration Report (CONTINUED)

## SHARE-BASED PAYMENTS TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED)

Payments from prior years' deferred bonus, long-term incentives and outstanding share plan awards, including participation in the group's empowerment arrangements

Executive directors	Opening balance at 1 January 2012				Awards made during 2012			
	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date
<b>MWT Brown</b>								
Nedbank Restricted Shares	52 812	03/03/2009	75,74	04/03/2012				
	66 015 <sup>2</sup>	04/03/2009	75,74	05/03/2012				
	73 766 <sup>2</sup>	11/08/2009	108,45	12/08/2012				
	43 360	02/03/2010	121,08	03/03/2013				
	43 360 <sup>2</sup>	03/03/2010	121,08	04/03/2013				
	23 357	07/03/2011	128,44	08/03/2014				
	23 357 <sup>2</sup>	08/03/2011	128,44	09/03/2014				
Compulsory Bonus Share Scheme <sup>1</sup>	4 895	31/03/2010	137,88	01/04/2013	32 431	07/03/2012	161,88	08/03/2015
	10 584	31/03/2011	141,72	01/04/2014	32 431 <sup>2</sup>	08/03/2012	161,88	09/03/2015
Voluntary Bonus Share Scheme <sup>4</sup>	Own Shares	31/03/2009	85,28	01/04/2012	15 192	31/03/2012	171,79	01/04/2015
	Own Shares	31/03/2010	137,88	01/04/2013				
	Own Shares	31/03/2011	141,72	01/04/2014				
<b>Total value of releases/lapses</b>								
<b>GW Dempster</b>								
Nedbank Restricted Shares	52 812	03/03/2009	75,74	04/03/2012				
	52 812 <sup>2</sup>	04/03/2009	75,74	05/03/2012				
	27 662 <sup>2</sup>	11/08/2009	108,45	12/08/2012				
	20 647	02/03/2010	121,08	03/03/2013				
	20 647 <sup>2</sup>	03/03/2010	121,08	04/03/2013				
	15 571	07/03/2011	128,44	08/03/2014				
	15 571 <sup>2</sup>	08/03/2011	128,44	09/03/2014				
Compulsory Bonus Share Scheme <sup>1</sup>	4 351	31/03/2010	137,88	01/04/2013	27 798	07/03/2012	161,88	08/03/2015
	5 292	31/03/2011	141,72	01/04/2014	27 798 <sup>2</sup>	08/03/2012	161,88	09/03/2015
Voluntary Bonus Share Scheme <sup>4</sup>	Own Shares	31/03/2010	137,88	01/04/2013	10 477	31/03/2012	171,79	01/04/2015
	Own Shares	31/03/2011	141,72	01/04/2014				
<b>Total value of releases/lapses</b>								
<b>RK Morathi</b>								
Nedbank Restricted Shares	35 736	02/03/2010	121,08	03/03/2013				
	35 736 <sup>2</sup>	03/03/2010	121,08	04/03/2013				
	15 571	07/03/2011	128,44	08/03/2014				
	15 571 <sup>2</sup>	08/03/2011	128,44	09/03/2014				
Compulsory Bonus Share Scheme <sup>1</sup>	3 175	31/03/2011	141,72	01/04/2014	13 899	07/03/2012	161,88	08/03/2015
Voluntary Bonus Share Scheme <sup>4</sup>	Own Shares	31/03/2010	137,88	01/04/2013	13 899 <sup>2</sup>	08/03/2012	161,88	09/03/2015
	Own Shares	31/03/2011	141,72	01/04/2014				
Eyethu Restricted Shares	6 600	03/03/2010	121,08	04/03/2014	6 636	31/03/2012	171,79	01/04/2015
	6 600	03/03/2010	121,08	04/03/2015				
	6 800	03/03/2010	121,08	04/03/2016				
Eyethu Restricted Options	19 800	03/03/2010	121,08	04/03/2014				
	19 800	03/03/2010	121,08	04/03/2015				
	20 400	03/03/2010	121,08	04/03/2016				
<b>Total value of releases/lapses</b>								

Awards vesting/lapsing during 2012					Closing balance at 31 December 2012			
Number of restricted shares/ options	Date of issue/inception	Market price at vesting (R)	Vesting date	Value gained on vesting	Notional value of loss on lapsing <sup>5</sup>	Number of restricted shares/ options	End of performance period	Final vesting/exercise date
52 812	03/03/2009	161,73	04/03/2012		(R8 541 285)	43 360	31/12/2012	03/03/2013
66 015 <sup>2</sup>	04/03/2009	161,73	05/03/2012	R10 676 606		43 360 <sup>2</sup>	31/12/2012	04/03/2013
73 766 <sup>2</sup>	11/08/2009	185,07	12/08/2012	R13 651 674		23 357	31/12/2013	08/03/2014
						23 357 <sup>2</sup>	31/12/2013	09/03/2014
						32 431	31/12/2014	08/03/2015
						32 431 <sup>2</sup>	31/12/2014	09/03/2015
						4 895	31/12/2012	01/04/2013
						10 584	31/12/2013	01/04/2014
						15 192	31/12/2014	01/04/2015
5 526 <sup>3</sup>	01/04/2012	167,80	01/04/2012	R927 263				
					R25 255 543 (R8 541 285)			
52 812	03/03/2009	161,73	04/03/2012		(R8 541 285)	20 647	31/12/2012	03/03/2013
52 812 <sup>2</sup>	04/03/2009	161,73	05/03/2012	R8 541 285		20 647 <sup>2</sup>	31/12/2012	04/03/2013
27 662 <sup>2</sup>	11/08/2009	185,07	12/08/2012	R5 119 332		15 571	31/12/2013	08/03/2014
						15 571 <sup>2</sup>	31/12/2013	09/03/2014
						27 798	31/12/2014	08/03/2015
						27 798 <sup>2</sup>	31/12/2014	09/03/2015
						4 351	31/12/2012	01/04/2013
						5 292	31/12/2013	01/04/2014
						10 477	31/12/2014	01/04/2015
					R13 660 617 (R8 541 285)			
						35 736	31/12/2012	03/03/2013
						35 736 <sup>2</sup>	31/12/2012	04/03/2013
						15 571	31/12/2013	08/03/2014
						15 571 <sup>2</sup>	31/12/2013	09/03/2014
						13 899	31/12/2014	08/03/2015
						13 899 <sup>2</sup>	31/12/2014	09/03/2015
						3 175	31/12/2013	01/04/2014
						6 636	31/12/2014	01/04/2015
						6 600		04/03/2014
						6 600		04/03/2015
						6 800		04/03/2016
						19 800		04/03/2017 <sup>6</sup>
						19 800		04/03/2017 <sup>6</sup>
						20 400		04/03/2017 <sup>6</sup>

## Remuneration Report (CONTINUED)

Prescribed officers	Opening balance at 1 January 2012				Awards made during 2012			
	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date
<b>IG Johnson</b>								
Nedbank Restricted Shares	68 115	03/03/2009	75,74	04/03/2012				
	25 357 <sup>2</sup>	11/08/2009	108,45	12/08/2012				
	24 777	02/03/2010	121,08	03/03/2013				
	24 777 <sup>2</sup>	03/03/2010	121,08	04/03/2013				
	19 464	07/03/2011	128,44	08/03/2014				
	19 464 <sup>2</sup>	08/03/2011	128,44	09/03/2014				
Compulsory Bonus Share Scheme <sup>1</sup>	3 807	31/03/2010	137,88	01/04/2013	24 709	07/03/2012	161,88	08/03/2015
	5 292	31/03/2011	141,72	01/04/2014	24 709 <sup>2</sup>	08/03/2012	161,88	09/03/2015
Voluntary Bonus Share Scheme <sup>4</sup>	Own Shares	31/03/2011	141,72	01/04/2014	10 477	31/03/2012	171,79	01/04/2015
<b>Total value of releases/lapses</b>								
<b>B Kennedy</b>								
Nedbank Restricted Shares	52 812	03/03/2009	75,74	04/03/2012				
	52 812 <sup>2</sup>	04/03/2009	75,74	05/03/2012				
	24 777	02/03/2010	121,08	03/03/2013				
	24 777 <sup>2</sup>	03/03/2010	121,08	04/03/2013				
	15 571	07/03/2011	128,44	08/03/2014				
	15 571 <sup>2</sup>	08/03/2011	128,44	09/03/2014	18 532	07/03/2012	161,88	08/03/2015
Compulsory Bonus Share Scheme <sup>1</sup>	4 786	31/03/2010	137,88	01/04/2013	18 532 <sup>2</sup>	08/03/2012	161,88	09/03/2015
	4 022	31/03/2011	141,72	01/04/2014	6 548	31/03/2012	171,79	01/04/2015
Voluntary Bonus Share Scheme <sup>1</sup>	Own Shares	31/03/2009	85,28	01/04/2012	Own Shares	31/03/2012	171,79	01/04/2015
	Own Shares	31/03/2011	141,72	01/04/2014				
<b>Total value of releases/lapses</b>								
<b>D Macready</b>								
Nedbank Restricted Shares	19 805	03/03/2009	75,74	04/03/2012				
	20 747 <sup>2</sup>	11/08/2009	108,45	12/08/2012				
	16 518	02/03/2010	121,08	03/03/2013				
	16 518 <sup>2</sup>	03/03/2010	121,08	04/03/2013				
	15 571	07/03/2011	128,44	08/03/2014				
	15 571 <sup>2</sup>	08/03/2011	128,44	09/03/2014	15 443	07/03/2012	161,88	08/03/2015
Compulsory Bonus Share Scheme <sup>1</sup>	1 218	31/03/2010	137,88	01/04/2013	15 443 <sup>2</sup>	08/03/2012	161,88	09/03/2015
	3 704	31/03/2011	141,72	01/04/2014	6 548	31/03/2012	171,79	01/04/2015
Voluntary Bonus Share Scheme <sup>4</sup>	Own Shares	31/03/2009	85,28	01/04/2012				
<b>Total value of releases/lapses</b>								

Awards vesting/lapsing during 2012					Closing balance at 31 December 2012			
Number of restricted shares/options	Date of issue/inception	Market price at vesting (R)	Vesting date	Value gained on vesting	Notional value of loss on lapsing <sup>5</sup>	Number of restricted shares/options	End of performance period	Final vesting/exercise date
68 115	03/03/2009	161,73	04/03/2012		(R11 016 239)			
25 357 <sup>2</sup>	11/08/2009	185,07	12/08/2012	R4 692 752		24 777	31/12/2012	03/03/2013
						24 777 <sup>2</sup>	31/12/2012	04/03/2013
						19 464	31/12/2013	08/03/2014
						19 464 <sup>2</sup>	31/12/2013	09/03/2014
						24 709	31/12/2014	08/03/2015
						24 709 <sup>2</sup>	31/12/2014	09/03/2015
						3 807	31/12/2012	01/04/2013
						5 292	31/12/2013	01/04/2014
						10 477	31/12/2014	01/04/2015
					R4 692 752	(R11 016 239)		
52 812	03/03/2009	161,73	04/03/2012		(R8 541 285)			
52 812 <sup>2</sup>	04/03/2009	161,73	05/03/2012	R8 541 285		24 777	31/12/2012	03/03/2013
						24 777 <sup>2</sup>	31/12/2012	04/03/2013
						15 571	31/12/2013	08/03/2014
						15 571 <sup>2</sup>	31/12/2013	09/03/2014
						18 532	31/12/2014	08/03/2015
						18 532 <sup>2</sup>	31/12/2014	09/03/2015
						4 786	31/12/2012	01/04/2013
						4 022	31/12/2013	01/04/2014
						6 548	31/12/2014	01/04/2015
1 466 <sup>3</sup>	01/04/2012	167,80	01/04/2012	R245 995				
					R8 787 280	(R8 541 285)		
19 805	03/03/2009	161,73	04/03/2012		(R3 203 063)			
20 747 <sup>2</sup>	11/08/2009	185,07	12/08/2012	R3 839 591		16 518	31/12/2012	03/03/2013
						16 518 <sup>2</sup>	31/12/2012	04/03/2013
						15 571	31/12/2013	08/03/2014
						15 571 <sup>2</sup>	31/12/2013	09/03/2014
						15 443	31/12/2014	08/03/2015
						15 443 <sup>2</sup>	31/12/2014	09/03/2015
						1 218	31/12/2012	01/04/2013
						3 704	31/12/2013	01/04/2014
						6 548	31/12/2014	01/04/2015
586 <sup>3</sup>	01/04/2012	167,80	01/04/2012	R98 331				
					R3 937 922	(R3 203 063)		

# Remuneration Report (CONTINUED)

Prescribed officers	Opening balance at 1 January 2012				Awards made during 2012			
	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date
<b>MC Nkuhlu</b>								
Nedbank Restricted Shares	53 142	03/03/2009	75,74	04/03/2012				
	23 974 <sup>2</sup>	11/08/2009	108,45	12/08/2012				
	24 777	02/03/2010	121,08	03/03/2013				
	24 777 <sup>2</sup>	03/03/2010	121,08	04/03/2013				
	19 464	07/03/2011	128,44	08/03/2014				
	19 464 <sup>2</sup>	08/03/2011	128,44	09/03/2014				
Compulsory Bonus Share Scheme <sup>1</sup>	3 807	31/03/2010	137,88	01/04/2013	15 443	07/03/2012	161,88	08/03/2015
Eyethu Restricted Shares	3 960	03/03/2009	75,74	04/03/2013	15 443 <sup>2</sup>	08/03/2012	161,88	09/03/2015
	3 960	03/03/2009	75,74	04/03/2014				
	4 080	03/03/2009	75,74	04/03/2015				
Eyethu Restricted Options	11 880	03/03/2009	75,74	04/03/2013				
	11 880	03/03/2009	75,74	04/03/2014				
	12 240	03/03/2009	75,74	04/03/2015				

## Total value of releases/lapses

<sup>1</sup> Matching on the Compulsory Bonus Share Scheme occurs only on shares in the scheme as at the vesting date. If corporate performance targets are met a 100% matching occurs, otherwise a 50% matching occurs.

<sup>2</sup> Restricted share awards with time-based vesting only.

<sup>3</sup> Match occurred at 0,5 shares for each share in the Voluntary Bonus Share Scheme as at the vesting date.

<sup>4</sup> For the Voluntary Bonus Share Scheme employees invest their own Nedbank shares into the scheme. After three years, if corporate performance targets are met a 100% matching occurs, otherwise a 50% matching occurs.

<sup>5</sup> Value determined based on number of shares lapsing multiplied by market share price on scheduled vesting date.

<sup>6</sup> Eyethu Restricted Options have a lifespan of seven years from the date of issue.

Awards vesting/lapsing during 2012					Closing balance at 31 December 2012			
Number of restricted shares/options	Date of issue/inception	Market price at vesting (R)	Vesting date	Value gained on vesting	Notional value of loss on lapsing <sup>5</sup>	Number of restricted shares/options	End of performance period	Final vesting/exercise date
53 142	03/03/2009	161,73	04/03/2012		(R8 594 656)			
23 974 <sup>2</sup>	11/08/2009	185,07	12/08/2012	R4 436 803		24 777	31/12/2012	03/03/2013
						24 777 <sup>2</sup>	31/12/2012	04/03/2013
						19 464	31/12/2013	08/03/2014
						19 464 <sup>2</sup>	31/12/2013	09/03/2014
						15 443	31/12/2014	08/03/2014
						15 443 <sup>2</sup>	31/12/2014	09/03/2015
						1 269	31/12/2012	01/04/2013
						6 985	31/12/2014	01/04/2015
						3 960		04/03/2014
						3 960		04/03/2015
						4 080		04/03/2015
						11 880		04/03/2016 <sup>6</sup>
						11 880		04/03/2016 <sup>6</sup>
						12 240		04/03/2016 <sup>6</sup>
					R4 851 741 (R8 594 656)			

## DSTI awards

There are no outstanding DSTI awards in respect of executive directors and prescribed officers. Employees in these categories may have received such awards in the past; however, they will not be eligible to be issued with such awards in the future.

## Restricted shareholding

Nedbank Group issued restricted shares in March 2010, with vesting thereof linked in equal proportions to a combination of time and the group meeting certain performance conditions. The SENS announcement of 4 March 2013 relating to executive directors confirmed that, in respect of the time-based awards, vesting took place at 100%, and in respect of the performance condition-based awards, vesting took place at 70,7% of the award. The same vesting arrangements applied in respect of the awards issued to prescribed officers.

## RISK AND REMUNERATION

We have implemented an integrated process of managing the relationship between risk and remuneration. There is cooperation between Group Remco and GRCMC to ensure appropriate consideration of the overall risk environment when taking remuneration decisions. Key matters related to risk aspects of remuneration are brought to the attention of GRCMC. This reflects our commitment to the prudent management of remuneration within the context of both our risk appetite and risk profile, and the need to attract, retain and motivate key talent to enable the delivery of our strategic objectives.

