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NEDBANK

NEDBANK LIMITED

ANNUAL REPORT

for the year ended 31 December 2012

A Member of the OLDMUTUAL Group

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ABOUT NEDBANK APP SUITE™

Nedbank is proud to bring you the Nedbank App Suite™ which provides you with a unique, device-adaptable and customisable banking experience.

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Samsung Apps

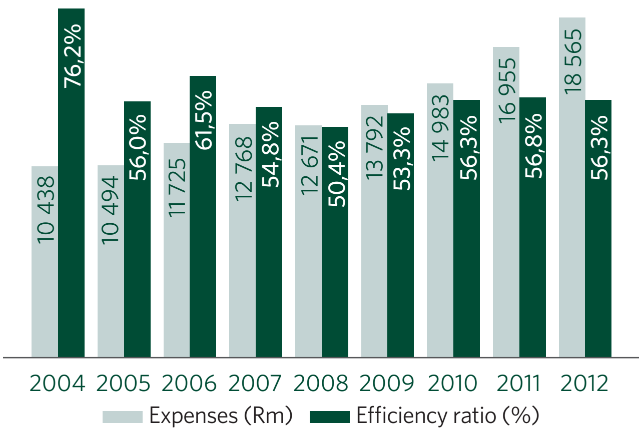
CONTENTS

FINANCIAL HIGHLIGHTS

		2012	2011
Headline earnings reconciliation			
Profit attributable to equity holders of the parent	Rm	6 438	5 483
Non-headline earnings items	Rm	(50)	(48)
Non-headline earnings items	Rm	(49)	(48)
Taxation on non-headline earnings items	Rm	(1)	
Headline earnings	Rm	6 488	5 531
Key ratios			
Net interest income to average interest-earning banking assets	%	3,37	3,21
Credit loss ratio – banking advances	%	1,10	1,17
Non-interest revenue to total income	%	42,9	42,1
Efficiency ratio	%	56,3	56,8
Total equity attributable to equity holders of the parent	Rm	43 912	39 305
Return on ordinary shareholders' equity	%	11,8	10,9
Average interest-earning banking assets	Rm	558 425	539 678
Total assets	Rm	645 371	613 540
Return on total assets	%	1,00	0,87
Total risk-weighted assets	Rm	313 638	292 619
Bank capital adequacy ratios (including unappropriated profits):*			
– Common equity Tier 1	%	11,2	10,7
– Tier 1	%	12,9	12,5
– Total	%	15,3	15,8
Share statistics			
Number of shares in issue:			
– Ordinary shares	m	27,2	27,2
– Preference shares	m	358,3	358,3
Weighted average number of ordinary shares	m	27,2	27,2
Headline earnings per ordinary share	cents	23 817	20 305
Dividends per preference share:			
– Declared per share	cents	73,12156	67,50000
Interim	cents	37,29507	33,47260
Final	cents	35,82649	34,02740
– Paid per share	cents	71,32247	69,67808
– Preference share traded price			
Closing	cents	1 089	1 095
High	cents	1 090	1 105
Low	cents	1 070	1 000
– Number of preference shares traded	m	19,9	53,9

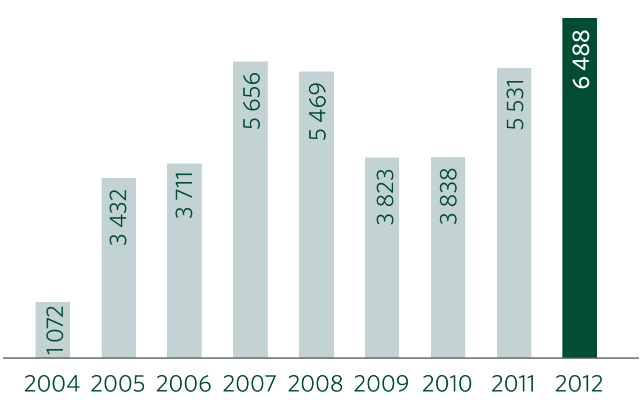
* *2012 ratios are disclosed based on Basel II.5 (2011: Basel II).*

Expense and efficiency ratio



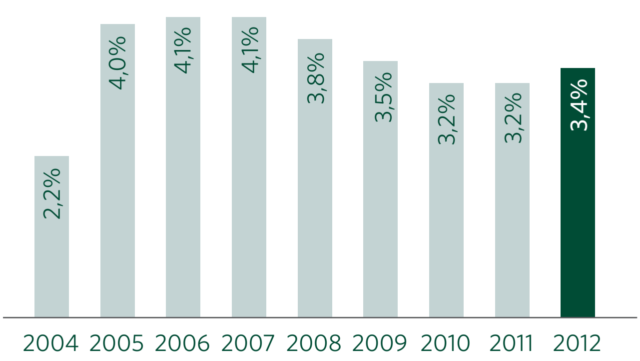
Headline earnings

Rm

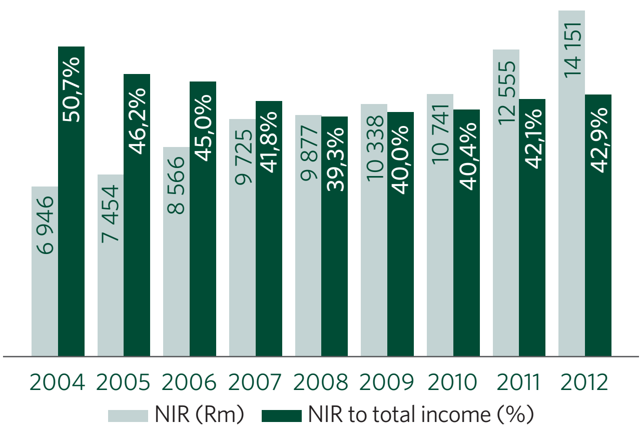


Net interest income to average interest-earning banking assets

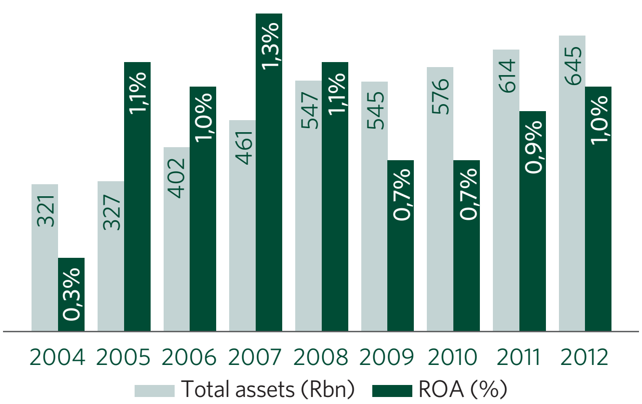
%



Non-interest revenue to total income

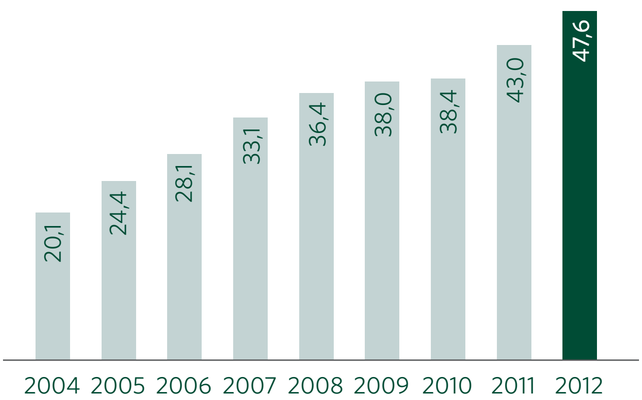


Total assets and return on total assets



Total equity

Rbn



NINE-YEAR REVIEW

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

Rm	2012	2011	2010	2009	2008	2007	2006	2005	2004
Interest and similar income	42 900	41 417	43 421	49 332	55 154	40 185	27 089	22 574	22 252
Interest expense and similar charges	24 102	24 119	27 556	33 795	39 874	26 631	16 600	13 878	15 498
Net interest income	18 798	17 298	15 865	15 537	15 280	13 554	10 489	8 696	6 754
Impairments charge on loans and advances	5 239	5 321	6 360	6 659	4 755	2 115	1 465	987	1 358
Income from lending activities	13 559	11 977	9 505	8 878	10 525	11 439	9 024	7 709	5 396
Non-interest revenue	14 151	12 555	10 741	10 338	9 877	9 725	8 566	7 454	6 946
Operating income	27 710	24 532	20 246	19 216	20 402	21 164	17 590	15 163	12 342
Total operating expenses	18 565	16 955	14 983	13 792	12 671	12 768	11 725	10 494	10 438
Operating expenses	18 503	16 876	14 838	13 674	12 484	12 633	11 581	10 195	9 813
Merger and recovery programme expenses								121	625
Black economic empowerment transaction expenses	62	79	145	118	187	135	144	178	
Indirect taxation	460	413	387	402	356	298	334	213	459
Profit from operations before non-headline earnings items	8 685	7 164	4 876	5 022	7 375	8 098	5 531	4 456	1 445
Non-headline earnings items	(49)	(48)	(103)	(32)	745	25	183	833	(47)
Profit from operations	8 636	7 116	4 773	4 990	8 120	8 123	5 714	5 289	1 398
Share of (losses)/profits of associates and joint ventures				(1)	9	54	68	67	121
Profit before direct taxation	8 636	7 116	4 773	4 989	8 129	8 177	5 782	5 356	1 519
Direct taxation	2 169	1 610	983	960	1 791	2 185	1 669	935	377
Profit for the year	6 467	5 506	3 790	4 029	6 338	5 992	4 113	4 421	1 142
Profit attributable to:									
– Ordinary and preference equity holders	6 438	5 483	3 737	3 790	6 106	5 681	3 870	4 228	1 025
– Non-controlling interest – ordinary shareholders	29	23	53	224	217	298	243	193	117
– preference shareholders				15	15	13			
	6 467	5 506	3 790	4 029	6 338	5 992	4 113	4 421	1 142
Headline earnings	6 488	5 531	3 838	3 823	5 469	5 656	3 711	3 432	1 072

NINE-YEAR REVIEW

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

Rm	2012	2011	2010	2009	2008	2007	2006	2005	2004
Assets									
Cash and cash equivalents	12 587	11 514	7 469	6 823	7 638	9 545	11 165	10 586	4 163
Other short-term securities	37 575	31 715	21 955	14 408	10 411	11 775	13 855	9 496	13 426
Derivative financial instruments	14 660	14 314	14 077	12 871	23 114	9 924	10 314	12 534	23 886
Government and other securities	26 194	29 991	31 667	35 754	41 834	29 271	22 031	22 505	26 035
Loans and advances	520 116	493 107	471 447	446 428	436 420	375 421	321 724	250 410	232 118
Other assets	4 528	3 989	3 613	3 917	4 731	4 920	5 120	5 088	5 512
Current taxation receivable	241	629	440	580	314	29	138	119	182
Investment securities	3 196	3 549	2 999	3 012	2 743	2 739	2 385	2 419	2 614
Non-current assets held for sale	508	8	5	12	10		41	66	48
Investments in associate companies and joint ventures	665	565	933	922	913	735	690	397	437
Deferred taxation assets	222	66	48	36	71	65	48	626	1 220
Investment property	84	488	82	102	104	75	66	87	119
Property and equipment	6 171	6 082	5 394	4 754	4 124	3 757	3 323	3 039	2 767
Long-term employee benefit assets	2 153	2 027	1 965	1 783	1 667	1 305	1 357	1 225	1 184
Mandatory reserve deposits with central banks	12 641	11 862	11 068	10 437	10 061	8 351	7 026	5 732	5 419
Intangible assets	3 830	3 634	3 328	3 151	2 977	2 715	2 605	2 651	1 924
Total assets	645 371	613 540	576 490	544 990	547 132	460 627	401 888	326 980	321 054
Equity and liabilities									
Ordinary share capital	27	27	27	27	27	27	27	27	27
Ordinary share premium	17 422	14 422	14 422	14 422	14 422	14 422	14 422	14 422	13 945
Reserves	26 463	24 856	20 281	18 174	16 927	13 954	9 583	6 263	2 578
Total equity attributable to equity holders of the parent	43 912	39 305	34 730	32 623	31 376	28 403	24 032	20 712	16 550
Preference share capital and premium	3 561	3 561	3 560	3 483	3 122	3 122	2 770	2 770	2 770
Non-controlling interest attributable to:									
– ordinary shareholders	142	121	110	1 796	1 644	1 307	955	872	558
– preference shareholders				91	300	300	300		245
Total equity	47 615	42 987	38 400	37 993	36 442	33 132	28 057	24 354	20 123
Derivative financial instruments	13 475	13 791	11 930	10 799	23 077	10 336	11 549	15 463	25 979
Amounts owed to depositors	542 671	516 540	491 038	467 924	464 082	391 526	341 708	272 492	260 310
Provisions and other liabilities	9 273	8 286	6 179	5 218	6 145	10 419	9 098	5 224	5 158
Current taxation liabilities	67	27	76	162	117	275	338	333	119
Other liabilities held for sale	36								
Deferred taxation liabilities	355	997	1 358	1 514	1 982	1 470	1 410	774	954
Long-term employee benefit liabilities	1 584	1 473	1 408	1 298	1 227	1 145	1 210	1 067	1 103
Long-term debt instruments	30 295	29 439	26 101	20 082	14 060	12 324	8 518	7 273	7 308
Total liabilities	597 756	570 553	538 090	506 997	510 690	427 495	373 831	302 626	300 931
Total equity and liabilities	645 371	613 540	576 490	544 990	547 132	460 627	401 888	326 980	321 054

SHAREHOLDERS' ANALYSIS – PREFERENCE SHARES

at 31 December 2012

Register date:	31 December 2012
Authorised share capital:	1 000 000 000 shares
Issued share capital:	358 277 491 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	276	3,99	143 982	0,04
1 001 – 10 000 shares	2 662	38,49	17 211 263	4,80
10 001 – 100 000 shares	3 457	49,99	115 646 176	32,28
100 001 – 1 000 000 shares	481	6,95	112 848 399	31,50
1 000 001 shares and over	40	0,58	112 427 671	31,38
Total	6 916	100,00	358 277 491	100,00

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks	3	0,04	100 013	0,03
Close corporations	67	0,97	3 435 695	0,96
Endowment funds	50	0,72	4 511 053	1,26
Individuals	4 493	64,97	121 867 477	34,01
Insurance companies	28	0,40	42 875 374	11,97
Investment companies	7	0,10	22 442 906	6,26
Medical aid schemes	8	0,12	750 639	0,21
Mutual funds	44	0,64	31 204 585	8,71
Nominees and trusts	1 934	27,96	86 301 984	24,09
Other corporations	47	0,68	1 540 007	0,43
Private companies	194	2,81	31 329 461	8,74
Public companies	5	0,07	2 312 600	0,65
Retirement funds	36	0,52	9 605 697	2,68
Total	6 916	100,00	358 277 491	100,00

Public/non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	7	0,10	20 858 699	5,82
Directors and associates of the company	1	0,01	85 000	0,02
Old Mutual Life Assurance Company (South Africa) Ltd and associates	2	0,03	3 867 080	1,08
Nedbank Group Ltd and associates	4	0,06	16 906 619	4,72
Public shareholders	6 909	99,90	337 418 792	94,18
Total	6 916	100,00	358 277 491	100,00

There are no beneficial shareholders holding 5% or more.

	Number of shares	Dec 2012 % holding	Dec 2011 % holding
Major managers			
Sanlam Investment Management (SA)	25 889 801	7,23	7,08
Investec Securities (Pty) Ltd (SA)	24 041 303	6,71	7,10
Coronation Fund Managers (SA)	18 811 873	5,25	5,08
STANLIB Asset Management (SA)	17 938 026	5,01	2,41
Prescient Investment Management (SA)	16 794 078	4,69	4,44
BoE Private Clients Investment Management (SA)	12 853 029	3,59	4,79
RMB Private Bank (SA)	10 981 922	3,07	2,86
PSG Konsult (SA)	8 636 642	2,41	2,24
Outsurance Insurance Company Ltd (SA)	7 586 720	2,12	2,12
Nedgroup Securities (Pty) Ltd	6 903 740	1,93	1,93
Sasfin Frankel Pollak Securities (SA)	5 697 362	1,59	1,82

DIRECTORS' RESPONSIBILITY

The directors are responsible for the preparation and fair presentation of the group annual financial statements of Nedbank Ltd, comprising the statement of financial position at 31 December 2012; the statement of comprehensive income, the statement of changes in equity and statement 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, the requirements of the Companies Act, 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 ability to continue as a going concern and there is no reason to believe that the group will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the group 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 of Nedbank Ltd, as identified in the first paragraph, were approved by the Nedbank board of directors on 22 February 2013 and are signed on its behalf by:

Dr RJ Khoza
Chairman

MWT Brown
Chief Executive

Sandown
22 February 2013

COMPANY SECRETARY'S CERTIFICATION

In terms of section 88(2)(e) of the Companies Act, 2008 (as amended), I certify that, to the best of my knowledge and belief, Nedbank Ltd has lodged with the Commissioner all such returns and notices as are required by the Companies Act, 2008 (as amended), and that all such returns and notices are true, correct and up to date.

TSB Jali
Company Secretary

Sandown
22 February 2013

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEDBANK LTD

We have audited the consolidated financial statements of Nedbank Ltd, which comprise the statement of financial position at 31 December 2012, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 52 to 170.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nedbank Ltd as at 31 December 2012, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated financial statements , we have read the Directors' Report, the Audit Committee Report, Remuneration Report, Risk and Balance Sheet Management Review and the Company Secretary's Certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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.

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.

Sandown
22 February 2013

AUDIT COMMITTEE REPORT

The legal responsibilities of the Nedbank Group Audit Committee (the committee) are set out in the Companies Act, 71 of 2008 , and the Banks Act, 94 of 1990 (as amended). These responsibilities, and compliance with appropriate governance and international best practice, are incorporated in the committee's charter, which is reviewed annually and approved by the board.

COMPOSITION OF THE COMMITTEE

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

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

- MI Wyman (Chairman)
- TCP Chikane
- NP Mnxasana
- Prof B de L Figaji (retired 4 May 2012)
- WE Lucas-Bull (resigned 5 November 2012)

Biographical details of the current members of the committee are set out on pages 240 to 243. Members' fees are included in the table of directors' remuneration on pages 48 and 49.

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

INTERNAL AUDIT

Internal audit is an independent assurance function, forming part of the third-line of defence as set out in the Enterprise wide Risk Management Framework (ERMF) on pages 172 to 239. The Chief Internal Auditor has a functional reporting line to the committee chairperson and an operational reporting line to the Chief Executive Officer. Further details on the internal audit function are available in the supplementary governance and ethics information online.

EXTERNAL AUDIT

The group's external auditors are Deloitte & Touche and KPMG Inc. Fees paid to the auditors are disclosed in note 15 to the annual financial statements on page 106. Further details are available in the supplementary governance and ethics information online.

KEY FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

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

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

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

EFFECTIVENESS OF INTERNAL CONTROL

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

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

The functions of the three lines of defence, as well as the principal responsibilities that extend across the group, are set out in the Risk and Balance Sheet Management Review on pages 172 and 239. Specific responsibilities of the committee include the following:

Internal control

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

Financial control, accounting and reporting

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

INTERNAL AUDIT

- Ensuring direct reporting by the Chief Internal Auditor to the chairman of the committee.
- Reviewing and approving the Annual Internal Audit plan.
- Monitoring the effectiveness of the internal audit function in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation.
- Monitoring and challenging, where appropriate, action taken by management with regard to adverse internal audit findings.
- Forming a view on the adequacy and effectiveness of the control environment.
- Monitoring the banks compliance with the Basel II and proposed Basel III Accord.

External audit

- Recommending to the board the selection of the external auditors and approving their audit fees.
- Approving the external auditor's annual plan and related scope of work.
- Monitoring the effectiveness of the external auditors in terms of their skills, independence, execution of audit plan, reporting and overall performance.
- Approving non-audit services to be rendered by the external auditors and monitoring potential conflicts of interest.
- Considering whether the extent of reliance placed on internal audit by the external auditors is appropriate and whether there are any significant gaps between the internal and external audits.
- Obtaining assurance from the external auditors that their independence has not been impaired.

Regulatory reporting

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

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

- The internal controls of the group have been effective in all material aspects throughout the year under review;
- These controls have ensured that the group's assets have been safeguarded;
- Proper accounting records have been maintained;
- Resources have been utilised efficiently; and
- The skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and it recommends their reappointment in 2012.

COMPANIES ACT REQUIREMENTS

In terms of the Companies Act, 71 of 2008 the committee is responsible, as set out above, for all subsidiary companies without their own Audit Committees, which responsibilities include:

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

APPROPRIATENESS OF THE EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

In terms of the JSE Listings Requirements the Audit Committee had, at its meeting held on 17 January 2013, satisfied itself as to the appropriateness of the expertise and experience of the Chief Financial Officer.

INTEGRATED REPORT

The committee has overseen the Integrated Reporting process, reviewed the report and has recommended the approval thereof to the board. The board has subsequently approved the Integrated Report.

ANNUAL FINANCIAL STATEMENTS

The committee has:

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

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

MI Wyman
Group Audit Committee Chairman
22 February 2013

DIRECTORS' REPORT

ANNUAL FINANCIAL STATEMENTS

Full details of the financial results are set out on pages 52 to 170 of these annual financial statements, which have been prepared under the supervision of the Nedbank Chief Financial Officer, Mrs RK Morathi, and audited in compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), the Financial Reporting Guides as issued by the Accounting Practices Committee, and the requirements of the Companies Act of 2008, as amended and the JSE Listings Requirements.

NATURE OF BUSINESS

Nedbank Ltd ('Nedbank' or 'the company') is a registered bank that, through its subsidiaries, provides a wide range of banking and financial services. Nedbank maintains a primary listing of its non-redeemable non-cumulative non-participating preference shares under 'Preference Shares' on JSE Ltd ('the JSE').

YEAR UNDER REVIEW

The year under review is fully covered in the Chairman's Statement, Chief Executive's Report, operational reviews, Chief Operational Officer's Report and the Financial Report, which are set out in the 2012 Nedbank Group Ltd Integrated Report.

SHARE CAPITAL

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

OWNERSHIP

The holding company of Nedbank is Nedbank Group Ltd ('Nedbank Group') whose holding company is Old Mutual Life Assurance Company (South Africa) Ltd and associates. Nedbank Group Ltd holds 100% of the issued ordinary shares of the company. The ultimate holding company is Old Mutual plc, incorporated in England and Wales. Further details of shareholders appear on page 6.

DIVIDENDS

Details of the dividends appear on pages 108 to 110 in note 20 to the annual financial statements.

DIRECTORS

Biographical details of the current directors appear on pages 240 to 243. Details of directors' and prescribed officers' remuneration and Nedbank Group Ltd ordinary shares and Nedbank non-redeemable non-cumulative non-participating preference shares issued to directors and prescribed officers appear on page 50.

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

- Mr A de VC Knott-Craig resigned as non-executive director (24 February 2012)
- Prof B de L Figaji retired as non-executive director (4 May 2012)
- Mr ID Gladman was appointed as non-executive director (7 June 2012)
- Ms WE Lucas-Bull resigned as non-executive director (5 November 2012)

The directors who, in terms of the memorandum of incorporation, are required to seek reelection at the annual general meeting are Mrs RK Morathi, and Messrs GW Dempster, JVF Roberts and MI Wyman. Being eligible, they make themselves available for reelection.

Mr ID Gladman was appointed by the board of directors during 2012. In terms of the memorandum of incorporation his appointment terminates at the close of the annual general meeting. He is available for election and a separate resolution to seek his election as a director will be submitted for approval at the annual general meeting to be held on 2 May 2013.

In terms of Nedbank Group Ltd policy, as applied by Nedbank, non-executive directors of Nedbank who have served on the board for a period longer than nine years are required to retire from the board. None of the current non-executive directors of Nedbank have served on the board in that capacity for more than nine years.

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

Name	Position as director	Date appointed as director	Date resigned/ retired as director (where applicable)
TA Boardman	Non-executive director	1 November 2002 (1 March 2010 as non-executive)	
MWT Brown	Chief Executive	17 June 2004	
TCP Chikane	Non-executive director	1 November 2006	
GW Dempster	Chief Operating Officer and executive director	5 August 2009	
MA Enus-Brey	Non-executive director	16 August 2005	
B de L Figaji	Non-executive director	25 November 2002	4 May 2012
ID Gladman (British)	Non-executive director	7 June 2012	
DI Hope (New Zealand)	Non-executive director	1 December 2009	
RJ Khoza	Chairman and non-executive director	16 August 2005	
A de VC Knott-Craig	Non-executive director	1 January 2009	24 February 2012
WE Lucas-Bull	Non-executive director	1 August 2009	5 November 2012
PM Makwana	Non-executive director	17 November 2011	
NP Mnxasana	Non-executive director	1 October 2008	
RK Morathi	Chief Financial Officer and executive director	1 September 2009	
JK Netshitenzhe	Non-executive director	5 August 2010	
JVF Roberts (British)	Non-executive director	1 December 2009	
GT Serobe	Non-executive director	16 August 2005	
MI Wyman (British)	Non-executive director	1 August 2009	

DIRECTORS' INTERESTS

Nedbank Group Ltd holds the issued ordinary shares.

The directors' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative non-participating preference shares in Nedbank at 31 December 2012 are set out in the Remuneration Report on pages 16 to 51. Banking transactions with directors are entered into in the normal course of business under terms that are no more favourable than arranged with third parties.

AUDIT COMMITTEE AND GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE

The Audit Committee Report appears on pages 9 to 11 and the Group Transformation, Social and Ethics Committee Report appears in the supplementary Sustainable Development Performance information available online.

COMPANY SECRETARY AND REGISTERED OFFICE

Mr TSB Jali was appointed as Company Secretary on 1 July 2012 following the retirement of the previous Company Secretary, Mr GS Nienaber.

Utilising the services of an independent research company, during 2013 the board of directors conducted a formal evaluation of the Company Secretary. The board was satisfied that Mr Jali was suitably competent, qualified and experienced and has adequately and effectively performed the role and duties of a company secretary, that he was not a director of the company, he had direct and ongoing communication with the chairman of the board, and that as far as was reasonably possible an armslength relationship between the Company Secretary and the board was intact. Details of Mr Jali's qualifications and experience appear in the 2012 Nedbank Group Integrated Report.

The Company Secretary's registered office is as follows:

Business address
Nedbank Ltd
Nedbank Sandton
135 Rivonia Road
Sandown, 2196
South Africa

Registered address
135 Rivonia Road
Sandown, Sandton
2196

Postal address
Nedbank Ltd
PO Box 1144
Johannesburg, 2000
South Africa

PROPERTY AND EQUIPMENT

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

CONTRACTS

Details of contracts material to the affairs of Nedbank are discussed in the operational reviews included in the 2012 Nedbank Group Ltd Integrated Report.

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

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

In 2005 the Wiphold Consortium and the Brimstone Consortium were chosen as active black business partners to assist in growing and repositioning the Nedbank Group business and driving its internal transformation. Aka Capital (Pty) Ltd ('Aka Capital') fulfilled the role of business development partner. Consequently, performance agreements were entered into between Nedbank Group and the aforementioned parties, which govern, inter alia, the setting of the performance criteria, their evaluation and the resultant performance fees in respect of the black business partners. Dr RJ Khoza is a director and 27% shareholder of Aka Capital. Mrs GT Serobe is founder, executive director and 10% shareholder of Women Investment Portfolio Holdings Ltd ('WIPHOLD') and Chief Executive of Wipcapital Pty Ltd, a wholly owned subsidiary of WIPHOLD. Mr MA Enus-Brey is Chief Executive and 8,53% shareholder of Brimstone Investment Corporation Ltd and a director of various Brimstone subsidiary companies.

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

DIRECTORS' AND PRESCRIBED OFFICERS' SERVICE CONTRACTS

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

The key responsibilities relating to Dr RJ Khoza's position as chairman of Nedbank are encapsulated in a contract.

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

Details relating to the service contracts of prescribed officers are incorporated in the Remuneration Report on pages 16 to 51.

INSURANCE

The group has placed cover in the London insurance market of up to R2bn for losses in excess of R50m. Group captive insurers provide cover for losses below the R50m level engagement point, retaining R100m in total any one year. Selected insurance covers are placed with the Old Mutual Group.

SUBSIDIARY COMPANIES

Details of principal subsidiary companies are reflected on page 168 of the annual financial statements.

Special resolutions by subsidiaries

- 8 March 2012 by Depfin Investments (Pty) Ltd for the creation of 1 000 000 000 unclassified no par value shares
- 9 March 2012 by Depfin Investments (Pty) Ltd for the classification of 250 Class A preference shares.
- 13 March 2012 by Depfin Investments (Pty) Ltd for the classification of 500 Class B preference shares.
- 15 March 2012 by Boness Development Phase 3 (Pty) Ltd for the disposal of the greater part of its assets.
- 15 March 2012 by Toontjiesrivier Landgoed (Pty) Ltd for the disposal of the greater part of its assets.
- 23 April 2012 by Depfin Investments (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 3 May 2012 by Nedport Developments (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 3 May 2012 by BoE Developments (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 3 May 2012 by Proclare (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 4 May 2012 by Linton Projects (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 9 May 2012 by Syfrets Participation Bond Managers Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 10 May 2012 by Onrus Manor (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 10 May 2012 by Toontjiesrivier Landgoed (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).

- 10 May 2012 by Villager Investments No 1 (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 10 May 2012 by Equibond (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 10 May 2012 by CapeGate Crescent Properties (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 10 May 2012 by Boness Development Phase 3 (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 15 May 2012 by Eighty One Main Street (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 15 May 2012 by Nedcor Bank Nominees Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 16 May 2012 by Chamber Lane Properties 11 (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 6 June 2012 by Charter House Developments (Pty) Ltd for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 21 June 2012 by Depfin Investments (Pty) Ltd regarding the change of the rights of the class 'B' no par value shares.
- 27 June 2012 by Depfin Investments (Pty) Ltd for the classification of 400 Class C preference shares.
- 28 June 2012 by Depfin Investments (Pty) Ltd for the classification of 400 Class D preference shares.
- 5 October 2012 by Greenhouse Funding (RF) Ltd for the adoption of a new Memorandum of Incorporation.
- 8 November 2012 by Investage 95 (Pty) Ltd for the disposal of a greater part of its assets.

ACQUISITION OF SHARES

Nedbank neither acquired any of its issued shares nor did it acquire any shares issued by a subsidiary company, and no subsidiary company acquired any ordinary shares issued by Nedbank.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any other material events that have occurred between the reporting date and 22 February 2013.

REMUNERATION REPORT
AT 31 DECEMBER

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.

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 annual report. A summary of some of the key relevant financial and non-financial metrics that influence our remuneration outcomes is provided below:

	2012	2011	yoy 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#

 # 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: ☐ 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. ☐ 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.
Reevaluating our approach to variable remuneration within the context of prudent risk-taking and evolving best practice.	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. 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.
Managing the demand for remuneration adjustments while maintaining job security within a tough economic outlook.	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. 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. The issue of sustainable pay increases in the context of increasingly challenging economic circumstances remains a material consideration into 2013.

Matters for consideration in 2012	Actions taken in 2012
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.
- 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 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 45 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: ☐ the amount of remuneration for the financial year? ☐ the amount and form of variable compensation? ☐ the amount of deferred compensation? ☐ any new signon and severance payments made during the financial year? ☐ the amount of severance payments awarded during the financial year?	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 Mnxasana], 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 annual 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 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.