### Taking account of future and current risks in the remuneration process

To align our current STI scheme with the shareholder value drivers the STI scheme has been designed to incentivise a combination of profitable returns, risk and growth. It is driven from an EP and headline earnings basis, using risk-based economic capital allocation as set out in the Risk and Balance Sheet Review on pages 130 to 139 of this integrated report.

We have a comprehensive internal capital adequacy assessment process (ICAAP) blueprint that addresses the nature and type of risk incorporated into the overall framework. The framework integrates with our STI pool arrangements and individual performance scorecards assessments, which in turn inform the distribution of STIs from the derived business STI pools.

STI pools incorporate *ex ante* or 'before the fact' risk adjustments. This is built into the pool allocation process, which is set out below:

- Group Remco approves an on-target STI pool at the beginning of the year, and at year-end the overall group pool is 50% based on performance versus headline earnings targets and 50% based on performance against EP targets, together with a non-financial modifier.
- Altogether 50% of each cluster STI pool is determined using performance versus headline earnings targets and 50% based on performance versus EP targets (for line clusters there is a 30/70 split between group and cluster performance, except for Nedbank Capital, where the split is 15/85).
- EP per cluster is determined using economic capital allocated to each cluster, incorporating the various risk elements described in the Group Enterprisewide Risk Management Framework (ERMF).

- Prior to distribution, each cluster pool may be adjusted (either up or down) by a maximum of 15% using the relevant Group Exco member's individual non-financial scorecard assessment, which itself incorporates further risk assessment metrics.
- These mechanical calculations and adjustments are presented to Group Remco, which then ratifies a final set of cluster pools (the group bottomup cluster pools), which may not differ more than 10% from the total STI pool determined based on group EP and headline earnings alone (the group topdown pool).
- The total allocated STIs (for all employees across all jurisdictions and including the pools for stockbrokers and analysts mentioned below) must stay within the original totals approved by Group Remco.
- Any individual STI payment in excess of 200% of GP must be individually motivated and approved by Group Remco.

The following categories of employees are excluded from the distribution process outlined above:

- Stockbrokers, since they are paid on a six-monthly basis from a bespoke STI arrangement derived based on predetermined contractual arrangements (certain business risk elements are included in the formulaic determination for the stockbrokers pool). The pool allocated is included in the overall Nedbank Wealth pool.
- Analysts in Nedbank Capital, since their STIs are predominantly determined using *Financial Mail*-published ratings.
- Private equity 'locked box' remuneration, which is the market norm for private equity collective investment performance-based remuneration, based on a sharing of 'carried interest' on realised investments.

We utilise a three-year budgeting, forecasting and planning process, including the use of heat maps, which is fully cognisant of projected risk parameters, capital buffers and impairment provisions, and the likely impact thereof on future remuneration practices. There have been no material changes in the measures used over the past year.

### Linking performance and reward

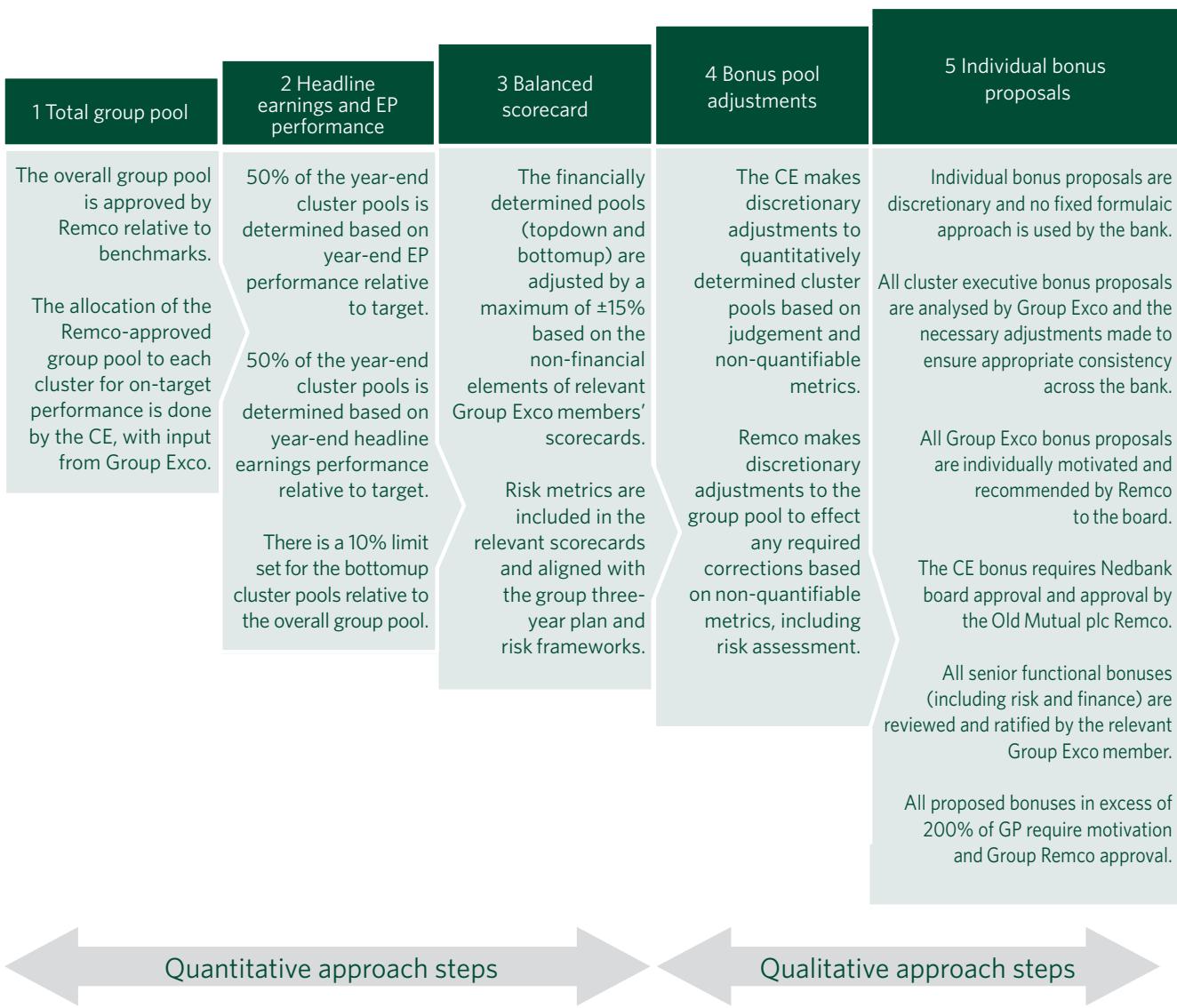
The 2012 board-approved ICAAP process, which was submitted to and reviewed by the SARB, set out the following:

- ERMF.
- Risk appetite framework and the risk appetite metrics included in performance measurement.
- Economic capital framework.
- Integrated risk, capital, finance, strategy and performance management.
- Use test (this describes in some detail how risk-adjusted performance measurement (RAPM) is used in the group).
- Economic capital allocation by business cluster.

Economic capital and EP are used comprehensively across the group, embedded within businesses on a day-to-day basis, and in performance measurement and reward schemes. This approach to RAPM has been applied across the group for some years now and has helped mitigate excessive risk-taking in the group. This drives EP, and EP and headline earnings are the two primary drivers of our STI scheme.

Economic capital, EP, return on equity (ROE), risk-adjusted return on capital (RAROC) and other important metrics are included, as appropriate, in performance scorecards across the group.

The annual STI process is indicated in the diagram below, which describes the process of STI pools creation and distribution based on individual performance and discretion, using both quantitative and qualitative steps in the process.



Inappropriate performance metrics would typically be manifested when the year-on-year change in remuneration is seen to be abnormal (either too high or too low relative to performance), or is unduly volatile. We witnessed this in the 2008 financial year, when, after changing to a purely EP measure for STI pooling, the flaws inherent in this move became evident. This resulted in an STI pool being derived that was materially misaligned to overall business performance, as illustrated in the table below.

	FY2008	FY2009	FY2010	FY2011	FY2012
Headline earnings*	R5 765m	R4 277m	R4 900m	R6 184m	R7 510m
Headline earnings % change yoy*	(2,6%)	(25,8%)	+14,6%	+26,2%	+21,4%
Economic profit	R1 790m	R57m	(R289m)	R924m	R1 511m
Economic profit % change yoy	(33%)	(97%)	≤100%	> 100%	63,5%
STI pool	R787m	R833m	R981m	R1 332m	R1 586m
% change yoy	(32,5%)	+5,8%	+18%	+35%	+19,1%

\* Audited.

## Remuneration Report (CONTINUED)

The current STI scheme was implemented in 2009 and ensures a more balanced approach to the determination of the STI pool.

A similar situation was witnessed through previous application of 100% performance-based shares and options. This resulted in a material misalignment of the vesting profile of the LTI scheme relative to the overall performance of the group over the performance period, with awards lapsing in full. In this regard none of the allocations for 2008 and 2009 that were subject to performance conditions vested, due to the performance metrics that were set at the time.

As a result of the performance measures set out above and their disproportionately negative effect on employee compensation, we were required to issue a number of deferred cash- and share-based retention awards in 2009 and 2010 to prevent attrition of key skills and enable effective succession management in the business.

Awards made in 2010 and after are subject 50% to performance conditions and 50% to time-based vesting. The historical and possible future vesting profile of our restricted-share plans is shown on page 110 of this report, illustrating how this approach has enabled a more graduated vesting profile, as opposed to the 'all or nothing' arrangements in place for awards made up to 2009.

No retrospective adjustments were made to performance conditions to mitigate the impact of weak performance.

### Adjustments to remuneration based on long-term performance

We are involved in retail banking, wholesale banking and investment banking operations, as well as wealth management and other financial services. The forward-looking business model is based on

a three-year plan or heat map approach. The mandatory deferral of STIs for up to 36 months and three-year vesting of LTI share allocations (with half of the award subject to corporate performance targets) align with this forward-looking business cycle. The deferral period provides for risk-based outcomes to be monitored over the three-year period subsequent to the deferral, and enables clawback to be applied where appropriate.

The compulsory deferral of STIs continues for awards made in respect of financial year 2012 performance on a basis consistent with that previously applied. The structure and vesting profile applicable to the deferral of STI awards are set out on page 110 of this Remuneration Report.

### Conditional vesting of LTIs

The performance share element of the LTI allocation is aligned with both the business three-year internal ROE (excluding goodwill) targets (absolute internal target) and the relative performance of the share price (relative external target). The current targets used and previously described in the 2011 Remuneration Report (these targets having remained unchanged since the 2010 financial year) are as follows:

- A total of 50% of all share-based awards are granted as retention shares, whereby the only vesting criterion applied is continuous employment for a three-year period.
- The remaining 50% carry the following additional vesting criteria:
  - For 25% of the total award vesting will be based on the simple-average published ROE (excluding goodwill) over a three-year period, compared with the simple average of cost of equity (COE) over the same timeframe, according to the following scale:

Vesting ratios (for 50% of the allocation) based on ROE (excluding goodwill):

COE + 0% or worse	COE + 1,25%	COE + 2,5%	COE + 3,75%	COE +5%	COE +6%	COE +7%	COE +8% or better
0%	25%	50%	75%	100%	110%	120%	130%

- For 25% of the total award vesting will be based on the relative performance of the Nedbank share price versus the Fini 15 Index over the same three-year period, where the Nedbank share price starting and end values are calculated based on a 30-day volume-weighted average price (VWAP) and the Fini 15 Index is based on a 30-day simple average.

Vesting ratios (for 50% of the allocation) based on share price relative to Fini 15:

Fini 15 - 20% or worse	Fini 15 - 15%	Fini 15 - 10%	Fini 15 - 5%	Fini 15	Fini 15 + 10%	Fini 15 + 20%	Fini 15 + 30% or better
0%	25%	50%	75%	100%	110%	120%	130%

### **Release from forfeiture of STI deferral**

The deferral and release from forfeiture process is described on page 107 of this report.

The board has absolute discretion as to the quantum and nature of any forfeiture or *malus* triggers related to the compulsory deferral of STI awards. In this regard the deferred amount will be forfeited should the employee resign or be dismissed for cause before the end of the release of the outstanding forfeiture obligations, as well as in cases where, at the sole discretion of the board, material irregularities of misrepresentation of financial results come to light during the deferral period. The board has absolute discretion as to the nature of any action to be taken against the individual, or group of individuals, who may have transgressed. The deferral policy is reviewed annually.

This category of deferred compensation allows any adverse business deals or intentional misrepresentation to come to light in the three years subsequent to the allocation and appropriate action to be taken if deemed appropriate by the board.

### **Stakeholder alignment and clawback provisions**

In November 2012 Group Remco reviewed the clawback provisions applicable to the group's deferred and long-term incentive arrangements and these were assessed as being appropriate. No clawbacks have been required in this regard.

## **ADDITIONAL REGULATION 43/PILLAR 3 DISCLOSURES**

In 2011 the Basel Committee on Banking Supervision published the final version of its Pillar 3 Disclosure Requirements for Remuneration. These have subsequently been incorporated by the SARB into regulation 43 of the Banks Act.

The disclosure requirements set out an extensive set of both quantitative and qualitative disclosures that are required to

assist stakeholders in understanding the approaches adopted by financial services organisations in respect of risk and remuneration. The majority of these disclosures are addressed elsewhere in this Remuneration Report.

Specific disclosures relating to senior managers and material risk-takers, the quantum of remuneration paid in the year, signon awards, guaranteed bonuses, severance payments and the amount of remuneration subject to adjustment are set out below.

Financial year 2012 is the first year for which these disclosures are required and there is therefore no prior-year comparison.

### **Aggregate remuneration of senior managers and material risk-takers**

The tables below set out the aggregate 2012 remuneration of those employees regarded as senior managers and material risk-takers.

Senior managers include executive directors and prescribed officers, members of the Group Exco, as well as other members of the group's senior management with executive responsibility for a material part of the group's business.

Material risk-takers include employees whose individual actions have a material impact on the risk exposure of the group, as well as those responsible for setting and monitoring trader mandates and risk and stop-loss limits. Included in this category are the heads of risk and finance, heads of major trading functions and those responsible for material investment decisions within the group.

For 2012 a total of 41 individuals were classified as senior managers and a further 35 were classified as material risk-takers.

<b>Total value of remuneration for the 2012 financial year (Rm)</b>	Senior managers		Material risk-takers	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration	101,5		64,4	
Variable remuneration: cash award	84,4		45,9	
Variable remuneration: deferred performance incentive		46,7		13,5
Variable remuneration: long-term incentive awards		126,6		34,9
<b>Total 2012 remuneration and deferred remuneration</b>	<b>185,9</b>	<b>173,3</b>	<b>110,3</b>	<b>48,4</b>

<b>Other disclosures pertinent to senior managers and material risk-takers (Rm)</b>	<b>Senior managers</b>	<b>Material risk-takers</b>
Value of outstanding deferred remuneration at 31 December 2012		
Compulsory Bonus Share Scheme	45,9	11,7
Restricted Share Scheme	458,4	157,0
<b>Total deferred remuneration outstanding</b>	<b>504,3</b>	<b>168,7</b>
<b>Value of deferred remuneration paid out during 2012</b>	<b>84,4</b>	<b>11,6</b>

# Remuneration Report (CONTINUED)

## Remuneration subject to adjustment in 2012

The total amount of outstanding deferred remuneration exposed to ex post explicit and/or implicit adjustments is indicated in the following table:

Year	Amount	Comments
FY2012	R2 053m <sup>#</sup>	This is the combination, as at 31 December 2012, of the following: <input type="checkbox"/> All unvested RSP awards <input type="checkbox"/> All unvested CBSS awards

<sup>#</sup> Based on the 30-day VWAP to 31 December 2012.

The total amount of reductions during the financial year due to ex post explicit adjustments (adjustments as a consequence of non-fulfilment of specified performance conditions) is indicated in the following table:

Year	Amount	Comments
FY2012	R507,2m <sup>#</sup>	The restricted shares awarded in March 2009 and which were subject to performance conditions lapsed in full due to the non-fulfilment of the performance conditions.

<sup>#</sup> Based on the share price at the scheduled vesting date.

The total amount of reductions during the financial year due to ex post implicit adjustments (adjustments as a consequence of specific clawback decisions, either based on individual or group considerations) is indicated in the following table:

Year	Amount	Comments
FY2012	RO	No forfeitures or clawback arrangements were applied in the normal course.

## Remuneration of risk and compliance specialists

Consistent with good corporate governance and the requirements of the various local and international regulations dealing with remuneration in financial services firms, special attention is paid to the process of remunerating risk and compliance specialists within the group. This serves to ensure that individuals in these functions remain sufficiently independent from the functions or businesses they service.

The remuneration of risk and compliance specialists is not determined within the relevant business unit alone. Initial proposals are initiated by the business unit management; however, the Group Exco members with overall accountability for the specific control function (that is the Chief Risk Officer and the Chief Compliance Officer) have co-decision rights in respect of performance management and direct remuneration decisions for employees within the respective control functions. This ensures appropriate independence in setting remuneration for the applicable control function employees.

## Other remuneration disclosures

Further disclosures specifically required in terms of regulation 43 are set out below:

Number of employees who received variable remuneration during the year	23 945
Total guaranteed bonuses (0 awards) Rm	-
Total signon awards (20 awards) Rm	12,7
Total severance awards (6 awards) Rm <sup>1</sup>	5,4

<sup>1</sup> For the purpose of this disclosure, severance payments mean payments that exceed the bank's contractual redundancy payment.

Our policy is not to award guaranteed bonuses. Where specific compensation is indicated for new employees for the loss of an accrued benefit, the forfeiture of a performance bonus or in respect of a specific outstanding contractual obligation, a signon or DSTI award may be made. This is subject to time and, in the case of DSTI awards, ongoing individual performance conditions.

## NON-EXECUTIVE DIRECTORS

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

In terms of the memorandum of incorporation the Group Chairman is reelected annually by the board.

## Remuneration

The fees of the Group Chairman and the non-executive directors reflect the specific responsibilities relating to their membership of the board and, where applicable, board committees. The Group Chairman receives a single fee for his role. Non-executive

directors are paid a fixed fee for boardmembership, and receive additional fees for their participation in board committees. Premiums are paid to the chairmen of all board committees, with the exception of the Directors' Affairs Committee, which is chaired by the Group Chairman. A premium is applicable for the Senior Independent Non-executive Director. Neither the Group Chairman nor boardmembers receive any performance-related pay or any benefits.

Board and board committee meeting attendance is recorded in the supplementary Governance and Ethics information available online.

Non-executive directors' remuneration for the years ended 31 December 2012 and 31 December 2011 was as follows:

## NON-EXECUTIVE REMUNERATION

	Appointment date	Termination date	Note	Board meeting fees (R000)	Committee meeting fees (R000)	2012 (R000)	2011 (R000)
CJW Ball		May 2011	a	-	-	-	382
TA Boardman			f	306	362	668	799
TCP Chikane			e	306	594	900	718
A de VC Knott-Craig		February 2012	c	44	43	87	569
MA Enus-Brey			j	306	531	837	764
B de L Figaji		May 2012	h	102	177	279	759
ID Gladman	June 2012		1, i	177	115	292	
DI Hope			1	306	221	527	495
RJ Khoza				-	3 888	3 888	3 677
WE Lucas-Bull		November 2012	d	257	514	771	754
PM Makwana	November 2011		b	306	177	483	11
NP Mnexasana				306	334	640	596
JK Netshitenzhe				306	116	422	396
JVF Roberts			1	306	54	360	339
GT Serobe			g	306	287	593	447
MI Wyman				306	691	997	706
Total				3 640	8 104	11 744	11 412

<sup>1</sup> Fees for JVF Roberts, DI Hope and ID Gladman were paid to Old Mutual (SA) Ltd for 2011 and 2012.

<sup>a</sup> CJW Ball retired from the board on 6 May 2011.

<sup>b</sup> PM Makwana was appointed as a member of the Group Social and Ethics Committee and the Group Remuneration Committee on 30 January 2012. On 4 May 2012 PM Makwana was appointed as a member of the Group Information Technology (IT) Committee.

<sup>c</sup> A de VC Knott-Craig resigned from all committees on 24 February 2012.

<sup>d</sup> WE Lucas-Bull was appointed as a member of the Group Audit Committee on 24 February 2012 and resigned from all committees on 5 November 2012.

<sup>e</sup> TCP Chikane was appointed as a member of the Group Remuneration Committee on 24 February 2012 and resigned as the Chairman of the Group Transformation, Social and Ethics Committee, but opted to remain a member. On 4 May 2012 TCP Chikane was appointed Chairman of Group Remco.

<sup>f</sup> TA Boardman was appointed as the Chairman of the Group IT Committee and a member of the Group Finance and Oversight Committee on 24 February 2012. On 27 July 2012 TA Boardman was appointed as a member of the Group Directors' Affairs Committee.

<sup>g</sup> GT Serobe was appointed as the Chairman of the Group Transformation, Social and Ethics Committee on 24 February 2012 and a member of the Group Directors' Affairs Committee on 27 July 2012.

<sup>h</sup> B de L Figaji retired from the board, and as the Chairman of the Group Remco and member of all other committees on 4 May 2012.

<sup>i</sup> ID Gladman was appointed as a director of Nedbank Group and Nedbank Ltd on 7 June 2012. On 27 July 2012 ID Gladman was appointed as a member of the Group Credit Committee and the Group Risk and Capital Management Committee.

<sup>j</sup> MA Enus-Brey was appointed as the Chairman of the Group Credit Committee on 27 November 2012.

\* Table audited.

## Remuneration Report (CONTINUED)

Non-executive directors are accountable for decisions taken regardless of attendance at meetings. Non-executive directors are also required, as a matter of course, to represent stakeholders and to make the necessary preparations for meetings and other engagements. Group Remco is satisfied that the fee structure applied in respect of non-executive directors remains appropriate.

### Non-executive directors' fees

An independent subcommittee, consisting of Messrs MWT Brown, GW Dempster and DI Hope, evaluated the respective committee fees from a number of perspectives, including peer group comparisons, effective rates per committee and year-on-year increases. The subcommittee proposed special increases for certain committees where the fees were materially lagging the market or where the changing importance and responsibility of the particular committee were deemed to warrant a larger increase.

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

	Current 07/2012 – 06/2013	Proposed 07/2013 – 06/2014	% increase <sup>1</sup>
Chairman <sup>2</sup>	4 000 000	4 200 000	5,0%
Group boardmember	171 500	180 075	5,0%
Nedbank boardmember	143 500	150 675	5,0%
Senior Independent Non-executive Director premium	40% of board fee	40% of board fee	5,0%
<b>Group Audit Committee</b>			
Chairman	290 000	360 000	24,1%
Member	145 000	180 000	24,1%
<b>Group Risk and Capital Management Committee</b>			
Chairman	244 000	256 200	5,0%
Member	122 000	128 100	5,0%
<b>Group Remuneration Committee</b>			
Chairman	170 000	200 000	17,7%
Member	85 000	100 000	17,7%
<b>Transformation, Social and Ethics Committee</b>			
Chairman	150 000	157 500	5,0%
Member	75 000	78 750	5,0%
<b>Directors' Affairs Committee</b>			
Chairman (Part of Group Chairman's annual fee)			
Member	55 000	57 750	5,0%
<b>Group Credit Committee</b>			
Chairman	290 000	320 000	10,3%
Member	145 000	160 000	10,3%
<b>Group Finance and Oversight Committee</b>			
Chairman	47 000	49 350	5,0%
Member	23 500	24 675	5,0%
<b>Group IT Committee</b>			
Chairman	150 000	157 500	5,0%
Member	75 000	78 750	5,0%

<sup>1</sup> On a like-for-like basis this represents an overall increase of 6,9%.

<sup>2</sup> Includes fees for board, subsidiary board and committee memberships.

\* Table audited.

The above increases are effective from 1 July 2013, subject to shareholders' approval at the 3 May 2013 AGM.

## Nedbank Eyethu Schemes for non-executive directors

### The Nedbank Eyethu Non-executive Directors' Trust

This trust is in the process of being wound down. The trustees resolved in December 2012 to transfer all unallocated shares to the Nedbank Community Trust.

### Directors' interests

At 31 December 2012 the directors' interests in ordinary shares in Nedbank Group Ltd and preference shares in Nedbank Ltd were as follows:

	Beneficial direct	Beneficial direct	Beneficial indirect	Beneficial indirect
Number of shares <sup>1</sup>	2012	2011	2012	2011
TA Boardman	24 012	55 662	62 758	191 548
TA Boardman (preference shares)			85 000	85 000
MWT Brown	55 049	65 190	294 648	346 115
TCP Chikane			24 326	24 326
GW Dempster	17 822	17 822	123 211	218 086
MA Enus-Brey <sup>3</sup>			2 113	2 113
ID Gladman				
DI Hope				
RJ Khoza	7 800	1 800	6 974	1 374
PM Makwana				
NP Mnexasana			11 620	11 620
RK Morathi	12 615	4 233	155 762	127 964
JK Netshitenzhe				
JVF Roberts				
GT Serobe <sup>2</sup>				
MI Wyman				
<b>Total ordinary shares</b>	<b>117 298</b>	<b>144 707</b>	<b>681 412</b>	<b>923 146</b>
<b>Total preference shares</b>	<b>0</b>	<b>0</b>	<b>85 000</b>	<b>85 000</b>

<sup>1</sup> Shares listed above are ordinary shares, unless otherwise indicated.

<sup>2</sup> Excludes 5 754 678 and 5 475 322 shares held by Wiphold Financial Services Number Two Trust in 2012 and 2011 respectively.

<sup>3</sup> Excludes 5 708 477 and 5 443 324 shares held by Brimstone-Mtha Financial Services Trust in 2012 and 2011 respectively.

A de VC Knott-Craig and WE Lucas-Bull held no shares in Nedbank Group Ltd and Nedbank Ltd at the time of their resignation from the companies during 2012. B de L Figaji held 30 278 Nedbank Group shares on a beneficial indirect basis at the time of his resignation from the companies during 2012.

\* Table audited.

# Risk and Balance Sheet Management Review

Nedbank Group has a strong risk culture and follows worldclass enterprisewide risk management, which aligns strategy, policies, people, processes, technology and business intelligence in order to evaluate, manage and optimise the opportunities, threats and uncertainties the group may face in its ongoing efforts to maximise sustainable shareholder value.

## ENTERPRISEWIDE RISK



## RESPONSIBILITIES OF THE THREE LINES OF DEFENCE

<b>FIRST LINE</b>	The board and management of Nedbank Group are responsible for the implementation and management of risk.
<b>SECOND LINE</b>	Group Risk and Enterprise Governance and Compliance perform a policy-setting and monitoring role to ensure implementation of risk management principles and adherence to regulation and legislation.
<b>THIRD LINE</b>	Group internal audit, external auditors and independent actuaries provide additional assurance on the effectiveness of risk management in the organisation.

## BACKGROUND TO RISK AND BALANCE SHEET MANAGEMENT IN NEDBANK

Enterprisewide Risk Management (ERM) integrates risk, finance and balance sheet management across the group's risk universe, including business units and operating divisions, geographical locations and legal entities.

Against this backdrop, all risks – including those associated with sustainability – are managed according to a 'three lines of defence' governance model. It is Nedbank Group's view that a strong risk governance process is the foundation for successful risk management and balance sheet management, which is why this model represents the core of the business's Enterprisewide Risk Management Framework (ERMF). The ERMF places emphasis on accountability, responsibility, independence, reporting, communications and transparency, and comprises 17 key risk categories that are managed, monitored, measured and reported on by the first, second and third line-of-defence functions across the group.

The 17 key risks that comprise Nedbank Group's risk universe and their materiality are reassessed, reviewed and challenged on a regular basis. The ERMF, in turn, specifically allocates the 17 key risks at each of three levels of responsibility, namely:

- board (non-executive directors) committees;
- executive management committees [at Group Executive Committee (Exco) level and those within business clusters]; and
- individual functions, roles and responsibilities (at group level and across all business clusters, as relevant).

In these various committees the 17 key risks are contained in formal terms of reference (or charters) and linked to the agendas of meetings. Comprehensive reporting on the risk universe thus occurs regularly, where their status, materiality and effectiveness of management are assessed, reviewed and challenged.

This process originates in the business clusters, proceeds based on materiality escalated up to the group executive level and then to the non-executive board level. The process is overlaid by the group's three lines of defence governance model as set out above, so that the assessment, review and challenge are not only the responsibility of management and the board, but also of Group Risk, Group Compliance, and Group Internal Audit and the external auditors in the second and third lines of defence.

Within this recurring ERM process, and additionally via the strategic and business planning process, new and/or emerging risks are identified, captured and addressed within the ERMF and its associated process.

A residual heat map is used and supports the iterative reassessment of the 17 key risks. Escalation criteria have been formalised and significant risk issues and/or limit breaches are raised and included in the Key Issues Control Log, which is a key feature of the ERMF and risk reporting across Nedbank Group.

The ERMF, fully embedded in business and central functions across Nedbank Group, is supplemented by individual frameworks such as those for risk appetite, credit risk, market risk, liquidity risk, operational risk and capital risk, as well as a comprehensive set of risk policies and limits. These also comprise 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 committees. At executive management level the Group Exco is also assisted with its risk, strategic, operational and asset, liability and capital management responsibilities by 6 subcommittees and the Group Operations Committee (Opcom), Taxation, Property and Procurement Committees and the BEE forum.

Nedbank Group has also developed individual risk frameworks for the effective management of social, environmental and transformation risks. These frameworks serve as best-practice guidelines for the management of risks associated with these pillars of sustainability within the organisation, offering clear governance structures (eg committees, charters and policies) to deal with risks associated with the group's sustainability objectives.

The ERMF thus facilitates effective challenge and debate at executive management and board levels, and strong interaction across the group between the businesses and the independent central group functions.

## RISK STRATEGY

A comprehensive risk strategy is in place and forms an integrated component of the group's 2013 to 2015 business plan. The salient features include evolving the strong risk culture and a particular focus on:

- Growing deposits.
- Strategic response to Basel III, Solvency II and ongoing implementation.
- Strategic response of clusters to the Basel III impacts, especially return on equity and deposits.
- Strategic portfolio management via portfolio tilt.
- Link to Economic Profit (EP) Pools and portfolio tilt targets.
- Managing for value, not volume, and delta economic profit growth.
- Client value management and exploiting value skews within credit portfolios.
- Identifying appropriate management actions on value creating (EP positive) versus value destroying (EP negative) businesses, products, clients.
- Ensuring selective asset growth.
- Risk (and also capital) optimisation, especially risk-weighted assets (RWA) optimisation initiatives and management actions.
- Risk mitigation (eg optimising collateral, collections and other such actions which assist in risk/capital optimisation).
- Judicious use, optimisation and allocation of capital, funding and liquidity, information technology spend and expenses.
- Credit loss ratios.
- Risk appetite.
- Superior business intelligence and data quality.
- Maintain physical security standards.
- Maintaining strong relationships with regulators and other stakeholders.
- Sustainability.

## COMPREHENSIVE PUBLIC DISCLOSURE REPORT (PILLAR 3)

The review in this report is merely a summary, focusing mainly on the key risks and balance sheet management components of the group. For the group's comprehensive disclosure on risk and balance sheet management in line with regulation 43 of the regulations relating to banks in SA, kindly refer to the group's updated Pillar 3 Report that will be released on the group's website at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za) by 31 March 2013.

# Risk and Balance Sheet Management Review (CONTINUED)

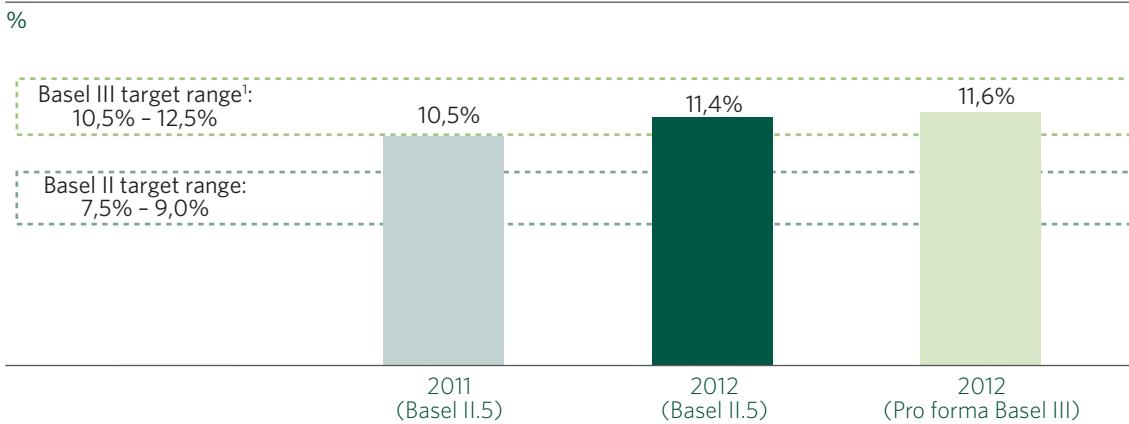
## RISK AND BALANCE SHEET MANAGEMENT HIGHLIGHTS BASEL III

Basel III has been successfully implemented in SA from 1 January 2013 and Nedbank is extremely well positioned, in particular with regard to the capital, liquidity and leverage components.

### Capital adequacy

- Nedbank Group's Common Equity Tier 1 (CET1) capital adequacy ratio (CAR) strengthened in 2012 under Basel II.5 from 10,5% to 11,4%. Basel II.5 became effective in SA from 1 January 2012.
- On a pro forma Basel III basis Nedbank Group's CET1 CAR is even stronger than under Basel II.5, increasing further to 11,6%.

### Strong Common Equity Tier 1 ratio



<sup>1</sup> New range based on 2019 minimum South African Reserve Bank (SARB) requirement.