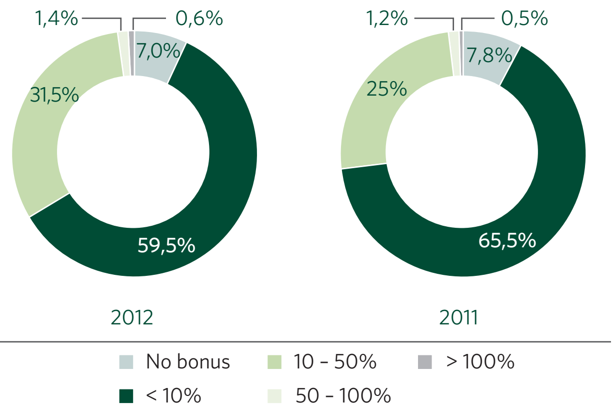
The detailed process for setting the STI pools is outlined on page 43 of the Remuneration Report.

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 2010/2011 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.

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 prestipulated 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

LTIs 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.

*** Table below audited.**

Name of scheme	Participants and parameters	2012 allocations
Nedbank (2005) Employee Share Scheme, comprising:		
The Option Scheme	No awards have been made in terms of this section of the scheme since 2007 and there are no unvested awards in this scheme.	
Restricted Share Scheme: Annual allocations	Group Remco issued restricted shares to eligible participants on the following basis: ☐ 50% performance shares: restricted shares with CPTs ☐ 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.
Restricted Share Scheme: On-appointment allocations	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: ☐ 50% performance shares: restricted shares with CPTs ☐ 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.

Name of scheme	Participants and parameters	2012 allocations
Matched Share Scheme	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: ☐ 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 ☐ 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.
Phantom Cash-settled Restricted Share Plan	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.
Nedbank Africa subsidiary schemes	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.

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[1] + Fini 15	Proportional vesting 03/2013
	03/03/2010		None	Fully vesting 03/2013
	05/08/2010		ROE[1] + Fini 15	Proportional vesting 08/2013
	06/08/2010		None	Fully vesting 08/2013*
	07/03/2011		ROE[1] + Fini 15	Too soon to assess
	08/03/2011		None	Fully vesting 03/2014*
	04/08/2011		ROE[1] + Fini 15	Too soon to assess
	05/08/2011		None	Fully vesting 08/2014*
	07/03/2012		ROE[1] + Fini 15	Too soon to assess
	08/03/2012		None	Fully vesting 03/2016*
	06/08/2012		ROE[1] + Fini 15	Too soon to assess
	07/08/2012		None	Fully vesting 08/2012*
Nedbank (2005) Employee Share Scheme: – Compulsory Bonus Share Scheme	01/04/2010	1/3 @6 months 1/3 @18 months 1/3 @30 months	ROE[1] of Nedbank Group Ltd of greater than or equal to the cost of equity (COE[2]) (to be determined annually) + 2% over three financial years	0.5 for 1 match
	01/04/2011	1/3 @6 months 1/3 @18 months 1/3 @30 months		Too soon to assess
	01/04/2012	1/3 @6 months 1/3 @18 months 1/3 @30 months		Too soon to assess
– Voluntary Bonus Share	01/04/2009		ROE[1] of Nedbank Group Ltd of greater than or equal to the COE[2] (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

[1] Return on equity (excluding goodwill).

[2] 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 pages 44 and 45 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.

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.

The following adjustments to guaranteed package were approved by Group Remco for implementation on 1 April 2013.

	Guaranteed package*			Yoy 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.*

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

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 broad objectives for each of these dimensions were as follows:

Financial	Delivering sustainable financial outperformance.
Clients	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.
Internal processes	Enhancing productivity and execution; managing risk as an enabler; growing regulatory and government relationships; and growing stakeholder relations.
Transformation	Accelerating transformation in support of achieving our transformation targets, objectives and behaviours.
Organisational learning	Building an innovative and differentiated culture and becoming an employer of choice by creating a great place to work.

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
Executive directors						
MWT Brown	150	250	163	19	182	121
GW Dempster	150	250	163	22	185	123
RK Morathi	150	250	163	13	176	118
Prescribed officers						
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 Nkuhlu	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.

RECONCILIATION BETWEEN REMUNERATION PAID AND REMUNERATION AWARDED IN 2012

	Paid in 2012	Payable in 2013	Payable 2014 – 2016
Remuneration awarded See table on page 35	☐ Fixed remuneration (salary and benefits) payable monthly. ☐ 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.
Payouts from deferral arrangements and long-term awards made in prior years See table from page 36 to 41	**RSP arrangements** ☐ 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. ☐ Payment in August in respect of the special August 2009 RSP allocation.	**RSP arrangements** ☐ 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. ☐ Payment in August in respect of any on-appointment RSP allocations made in August 2010.	**RSP arrangements** ☐ Gains from the vesting (subject to conditions) of RSP awards made in 2011, 2012 and 2013.
	Bonus deferral ☐ 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.	**Bonus deferral** ☐ First tranche (where the employee chose not to retain the amount in the scheme) of the 2013 CBSS release from forfeiture. ☐ Second tranche (where the employee chose not to retain the amount in the scheme) of CBSS 2012 release from forfeiture.	**Bonus deferral** Initial or subsequent tranches of the CBSS awards made from 2011 to 2016.
	Voluntary matching arrangements ☐ Matched share on the Voluntary Bonus Share Scheme (VBSS) investment made in 2009.	**Voluntary matching arrangements** ☐ 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.	**Voluntary matching arrangements** ☐ 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 45 of this Remuneration Report.

TOTAL REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED)*

	MWT Brown			GW Dempster			RK Morathi		
Executive directors (R000)	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[6]	106	114		121	108		282	220	
Defined contribution retirement fund	765	727		627	590		409	377	
Guaranteed remuneration[7]	6 247	5 937[4]	5,2%	4 168	3 919[4]	6,4%	3 338	3 075[4]	8,6%
Cash performance incentive	6 250	5 350		4 400	4 000		3 500	2 900	
Performance incentive delivered in shares[1]	5 250	4 350		3 400	3 000		2 500	1 900	
Total STI	11 500	9 700	18,6%	7 800	7 000	11,4%	6 000	4 800	25,0%
Total remuneration[2]	17 747	15 637	13,5%	11 968	10 919	9,6%	9 338	7 875	18,6%
Value of share-based awards made in respect of a future performance period[8]	11 000	10 500	4,8%	7 000	9 000	(22,2%)	6 000	4 500	33,3%
Total direct remuneration[3]	28 747	26 137	10,0%	18 968	19 919	(4,8%)	15 338	12 375	23,9%
Other payments[5]				21					

	IG Johnson			B Kennedy			D Macready			MC Nkuhlu		
Prescribed officers (R000)	2012	2011	% change	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		2 789	2 601	
Other benefits[6]	58	52		512	322		148	136		90	130	
Defined contribution retirement fund	587	525		248	235		444	406		402	381	
Guaranteed remuneration[7]	3 900	3 487[4]	11,8%	3 550	3 362[4]	5,6%	2 950	2 700[4]	9,3%	3 281	3 112[4]	5,4%
Cash performance incentive	4 250	4 000		5 900	2 875		3 250	2 875		3 500	3 000	
Performance incentive delivered in shares[1]	3 250	3 000		4 900	1 875		2 250	1 875		2 500	2 000	
Total STI	7 500	7 000	7,1%	10 800	4 750	127,4%	5 500	4 750	15,8%	6 000	5 000	20,0%
Total remuneration[2]	11 400	10 487	8,7%	14 350	8 112	76,9%	8 450	7 450	13,4%	9 281	8 112	14,4%
Value of share-based awards made in respect of a future performance period[8]	8 000	8 000	0,0%	6 000	6 000	0,0%	6 000	5 000	20,0%	7 500	5 000	50,0%
Total direct remuneration[3]	19 400	18 487	4,9%	20 350	14 112	44,2%	14 450	12 450	16,1%	16 781	13 112	28,0%
Other payments[5]							1					

[1] This represents 50% of the STI award in excess of R1m. Actual deferrals are on a post tax basis.
[2] Total remuneration is the sum of Guaranteed Remuneration and Total STI.
[3] Total Direct Remuneration is the sum of Total Remuneration and the value of RSP awards.
[4] 2011 Guaranteed Remuneration restated due to double counting of medical aid contributions in the previous year.
[5] 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 table on pages 36 to 41 of this report.
[6] Other benefits include contributions to medical aid, postretirement medical funding (where applicable), disability insurance, car allowance/company car structured into package.
[7] Guaranteed remuneration is the value of all guaranteed remuneration paid for the years ending 31 December 2012 and 31 December 2011 respectively.
[8] 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.

** Table Audited.*

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

	Opening balance at 1 January 2012				Awards made during 2012			
Executive directors	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
MWT Brown								
Nedbank Restricted Shares	52 812	03/03/2009	75,74	04/03/2012				
	66 015[2]	04/03/2009	75,74	05/03/2012				
	73 766[2]	11/08/2009	108,45	12/08/2012				
	43 360	02/03/2010	121,08	03/03/2013				
	43 360[2]	03/03/2010	121,08	04/03/2013				
	23 357	07/03/2011	128,44	08/03/2014				
	23 357[2]	08/03/2011	128,44	09/03/2014				
					32 431	07/03/2012	161,88	08/03/2015
					32 431[2]	08/03/2012	161,88	09/03/2015
Compulsory Bonus Share Scheme[1]	4 895	31/03/2010	137,88	01/04/2013				
	10 584	31/03/2011	141,72	01/04/2014				
					15 192	31/03/2012	171,79	01/04/2015
Voluntary Bonus Share Scheme[4]	Own Shares	31/03/2009	85,28	01/04/2012				
	Own Shares	31/03/2010	137,88	01/04/2013				
	Own Shares	31/03/2011	141,72	01/04/2014				
					Own Shares	31/03/2012	171,79	01/04/2015
Total value of releases/lapses								
GW Dempster								
Nedbank Restricted Shares	52 812	03/03/2009	75,74	04/03/2012				
	52 812[2]	04/03/2009	75,74	05/03/2012				
	27 662[2]	11/08/2009	108,45	12/08/2012				
	20 647	02/03/2010	121,08	03/03/2013				
	20 647[2]	03/03/2010	121,08	04/03/2013				
	15 571	07/03/2011	128,44	08/03/2014				
	15 571[2]	08/03/2011	128,44	09/03/2014				
					27 798	07/03/2012	161,88	08/03/2015
					27 798[2]	08/03/2012	161,88	09/03/2015
Compulsory Bonus Share Scheme[1]	4 351	31/03/2010	137,88	01/04/2013				
	5 292	31/03/2011	141,72	01/04/2014				
					10 477	31/03/2012	171,79	01/04/2015
Voluntary Bonus Share Scheme[4]	Own Shares	31/03/2010	137,88	01/04/2013				
	Own Shares	31/03/2011	141,72	01/04/2014				
					Own Shares	31/03/2012	171,79	01/04/2015
Total value of releases/lapses								
RK Morathi								
Nedbank Restricted Shares	35 736	02/03/2010	121,08	03/03/2013				
	35 736[2]	03/03/2010	121,08	04/03/2013				
	15 571	07/03/2011	128,44	08/03/2014				
	15 571[2]	08/03/2011	128,44	09/03/2014				
					13 899	07/03/2012	161,88	08/03/2015
					13 899[2]	08/03/2012	161,88	09/03/2015
Compulsory Bonus Share Scheme[1]	3 175	31/03/2011	141,72	01/04/2014				
					6 636	31/03/2012	171,79	01/04/2015
Voluntary Bonus Share Scheme[4]	Own Shares	31/03/2010	137,88	01/04/2013				
	Own Shares	31/03/2011	141,72	01/04/2014				
					Own Shares	31/03/2012	171,79	01/04/2015
Eyethu Restricted Shares	6 600	03/03/2010	121,08	04/03/2014				
	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				
Total value of releases/lapses								

** Audited.*

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[5]	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)			
66 015[2]	04/03/2009	161,73	05/03/2012	R10 676 606				
73 766[2]	11/08/2009	185,07	12/08/2012	R13 651 674				
						43 360	31/12/2012	03/03/2013
						43 360[2]	31/12/2012	04/03/2013
						23 357	31/12/2013	08/03/2014
						23 357[2]	31/12/2013	09/03/2014
						32 431	31/12/2014	08/03/2015
						32 431[2]	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[3]	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)			
52 812[2]	04/03/2009	161,73	05/03/2012	R8 541 285				
27 662[2]	11/08/2009	185,07	12/08/2012	R5 119 332				
						20 647	31/12/2012	03/03/2013
						20 647[2]	31/12/2012	04/03/2013
						15 571	31/12/2013	08/03/2014
						15 571[2]	31/12/2013	09/03/2014
						27 798	31/12/2014	08/03/2015
						27 798[2]	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[2]	31/12/2012	04/03/2013
						15 571	31/12/2013	08/03/2014
						15 571[2]	31/12/2013	09/03/2014
						13 899	31/12/2014	08/03/2015
						13 899[2]	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[6]
						19 800		04/03/2017[6]
						20 400		04/03/2017[6]

Reports and certifications

SHARE-BASED PAYMENTS TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED)* (CONTINUED)

	Opening balance at 1 January 2012				Awards made during 2012			
Prescribed officers	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
IG Johnson								
Nedbank Restricted Shares	68 115	03/03/2009	75,74	04/03/2012				
	25 357[2]	11/08/2009	108,45	12/08/2012				
	24 777	02/03/2010	121,08	03/03/2013				
	24 777[2]	03/03/2010	121,08	04/03/2013				
	19 464	07/03/2011	128,44	08/03/2014				
	19 464[2]	08/03/2011	128,44	09/03/2014				
					24 709	07/03/2012	161,88	08/03/2015
					24 709[2]	08/03/2012	161,88	09/03/2015
Compulsory Bonus Share Scheme[1]	3 807	31/03/2010	137,88	01/04/2013				
	5 292	31/03/2011	141,72	01/04/2014				
					10 477	31/03/2012	171,79	01/04/2015
Voluntary Bonus Share Scheme[4]	Own Shares	31/03/2011	141,72	01/04/2014				
Total value of releases/lapses								
B Kennedy								
Nedbank Restricted Shares	52 812	03/03/2009	75,74	04/03/2012				
	52 812[2]	04/03/2009	75,74	05/03/2012				
	24 777	02/03/2010	121,08	03/03/2013				
	24 777[2]	03/03/2010	121,08	04/03/2013				
	15 571	07/03/2011	128,44	08/03/2014				
	15 571[2]	08/03/2011	128,44	09/03/2014				
					18 532	07/03/2012	161,88	08/03/2015
					18 532[2]	08/03/2012	161,88	09/03/2015
Compulsory Bonus Share Scheme[1]	4 786	31/03/2010	137,88	01/04/2013				
	4 022	31/03/2011	141,72	01/04/2014				
					6 548	31/03/2012	171,79	01/04/2015
Voluntary Bonus Share Scheme[1]	Own Shares	31/03/2009	85,28	01/04/2012				
	Own Shares	31/03/2011	141,72	01/04/2014				
					Own Shares	31/03/2012	171,79	01/04/2015
Total value of releases/lapses								
D Macready								
Nedbank Restricted Shares	19 805	03/03/2009	75,74	04/03/2012				
	20 747[2]	11/08/2009	108,45	12/08/2012				
	16 518	02/03/2010	121,08	03/03/2013				
	16 518[2]	03/03/2010	121,08	04/03/2013				
	15 571	07/03/2011	128,44	08/03/2014				
	15 571[2]	08/03/2011	128,44	09/03/2014				
					15 443	07/03/2012	161,88	08/03/2015
					15 443[2]	08/03/2012	161,88	09/03/2015
Compulsory Bonus Share Scheme[1]	1 218	31/03/2010	137,88	01/04/2013				
	3 704	31/03/2011	141,72	01/04/2014				
					6 548	31/03/2012	171,79	01/04/2015
Voluntary Bonus Share Scheme[4]	Own Shares	31/03/2009	85,28	01/04/2012				
Total value of releases/lapses								

** Audited.*

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[5]	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[2]	11/08/2009	185,07	12/08/2012	R4 692 752				
						24 777	31/12/2012	03/03/2013
						24 777[2]	31/12/2012	04/03/2013
						19 464	31/12/2013	08/03/2014
						19 464[2]	31/12/2013	09/03/2014
						24 709	31/12/2014	08/03/2015
						24 709[2]	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[2]	04/03/2009	161,73	05/03/2012	R8 541 285				
						24 777	31/12/2012	03/03/2013
						24 777[2]	31/12/2012	04/03/2013
						15 571	31/12/2013	08/03/2014
						15 571[2]	31/12/2013	09/03/2014
						18 532	31/12/2014	08/03/2015
						18 532[2]	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[3]	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[2]	11/08/2009	185,07	12/08/2012	R3 839 591				
						16 518	31/12/2012	03/03/2013
						16 518[2]	31/12/2012	04/03/2013
						15 571	31/12/2013	08/03/2014
						15 571[2]	31/12/2013	09/03/2014
						15 443	31/12/2014	08/03/2015
						15 443[2]	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[3]	01/04/2012	167,80	01/04/2012	R98 331				
				R3 937 922	(R3 203 063)			

SHARE-BASED PAYMENTS TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED)* (CONTINUED)

	Opening balance at 1 January 2012				Awards made during 2012			
Prescribed officers	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
MC Nkuhlu								
Nedbank Restricted Shares	53 142	03/03/2009	75,74	04/03/2012				
	23 974[2]	11/08/2009	108,45	12/08/2012				
	24 777	02/03/2010	121,08	03/03/2013				
	24 777[2]	03/03/2010	121,08	04/03/2013				
	19 464	07/03/2011	128,44	08/03/2014				
	19 464[2]	08/03/2011	128,44	09/03/2014				
					15 443	07/03/2012	161,88	08/03/2015
					15 443[2]	08/03/2012	161,88	09/03/2015
Compulsory Bonus Share Scheme[1]	3 807	31/03/2010	137,88	01/04/2013				
					6 985	31/03/2012	171,79	01/04/2015
Eyethu Restricted Shares	3 960	03/03/2009	75,74	04/03/2013				
	3 960	03/03/2009	75,74	04/03/2014				
	4 080	03/03/2009	75,74	04/03/2015				
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								

[1] 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.

[2] Restricted share awards with time-based vesting only.

[3] Match occurred at 0,5 shares for each share in the Voluntary Bonus Share Scheme as at the vesting date.

[4] 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.

[5] Value determined based on number of shares lapsing multiplied by market share price on scheduled vesting date.

[6] Eyethu Restricted Options have a lifespan of seven years from the date of issue.

** Audited.*

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[5]	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[2]	11/08/2009	185,07	12/08/2012	R4 436 803				
						24 777	31/12/2012	03/03/2013
						24 777[2]	31/12/2012	04/03/2013
						19 464	31/12/2013	08/03/2014
						19 464[2]	31/12/2013	09/03/2014
						15 443	31/12/2014	08/03/2014
						15 443[2]	31/12/2014	09/03/2015
2 538	31/03/2010	163,49	07/03/2012	R414 938		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[6]
						11 880		04/03/2016[6]
						12 240		04/03/2016[6]
				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 172 to 239 of this annual 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.

1 Total group pool

The overall group pool is approved by Remco relative to benchmarks.

The allocation of the Remco-approved group pool to each cluster for on-target performance is done by the CE, with input from Group Exco.

2 Headline earnings and EP performance

50% of the year-end cluster pools is determined based on year-end EP performance relative to target.

50% of the year-end cluster pools is determined based on year-end headline earnings performance relative to target.

There is a 10% limit set for the bottomup cluster pools relative to the overall group pool.

3 Balanced scorecard

The financially determined pools (topdown and bottomup) are adjusted by a maximum of ±15% based on the non-financial elements of relevant Group Exco members' scorecards.

Risk metrics are included in the relevant scorecards and aligned with the group three-year plan and risk frameworks.

4 Bonus pool adjustments

The CE makes discretionary adjustments to quantitatively determined cluster pools based on judgement and non-quantifiable metrics.

Remco makes discretionary adjustments to the group pool to effect any required corrections based on non-quantifiable metrics, including risk assessment.

5 Individual bonus proposals

Individual bonus proposals are discretionary and no fixed formulaic approach is used by the bank.

All cluster executive bonus proposals are analysed by Group Exco and the necessary adjustments made to ensure appropriate consistency across the bank.

All Group Exco bonus proposals are individually motivated and recommended by Remco to the board.

The CE bonus requires Nedbank board approval and approval by the Old Mutual plc Remco.

All senior functional bonuses (including risk and finance) are reviewed and ratified by the relevant Group Exco member.

All proposed bonuses in excess of 200% of GP require motivation and Group Remco approval.

Quantitative approach steps (steps 1–3)

Qualitative approach steps (steps 4–5)

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.*

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 30 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 30 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 26 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.

Total value of remuneration for the 2012 financial year (Rm)	Senior managers Unrestricted	Senior managers Deferred	Material risk-takers Unrestricted	Material risk-takers 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
Total 2012 remuneration and deferred remuneration	185,9	173,3	110,3	48,4

Other disclosures pertinent to senior managers and material risk-takers (Rm)	Senior managers	Material risk-takers
Value of outstanding deferred remuneration at 31 December 2012		
Compulsory Bonus Share Scheme	45,9	11,7
Restricted Share Scheme	458,4	157,0
Total deferred remuneration outstanding	504,3	168,7
Value of deferred remuneration paid out during 2012	84,4	11,6

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#	This is the combination, as at 31 December 2012, of the following: ☐ All unvested RSP awards ☐ All unvested CBSS awards

 # 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#	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.

 # 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	R0	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[1]	5,4

[1] *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 Mnxasana				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

[1] *Fees for JVF Roberts, DI Hope and ID Gladman were paid to Old Mutual (SA) Ltd for 2011 and 2012.*

[a] *CJW Ball retired from the board on 6 May 2011.*

[b] *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.*

[c] *A de VC Knott-Craig resigned from all committees on 24 February 2012.*

[d] *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.*

[e] *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.*

[f] *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.*

[g] *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.*

[h] *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.*

[i] *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.*

[j] *MA Enus-Brey was appointed as the Chairman of the Group Credit Committee on 27 November 2012.*

** Audited.*

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[1]
Chairman[2]	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%
Group Audit Committee			
Chairman	290 000	360 000	24,1%
Member	145 000	180 000	24,1%
Group Risk and Capital Management Committee			
Chairman	244 000	256 200	5,0%
Member	122 000	128 100	5,0%
Group Remuneration Committee			
Chairman	170 000	200 000	17,7%
Member	85 000	100 000	17,7%
Transformation, Social and Ethics Committee			
Chairman	150 000	157 500	5,0%
Member	75 000	78 750	5,0%
Directors' Affairs Committee			
Chairman (Part of Group Chairman's annual fee)			
Member	55 000	57 750	5,0%
Group Credit Committee			
Chairman	290 000	320 000	10,3%
Member	145 000	160 000	10,3%
Group Finance and Oversight Committee			
Chairman	47 000	49 350	5,0%
Member	23 500	24 675	5,0%
Group IT Committee			
Chairman	150 000	157 500	5,0%
Member	75 000	78 750	5,0%

[1] *On a like-for-like basis this represents an overall increase of 6,9%.*

[2] *Includes fees for board, subsidiary board and committee memberships.*

** 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[1]	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[3]			2 113	2 113
ID Gladman				
DI Hope				
RJ Khoza	7 800	1 800	6 974	1 374
PM Makwana				
NP Mnxasana			11 620	11 620
RK Morathi	12 615	4 233	155 762	127 964
JK Netshitenzhe				
JVF Roberts				
GT Serobe[2]				
MI Wyman				
Total ordinary shares	117 298	144 707	681 412	923 146
Total preference shares	0	0	85 000	85 000

[1] *Shares listed above are ordinary shares, unless otherwise indicated.*

[2] *Excludes 5 754 678 and 5 475 322 shares held by Wiphold Financial Services Number Two Trust in 2012 and 2011 respectively.*

[3] *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.

** Audited.*

NEDBANK GROUP EMPLOYEE INCENTIVE SCHEMES

for the year ended 31 December

	2012	2011
Movements		
Instruments outstanding at the beginning of the year	12 732 254	11 670 629
Granted	4 204 482	4 685 568
Exercised	(949 007)	(960 828)
Expired		(54 375)
Surrendered	(3 748 387)	(2 608 740)
Instruments outstanding at the end of the year	12 239 342	12 732 254
Analysis		
Performance-based restricted shares	5 660 881P	7 437 026P
Non-performance-based restricted shares	5 660 880	4 647 051
Performance-based matched shares	458 791P	324 089P
Non-performance-based matched shares	458 790	324 088
Instruments outstanding at the end of the year	12 239 342	12 732 254
Summary by scheme		
Nedbank Group Share Option And Restricted Share Scheme (2005)	11 321 761	12 084 077
Nedbank Group Matched Share Scheme (2005)	917 581	648 177
Instruments outstanding at the end of the year	12 239 342	12 732 254

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

Restricted shares

Restricted shares are issued at a market price for no consideration to participants and are held by the scheme until expiry date (subject to achievement of performance and time-based conditions). Participants have full rights and receive dividends. The following instruments granted had not been exercised at 31 December 2012:

Instrument expiry date	Number of shares
03/03/2013	1 763 758P
04/03/2013	1 763 757
06/08/2013	89 170P
07/08/2013	89 170
08/03/2014	1 850 208P
09/03/2014	1 850 208
05/08/2014	149 651P
06/08/2014	149 651
18/10/2014	12 539P
18/10/2014	12 539
08/03/2015	1 736 805P
09/03/2015	1 736 805
07/08/2015	58 750P
08/08/2015	58 750
TOTAL	11 321 761

P Performance-based instruments.

MATCHED SHARES

The obligation to deliver the following matched shares, 50% of which is subject to time and the other 50% to performance conditions, exists at 31 December 2012:

Instrument expiry date	Number of shares
01/04/2013	203 459
01/04/2014	259 085
01/04/2015	455 037
TOTAL	917 581

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December

	Notes	2012 Rm	2011 Rm
Interest and similar income	12	42 900	41 417
Interest expense and similar charges	13	24 102	24 119
Net interest income		18 798	17 298
Impairments charge on loans and advances	27.1	5 239	5 321
Income from lending activities		13 559	11 977
Non-interest revenue	14	14 151	12 555
Operating income		27 710	24 532
Total operating expenses		18 565	16 955
Operating expenses	15	18 503	16 876
Black economic empowerment transaction expenses	15.1	62	79
Indirect taxation	16	460	413
Profit from operations before non-trading and capital items		8 685	7 164
Non-trading and capital items	17	(48)	(48)
Fair-value adjustments of investment properties	33.1	(1)	
Profit from operations before direct taxation		8 636	7 116
Direct taxation	18.1	2 169	1 610
Profit for the year		6 467	5 506
Other comprehensive income net of taxation		113	267
Exchange differences on translating foreign operations		35	48
Fair-value adjustments on available-for-sale assets		39	(27)
Gains on property revaluations		39	246
Total comprehensive income for the year		6 580	5 773
Profit attributable to:			
– Ordinary and preference equity holders		6 438	5 483
– Non-controlling interest – ordinary shareholders		29	23
		6 467	5 506
Total comprehensive income attributable to:			
– Ordinary and preference equity holders		6 551	5 750
– Non-controlling interest – ordinary shareholders		29	23
Total comprehensive income for the year		6 580	5 773

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

	Notes	2012 Rm	2011 Rm	2010 Rm
Assets				
Cash and cash equivalents	21	12 587	11 514	7 469
Other short-term securities	22	37 575	31 715	21 955
Derivative financial instruments	23	14 660	14 314	14 077
Government and other securities	25	26 194	29 991	31 667
Loans and advances*+	26	520 116	493 107	471 447
Other assets	28	4 528	3 989	3 613
Current taxation receivable		241	629	440
Investment securities	29	3 196	3 549	2 999
Non-current assets held for sale	31	508	8	5
Investments in associate companies and joint ventures	30	665	565	933
Deferred taxation assets	32	222	66	48
Investment property	33	84	488	82
Property and equipment	34	6 171	6 082	5 394
Long-term employee benefit assets	35	2 153	2 027	1 965
Mandatory reserve deposits with central banks	21	12 641	11 862	11 068
Intangible assets	36	3 830	3 634	3 328
Total assets		645 371	613 540	576 490
Equity and liabilities				
Ordinary share capital	38.1	27	27	27
Ordinary share premium		17 422	14 422	14 422
Reserves		26 463	24 856	20 281
Total equity attributable to equity holders of the parent		43 912	39 305	34 730
Preference share capital and premium	38.2	3 561	3 561	3 560
Non-controlling interest attributable to ordinary shareholders		142	121	110
Total equity		47 615	42 987	38 400
Derivative financial instruments	23	13 475	13 791	11 930
Amounts owed to depositors**+	39	542 671	516 540	491 038
Provisions and other liabilities	40	9 273	8 286	6 179
Current taxation liabilities		67	27	76
Other liabilities held for sale	31	36		
Deferred taxation liabilities	32	355	997	1 358
Long-term employee benefit liabilities	35	1 584	1 473	1 408
Long-term debt instruments	41	30 295	29 439	26 101
Total liabilities		597 756	570 553	538 090
Total equity and liabilities		645 371	613 540	576 490

* *Included in loans and advances are loans to fellow subsidiaries amounting to R15,2bn (2011: R14,9bn).*

** *Included in amounts owed to depositors are deposits from fellow subsidiaries amounting to R12,5bn (2011: R11,0bn).*

\+ *2011 and 2010 reclassified. Refer note 53.*

CONSOLIDATED CURRENCY-ADJUSTED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December

Rm	2012 ZAR	2011 ZAR
Interest and similar income	42 900	41 417
Interest expense and similar charges	24 102	24 119
Net interest income	18 798	17 298
Impairments charge on loans and advances	5 239	5 321
Income from lending activities	13 559	11 977
Non-interest revenue	14 151	12 555
Operating income	27 710	24 532
Total operating expenses	18 565	16 955
Operating expenses	18 503	16 876
Black economic empowerment transaction expenses	62	79
Indirect taxation	460	413
Profit from operations before non-trading and capital items	8 685	7 164
Non-trading and capital items	(49)	(48)
Profit from operations before direct taxation	8 636	7 116
Direct taxation	2 169	1 610
Profit for the year	6 467	5 506
Non-controlling interest attributable to ordinary shareholders	29	23
Profit attributable to equity holders of the parent	6 438	5 483
Less: Non-headline earnings items	(50)	(48)
Non-headline earnings items	(49)	(48)
Tax on non-headline earnings items	(1)	
Headline earnings	6 488	5 531
Average exchange rate at 31 December for R1 (note 46)	1	1

	2012 USD	2011 USD	2012 GBP	2011 GBP	2012 EUR	2011 EUR
	5 234	5 711	3 286	3 558	4 054	4 088
	2 940	3 325	1 846	2 072	2 277	2 381
	2 294	2 386	1 440	1 486	1 777	1 707
	639	734	401	457	495	525
	1 655	1 652	1 039	1 029	1 282	1 182
	1 726	1 731	1 084	1 078	1 337	1 239
	3 381	3 383	2 123	2 107	2 619	2 421
	2 265	2 338	1 422	1 457	1 755	1 673
	2 257	2 327	1 417	1 450	1 749	1 665
	8	11	5	7	6	8
	56	57	35	35	43	41
	1 060	988	666	615	821	707
	(6)	(7)	(4)	(4)	(5)	(5)
	1 054	981	662	611	816	702
	264	222	166	138	205	159
	790	759	496	473	611	543
	4	3	2	2	3	2
	786	756	494	471	608	541
	(6)	(7)	(3)	(4)	(5)	(5)
	(6)	(7)	(3)	(4)	(5)	(5)
	792	763	497	475	613	546
	0,1220	0,1379	0,0766	0,0859	0,0945	0,0987

Consolidated annual financial statements

CONSOLIDATED CURRENCY-ADJUSTED STATEMENT OF FINANCIAL POSITION at 31 December

Rm	2012 ZAR	2011 ZAR
Assets		
Cash and cash equivalents	12 587	11 514
Other short-term securities	37 575	31 715
Derivative financial instruments	14 660	14 314
Government and other securities	26 194	29 991
Loans and advances*	520 116	493 107
Other assets	4 528	3 989
Current taxation receivable	241	629
Investment securities	3 196	3 549
Non-current assets held for sale	508	8
Investments in associate companies and joint ventures	665	565
Deferred taxation assets	222	66
Investment property	84	488
Property and equipment	6 171	6 082
Long-term employee benefit assets	2 153	2 027
Mandatory reserve deposits with central banks	12 641	11 862
Intangible assets	3 830	3 634
Total assets	645 371	613 540
Equity and liabilities		
Ordinary share capital	27	27
Ordinary share premium	17 422	14 422
Reserves	26 463	24 856
Total equity attributable to equity holders of the parent	43 912	39 305
Preference share capital and premium	3 561	3 561
Non-controlling interest attributable to ordinary shareholders	142	121
Total equity	47 615	42 987
Derivative financial instruments	13 475	13 791
Amounts owed to depositors*	542 671	516 540
Provisions and other liabilities	9 273	8 286
Current taxation liabilities	67	27
Other liabilities held for sale	36	
Deferred taxation liabilities	355	997
Long-term employee benefit liabilities	1 584	1 473
Long-term debt instruments	30 295	29 439
Total liabilities	597 756	570 553
Total equity and liabilities	645 371	613 540
Exchange rate at 31 December for R1 (note 46)	1	1

* *2011 reclassified. Refer note 53.*

2012 USD	2011 USD	2012 GBP	2011 GBP	2012 EUR	2011 EUR
1 484	1 420	918	919	1 125	1 097
4 430	3 910	2 739	2 531	3 359	3 023
1 728	1 765	1 069	1 142	1 311	1 364
3 088	3 698	1 910	2 393	2 342	2 858
61 322	60 800	37 916	39 350	46 498	46 993
534	492	330	318	405	380
28	77	18	50	22	60
377	438	233	283	286	338
60	1	37	1	45	1
78	70	48	45	59	54
26	8	16	5	20	6
10	60	6	39	8	47
728	750	450	485	552	580
254	250	157	162	192	193
1 490	1 462	922	947	1 130	1 130
452	448	279	290	342	346
76 089	75 649	47 048	48 960	57 696	58 470
3	3	2	2	2	3
2 054	1 778	1 270	1 151	1 558	1 374
3 120	3 065	1 929	1 984	2 366	2 369
5 177	4 846	3 201	3 137	3 926	3 746
420	439	260	284	318	339
17	15	10	10	13	12
5 614	5 300	3 471	3 431	4 257	4 097
1 588	1 700	982	1 100	1 205	1 314
63 981	63 689	39 561	41 220	48 515	49 226
1 093	1 022	676	661	829	790
8	3	5	2	6	3
4		3		3	
42	123	26	80	32	95
187	182	115	117	141	140
3 572	3 630	2 209	2 349	2 708	2 805
70 475	70 349	43 577	45 529	53 439	54 373
76 089	75 649	47 048	48 960	57 696	58 470
0,1179	0,1233	0,0729	0,0798	0,0894	0,0953

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Reserves: Foreign currency translation reserve *	Reserves: Property revaluation reserve **
Balance at 31 December 2010	27 240 023	27	14 422	4	1 112
Preference share dividend					
Acquisition of subsidiary					
Dividend to shareholders					
Total comprehensive income for the year				48	246
Transfer (from)/to reserves					(25)
Share-based payments reserve movement					
Regulatory risk reserve provision					
Dilution of non-controlling interests					
Other movements					
Balance at 31 December 2011	27 240 023	27	14 422	52	1 333
Shares issued	1 001		3 000		
Preference share dividend					
Dividend to shareholders					
Dividends in respect of BEE transaction					
Total comprehensive income for the year				35	39
Transfer (from)/to reserves					(26)
Share-based payments reserve movement					
Regulatory risk reserve provision					
Other movements					
Balance at 31 December 2012	27 241 024	27	17 422	87	1 346

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

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

*** *All share based payment expenses are recognised in the statement of comprehensive income, with the corresponding amount recognised in share-based payment reserves. Any excess tax benefit over the relative tax on the share based payments expense is recognised directly in this reserve. On the expiry or exercise of a share-based instrument the cumulative amount recognised in this respect is transferred directly to other distributable reserves. The negative share-based payment reserve arises from the grants paid by Nedbank Ltd to various share schemes to acquire Nedbank Group Ltd shares, which is recognised directly in equity. The reconciliation shown in this note is the cumulative share-based payment charge for all share schemes.*

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

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

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

All movements are reflected net of taxation.