- Nedbank Group's revised target CAR range for CET1 under Basel III is 10,5% - 12,5% (Basel II: 7,5% - 9,0%). This is set based on the final, fully phased-in 2019 Basel III set of minimum regulatory requirements, and constitutes a full through-the-cycle (TTC) target range.
  - Under Basel III Nedbank Group's 11,6% CET1 CAR is already in the middle of our new target range, and approximately at the level we intend operating at, excluding any countercyclical capital buffer (CCB) add-on that may be introduced from 2016; we see this CCB as unlikely to be required in the foreseeable future as it is not anticipated that there will be excess aggregate credit growth over the medium term.
  - Importantly, Nedbank is very well positioned with both high capital ratios and a RWA density (total RWA:total assets) percentage of 53% (2011: 54%) under Basel III.
- The return on average shareholders' equity (ROE) excluding goodwill increased to 16,4% (2011: 15,3%), while the return on average risk-weighted assets (RORWA) increased to 2,1% (2011: 1,9%).

Key ratio <sup>2</sup>		Basel III		2012		2011		
		SARB 2013 mini-mum <sup>9</sup>	New target TTC range <sup>7</sup>	Pro forma Basel III <sup>4</sup>	Actual Basel II.5 <sup>3</sup>	Pro forma Basel III <sup>4</sup>	Pro forma Basel II.5 <sup>3</sup>	Actual Basel II
CET1 CAR	(%)	4,5	10,5 - 12,5	11,6	11,4	10,5	10,5	11,0
Surplus CET1 capital <sup>8,9</sup>	(Rm)			10 331	22 032	5 259	18 150	18 975
Total capital ratio <sup>5</sup>	(%)	9,5	14,0 - 15,0	15,1	14,9	15,0	14,6	15,3
Total RWA	(Rm)			364 682	359 658	350 679	347 684	331 980
Total RWA: total assets ratio	(%)		> 50	53	53	54	54	51
Dividend cover <sup>6</sup>	(times)		1,75 - 2,25		2,19			2,26
Return on equity (ROE) (excluding goodwill)	(%)				16,4			15,3
Return on RWA (RORWA)	(%)				2,1			1,9

<sup>2</sup> Including unappropriated profits.

<sup>3</sup> Basel II.5 was effective from 1 January 2012.

<sup>4</sup> Basel III is effective from 1 January 2013, but the new requirements will be phased in over the period 2013 to 2019.

<sup>5</sup> R1 770m of Tier 2 debt capital was called and not replaced in 2012.

<sup>6</sup> Together with Nedbank's revised Basel III target capital adequacy ratios and the new dividend tax regime, the group's dividend cover policy has been revised to 1,75 - 2,25 from 2,25 - 2,75 times.

<sup>7</sup> Nedbank's internal TTC target range is based on final minimum regulatory requirements of 2019 for CET1 CAR and 2015 for the Total CAR.

<sup>8</sup> Based on a regulatory minimum CET1 of 5,25% for 2012 actual ratio and 2019 end-state Basel III minimum capital requirements for pro forma Basel III ratio.

<sup>9</sup> Excluding any specific Pillar 2B add-on and countercyclical buffer.

## Liquidity

- On 6 January 2013 the Basel Committee on Banking Supervision (Basel Committee) announced final revisions to, and confirmed the implementation of, the liquidity coverage ratio (LCR).
    - The LCR will be phased in between 2015 and 2019.
      - o Previously 100% compliance was required from 2015, whereas now the minimum LCR requirement will be phased in starting at 60% in 2015, and increasing by 10% each year to 100% in 2019.
    - The definition of 'high-quality liquid assets (HQLA)' has been widened and 'level 2' assets now include a new '2B' subcategory.
    - The definitions of net cash outflows have been relaxed.
    - The Basel Committee will continue to examine the role of central bank facilities [ie the SARB committed liquidity facility (CLF)].
  - The Basel Committee also announced that work to revise the net stable funding ratio (NSFR) will commence in 2013 and span over 12 to 24 months.
- Across the globe fundamental changes to the NSFR are expected.
- Nedbank's strong liquidity and funding position is illustrated by the following:
    - Based on the current level of qualifying HQLA, Nedbank's LCR is already in excess of 60%, excluding any use of the SARB's CLF. Assuming targeted access to the currently available CLF on a pro forma basis at 2012 year-end, Nedbank is above the 100% requirement of 2019.
    - Nedbank has maintained significant sources of quick liquidity of R105,4bn, representing 15,4% of total assets and underpinned by R24,4bn of surplus statutory liquid assets.
    - A long-term funding ratio of 25% at December 2012 up from 18% in December 2009. The Q4 2012 average is 26% (2011: 25%).
    - A loans-to-deposits ratio consistently below 100%, at 95,7% (2011: 95,2%).
    - A strong focus on growing 'Basel III-friendly' retail and commercial deposits, and reducing reliance on negotiable certificates of deposit (NCDs), which declined to 14,0% of total deposits (2011: 18,8%).
  - The annual Internal Liquidity Adequacy Assessment Process (ILAAP) and ICAAP were signed off by the board of directors on 27 July 2012.

### Liquidity and funding profile

		2012	2011
<b>Total sources of quick liquidity</b>	(Rm)	<b>105 420</b>	<b>103 571</b>
Surplus statutory liquid assets	(Rm)	<b>24 375</b>	23 736
Statutory liquid assets and cash reserves (ie SARB prudential minimum)	(Rm)	<b>39 525</b>	37 751
Other sources of quick liquidity <sup>12</sup>	(Rm)	<b>41 520</b>	42 084
Total sources of quick liquidity as a % of total assets	(%)	<b>15,4</b>	16,0
<b>Long-term funding ratio (Q4 average)</b>	(%)	<b>26,0</b>	25,0
Senior unsecured debt	(Rm)	<b>18 776</b>	17 026
Retail Savings Bond <sup>13</sup>	(Rm)	<b>6 385</b>	3 945 <sup>17</sup>
Green Retail Savings Bond <sup>13</sup>		<b>886</b>	
Money Trader product <sup>13</sup>		<b>3 344</b>	
<b>Reliance on NCDs<sup>14</sup></b>	(%)	<b>14,0</b>	18,7
<b>Loans: deposits ratio</b>	(%)	<b>95,7</b>	95,2
<b>Basel III pro forma liquidity ratios</b>			
LCR (effective date - 2015 to 2019) including targeted access to the CLF <sup>15</sup>	(%)	<b>&gt; 100</b>	
NSFR (effective date - 2018) <sup>16</sup>	(%)	<b>WIP</b>	

<sup>12</sup> This includes corporate bonds, listed equities and other marketable securities.

<sup>13</sup> These represent Nedbank's Retail Savings Bonds with tenures of two, three and five years. During 2012 Nedbank launched the Green Retail Savings Bond, the proceeds of which are earmarked for renewable energy projects, and a very competitive Money Trader product to help meet retail client needs and enhance our product offering.

<sup>14</sup> As a % of total deposits.

<sup>15</sup> A 60% minimum LCR is required from 2015, increasing 10% per annum to 100% by 2019.

<sup>16</sup> Finalisation of the NSFR by the Basel Committee is still 12 to 24 months away. Globally, it is expected that the ratio will be significantly revised and that a pragmatic approach will ultimately be followed.

<sup>17</sup> December 2011 number has been restated.

# Risk and Balance Sheet Management Review (CONTINUED)

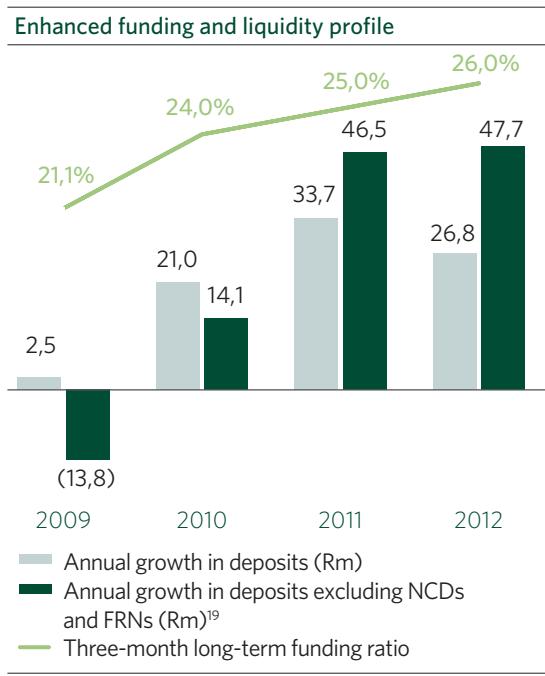
## Leverage

- South African banks, including Nedbank, compare favourably to most international banks on leverage.
  - Deleveraging, which is continuing among most international banks after the global financial crisis, is not a factor in SA.
  - SA's banking system as a whole is less risky than banking sectors elsewhere and has much lower leverage than most other countries.
- Nedbank Group's gearing or daily average accounting based leverage ratio remains at a prudent level of 13,08 times (2011: 13,71 times).
- Nedbank is also well positioned for the new Basel III leverage ratio.
  - Under Basel III, which includes off-balance-sheet exposure, the ratio would increase to 16,4 times against a risk appetite target of less than 20 times.
  - The Basel III limit in accordance with the revised South African regulations is 25 times more conservative than Basel III at 33,3 times.

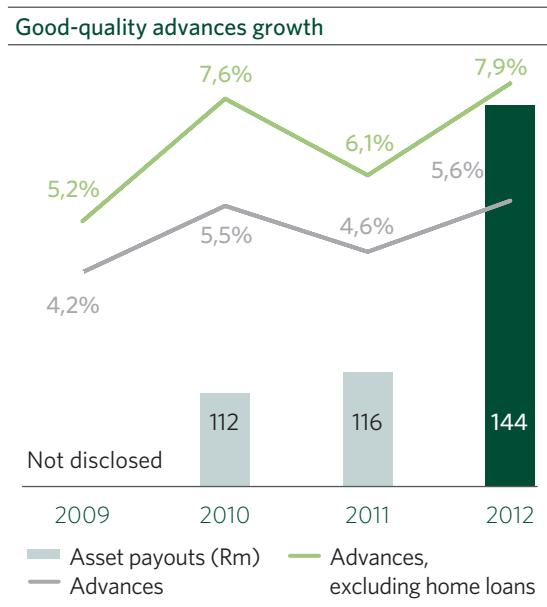
## BALANCE SHEET

Nedbank's strong balance sheet continued to strengthen in 2012.

- Portfolio tilt forms part of the four key strategic focus areas of Nedbank Group, and is a carefully structured, integrated and holistic component of the group's 'manage for value' emphasis, involving balance sheet optimisation, strategic portfolio management and client value management.
- The key objectives with the portfolio Tilt Strategy are to:
  - target an optimal balance sheet and income statement shape and mix;
  - maximise economic profit (EP), return on assets (ROA) and ROE by optimising EP rich activities;
  - optimise the strategic impact of Basel III, including growing Basel III friendly deposits;
  - reduce TTC earnings volatility;
  - optimise the risk profile versus return of the group, while operating within the group's risk appetite framework; and
  - optimally allocate/use scarce resources [ie capital, term-liquidity, information technology (IT) innovation spend and expenses], while also investing for the future to grow the franchise.



<sup>19</sup> NCD = negotiable certificate of deposit. FRN = floating rate note.



## Asset quality and credit risk

- Nedbank's asset mix and quality improved again in 2012 in line with the group's portfolio tilt strategy, as discussed above, and strong credit risk management.

Summary of asset quality profile		2012	2011 <sup>26</sup>
Return on assets (improved)	(%)	1,13	0,99
Total loans and advances <sup>26</sup>	(Rm)		
New loans advanced to clients (significant credit extension)		144 319	116 156
Gross loans and advances (good pockets of growth)		538 036*	510 520*
Net loans and advances (closing balance)		527 166*	499 023*
Total balance sheet impairments (coverage strengthened)	(Rm)	10 870	11 497
Total impairments coverage ratio <sup>20,23,24,27</sup> (strengthened)	(%)	56,4	49,5
Total balance sheet portfolio impairments (strengthened)	(Rm)	3 427*	2 748*
Total portfolio impairments coverage ratio – performing advances (strengthened)	(%)	0,7	0,6
Total balance sheet specific impairments (improved)	(Rm)	7 443*	8 749*
Total defaulted advances <sup>20,21,27</sup> (improved)	(Rm)	19 273*	23 210*
Total defaulted advances to gross loans and advances <sup>20,21,27</sup> (improved)	(%)	3,6	4,5
Total specific coverage ratio – defaulted advances <sup>20,21,27</sup> (strengthened)	(%)	38,6	37,7

<sup>20</sup> A distinction has been drawn in 2012 between distressed restructures and debt arrangements in the MFC portfolio. This has resulted in a redistribution of assets across the delinquency buckets. 2011 comparatives have been adjusted to take account of this change.

<sup>21</sup> Includes Nedbank Wealth Cluster.

<sup>22</sup> Total wholesale includes Nedbank Capital, Nedbank Corporate and Nedbank Business Banking.

<sup>23</sup> Home Loans as discussed here represents a specific business unit within Nedbank Retail, and excludes the Nedbank Relationship Banking and Business Banking business units.

<sup>24</sup> Total impairments as a percentage of total defaulted advances.

<sup>25</sup> Nedbank Retail book does not include Nedbank Wealth Cluster's retail exposures.

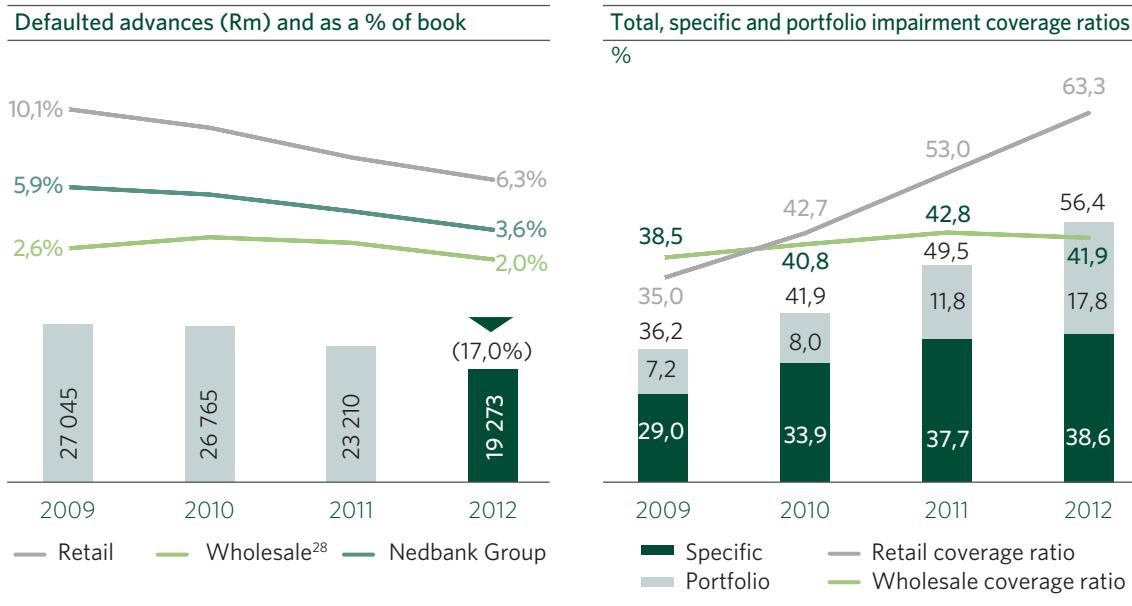
<sup>26</sup> 2011 numbers have been restated due to clients' indebtedness for acceptances and liabilities for acceptances have been reclassified to loans and advances and amounts owed to depositors, respectively in order to achieve improved comparability with the majority of the group's South African banking peers. These items were previously separately disclosed in the group's statement of financial position.

<sup>27</sup> The Personal Loans defaulted advances at December 2011 have been restated to take account of the policy showing debt-counselling and debt-counselling restructured accounts as defaults.

- The total impairment coverage ratio increased to 56,4% (2011: 49,5%) despite the reduction in defaulted advances, largely due to asset mix changes in the group's banking book.
- The group's total specific coverage ratio increased to 38,6% (2011: 37,7%), mainly driven by changes in product mix in the Nedbank Retail portfolio, while the total portfolio coverage ratio increased to 17,8% (2011: 11,8%), due to strengthened portfolio impairments in Personal Loans, MFC, and Home Loans.
- Specific coverage levels in Nedbank Retail increased from 41,2% to 45,2%, largely due to the asset mix between secured and unsecured lending changing.
- Wholesale-specific coverage levels have decreased overall to 27,4% from 33,5%, mainly due to a number of partial writeoffs in the commercial lending portfolio as well as reductions in Nedbank Capital defaulted advances as a direct result of resolutions.
- Nedbank's very low exposure to banks in the Eurozone was maintained at 1,4% (2011: 1,6%) of total group credit exposure, with immaterial exposure to Portugal, Italy, Ireland, Greece, and Spain (PIIGS).
- Nedbank has no material non-core assets.