Reserves							
Share-based payments reserve ***	Other non-distributable reserves ****	Available-for-sale reserve *****	Other distributable reserves *******	Total equity attributable to equity holders of the parent	Preference share capital and premium	Non-controlling interest attributable to ordinary shareholders	Total equity
(556)	53	225	19 443	34 730	3 560	110	38 400
			(281)	(281)			(281)
				–		7	7
			(1 025)	(1 025)		(8)	(1 033)
		(27)	5 483	5 750		23	5 773
(377)	11		391	–			–
111				111			111
	1			1			1
			11	11	1	(11)	1
			8	8			8
(822)	65	198	24 030	39 305	3 561	121	42 987
				3 000			3 000
			(293)	(293)			(293)
			(5 100)	(5 100)		(8)	(5 108)
			(6)	(6)			(6)
		39	6 438	6 551		29	6 580
(30)	6		50	–			–
451				451			451
	2			2			2
			2	2			2
(401)	73	237	25 121	43 912	3 561	142	47 615

CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December

	Notes	2012 Rm	2011 Rm
Cash generated by operations	47.1	16 521	14 800
Cash received from clients	47.2	56 953	53 547
Cash paid to clients, employees and suppliers	47.3	(41 315)	(39 796)
Dividends received on investments		91	415
Recoveries on loans previously written off		792	634
Change in funds for operating activities		(7 984)	(7 171)
Increase in operating assets	47.4	(35 046)	(35 529)
Increase in operating liabilities	47.5	27 062	28 358
Net cash from operating activities before taxation		8 537	7 629
Taxation paid	47.6	(3 108)	(2 949)
Cashflows from operating activities		5 429	4 680
Cashflows utilised by investing activities		(2 034)	(1 873)
Acquisition of property and equipment, computer software and development costs and investment property		(1 700)	(1 633)
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)	(3)
Disposal of investment banking assets		7	10
Acquisition of associate companies		(275)	(71)
Disposal of associate companies		118	373
Acquisition of other investments		(69)	(665)
Disposal of other investments		476	84
Acquisition of investments in subsidiary companies net of cash	47.7	(99)	
Cashflows (utilised by)/from financing activities		(1 543)	2 032
Net proceeds from issue of ordinary shares		3 000	
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	47.8	(5 106)	(1 025)
Preference share dividends paid		(293)	(281)
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)		*	*
Net increase in cash and cash equivalents		1 852	4 839
Cash and cash equivalents at the beginning of year**		23 376	18 537
Cash and cash equivalents at the end of the year**	21	25 228	23 376

* *Represents amounts less than R1m.*

** *Including mandatory reserve deposits with central banks.*

SEGMENTAL REPORTING

for the year ended 31 December

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

NEDBANK CAPITAL

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

NEDBANK CORPORATE

Nedbank Corporate comprises the client-focused businesses of Corporate Banking, Property Finance and the specialist businesses of Transactional Banking and Shared Services. These businesses focus mainly on providing lending, deposit taking and transactional banking solutions and execution services to the wholesale banking client base of Nedbank Ltd. Corporate Banking services companies with an annual turnover in excess of R400m as well as black economic empowerment (BEE) and public sector clients. Property Finance specialises in commercial and industrial property finance in the middle to large corporate market and also invests in property equities and in large property developments in partnership with selected clients.

NEDBANK RETAIL

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

NEDBANK BUSINESS BANKING

Nedbank Business Banking offers the full spectrum of commercial banking products and related services to companies with an annual turnover of up to R400m.

NEDBANK WEALTH

Nedbank Wealth provides insurance, wealth and asset management solutions to the broader Nedbank Group and distributes via financial planners, independent financial advisors and third party intermediaries. The cluster is also responsible for the high net worth segment of the Nedbank Group. Nedbank Wealth has operations in South Africa, London, Isle of Man, Jersey, Guernsey and the Middle East.

SHARED SERVICES

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

CENTRAL MANAGEMENT, INCLUDING REST OF AFRICA

Central Management includes Group Balance Sheet Management which is responsible for risk management, capital management, liquidity and funding management, margin management and strategic portfolio management, and the Rest of Africa operations. The Rest of Africa includes the client-focused businesses in the rest of Africa (excluding South Africa) and the EcoBank Nedbank alliance and has banking operations in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe and operates in the retail and wholesale banking segments in each country.

SEGMENTAL REPORTING (CONTINUED)

	Nedbank Ltd		Fellow subsidiaries		Nedbank Capital		Nedbank Corporate	
	2012	2011	2012	2011	2012	2011	2012	2011
STATEMENT OF FINANCIAL POSITION **(Rm)**								
Cash and cash equivalents	25 228	23 376	(1 894)	(2 033)	4 399	4 474	2 623	1 667
Other short-term securities	37 575	31 715	(5 882)	(4 271)	26 972	40 958		
Derivative financial instruments	14 660	14 314	848	1 474	13 672	12 755	(99)	(90)
Government and other securities	26 194	29 991	(559)	(185)	7 820	13 044	5 989	4 933
Loans and advances*	520 116	493 107	(7 050)	(5 916)	82 494	68 510	162 730	157 271
Other assets	21 598	21 037	(23 071)	(23 656)	6 929	10 048	3 830	3 293
Intergroup assets	-	-						
Total assets	645 371	613 540	(37 608)	(34 587)	142 286	149 789	175 073	167 074
Equity and liabilities								
Total equity	47 615	42 987	(10 115)	(9 698)	5 632	5 428	8 089	6 426
Derivative financial instruments	13 475	13 791	21	(62)	13 419	13 824		
Amounts owed to depositors*	542 671	516 540	(8 207)	(7 590)	100 908	77 877	160 618	148 521
Provisions and other liabilities	11 315	10 783	(19 304)	(17 234)	8 449	8 610	2 266	1 892
Long-term debt instruments	30 295	29 439	(3)	(3)	849	812		
Intergroup liabilities	-	-			13 029	43 238	4 100	10 235
Total equity and liabilities	645 371	613 540	(37 608)	(34 587)	142 286	149 789	175 073	167 074
Statement of comprehensive income (Rm)								
Net interest income	18 798	17 298	(882)	(736)	1 521	1 186	3 326	3 043
Impairments charge on loans and advances	5 239	5 321	40	(10)	526	549	385	439
Income from lending activities	13 559	11 977	(922)	(726)	995	637	2 941	2 604
Non-interest revenue	14 151	12 555	(3 173)	(2 857)	3 049	2 454	1 469	1 261
Operating income	27 710	24 532	(4 095)	(3 583)	4 044	3 091	4 410	3 865
Total operating expenses	18 565	16 955	(1 963)	(1 964)	1 978	1 737	1 968	1 792
Operating expenses	18 503	16 876	(1 947)	(1 849)	1 973	1 726	1 964	1 778
Black economic empowerment transaction (BEE) expenses	62	79	(16)	(115)	5	11	4	14
Indirect taxation	460	413	(101)	(92)	31	51	29	30
Profit/(Loss) from operations	8 685	7 164	(2 031)	(1 527)	2 035	1 303	2 413	2 043
Share of (losses)/profits of associates and joint ventures	-	-	(1)				(2)	
Profit/(Loss) before direct taxation	8 685	7 164	(2 032)	(1 527)	2 035	1 303	2 411	2 043
Direct taxation	2 168	1 610	(703)	(584)	602	75	594	472
Profit/(Loss) after direct taxation	6 517	5 554	(1 329)	(943)	1 433	1 228	1 817	1 571
Profit attributable to non-controlling interest:								
- ordinary shareholders	29	23	(14)	(9)	5			
- preference shareholders	-	-	(293)	(281)				
Headline earnings/(loss)	6 488	5 531	(1 022)	(653)	1 428	1 228	1 817	1 571
SELECTED RATIOS								
Average interest-earning banking assets (Rm)	558 425	539 678	1 579	21 884	93 949	79 516	163 639	152 898
Return on total assets (%)	1,00	0,87			0,96	0,91	1,07	0,99
Return on ordinary shareholders' equity (%)	11,8	10,9			25,4	22,6	22,5	24,5
Net interest income to average interest-earning banking assets (%)	3,37	3,21			1,62	1,49	2,03	1,99
Non-interest revenue to total income (%)	42,9	42,1			66,7	67,4	30,6	29,3
Non-interest revenue to total operating expenses (%)	76,2	74,0			154,1	141,3	74,6	70,4
Credit loss ratio – banking advances (%)	1,10	1,17			1,06	1,23	0,24	0,29
Efficiency ratio (%)	56,3	56,8			43,3	47,7	41,1	41,6
Efficiency ratio (excluding BEE transaction expenses) (%)	56,2	56,5			43,2	47,4	41,0	41,3
Effective taxation rate (%)	26,4	25,4			29,6	5,7	24,6	23,1
Contribution to group economic profit	962	602	(549)	(322)	690	523	758	736
Number of employees	27 462	26 922	(1 286)	(1 572)	705	721	2 188	2 194

* *2011 reclassified. Refer note 53.*

The segmental results for the year ended 31 December 2011 has been 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.

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
433	602	2 088	1 852	2 088	1 852			86	168	17 493	16 646
5 042	3 279	-	-							11 443	(8 251)
	2	-	-							239	173
		-	-							12 944	12 199
19 864	19 624	250 762	242 604	190 647	183 748	60 115	58 856	38	20	11 278	10 994
16 931	14 252	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)
42 270	37 759	290 198	279 323	198 072	190 398	92 126	88 925	6 594	7 315	26 558	6 867
2 420	2 363	25 478	23 348	21 077	19 282	4 401	4 066	1 780	1 653	14 331	13 467
		-	-							35	29
15 897	13 713	186 125	175 809	98 935	91 490	87 190	84 319	486	408	86 844	107 802
14 250	11 375	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
9 703	10 308	72 636	74 748	72 636	74 748			4 257	4 836	(103 725)	(143 365)
42 270	37 759	290 198	279 323	198 072	190 398	92 126	88 925	6 594	7 315	26 558	6 867
494	483	13 583	12 617	10 659	9 784	2 924	2 833	(220)	(235)	976	940
118	45	4 134	4 053	3 928	3 729	206	324			36	245
376	438	9 449	8 564	6 731	6 055	2 718	2 509	(220)	(235)	940	695
2 617	2 252	9 540	8 538	7 962	7 052	1 578	1 486	240	494	409	413
2 993	2 690	18 989	17 102	14 693	13 107	4 296	3 995	20	259	1 349	1 108
1 914	1 703	13 788	12 612	10 849	9 889	2 939	2 723	(31)	186	911	889
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
90	68	196	210	171	185	25	25	195	132	20	14
989	919	5 005	4 280	3 673	3 033	1 332	1 247	(144)	(59)	418	205
(2)		-	-					-		5	
987	919	5 005	4 280	3 673	3 033	1 332	1 247	(144)	(59)	423	205
271	265	1 472	1 291	1 084	910	388	381	(180)	(62)	112	153
716	654	3 533	2 989	2 589	2 123	944	866	36	3	311	52
		-	-							38	32
		37	32	37	32					256	249
716	654	3 496	2 957	2 552	2 091	944	866	36	3	17	(229)
24 586	22 159	278 965	266 879	187 598	180 683	91 367	86 196	44	14	(4 337)	(3 672)
1,78	1,84	1,22	1,10	1,32	1,12	1,03	1,00				
29,6	27,7	13,7	12,7	12,1	10,8	21,5	21,3				
2,01	2,18	4,87	4,71	5,68	5,41	3,20	3,29				
84,1	82,3	40,7	40,4	42,8	41,9	35,0	34,4				
136,8	132,2	69,2	67,7	73,4	71,3	53,7	54,6				
0,61	0,25	1,62	1,63	2,01	1,98	0,34	0,53				
61,5	62,3	59,6	59,6	58,3	58,7	65,3	63,0				
61,4	62,2	59,7	59,5	58,2	58,7	65,2	62,9				
27,5	28,9	31,0	30,2	29,5	30,0	29,1	30,5				
399	345	159	(78)	(209)	(416)	368	338	(197)	(212)	(298)	(390)
2 028	1 991	18 872	18 668	16 568	16 323	2 304	2 345	3 506	3 479	1 449	1 441

Depreciation costs of R845m (2011: R755m) and amortisation costs of R507m (2011: R523m) for property, equipment, computer software and capitalised development are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

GEOGRAPHICAL SEGMENTAL REPORTING

for the year ended 31 December

STATEMENT OF FINANCIAL POSITION (Rm)	Nedbank Ltd 2012	2011
Assets		
Cash and cash equivalents	25 228	23 376
Other short-term securities	37 575	31 715
Derivative financial instruments	14 660	14 314
Government and other securities	26 194	29 991
Loans and advances**	520 116	493 107
Other assets	21 598	21 037
Intergroup assets	–	–
Total assets	645 371	613 540
Equity and liabilities		
Total equity	47 615	42 987
Derivative financial instruments	13 475	13 791
Amounts owed to depositors**	542 671	516 540
Provisions and other liabilities	11 315	10 783
Long-term debt instruments	30 295	29 439
Intergroup liabilities	–	–
Total equity and liabilities	645 371	613 540
Contribution to total assets (%)	100	100

STATEMENT OF COMPREHENSIVE INCOME (Rm)	2012	2011
Net interest income	18 798	17 298
Impairments charge on loans and advances	5 239	5 321
Income from lending activities	13 559	11 977
Non-interest revenue	14 151	12 555
Operating income	27 710	24 532
Total operating expenses	18 565	16 955
Operating expenses	18 503	16 876
Black economic empowerment transaction expenses	62	79
Indirect taxation	460	413
Profit from operations	8 685	7 164
Share of profits of associates and joint ventures		
Profit before direct taxation	8 685	7 164
Direct taxation	2 168	1 610
Profit after direct taxation	6 517	5 554
Profit attributable to non-controlling interest:		
- ordinary shareholders	29	23
- preference shareholders	–	–
Headline earnings	6 488	5 531
Contribution to headline earnings (%)	100	100

* *Includes all group eliminations.*

** *2011 reclassified. Refer note 53.*

	Fellow subsidiaries		SA*		Rest of Africa		Rest of world	
	2012	2011	2012	2011	2012	2011	2012	2011
	(1 894)	(2 033)	21 350	21 547	2 061	1 949	3 711	1 913
	(5 882)	(4 271)	35 972	31 577	1 319	1 130	6 166	3 279
	848	1 474	13 468	12 549	12	16	332	275
	(559)	(185)	23 259	26 774	452	159	3 042	3 243
	(7 050)	(5 916)	494 262	467 764	10 221	10 017	22 683	21 242
	(23 071)	(23 656)	40 765	40 979	910	916	2 994	2 798
			(11 354)	(11 450)	1 195	1 336	10 159	10 114
	(37 608)	(34 587)	617 722	589 740	16 170	15 523	49 087	42 864
	(10 115)	(9 698)	50 504	45 992	2 290	1 969	4 936	4 724
	21	(62)	12 961	13 405	25	16	468	432
	(8 207)	(7 590)	514 892	493 622	12 603	11 385	23 383	19 123
	(19 304)	(17 234)	29 674	27 108	664	614	281	295
	(3)	(3)	30 295	29 439	3	3		
			(20 604)	(19 826)	585	1 536	20 019	18 290
	(37 608)	(34 587)	617 722	589 740	16 170	15 523	49 087	42 864
	(6)	(6)	95	96	3	3	8	7
	(882)	(736)	18 546	17 081	716	613	418	340
	40	(10)	5 011	5 200	29	19	159	112
	(922)	(726)	13 535	11 881	687	594	259	228
	(3 173)	(2 857)	16 213	14 347	572	507	539	558
	(4 095)	(3 583)	29 748	26 228	1 259	1 101	798	786
	(1 963)	(1 964)	19 307	17 702	786	709	435	508
	(1 947)	(1 849)	19 232	17 512	783	705	435	508
	(16)	(115)	75	190	3	4		
	(101)	(92)	538	491	16	10	7	4
	(2 031)	(1 527)	9 903	8 035	457	382	356	274
	(1)				1			–
	(2 032)	(1 527)	9 903	8 035	458	382	356	274
	(703)	(584)	2 701	2 059	128	104	42	31
	(1 329)	(943)	7 202	5 976	330	278	314	243
	(14)	(9)	3		40	32		
	(293)	(281)	293	281				
	(1 022)	(653)	6 906	5 695	290	246	314	243
	(16)	(12)	107	104	4	4	5	4

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December

1 PRINCIPAL ACCOUNTING POLICIES
The following principal accounting policies have been applied consistently in dealing with items that are considered material in relation to the Nedbank Ltd consolidated financial statements.

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.

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

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the international Accounting Standards Board, the Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listings Requirements.

The financial statements are presented in SA rand, the functional currency of Nedbank Ltd, and are rounded to the nearest million rands. The statements are prepared on the accrual and historical cost basis of accounting, except for:

- non-current assets and disposal groups held for sale, which are all stated at the lower of the carrying amount and the fair value less costs to sell;
- employee benefit liabilities, valued using the projected-unit credit method, less the net total fair value of the plan assets, plus unrecognised actuarial gains or losses, less unrecognised past service cost; and
- the following assets and liabilities, which are stated at their fair value:
  - financial assets and financial liabilities classified as at fair value through profit or loss;
  - financial assets classified as available for sale; and
  - investment properties and owner-occupied properties.

1.2 Accounting policy elections
The following accounting policy elections have been made by the group:

Property and equipment	☐ Property and equipment are stated at revalued amounts. ☐ Revaluation surpluses are recognised directly in equity.
Long-term employee benefits	☐ Unrecognised actuarial gains or losses on postemployment benefits are not recognised immediately, but in profit or loss over a period not exceeding the expected average remaining working life of active employees.
Investment in venture capital divisions	☐ In venture capital divisions the group has elected to carry associate and joint-venture entities at fair value through profit and loss.
Financial instruments	☐ The group has elected to designate certain fixed-rate financial assets and liabilities at fair value through profit and loss to reduce the accounting mismatch. ☐ 'Regular way' purchases or sales of financial assets are recognised and derecognised using trade date accounting. ☐ The group does not apply hedge accounting.
Investment properties	☐ The group has elected to recognise all investment properties at fair value, with changes in fair value being recognised in profit and loss for the period.
Joint ventures	☐ Jointly controlled entities are accounted for using the equity method.

1.3 Group accounting

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

Subsidiary undertakings and special-purpose entities

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

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

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

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

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

Associates

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

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

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

At each reporting date the group determines whether there is objective evidence that the investments in associates are impaired. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology described in 1.12.

Investments in associates that are held with the intention of disposing thereof within 12 months are accounted for and classified as noncurrent assets held for sale in accordance with the methodology described in 1.11.

Joint ventures

Joint ventures are those entities over which the group has joint control in terms of a contractual agreement. Jointly controlled entities are incorporated into the group financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments, by applying the impairment methodology described in 1.12.

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

Investments in joint ventures that are held with the intention of disposing thereof within 12 months are accounted for and classified as non-current assets held for sale in accordance with the methodology described in 1.11.

Investments held by venture capital divisions

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

Acquisitions and disposals of stakes in group companies

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

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

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

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

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

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

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

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

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

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

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

Goodwill

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

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

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

1.4 Foreign currency translation

Foreign currency transactions

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

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

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

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

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

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

Investments in foreign operations
Nedbank Ltd's presentation currency is SA rand.

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

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

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

1.5 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Embedded derivatives
Derivatives in a host contract that is a financial or non-financial instrument, such as an equity conversion option in a convertible bond, are separated from the host contract when all of the following conditions are met:
- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- The combined contract is not measured at fair value, with changes in fair value recognised in profit or loss.

The host contract is accounted for:
- under IAS 39 if it is a financial instrument; and
- in accordance with other appropriate accounting standards if it is not a financial instrument.

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

Measurement basis of financial instruments
There are two bases of measurement, namely amortised cost and fair value:
- Amortised cost
  The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective-interest method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

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

- Fair value
  The fair value of a financial instrument is defined as the price at which an asset or a liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale.

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

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

  For a detailed discussion of the fair value of financial instruments, refer note 6.1.

Impairment of financial assets
The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has (or events have) an impact on the estimated future cashflows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the group about the following loss events:
- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in respect of interest or principal payments;
- the group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cashflows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

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

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

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

- Available-for-sale financial assets
  When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity, in the statement of comprehensive income, and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity, in the statement of comprehensive income, is removed from equity and recognised in profit or loss. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

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

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

Derecognition
The group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when, and only when:
- the contractual rights to the cashflows arising from the financial asset have expired; or
- it transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retaining control of the asset.

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

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

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

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

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

Collateral
Financial and non-financial assets are held as collateral in respect of recognised financial assets. Such collateral, except cash collateral, is not recognised by the group, as the group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations. Should a counterparty be unable to settle its

obligations, the group takes possession of collateral or calls on other credit enhancements as full or part settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the group's accounting policies are applied from the date of recognition.

Cash collateral is recognised when the group receives the cash and is reported as amounts received from depositors. Collateral is also given to counterparties under certain financial arrangements, but such assets are not derecognised where the group retains the risks and rewards of ownership. Such assets are at risk to the extent that the group is unable to fulfil its obligations to counterparties. For a detailed discussion on collateral see note 44.

Sale and repurchase agreements and lending of securities

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

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

Acceptances

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

Financial guarantee contracts

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

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

1.6 Taxation

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

Current taxation

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

Deferred taxation

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

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

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

Deferred taxation is not recognised for the following temporary differences:

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

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

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

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities against current taxation assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their taxation assets and liabilities will be realised simultaneously.

Deferred taxation assets and liabilities are not discounted.

1.7 Goodwill and intangible assets

Goodwill and goodwill impairment

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

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

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

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

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

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

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

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

The amortisation methods and residual values of these intangible assets are reviewed on an annual basis.

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

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

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

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

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

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

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

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

Postemployment benefit plans
Certain entities within the group provide postretirement medical benefits and disability cover to eligible employees. Non-pension postemployment benefits are accounted for according to their nature, either as defined-contribution or defined-benefit plans.

The expected costs of postretirement benefits that are defined-benefit plans in nature are accounted for in the same manner as in the case of defined-benefit pension plans.

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

1.9 Property and equipment

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

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

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

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

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

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

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

The maximum initial estimated useful lives are as follows:

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

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

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

1.10 Investment properties

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

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

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

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

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

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

1.11 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

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

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

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

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

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

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

1.13 Other provisions

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

Reimbursements

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

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

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

Future operating costs or losses are not provided for.

1.14 Share-based payments

Equity-settled share-based payment transactions with employees

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

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

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

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

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

1.15 Share capital

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

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

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

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

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

1.16 Treasury shares

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

1.17 Investment contracts

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

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

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

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

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

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

1.18 Insurance contracts

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

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

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

1.19 Leases

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

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

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

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

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

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

1.20 Borrowing costs

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

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

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

1.21 Government grants

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

1.22 Client loyalty

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

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

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

1.23 Revenue and expenditure

Interest income and expense

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

Non-interest revenue

- Fees and commissions

  The group earns fees and commissions from a range of services it provides to clients and these are accounted for as follows:
  - Income earned on the execution of a significant act is recognised when the significant act has been performed.
  - Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.
  - Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income.

- Dividend income

  Dividend income is recognised when the right to receive payment is established on the ex dividend date for equity instruments and is included in dividend income under non-interest revenue.

- Net trading income

  Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest, expense, costs and dividends. Interest earned while holding trading securities and interest incurred on trading liabilities are reported within non-interest revenue.

- Income from investment contracts

  Refer to 1.17 for non-interest revenue arising on investment management contracts.

- Other

  Exchange and securities trading income, from investments and net gains on the sale of investment banking assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably, it is probable that the economic benefits of the transaction or service will flow to the group and the costs associated with the transaction or service can be measured reliably.

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

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

1.24 Segmental reporting

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

The group's identification of its segments and the measurement of segment results are based on the group's internal reporting to management. The segments have been identified according to the nature of their respective products and services and their related target markets, the detail of which can be found in the 'Segmental reporting' section on pages 61 to 63 of the annual report.

The segments identified are complemented by 'Shared Services' and 'Central Management, including Rest of Africa', which provide support in the areas of finance, human resources, governance and compliance, risk management and information technology. Additional information relating to geographic areas, major clients and other performance measures is provided.

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

1.25 Cash and cash equivalents

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

2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

2.1 New standards

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

IFRS 9 Financial Instruments

The IASB has issued IFRS 9 Financial Instruments, which is the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The project has three main phases:

- Phase I: Classification and measurement of financial instruments;
- Phase II: Amortised cost and impairment of financial assets; and
- Phase III: Hedge accounting.

IFRS 9, as currently issued, includes requirements for the classification and measurement of financial assets and liabilities, derecognition requirements and additional disclosure requirements. The main requirements include the following:

- Financial assets are to be classified and measured based on the business model for managing the financial asset and the cashflow characteristics of the financial asset. There are two measurement approaches, namely fair value and amortised cost. The financial asset is carried at amortised cost if it is the business model of the entity to hold that asset for the purpose of collecting contractual cashflow and if those cashflows comprise principal repayments and interest. All other financial assets are carried at fair value.
- A financial asset that would otherwise be at amortised cost may only be designated as at fair value through profit or loss if such a designation reduces an accounting mismatch.
- The classification and measurement of financial liabilities include requirements similar to those contained in the existing standard IAS 39 Financial Instruments: Recognition and Measurement.
- For financial liabilities designated as at fair value through profit or loss a further requirement is that all changes in the fair value of financial liabilities attributable to credit risk be transferred to 'Other Comprehensive Income' with no recycling through profit or loss on disposal.

- The requirements for derecognition are similar to those contained in the existing standard IAS 39 Financial Instruments: Recognition and Measurement, with certain additional disclosure requirements. Management does not anticipate these requirements to have a significant impact on the group's financial statements.

IFRS 9 is effective for the group for the year commencing 1 January 2015. However, the IASB adopted a phased approach for the release of IFRS 9, with the requirements for the classification and measurement of financial assets having been released in 2009 and the requirements for the classification and measurement of financial liabilities and derecognition having been released in 2010. The requirements released in 2010 cannot be early-adopted without the simultaneous adoption of the 2009 requirements, but the requirements released in 2009 may be separately early-adopted.

The IASB intends to expand IFRS 9 in 2013 to address the requirements for the impairment of financial assets carried at amortised cost, hedge accounting and macro (portfolio) hedge accounting.

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

The group is continually evaluating the impact of the standard and is unlikely to adopt portions of the standard until the complete standard on financial instruments has been issued.

Consolidation suite of standards
The IASB released the suite of consolidation standards in 2011. The suite of standards is IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (2011) and IAS 28 Investments in Associates and Joint Ventures (2011). This suite of standards will need to be adopted simultaneously by the group, with an effective date for the reporting year commencing 1 January 2013.

IFRS 10 Consolidated Financial Statements
The standard requires a parent company to present consolidated financial statements as a single economic entity, replacing IAS 27 Separate Financial Statements and SIC-12 Consolidation: Special-purpose Entities.

The standard identifies the principles of control, determines how to identify whether an investor controls an investee, and therefore the requirement to consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (ie whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in SPEs interpretation). Under IFRS 10 control is based on whether an investor has:
- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the returns.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures. It requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures.

These types of entities are defined as follows:
- A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to their interest in a joint operation (including their share of any such items arising jointly).
- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures (2011). Unlike IAS 31 requirements, the use of 'proportionate consolidation' to account for a joint venture is not permitted.