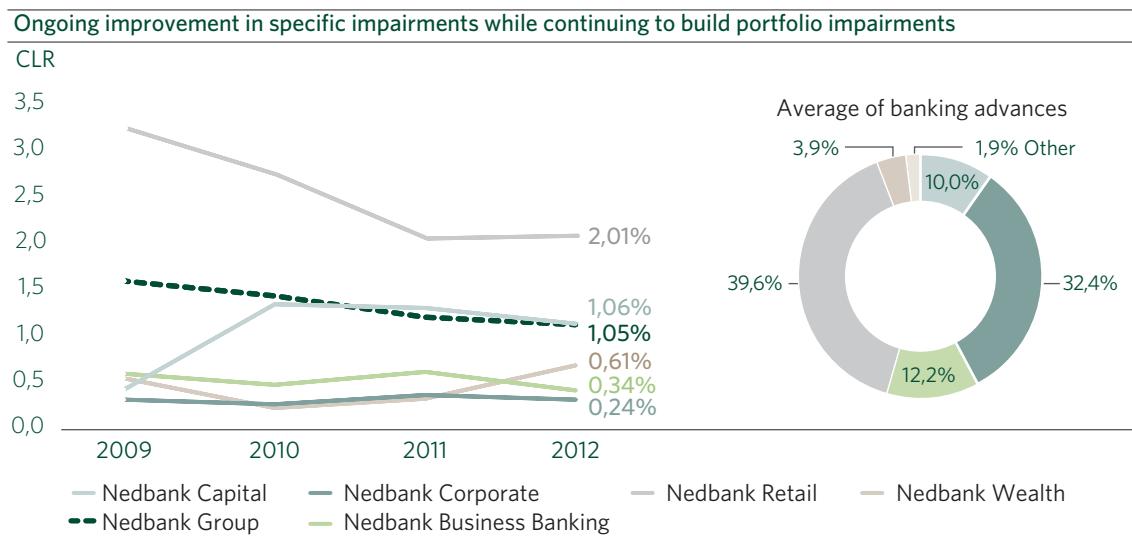
\* Audited.

## Risk and Balance Sheet Management Review (CONTINUED)



<sup>28</sup> Wholesale includes Nedbank Capital, Nedbank Corporate and Nedbank Business Banking.

- The credit loss ratio improved to 1,05% for the year (2011: 1,13%), remaining above the group's TTC range of 60 to 100 basis points (bps) partially due to the asset mix change over the past three years.
- The reduction in specific impairments to 0,91% (2011: 1,01%) was driven by a 17,0% decrease in defaulted advances to R19 273m (2011: R23 210m), while the portfolio impairments charge strengthened further to 0,14% (2011: 0,12%), mainly on the performing Personal Loans, MFC and Home Loans books.
- The increased level of portfolio impairments represents model alignment and growth in Personal Loans as well as the lengthening of the emergence period in the MFC book.
- The group retained the R200m central portfolio provision set aside last year for unknown events that may have already occurred but which will only be evident in the future.
- Collections processes, enhanced by additional collections staff and more effective collections processes, generated a 35,1% increase in bad debt recoveries amounting to R866m (2011: R641m).



Summary of credit risk profile	% of average banking advances		Impairments charge				Credit loss ratios		
	2012 %	2011 <sup>30</sup> %	2012 %	2012 Rm	2011 %	2011 Rm	2012 %	2011 <sup>30</sup> %	TTC target ranges <sup>29</sup> %
Group	100,0	100,0	100,0	5 199	100,0	5 331	1,05	1,13	0,60 - 1,00
Nedbank Capital <sup>29</sup>	10,0	9,5	10,1	526	10,3	549	1,06	1,23	0,10 - 0,55
Nedbank Corporate	32,4	32,1	7,4	385	8,2	439	0,24	0,29	0,20 - 0,35
Nedbank Business Banking	12,2	12,9	4,0	206	6,1	324	0,34	0,53	0,55 - 0,75
Nedbank Retail	39,6	39,9	75,5	3 928	70,0	3 729	2,01	1,98	1,50 - 2,20
Home Loans	17,6	19,3	9,8	510	21,6	1 149	0,59	1,26	
Vehicle Finance	10,9	10,3	10,8	562	14,1	752	1,05	1,54	
Personal Loans	4,2	3,1	43,5	2 263	21,3	1 137	11,02	7,74	
Card	1,9	1,8	7,0	367	5,1	270	3,90	3,23	
Transactional and Investment	0,2	0,3	1,1	55	1,3	68	5,03	5,54	
Other	4,8	5,1	3,3	171	6,6	353			
Nedbank Wealth Central Management <sup>31</sup>	3,9	3,8	2,3	118	0,8	45	0,61	0,25	0,20 - 0,40
	1,9	1,8	0,7	36	4,6	245			

<sup>29</sup> The Nedbank Capital target range was amended in H2 2012.

<sup>30</sup> Clients' indebtedness for acceptances and liabilities for acceptances have been reclassified as loans and advances and amounts owed to depositors respectively in order to achieve improved comparability with the majority of the group's South African banking peers. These items were previously separately disclosed in the group's statement of financial position.

<sup>31</sup> Includes Rest of Africa.

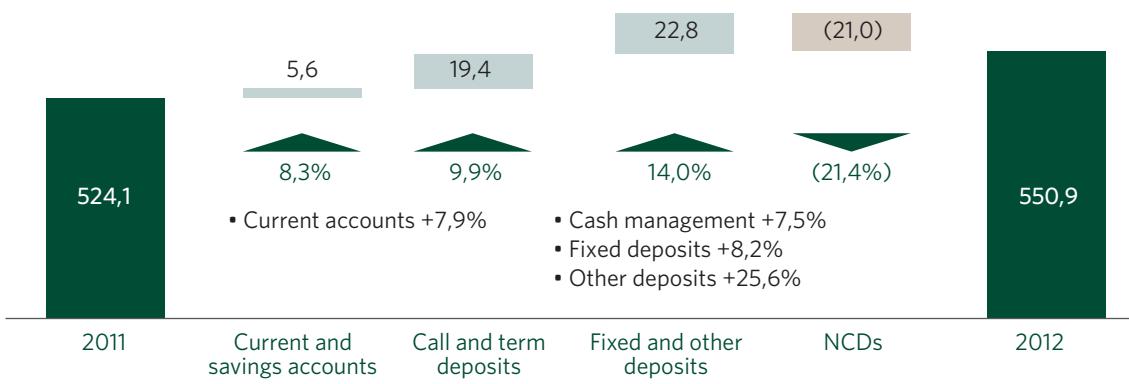
## Deposits and funding

- Deposits grew by a healthy 5,1% to R551bn (2011: R524bn), maintaining a strong loans-to-deposits ratio of 95,7% (2011: 95,2%). Excluding NCDs, deposits grew strongly at 11,2% (2011: 12,2%).
- The lengthening of the funding profile was primarily due to ongoing growth in call and term deposits of 9,9% and in fixed deposits of 8,2% as a result of a strong uptake in the Retail Savings Bond of R3,3bn and wholesale deposit offerings such as Corporate Saver and Stepup.
- Cash management deposits grew 7,5%, boosted by net primary banking client gains, whereas the more volatile NCD category decreased 21,4%.
- Current and savings accounts grew well, increasing 7,9% and 9,3% respectively, underpinned by Nedbank's strong franchise. Altogether, these improvements in the funding profile ensured that, at 18,1% (compared with the industry average of 16,0%), Nedbank continued to have a proportionately larger household deposit market share as a percentage of its deposit base.
- However, strong competition for deposits in 2012 resulted in some loss of overall market share in household deposits. The launch of innovative new products such as Nedbank Money Trader, investments in ATMs, worldclass internet and mobile banking applications and various other initiatives will contribute to the positioning of Nedbank for strong and sustainable growth in savings and investment deposits.

## Risk and Balance Sheet Management Review (CONTINUED)

**Increased term funding, lower reliance on NCDs and conservative loans-to-deposits ratio**

Deposits (Rbn)<sup>32</sup>



<sup>32</sup> Restated for the reclassification of acceptances.

### Market risks

- Other than the Interest Rate Risk in the Banking Book (IRRBB) the group does not have significant risk appetite for or exposure to market risk.
  - Nedbank's IRRBB is positioned for an upward interest rate cycle, but has been reduced to provide protection against downside risk in the short-term.
  - The focus of the trading businesses is to continue to develop the flow model by leveraging the deal flow from clients. Proprietary trading has been scaled down.
  - Equity risk in the banking book, or investment risk, is low relative to the rest of the balance sheet.
  - All transactions with hedge funds are executed out of a specialist unit with a primary focus on risk mitigation.

Summary of market risk profile	2012	2011
<b>IRRBB (high)</b>		
Net interest income (NII) sensitivity to 1% decline in interest rates (equal and opposite positive NII impact for an increase in interest rates)	(Rm)	(813) <sup>33</sup>
% of ordinary shareholders' equity (board limit: 2,25%)	(%)	1,5
<b>Trading market risk (low)</b>		
% of total group economic capital	(%)	1,3
Total value at risk (VaR) (99%, one-day VaR) exposure (average)	(Rm)	14,7
Total stressed VaR exposure as per Basel II.5 <sup>35</sup> (99%, one-day VaR at year-end)	(Rm)	17,1
<b>Equity risk in the banking book (low)</b>		
Total equity portfolio	(Rm)	4 493
% of total assets	(%)	0,7
% of total group economic capital	(%)	3,9
<b>Foreign currency translation (FCT) risk (low)</b>		
Impact on group's total regulatory capital ratio for 10% change in the value of the rand <sup>34</sup>	(%)	0,1

<sup>33</sup> Positioned for an upward interest rate cycle.

<sup>34</sup> Due to FCT reserves currently being excluded from qualifying regulatory capital. This changes in 2013 under Basel III.

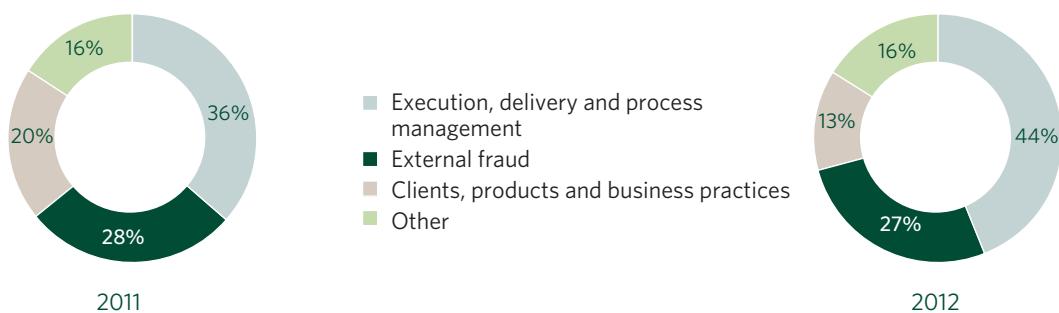
<sup>35</sup> Basel II.5 was effective from 1 January 2012.

<sup>36</sup> Restated for enhancements to 2012 economic capital methodologies.

## OPERATIONAL RISK

- Nedbank Group was granted approval in December 2010 by the SARB for the use of the Advanced Measurement Approach (AMA) with diversification, and calculates its operational risk regulatory and economic capital requirements using partial and hybrid AMA. Partial use refers to a bank, controlling company or banking group using AMA for some parts of its operations and The Standardised Approach (TSA) for the remainder of its operations. Hybrid AMA refers to the attribution of group operational risk capital to legal entities by means of an allocation mechanism.
- This approval reinforces the existence of sound operational risk governance practices across the group aimed at identifying, measuring, managing and mitigating operational risks. The group continues to invest in the enhancement of its operational risk measurement and management approaches.
- Four data elements are collected and used in managing and measuring operational risk. The data elements consist of:
  - Internal loss data
  - External loss data
  - Scenario analysis
  - Business, environment and internal control factors

Nedbank Group's operational risk loss profile from internal loss of data



- Internal loss data is generally classified in seven event-type categories. Nedbank Group's 2011 and 2012 operational risk loss profile, from internal loss data, is dominated by three event types, namely:
  - Execution, delivery and process management (EDPM)
  - External fraud (EF)
  - Clients, products and business practices (CPBP)
- In 2012 the EDPM contribution to the operational risk loss profile increased to 44% from the comparative period (2011: 36%), while the contribution to CPBP declined to 13% compared with 20% experienced in 2011. EF remained largely constant over the two-year period.
- A low percentage of operational risk loss experience (ie internal loss data) to gross operating income was maintained and significant material loss events were limited.

# Governance and Ethics Review

We are committed to good governance and compliance with recognised best-practice codes and legislation. We believe that our conduct should be underscored by sound governance practices that include transparency and accountability to all stakeholders, including employees, clients and shareholders.

We operate within a clearly defined governance and compliance framework that enables us to focus on a number of areas, including:

- Efficiency and profitability within acceptable risk parameters.
- Implementation of group strategy within defined compliance requirements.
- Adherence to ethical and proper corporate behaviour.
- A balance, within a framework of accountability, of the interests of shareholders and other stakeholders who may be affected by the conduct of directors or executives of Nedbank Group.
- Prevention of conflicts of interest.
- Timous and accurate disclosure of matters that are material to the business or interests of stakeholders.
- A balance between conformance with governance constraints and an entrepreneurial spirit.
- Achievement of integrated economic, social, environmental and cultural performance (integrated sustainability) across the business.
- Efficient and effective functioning of the Enterprisewide Risk Management Framework (ERMF).
- Compliance with the provisions of the Code of Conduct of the King III Report on Corporate Governance 2009 (King III), all acts and regulations affecting the financial services industry, and the UK Code of Corporate Governance.

## OUR APPROACH TO COMPLIANCE RISK

The Nedbank Risk Appetite Policy takes a zero-tolerance approach to compliance risk. The board-approved Compliance Policy takes this stance even further by mandating compliance with all regulatory requirements. Compliance is monitored through the Group Directors' Affairs Committee (DAC), a board committee established in terms of the Banks Act, 94 of 1990.



GRI 3.1:  
4.1,  
4.2,  
4.3,  
4.4,  
4.6,  
4.7,  
4.8,  
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4.10

## COMPLIANCE WITH KING III

Since the effective date of King III in March 2010 we have endeavoured to apply the principles of this definitive governance code to all aspects of the business in a practical manner. During the period under review the board expressed its satisfaction with the way in which the group applied the recommendations of King III or put alternative measures in place.

In terms of the JSE Ltd ('the JSE') Listings Requirements we are required to provide and explanation of how the King III principles were applied during the 2012 financial year and, should these not have been applied, to provide reasons therefor and an indication of alternative measures taken. There are 75 such principles that apply to us and a comprehensive statement outlining our approach to each is included in the supplementary governance information available at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za).



Chairman's  
Report  
Pg 34 - 37



Supple-  
mentary  
information  
online

## Independence of Chairman

The current Chairman is not independent as defined by the governance codes, as he also serves on the board of the group's parent company, Old Mutual plc. For this reason the position of Lead Independent Director was created in 2007, which is currently held by Malcolm Wyman.

## Non-executive directors' remuneration

The board of directors has considered the King III recommendations and deliberated whether the remuneration of non-executive directors should comprise a base fee and an attendance fee per meeting. The board is of the view that this requirement is less pertinent to non-executive directors of Nedbank Group because of the greater responsibilities associated with being a director of a bank and the requirement for boardmembers to provide input on an ongoing basis, over and above attendance of board meetings.

The manner in which directors are selected, the internal discipline and regular independent evaluation continue to engender high levels of commitment among boardmembers, and their attendance of and participation at scheduled meetings attest to this. Accordingly, the directors are paid an annual fee for their services.

### Independence of boardmembers

The majority of the Nedbank Group boardmembers are non-executive directors, but the majority of them are not independent. The composition of the board is monitored and discussed by the directors on an ongoing basis to ensure that boardmembers have the correct skills and experience and that the mix of non-executive directors and independent non-executive directors is enhanced. However, the board believes that the current composition is sufficiently robust to ensure that shareholder interests (including minority interests) are protected:

- The Group Information Technology Committee is chaired by a non-executive director who is not independent.
- Only non-executive directors are members of the Group Transformation, Social and Ethics Committee (GTSEC), but the majority of them are not independent.
- The Group Credit Committee (GCC) is chaired by a non-executive director who is not independent.
- The DAC is chaired by a non-executive director who is not independent. Independent directors are in the minority in terms of composition.

### COMPLIANCE WITH THE UK CODE OF CORPORATE GOVERNANCE

Nedbank Group is listed on the JSE. However, we also comply with codes and practices applicable to our parent company, Old Mutual plc, which subscribes to the UK Code of Corporate Governance. Current areas of non-compliance with this code are as follows:

- The Group Chairman, Reuel Khoza, is a non-executive director, but not independent. Recognising that the Chairman is not an independent director, and in line with the recommendations of the UK Code of Corporate Governance, the position of Lead Independent Director was created in 2007.
- The board has not met the criterion that half of the board (excluding the Chairman) should be independent. The reason is as stated in the King III section above.