IFRS 12 Disclosure of Interests in Other Entities
This standard requires extended disclosure of information that will enable users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on an entity's financial position, financial performance and cashflows.

In high-level terms the required disclosures are grouped into the following broad categories:
- Significant judgements and assumptions, such as how control, joint control and significant influence have been determined.
- Interests in subsidiaries, including details of the structure of the group, risks associated with structured entities and changes in control.
- Interests in joint arrangements and associates, such as the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information).
- Interests in unconsolidated structured entities, including information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with interests in unconsolidated structured entities.

IFRS 12 gives guidance on the extensive disclosures required and lists specific examples of additional disclosures and expands on each of these disclosure objectives.

Entities are encouraged to provide the information required by IFRS 12 voluntarily prior to the adoption thereof. The group has performed a preliminary assessment of the impact of this standard on the group financial statements and the further disclosure that will be required in terms of the standard.

IFRS 13 Fair-value Measurement
This standard replaces the guidance on fair-value measurement in the various existing IFRS accounting conceptual framework, standards and interpretations with a single standard.

IFRS 13 defines fair value, provides guidance on how to determine fair value and the required disclosures of fair-value measurements. However, IFRS 13 does not change the requirements regarding which assets and liabilities should be measured or disclosed at fair value.

IFRS 13 applies when another standard or interpretation requires or permits fair-value measurements or disclosures of fair-value measurements. With certain exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

The group is required to make various disclosures depending on the nature of the fair-value measurement (eg whether it is recognised in the financial statements or merely disclosed) and the level at which it is classified. It is not anticipated that the adoption of this standard will result in further disclosure in the group financial statements.

2.2 Revised standards

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

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27

This amendment to the standard defines what an investment entity is and allows for the investment entity to account for its' investments in subsidiaries at fair value. The group does not qualify as an investment entity as defined by the standard and will therefore not be allowed to recognise its' investments in its' subsidiaries at fair value.

The effective date of the statement for the group is for the year commencing 1 January 2014. It is not expected to have a material effect on the group financial statements.

IAS 1 Presentation of Financial Statements

The following amendments are required:

- Items presented in other comprehensive income (OCI) are to be grouped, based on whether such items are potentially reclassifiable to profit or loss subsequently, ie those that might be reclassified and those that will not be reclassified.
- Tax associated with items presented before tax is to be disclosed separately for each of the two groups of OCI items (without changing the option to present such items of OCI either before tax or net of tax).

The revised standard is effective for the group for the financial year commencing 1 January 2013. The revised portion of the standard does not have any effect on profit and loss, but rather affects the disclosure thereof.

IAS 19 Employee Benefits (2011)

An amended version of IAS 19 has been issued, with revised requirements for pensions and other postretirement benefits, termination benefits and other changes.

The key amendments include:

- Requiring the recognition of changes in the net defined benefit liability (asset), including immediate recognition of defined-benefit cost, disaggregation of defined-benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing IAS 19).
- Introducing enhanced disclosures about defined-benefit plans.
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment, which affects the recognition and measurement of termination benefits.
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs, and risk-sharing and conditional indexation features.
- Incorporating other matters submitted to the IFRS Interpretations Committee.

The revised standard is effective for the group for the financial year commencing 1 January 2013. The group is evaluating the impact of this standard on the group financial statements.

IAS 27 Separate Financial Statements (2011)

The amended version of IAS 27 deals with the requirements for separate financial statements. The standard requires that, when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost or in accordance with IFRS 9 Financial Instruments. The standard also deals with the recognition of dividends and certain group reorganisations, and includes related disclosure requirements.

The amendment to this standard is required to be adopted in conjunction with the consolidation suite of standards noted in 2.1.

IAS 28 Investments in Associates and Joint Ventures (2011)

This standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures be tested for impairment.

The revised standard is effective for the group for the financial year commencing 1 January 2013. The group is in the process of evaluating the impact of this standard on the group financial statements.

IAS 32 Financial Instruments: Presentation and IFRS 7: Financial Instruments: Disclosure

The amendment of IAS 32 Financial Instruments: Presentation of Financial Assets and Financial Liabilities clarifies certain aspects in view of diversity in the application of the requirements on offsetting and focuses on four main areas:

- The meaning of 'currently has a legally enforceable right of setoff'.
- The application of simultaneous realisation and settlement.
- The offsetting of collateral amounts.
- The unit of account for applying the offsetting requirements.

The amendment of IFRS 7 requires disclosure of amounts set off in the financial statement and requires disclosure of information about recognised financial instruments, subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.

The revised standard (IAS 32) is effective for the group for the financial year commencing 1 January 2014, with certain additional disclosures (IFRS 7) being required from 1 January 2013. The group is in the process of evaluating the impact of this standard on the group financial statements.

IASB annual improvement project

As part of its fifth annual improvement project the IASB has issued its 2012 edition of improvements. The annual improvement project aims to clarify and improve the current accounting standards.
The improvements include items involving terminology or editorial changes, with minimal effect on recognition and measurement.

There are no significant changes from the improvement project for the current year that will affect the group. The 2012 improvements are effective for the group commencing 1 January 2013.

2.3 Standards and interpretations adopted in the current year

2.3.1 Revised standards

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

IFRS 7 Financial Instruments: Disclosures

The following amendments were made to IFRS 7 during 2011:

- Clarification of certain qualitative and quantitative disclosures relating to the nature and extent of risks.
- Additional disclosure requirements relating to the transfer of financial assets. These amendments were to address disclosure in the annual financial statements and therefore did not affect the financial position of the group.

IASB annual improvement project

As part of its fifth annual improvement project the IASB has issued its 2011 edition of improvements. The annual improvement project aims to clarify and improve the current accounting standards.

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

There are no significant changes from the improvement that affected the group.

3 Key assumptions concerning the future and key sources of estimation

The group's accounting policies are set out in note 1 of the annual financial statements. Certain of these policies, as well as estimates made by management, are considered to be important to an understanding of the group's financial condition since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. The following accounting policies include estimates that are particularly sensitive in terms of judgements and the extent to which estimates are used. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has agreed the accounting policies and critical accounting estimates with the board and Nedbank Group Audit Committee.

3.1 Allowances for loan impairment and other credit risk provisions

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

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

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

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

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

3.2 Fair value of financial instruments

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

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

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

Details of the processes, procedures and assumptions used in the determination of fair value are discussed in note 6.1 to the financial statements.

3.3 Derecognition, securitisations and special-purpose entities

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

The group sponsors the formation of SPEs primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions, for asset financing and for buying or selling credit protection. The group consolidates SPEs it controls in terms of IFRS guidance. Where it is difficult to determine whether the group controls an SPE, the group makes judgements, in terms of IFRS guidance, about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question. In arriving at judgements, these factors are considered both jointly and separately. Further information in respect of those securitisations, consolidated into the group financial statements, can be found in note 45 to the financial statements.

3.4 Goodwill

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

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

The most significant amount of goodwill relates to Nedbank Ltd. The goodwill impairment testing performed in 2012 indicated that none of the goodwill was impaired in the year under review. Management believes that reasonable changes in key assumptions used to determine the recoverable amount of Nedbank Ltd's goodwill would not result in impairment.

Further information in respect of goodwill recognised in the statement of financial position can be found in note 36 to the financial statements.

3.5 Intangible assets

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

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

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

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

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

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

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

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

3.6 Employee benefits

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

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

The actuarial valuation is dependent on a series of assumptions, the key ones being interest rates, mortality, investment returns and inflation. Mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the group's own experience. The returns on fixed-interest investments are set to market yields at the valuation date (less an allowance for risk) to ensure consistency with the asset valuation. The returns on equities are based on the long-term outlook for global equities at the calculation date, having regard to current market yields and dividend growth expectations.

The inflation assumption reflects long-term expectations of both earnings and retail price inflation.

The group's IAS 19 pension surplus across all pension and postretirement schemes at 31 December 2012 was a surplus of R853m (2011: R924m). This comprises net recognised assets of R1 063m (2011: R950m) and unrecognised actuarial gains of R210m (2011: R26m). The group's IAS 19 pension asset in respect of its main SA scheme at 31 December 2012 was R1 062m (2011: R952m).

If the group had increased/decreased the assumption relating to the discount rate by 1% in respect of the significant postretirement and pension funds, the result would have been a decrease/increase of R10m (2011: R26m) in the net funded position of the relevant funds. If the group had increased/decreased the assumption relating to the expected return on plan assets by 1% in respect of the significant postretirement and pension funds, the result would have been an increase of R51m (2011: R49m) of the net pension cost.

The group's IAS 19 postretirement medical aid obligation across all schemes at 31 December 2012 was a deficit of R730m (2011: R652m). This comprises recognised liabilities of R494m (2011: R396m) and unrecognised actuarial losses of R236m (2011: R256m).

If the group had increased/decreased the assumption relating to the medical cost trend rate by 1% in respect of the postretirement medical aid schemes, the result would have been an increase/decrease of R237m and R193m respectively (2011 an increase/decrease of R204m and R169m respectively) in the net unfunded position of the relevant funds. It would have increased/decreased the postretirement medical aid expense by an equal amount of R34m and R27m respectively (2011 an increase/decrease of R28m and R22m respectively).

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

3.7 Income taxes

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

3.8 Financial risk management

The group's risk management policies and procedures are disclosed in the Risk and Balance Sheet Management Review on pages 172 to 239. These risk management procedures include, but are not limited to, credit risk, securitisation risk, liquidity risk, interest rate risk in the banking book and market risk.

4. CAPITAL MANAGEMENT

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

A board-approved Solvency and Capital Management policy requires Nedbank Group to be capitalised at the greater of Basel II.5 regulatory capital and economic capital.

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

Capital, reserves and long-term debt instruments

The group's capital management framework, policies and processes cover the group's capital and reserves as per the group statement of changes in equity on pages 58 and 59 as well as the long-term debt instruments per note 41 on page 143.

Further details on the ERMF, capital management and regulatory requirements are disclosed in the Risk and Balance Sheet Management Review on pages 172 to 239 which is unaudited, unless stated otherwise.

5 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS

		At fair value through profit or loss							
2012	Notes	Total Rm	Held for trading Rm	De-signated* Rm	Available-for-sale financial assets Rm	Held-to-maturity invest-ments Rm	Loans and receivables Rm	Financial liabilities at amortised cost Rm	Non-financial assets, liabilities and equity Rm
Assets									
Cash and cash equivalents	21	12 587					12 587		
Other short-term securities	22	37 575	10 390	10 760		16 425			
Derivative financial instruments	23	14 660	14 660						
Government and other securities	25	26 194	4 601	9 709	1 503	8 306	2 075		
Loans and advances	26	520 116	26 840	55 021			438 255		
Other assets	28	4 528		301			4 227		
Current taxation receivable		241							241
Investment securities	29	3 196	867	1 895	434				
Non-current assets held for sale	31	508							508
Investments in associate companies and joint ventures	30	665		636					29
Deferred taxation assets	32	222							222
Investment property	33	84							84
Property and equipment	34	6 171							6 171
Long-term employee benefit assets	35	2 153							2 153
Mandatory reserve deposits with central bank	21	12 641					12 641		
Intangible assets	36	3 830							3 830
Total assets		645 371	57 358	78 322	1 937	24 731	469 785	–	13 238
Equity and liabilities									
Ordinary share capital	38.1	27							27
Ordinary share premium		17 422							17 422
Reserves		26 463							26 463
Total equity attributable to equity holders of the parent		43 912	–	–	–	–	–	–	43 912
Preference share capital and premium	38.2	3 561							3 561
Non-controlling interest attributable to: – ordinary shareholders		142							142
Total equity		47 615	–	–	–	–	–	–	47 615
Derivative financial instruments	23	13 475	13 475						
Amounts owed to depositors	39	542 671	55 821	78 360				408 490	
Provisions and other liabilities	40	9 273	2 303					6 970	
Current taxation liabilities		67							67
Other liabilities held for sale	31	36							36
Deferred taxation liabilities	32	355							355
Long-term employee benefit liabilities	35	1 584							1 584
Long-term debt instruments	41	30 295		5 630				24 665	
Total liabilities		597 756	71 599	83 990	–	–	–	440 125	2 042
Total equity and liabilities		645 371	71 599	83 990	–	–	–	440 125	49 657

2011	Notes	Total Rm	At fair value through profit or loss: Held for trading Rm	De-signated* Rm	Available-for-sale financial assets Rm	Held-to-maturity invest-ments Rm	Loans and receivables Rm	Financial liabilities at amortised cost Rm	Non-financial assets, liabilities and equity Rm
Assets									
Cash and cash equivalents	21	11 514					11 514		
Other short-term securities	22	31 715	8 287	23 428					
Derivative financial instruments	23	14 314	14 314						
Government and other securities	25	29 991	4 511	12 187	1 503	7 880	3 910		
Loans and advances**+	26	493 107	17 482	48 957			426 668		
Other assets	28	3 989		873			3 116		
Current taxation receivable		629							629
Investment securities	29	3 549	693	2 358	498				
Non-current assets held for sale	31	8							8
Investments in associate companies and joint ventures	30	565		545					20
Deferred taxation assets	32	66							66
Investment property	33	488							488
Property and equipment	34	6 082							6 082
Long-term employee benefit assets	35	2 027							2 027
Mandatory reserve deposits with central bank	21	11 862					11 862		
Intangible assets	36	3 634							3 634
Total assets		613 540	45 287	88 348	2 001	7 880	457 070	–	12 954
Equity and liabilities									
Ordinary share capital	38.1	27							27
Ordinary share premium		14 422							14 422
Reserves		24 856							24 856
Total equity attributable to equity holders of the parent		39 305	–	–	–	–	–	–	39 305
Preference share capital and premium	38.2	3 561							3 561
Non-controlling interest attributable to:									
– ordinary shareholders		121							121
Total equity		42 987	–	–	–	–	–	–	42 987
Derivative financial instruments	23	13 791	13 791						
Amounts owed to depositors**+	39	516 540	38 279	85 912				392 349	
Provisions and other liabilities	40	8 286	2 401					5 885	
Current taxation liabilities		27							27
Deferred taxation liabilities	32	997							997
Long-term employee benefit liabilities	35	1 473							1 473
Long-term debt instruments	41	29 439		6 332				23 107	
Total liabilities		570 553	54 471	92 244	–	–	–	421 341	2 497
Total equity and liabilities		613 540	54 471	92 244	–	–	–	421 341	45 484

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

** *Reclassified. Refer note 53.*

\+ *As disclosed in note 53 the group has included clients' indebtedness for acceptances in loans and advances and liabilities under acceptances in amounts owed to depositors as a reclassification. These amounts have been included in loans and receivables and financial liabilities at amortised cost respectively in the categorised statement of financial position.*

6 FAIR-VALUE MEASUREMENT
6.1 Valuation of financial instruments

Background

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

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

Control environment

- ☐ Validation and approval
  The business unit entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are normalised review protocols for the independent review and validation of fair values separate from the business unit entering into the transaction. These include, but are not limited to:
  - daily controls over the profit or loss recorded by trading and treasury frontoffice traders;
  - specific controls to ensure consistent pricing policies and procedures are adhered to;
  - independent valuation of structures, products and trades; and
  - periodic review of all elements of the modelling process.

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

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

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

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

- ☐ Stress testing and sensitivity measures
  Comprehensive stress testing is conducted by the group, in which the following, at a minimum, are considered:
  - anticipated future projected trading positions;
  - historical events;
  - scenario testing to evaluate plausible future events; and
  - specific testing to supplement the value at risk (VaR) methodology (ie one-day holding period and 99% confidence interval).

For further discussion in respect of stress testing and sensitivity measures Refer note 6.6.

Valuation methodologies

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

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

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

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

- ☐ Valuation techniques
  If the market for a financial instrument is not active, the group establishes fair value by using various valuation techniques. These valuation techniques may include:
  - using recent arm's length market transactions between knowledgeable, willing parties;
  - reference to the current fair value of another instrument that is substantially of the same in nature;
  - reference to the value of the net asset of the underlying business;
  - earnings multiples;
  - discounted-cashflow analysis; and
  - various option pricing models.

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

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

Fair value is therefore estimated on the basis of the results of a valuation technique that makes maximum use of market inputs and relies as little as possible on entity-specific inputs. A valuation technique would be expected to arrive at a realistic estimate of the fair value if:
- it reasonably reflects how the market could be expected to price the instrument; and
- the inputs to the valuation technique reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Therefore, a valuation technique:
(a) will incorporate all relevant factors that market participants would consider in determining a price; and
(b) is consistent with accepted economic methodologies for pricing financial instruments.

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

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

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

Observable markets
Quoted market prices in active markets are the best evidence of fair value and are used as the basis of measurement, if available. A determination of what constitutes 'observable market data' will necessitate significant judgement. It is the group's belief that 'observable market data' comprises, in the following hierarchical order:
- prices or quotes from an exchange or listed markets in which there are sufficient liquidity and activity;
- proxy observable market data that is proven to be highly correlated and has a logical, economic relationship with the instrument that is being valued; and
- other direct and indirect market inputs that are observable in the marketplace.

Data is considered by the group to be 'observable' if the data is:
- verifiable;
- readily available;
- regularly distributed;
- from multiple independent sources;
- transparent; and
- not proprietary.

Data is considered by the group to be 'market-based' if the data is:
- reliable;
- based on consensus within reasonable narrow, observable ranges;
- provided by sources that are actively involved in the relevant market; and
- supported by actual market transactions.

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

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

- Discount rate: Where discounted-cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate used is a market rate at the reporting date for an instrument with similar terms and conditions.
- The time value of money: The business may use well-accepted and readily observable general interest rates, such as the Johannesburg Interbank Agreed Rate (SA), London Interbank Offered Rate (UK) or an appropriate swap rate, as the benchmark rate to derive the present value of a future cashflow.
- Credit risk: Credit risk is the risk of loss associated with a counterparty's failure or inability to fulfil its contractual obligations. The valuation of the relevant financial instrument takes into account the effect of credit risk on fair value by including an appropriate adjustment for the risk taken.
- Foreign currency exchange prices: Active currency exchange markets exist for most major currencies, and prices are quoted daily on various trading platforms and in financial publications.
- Commodity prices: Observable market prices are available for those commodities that are actively traded on exchanges in SA, London, New York, Chicago and other commercial exchanges.
- Equity prices: Prices (and indices of prices) of traded equity instruments are readily observable on JSE Ltd or any other recognised international exchange. Present value techniques may be used to estimate the current market price of equity instruments for which there are no observable prices.
- Volatility: Measures of the volatility of actively traded items can be reasonably estimated by the implied volatility in current market prices. The shape and skew of the volatility curve is derived from a combination of observed trades and doubles in the market. In the absence of an active market, a methodology to derive these volatilities from observable market data will be developed and utilised.
- Recovery rates/Loss given default: These are used as an input to valuation models as an indicator of the severity of losses on default. Recovery rates are primarily sourced from market data providers or inferred from observable credit spreads.
- Prepayment risk and surrender risk: Expected repayment patterns for financial assets and expected surrender patterns for financial liabilities can be estimated on the basis of historical data.

- Servicing costs: If the cost of servicing a financial asset or financial liability is significant and other market participants would face comparable costs, the issuer would consider them in determining the fair value of that financial asset or financial liability.

6 FAIR-VALUE MEASUREMENT (CONTINUED)

6.1 Valuation of financial instruments (CONTINUED)

- Dividends: Consistent consensus dividend forecasts adjusted for internal investment analysts' projections can be applied to each share. Forecasts are usually available for the current year plus one additional year. Thereafter, a constant growth rate would be applied to the specific dates into the future for each individual share.
- Inception profit (day-one gain or loss): The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (ie the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie without modification or repackaging) or based on a valuation technique, the variables of which include data from observable markets only.

Valuation adjustments

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

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

Valuation techniques by instrument

- Other short-term securities and government and other securities

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

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

- Derivative financial instruments

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

- Loans and advances

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

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

- Investment securities

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

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

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

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

- Other assets

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

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

- Amounts owed to depositors
  Amounts owed to depositors include deposits under repurchase agreements, negotiable certificates of deposit and other deposits. These instruments incorporate all market risk factors, including a measure of the group's credit risk relevant for that financial liability when designated at fair value through profit or loss.

  The fair value of these financial liabilities is determined by discounting the contractual cashflows using a Nedbank Ltd-specific credit-adjusted yield curve that reflects the level at which the group would issue similar instruments at the reporting date. The market risk parameters are valued consistently to similar instruments held as assets.

  The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. When the fair value of a financial liability cannot be reliably determined, the liability is recorded at the amount due. Fair value is considered reliably measurable if:
  - the variability in the range of reasonable fair value estimates is not significant for that instrument; or
  - the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

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

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

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

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

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

6 FAIR-VALUE MEASUREMENT (CONTINUED)

6.2.1 Financial assets

Rm	Notes	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value
2012		632 133	494 516	137 617
Cash and cash equivalents	21	25 228	25 228	–
Other short-term securities	22	37 575	16 425	21 150
Derivative financial instruments	23	14 660		14 660
Government and other securities	25	26 194	10 381	15 813
Loans and advances	26	520 116	438 255	81 861
Other assets	28	4 528	4 227	301
Investments in associate companies and joint ventures	30	636		636
Investment securities	29	3 196		3 196
2011		600 586	464 950	135 636
Cash and cash equivalents	21	23 376	23 376	–
Other short-term securities	22	31 715		31 715
Derivative financial instruments	23	14 314		14 314
Government and other securities	25	29 991	11 790	18 201
Loans and advances*	26	493 107	426 668	66 439
Other assets	28	3 989	3 116	873
Investments in associate companies and joint ventures	30	545		545
Investment securities	29	3 549		3 549

Summary of fair value hierarchies

Rm	Total financial assets recognised at fair value 2012	2011
Other short-term securities	21 150	31 715
Derivative financial instruments	14 660	14 314
Government and other securities	15 813	18 201
Loans and advances*	81 861	66 439
Other assets	301	873
Investments in associate companies and joint ventures	636	545
Investment securities	1 345	3 549
	135 766	135 636

Reconciliation to categorised statement of financial position

Rm
Level 1
Level 2
Level 3

Reconciliation to statement of financial position

Rm	
Total financial assets	5
Total non-financial assets	5
Total assets	

* *2011 reclassified. Refer note 53.*

	Held for trading			Designated at fair value through profit or loss			Available for sale		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	4 226	53 111	21	4 998	71 247	2 077	1 816	121	–
		10 390		479	10 281				
	6	14 654							
	4 220	381		3 992	5 717		1 458	45	
		26 840		1	54 903	117			
					301				
						636			
		846	21	526	45	1 324	358	76	
	2 447	42 781	59	10 984	75 406	1 958	1 573	428	–
		8 287		436	22 992				
	1	14 284	29						
	2 446	2 065		9 505	2 682		1 092	411	
		17 479	3		48 869	88			
				252	621				
						545			
		666	27	791	242	1 325	481	17	

	Total financial assets classified at level 1		Total financial assets classified at level 2		Total financial assets classified at level 3	
	2012	2011	2012	2011	2012	2011
	479	436	20 671	31 279		
	6	1	14 654	14 284		29
	9 670	13 043	6 143	5 158		
	1		81 743	66 348	117	91
		252	301	621		
					636	545
		1 272		925	1 345	1 352
	10 156	15 004	123 512	118 615	2 098	2 017

	Held for trading		Designated at fair value through profit or loss		Available for sale	
	2012	2011	2012	2011	2012	2011
	4 226	2 447	4 998	10 984	1 816	1 573
	53 111	42 781	71 247	75 406	121	428
	21	59	2 077	1 958		
	57 358	45 287	78 322	88 348	1 937	2 001

	2012	2011
	632 133	600 586
	13 238	12 954
	645 371	613 540

6 FAIR-VALUE MEASUREMENT (CONTINUED)

6.2 Fair value hierarchy (CONTINUED)

6.2.2 Financial liabilities

Rm	Notes	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
2012		**595 714**	**440 125**	**155 589**
Derivative financial instruments	23	13 475		13 475
Amounts owed to depositors	39	542 671	408 490	134 181
Provisions and other liabilities	40	9 273	6 970	2 303
Long term debt instruments	41	30 295	24 665	5 630
2011		568 056	421 341	146 715
Derivative financial instruments	23	13 791		13 791
Amounts owed to depositors*	39	516 540	392 349	124 191
Provisions and other liabilities	40	8 286	5 885	2 401
Long-term debt instruments	41	29 439	23 107	6 332

Summary of fair value hierarchies

Rm	Total financial liabilities recognised at fair value 2012	2011
Derivative financial instruments	13 475	13 791
Amounts owed to depositors*	134 181	124 191
Provisions and other liabilities	2 303	2 401
Long-term debt instruments	5 630	6 332
	155 589	146 715

Reconciliation to categorised statement of financial position

Rm
Level 1
Level 2
Level 3

Reconciliation to statement of financial position

Rm	
Total financial liabilities	5
Total equity and non-financial liabilities	5
Total equity and liabilities	

* *2011 reclassified. Refer note 53.*

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

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

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

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

6.3 Details of changes in valuation techniques

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

6.4 Significant transfers between level 1 and level 2

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

	Held for trading			Designated at fair value through profit or loss		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	2 249	69 349	1	5 447	78 543	–
	1	13 473	1			
		55 821			78 360	
	2 248	55				
				5 447	183	
	2 350	52 116	5	6 156	86 088	–
	6	13 780	5			
		38 279			85 912	
	2 344	57				
				6 156	176	

	Total financial liabilities classified at level 1		Total financial liabilities classified at level 2		Total financial liabilities classified at level 3	
	2012	2011	2012	2011	2012	2011
	1	6	13 473	13 780	1	5
			134 181	124 191		
	2 248	2 344	55	57		
	5 447	6 156	183	176		
	7 696	8 506	147 892	138 204	1	5

	Held for trading		Designated at fair value through profit or loss	
	2012	2011	2012	2011
	2 249	2 350	5 447	6 156
	69 349	52 116	78 543	86 088
	1	5		
	71 599	54 471	83 990	92 244

	2012	2011
	595 714	568 056
	49 657	45 484
	645 371	613 540

6 FAIR VALUE MEASUREMENT (CONTINUED)

6.5 Level 3 reconciliation

Assets

Rm	Opening balance at 1 January	Gains/(losses) in profit for the year*	Gains in other comprehensive income for the year*
2012			
Held for trading	59	(1)	1
Derivative financial instruments	29		
Loans and advances	3		
Investment securities	27	(1)	1
Designated as at fair value	1958	(2)	–
Investments in associate companies and joint ventures	545	(106)	
Loans and advances	88	29	
Investment securities	1325	75	
Total financial assets classified at level 3	2 017	(3)	1

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

** *Transfers out represent financial assets that have been moved to the level 2 category where valuation techniques have changed as more observable and relevant market information became available.*

*** *Transfers in represent financial assets which have been moved into the level 3 category where observable inputs and relevant market information became less available.*

Rm	Opening balance at 1 January	Gains/(losses) in profit for the year*	Gains in other comprehensive income for the year*
2011			
Held for trading	397	43	10
Derivative financial instruments		29	
Government and other securities	47		6
Loans and advances	36		3
Investment securities	314	14	1
Designated as at fair value	2 175	(86)	–
Investments in associate companies and joint ventures	912	(150)	
Loans and advances		12	
Investment securities	1 263	52	
Total financial assets classified at level 3	2 572	(43)	10

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

** *Transfers out represent financial assets that have been moved to the level 2 category where valuation techniques have changed as more observable and relevant market information became available.*

*** *Transfers in represent financial assets which have been moved into the level 3 category where observable inputs and relevant market information became less available.*

Purchases and issues	Sales and settlements	Transfers in***	Transfers out**	Closing balance at 31 December
–	(38)	–	–	21
	(29)			–
	(3)			–
	(6)			21
324	(203)	–	–	2 077
275	(78)			636
				117
49	(125)			1 324
324	(241)	–	–	2 098

Purchases and issues	Sales and settlements	Transfers in	Transfers out**	Closing balance at 31 December
11	(89)	–	(313)	59
				29
	(53)			–
	(36)			3
11			(313)	27
279	(486)	76	–	1 958
105	(322)			545
		76		88
174	(164)			1 325
290	(575)	76	(313)	2 017

6 FAIR-VALUE MEASUREMENT (CONTINUED)

6.5 Level 3 reconciliation (CONTINUED)

Liabilities

Rm	Opening balance at 1 January	Gains/(losses) in profit for the year*	Gains in other comprehensive income for the year*
2012			
Held for trading	5	(8)	–
Derivative financial instruments	5	(8)	
Total financial liabilities classified at level 3	5	(8)	–

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

Rm	Opening balance at 1 January	Gains/(losses) in profit for the year*	Gains in other comprehensive income for the year*
2011			
Held for trading	10	(13)	13
Derivative financial instruments	10	(13)	13
Total financial liabilities classified at level 3	10	(13)	13

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

Purchases and issues	Sales and settlements	Transfers in	Transfers out	Closing balance at 31 December
–	4	–	–	1
	4			1
–	4	–	–	1

Purchases and issues	Sales and settlements	Transfers in	Transfers out	Closing balance at 31 December
–	(5)	–	–	5
	(5)			5
–	(5)	–	–	5

6 FAIR-VALUE MEASUREMENT (CONTINUED)

6.6 Fair-value measurement

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

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

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

2012	Principal assumption stressed	Stress parameters %	Statement of financial position value Rm	Favourable change in fair value due to stress test Rm	Unfavourable change in fair value due to stress test Rm
Assets					
Loans and advances	Confidence levels, income volatility and spot rates	between (14) and 14	117	13	(16)
Investment securities	Valuation multiples, correlations, volatilities and credit spreads	between (25) and 25	1 345	127	(156)
Investments in associate companies and joint ventures	Valuation multiples	between (11) and 11	636	70	(70)
Total financial assets classified at level 3			2 098	210	(242)
Liabilities					
Derivative financial instruments	Correlations, volatilities and credit spreads	between (25) and 25	1	*	*
2011					
Assets					
Derivative assets	Confidence levels, Income volatilities and spot rates	between (13) and 13	29	3	(4)
Loans and advances	Credit spreads	between (25) and 25	91	9	(11)
Investments in associate companies and joint ventures	Valuation multiples	between (10) and 10	545	52	(52)
Investment securities	Correlations, volatilities and credit spreads	between (20) and 20	1 352	115	(145)
Total financial assets classified at level 3			2 017	179	(212)
Liabilities					
Derivative financial instruments	Correlations, volatilities and credit spreads	between (33) and 33	5	*	*

* *Represents amounts less than R1m.*

6.7 Fair value approximates carrying value

Certain financial instruments of the group are not carried at fair value, including those categorised as held to maturity, loans and receivables, and other financial assets and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments incorporates the group's best estimate of the value at which these financial assets could be exchanged, or financial liabilities settled, between knowledgeable, willing parties in an arm's length transaction. The group's estimate of what fair value is does not necessarily represent what it would be able to sell the asset for in a sale situation or settle the respective financial liability.

Fair values at the reporting date of these respective financial instruments detailed below are estimated only for the purpose of IFRS disclosure, as follows:

Loans and advances

Loans and advances, recognised in note 26, that are not recognised at fair value, principally comprise variable-rate financial assets. The interest rates on these variable rate-financial assets are adjusted when the applicable benchmark interest rate changes.

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

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

The group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cashflows per product type. Future cashflows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Methodologies and models are updated on a continuous basis for changes in assumptions, forecasts and modelling techniques. Future forecasts of the group's probability of default (PDs) and loss given defaults (LGDs) for periods 2013 to 2015 (2011: for periods 2012 to 2014) are based on the latest available internal data and is applied to the first three years' projected cashflows. Thereafter, PDs and LGDs are gradually reverted to their long-run averages and are applied to the remaining projected cashflows. Inputs into the model include various assumptions utilised in the pricing of loans and advances. The determination of such inputs is highly subjective and therefore any change to one or more of the assumptions may result in a significant change in the determination of the fair value of loans and advances.