### INDEPENDENCE OF DIRECTORS

The board provides for independent and objective input into the decisionmaking process, thereby ensuring that no single director holds unfettered decisionmaking powers. During 2012 the board internally assessed the status of the Nedbank Group independent non-executive directors and satisfied itself that these boardmembers met the criteria of independent directors in terms of King III. Independence is debated by the DAC following detailed analysis of the circumstances of all the independent non-executive directors.

### BOARD APPOINTMENTS

Board appointments are conducted in a formal and transparent manner, in line with the board appointment policy. This process is undertaken by the board as a whole, with the assistance of the DAC. Any appointments to the board are made with due cognisance of the need to ensure that the board comprises a diverse range of skills, knowledge and expertise and has the requisite independence, appropriate demographic representation, a relevant balance of skills and expertise and the professional and industry knowledge necessary to meet our strategic objectives. Non-executive directors are given no fixed term of appointment, while executive directors are subject to 6-month notice periods, other than the Chief Executive who is subject to a 12-month notice period. 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.

In terms of our policy non-executive directors and independent non-executive directors who have served on the board for longer than nine years are required to retire from the board. Prof B de Lacy Figaji reached the nine-year limit on 25 November 2011 and retired as a director at the close of the annual general meeting on 4 May 2012.

Reappointment of non-executive directors is not automatic. Executive directors are discouraged from holding directorships outside the group.

### BOARD EVALUATIONS

In the first quarter of 2012 the Institute of Directors (IOD) conducted external evaluations of the full Nedbank Group board, including all members, the Chairman and all board committees. A wide array of matters was assessed and the IOD made the following comments:



The IOD sees the board of Nedbank as adding value and doing very well in fulfilling its mandate. It was felt that corporate governance had improved dramatically over the past few years with the bank being regarded as a leader in terms of their risk management and governance principles.

One of the key initiatives of the board is for the bank to reposition itself on the retail side of the business. The retail environment, particularly home loans, suffered in the aftermath of the 2009 recession due to the high volume of non-performing loans. There has - according to boardmembers - been a notable improvement in this area since the Head of Business Banking took on this additional portfolio in August 2009.



# Governance and Ethics Review (CONTINUED)

At the time this integrated report was produced the board, board committees, Chairman, boardmembers and company secretariat were undergoing an internal evaluation. The results of this assessment will be included in the 2013 Nedbank Group Integrated Report.

The Chief Executive's performance is also evaluated according to his performance scorecard, which is approved annually by the Group Remuneration Committee (GRC). The feedback from this board evaluation process contributes to the production of the Regulation 39(18) Report addressing the state of our corporate governance.

## NEDBANK GROUP BOARD OF DIRECTORS

In line with the recommendations of King III we have a unitary board structure.

On 31 December 2012 our board comprised the following 15 directors:

### Independent non-executive directors (five)

- |   |  |
|---|--|
| <input type="checkbox"/> Mpho Makwana       | <input type="checkbox"/> Joel Netshitenzhe |
| <input type="checkbox"/> Thenjiwe Chikane   | <input type="checkbox"/> Malcolm Wyman     |
| <input type="checkbox"/> Nomavuso Mnxaasana |  |

### Non-executive directors (seven)

- |  |   |
|--|---|
| <input type="checkbox"/> Tom Boardman              | <input type="checkbox"/> Julian Roberts |
| <input type="checkbox"/> Mustaq Enus-Brey          | <input type="checkbox"/> Gloria Serobe  |
| <input type="checkbox"/> Don Hope                  | <input type="checkbox"/> Ian Gladman*   |
| <input type="checkbox"/> Dr Reuel Khoza (Chairman) |   |

### Executive directors (three)

- |  |
|--|
| <input type="checkbox"/> Mike Brown (Chief Executive)              |
| <input type="checkbox"/> Graham Dempster (Chief Operating Officer) |
| <input type="checkbox"/> Raisibe Morathi (Chief Financial Officer) |

\* Ian Gladman joined the board on 7 June 2012.

There is no overlap between the roles of the Chairman and the Chief Executive. The Chairman, Reuel Khoza, leads the board, while the executive management of the group is the responsibility of the Chief Executive, Mike Brown. This ensures a balance of authority and power so that no 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 SECRETARIAT

All directors have access to the advice and services of the Company Secretary, the Chief Governance and Compliance Officer and the Chief Risk Officer, who are responsible, among others, for ensuring that board procedures and applicable rules and regulations are fully observed.

The Company Secretary is responsible for the production and collation of all the board packs, ensuring a good information flow between the board and executive management, and oversight of sound governance at all times.

The board also 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 induction courses, which are presented by the Company Secretary and other experts, and covers board effectiveness, corporate governance, risk management, integrated sustainability and banking and technical information.

## BOARD CHARTER

The board has a formal charter that is reviewed by the directors annually. It currently sets out the main functions of the board as:

- Determining the overall objectives of the group.
- Reviewing and accepting management strategies to meet those objectives.
- Formulating company policies.
- Evaluating management performance on the basis of our results.
- Assuming overall responsibility for risk management.
- Evaluating the performance of the group's directors so that they may self-correct.

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



Board of  
Directors  
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## DEVELOPMENT OF DIRECTORS

A formal, ongoing director development programme focuses on keeping all members of the board and board committees 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 in their businesses. In accordance with board policy, as well as the South African Reserve Bank requirement that all directors should continue with formal and informal development, the directors have participated in various training initiatives internally and externally at the Gordon Institute of Business.

## SUCCESSION PLANNING

Succession planning is an important focus area at board, executive and senior management levels. 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.

## BOARD AND COMMITTEE MEETINGS

The Nedbank Group board met eight times in 2012. The record of attendance at all 2012 board and board committee meetings for Nedbank Group and Nedbank Ltd is included in the online version of the 2012 Nedbank Group Integrated Report. Boardmembers are excused from attending meetings in exceptional circumstances only and the approval of the Chairman is required.

## BOARD COMMITTEES

The board committee structure is designed to assist the board in the discharge of its duties and responsibilities. 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. The board monitors these responsibilities to ensure effective coverage of, and control over, the operations of the group. During 2012 the following board committees operated within Nedbank Group:

- The Group Audit Committee (GAC)
- The Group Risk and Capital Management Committee (GRCMC)
- The Group Remuneration Committee (GRC)
- The Group Credit Committee (GCC)
- The Group Directors' Affairs Committee (DAC)
- The Group Information Technology Committee (GITCO)
- The Group Finance and Oversight Committee (GFOC)
- The Group Transformation, Social and Ethics Committee (GTSEC)

### Other executive committees vital to the application of sound governance principles within Nedbank

#### Group are:

- The Executive Information Technology Committee
- The Group Asset and Liability and Executive Risk Committee
- The Mergers and Acquisitions Steering Committee
- The Executive Transformation and Human Resources Committee
- The Executive Taxation Committee
- The Nedbank Capital Investment Committee
- The Nedbank Corporate Property Investment Committee
- The Business Risk Management Forum
- The Nedbank Client and Brand Committee
- The Group Operational Risk Committee

Details of the mandates, functions and operations of all board and executive committees are included in the supplementary governance information available on [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za).

## Code of Banking Practice

We subscribe to the Code of Banking Practice of The Banking Association SA, which governs all relationships with authorities, clients, competitors, employees, shareholders, local communities and other primary stakeholders. Appropriate procedures and mechanisms are in place to ensure full adherence to the code and we work with the Banking Ombudsman's Office to ensure that client complaints are resolved appropriately and timeously.

## Internal Audit

Group Internal Audit (GIA) is a centralised, independent assurance function, constituted in terms of the Banks Act and the Regulations thereto, and whose purpose,

authority and responsibility are set out in the Act and Regulations and formally defined in a charter approved by the Group Audit Committee.

The Chief Internal Auditor reports functionally to the Nedbank Group Ltd GAC Chairman and administratively to the Chief Executive. GIA forms part of the ERMF as a third line of defence and engages with the first and second line of defence to facilitate the escalation of key control breakdowns.

GIA has dedicated teams that perform internal audits in the group's various business operations, subsidiaries and joint ventures. GIA is responsible for developing a 12-month rolling audit plan using a risk-based methodology, taking into consideration specific regulatory requirements pertaining to internal audit, and including any risks or control concerns identified by management and the board. This plan is approved by the GAC.

## ETHICS AS A WAY OF BEING AT NEDBANK

As a direct result of scandals, inappropriate business practices and corruption among many big banks, in 2012 many consumers switched to financial institutions they felt were more ethical.

While Nedbank Group did not suffer any material breakdowns in ethical behaviour during the year under review, ethical practices and behaviours are core to our sustainability and, against this global backdrop of ethical challenges, we believe that reporting on our ethical culture is both appropriate and timely.

## A culture of ethical behaviour

Ethical and trustworthy employees are key to our continued success, and the required level of ethical behaviour is achieved through ongoing employee awareness and education efforts, and a culture of zero tolerance for ethical misconduct. In 2012 these ethical awareness efforts were increased via an innovative four-series photodrama, called Power and Glory which was emailed to all staff and portrayed issues of misconduct and crime within the fictitious environment of Powerbank. Each episode of the series featured actual Nedbank Group staff in an effort to encourage viewership and ensure effective engagement with all employees. The campaign proved very successful, with 20 000 of the total 28 000 Nedbank Group staffmembers viewing the photodramas and participating in the ethics quizzes included after each episode.

The effectiveness of our efforts, such as the one outlined above, to entrench a culture of ethics across our organisation was reflected by the group's being ranked third out of seven banks in the South African Corporate Ethics Indicator (SACEI) in 2009. SACEI is



## Governance and Ethics Review (CONTINUED)

an ethics research project undertaken by the Ethics Institute of South Africa and it assesses companies' ethics risks and their ability to deal with them through its ethics management structures and processes. The institute repeated the research in 2012 and, while the results are yet to be released, the fact that Nedbank Group is the only organisation to have participated in this research project both times speaks volumes about our commitment to, and confidence in, our ethics culture.

The Code of Ethics and Code of Conduct were updated in 2012. We continually assess our conformance to these codes, both at an organisational level - via the Nedbank ethics indicator (NEI) - and at a staff level through our Nedbank Staff Survey. The NEI measures the influence of individuals on others in the organisational context and allows this positive or negative influence to be benchmarked against organisational standards. The 20 highest risk indicators from the 2011 NEI have been included in the plans and performance assessments of our various clusters. This means that, for the first time, the NEI will ensure that performance against ethical issues directly informs overall performance assessment and bonus allocation.

From 2011 to 2012 the number of grievances logged by employees increased by 26,4%. This increase is likely due to the fact that staffmembers are more aware, and have a better understanding, of the Code of Conduct, which means they now report incidents that previously went unquestioned. The most dominant incidences of misconduct involved staffmembers not following normal work procedures. It is possible that this is a direct consequence of higher targets and increased work pressure facing many employees as a result of the global economic backdrop against which they are now operating. We acknowledge, however, that management failings could also have contributed to the increase in grievances lodged and, if this is the case, it should be addressed through our Management Development Programme.

Grievances lodged and resolved through the formal grievance process increased by 26,4%. This is a pleasing statistic as it demonstrates the robustness of the process and confidence among staff that grievances would be adequately addressed.

### The business case for ethics

Key to our sustainability is the recognition that ethically run businesses have a far greater potential for continued success. While we are committed to applying this understanding to raise and maintain our ethics levels across all areas of our business, we are also passionate about sharing the vast experience we have gained in ethical management with other South African businesses in order to contribute to the sustainability of business in SA as a whole.

According to the Ethics Institute of South Africa, Nedbank Group has one of the most progressive ethics programmes in SA. It is because of this that a number of large listed companies and public institutions have sought advice and guidance from us on the implementation of ethics management issues. These companies include AVI Limited, the Department of Water Affairs, AFGRI, Discovery Health and Barloworld.

Nedbank also acts as a mentor on the Business Unity South Africa (BUSA) Mentoring Programme for Business Integrity. This programme promotes business integrity by developing and implementing anti-corruption training and creating awareness of anti-corruption issues throughout businesses across the nation. Nedbank also mentored and supported MBA students researching ethics-related topics.

Given the privileged role we are able to play in promoting and enabling ethics in the broader SA business context, it is fitting that we are a founding member of the Association of Ethics Officers in Africa and sit on its board, as well as the United Nations Global Compact (UNGC) Advisory Committee for South Africa. The UNGC includes businesses that align their operations and strategies with 10 principles in the areas of human rights, labour, the environment and anti-corruption.

### Encouraging ethics throughout our supply chain

Nedbank Group prefers to do business with suppliers and vendors who have ethics policies and philosophies aligned with our own. For this reason our Supplier Code of Conduct is incorporated into all contracts with vendors and suppliers. We also offer training on topics covered in the code of conduct, including values, ethics, outside interests and gift policies in an effort to raise the profile of ethics as a business enabler among the companies with which we transact.

To ensure the honesty and ethical conduct of our suppliers we use an anonymous tipoff line to receive any complaints from the public involving our vendors. If investigation of these complaints reveals them to be serious enough, the vendors concerned may run the risk of being removed from our preferred-supplier list. Vendors and suppliers are also subject to ethics assessments, with associated site visits, to ensure they are adhering to an appropriate Code of Ethics and conduct within their own businesses and supply chains.

### ETHICS AND CORPORATE ACCOUNTABILITY

In line with our Deep Green aspiration to be a 'great place to work', a key strategic focus area for our entire group is to develop a unique and innovative culture. We believe that ethical behaviour lies at the heart of such a culture and therefore have an Ethics and Corporate Accountability Framework in place. During 2012 the



Cultural Sustainability  
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framework was updated to reflect the mandate of our Ethics Office.

In 2011, in compliance with the Companies Act of 2008 and the recommendations of King III, we integrated the functions of the Social and Ethics Committee with those of the Transformation and Sustainability Committee. This restructured board committee, which is called the Group Transformation, Social and Ethics Committee (GTSEC), met four times in 2012.

The Ethics Panel, which deals with all tipoffs regarding unethical conduct, now reports to GTSEC on its continued efforts to ensure that independent, objective and fair courses of action are taken in all instances of unethical behaviour or actions.

### Board Ethics Statement

In line with King Code of Governance Principle 1.1, which states that the board should provide effective leadership on an ethical foundation, Nedbank Group boardmembers, and those of all subsidiary companies, are required to acknowledge and sign the Board Ethics Statement every year to demonstrate their continued commitment to our values and ethical conduct policies.

### Code of Ethics

The Nedbank Code of Ethics, which is made available to all stakeholders on the Nedbank Group website, was reviewed and updated during 2012. All employees (including contractors and temporary employees) are required to adhere to this code. In terms of the code, doing the right thing is at the heart of our approach to business. We maintain the highest ethical standards in carrying out our business activities and our core values inform our Code of Ethics to guide and direct all decisions and actions.

### Code of Conduct

The Nedbank Group Code of Conduct is an expansion and clarification of the Code of Ethics. It is an operational document that makes use of specific examples to help employees make ethical decisions. The Code of Conduct was reviewed and updated in 2012.

### Human Rights

At Nedbank Group we fully embrace and uphold the protection of human rights as enshrined in the SA Constitution and Bill of Rights. Using the UNGC's 10 principles, and the findings of the John Ruggie Report that was commissioned by the UNGC, we have developed our own Human Rights Statement, which provides guidelines for the management of human rights in all aspects of the business, provides proper guidance for business clusters and employees regarding their human rights responsibilities, contributes to international best practice links to our aspiration to become Africa's most admired bank, and demonstrates to key stakeholders that we manage our human rights impact, risks and opportunities effectively.

The statement was approved by the board and a framework for its implementation across the group is being finalised. Once this process has been completed, it will be made publicly available to allow all stakeholders the opportunity to provide input.

The planned Human Rights Compliance Assessment (HRCA) was postponed to post the approval and implementation of the

Human Rights Statement. A full due diligence review is planned for 2013.

A total of fifteen human rights-related incidents of misconduct were raised by management and resolved in 2012. In addition, 84 human rights-related grievances were raised by staff.

### STAFF ETHICS AWARENESS

Analysis of the findings of the annual Nedbank Staff Survey shows that employees are aware of the Code of Ethics and know that they must declare outside interests and gifts received or given. During 2012 questions measuring the qualitative aspects of ethical behaviour were added to the survey and the results were taken into consideration in the assessment of the group's overall performance in the ethics dimension. This is a robust approach to mitigating ethics risk in the group.

### Policy Acknowledgements and Declarations

We use our electronic Enterprise Governance and Compliance Management System in our ongoing ethics awareness creation efforts among staffmembers. The system is used to send out policies for staff to read and acknowledge, and includes a survey to measure the extent of employees' understanding of the policy principles. Declarations of outside interests and gifts are also captured on the system. The declarations and acknowledgements are monitored by governance and compliance officers.