The results of these fair value calculations are summarised below:

	2012	2011
Positive scenario (%)	(0,58)	(0,72)
Base scenario (%)	(0,90)	(1,14)
Mild-risk scenario (%)	(1,54)	(1,75)

The table above indicates the differential between the fair value of performing loans and advances and the carrying value thereof. The scenarios are based on the group's assessment of future economic developments. Positive percentages (without brackets) indicate that the fair value of the performing loans and advances is greater than the carrying value. Similarly, negative percentages (included in brackets) indicate that the fair value of the performing loans and advances is less than its carrying value.

In the current year under review, the current carrying value of the loans and advances is greater than the calculated fair value. Loans and advances granted in prior periods, which are still performing, were priced at lower contractual interest rates compared to the higher pricing that loans and advances are currently contracted at within current circumstances. The estimated cash flows on the prior period underlying loans and advances are thus discounted at a higher rate to determine the fair value, compared to the lower contractual rate at inception date, resulting in a lower fair value than the current carrying value.

The group is of the opinion that the carrying value of loans and advances approximates fair value.

Government and other securities

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

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

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

6 FAIR-VALUE MEASUREMENT (CONTINUED)

6.7 Fair value approximates carrying value (CONTINUED)

Amounts owed to depositors

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

Long-term debt instruments

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

7 LIQUIDITY GAP

Rm	> 3 months	> 3 months > 6 months	> 6 months > 1 year	> 1 year > 5 years	> 5 years	Non-determined	Total
2012							
Cash and cash equivalents (including mandatory reserve deposits with central bank)	25 228						25 228
Other short-term securities	13 746	8 516	13 348	1 965			37 575
Derivative financial instruments	1 415	824	1 475	5 089	5 857		14 660
Government and other securities	4 022	2 305	428	6 662	12 777		26 194
Loans and advances	116 608	19 581	36 129	191 975	155 823		520 116
Other assets						21 598	21 598
	161 019	31 226	51 380	205 691	174 457	21 598	645 371
Total equity						47 615	47 615
Derivative financial instruments	257	338	744	4 781	7 355		13 475
Amounts owed to depositors	382 135	46 185	37 551	72 600	4 200		542 671
Provisions and other liabilities						11 315	11 315
Long-term debt instruments	1 903	1 592	1 937	21 098	3 765		30 295
	384 295	48 115	40 232	98 479	15 320	58 930	645 371
Net liquidity gap	(223 276)	(16 889)	11 148	107 212	159 137	(37 332)	–
2011							
Cash and cash equivalents (including mandatory reserve deposits with central bank)	23 376						23 376
Other short-term securities	14 623	7 213	7 024	2 855			31 715
Derivative financial instruments	2 536	891	2 858	3 907	4 122		14 314
Government and other securities	1 314	796	1 006	17 439	9 436		29 991
Loans and advances*	95 805	21 107	34 534	177 785	163 876		493 107
Other assets*						21 037	21 037
	137 654	30 007	45 422	201 986	177 434	21 037	613 540
Total equity						42 987	42 987
Derivative financial instruments	1 703	775	1 084	4 209	6 020		13 791
Amounts owed to depositors*	378 587	39 597	48 210	46 368	3 778		516 540
Provisions and other liabilities*						10 783	10 783
Long-term debt instruments	671		3 789	18 861	6 118		29 439
	380 961	40 372	53 083	69 438	15 916	53 770	613 540
Net liquidity gap	(243 307)	(10 365)	(7 661)	132 548	161 518	(32 733)	–

* *Reclassified. Refer note 53.*

This note has been prepared on a contractual maturity basis.

8 CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

Rm	Statement of financial position amount	> 3 months	> 3 months > 6 months	> 6 months > 1 year	> 1 year > 5 years	> 5 years	Non-deter-minable maturity	Total
2012								
Long-term debt instruments	30 295	2 498	1 842	2 846	25 058	4 319		36 563
Amounts owed to depositors	542 672	385 518	48 339	40 175	77 040	4 245	–	555 317
Current accounts	53 549	53 550						53 550
Savings deposits	9 207	9 207						9 207
Other deposits and loan accounts	378 989	275 453	29 979	21 192	54 090	4 245		384 959
Foreign currency liabilities	9 652	7 993		1 022	638			9 653
Negotiable certificates of deposit	74 714	22 749	18 360	17 961	22 312			81 382
Deposits received under repurchase agreements	16 561	16 566						16 566
Derivative financial instruments – liabilities	13 475	257	338	744	4 781	7 356		13 476
Provisions and other liabilities	11 314						11 315	11 315
	597 756	388 273	50 519	43 765	106 879	15 920	11 315	616 671
Guarantees on behalf of clients	34 155	34 155						34 155
Confirmed letters of credit and discounting transactions	2 422	2 422						2 422
Unutilised facilities and other	82 585	82 585						82 585
	119 162	119 162	–	–	–	–	–	119 162
2011								
Long-term debt instruments	29 439	1 342	265	4 806	24 262	6 962		37 637
Amounts owed to depositors	513 609	382 251	41 816	50 874	50 294	3 886	–	529 121
Current accounts	49 298	49 299						49 299
Savings deposits	8 996	8 996						8 996
Other deposits and loan accounts*	334 839	268 027	21 188	19 490	30 694	3 872		343 271
Foreign currency liabilities	8 931	8 931						8 931
Negotiable certificates of deposit	96 523	31 973	20 628	31 384	19 600	14		103 599
Deposits received under repurchase agreements	15 022	15 025						15 025
Derivative financial instruments – liabilities	13 791	1 703	775	1 084	4 209	6 020		13 791
Provisions and other liabilities*	13 714						10 783	10 783
	570 553	385 296	42 856	56 764	78 765	16 868	10 783	591 332
Guarantees on behalf of clients	27 763	27 763						27 763
Confirmed letters of credit and discounting transactions	2 389	2 389						2 389
Unutilised facilities and other	76 347	76 347						76 347
	106 499	106 499	–	–	–	–	–	106 499

* *Reclassified. Refer note 53.*

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

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

	2012				2011			
Rm	Average	Minimum	Maximum	Year-end	Average	Minimum	Maximum	Year-end
Foreign exchange	4,4	0,8	15,3	1,9	3,5	0,7	13,6	3,9
Interest rate	8,8	4,7	15,9	5,1	9,0	5,1	14,6	5,1
Equity products								
Credit	2,6	1,5	4,2	3,1	2,7	1,3	4,0	2,3
Commodity	0,9	0,1	3,1	0,6	0,3		1,1	0,8
Diversification	(4,5)			(3,1)	(4,5)			(4,6)
Total VAR exposure	12,2	5,6	28,0	7,6	11,0	5,5	19,3	7,5

See pages 228 to 230 of the Risk and Balance Sheet Management Review for information on the group trading book VAR and the comparison of trading VAR.

10 INTEREST RATE REPRICING GAP

Rm	> 3 months	> 3 months > 6 months	> 6 months > 1 year	> 1 year > 5 years	> 5 years	Trading, non-rate and foreign	Total
2012							
Total assets	449 547	15 286	17 768	44 769	18 286	99 715	645 371
Total equity and liabilities	411 425	27 222	22 584	17 562	2 429	164 149	645 371
Interest rate hedging activities	5 296	21 939	13 227	(28 181)	(12 281)		–
Repricing profile	43 418	10 003	8 411	(974)	3 576	(64 434)	–
Cumulative repricing profile	43 418	53 421	61 832	60 858	64 434		
Expressed as a percentage of total assets	6,7	8,3	9,6	9,4	10,0		
2011							
Total assets	468 572	8 581	6 254	35 771	14 853	79 509	613 540
Total equity and liabilities	397 125	29 283	24 459	18 920	1 931	141 822	613 540
Interest rate hedging activities	(2 970)	18 795	13 612	(16 780)	(12 657)		–
Repricing profile	68 477	(1 907)	(4 593)	71	265	(62 313)	–
Cumulative repricing profile	68 477	66 570	61 977	62 048	62 313		
Expressed as a percentage of total assets	11,2	10,9	10,1	10,1	10,2		

Refer to pages 224 to 225 of the Risk and Balance Sheet Management Review for information on interest rate risk in the banking book.

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

Credit ratings

	Investment grade		Subinvestment grade		Not rated		Total	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Other short-term securities	37 211	31 391	227	202	137	122	37 575	31 715
Negotiable certificates of deposit	9 983	7 103					9 983	7 103
Treasury bills and other	27 228	24 288	227	202	137	122	27 592	24 612
Government and other securities	25 020	29 294	1 174	697	–	–	26 194	29 991
Government and government-guaranteed securities	12 698	17 890	13	17			12 711	17 907
Other dated securities	12 322	11 404	1 161	680			13 483	12 084
	62 231	60 685	1 401	899	137	122	63 769	61 706

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

12 INTEREST AND SIMILAR INCOME

	2012 Rm	2011 Rm
Home loans (including properties in possession)*	9 905	10 378
Commercial mortgages*	7 875	7 718
Finance lease and instalment debtors	7 213	7 001
Credit cards	1 311	1 165
Overdrafts	1 092	1 048
Term loans and other	10 590	9 966
Government and other securities	3 340	3 064
Short-term funds and securities	1 574	1 077
	42 900	41 417
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments not at fair value through profit and loss	36 683	35 401
– Interest and similar income from financial instruments at fair value through profit or loss	6 217	6 016
	42 900	41 417

* 2011 Reclassified. Refer note 26.1.

13 INTEREST EXPENSE AND SIMILAR CHARGES

	2012 Rm	2011 Rm
Deposit and loan accounts	13 892	12 719
Current and savings accounts	564	607
Negotiable certificates of deposit	5 760	7 065
Other liabilities	1 369	1 297
Long-term debt instruments	2 517	2 431
	24 102	24 119
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	19 350	18 902
– Interest expense and similar charges from financial instruments at fair value through profit or loss	4 752	5 217
	24 102	24 119

An unaudited margin analysis of the interest income and interest expense by asset and liability category is presented as additional financial information of the Nedbank Group Ltd Integrated Report.

14 NON-INTEREST REVENUE

	2012 Rm	2011 Rm
Commission and fee income**	11 026	9 726
Administration fees	534	492
Cash-handling fees	744	672
Insurance commission*****	512	404
Exchange commission	319	315
Fees	662	539
Guarantees	152	130
Card income	2 459	2 231
Service charges	3 354	2 993
Other commission	2 290	1 950
Insurance income*****	264	247
Fair-value adjustments (note 14.1)	(266)	(25)
Fair-value adjustments	(245)	24
Fair-value adjustments – own debt	(21)	(49)
Net trading income***	2 541	2 088
Foreign exchange	995	1 062
Debt securities	1 242	646
Equities	281	347
Commodities	23	33
Private equity income****	211	307
Securities dealing – realised	187	97
Securities dealing – unrealised	(49)	(190)
Dividends received from unlisted investments	73	400
Investment income	98	25
Dividends received from unlisted investments	91	15
Long-term-asset sales	7	10
Sundry income	277	187
Rents received	74	11
Rental income from properties in possession	1	1
Other sundry income	202	175
Foreign currency translation movements	*	*
	14 151	12 555

* *Represents amounts less than R1m.*

** *Commission and fee income includes an amount of R nil (2011: R nil) received for trust and fiduciary fees.*

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

**** *Includes revenue relating to certain investments presented as designated as 'at fair value through profit and loss' in terms of IFRS 7: Financial Instruments: Disclosures.*

***** *Revenue earned from insurance dealings during 2011 has been reclassified within Nedbank Retail between insurance commission and insurance income. Total non-interest revenue has not been affected.*

14.1 Analysis of fair-value adjustments

	2012 Rm	2011 Rm
Fair-value adjustments can be analysed as follows:		
– Held for trading	(1 146)	(427)
– Designated as at fair value through profit or loss	880	402
	(266)	(25)

14.2 Government grants

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

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

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

No assistance has been received by the group from any government or government organisation in respect of any troubled asset or financial-crisis-related programme.

15 OPERATING EXPENSES

	2012 Rm	2011 Rm
Staff costs	10 466	9 343
Remuneration and other staff costs	9 003	7 841
Short-term incentives	1 007	1 216
Long-term employee benefits (note 35.2)*	10	26
Share-based payments expense – employees**	446	260
Computer processing	2 308	2 161
Depreciation for computer equipment	351	337
Amortisation of computer software	506	523
Operating lease charges for computer equipment	204	177
Development costs	177	189
Other computer processing expenses	1 070	935
Communication and travel	733	716
Depreciation for vehicles	3	2
Other communication and travel	730	714
Occupation and accommodation	1 411	1 271
Depreciation for owner-occupied land and buildings	130	126
Operating lease charges for land and buildings	586	530
Other occupation and accommodation expenses	695	615
Marketing and public relations	1 231	1 039
Fees and insurances	1 447	1 519
Auditors' remuneration	95	102
Statutory audit – current year	77	79
– prior year	1	1
Non-audit services – other services	18	22
Other fees and insurance costs	1 351	1 417
Furniture, office equipment and consumables	576	484
Depreciation for furniture and other equipment	361	290
Operating lease charge for furniture and other equipment	7	8
Other office equipment and consumables	208	186
Other operating expenses	331	343
Amortisation of intangible assets	1	
Other sundries	330	343
	18 503	16 876

* *Includes contributions to defined-benefit and pension funds and postretirement medical aid funding and any adjustments for defined benefit obligations together with any fair-value adjustments of plan assets held. See note 35.*

** *Excluding amounts related to the group's BEE schemes per note 15.1.*

Certain expenses incurred by the company on behalf of subsidiary companies are recovered from subsidiary companies. Refer to pages 31 to 47 of the Remuneration Report for a detailed breakdown of directors' and prescribed officers' remuneration.

15.1 BEE transaction expenses

	2012 Rm	2011 Rm
BEE share-based payments expenses	36	66
Fees	26	13
	62	79

See note 49 for a description of the BEE schemes.

16 INDIRECT TAXATION

	2012 Rm	2011 Rm
Value-added taxation	387	342
Other transaction taxes	73	71
	460	413

Value-added taxation comprises the portion that is irrecoverable as a result of the interest earned in the SA financial services sector.

17 NON-TRADING AND CAPITAL ITEMS

	2012 Rm	2011 Rm
Profit on sale of subsidiaries and investments	5	
Loss on sale of property and equipment	(2)	
Impairment of property and equipment, and capitalised development costs	(51)	(48)
	(48)	(48)

18 DIRECT TAXATION

18.1 Charge for the year

	2012 Rm	2011 Rm
SA normal taxation:		
– Current charge	2 750	1 979
– Capital gains taxation – deferred	(9)	30
– Deferred taxation	(730)	(452)
Foreign taxation	70	65
Current and deferred taxation on income	2 081	1 622
Prior-year overprovision – current taxation	93	103
Prior-year underprovision – deferred taxation	(93)	(112)
Total taxation on income	2 081	1 613
STC	87	(3)
Taxation on non-trading and capital items	1	
	2 169	1 610

18.2 Taxation rate reconciliation

	2012 %	2011 %
Standard rate of SA normal taxation	28,0	28,0
Non-taxable dividend income	(3,4)	(4,9)
Capital items	(0,6)	(0,6)
Structured deals		(0,3)
Other	1,0	0,3
Effective taxation rate	25,0	22,5

18.3 Income tax recognised in other comprehensive income

	Gross Rm	Taxation Rm	Net of taxation Rm
2012			
Exchange differences on translating foreign operations	35		35
Fair-value adjustments on available-for-sale assets	40	(1)	39
Gains on property revaluations	64	(25)	39
2011			
Exchange differences on translating foreign operations	48		48
Fair-value adjustments on available-for-sale assets	(27)		(27)
Gains on property revaluations	332	(86)	246

18 DIRECT TAXATION (CONTINUED)

18.4 Future taxation relief

The group has estimated taxation losses of R374m (2011: R425m) that can be set off against future taxable income, of which R243m (2011: R256m) has been applied to the deferred taxation balance. Furthermore, the group has no accumulated STC credits at the year-end (2011: R607m), which have arisen as a result of dividends received exceeding dividends paid. No deferred taxation asset has been raised on these STC credits (2011: R61m).

19 EARNINGS

Headline earnings reconciliations

Rm	2012 Gross	2012 Net of taxation	2011 Gross	2011 Net of taxation
Profit attributable to ordinary and preference equity holders		6 438		5 483
Less: Non-trading and capital items	(49)	(50)	(48)	(48)
Loss on sale of subsidiaries, investments and property and equipment	3	2		
Net impairment of investments, property and equipment and capitalised development costs	(51)	(51)	(48)	(48)
Fair-value adjustments of investment properties	(1)	(1)		
Headline earnings attributable to ordinary and preference equity holders		6 488		5 531

20 DIVIDENDS

20.1 Ordinary shares

	Millions of shares	Cents per share	Rm
2012			
Final declared for 2011 – paid 2012	27	7 037	1 900
Interim declared for 2012	27	11 852*	3 200
Ordinary dividends paid 2012		18 889	5 100
2011			
Final declared for 2010 – paid 2011	27	2 130	575
Interim declared for 2011	27	1 667**	450
Ordinary dividends paid 2011		3 797	1 025
Final ordinary dividend declared for 2011		7 037**	

* *Total dividend declared for 2012 = 11 852 cents per share. The final ordinary dividend had not yet been declared by 22 February 2013.*

** *Total dividend declared for 2011 = 8 704 cents per share.*

20.2 Preference shares

	Number of shares	Cents per share	Amount (Rm)
2012			
Nedbank Ltd – Final declared for 2011 – paid March 2012	358 277 491	34,02740	122
Nedbank Ltd – Interim declared for 2012 – paid 29 August 2012	358 277 491	37,29507	134
			256
Nedbank Ltd – Final declared for 2012 – payable March 2013	358 277 491	35,82649	128

Dividends declared calculations	Days	Rate	Amount (Rm)
2012			
Nedbank Ltd			
1 July 2012 – 31 December 2012	184		128,4
1 July 2012 – 19 July 2012	19	7,500%	14,0
20 July 2012 – 31 December 2012	165	7,083%	114,4
Total declared			128,4

	Number of shares	Cents per share	Amount (Rm)
2011			
Nedbank Ltd – Final declared for 2010 – paid March 2011	358 277 491	36,20548	130
Nedbank Ltd – Interim declared for 2011 – paid 29 August 2011	358 277 491	33,47260	120
			250
Nedbank Ltd – Final declared for 2011 – payable March 2012	358 277 491	34,02740	122

Dividends declared calculations	Days	Rate	Amount (Rm)
2011			
Nedbank Ltd			
1 July 2011 – 31 December 2011	184	6,750%	121,9
Total declared			121,9

Dividends paid calculations	Days	Rate	Amount (Rm)
2012 (Paid March 2012)			
Nedbank Ltd			
1 July 2011 – 31 December 2011	184	6,750%	121,9
2012 (Paid August 2012)			
Nedbank Ltd			
1 January 2012 – 30 June 2012	182	7,500%	133,6
2012 Nedbank Ltd (Motor Finance Corporation) – Participating preference shares			37,5
Profit attributable to preference shareholders			293,0

20 DIVIDENDS (CONTINUED)
20.2 Non-controlling interest – preference shareholders (CONTINUED)

	Days	Rate	Amount (Rm)
2011 (Paid March 2011)			
Nedbank Ltd			
1 July 2010 – 31 December 2010	184		129,7
1 July 2010 – 9 September 2010	71	7,500%	52,3
10 September 2010 – 18 November 2010	70	7,125%	48,9
19 November 2010 – 31 December 2010	43	6,750%	28,5
2011 (Paid August 2011)			
Nedbank Ltd			
1 January 2011 – 30 June 2011	181		119,9
1 January 2011 – 30 June 2011	181	6,750%	119,9
2011 Nedbank Ltd (Motor Finance Corporation) – Participating preference shares			31,7
Profit attributable to preference shareholders			281,3

21 CASH AND CASH EQUIVALENTS

	2012 Rm	2011 Rm
Coins and bank notes	4 831	3 593
Money at call and short notice	4 720	4 829
Balances with central banks – other than mandatory reserve deposits	3 036	3 092
Cash and cash equivalents excluding mandatory reserve deposits with central banks	12 587	11 514
Mandatory reserve deposits with central banks	12 641	11 862
	25 228	23 376

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

22 OTHER SHORT-TERM SECURITIES
22.1 Analysis

	2012 Rm	2011 Rm
Negotiable certificates of deposit	9 983	7 103
Treasury bills and other bonds	27 592	24 612
	37 575	31 715

22.2 Sectoral analysis

	2012 Rm	2011 Rm
Banks	11 708	8 238
Government and public sector	25 865	23 135
Other services	2	342
	37 575	31 715

23 DERIVATIVE FINANCIAL INSTRUMENTS

These transactions have been entered into in the normal course of business and are carried at fair value. The principal types of derivative contracts into which the group enters are described below.

Swaps

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

Options

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

Futures and forwards

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

Collateral

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

23.1 Total carrying amount of derivative financial instruments

	2012 Rm	2011 Rm
Gross carrying amount of assets	14 660	14 314
Gross carrying amount of liabilities	(13 475)	(13 791)
Net carrying amount	1 185	523

A detailed breakdown of the carrying amount (fair value) and notional principal of the various types of derivative financial instruments held by the group is presented in the following tables in notes 23.2 to 23.4.

23 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

23.2 Notional principal of derivative financial instruments

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

Rm	2012 Notional principal	2012 Positive value	2012 Negative value	2011 Notional principal	2011 Positive value	2011 Negative value
Equity derivatives	8 290	4 079	4 211	5 155	2 523	2 632
Options written	2 307		2 307	1 807		1 807
Options purchased	2 319	2 319		2 352	2 352	
Futures*	3 664	1 760	1 904	996	171	825
Commodity derivatives	1 732	1 605	127	1 271	259	1 012
Caps and floors	–			55		55
Swaps	–			139	106	33
Futures	1 732	1 605	127	1 077	153	924
Exchange rate derivatives	198 965	105 709	93 256	248 105	127 018	121 087
Forwards	171 140	93 155	77 985	225 895	115 658	110 237
Futures	53	36	17	2		2
Currency swaps	17 784	7 725	10 059	14 682	7 873	6 809
Options purchased	4 793	4 793		3 487	3 487	
Options written	5 195		5 195	4 039		4 039
Interest rate derivatives	759 129	353 823	405 306	822 783	382 125	440 658
Interest rate swaps	408 374	196 470	211 904	339 986	162 739	177 247
Forward rate agreements	310 559	133 980	176 579	461 601	210 522	251 079
Options purchased	100	100		500	500	
Options written	500		500	600		600
Futures	12 855	9 087	3 768	3 378	1 019	2 359
Caps	221	10	211	298		298
Floors	–			4 200	2 200	2 000
Credit default swaps	26 520	14 176	12 344	12 220	5 145	7 075
Total notional principal	968 116	465 216	502 900	1 077 314	511 925	565 389

* *Includes contracts for difference with positive notionals of R269m (2011: R165m) and negative notionals of R1 216m (2011: R819m).*

23.3 Carrying amount of derivative financial instruments

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

	2012			2011		
Rm	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities
Equity derivatives	830	1 294	464	1 455	1 793	338
Options written	(437)		437	(329)		329
Options purchased	1 267	1 267		1 754	1 754	
Futures**	–	27	27	30	39	9
Commodity derivatives	4	4	–	1	7	6
Swaps	–			1	6	5
Futures	4	4		–	1	1
Exchange rate derivatives	1 701	2 867	1 166	1 442	5 110	3 668
Forwards	1 624	2 064	440	889	3 913	3 024
Futures	–			(3)		3
Currency swaps	8	606	598	521	1 063	542
Options purchased	197	197		134	134	
Options written	(128)		128	(99)		99
Interest rate derivatives	(1 350)	10 495	11 845	(2 375)	7 404	9 779
Interest rate swaps	(1 315)	10 050	11 365	(2 379)	6 844	9 223
Forward rate agreements	(57)	259	316	4	315	311
Options purchased	7	7		9	9	
Options written	(7)		7	(4)		4
Futures	–	1	1	(3)	*	3
Caps	*			*		*
Floors	–			1	1	*
Credit default swaps	22	178	156	(3)	235	238
Total carrying amount	1 185	14 660	13 475	523	14 314	13 791

* *Represents amounts less than R1m.*

** *Includes contracts for difference and an equity forward agreement. The fair value of the contracts for difference is zero, as the variation margin is settled at the end of every day. The equity forward agreement is an asset with a fair value of R22m (2011: R29m.).*

23 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)
23.4 Analysis of derivative financial instruments

Rm	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	Total
Derivative assets					
2012					
Maturity analysis					
Under one year	1 032	4	2 109	568	3 713
One to five years	262		493	4 334	5 089
Over five years			265	5 593	5 858
	1 294	4	2 867	10 495	14 660
2011					
Maturity analysis					
Under one year	1 501	7	4 348	429	6 285
One to five years	292		389	3 226	3 907
Over five years			373	3 749	4 122
	1 793	7	5 110	7 404	14 314
Derivative liabilities					
2012					
Maturity analysis					
Under one year	203		563	571	1 337
One to five years	261		358	4 162	4 781
Over five years			245	7 112	7 357
	464	–	1 166	11 845	13 475
2011					
Maturity analysis					
Under one year	46	6	3 005	505	3 562
One to five years	292		349	3 568	4 209
Over five years			314	5 706	6 020
	338	6	3 668	9 779	13 791
Notional principal of derivatives					
2012					
Maturity analysis					
Under one year	3 387	1 732	175 179	319 568	499 866
One to five years	2 616		16 890	298 049	317 555
Over five years	2 287		6 896	141 512	150 695
	8 290	1 732	198 965	759 129	968 116
2011					
Maturity analysis					
Under one year	2 525	1 271	231 679	414 475	649 950
One to five years	2 630		10 951	300 389	313 970
Over five years			5 475	107 919	113 394
	5 155	1 271	248 105	822 783	1 077 314

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

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

Various fixed-rate advances and liabilities are entered into by the group. The overall interest rate risk of the group is economically hedged by way of interest rate swaps and managed by the Group ALCO. The interest rate risk is then traded to the market through the central trading desk.

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

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

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

			Change in fair value due to change in credit risk			
	Maximum exposure to credit risk		Current period*		Cumulative	
Rm	2012	2011	2012	2011	2012	2011
Negotiable certificates of deposit purchased	986					
Treasury bills	9 774	23 428				
Government guaranteed	3 383	9 082				
Other dated securities	6 326	3 105				
Mortgage loans	22 041	20 333	30		30	
Instalment credit	13 157	10 945				
Leases and debentures	13	21				
Preference shares	2 609	1 837				
Loans advanced secured and unsecured	8 221	8 443				
Foreign correspondents	3 898	3 872				
Other loans	5 025	3 403				
Loans to other banks	57	91				
Trade and other bills and acceptances		12				
Debtors and accruals	301	252				
Other assets		621				
Associate companies	636	545				
Listed investments	527	791				
Unlisted investments	1 368	1 567				
	78 322	88 348	30	–	30	–

* *Positive amounts represent a loss and negative amounts a profit. See note 27.1*

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

A breakdown of the financial assets which are designated as at fair value through profit or loss can be found in note 5. A detailed explanation of how each financial assets is valued can be found in note 6.1.

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

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

Rm	Fair value	Change in fair value due to change in credit risk Contractually payable at maturity	Current period*	Cumulative
2012				
Long-term debt instruments	5 630	5 332	(21)	(16)
Call and term deposits	38 386	38 359	(9)	24
Fixed deposits	1 019	1 020		
Foreign currency liabilities	6 339	6 339		
Negotiable certificates of deposit	32 616	32 500	(15)	27
	83 990	83 550	(45)	35
2011				
Long-term debt instruments	6 332	6 107	(49)	5
Call and term deposits	32 140	32 141	3	33
Fixed deposits	557	560		
Foreign currency liabilities	4 734	4 734		
Negotiable certificates of deposit	48 481	48 339	(37)	42
	92 244	91 881	(83)	80

** Positive amounts represent a profit and negative amounts a loss.*

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

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

25 GOVERNMENT AND OTHER SECURITIES

25.1 Analysis

	2012 Rm	2011 Rm
Government and government-guaranteed securities	12 711	17 907
Other dated securities*	13 483	12 084
	26 194	29 991

25.2 Sectoral analysis

	2012 Rm	2011 Rm
Financial services, insurance and real estate	2 674	2 462
Banks	2 602	3 036
Manufacturing	2 418	1 915
Transport, storage and communication	803	168
Government and public sector	16 054	20 975
Other sectors	1 643	1 435
	26 194	29 991

25.3 Valuation

	2012 Rm	2011 Rm
Listed securities:		
– Carrying amount	24 010	27 959
– Market value	25 149	28 797
Unlisted securities:		
– Carrying amount	2 184	2 032
– Directors' valuation	2 184	2 032
Total market/directors' valuation	27 333	30 829

* *Includes securitised assets. See note 44.*

26 LOANS AND ADVANCES

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

This note should be read in conjunction with Note 27 'Impairment of loans and advances', as this represents the gross exposure before any impairment provision. Specific impairments have been raised against those loans identified as impaired, and the analysis per product type can be found in Note 27.2. Portfolio impairments are recognised against loans and advances classified as 'Neither past due nor impaired' or 'past due'.