### Ethics Training and Awareness

During 2012 a total of 907 employees attended 38 ethics awareness training sessions (1 930 hours), and 115 graduates attended the Professional Corporate Conduct course. In addition, all Nedbank middle management and senior management training programmes implemented by the Gordon Institute of Business Science include a specific module on business ethics.

The Nedbank Ethics Office is planning to increase the number of awareness creation sessions in which staff are educated on the consequences of their actions from 38 in 2012 to 70 in 2013. More than 13 000 staffmembers have attended these sessions over the past five years.

### PROMOTING ETHICAL BUSINESS PRACTICES

As part of our multiple-bottomline approach, we endeavour to add value to the larger SA business community by participating in various external business ethics initiatives. In 2012 these included:

- Regular assistance to the Ethics Institute of South Africa, including training and presentations at the Ethics Officer Accreditation course, involvement on the Ethics Officer Learning Forum, and the practical implementation of social and ethics committees.
- Involvement by the Ethics Officer in an initiative to develop a business framework for the implementation of human rights in business in SA.
- Participation by Nedbank Group in the Forum on Business and Human Rights, hosted by the Office of the United Nations High Commissioner for Human Rights in Geneva.

# LETTER FROM THE CHAIRMAN

I extend a warm invitation to you to attend the 46th annual general meeting of Nedbank Group Ltd to be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Friday, 3 May 2013, at 09:00.

Included in this document are the following:

- The notice of the annual general meeting setting out the resolutions to be proposed;
- Annexure 1 to the notice of the annual general meeting setting out explanatory notes regarding proxies and resolutions as well as important notes about the annual general meeting;
- A form of proxy.

The resolutions as set out in the notice will be put to shareholders to vote by way of a poll. This is to ensure an exact reflection of the views of the shareholders. An interactive electronic voting system will be used, which will reflect both proxy votes submitted prior to the meeting and the votes by shareholders present at the meeting.

I would like to remind shareholders of their right to raise questions, at the appropriate time, at the annual general meeting. As it is not always possible to answer every question raised at the annual general meeting, and to ensure that all matters of particular interest to shareholders are covered, shareholders may use the attached question form to raise any questions in advance. From these question forms the most popular topics will be assessed and I will endeavour to address these at the annual general meeting. This advance notice of relevant questions will, of course, not prevent any shareholder from raising questions, at the appropriate time, during the meeting.

The question form can be forwarded to the Company Secretary, Ground Floor, Block A, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, 2196 (PO Box 1144, Johannesburg, 2000), to be received no later than 09:00 on Thursday, 2 May 2013, or handed in at the time of registering attendance at the annual general meeting, should the first option not have been chosen.

Should you require an interpreter (sign language or a translator from English to any of the other official languages of SA) to be in attendance at the annual general meeting, please advise the Company Secretary's office of this requirement on +27 (0)11 294 9107, or send an email to JackieK@nedbank.co.za by no later than Friday, 26 April 2013.

Shareholders wishing to participate in the meeting through electronic facilities are also requested to contact the Company Secretary by 26 April 2013 for access to be arranged.

Yours faithfully



**Dr Reuel J Khoza**

Chairman

Sandown  
22 February 2013

## HEAD OFFICE

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PO Box 1144, Johannesburg, 2000, SA  
Tel: +27 (0)11 294 4444 Fax +27 (0)11 295 1111 [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za)

Nedbank Group Ltd Reg No 1966/010630/06

**Directors:** Dr RJ Khoza (Chairman) MWT Brown (Chief Executive) TA Boardman TCP Chikane GW Dempster (Chief Operating Officer)  
MA Enus-Brey ID Gladman\* DI Hope\*\* PM Makwana NP Mnxaasana RK Morathi (Chief Financial Officer) JK Netshitenzhe JVF Roberts\*  
GT Serobe MI Wyman\* (\*British) (\*\*New Zealand)

**Company Secretary:** TSB Jali

# QUESTION FORM FOR ANNUAL GENERAL MEETING

Name of shareholder

Address

Contact details

Telephone

Fax

Email

Questions

# NOTICE OF ANNUAL GENERAL MEETING

Nedbank Group Ltd  
(Incorporated in the Republic of SA)  
Reg No 1966/010630/06  
JSE share code: NED; NSX share code: NBK  
ISIN: ZAE000004875  
(‘Nedbank Group’ or ‘the company’)

Notice is hereby given to shareholders recorded in the securities register of Nedbank Group on Thursday, 28 March 2013, that the 46th annual general meeting of shareholders will be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Friday, 3 May 2013, at 09:00 to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), as read with the Listings Requirements of JSE Ltd ('JSE Listings Requirements'), which meeting is to be participated in and voted at by shareholders recorded in the company's securities register on the record date of Friday, 26 April 2013.

The quorum requirement for the ordinary and special resolutions set out below is sufficient persons being present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the resolutions, provided that at least three shareholders of the company are present at the annual general meeting. The percentage of voting rights required to pass the ordinary resolutions is more than 50% of the voting rights exercised, and the percentage of voting rights required to pass the special resolutions is at least 75% of the voting rights exercised thereon.

Kindly note that meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to attend or participate in the meeting. Forms of identification include valid identity documents, driving licences and passports.

When reading the resolutions below, please refer to the explanatory notes for the resolutions on pages 154 to 156.

## AGENDA

### 1 Presentation of annual financial statements and reports

The annual financial statements of the company, incorporating *inter alia* the Directors' Report, Auditors' Report and Report of the Audit Committee, for the financial year ended 31 December 2012, have been distributed as required and will be presented to the shareholders. The abridged audited annual financial statements, together with the reports, are contained in the integrated report.

### 2 Ordinary dividends

To note the interim dividend of 340 cents per ordinary share declared by the board of directors on 1 August 2012, and the final dividend of 412 cents per ordinary share declared by the board of directors on 25 February 2013.

## RESOLUTIONS

### 3 Ordinary resolution 1

#### Reelection of directors of the company

The following directors retire by rotation in terms of the company's memorandum of incorporation and, being eligible, make themselves available for reelection, each by way of a separate vote. Biographical details of the directors to be reelected are set out on pages 38 to 41 of the integrated report.

- 1.1 'Resolved that Ms RK Morathi be and is hereby reelected as a director of the company.'  
*Chief Financial Officer; Initial date of appointment: 1 September 2009; Educational qualifications: BCompt(Hons), CA (SA), HDip Tax, AMP (INSEAD); Board committees: Large-exposure Approval Committee, Group Credit Committee.*
  
- 1.2 'Resolved that Mr GW Dempster be and is hereby reelected as a director of the company.'  
*Chief Operating Officer; Date of appointment: 5 August 2009; Educational qualifications: BCom, CTA, CA (SA), AMP (Harvard Business School, USA); Board committees: Group Credit Committee.*

- 1.3 'Resolved that Mr JVF Roberts be and is hereby reelected as a director of the company.'  
*Non-executive director; Date of appointment: 1 December 2009; Educational qualifications: Fellow of Institute of Chartered Accountants, member of Association of Corporate Treasurers, Accountancy and Business Law (University of Stirling, Scotland); Board committees: Group Directors' Affairs Committee, Group Remuneration Committee.*
- 1.4 'Resolved that Mr MI Wyman be and is hereby reelected as a director of the company.'  
*Senior Independent Non-executive director; Date of appointment: 1 August 2009; Educational qualifications: CA (SA), AMP (Harvard Business School, USA); Board committees: Group Audit Committee (Chairman), Group Risk and Capital Management Committee, Group Directors' Affairs Committee, Group Remuneration Committee, Group Finance and Oversight Committee (Chairman).*

## 4 Ordinary resolution 2

### **Election of directors of the company**

During the year the board appointed Mr ID Gladman as a director of the company. Mr Gladman retires in terms of the company's memorandum of incorporation and, being eligible, makes himself available for election. His biographical details are set out on page 40 of the integrated report.

'Resolved that Mr ID Gladman be and is hereby elected as a director of the company.'

*Non-executive director; Date of appointment: 7 June 2012; Educational qualifications: Bachelor of Arts (Hons) in History, Christ's College, Cambridge; Board committees: Group Credit Committee, Group Risk and Capital Management Committee.*

## 5 Ordinary resolution 3

### **Reappointment of external auditors**

'Resolved, on recommendation of the Nedbank Group Audit Committee, that Deloitte & Touche (with the designated audit partner being Mr S Jordan) and KPMG Inc (with the designated audit partner being Ms H Berrange) be hereby reappointed as joint auditors to hold office from the conclusion of the 46th annual general meeting until the conclusion of the next annual general meeting of Nedbank Group.'

## 6 Ordinary resolution 4

### **External auditors' remuneration**

'Resolved that the Nedbank Group Audit Committee be and is hereby authorised to determine the remuneration of the company's auditors and the auditors' terms of engagement.'

## 7 Ordinary resolution 5

### **Control of authorised, but unissued, shares**

'Resolved that the board is hereby authorised, as it in its discretion thinks fit, to issue ordinary shares of R1,00 each in the share capital of the company, subject to the provisions of the Companies Act, 71 of 2008 (as amended), the Banks Act, 94 of 1990 (as amended), and the JSE Ltd 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 Nedbank Group share incentive schemes, as well as any alternative coupon settlement mechanism relating to issues, from time to time, of the Nedbank Ltd Tier 1 hybrid debt capital instruments, and to support the conversion of all additional Tier 1 and Tier 2 instruments into common equity upon the occurrence of a trigger event as specified in writing by the relevant authority, which means the SA Reserve Bank or the equivalent governmental authority.'

Such authority will endure until the forthcoming annual general meeting of the company (whereupon this authority will lapse, unless it is renewed at the aforementioned annual general meeting), provided that it will not extend beyond 15 months from the date of this meeting.'

# Notice of Annual General Meeting (CONTINUED)

## 8 Advisory endorsement of remuneration policy

'To endorse through a non-binding advisory vote, the company's remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of the board committees), as set out in the Remuneration Report contained in the annual financial statements.'

## 9 Special resolution 1

### Remuneration of non-executive directors

'Resolved that the non-executive directors' fees for their services as directors are hereby approved as follows:

Committee	Current annual fee (1/7/2012 to 30/6/2013) (R)	Proposed annual fee*** (1/7/2013 to 30/6/2014) (R)
<b>Chairman*</b>	4 000 000	4 200 000
Senior independent director premium (40%)	126 000	132 300
Nedbank Group boardmember	171 500	180 075
Nedbank Ltd boardmember	143 500	150 675
<b>Committees**</b>		
Group Audit	145 000	180 000
Group Risk and Capital Management	122 000	128 100
Group Credit	145 000	160 000
Group Remuneration	85 000	100 000
Group Transformation, Social and Ethics	75 000	78 750
Group Directors' Affairs	55 000	57 750
Group Information Technology	75 000	78 750
Group Finance and Oversight	23 500	24 675

\* The chairman will be paid a single fee, inclusive of committee chairmanship and membership fees.

\*\* The committee chairman will be paid double the member fees.

\*\*\* Subject to shareholders' approval at the May 2013 annual general meeting. On a like-for-like basis the proposed increase represents a 6,9% increase overall.'

## 10 Special resolution 2

### General authority to repurchase shares

#### Preamble

The board of directors of the company has considered the impact of a repurchase or purchase, as the case may be, of up to 10% of the company's shares, which falls within the amount permissible under a general authority in terms of the JSE Listings Requirements and, in respect of acquisitions by a subsidiary of the company, the Companies Act.

Should the opportunity arise and should the directors deem it to be advantageous to the company, or any of its subsidiaries, to repurchase or purchase, as the case may be, such shares, it is considered appropriate that the directors (and relevant subsidiaries) be authorised to repurchase or purchase, as the case may be, the company's shares.

'Resolved that the company and/or its subsidiaries are authorised by way of a general authority to repurchase or purchase, as the case may be, shares issued by the company, from any person, on such terms and conditions and in such numbers as the directors of the company or the subsidiary may from time to time determine, subject to the applicable requirements of the company's memorandum of incorporation, to the approval, to the extent required, of the Registrar of Banks, the provisions of the Companies Act, 2008 (as amended), the Banks Act, 94 of 1990 (as amended), and the JSE Ltd ('the JSE') Listings Requirements, and subject further to the restriction that the repurchase or purchase, as the case may be, by the company and/or any of its subsidiaries of shares in the company under this authority will not, in aggregate in any one financial year, exceed 10% of the shares in issue at the commencement of such financial year.'

It is recorded that the JSE Listings Requirements provide, inter alia, that the company or any subsidiary of the company may only make a general repurchase of the shares of the company subject to the following limitations:

- (a) the repurchase of securities must be effected through the 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 must be given by the company's and its subsidiaries' memorandum of incorporation;
- (c) this general authority will be valid only until the company's next annual general meeting, provided that it does 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 repurchased by the company in terms of this general authority the maximum premium at which such ordinary shares may be repurchased will 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 board will have acknowledged by resolution that the company will satisfy the solvency and liquidity test immediately after the repurchase and that since the test was done there have been no material changes to the financial position of the company and the group;
- (f) neither the company nor its subsidiaries will repurchase securities during a prohibited period, as defined in paragraph 3.67 of the JSE Listings Requirements, unless a repurchase programme is in place in terms of which the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation), full details of which programme have been disclosed in an announcement on the Securities Exchange News Service (SENS) prior to the commencement of the prohibited period;
- (g) 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 will be published on SENS and in the financial press; and
- (h) at any point in time the company will appoint only one agent to effect any repurchase(s) on its behalf.'

In terms of the proposed special resolution 2 the maximum number of Nedbank Group shares that may be repurchased during the term of this authority, subject to (b) above, is 50 750 949 shares (10% of 507 509 491 shares in issue at 1 January 2013).

This resolution is required to be passed on a show of hands by not less than 75% of the number of shareholders of the company who are entitled to vote on a show of hands and who are present at the meeting in person or by proxy or, where a poll has been demanded, by not less than 75% of the total votes to which the shareholders present in person or by proxy are entitled.

The directors of the company undertake that they will not effect a general repurchase of shares as contemplated above, unless the following conditions are met:

- 1) the company and the group are in a position to repay their debt in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting;
- 2) the company's and the group's assets will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements, which comply with the Companies Act;
- 3) the share capital and reserves of the company and the group are adequate for a period of 12 months following the date of the notice of the annual general meeting; and
- 4) the available working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting.

Disclosure in terms of section 11.26 of the JSE Ltd Listings Requirements

The JSE Listings Requirements require the following disclosures, which are disclosed in the Nedbank Group Ltd Integrated Report 2012, as set out below:

- Management and directors pages 46 to 49 and 38 to 61.
- Major shareholders of Nedbank Group available online.
- Directors' interests in securities page 129.
- Share capital of Nedbank Group page 87.

# Notice of Annual General Meeting (CONTINUED)

## **Material change**

Other than the facts and developments, reported on in the integrated report there have been no material changes in the affairs or financial position of Nedbank Group and its subsidiaries from 31 December 2012 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 38 to 41 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 2 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 and other than as set out in note 44 (contingent liabilities and undrawn facilities) on page 119 of the Annual Financial Statements online, the directors, whose names are given on pages 38 to 41 of the integrated 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.

## **11 Special resolution 3**

### **General authority to provide financial assistance to related and interrelated companies**

'Resolved that, subject to the provisions of the Companies Act, 71 of 2008 (as amended), (the 'Companies Act'), the shareholders of the company hereby approve, as a general approval, the company providing direct or indirect financial assistance ('financial assistance') as contemplated in sections 44 and 45 of the Companies Act, whether in the form of advances for expenses, assisting with administration of transactions, loans, loan facilities, extending credit, discharging debts, performing obligations, contractual undertakings, sureties, guarantees, guarantee facilities, mortgages, pledges, cessions, bonds, charges or otherwise, on such terms as may be authorised by the board of directors of the company having regard to the funding and commercial requirements of the Nedbank Group of companies (the 'Group') as contemplated in the Companies Act from time to time and in accordance with the following:

- 1 the financial assistance can be provided to any company that is currently, or in the future, 'related' to or 'interrelated' with the company (and any person 'related' to any of such companies) as contemplated by the Companies Act or any other person (a 'recipient') (which, for the avoidance of doubt, excludes financial assistance provided to any directors or prescribed officers of the company or of any such recipients);
- 2 the financial assistance may be provided for the purpose of, or in connection with, the subscription to any option, or any securities, issued or to be issued by the company or a company related to or interrelated with the company or for the purchase of any securities of the company or a company or corporation that is related to or interrelated with the company as contemplated in section 44 of the Companies Act or any other purpose regulated by section 45 of the Companies Act;
- 3 authorisation by the board of any financial assistance pursuant to this resolution must be provided within a period of two years following the date of the adoption of this special resolution;
- 4 any related corporate action must be duly authorised in compliance with the JSE Listings Requirements and the Companies Act, and the Banks Act where applicable;
- 5 this approval is subject to the board complying with sections 44 and 45 of the Companies Act; and
- 6 nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and 45 of the Companies Act or falls within any exemption provided in these sections.'