26.1 Categories of loans and advances

	2012 Rm	2011 Rm	2010 Rm
Mortgage loans	227 713	226 977	227 601
Home loans*	130 285	134 545	141 767
Commercial mortgages*	97 428	92 432	85 834
Net finance lease and instalment debtors (note 26.4)	74 818	70 294	67 029
Gross investment	78 241	73 358	70 734
Unearned finance charges	(3 423)	(3 064)	(3 705)
Credit cards	10 008	8 641	7 890
Other loans and advances	218 355	198 617	180 031
Properties in possession	574	619	661
Overdrafts	11 375	11 162	11 322
Term loans	86 926	76 467	73 126
Personal loans	22 433	17 415	12 629
Other term loans	64 493	59 052	60 497
Overnight loans	18 341	19 104	12 552
Other loans to clients	55 497	56 657	47 766
Foreign client lending	5 596	9 283	6 424
Remittances in transit	100	108	13
Other loans**+	49 801	47 266	41 329
Preference shares and debentures	16 815	17 842	20 413
Factoring accounts	4 461	3 822	3 202
Deposits placed under reverse repurchase agreements	24 338	12 911	10 849
Trade, other bills and bankers' acceptances	28	33	140
	530 894	504 529	482 551
Impairment of loans and advances (note 27)	(10 778)	(11 422)	(11 104)
	520 116	493 107	471 447
Comprises:			
Loans and advances to clients +	506 119	489 428	467 039
Loans and advances to banks	24 775	15 101	15 512
	530 894	504 529	482 551

* *Certain mortgage loans within Nedbank Wealth, previously disclosed as home loans, have been reclassified and disclosed as commercial mortgages for 2011. This reclassification had no effect on total loans and advances.*

** *Represents mainly loans relating to Treasury and Investment Banking within the Nedbank Capital segment and loans within the other operating segments of the group, as well as clients' indebtedness for acceptances.*

\+ *2011 and 2010 reclassified. Refer note 53.*

26 LOANS AND ADVANCES (CONTINUED)

26.2 Sectoral analysis

	2012 Rm	2011 Rm
Individuals	203 233	193 959
Financial services, insurance and real estate	117 967	131 848
Banks	24 775	15 101
Manufacturing	36 973	35 115
Building and property development	9 518	8 789
Transport, storage and communication	25 454	26 980
Retailers, catering and accommodation	11 704	11 634
Wholesale and trade	8 324	6 772
Mining and quarrying	22 452	17 614
Agriculture, forestry and fishing	6 036	4 393
Government and public sector	17 619	14 338
Other services*	46 839	37 986
	530 894	504 529

26.3 Geographical analysis

	2012 Rm	2011 Rm
SA	510 911	479 178
Rest of Africa	7 836	7 856
Europe	8 357	9 390
Asia	353	3 029
United States	947	686
Other*	2 490	4 390
	530 894	504 529

26.4 Net finance lease and instalment debtors

	2012			2011		
Rm	Gross	Unearned finance charges	Net	Gross	Unearned finance charges	Net
No later than one year	10 499	(1 386)	9 113	10 220	(1 232)	8 988
Later than one year and no later than five years	48 978	(2 031)	46 947	63 039	(1 821)	61 218
Later than five years	18 764	(6)	18 758	99	(11)	88
	78 241	(3 423)	74 818	73 358	(3 064)	70 294

* *2011 reclassified. Refer note 53.*

26.5 Classification of loans and advances

Rm	Total 2012	Total 2011	Neither past due nor impaired 2012	Neither past due nor impaired 2011	Past due but not impaired 2012	Past due but not impaired 2011	Defaulted** 2012	Defaulted** 2011
Mortgage loans	227 713	226 977	200 237	194 973	16 340	17 363	11 136	14 641
Net finance lease and instalment debtors	74 818	70 294	63 548	58 330	9 017	9 313	2 253	2 651
Credit cards	10 008	8 641	8 544	7 426	845	697	619	518
Properties in possession	574	619					574	619
Overdrafts	11 375	11 162	10 057	9 916	637	507	681	739
Term loans	86 926	76 467	67 752	60 436	16 005	13 958	3 169	2 073
Overnight loans	18 341	19 104	18 335	19 099	6	5		
Other loans to clients*	55 497	56 657	54 210	55 012	623	7	664	1 638
Preference shares and debentures	16 815	17 842	16 815	17 805		4		33
Factoring accounts	4 461	3 822	4 366	3 644	48	157	47	21
Deposits placed under reverse repurchase agreements	24 338	12 911	24 338	12 911				
Trade, other bills and bankers' acceptances	28	33	28	33				
	530 894	504 529	468 230	439 585	43 521	42 011	19 143	22 933
Loans and advances defaulted – not impaired							640	963
Loans and advances defaulted – impaired							18 503	21 970
							19 143	22 933

* *2011 reclassified. Refer note 53.*

** *A distinction has been drawn between distressed restructures and arrangements in the Motor Finance Corporation portfolio. This resulted in a redistribution of assets across the delinquency buckets. Comparatives have been adjusted accordingly.*

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26 LOANS AND ADVANCES (CONTINUED)
26.6 Age analysis of loans and advances

	Total		< 1 month	
Rm	2012	2011	2012	2011
Neither past due nor impaired	468 230	439 585	468 230	439 585
Mortgage loans	200 237	194 973	200 237	194 973
Net finance lease and instalment debtors	63 548	58 330	63 548	58 330
Credit cards	8 544	7 426	8 544	7 426
Overdrafts	10 057	9 916	10 057	9 916
Term loans	67 752	60 436	67 752	60 436
Overnight loans	18 335	19 099	18 335	19 099
Other loans to clients*	54 210	55 012	54 210	55 012
Preference shares and debentures	16 815	17 805	16 815	17 805
Factoring accounts	4 366	3 644	4 366	3 644
Deposits placed under reverse repurchase agreements	24 338	12 911	24 338	12 911
Trade, other bills and bankers' acceptances	28	33	28	33
Past due but not impaired	43 521	42 011	37 365	35 624
Mortgage loans	16 340	17 363	13 053	14 151
Net finance lease and instalment debtors	9 017	9 313	8 406	7 346
Credit cards	845	697	596	506
Overdrafts	637	507	560	446
Term loans	16 005	13 958	14 453	13 012
Overnight loans	6	5	6	5
Other loans to clients	623	7	243	6
Preference shares and debentures	–	4		
Factoring accounts	48	157	48	152
Subtotal	511 751	481 596	505 595	475 209
Defaulted	19 143	22 933		
Mortgage loans	11 136	14 641		
Net finance lease and instalment debtors	2 253	2 651		
Credit cards	619	518		
Properties in possession	574	619		
Overdrafts	681	739		
Term loans	3 169	2 073		
Other loans to clients	664	1 638		
Preference shares and debentures		33		
Factoring accounts	47	21		
Total loans and advances	530 894	504 529		

* *2011 reclassified. Refer note 53.*

	> 1 month > 3 months		> 3 months > 6 months		> 6 months > 12 months		> 12 months	
	2012	2011	2012	2011	2012	2011	2012	2011
	–	–	–	–	–	–		
	6 057	6 298	99	14	–	3	–	72
	3 220	3 193	67					19
	600	1 918	11	2				47
	249	191						
	65	47	12	12		2		
	1 552	940						6
	371		9			1		
		4						
		5						
	6 057	6 298	99	14	–	3	–	72

26 LOANS AND ADVANCES (CONTINUED)
26.7 Credit quality of loans and advances

	Total		NGR 1 – 12	
Rm	2012	2011	2012	2011
Neither past due nor impaired	468 230	439 585	187 687	159 427
Mortgage loans	200 237	194 973	51 854	34 357
Net finance lease and instalment debtors	63 548	58 330	2 892	4 218
Credit cards	8 544	7 426	328	1 374
Overdrafts	10 057	9 916	1 994	1 978
Term loans	67 752	60 436	55 194	49 695
Overnight loans	18 335	19 099	14 219	15 009
Other loans to clients*	54 210	55 012	22 831	24 728
Preference shares and debentures	16 815	17 805	14 018	15 182
Factoring accounts	4 366	3 644	147	-8
Deposits placed under reverse repurchase agreements	24 338	12 911	24 210	12 870
Trade, other bills and bankers' acceptances	28	33		24
Past due but not impaired	43 521	42 011	584	924
Mortgage loans	16 340	17 363	41	322
Net finance lease and instalment debtors	9 017	9 313	543	600
Credit cards	845	697		2
Overdrafts	637	507		
Term loans	16 005	13 958		
Overnight loans	6	5		
Other loans to clients	623	7		
Preference shares and debentures	–	4		
Factoring accounts	48	157		
Defaulted	19 143	22 933		
Mortgage loans	11 136	14 641		
Net finance lease and instalment debtors	2 253	2 651		
Credit cards	619	518		
Properties in possession	574	619		
Overdrafts	681	739		
Term loans	3 169	2 073		
Other loans to clients	664	1 638		
Preference shares and debentures	–	33		
Factoring accounts	47	21		
Total loans and advances	530 894	504 529	188 271	160 351

* *2011 reclassified. Refer note 53.*

The group uses a master rating scale for measuring credit risk, which measures borrower risk excluding the effect of collateral and any credit mitigation (i.e. probability of default only). The comprehensive probability of default rating scale, which is mapped to default probabilities and external rating agency scales, enables the group to measure credit risk consistently and accurately across its entire portfolio. A brief explanation of the scale follows:

NGR 1 – 12: Represents borrowers who demonstrate a strong capacity to meet financial obligations, and who have a negligible or low probability of default. This category comprises, but is not limited to, the group's large corporate clients, including financial institutions, parastatals and other government-related institutions.

NGR 13 – 20: Represents borrowers who demonstrate a satisfactory ability to make payments and who have a low or moderate probability of default. This category comprises, but is not limited to, small and medium businesses, medium sized corporate clients and individuals.

NGR 21 – 25: Represents borrowers who are of higher-risk. This category comprises higher-risk individuals or small businesses, as well as borrowers that were rated higher on inception but have since migrated down the rating scale as a result of poor financial performance. However, the borrower has not defaulted and is continuing to make repayments.

NP 1 – 3: Represents clients who have defaulted. Where this rating appears in the 'past due but not impaired' category, the borrowers are continuing to make repayments against their obligation and are being closely monitored.

NGR 13 – 20		NGR 21 – 25		NP 1 – 3		Unrated	
2012	2011	2012	2011	2012	2011	2012	2011
248 128	257 142	10 805	11 597			21 610	11 419
139 863	151 667	4 537	4 238			3 983	4 711
57 563	47 880	2 052	3 787			1 041	2 445
6 833	4 557	1 383	1 495				
7 528	7 410	281	300			254	228
10 250	9 332	2 121	1 144			187	265
3 686	3 506	430	584				
15 533	26 626	1	46			15 845	3 612
2 512	2 506					285	117
4 219	3 652						
128							41
13	6		3			15	
21 277	22 345	21 338	18 360	24	264	298	118
8 396	8 395	7 737	8 601			166	45
4 890	6 655	3 508	1 732		263	76	63
122	120	714	575	9			
208	179	417	325	12	1		2
7 551	6 989	8 431	6 961			23	8
		6	5				
110	7	477		3		33	
			4				
		48	157				
125	–	1 185	–	16 319	20 943	1 514	1 990
				10 349	13 574	787	1 067
125		1 185		851	2 424	92	227
				619	518		
						574	619
				678	737	3	2
				3 167	1 999	2	74
				608	1 637	56	1
					33		
				47	21		
269 530	279 487	33 328	29 957	16 343	21 207	23 422	13 527

27 IMPAIRMENT OF LOANS AND ADVANCES

27.1 Impairment of loans and advances

	Total impairment		Specific impairment		Portfolio impairment	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Balance at beginning of year	11 422	11 104	8 706	8 982	2 716	2 122
Impairments charge	6 031	5 955	5 366	5 375	665	580
Statement of comprehensive income charge net of recoveries:	5 239	5 321	4 574	4 741	665	580
– Loans and advances	5 209	5 321	4 544	4 741	665	580
– Advances designated as at fair value through profit or loss (see note 24.1)	30		30			
Recoveries	792	634	792	634		
Amounts written off against the impairment/Other transfers	(6 675)	(5 637)	(6 675)	(5 651)		14
Impairment of loans and advances	10 778	11 422	7 397	8 706	3 381	2 716

27.2 Impairments of loans and advances by classification

	Balance at the beginning of the year Rm	Impairment charge/ (release) Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Total impairment – 2012				
Home loans	3 809	837	(1 368)	3 278
Commercial mortgages	1 173	357	(676)	854
Properties in possession	28	18	(23)	23
Credit cards	594	532	(424)	702
Overdrafts	649	299	(426)	522
Other loans to clients	2 757	3 038	(2 564)	3 231
Net finance lease and instalment debtors	2 394	862	(1 089)	2 167
Preference shares and debentures	17	88	(105)	–
Trade, other bills and bankers' acceptances	1			1
Impairment of loans and advances	11 422	6 031	(6 675)	10 778
Total impairment – 2011				
Home loans	3 851	1 437	(1 479)	3 809
Commercial mortgages	1 176	389	(392)	1 173
Properties in possession	62	18	(52)	28
Credit cards	566	433	(405)	594
Overdrafts	917	221	(489)	649
Other loans to clients	2 154	2 408	(1 805)	2 757
Net finance lease and instalment debtors	2 357	1 050	(1 013)	2 394
Preference shares and debentures	20	(1)	(2)	17
Trade, other bills and bankers' acceptances	1			1
Impairment of loans and advances	11 104	5 955	(5 637)	11 422

	Balance at the beginning of the year Rm	Impairment charge/ (release) Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Specific impairment – 2012				
Home loans	3 119	745	(1 372)	2 492
Commercial mortgages	910	339	(680)	569
Properties in possession	28	18	(23)	23
Credit cards	520	509	(424)	605
Overdrafts	471	290	(365)	396
Other loans to clients	1 967	2 626	(2 565)	2 028
Net finance lease and instalment debtors	1 674	751	(1 141)	1 284
Preference shares and debentures	17	88	(105)	–
Specific impairment of loans and advances	8 706	5 366	(6 675)	7 397
Specific impairment – 2011				
Home loans	3 278	1 327	(1 486)	3 119
Commercial mortgages	927	376	(393)	910
Properties in possession	62	18	(52)	28
Credit cards	502	423	(405)	520
Overdrafts	743	218	(490)	471
Other loans to clients	1 697	2 082	(1 812)	1 967
Net finance lease and instalment debtors	1 755	931	(1 012)	1 674
Preference shares and debentures	18		(1)	17
Specific impairment of loans and advances	8 982	5 375	(5 651)	8 706
Portfolio impairment – 2012				
Home loans	690	92	4	786
Commercial mortgages	263	18	4	285
Credit cards	74	23		97
Overdrafts	178	9	(61)	126
Other loans to clients	790	412	1	1 203
Net finance lease and instalment debtors	720	111	52	883
Trade, other bills and bankers' acceptances	1			1
Portfolio impairment of loans and advances	2 716	665	–	3 381
Portfolio impairment – 2011				
Home loans	573	110	7	690
Commercial mortgages	249	13	1	263
Credit cards	64	10		74
Overdrafts	174	3	1	178
Other loans to clients	457	326	7	790
Net finance lease and instalment debtors	602	119	(1)	720
Preference shares and debentures	2	(1)	(1)	–
Trade, other bills and bankers' acceptances	1			1
Portfolio impairment of loans and advances	2 122	580	14	2 716

27 IMPAIRMENT OF LOANS AND ADVANCES (CONTINUED)

27.3 Sectoral analysis

	Total impairment		Specific impairment		Portfolio impairment	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Individuals	7 751	7 306	5 527	5 675	2 224	1 631
Financial services, insurance and real estate	1 181	1 341	675	1 058	506	283
Manufacturing	291	241	141	137	150	104
Building and property development	203	165	157	122	46	43
Transport, storage and communication	197	428	109	347	88	81
Retailers, catering and accommodation	34	50	5	9	29	41
Wholesale and trade	80	593	46	558	34	35
Mining and quarrying	208	177	162	137	46	40
Agriculture, forestry and fishing	61	46	14	30	47	16
Government and public sector	74	59	49	28	25	31
Other services	698	1 016	512	605	186	411
	10 778	11 422	7 397	8 706	3 381	2 716

27.4 Geographical analysis

	Total impairment 2012 Rm	Total impairment 2011 Rm	Specific impairment 2012 Rm	Specific impairment 2011 Rm	Portfolio impairment 2012 Rm	Portfolio impairment 2011 Rm
SA	10 495	11 163	7 200	8 483	3 295	2 680
Other African countries	59	88		74	59	14
Europe	18	94		83	18	11
Asia	1	5			1	5
United States	160	63	158	62	2	1
Other	45	9	39	4	6	5
	10 778	11 422	7 397	8 706	3 381	2 716

27.5 Ratio of impairments

	2012 Rm	2011 Rm
Impairment of advances at end of year	10 778	11 422
Total advances (note 26.1)	530 894	504 529
Ratio (%)	2,03	2,26

27.6 Interest on specifically impaired loans and advances

	2012 Rm	2011 Rm
Interest on specifically impaired loans and advances	1 113	1 394

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

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

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

28 OTHER ASSETS

	2012 Rm	2011 Rm
Sundry debtors and other accounts	4 528	3 989
	4 528	3 989

29 INVESTMENT SECURITIES

	2012 Rm	2011 Rm
Listed investments at market value	750	997
Private equity portfolio	527	791
Other	223	206
Unlisted investments at directors' valuation	2 446	2 552
Morning Tide Investments 168 (Pty) Ltd	282	222
Strate Ltd	39	36
Private equity portfolio	1 064	1 160
Other	1 061	1 134
Total listed and unlisted investments	3 196	3 549

30 INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT VENTURES

30.1 Movement in carrying amount

	2012 Rm	2011 Rm
Carrying amount at the beginning of the year	565	933
Net movement of associate companies and joint ventures at carrying value	147	(155)
Fair-value movements	(47)	(213)
Carrying amount at the end of the year	665	565

All investments in associate companies and joint ventures are unlisted. No income has been recognised on an equity-accounted basis during the current and prior reporting periods.

30.2 Analysis of carrying amount

	2012 Rm	2011 Rm
Associate investments – on acquisition: Net asset value	517	370
Share of retained earnings since acquisition	101	101
Fair-value movements	47	94
	665	565

30.3 Valuation

	2012 Rm	2011 Rm
Unlisted at directors' valuation	665	565
	665	565

30.4 Summarised financial information of investments in associate companies

	2012 Rm	2011 Rm
Total assets	3 637	4 102
Total liabilities	3 541	3 584
Operating results	229	223
Total revenues	539	1 464

Information relating to investments in associate companies appears on pages 166 to 167.

31 NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

Non-current assets held for sale	Previously included in:	2012 Rm	2011 Rm
Properties sold not yet transferred*	Property and equipment	6	8
Sundry debtors and other accounts	Other assets	9	
Investment property	Investment property	404	
Other intangible assets	Intangible assets	84	
Deferred taxation assets	Deferred taxation assets	5	
		508	8
Other liabilities held for sale			
Creditors and other accounts	Provisions and other liabilities	36	
		36	–

* *Commitments for the sale of properties had been entered into at year-end by the group. Transfer of which had not been effected at year-end. Transfer of the properties is expected to take place during the following year.*

32 DEFERRED TAXATION

32.1 Reconciliation of deferred taxation balance

	2012 Rm	2011 Rm
Deferred taxation assets		
Balance at the beginning of the year	66	48
Current year temporary differences recognised in the statement of comprehensive income	518	7
Capital gains taxation	(69)	
Client credit agreements	6	
Deferred acquisition costs	27	
Deferred fee income	33	
Depreciation	(96)	
Fair-value adjustments of financial instruments	56	
Impairment of loans and advances	169	2
Other income and expense items	356	5
Share-based payments	16	
Taxation losses recognised	20	
Recognised directly in equity	(20)	
Other movements	(342)	11
Balance at the end of the year	222	66
Deferred taxation liabilities		
Balance at the beginning of the year	997	1 358
Current year temporary differences recognised in the statement of comprehensive income	(314)	(526)
Capital gains taxation	(15)	(6)
Client credit agreements	(298)	(99)
Deferred acquisition costs		(22)
Deferred fee income		(13)
Depreciation		(18)
Fair-value adjustments of financial instruments	44	4
Impairment of loans and advances		(470)
Other income and expense items	(48)	78
Property revaluations		(3)
Share-based payments		17
Taxation losses recognised	3	6
Recognised directly in equity	9	59
Other movements	(337)	106
Balance at the end of the year	355	997

	2012 Rm	2011 Rm

32.2 Analysis of deferred taxation

	2012 Rm	2011 Rm
Deferred taxation assets		
Capital gains taxation	(244)	
Client credit agreements	(18)	
Deferred acquisition costs	(294)	
Deferred fee income	218	
Depreciation	(335)	
Fair-value adjustments of financial instruments	106	
Impairment of loans and advances	1 122	9
Other income and expense items	95	57
Property revaluations	(326)	
Share-based payments	(122)	
Taxation losses	20	
	222	66
Deferred taxation liabilities		
Capital gains taxation	21	227
Client credit agreements		462
Deferred acquisition costs		329
Deferred fee income		(186)
Depreciation		242
Fair-value adjustments of financial instruments	44	(54)
Impairment of loans and advances		(962)
Other income and expense items	221	464
Property revaluations	117	414
STC		(29)
Share-based payments		141
Taxation losses	(48)	(51)
	355	997

33 INVESTMENT PROPERTY

33.1 Fair value

	2012 Rm	2011 Rm
Fair value at the beginning of the year	488	82
Acquisitions	1	406
Transfers to non-current assets held for sale (note 31)	(404)	
Net loss from fair-value adjustments	(1)	
Fair value at the end of the year	84	488

33.2 Fair value of investment property

Investment properties are freehold and are either held to earn rentals or for capital appreciation. Internal professional valuers perform valuations on an annual basis. External valuers are obtained once every three years on a rotational basis in accordance with the group's policies for the valuation of properties. The internal and external valuers are all members or associates of the Institute of Valuers (SA).

The carrying amount of these properties is the fair value of property as determined by registered independent valuers who have recent experience in the location and category of the property being valued. In determining the fair value of properties the assumed discount rate applied for future income streams is 10,00% (2011: 9,50% to 11,00%) and takes into account the type of property and the property's location.

	2012 Rm	2011 Rm
Valuations determined by reference to existing market conditions	84	488
	84	488

33.3 Rental income and operating expenses from investment property

	2012 Rm	2011 Rm
Rental income from investment property	40	163
Direct operating expense arising from investment property that generated rental income	22	62

33.4 Minimum contractual lease rental income from investment property

	2012 Rm	2011 Rm
2012		165
2013	8	186
2014	8	
	16	351

34 PROPERTY AND EQUIPMENT

	Land		Buildings	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Gross carrying amount				
Balance at 1 January	785	743	3 644	3 386
Acquisitions	4		119	267
Increases arising from revaluations	5	42	64	277
Transfers to non-current assets held for sale	(7)		(13)	(3)
Disposals			(4)	(224)
Write off of accumulated depreciation on revaluations			(78)	(59)
Effect of movements in foreign exchange rates and other movements			(7)	
Balance at 31 December	787	785	3 725	3 644
Accumulated depreciation and impairment losses				
Balance at 1 January			340	488
Depreciation charge for the year			130	126
Acquisitions				
Write off of accumulated depreciation on revaluations			(78)	(59)
Disposals			(4)	(216)
Effect of movements in foreign exchange rates and other movements				1
Balance at 31 December	–	–	388	340
Carrying amount				
At 1 January	785	743	3 304	2 898
At 31 December	787	785	3 337	3 304

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

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

In determining the fair value of properties the assumed discount rates applied for future income streams range between 8,8% and 13,5% (2011: 8,5% and 12,5%) and take into account the type of property and the property's location.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R2 358m (2011: R2 331m).

	Computer equipment		Furniture and other equipment		Vehicles		Total	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm	2012 Rm	2011 Rm	2012 Rm	2011 Rm
	2 420	2 722	2 779	2 297	20	22	9 648	9 170
	352	408	429	952	4	6	908	1 633
							69	319
							(20)	(3)
	(185)	(712)	(149)	(471)	(1)	(7)	(339)	(1 414)
							(78)	(59)
	4	2	6	1		(1)	3	2
	2 591	2 420	3 065	2 779	23	20	10 191	9 648
	1 756	2 006	1 458	1 269	12	13	3 566	3 776
	351	337	361	290	3	2	845	755
			1	61	1	2	2	63
							(78)	(59)
	(179)	(578)	(133)	(172)	(1)	(5)	(317)	(971)
	3	(9)	(1)	10			2	2
	1 931	1 756	1 686	1 458	15	12	4 020	3 566
	664	716	1 321	1 028	8	9	6 082	5 394
	660	664	1 379	1 321	8	8	6 171	6 082

35 LONG-TERM EMPLOYEE BENEFITS

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

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

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

The funds that constitute the assets and liabilities that the group has recognised in the statement of financial position in respect of its defined-benefit plans are listed below. The latest actuarial valuations were performed at 31 December 2012.

Postemployment benefits

Defined-benefit pension funds

- Nedgroup Pension Fund (including the Optiplus policy).
- BoE Funds, which consist of BoE Ltd Pension Fund (1969), Pension Fund of BoE Bank: Business Division.
- Nedbank UK Pension Fund.
- Other funds consisting of Nedbank Swaziland Ltd Pension Fund and Nedbank Lesotho Pension Fund.

Defined-benefit medical aid schemes

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

Other long-term employee benefits

Disability fund

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

Insurance policies held with related parties

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

35.1 Analysis of long-term employee benefits, assets and liabilities

Rm	Assets	Liabilities	Net assets
2012			
Postemployment benefits	1 840	(1 271)	569
Other long-term employee benefits – disability fund	313	(313)	–
	2 153	(1 584)	569
2011			
Postemployment benefits	1 743	(1 189)	554
Other long-term employee benefits – disability fund	284	(284)	–
	2 027	(1 473)	554

The group's defined-benefit obligation in terms of the Nedbank Group Disability Fund is recognised together with an equal reimbursement right which arises as a result of the insurance policy that the group's parent company has with OMART.

35.2 Postemployment benefits

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised actuarial (gains)/losses and assets	Net asset/ (liability)
Analysis of postemployment benefit assets and liabilities (Rm)					
2012					
Pension funds	4 783	5 636	853	210	1 063
Nedgroup Fund	4 348	5 249	901	161	1 062
Nedbank UK Fund	272	240	(32)	33	1
Other funds	163	147	(16)	16	–
Medical aid funds	1 584	854	(730)	236	(494)
Nedgroup scheme for Nedbank employees	1 474	854	(620)	256	(364)
Nedgroup scheme for BoE employees	110		(110)	(20)	(130)
Total	6 367	6 490	123	446	569
2011					
Pension funds	4 191	5 115	924	26	950
Nedgroup Fund	3 404	4 350	946	6	952
BoE Funds*	386	418	32	(32)	–
Nedbank UK Fund	251	214	(37)	43	6
Other funds	150	133	(17)	9	(8)
Medical aid funds	1 482	830	(652)	256	(396)
Nedgroup scheme for Nedbank employees	1 360	830	(530)	256	(274)
Nedgroup scheme for BoE employees	122		(122)		(122)
Total	5 673	5 945	272	282	554

* *During 2012 this fund was transferred to the Nedgroup Fund.*

Rm	Pension and provident funds	Medical aid funds	Total
Present value of defined benefit obligation (Rm)			
2012			
Balance at the beginning of the year	4 191	1 482	5 673
Current service cost	26	58	84
Interest cost	319	128	447
Contributions by plan participants	9		9
Actuarial gains/(losses)	493	(18)	475
Gains on curtailments and settlements	8		8
Benefits paid	(286)	(66)	(352)
Effect of foreign exchange rate changes	23		23
Balance at the end of the year	4 783	1 584	6 367
2011			
Balance at the beginning of the year	3 917	1 222	5 139
Current service cost	27	51	78
Interest cost	321	107	428
Contributions by plan participants	9		9
Actuarial gains	146	152	298
Benefits paid	(271)	(50)	(321)
Effect of foreign exchange rate changes	42		42
Balance at the end of the year	4 191	1 482	5 673

35 LONG-TERM EMPLOYEE BENEFITS (CONTINUED)
35.2 Postemployment benefits (CONTINUED)

Rm	Pension and provident funds	Medical aid funds	Total
Fair value of plan assets (Rm)			
2012			
Balance at the beginning of the year	5 115	830	5 945
Expected return on plan assets	437	68	505
Actuarial gains	331	18	349
Contributions by the employer	20		20
Contributions by plan participants	9		9
Losses on curtailments, settlements and transfers	(18)		(18)
Benefits paid	(278)	(62)	(340)
Effect of foreign exchange rate changes	20		20
Balance at the end of the year	5 636	854	6 490
2011			
Balance at the beginning of the year	4 908	810	5 718
Expected return on plan assets	440	67	507
Actuarial losses	(30)	(2)	(32)
Contributions by the employer	16		16
Contributions by plan participants	13		13
Benefits paid	(269)	(45)	(314)
Effect of foreign exchange rate changes	37		37
Balance at the end of the year	5 115	830	5 945
Net asset/(liability) recognised (Rm)			
2012			
Present value of defined-benefit obligation	(4 783)	(1 584)	(6 367)
Fair value of plan assets	5 636	854	6 490
Funded status	853	(730)	123
Unrecognised net actuarial gains	220		220
Unrecognised asset due to asset ceiling	(10)	236	226
	1 063	(494)	569
Asset	1 840		1 840
Liability	(777)	(494)	(1 271)
2011			
Present value of defined-benefit obligation	(4 191)	(1 482)	(5 673)
Fair value of plan assets	5 115	830	5 945
Funded status	924	(652)	272
Unrecognised net actuarial gains	68		68
Unrecognised asset due to asset ceiling	(39)	253	214
	953	(399)	554
Asset	1 743		1 743
Liability	(790)	(399)	(1 189)

Rm	Pension and provident funds	Medical aid funds	Total
Net (income)/expense recognised (Rm)			
2012			
Current service cost	26	58	84
Interest cost	319	128	447
Expected return on plan assets	(437)	(68)	(505)
Amortisation of unrecognised actuarial gains	15	(15)	–
Asset recognition – benefit of rule change allocated to the Fund	(16)		(16)
	(93)	103	10
2011			
Current service cost	27	51	78
Interest cost	321	107	428
Expected return on plan assets	(440)	(67)	(507)
Amortisation of unrecognised actuarial gains	27		27
	(65)	91	26
Movements in net asset/(liability) recognised (Rm)			
2012			
Balance at the beginning of the year	950	(396)	554
Net income/(expense) recognised in the statement of comprehensive income	93	(103)	(10)
Contributions paid by the employer	20	5	25
Balance at the end of the year	1 063	(494)	569
2011			
Balance at the beginning of the year	869	(312)	557
Net income/(expense) recognised in the statement of comprehensive income	65	(91)	(26)
Contributions paid by the employer	16	7	23
Balance at the end of the year	950	(396)	554
Distribution of plan assets (%)			
2012			
Equity instruments	33,00	25,00	31,95
Debt instruments	36,51	17,00	33,94
Property	4,90		4,25
Cash	2,00	43,00	7,40
International	23,59	15,00	22,46
	100,00	100,00	100,00
2011			
Equity instruments	35,03	25,00	33,63
Debt instruments	36,12	17,00	33,45
Property	5,50		4,73
Cash	2,62	43,00	8,26
International	20,73	15,00	19,93
	100,00	100,00	100,00
Actual return on plan assets (Rm)			
2012	768	86	854
2011	410	65	475

35 LONG-TERM EMPLOYEE BENEFITS (CONTINUED)
35.2 Postemployment benefits (CONTINUED)

Principal actuarial assumptions (%)	Range	Used in valuation
2012		
Discount rates	4,50 – 7,90	8,2
Expected rates of return on plan assets	4,50 – 7,90	8,2
Inflation rate	5,25 – 6,00	7,2
Expected rates of salary increases	6,25 – 7,00	6,5
Pension increase allowance	2,20 – 5,25	
Annual increase to medical aid subsidy		7,2
Average expected retirement age (years)	63	60
2011		
Discount rates	4,70 – 8,90	8,5
Expected rates of return on plan assets	4,10 – 10,50	8,5
Inflation rate	3,00 – 6,50	6,1
Expected rates of salary increases	6,0-6,5	7,1
Pension increase allowance	2,30 – 5,50	
Annual increase to medical aid subsidy		7,1
Average expected retirement age (years)	63	60

PENSION FUNDS

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

Weighted average assumptions:	2012	2011
Discount rate	6,67%	8,11%
Expected return on plan assets	6,67%	8,98%
Future salary increases	5,59%	5,95%
Future pension increases	4,83%	5,30%

MEDICAL AID FUNDS

The overall expected long-term rate of return on plan assets is 8,2%. The expected rate of return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. The expected rate of return is based on the expected performance of the entire portfolio.

Experience adjustments on present value of defined benefit obligation for past five years

2012	(49)	18	(31)
2011	(106)	(153)	(259)
2010	30	(48)	(18)
2009	192	(98)	94
2008	(70)	33	(37)
2007	(17)	(64)	(81)

Experience adjustments on fair value of plan assets for past five years

2012	331	18	349
2011	(30)	(2)	(32)
2010	95	(10)	85
2009	185	27	212
2008	(473)	(39)	(512)
2007	432	22	454

Estimate of future contributions			
Contributions expected for ensuing year	23	–	23

Fund surplus/(deficit) for past five years

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Pension funds			
2012	4 783	5 636	853
2011	4 191	5 115	924
2010	3 917	4 908	991
2009	3 432	4 633	1 201
2008	3 248	4 389	1 141
2007	2 870	4 648	1 778
Medical aid funds			
2012	1 584	854	(730)
2011	1 482	830	(652)
2010	1 222	810	(412)
2009	1 085	790	(295)
2008	911	743	(168)
2007	807	749	(58)

Effect of 1% change in assumed medical cost trend rates (Rm)

	2012	2011
1% increase – effect on current service cost and interest cost	34	28
1% increase – effect on accumulated benefit obligation	237	204
1% decrease – effect on current service cost and interest cost	(27)	(22)
1% decrease – effect on accumulated benefit obligation	(193)	(169)

36 INTANGIBLE ASSETS

Rm	Goodwill	Software	Software development costs	Client relationships, contractual rights and other	Total
2012					
Cost					
Balance at the beginning of the year	1 614	5 532	811	84	8 041
Acquisitions	19	181	637		837
Development costs commissioned to software		382	(382)		–
Impairment losses		(24)	(23)		(47)
Transfers to non-current assets held for sale (note 31)				(84)	(84)
Disposals and retirements		(185)	(42)		(227)
Foreign currency translation and other movements		(2)			(2)
Balance at the end of the year	1 633	5 884	1 001	–	8 518
Accumulated amortisation					
Balance at the beginning of the year	224	4 008	175		4 407
Amortisation charge		506		1	507
Transfers to non-current assets held for sale				(1)	(1)
Disposals and retirements		(185)	(41)		(226)
Foreign currency translation and other movements		1			1
Balance at the end of the year	224	4 330	134	–	4 688
Carrying amount					
At the beginning of the year	1 390	1 524	636	84	3 634
At the end of the year	1 409	1 554	867	–	3 830

36 INTANGIBLE ASSETS (CONTINUED)

Rm	Goodwill	Software	Software development costs	Client relationships, contractual rights and other	Total
2011					
Cost					
Balance at the beginning of the year	1 614	4 584	980		7 178
Acquisitions		263	609	84	956
Development costs commissioned to software		792	(792)		–
Impairment losses		(27)	(22)		(49)
Disposals and retirements		(78)			(78)
Foreign currency translation and other movements		(2)	36		34
Balance at the end of the year	1 614	5 532	811	84	8 041
Accumulated amortisation					
Balance at the beginning of the year	224	3 489	137		3 850
Amortisation charge		523			523
Foreign currency translation and other movements		(4)	38		34
Balance at the end of the year	224	4 008	175	–	4 407
Carrying amount					
At the beginning of the year	1 390	1 095	843	–	3 328
At the end of the year	1 390	1 524	636	84	3 634

36.1 Analysis of goodwill

	2012			2011		
Rm	Cost	Accumulated impairment losses	Carrying amount	Cost	Accumulated impairment losses	Carrying amount
Major subsidiary companies						
Peoples Mortgage Ltd	198	(198)	–	198	(198)	–
IBL Asset Finance and Services Ltd	285	(25)	260	285	(25)	260
Old Mutual Bank	206		206	206		206
Capital One	82		82	82		82
American Express	81		81	81		81
Nedbank Ltd – BoE Ltd	757		757	757		757
Visigro Investments (Pty) Ltd	19		19			
Other	5	(1)	4	5	(1)	4
	1 633	(224)	1 409	1 614	(224)	1 390

Goodwill is allocated to individual CGUs based on business activity. Impairment testing is done on a regular basis by comparing the net carrying value of the CGUs to the estimated value in use. The value in use is determined by discounting estimated future cashflows of each CGU. The discounted cashflow calculations have been performed using Nedbank's cost of equity, which is calculated using the Capital Asset Pricing Model. No impairments resulting from impairment testing have been effected for the reporting periods presented. Management regards the useful lives of all CGUs to be indefinite. See note 3 for key assumptions used when assessing goodwill impairment.

The value in use of the various CGUs were based on the following assumptions:

	2012	2011
Risk-free rate (%)	7,37	8,47
Beta range	0,24 – 0,65	0,50 – 0,91
Equity risk premium (%)	6,00	6,00
Terminal growth rate range (%)	0,00 – 5,50	0,00 – 5,00
Cashflow projection (years)	3	3
Discount rate range (%)	8,95 – 11,24	9,77 – 13,93

	2012 Rm	2011 Rm
Goodwill on a geographical basis relates to Africa in total and is as follows:		
Carrying amount	1 409	1 390
Estimated value in use	152 411	83 750
Net estimated recoverable amounts	151 002	82 360

37 ACQUISITIONS

The group acquired a stake in the following entity:

Acquiree	Shareholding at the beginning of the year	Shares acquired	Shareholding at the end of the year	Date of control
Visigro Investments (Pty) Ltd ('Visigro')	30%	70%	100%	23 August 2012

The entity was previously accounted for as an associate company and recognised at fair value. The carrying value of the group's interest in this entity prior to the acquisitions was R57m with a gross exposure of R231m consisting of R254m development finance and R23m shareholders loan owing to the entity. An impairment provision of R2m was raised against this exposure. There were no contingent consideration arrangements and indemnification assets recognised on the acquisition of this entity. No contingent liabilities have been recognised by the group as a result of this acquisition. The majority of the assets in the acquired entity relate to development units which is disclosed in note 28. The receivables recognised by the group are also included in other assets due to their immateriality and represent their fair value due to their short-term nature.

The acquired entity is involved in property development and the principle reason for the acquisition of this entity was to maximise the realisation proceeds from the groups' exposure to Visigro. Goodwill of R19m was recognised as a result of this transaction which represents future economic benefits arising from assets acquired that are not individually identifiable and/or separately recognisable, more specifically as a result of the initial marketing activities of the company which cannot be recognised as a separate asset. There was no effect on the group's profit for the period as a result of the acquisition. Legal costs relating to the acquisition are included in operating expenses. Visigro contributed zero to the group's non-interest revenue and a loss of R1m to the group's profit for the year. The total revenue recognised by Visigro for the year ended 31 December 2012 was zero. Visigro recognised a loss of R16m for the year ended 31 December 2012. Since acquisition, all inter-company transactions have been eliminated.

Assets and liabilities acquired:

Rm	Acquiree's carrying amount	Provisional fair value
Other assets	145	368
Loans and advances	(176)	(176)
Goodwill		19
Other liabilities	(1)	(1)
Deferred taxation liabilities		(53)

38 SHARE CAPITAL

38.1 Ordinary share capital

	2012 Rm	2011 Rm
Authorised		
30 000 000 (2011: 30 000 000) ordinary shares of R1 each	30	30
Issued		
27 241 024 (2011: 27 240 023) fully paid ordinary shares of R1 each	27	27
	27	27

Subject to the restrictions imposed by the Companies Act, 2008 (as amended), the unissued shares are under the control of the directors until the forthcoming annual general meeting.

38.2 Preference share capital and premium

Nedbank Ltd preference share capital and premium

	2012 Rm	2011 Rm
Authorised		
1 000 000 000 (2011: 1 000 000 000) non-redeemable non-cumulative preference shares of R0,001 each	1	1
5 000 Class 'A' redeemable cumulative preference shares of R0,0001 each	*	*
5 000 Class 'B' redeemable cumulative preference shares of R0,0001 each	*	*
Issued		
358 277 491 (2011: 358 277 491) non-redeemable non-cumulative preference shares of R0,001 each	*	*
100 Class 'A' redeemable cumulative preference shares of R0,0001 each	*	*
100 Class 'B' redeemable cumulative preference shares of R0,0001 each	*	*
Preference share premium	3 561	3 561
	3 561	3 561

* *Represents amounts less than R1m.*

Preference shares are classified as equity instruments by Nedbank Ltd ('the company').

Each preference share confers on the holder the right to capital of the company in the form of a cash dividend prior to payment of dividends to any other class of shareholder. The rate is limited to 83,33% of the prevailing prime rate on a deemed value of R10 and is never compounded. The dividends, if declared, accrue half-yearly on 30 June and 31 December and are payable within 120 days of these dates respectively.

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

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

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

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

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

39 AMOUNTS OWED TO DEPOSITORS

39.1 Classifications

	2012 Rm	2011 Rm	2010 Rm
Current accounts	53 549	49 298	45 655
Savings deposits	9 207	8 996	8 758
Other deposits and loan accounts	378 988	337 770	304 140
Call and term deposits	211 051	191 626	161 757
Fixed deposits	31 682	29 104	26 277
Cash management deposits	56 038	52 252	45 700
Other deposits and loan accounts*	80 217	64 788	70 406
Foreign currency liabilities	9 652	8 931	9 168
Negotiable certificates of deposit	74 714	96 523	109 137
Deposits received under repurchase agreements**	16 561	15 022	14 180
	542 671	516 540	491 038
Comprises:			
– Amounts owed to depositors*	512 675	480 292	454 749
– Amounts owed to banks	29 996	36 248	36 289
	542 671	516 540	491 038

* *2011 and 2010 reclassified. Refer note 53.*

** *Government and other securities (note 25) and negotiable certificates of deposit (note 22) amounting to R16 561m (2011: R15 022m) have been pledged as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred but that do not qualify for derecognition under IAS 39.*

Deposit products include current accounts, savings accounts, call and notice deposits, fixed deposits and negotiable certificates of deposit. Term deposits vary from six months to five years in both the wholesale and retail markets.

Foreign currency liabilities are either matched by advances to clients or hedged against exchange rate fluctuations.

39.2 Sectoral analysis

	2012 Rm	2011 Rm
Banks	29 996	36 248
Government and public sector	48 317	49 867
Individuals	131 937	123 888
Business sector*	332 421	306 537
	542 671	516 540

39.3 Geographical analysis

	2012 Rm	2011 Rm
SA*	530 069	505 709
Rest of Africa	5 504	4 326
Europe	4 782	4 794
Asia	661	170
United States	1 655	1 541
	542 671	516 540

** 2011 reclassified. Refer note 53.*

40 PROVISIONS AND OTHER LIABILITIES

	2012 Rm	2011 Rm
Creditors and other accounts	6 181	5 130
Deferred revenue: client loyalty programmes	243	224
Short-trading securities and spot positions	2 214	2 344
Leave pay accrual (note 40.1)	635	588
	9 273	8 286

40.1 Leave pay accrual

	2012 Rm	2011 Rm
Balance at the beginning of the year	588	555
Recognised in profit or loss	380	375
Utilised during the year	(333)	(342)
Balance at the end of the year	635	588

Provisions have been raised in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets, as set out in note 42.

40.2 Day-one gains and losses

The group enters into transactions where the fair value of the financial instruments are determined using valuation models for which certain inputs are not based on market-observable prices or rates. Such financial instruments are initially recognised at the transaction price, which is the best indicator of fair value. The transaction price may differ from the valuation amount obtained, giving rise to a day-one profit or loss.

The difference between the transaction price and the valuation amount, commonly referred to as 'day-one profit or loss', is deferred and either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market-observable inputs, or realised when the financial instrument is derecognised.

The group's day-one profits are attributable to commodity financial instruments.

	2012 Rm	2011 Rm
Balance at the beginning of the year	7	23
Profit/(loss) recognised in the statement of comprehensive income	26	(16)
Balance at the end of the year	33	7

41 LONG-TERM DEBT INSTRUMENTS

	Nominal value	Instrument terms	2012	2011
Subordinated debt	Rm		7 845	9 614
Rand-denominated			6 996	8 802
Callable bonds repayable on 4 December 2013 (IPB3) (a)	300	JIBAR + 2,5% per annum**	151	151
Callable notes repayable on 20 September 2018 (NED6) (c)	1 800	9,84% per annum*	1 898	1 917
Callable notes repayable on 8 February 2017 (NED7) (b)+	650	9,03% per annum*		675
Callable notes repayable on 8 February 2019 (NED8) (c)	1 700	8,90% per annum*	1 811	1 813
Callable notes repayable on 6 July 2022 (NED9) (e)	2 000	JIBAR + 0,47% per annum**	2 026	2 029
Callable notes repayable on 15 August 2017 (NED10) (b)++	500	JIBAR + 0,45% per annum**		504
Callable notes repayable on 17 September 2020 (NED11) (d)	1 000	10,54% per annum*	1 110	1 088
Callable notes repayable on 14 December 2017 (NED12A) (b)+++	500	JIBAR + 0,70% per annum**		502
Callable notes repayable on 14 December 2017 (NED12B) (b)+++	120	10,38% per annum*		123
US dollar-denominated	US$m		849	812
Callable notes repayable on 3 March 2022 (EMTN01) (h)	100	Three-month USD LIBOR**	849	812

	Nominal value	Instrument terms	2012	2011
Hybrid subordinated debt – Rand-denominated	Rm		1 865	1 817
Callable notes repayable on 20 November 2018 (NEDH1A) (f)	487	15,05% per annum*	586	538
Callable notes repayable on 20 November 2018 (NEDH1B) (f)	1 265	JIBAR + 4,75% per annum**	1 279	1 279

	Nominal value	Instrument terms	2012	2011
Securitised liabilities – Rand-denominated	Rm		1 798	973
Callable notes repayable on 18 November 2039 (GR1A2A) (g)++++	1 407	JIBAR + 0,60% per annum**		848
Callable notes repayable on 18 November 2039 (GRN1B) (g)++++	98	JIBAR + 0,85% per annum**		74
Callable notes repayable on 18 November 2039 (GRN1C) (g)++++	76	JIBAR + 1,1% per annum**		51
Callable notes repayable on 25 October 2039 (GRH1A1) (i)	480	JIBAR + 1,1% per annum**	441	
Callable notes repayable on 25 October 2039 (GRH1A2) (i)	336	JIBAR + 1,25% per annum**	339	
Callable notes repayable on 25 October 2039 (GRH1A3) (i)	900	JIBAR + 1,54% per annum**	907	
Callable notes repayable on 25 October 2039 (GRH1B) (i)	110	JIBAR + 1,90% per annum**	111	

41 LONG-TERM DEBT INSTRUMENTS (CONTINUED)

	Nominal value	Instrument terms	2012	2011
Senior unsecured debt – Rand-denominated	Rm		18 776	17 026
Senior unsecured notes repayable on 9 September 2012 (NBK1B)	1 690	JIBAR + 1,50% per annum**		1 500
Senior unsecured notes repayable on 15 September 2015 (NBK2A)	3 244	10,55% per annum*	3 347	3 347
Senior unsecured notes repayable on 15 September 2015 (NBK2B)	1 044	JIBAR + 2,20% per annum**	1 053	1 054
Senior unsecured notes repayable on 9 September 2019 (NBK3A)	1 273	11,39% per annum*	1 407	788
Senior unsecured notes repayable on 31 March 2013 (NBKI1)	1 750	3,9% real-yield base CPI ref 106,70667*	2 080	1 980
Senior unsecured notes repayable on 28 October 2024 (NBK4)	660	Zero coupon	226	177
Senior unsecured notes repayable on 31 March 2013 (NBKI1U)	98	3,8% real-yield base CPI ref 108,68065*	114	109
Senior unsecured notes repayable on 19 April 2013 (NBK5B)	1 552	JIBAR + 1,48% per annum**	1 572	1 574
Senior unsecured notes repayable on 19 April 2015 (NBK6A)	478	9,68% per annum*	487	487
Senior unsecured notes repayable on 19 April 2015 (NBK6B)	1 027	JIBAR + 1,75% per annum**	1 041	1 042
Senior unsecured notes repayable on 19 April 2020 (NBK7B)	80	JIBAR + 2,15% per annum**	81	81
Senior unsecured notes repayable on 24 March 2014 (NBK8A)	450	8,39% per annum*	460	460
Senior unsecured notes repayable on 24 March 2014 (NBK8B)	988	JIBAR + 1,05% per annum**	969	989
Senior unsecured notes repayable on 23 March 2016 (NBK9A)	1 137	9,36% per annum*	1 166	1 166
Senior unsecured notes repayable on 23 March 2016 (NBK9B)	677	JIBAR + 1,25% per annum**	678	678
Senior unsecured notes repayable on 21 April 2014 (NBK10B)	500	JIBAR + 1,00% per annum**	455	506
Senior unsecured notes repayable on 27 October 2014 (NBK11B)	1 075	JIBAR + 0,94% per annum**	1 086	1 088
Senior unsecured notes repayable on 20 February 2015 (NBK12B)	1 297	JIBAR + 1,00% per annum**	1 306	
Senior unsecured notes repayable on 21 February 2017 (NBK13B)	405	JIBAR + 1,30% per annum**	408	
Senior unsecured notes repayable on 27 August 2015 (NBK14B)	250	JIBAR + 1,00% per annum**	251	
Senior unsecured notes repayable on 27 August 2017 (NBK15B)	786	JIBAR + 1,31% per annum**	589	

	Nominal value	Instrument terms	2012	2011
Other – Rand-denominated	Rm		11	9
Unsecured debentures repayable on 30 November 2029	200	Zero coupon	11	9
Total long-term debt instruments in issue			30 295	29 439

* *Interest on these notes is payable biannually.*
** *Interest on these notes is payable quarterly.*
\+ *The debt instrument was redeemed on its call date on 8 February 2012.*
++ *The debt instrument was redeemed on its call date on 15 August 2012.*
+++ *The debt instrument was redeemed on its call date on 14 December 2012*
++++ *The debt instruments were redeemed on their call date on 19 November 2012.*

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

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

(a) Callable by the issuer, Nedbank Ltd, after five years from the date of issue, 4 December 2008 (i.e 4 December 2013), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 3,75%.

(b) Callable by the issuer, Nedbank Ltd, after five years from the date of issue 8 February 2007, 15 August 2007, 14 December 2007 and 14 December 2007 (ie 8 February 2012, 15 August 2012, 14 December 2012 and 14 December 2012), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 1,95%, 1,45%, 1,70% and 1,70% respectively.

(c) Callable by the issuer, Nedbank Ltd, after seven years from the date of issue, being 20 September 2006 and 8 February 2007 (ie 20 September 2013 and 8 February 2014), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,05% and 2,17% respectively.

(d) Callable by the issuer, Nedbank Ltd, after eight years from the date of issue, being 17 September 2007 (ie 17 September 2015), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,85%.

(e) Callable by the issuer, Nedbank Ltd, after ten years from the date of issue, being 6 July 2007 (ie 6 July 2017), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,20%.

(f) Callable by the issuer, Nedbank Ltd, after ten and a half years from the date of issue, being 20 May 2008 (ie 20 Nov 2018), at which time the interest converts to a floating three-month JIBAR rate plus 712,5bps in perpetuity unless called.

(g) Callable by the issuer, GreenHouse Funding (RF) Ltd, after approximately five years from the date of issue, being 10 December 2007 (ie 18 November 2012), at which time the interest rate on the notes (GR1A2A, GRN1B, GRN1C) will step up to three-month JIBAR rate, plus a spread of 0,80%, 1,10% and 1,35% respectively.

(h) Callable by the issuer, Nedbank Ltd, after eight years from the date of issue 3 March 2009 (ie 3 March 2017), at which time the interest rate converts to a floating three-month USD LIBOR rate, plus a spread of 3,00%.

(i) Callable by the issuer, GreenHouse Funding (RF) Ltd, after approximately five years from the date of issue, being 19 November 2012 (ie 25 October 2017), at which time the interest rate on the notes (GRH1A1, GRH1A2, GRH1A3, GRH1B) will step up to three-month JIBAR rate, plus a spread of 1,49%, 1,69%, 2,08% and 2,57% respectively.

42 CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

	2012 Rm	2011 Rm
Guarantees on behalf of clients	34 155	27 763
Letters of credit and discounting transactions	2 422	2 389
Irrevocable unutilised facilities and other	82 585	76 347
	119 162	106 499

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

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

As disclosed in the group's 2009 annual financial statements, the largest of these potential actions is a claim in the High Court against Nedbank Ltd by certain shareholders in Pinnacle Point Group Ltd, alleging that Nedbank Ltd had a legal duty of care to them arising from a share swap transaction. During 2011 further actions were instituted against Nedbank Ltd by other stakeholders relating to this same issue. In early 2013 one of the claims by one of the shareholders, Property Promotions and Management (Pty) Ltd for an amount of R147m was dismissed by the North Gauteng High Court in Pretoria. Nedbank Ltd and its legal advisers remain of the opinion that the remaining claims are ambitious, and that the remaining claimants will have great difficulty succeeding.

43 COMMITMENTS

43.1 Capital expenditure approved by directors

	2012 Rm	2011 Rm
Contracted	408	313
Not yet contracted	657	824
	1 065	1 137

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

43.2 Operating lease commitments

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

2012	2013 Rm	2012 – 2017 Rm	Beyond 2017 Rm
Land and buildings*	589	1 663	689
Furniture and equipment	215	963	272
	804	2 626	961

2011	2012 Rm	2011 – 2016 Rm	Beyond 2016 Rm
Land and buildings*	570	996	296
Furniture and equipment	197	859	241
	767	1 855	537

* *The group may from time to time enter into subleases of properties where it is the lessee. These subleases are considered to be immaterial in the context of the group's overall leasing arrangements.*

The terms of renewal and escalation clauses are as follows:

The majority of material leases entered into by the group include an option to renew the lease. If the rental for the renewal period has not been agreed on or determined by the commencement date of the renewal period, the tenant must continue to pay the existing monthly rental. Once the rental is determined, cumulative adjustments will be made to the amount payable for the following month. Escalation clauses for major leases entered into by the group range between 6% and 10% per annum. For all major lease agreements entered into, there is no requirement to pay contingent rent or purchase options.

43.3 Commitments under derivative instruments

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

44 COLLATERAL

44.1 Collateral pledged

The group has pledged government and other securities (note 25) and negotiable certificates of deposit (note 22) amounting to R16 561m (2011: R15 022m) as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IAS 39.

These transactions are entered into under terms and conditions that are standard industry practice to securities borrowing and lending activities.

44.2 Collateral held

The group segregates collateral received into the following two types:

(i) Financial collateral
The group takes financial collateral to support credit exposures in the trading book. This includes cash and debt securities in respect of derivative transactions.

These transactions are entered into under terms and conditions that are standard industry practice to securities borrowing and lending activities.

(ii) Non-financial collateral
In secured financial transactions, the group takes other physical collateral to recover outstanding exposure in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgages over property (both residential and commercial), liens over business assets (including, but not limited to, plant, vehicles, aircraft, inventories and trade debtors) and guarantees from parties other than the borrower.

Should a counterparty be unable to settle its obligations, the group takes possession of collateral as full or part settlement of such amounts. In general, the group seeks to dispose of such property and other assets that are not readily convertible into cash as rapidly as the market for the relevant asset permits.

44.3 Collateral taken possession of and recognised in the statement of financial position

Included in properties in possession (note 26.1) is an amount of R346m (2011: R593m), which represents assets the group has acquired during the year by taking possession of collateral held as security.

45 SECURITISATIONS

Nedbank Ltd uses securitisation primarily as a funding diversification tool and to add flexibility in mitigating structural liquidity risk. The group currently has two active traditional securitisation transactions:

- Synthesis Funding Ltd (Synthesis), an asset-backed commercial paper (ABCP) programme launched in 2004 and
- GreenHouse Funding (RF) Ltd, Series 1 (GreenHouse), a residential mortgage-backed securitisation programme launched in December 2007 and restructured in November 2012.

Synthesis primarily invests in long-term rated bonds and offers capital market funding to SA corporates. These assets are funded through the issuance of short-dated investment-grade commercial paper to institutional investors. All the commercial paper issued by Synthesis is assigned the highest short-term RSA local-currency credit rating by Fitch, and is listed on JSE Ltd.

Within GreenHouse, R2bn of home loans originated by Nedbank Retail, was securitised in 2007. The notes issued to finance the purchase of the home loan portfolio were assigned credit ratings by both Fitch and Moody's and listed on JSE Ltd. During 2010 Fitch placed the GreenHouse notes on rating watch negative as a result of changes in its rating criteria for SA RMBS transactions. On 22 May 2012 Fitch affirmed the rating of the notes, with a stable outlook, and withdrew the rating of the subordinated loan.

GreenHouse was restructured and refinanced on 19 November 2012 as a static amortising structure. The proceeds from the refinance of this transaction, through the issuance of new notes and subordinated loans, was utilised to repay the R1,3bn existing notes and subordinated loans upon their scheduled maturity, and to acquire additional home loans of approximately R807m. The newly issued senior notes, which have been rated by Fitch and listed on JSE Ltd, were placed with third party investors and the junior notes and subordinated loans retained by the group. The home loans transferred to GreenHouse have continued to be recognised as financial assets. GreenHouse will direct all capital repayments received on the home loan portfolio to noteholder.

45 SECURITISATIONS (CONTINUED)

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

	2012		2011	
Rm	Carrying amount of assets	Associated liabilities	Carrying amount of assets	Associated liabilities
Loans and advances to clients				
Residential mortgage loans	1 320**	2 216	1 459	1 517
Other financial assets				
Corporate and bank paper	2 129		1 452	
Other securities	2 599		2 498	
Commercial paper		4 744		4 022
Total	6 048	6 960	5 409	5 539

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

** *The value represents residential mortgages ceded to GreenHouse at 31 December 2012. It excludes funds of approximately R807m held in a warehouse facility available for transfer once the remaining acquired residential mortgages have been ceded.*

This table presents the gross balances within the securitisation schemes and does not reflect any eliminations of intercompany and cash balances held by the various securitisation vehicles.

46 FOREIGN CURRENCY CONVERSION GUIDE

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

	2012 Actual	2011 Actual	2012 Average	2011 Average
United States dollar	0,1179	0,1233	0,1220	0,1379
Pound sterling	0,0729	0,0798	0,0766	0,0859
Euro	0,0894	0,0953	0,0945	0,0987

47 CASHFLOW INFORMATION

47.1 Reconciliation of profit from operations to cash generated by operations

	2012 Rm	2011 Rm
Profit from operations	8 636	7 116
Adjusted for:		
– Depreciation (note 15)	845	755
– Amortisation: computer software and intangible assets (note 15)	507	523
– Movement in impairment of loans and advances	6 031	5 955
– Net income on investment banking assets	(7)	(10)
– Impairment losses on investments, property and equipment, and capitalised development costs (note 17)	51	48
– Loss on sale of subsidiaries, investments and property and equipment (note 17)	(3)	
– Fair-value adjustments of investment properties	1	
– Indirect taxation (note 16)	460	413
Cash generated by operations	16 521	14 800

47.2 Cash received from clients

	2012 Rm	2011 Rm
Interest and similar income (note 12)	42 900	41 417
Commission and fees (note 14)*	11 026	9 726
Net trading income (note 14)	2 541	2 088
Other income*	486	316
	56 953	53 547

* *2011 reclassified. Refer note 14.*

	2012 Rm	2011 Rm
47.3 Cash paid to clients, employees and suppliers		
Interest expense and similar charges (note 13)	(24 102)	(24 119)
Staff costs (note 15)	(10 466)	(9 343)
Other operating expenses	(6 747)	(6 334)
	(41 315)	(39 796)
47.4 Increase in operating assets		
Other short-term securities	(5 860)	(9 760)
Government and other securities	3 797	1 676
Loans and advances and other operating assets	(32 983)	(27 445)
	(35 046)	(35 529)
47.5 Increase in operating liabilities		
Current and savings accounts	4 462	3 881
Other deposits, loan accounts and foreign currency liabilities	41 939	32 382
Negotiable certificates of deposit	(21 809)	(12 614)
Deposits received under repurchase agreements	1 539	842
Creditors and other liabilities	931	3 867
	27 062	28 358
47.6 Taxation paid		
Amounts receivable at the beginning of the year	602	364
Statement of comprehensive income charge (excluding deferred taxation)	(2 999)	(2 144)
Total indirect taxation (note 16)	(460)	(413)
Portion of transaction taxation on property and equipment acquired to be depreciated in future years	(77)	(154)
Amounts receivable at the end of the year	(174)	(602)
	(3 108)	(2 949)
47.7 Acquisition of investments in subsidiary companies net of cash		
Loans and advances	176	475
Other assets	(367)	(92)
Investments in associate companies and joint ventures	57	66
Deferred taxation assets		(21)
Investment property		(403)
Intangible assets		(85)
Provisions and other liabilities	1	42
Deferred taxation liabilities	53	11
Net assets acquired	(80)	(7)
Non-controlling interest		7
Goodwill (note 36)	(19)	
Consideration paid	(99)	–
47.8 Dividends paid		
Recognised in the consolidated statement of changes in shareholders' equity	(5 106)	(1 025)

48 MANAGED FUNDS

48.1 Fair value of funds under management

	2012 Rm	2011 Rm
SA unit trusts	87 250	61 158
	87 250	61 158

48.2 Reconciliation of movement in funds under management

	SA unit trusts Rm
Balance at 31 December 2010	55 510
Inflows	27 718
Outflows	(23 857)
Mark-to-market value adjustment	1 787
Balance at 31 December 2011	61 158
Inflows	94 636
Outflows	(75 701)
Mark-to-market value adjustment	7 157
Balance at 31 December 2012	87 250

The group, through a number of subsidiaries, operates unit trusts. Commissions and fees earned in respect of trust and management activities performed are included in the consolidated statement of comprehensive income as non-interest revenue.

49 SHARE-BASED PAYMENTS

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

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

49.1 Description of arrangements

Scheme	Trust/Special-purpose vehicle (SPV)	Description
TRADITIONAL EMPLOYEE SCHEMES		
Nedbank Group (1994) Share Option Scheme	Nedbank Employee Share Trust	Share options were granted to key personnel to motivate senior employees to remain with the group. The granting of share options was based on job level, merit and performance, and was entirely at the discretion of the trustees acting on recommendations of executive management. Grants were made twice a year for new appointments and annually for existing staff, on a date determined by the trustees. The scheme is now closed to new participants and no further shares will be granted.
Nedbank Group (2005) Share Option and Restricted Share Scheme	Nedbank Group (2005) Share Scheme Trust	Restricted Shares are granted to key personnel to motivate senior employees to remain with the group. The granting of Restricted Shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.
Nedbank Group (2005) Matched Share Scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.

Vesting requirements	Maximum term
Share options granted on appointment were time-based, of which 50% vested after three years and the remaining 50% after four years. Annual allocations to existing staff are linked to the achievement of predetermined targets for growth in headline earnings over the performance period of three and four years.	6 years
2008 and 2009 grants: Completion of three years' service plus predetermined target for average return on equity, average fully dilutive headline earnings per share growth and average-cost-to-income-ratio. 2010 and 2011 grants: Three years' service and achievement of performance targets based on average return on equity and Nedbank Group Ltd share price performance against the financial index. Where the performance target is not met, 50% will vest, provided that the three years' service has been achieved.	3 years
Three years' service and achievement of Nedbank Group Ltd performance target. Where this performance targets is not met, 50% will vest provided that the three years' service has achieved.	3 years

49 SHARE-BASED PAYMENTS (CONTINUED)
49.1 Description of arrangements (CONTINUED)

Scheme	Trust/Special-purpose vehicle (SPV)	Description
Nedbank UK Matched Scheme	n/a	All UK employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.
Nedbank Fairbairn long term incentive plan (LTIP)	n/a	Restricted Shares are granted to key Nedbank Private Wealth Ltd (Isle of Man) personnel to motivate senior employees to remain with the group. The granting of Restricted Shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.
Nedbank Fairbairn Matched Scheme	n/a	All Nedbank Private Wealth Ltd (Isle of Man) employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.
NEDBANK EYETHU BEE SCHEMES – EMPLOYEES		
Black Executive Scheme	Nedbank Eyethu Black Executive Trust	Restricted shares and share options were granted to certain black employees at a senior-management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees at a middle- and senior-management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
NEDBANK EYETHU BEE SCHEMES – CLIENTS AND BUSINESS PARTNERS		
Black Business Partner Scheme	Wiphold Financial Services Number Two Trust and Brimstone-Mtha Financial Services Trust	Each trust was issued an equal number of restricted shares at R1,87 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Retail Scheme	Nedbank Eyethu Retail Trust	For every three shares acquired, participants qualify for an additional bonus share after a three-year period. The participants could elect to settle the payment for the shares in a once-off lump sum payment or by a monthly debit order over 36 months. Should there have been any contractual breach by the participants they would cease to qualify for the bonus shares. The scheme is now closed to new participants and no further shares will be granted.
Corporate Scheme	Nedbank Eyethu Corporate Scheme Trust and Aka-Nedbank Eyethu Trust	Restricted shares were allocated to existing black corporate clients and to Aka Capital (Pty) Ltd, a key corporate client that has the role of the black development partner in the scheme, at par value, with notional funding over a period of six years. The beneficial ownership of the shares resided with the participants, including the voting and dividend rights. Should there have been any contractual breach by the participants, they would cease to qualify for these shares. No new grants are being made in terms of the scheme. The scheme is now closed and no further shares will be granted.