### **Voting by proxy**

A shareholder entitled to attend and vote at the annual general meeting may appoint a proxy or proxies to attend, speak and vote or abstain from voting in his/her/its/their stead. A proxy need not be a shareholder of the company. Completed proxy forms are requested to 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



**TSB Jali**

Company Secretary

Sandown

22 February 2013

<b>Registered office</b>	<b>Transfer secretaries in SA</b>	<b>Transfer secretaries in Namibia</b>
Nedbank Group Ltd Reg No 1966/010630/06 Nedbank Sandton 135 Rivonia Road Sandown, Sandton, 2196  PO Box 1144 Johannesburg, 2000 Tel: +27 (0)11 294 4444 Fax: +27 (0)11 295 1111	Computershare Investor Services (Pty) Ltd 70 Marshall Street Johannesburg, 2001  PO Box 61051 Marshalltown, 2107 Tel: +27 (0)11 370 5000 Fax: +27 (0)11 688 5238	Transfer Secretaries (Pty) Ltd Shop 8, Kaiserkrone Centre Post Street Mall Windhoek, Namibia  PO Box 2401 Windhoek, Namibia Tel: +264 (0)61 227 647 Fax: +264 (0)61 248 531

# ANNEXURE 1

## EXPLANATORY NOTES TO RESOLUTIONS FOR THE ANNUAL GENERAL MEETING

### 1 Presentation of annual financial statements and reports

In terms of the Companies Act, 71 of 2008, as amended ('the Companies Act'), the directors are required to present to shareholders at the annual general meeting the annual financial statements, incorporating the Directors' Report, Auditors' Report, and report of the Audit Committee, for the year ended 31 December 2012.

### 2 Payment of dividends

An interim dividend of 340 cents per share was declared by the board of directors on 1 August 2012 and paid on 10 September 2012. A final dividend of 412 cents per ordinary share was declared by the board of directors on 25 February 2013. Shareholders are asked to note 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 memorandum of incorporation not less than one-third of the directors are required to retire at each annual general meeting and may make themselves available for reelection. Any person appointed to fill a casual vacancy on the board, or as an addition thereto, since the last annual general meeting is 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 38 to 41 of the Nedbank Group Ltd Integrated Report 2012.

An assessment of each of the retiring directors was performed by the Nedbank Group Directors' Affairs Committee and reported to the Nedbank Group board, who recommends that shareholders approve the election and/or reelection of the retiring directors.

### 4 Reappointment of external auditors

This resolution proposes the reappointment of the company's existing joint auditors, Deloitte & Touche (the designated auditor being Mr S Jordan) and KPMG Inc (the designated auditor being Ms H Berrange), until the next annual general meeting. The appointments are recommended by the directors of the company following the review and recommendation thereof by the Group Audit Committee.

### 5 Remuneration of external 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 2012 amounted to R114m (2011: R110m). Particulars of the auditors' remuneration can be found in note 15 on page 71 of the Nedbank Group Annual Financial Statements 2012 online.

### 6 Placing of unissued ordinary shares under the control of the directors

The shareholders of the company are requested 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 the 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 Ltd Tier 1 hybrid debt capital instruments.

### 7 Remuneration policy

In accordance with the principles of King III an advisory vote is being put to shareholders for the endorsement of Nedbank Group's remuneration policy. As the votes on this resolution are non-binding, the results would not be binding on the board. However, the board will take cognisance of the outcome of the vote when considering its remuneration policy in future.

### 8 Non-executive directors' remuneration

In terms of article 17.7 of the company's memorandum of incorporation, remuneration shall be payable to the directors as determined by the company in general meeting. Full particulars of all fees and remuneration are contained on pages 127 to 128 of the Nedbank Group Integrated Report 2012. The Nedbank Group Ltd board has recommended the non-executive directors' fees as set out in special resolution of the notice of the annual general meeting. The board deliberated on the requirement of King III that non-executive fees should comprise a base fee and an attendance fee per meeting. The board is of the view that this requirement is less pertinent to directors of Nedbank Group due to the practicalities and responsibilities of being a director of a bank, and the need for the board to provide inputs on an ongoing basis, even when they are not able to attend a board meeting in person.

## 9 Repurchase of shares

The company's memorandum of incorporation contains 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 shareholders in terms of the company's memorandum of incorporation, the Companies Act, the Banks Act, 94 of 1990, as amended, and the JSE Listings Requirements. In terms of sections 46 and 48 of the Companies Act, the company or its subsidiaries are allowed to repurchase or acquire the company's shares. The existing general authority, granted by shareholders at the last annual general meeting on 4 May 2012, is due to expire, unless renewed.

The reason for and effect of special resolution 2 is to authorise the company and/or its subsidiaries by way of a general authority to acquire its/their own issued shares on such terms and conditions and in such numbers 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.

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 up to a maximum of 50 750 949 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 believe that such purchases were in the best interests of the company and its shareholders.

## 10 General authority to provide financial assistance

Section 44 of the Companies Act essentially requires, subject to limited exceptions, approval by way of special resolution for the provision of financial assistance for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company. Section 45 of the Companies Act essentially requires, subject to limited exceptions, approval by way of special resolution for the provision of financial assistance, among others, to companies 'related' and 'inter-related' to the company. Both sections 44 and 45 provide, *inter alia*, that the regulated financial assistance may only be provided pursuant to a special resolution passed by shareholders within the previous two years.

The provision of any direct or indirect financial assistance by the company will always be subject to the board being satisfied that immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and that the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act.

The directors would like the authority to be able to provide financial assistance to companies 'related' and 'inter-related' to the Company and persons related to such companies, including for the acquisition of securities issued by the company and related companies, where they regard it as desirable. For example, such authorisation is generally required for providing loans and guarantees and other financial assistance to subsidiaries and group companies which is often necessary or desirable for the conduct of the Nedbank Group's business.

### Important notes about the annual general meeting

Venue:	The Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton.
Date:	Friday, 3 May 2013, at 09:00.
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 157 indicates the location of Nedbank Sandton.

## Annexure 1 (CONTINUED)

### Important notes about the annual general meeting

Proof of identity and admission:	Shareholders and others attending the annual general meeting are asked to register at the registration desk in the auditorium reception area. For purposes of section 63(1) of the Companies Act, 2008, as amended, any person attending or participating at the annual general meeting is required to present reasonably satisfactory identification to the satisfaction of the presiding chairman. Forms of identification include valid identity documents, driver's licences and passports.
Housekeeping:	Cellphones should be switched off for the duration of the proceedings.
Parking:	Secure parking is provided at Nedbank Sandton, Entrance 4, off Fredman Drive.
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 their question forms with or faxed them to the Company Secretary are requested to register their names and addresses and hand in their question forms at the registration desk. A question form is enclosed on page 147 for this purpose. Staff will be on hand to provide any advice and assistance required.
Electronic voting:	Nedbank Group shall once again 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 of votes cast on each resolution will be displayed on an overhead screen within minutes of voting.
Interpreter:	Should you require an interpreter (for sign language or translation from English into any of the other official languages of SA) 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 9107 or at JackieK@nedbank.co.za no later than Friday, 26 April 2013, for this facility to be arranged.
	Shareholders wishing to participate in the meeting through electronic facilities are also requested to contact the Company Secretary's office no later than Friday, 26 April 2013 in order for reasonable access 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 verify 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 form of proxy should ensure that their form of proxy reaches the address indicated in note 10 on page 155 no later than 09:00 on Thursday, 2 May 2013.

### Enquiries

Any shareholders experiencing difficulties or having questions pertaining to the annual general meeting or the above are invited to contact the Company Secretary's office on +27 (0)11 294 9107.

### Results of the annual general meeting

The results of the annual general meeting will be posted on SENS as soon as is practicable after the annual general meeting.

# FORM OF PROXY

MAKE  
THINGS  
HAPPEN



NEDBANK

**NEDBANK GROUP LTD**

(Incorporated in the Republic of SA)

Reg No 1966/010630/06

JSE share code: NED; NSX share code: NBK

ISIN: ZAE000004875

('Nedbank Group' or 'the company')

For use by registered holders of certificated Nedbank Group securities and holders of dematerialised Nedbank Group securities registered in their own name ('shareholders') and any persons who are not shareholders but who as at the record date of 26 April 2013 are entitled to exercise any voting rights (irrespective of the form, title or nature of the securities to which those voting rights are attached) (collectively 'holders') in relation to the resolutions to be proposed at the annual general meeting to be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandton, on Friday, 3 May 2013, at 09:00 and at any adjournment thereof.

Holders of dematerialised securities who wish to attend the annual general meeting must inform their nominee, participant (previously referred to as central securities depository participant) or broker (as the case may be) of their intention and the nominee, participant or broker will furnish such holder with the necessary authority to attend and vote at the annual general meeting. Alternately, should a holder not wish to attend the annual general meeting in person, such holder may provide his/her nominee, participant or broker (as the case may be) with his/her voting instruction and such nominee, participant or broker will complete all necessary documentation and action same in order for the holders' vote(s) to be taken account of at the annual general meeting.

I/We

of (address)

being the holder(s) of [redacted] ordinary shares in the company, appoint (see notes 1 and 4):

- 1 or failing him/her  
2 or failing him/her

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 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 5):

Resolutions	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
1.1 Reelection as a director of RK Morathi, who is retiring by rotation			
1.2 Reelection as a director of GW Dempster, who is retiring by rotation			
1.3 Reelection as a director of JVF Roberts, who is retiring by rotation			
1.4 Reelection as a director of MI Wyman, who is retiring by rotation			
2 Election of ID Gladman, who was appointed as a director during the year			
3 Reappointment of the external auditors			
4 Determination of the remuneration of the external auditors			
5 Placing of unissued ordinary shares under the control of the directors			
6 Advisory endorsement on a non-binding basis of company's remuneration policy			
7 Approval of the non-executive directors' fees			
8 General authority to repurchase shares			
9 General authority to provide financial assistance to related and interrelated companies			

A proxy/ies may not delegate his/her authority in terms of this proxy to another person. This proxy form will lapse and cease to be of force and effect immediately after the annual general meeting of the company to be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandton, on Friday, 3 May 2013, at 09:00 or at any adjournment thereof, unless it is revoked earlier.

Signed at (place) \_\_\_\_\_ on (date) \_\_\_\_\_ 2013

Signature

Assisted by me

(where applicable)

Please read the notes on the reverse side hereof.

# NOTES TO FORM OF PROXY

## SUMMARY OF RIGHTS OF A HOLDER TO BE REPRESENTED BY PROXY AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT AND NOTES TO FORM OF PROXY

- 1 Each holder entitled to attend and vote at the annual general meeting is entitled to appoint one or more individuals as proxy/ies (who need not be person/s entitled to vote at the annual general meeting) to attend, participate in, speak and vote or abstain from voting in place of that holder at the annual general meeting.
- 2 The proxy may delegate the authority received from the holder to a further person, subject to any restriction set out in this form of proxy.
- 3 A proxy appointment must be in writing, dated and signed by the holder appointing the proxy.
- 4 A holder may insert the name of a proxy or the names of two alternative proxies of the holder's choice in the space provided, with or without deleting 'the chairman of the annual general meeting'. The person whose name stands first on this 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. Further, a holder may appoint more than one proxy to exercise voting rights attached to different securities held by that holder.
- 5 A holder's instructions to the proxy have to be indicated by the insertion of the relevant number of votes exercisable by that holder 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, without direction as he/she deems fit, in respect of all the holder's votes exercisable thereat.
- 6 A holder or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such holder 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 holder or his/her proxy is entitled.
- 7 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. Examples of satisfactory identification include a valid identity document, a valid driver's licence or a valid passport.
- 8 Any alterations or corrections to this form of proxy shall be initialled by the signatory/signatories.
- 9 The completion and lodging of this form of proxy shall not preclude the relevant holder from attending the annual general meeting and speaking and voting in person thereto to the exclusion of any proxy appointed in terms hereof, should such holder wish to do so, in which case this proxy shall be suspended accordingly.
- 10 Forms of proxy have to be lodged with or posted to the Company Secretary's office (for the attention of Ms Jackie Katzin, Block A, Ground Floor, 135 Rivonia Road, Sandown, Sandton, 2196 or PO Box 1144, Johannesburg, 2000) or the company's transfer secretaries in SA, namely Computershare Investor Services (Pty) Ltd ('Computershare'), 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), or in Namibia, namely Transfer Secretaries (Pty) Ltd, Shop 8, Kaiserkrone Centre, Post Street Mall, Windhoek, Namibia (PO Box 2401, Windhoek, Namibia) before a proxy may exercise any voting rights of a holder at the annual general meeting. The forms of proxy are requested to be received no later than 09:00 on Thursday, 2 May 2013. Forms of proxy can also be submitted by fax to Computershare (fax number +27 (0)11 688 5228), subject to the proxy instructions meeting all other criteria. Any form of proxy not received by the company or the company's transfer secretaries in accordance with the above, must be handed to the Company Secretary at the annual general meeting before a proxy may exercise any voting rights of a holder at the annual general meeting.
- 11 This form of proxy may be completed by:
  - a. those holders who are holding Nedbank Group shares in a certificated form; or
  - b. those holders who are recorded in the subregister as holding Nedbank Group shares in dematerialised electronic form in their own name; or
  - c. persons who are not shareholders but who are entitled to exercise any voting rights (irrespective of the form, title or nature of the securities to which those voting rights are attached) as at the record date at this annual general meeting.
- 12 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 shareholders and their participant or broker.
- 13 Holders attending the annual general meeting will be afforded the opportunity of putting questions to the directors and management. A perforated question form has been included for this purpose.
- 14 If this form of proxy has been delivered to the company in accordance with paragraph 10, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's memorandum of incorporation to be delivered by the company to a holder, must be delivered by the company to the holder or alternatively, if a holder has directed the company to do so in writing and has paid any reasonable fees charged by the company for doing so, to such holder's proxy/ies.
- 15 Save if a holder provides in this proxy form that a proxy appointment is irrevocable, a holder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy/ies and to the Company Secretary's office at 135 Rivonia Road, Sandown, Sandton, 2196, for attention Jackie Katzin, to be received before the replacement proxy exercises any rights of the holder at the annual general meeting of the company or any adjournment(s) thereof.
- 16 The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's/proxies' authority to act on behalf of the holder as of the later of: (i) the date stated in the revocation instrument, if any; or (ii) the date on which the revocation instrument was delivered as required in paragraphs 15 above.

# CONTACT DETAILS

## NEDBANK GROUP LTD

Incorporated in the Republic of SA  
Reg No 1966/010630/06

## BUSINESS ADDRESS AND REGISTERED OFFICE

Nedbank Sandton  
135 Rivonia Road  
Sandton, Sandton, 2196, SA

## POSTAL ADDRESS

PO Box 1144  
Johannesburg, 2000, SA  
Tel: +27 (0)11 294 4444  
Fax: +27 (0)11 294 6540  
Website: [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za)

## NEDBANK GROUP INTEGRATED REPORT 2012

Should you wish to engage on the content of this report or if you require an additional copy of the Nedbank Group Ltd Integrated Report 2012, please email your address details to Nedbank Group Investor Relations at [nedbankgroupir@nedbank.co.za](mailto:nedbankgroupir@nedbank.co.za) or send a fax to +27 (0)11 294 6549.

## INVESTOR RELATIONS

For investor-related information please contact Alfred Visagie: Head of Investor Relations on Tel: +27 (0)11 295 6249 or email [nedbankgroupir@nedbank.co.za](mailto:nedbankgroupir@nedbank.co.za)

## COMPANY SECRETARY

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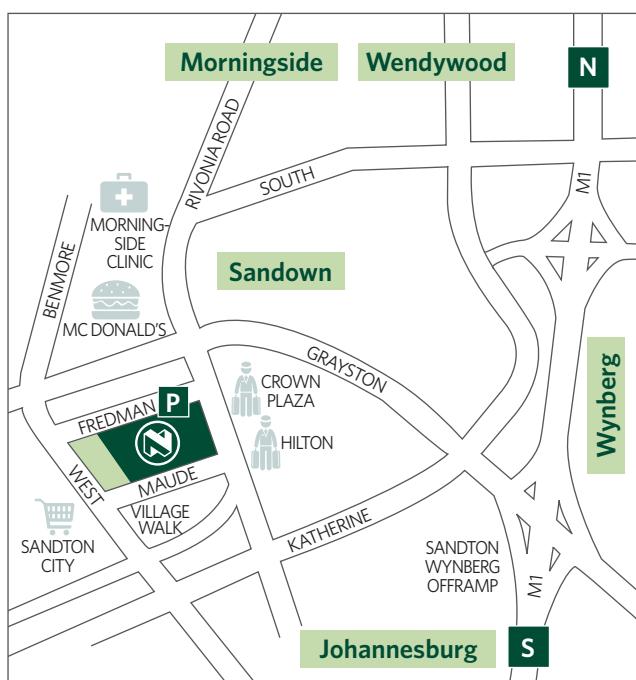
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