Vesting requirements	Maximum term
Completion of three years' service, from grant date subject to corporate performance targets being met.	3 years
Completion of three years' service, from grant date subject to corporate performance targets being met.	3 years
Completion of three years' service, from grant date subject to corporate performance targets being met.	3 years
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
No dealing in the shares during the 10-year notional funding period.	10 years
Participants were required to operate and maintain a primary transaction account with Nedbank Ltd for three years.	3 years
Participants were required to use Nedbank Ltd as their primary banker for six years.	6 years

49 SHARE-BASED PAYMENTS (CONTINUED)

49.1 Description of arrangements (CONTINUED)

Scheme	Trust/Special-purpose vehicle (SPV)	Description
NEDBANK SWAZILAND SINAKEKELWE SCHEMES – BEE AND LTIP		
Swaziland Broad-based Employee Scheme	Nedbank Sinakekelwe Trust Broad-based Employee Scheme	Restricted shares were granted to qualifying non-managerial employees who do not participate in any other incentive schemes within the group. The beneficial ownership of the shares lies with the participants, including dividend rights.
Swaziland Management Scheme	Nedbank Sinakekelwe Trust Management Scheme	Restricted shares and share options were granted to key Management personnel as an incentive to remain within the group. Grants are allocated on the basis of job level, performance, potential and skills and competencies portrayed by the employee, entirely at the discretion of the trustees and are allocated under recommendation of the group's executive management team. The beneficial ownership of the shares lie with the participants, including dividend rights.
Swaziland Trust Long-term Incentive Scheme	Sinakekelwe Trust Long-term Incentive Scheme	Restricted shares and share options to be granted to key management personnel as an incentive to remain within the group. Grants will be allocated on the basis of job level, performance, potential and skills and competencies portrayed by the employee, entirely at the discretion of the group's executive management team. The beneficial ownership of the shares will lie with the participants, including dividend rights. Grants to staff have yet to be made.

No numerical information has been included in either the share-based payment expense or reserve in respect of these schemes, as the cumulative amount is less than R1m.

Vesting requirements	Maximum term
No dealing in these shares during the restricted period of five years.	5 years
Participants must remain in service for three, four and five years, after each of which one-third of the shares become unrestricted and one-third of the options vest.	5 years
Participants must remain in service for three, four and five years, after each of which one-third of the shares become unrestricted and one-third of the options vest.	5 years

49 SHARE-BASED PAYMENTS (CONTINUED)

49.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Traditional employee schemes	446	260	795	439
Nedbank Group (1994) Share Option Scheme		*		
Nedbank Group (2005) Share Option Scheme	400	251	726	415
Nedbank Group (2005) Matched Share Scheme	28	9	50	24
Nedbank UK Long-term Incentive Plan	2	*	2	*
Nedbank UK Matched Share Scheme				*
Nedbank Fairbairn long-term incentive plan**	16		17	
Nedbank Fairbairn Matched Share Scheme				*
Nedbank Eyethu BEE schemes	36	66	104	115
Black Business Partner Scheme**		11		
Retail Scheme		*		
Corporate Scheme		17		
Black Executive Scheme	13	9	28	24
Black Management Scheme	23	29	76	91
	482	326	899	554

* *Represents amounts less than R1m.*

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

49.3 Movements in number of instruments

	2012		2011	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
Nedbank Group (1994) Share Option Scheme				
Outstanding at the beginning of the year			43 500	74,40
Exercised			(25 100)	74,40
Expired			(18 400)	74,40
Outstanding at the end of the year	–		–	
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		140,81
Nedbank Group (2005) Share Option Scheme				
Outstanding at the beginning of the year	12 084 077		10 977 682	110,79
Granted	3 706 882		4 405 737	
Forfeited	(3 600 721)		(2 539 595)	
Exercised	(868 477)		(705 372)	102,28
Expired			(54 375)	117,65
Outstanding at the end of the year	11 321 761		12 084 077	
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		183,77		130,55

	2012		2011	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
Nedbank Group (2005) Matched Share Scheme				
Outstanding at the beginning of the year	648 177		649 447	
Granted	497 600		279 831	
Forfeited	(147 667)		(44 045)	
Exercised	(80 530)		(237 056)	
Outstanding at the end of the year	917 580		648 177	
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		167,80		141,47
Nedbank UK Long-term Incentive Plan				
Outstanding at the beginning of the year	169 292	17,85	169 292	17,85
Granted	95 606			
Forfeited	(926)	17,84		
Outstanding at the end of the year	263 972	24,22	169 292	17,85
Exercisable at the end of the year	124 904	24,22	53 274	56,70
Weighted average share price for options exercised (R)		–		–
Nedbank UK Matched Share Scheme				
Outstanding at the beginning of the year				
Granted	7 856			
Outstanding at the end of the year	7 856			
Exercisable at the end of the year	–	–		
Weighted average share price for options exercised (R)		–		–
Nedbank Fairbairn long-term incentive plan				
Outstanding at the beginning of the year				
Granted	99 349			
Outstanding at the end of the year	99 349		–	
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Nedbank Fairbairn Matched Share Scheme				
Outstanding at the beginning of the year				
Granted	6 612			
Outstanding at the end of the year	6 612	–	–	
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Retail Scheme				
Outstanding at the beginning of the year			27	
Exercised			(27)	
Outstanding at the end of the year	–		–	
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–

49 SHARE-BASED PAYMENTS (CONTINUED)

49.3 Movements in number of instruments

	2012 Number of instruments	2012 Weighted average exercise price R	2011 Number of instruments	2011 Weighted average exercise price R
Corporate Scheme				
Outstanding at the beginning of the year			10 272 919	101,47
Exercised			(10 272 919)	101,47
Outstanding at the end of the year	–		–	
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		129,03
Black Executive Scheme				
Outstanding at the beginning of the year	926 880	82,72	868 199	74,57
Granted	484 650	169,30	269 781	92,84
Forfeited	(19 372)	77,41	(29 512)	68,71
Exercised	(123 718)	77,41	(181 588)	61,08
Expired	(24 000)	134,30		
Outstanding at the end of the year	1 244 440	95,45	926 880	82,72
Exercisable at the end of the year	30 302	139,07	56 806	118,99
Weighted average share price for options exercised (R)		175,68		139,75
Black management Scheme				
Outstanding at the beginning of the year	5 434 741	101,37	5 759 686	95,08
Granted	144 379	148,05	868 849	120,63
Forfeited	(392 622)	109,23	(508 336)	105,33
Exercised	(1 075 365)	109,23	(680 712)	69,70
Other movements	8 254	97,73		
Expired	(127 348)	88,01	(4 746)	108,10
Outstanding at the end of the year	3 992 039	88,01	5 434 741	101,37
Exercisable at the end of the year	363 074	122,77	757 623	95,80
Weighted average share price for options exercised (R)		175,45		136,95

49.4 Instruments outstanding at the end of the year by exercise price

	2012 Number of instruments	2012 Weighted average remaining contractual life (years)	2011 Number of instruments	2011 Weighted average life (years)
Nedbank Group (2005) Share Option Scheme				
0,00	11 321 761	1,2	12 084 077	1,2
	11 321 761	1,2	12 084 077	1,2
Nedbank Group (2005) Matched Share Scheme				
0,00	917 581	1,5	648 177	1,4
	917 581	1,5	648 177	
Nedbank UK long-term incentive plan				
0,00	241 472	1,1	146 792	1,6
134,30	22 500	0,6	22 500	1,7
	263 972	1,4	169 292	1,7

	2012		2011	
	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average life (years)
Nedbank UK Matched Share Scheme				
0,00	7 856	2,2		
	7 856	2,2	–	
Nedbank Fairbairn long-term incentive plan				
0,00	99 349	1,4		
	99 349	1,4	–	
Nedbank Fairbairn Matched Share Scheme				
0,00	6 612			
	6 612		–	
Black Executive Scheme				
0,00	385 372	3,3	277 416	2,6
74,75			16 080	0,6
75,74	57 715	3,2	57 715	4,2
104,51	60 104	2,6	89 707	3,6
107,03			13 054	1,6
110,98			4 427	1,2
120,62	24 504	2,2	49 006	3,2
121,08	189 445	4,2	189 445	5,2
128,44	84 182	5,2	84 182	6,2
132,18	11 163	4,6	11 163	5,6
134,30	24 000	1,6	48 000	2,6
140,00	60 000	3,6	60 000	4,6
144,30	23 535	1,2	26 685	2,2
161,88	210 410	6,2		
182,98	114 010	6,6		
	1 244 440	4,3	926 880	3,8
Black Management Scheme				
0,00	312 578	1,8	395 303	2,3
74,75			456 706	0,6
75,74	937 091	3,2	1 003 490	4,2
104,51	376 275	2,6	574 170	3,6
107,03	41 791	0,6	132 318	1,6
108,45	194 316	3,6	213 399	4,6
110,98	48 734	0,2	98 915	1,2
120,62	400 587	2,2	533 015	3,2
121,08	330 595	4,2	381 666	5,2
128,44	397 137	5,2	461 201	6,2
132,18	293 378	4,6	354 596	5,6
134,30	170 425	1,6	307 857	2,6
139,69	214 149	3,6	243 970	4,6
144,30	159 881	1,2	278 135	2,2
161,88	115 102	6,2		
	3 992 039	3,2	5 434 741	3,6

49 SHARE-BASED PAYMENTS (CONTINUED)

49.5 Instruments granted during the year

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

	Nedbank Group (2005) Share Option Scheme	Nedbank Group (2005) Matched Share Scheme	Nedbank UK long-term incentive plan
2012			
Number of instruments granted	3 706 882	497 600	95 606
Weighted average fair value per instrument granted (R)***	157	138	129,17
Weighted average share price (R)	165	164	154,94
Weighted average exercise price (R)			
Weighted average expected volatility (%)*	23,0	23,0	23,9
Weighted average life (years)	3	3	3,0
Weighted average expected dividends (%)**			
Weighted average risk-free interest rate (%)	6,3	6,3	6,6
Number of participants	1 740	465	20
Weighted average vesting period (years)	3	3	3,0
Possibility of not vesting (%)	10,0	7,0	10,0
Expectation of meeting performance criteria (%)	90,0	93,0	90,0
2011			
Number of instruments granted	4 405 737	279 831	
Weighted average fair value per instrument granted (R)***	127,00	121,00	
Weighted average share price (R)	134,00	142,00	
Weighted average exercise price (R)			
Weighted average expected volatility (%)*	26,0	26,0	
Weighted average life (years)	3,0	3,0	
Weighted average expected dividends (%)**		5,0	
Weighted average risk-free interest rate (%)	7,0	7,0	
Number of participants	1 319	300	
Weighted average vesting period (years)	3,0	3,0	
Possibility of not vesting (%)	14	7	
Expectation of meeting performance criteria (%)	86	93	

* *Expected volatility is determined based on the historical average volatility for shares over their vesting periods. Volatility is determined using expected volatility for all shares listed on the JSE.*

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

*** *Fair value per instrument has been recalculated in line with a change in the valuation methodology for shares linked to the Financial Index.*

Nedbank UK Matched Scheme	Nedbank Fairbairn long-term incentive plan	Nedbank Fairbairn Matched Scheme	Black Executive Scheme	Black Management Scheme
7 856	99 349	6 612	484 650	144 379
141,77	157,40	141,77	78,86	41,15
164,00	164,96	164,00	171,60	164,27
			113,32	148,05
22,0	23,0	22,0	23,0	23,0
3,0	3,0	3,0	5,8	6,1
			3,5	5,4
6,2	6,3	6,2	6,7	7,2
13	23	24	21	180
3,0	3,0	3,0	5,0	5,2
10,0	10,0	10,0	5,0	12,0
90,0	90,0	90,0	95,0	88,0
			269 781	868 312
			60,53	40,46
			131,73	133,42
			92,84	120,63
			27,2	27,7
			5,5	5,6
			3,7	4,8
			7,9	7,9
			8	473
			5,0	5,0
			5	12
			95	88

50 RELATED PARTIES

50.1 Relationship with parent, ultimate controlling party and investees

The group's parent company is Nedbank Group Ltd, which holds 100% (2011: 100%) of Nedbank Ltd's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the group are identified on page 168 and associates and joint ventures of the group are identified on pages 166 and 167.

50.2 Key management personnel compensation

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

Details of the compensation paid to the board of directors and prescribed officers are disclosed in the Remuneration Report on pages 16 to 51 and details of their shareholdings in the company are disclosed on page 50. Compensation paid to the board of directors and compensation paid to other key management personnel, as well as the number of share options and instruments held, are shown below:

	Directors	Key management personnel	Total
Compensation (Rm)			
2012			
Directors' fees	12		12
Remuneration – paid by subsidiaries	78	141	219
Short-term employee benefits	39	104	143
Gain on exercise of options	39	37	76
	90	141	231
2011			
Directors' fees	11		11
Remuneration – paid by subsidiaries	35	81	116
Short-term employee benefits	34	81	115
Gain on exercise of options	1		1
	46	81	127
Number of share options and instruments			
2012			
Outstanding at the beginning of the year	1 008 974	1 724 046	2 733 020
Granted	185 799	492 998	678 797
Forfeited	(221 040)	(302 190)	(523 230)
Exercised	(328 539)	(228 727)	(557 266)
Outstanding at the end of the year	645 194	1 686 127	2 331 321
2011			
Outstanding at the beginning of the year	1 737 362	1 247 244	2 984 606
Granted	140 748	622 486	763 234
Forfeited	(132 357)	(135 819)	(268 176)
Exercised	(736 779)	(75 678)	(812 457)
Transferred		65 813	65 813
Outstanding at the end of the year	1 008 974	1 724 046	2 733 020

50.3 Related-party transactions

Transactions between Nedbank Ltd and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between Nedbank Ltd and its other related parties are disclosed below. All of these transactions were entered into in the normal course of business.

	Due from/(owing to)	
Outstanding balances (Rm)	2012	2011
Parent/Ultimate controlling party		
Deposits owing to Old Mutual Life Assurance Company (SA) Ltd	(13)	(81)
Loan due from Old Mutual plc		1 515
Bank balances due from Old Mutual Life Assurance Company (SA) Ltd	(4 966)	(4 194)
Bank accounts owing to Nedbank Group Ltd	(487)	(805)
Account payable owing to Old Mutual plc	(6)	(9)
Fellow subsidiaries		
Loan due from Old Mutual Asset Managers (SA) (Pty) Ltd		708
Loans due from Nedgroup Securities (Pty) Ltd	2 973	3 983
Loans owing to Nedbank Malawi Ltd	(66)	(42)
Loans due from other fellow subsidiaries	1 182	184
Deposits owing to Old Mutual Asset Managers (SA) (Pty) Ltd	(100)	(120)
Bank balances owing to Old Mutual Asset Managers (SA) (Pty) Ltd	(5)	(8)
Bank balances due from Nedgroup Securities (Pty) Ltd		472
Deposits owing to Syfrets Securities Ltd	(1 613)	(1 745)
Deposits due owing to other fellow subsidiaries	(213)	(505)
Bank balances owing to other fellow subsidiaries	(861)	(854)
Equity derivatives with fellow subsidiaries	(10)	(18)
Interest rate contracts with various fellow subsidiaries	11	8
Associates		
Loans due from associates	585	377
Deposits owing to associates	(10)	
Bank balances owing to associates	(5)	(8)
Key management personnel		
Mortgage bonds due from key management personnel	48	32
Deposits owing to key management personnel	(30)	(32)
Deposits owing to entities under the influence of key management personnel	(826)	(560)
Bank balances due from key management personnel	3	20
Bank balances owing to key management personnel	(30)	(21)
Bank balances due from entities under the influence of key management personnel	1	2
Bank balances owing to entities under the influence of key management personnel	(289)	(169)
The Wiphold and Brimstone consortia and Aka Capital (Pty) Ltd are related parties since certain key management personnel of the company have significant influence over these entities. These entities are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these entities and key management personnel is detailed below:		
Wiphold consortium	(108)	(108)
Brimstone consortium	(107)	(107)
Key management personnel – directors	(40)	(40)
Key management personnel – other	(88)	(50)
Share-based payments reserve	(343)	(305)
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme:		
Wiphold consortium		(6)
Brimstone consortium		(5)
Performance fee liability at year-end	–	(11)

50 RELATED PARTIES (CONTINUED)

50.3 Related-party transactions (CONTINUED)

Transactions (Rm)	Income/(Expense) 2012	2011
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	(4)	(7)
Bank balances owing to Nedgroup Pension Fund	(99)	(245)
Bank balances and deposits owing to other funds	(308)	(285)
Parent/Ultimate controlling party		
Interest income from Old Mutual plc	76	110
Interest expense to Old Mutual Life Assurance Company (Pty) Ltd	(316)	(339)
Dividend declared to Nedbank Group Ltd	(5 100)	(1 025)
Fellow subsidiaries		
Interest income from Old Mutual Asset Managers (SA) (Pty) Ltd	5	49
Interest income from fellow subsidiaries	212	460
Interest income from Syfrets Securities Ltd	195	55
Interest income from Nedgroup Securities (Pty) Ltd	191	239
Interest expense to Syfrets Securities Ltd	(718)	(573)
Interest expense to other fellow subsidiaries	(88)	(88)
Interest expense to Old Mutual Asset Managers (SA) (Pty) Ltd	(14)	(7)
Interest expense to Nedgroup Securities (Pty) Ltd	(12)	(271)
Management fee income from fellow subsidiaries	54	48
Associates		
Interest income from associates	3	2
Interest expense to associates	(7)	(3)
Key management personnel		
Interest income from key management personnel	1	1
Interest income from entities under the influence of key management personnel	284	111
Interest expense to key management personnel	(6)	(3)
Interest expense to entities under the influence of key management personnel	(158)	(54)
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
Aka Capital (Pty) Ltd		(2)
Key management personnel – other	(5)	
Share-based payments expense (included in BEE transaction expenses)	(5)	(2)
Key management personnel – directors	(28)	(14)
Key management personnel – other	(52)	(33)
Share-based payments expense (included in staff costs)	(80)	(47)
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme.		
Wiphold consortium	(14)	(14)
Brimstone consortium	(12)	(12)
Performance fee expense	(26)	(26)

50.3 Related-party transactions (CONTINUED)

Transactions (Rm)	Income/(Expense) 2012	2011
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	(7)	(5)
Interest expense to other funds	(4)	(3)
The Nedbank Group Pension Fund has an insurance policy (Optiplus policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) Ltd, in respect of its pension plan obligations. The group has an interest in the OMART cell captive within a fellow subsidiary in respect of its disability-plan obligations. The value of this policy and this interest are shown as reimbursement rights, with a corresponding liability. In the case of the interest in the cell captive, the group recognises the surplus in the cell captive. The amounts included in the financial statements in respect of this policy and this interest are as follows:		
Optiplus policy reimbursement right	776	785
OMART policy reimbursement right (note 35.1)	418	371
Included in long-term employee benefit assets	1 194	1 156
Optiplus policy obligation	(776)	(785)
Disability obligation	(313)	(284)
Included in long-term employee benefit liabilities	(1 089)	(1 069)

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

51 ANALYSIS OF INVESTMENTS IN ASSOCIATE COMPANIES

	Percentage holding 2012 %	2011 %	Acquisition date	Year-end
Unlisted associates				
Abacus Holdings Management (Pty) Ltd	24		Mar 12	Jun
Billion Property Developments (Pty) Ltd	20		Nov 12	Aug
Bond Choice (Pty) Ltd**	29	29	Jun 02	Feb
Capricorn Business and Technology Park (Pty) Ltd	41	41	Nov 98	Sep
Century City JV	50	50	Dec 10	Dec
Elderberry Investments 110 (Pty) Ltd	49		Aug 12	Feb
Erf 7 Sandown (Pty) Ltd	35	35	Oct 06	Feb
Falcon Forest Trading 85 (Pty) Ltd	30	30	Mar 05	Feb
Farm Bothasfontein (Kyalami) (Pty) Ltd	30	30	Jul 09	Dec
Friedshelf 113 (Pty) Ltd	20	20	Aug 02	Feb
Golden Pond Trading 350 (Pty) Ltd	20	20	Jun 06	Feb
Hazeldean Retreat (Pty) Ltd	20	20	Mar 07	Feb
Masingita Property Investment Holdings (Pty) Ltd	35	35	Aug 05	Feb
Nedglen Property Developments (Pty) Ltd	35	35	Nov 04	Jun
Odyssey Developments (Pty) Ltd	49	49	Aug 07	Jun
Oukraal Developments (Pty) Ltd	30	30	Jan 08	Jun
Precious Prospect Trading 50 (Pty) Ltd	20	20	Jun 04	Jun
SafDev Tanganani (Pty) Ltd	25	25	Oct 08	Jun
TBA Genomineerdes (Pty) Ltd	30	30	Jan 03	Jun
The Waterbuck Trust	40	40	Oct 07	Feb
Visigro Investments (Pty) Ltd***		30	Jun 06	Feb
Whirlprops 33 (Pty) Ltd**	49	49	Sep 06	Feb
Other****				

* *Represents amounts less than R1m.*

** *These associates are equity accounted.*

*** *Associate has been consolidated as a subsidiary from November 2012 post acquisition of further interests.*

**** *Represents various investments each with a value of less than 1% of the total portfolio.*

These associate companies are all property related companies. There are no regulatory constraints, apart from the provisions of the Companies Act, 2008 (as amended) that restrict the distribution of funds to the shareholders. Distribution of funds may, however, be restricted by loan agreements that the entities have entered into.

Date to which equity income accounted for	Carrying amount 2012 Rm	Carrying amount 2011 Rm	Market value/ directors' valuation 2012 Rm	Market value/ directors' valuation 2011 Rm	Net indebtedness of loans to/(from) associates 2012 Rm	Net indebtedness of loans to/(from) associates 2011 Rm
	6		6			
	134		134		134	
Dec 12	25	25	25	25		
	12	11	12	11	11	9
	55	55	55	55		
	3		3		3	
	41	38	41	38	5	5
	36	30	36	30	1	1
	8	7	8	7		
	72	58	72	58	43	43
	17	12	17	12		
	11	13	11	13	8	9
	65	56	65	56	25	24
	16	15	16	15		
	93	100	93	100	36	34
	21	26	21	26	17	15
	9	8	9	8	1	1
	12	12	12	12		
		7		7		3
	14	12	14	12	26	20
		78		78		(22)
Dec 12	*	*	*	*		
	15	2	15	2	275	236
	665	565	665	565	585	378

52 ANALYSIS OF INVESTMENTS IN MAJOR SUBSIDIARY COMPANIES

	Group			
	Issued capital		Effective holding	
	2012 Rm	2011 Rm	2012 %	2011 %
Banking**				
Nedbank (Lesotho) Ltd	20	20	100	100
Nedbank (Swaziland) Ltd	12	12	65	65
Other companies***				
BoE Management Ltd	*	*	100	100
Nedgroup Investment 102 Ltd	6	6	100	100
Nedcor Investments Ltd	28	28	100	100
Depfin Investments (Pty) Ltd	*	*	100	100
Peoples Mortgage Ltd	45	45	100	100
BoE Holdings Ltd	2	2	100	100
Nedcor Trade Services Ltd (Mauritius)	2	2	100	100

* *Represents amounts less than R1m.*

** *The banking subsidiary companies are restricted in terms of Basel regulations and prudential requirements with regard to the distributions of funds to their holding company.*

*** *These entities are free of any restrictions imposed on the distribution of funds, save for compliance with any local regulations.*

Unless otherwise stated, all entities are domiciled in the Republic of SA.

Headline earnings from subsidiaries (after eliminating intercompany transactions):

	2012 Rm	2011 Rm
Aggregate earnings	6 550	5 592
Aggregate losses	62	62

General information required in terms of the Companies Act, 2008 (as amended), is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities.

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

53 RECLASSIFICATION

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.

	As reclassified	Adjustment	As previously reported 2011 Rm	As reclassified	Adjustment	As previously reported 2010 Rm
Assets						
Cash and cash equivalents	11 514		11 514	7 469		7 469
Other short-term securities	31 715		31 715	21 955		21 955
Derivative financial instruments	14 314		14 314	14 077		14 077
Government and other securities	29 991		29 991	31 667		31 667
Loans and advances	493 107	2 931	490 176	471 447	1 920	469 527
Other assets	3 989		3 989	3 613		3 613
Clients' indebtedness for acceptances	–	(2 931)	2 931	–	(1 920)	1 920
Current taxation receivable	629		629	440		440
Investment securities	3 549		3 549	2 999		2 999
Non-current assets held for sale	8		8	5		5
Investments in associate companies and joint ventures	565		565	933		933
Deferred taxation assets	66		66	48		48
Investment property	488		488	82		82
Property and equipment	6 082		6 082	5 394		5 394
Long-term employee benefit assets	2 027		2 027	1 965		1 965
Mandatory reserve deposits with central bank	11 862		11 862	11 068		11 068
Intangible assets	3 634		3 634	3 328		3 328
Total assets	613 540	–	613 540	576 490	–	576 490
Equity and liabilities						
Ordinary share capital	27		27	27		27
Ordinary share premium	14 422		14 422	14 422		14 422
Reserves	24 856		24 856	20 281		20 281
Total equity attributable to equity holders of the parent	39 305	–	39 305	34 730	–	34 730
Preference share capital and premium	3 561		3 561	3 560		3 560
Non-controlling interest attributable to ordinary shareholders	121		121	110		110
Total equity	42 987	–	42 987	38 400	–	38 400

53 RECLASSIFICATION (CONTINUED)

	As reclassified	Adjustment	As previously reported 2011 Rm	As reclassified	Adjustment	As previously reported 2010 Rm
Derivative financial instruments	13 791		13 791	11 930		11 930
Amounts owed to depositors	516 540	2 931	513 609	491 038	1 920	489 118
Provisions and other liabilities	8 286		8 286	6 179		6 179
Liabilities under acceptances	–	(2 931)	2 931	–	(1 920)	1 920
Current taxation liabilities	27		27	76		76
Deferred taxation liabilities	997		997	1 358		1 358
Long-term employee benefit liabilities	1 473		1 473	1 408		1 408
Long-term debt instruments	29 439		29 439	26 101		26 101
Total liabilities	570 553	–	570 553	538 090	–	538 090
Total equity and liabilities	613 540	–	613 540	576 490	–	576 490

Notes to the financial statements that have been affected include:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS (NOTE 5)

Loans and advances categorised under loans and receivables and amounts owed to depositors categorised under financial liabilities at amortised cost increased as described above. These respective amounts were previously classified as non-financial assets and liabilities as management viewed it as a straight back-to-back arrangement and therefore there was no net movement of cash. Correspondingly the group has not provided a reclassified categorised statement of financial position for the period 31 December 2010.

LOANS AND ADVANCES AND AMOUNTS OWED TO DEPOSITORS (NOTES 26 AND 39 RESPECTIVELY)

As the entire amount of clients' indebtedness for acceptances has been reclassified to loans and advances and the entire amount of liabilities under acceptances has been reclassified to amounts owed to depositors. The 2010 comparative information is not readily available and management is of the opinion that the provision of the 2010 information would not provide any useful information to the users of the financial statements. Notes 26.1 and 39.1 have accordingly been reclassified reflecting the position at 31 December 2011 and 2010.

COMPLIANCE WITH IFRS* – ANNUAL FINANCIAL STATEMENT NOTES

Note number	Note description	IFRS required
1	PRINCIPAL ACCOUNTING POLICIES	IAS 1
2	STANDARDS AND INTERPRETATIONS	IAS 1
3	KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION	IAS 1
4	CAPITAL MANAGEMENT	IAS 1
5	CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS	IFRS 7
6	Fair-value MEASUREMENT	IFRS 7
7	LIQUIDITY GAP	IFRS 7
8	CONTRACTUAL MATURITY FOR FINANCIAL LIABILITIES	IFRS 7
9	HISTORICAL VALUE AT RISK (99%, ONE-DAY) BY RISK TYPE	IFRS 7
10	INTEREST RATE REPRICING GAP	IFRS 7
11	CREDIT ANALYSIS OF OTHER SHORT-TERM SECURITIES, AND GOVERNMENT AND OTHER SECURITIES	IFRS 7
12	INTEREST AND SIMILAR INCOME	IAS 18, IAS 32, IAS 39 and IFRS 7
13	INTEREST EXPENSE AND SIMILAR CHARGES	IAS 18, IAS 32, IAS 39 and IFRS 7
14	NON-INTEREST REVENUE	IAS 18, IAS 20, IAS 32, IAS 39, IFRS 7 and IFRS 8
15	OPERATING EXPENSES	IAS 1, IFRS 2 and IFRS 8
16	INDIRECT TAXATION	IAS 1
17	NON-TRADING AND CAPITAL ITEMS	IAS 1, IAS 16 and IAS 36
18	DIRECT TAXATION	IAS 12
19	EARNINGS	IAS 33
20	DIVIDENDS	IAS 1 and IAS 10
21	CASH AND CASH EQUIVALENTS	IAS 1 and IFRS 7
22	OTHER SHORT-TERM SECURITIES	IAS 1, IFRS 7 and IFRS 8
23	DERIVATIVE FINANCIAL INSTRUMENTS	IAS 32, IAS 39 and IFRS 7
24	FINANCIAL INSTRUMENTS DESIGNATED AS AT Fair value THROUGH PROFIT OR LOSS	IAS 32, IAS 39 and IFRS 7
25	GOVERNMENT AND OTHER SECURITIES	IAS 1, IAS 32, IAS 39, IFRS 7 and IFRS 8
26	LOANS AND ADVANCES	IAS 17, IFRS 7 and IFRS 8
27	IMPAIRMENT OF LOANS AND ADVANCES	IAS 39, IFRS 7 and IFRS 8
28	OTHER ASSETS	IAS 1
29	INVESTMENT SECURITIES	IAS 32, IAS 39 and IFRS 7
30	INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT VENTURES	IAS 28 and IAS 31
31	NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE	IFRS 5
32	DEFERRED TAXATION	IAS 12
33	INVESTMENT PROPERTY	IAS 40
34	PROPERTY AND EQUIPMENT	IAS 16 and IAS 36
35	LONG-TERM EMPLOYEE BENEFITS	IAS 19, IAS 26 and IFRIC** 14
36	INTANGIBLE ASSETS	IAS 38 and IAS 36
37	ACQUISITIONS	IFRS 3 and IAS 31
38	SHARE CAPITAL	IAS 1
39	AMOUNTS OWED TO DEPOSITORS	IAS 1, IFRS 7 and IFRS 8
40	PROVISIONS AND OTHER LIABILITIES	IAS 37, IAS 32 and IAS 39
41	LONG-TERM DEBT INSTRUMENTS	IAS 32, IAS 39 and IFRS 7
42	CONTINGENT LIABILITIES AND UNDRAWN FACILITIES	IAS 37 and IAS 10
43	COMMITMENTS	IAS 37, IAS 17, IFRS 7 and IAS 10
44	COLLATERAL	IFRS 7
45	SECURITISATIONS	IFRS 7 and IFRS 3
46	FOREIGN CURRENCY CONVERSION GUIDE	IAS 21
47	CASHFLOW INFORMATION	IAS 7
48	MANAGED FUNDS	IFRS 7
49	SHARE-BASED PAYMENTS	IFRS 2
50	RELATED PARTIES	IAS 24
51	ANALYSIS OF INVESTMENTS IN ASSOCIATE COMPANIES	IAS 28 and IAS 31
52	ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES	IAS 27
53	RECLASSIFICATION	IAS 1
Page 172	RISK AND BALANCE SHEET MANAGEMENT REVIEW	IFRS 7

* *International Financial Reporting Standards (IFRS).*

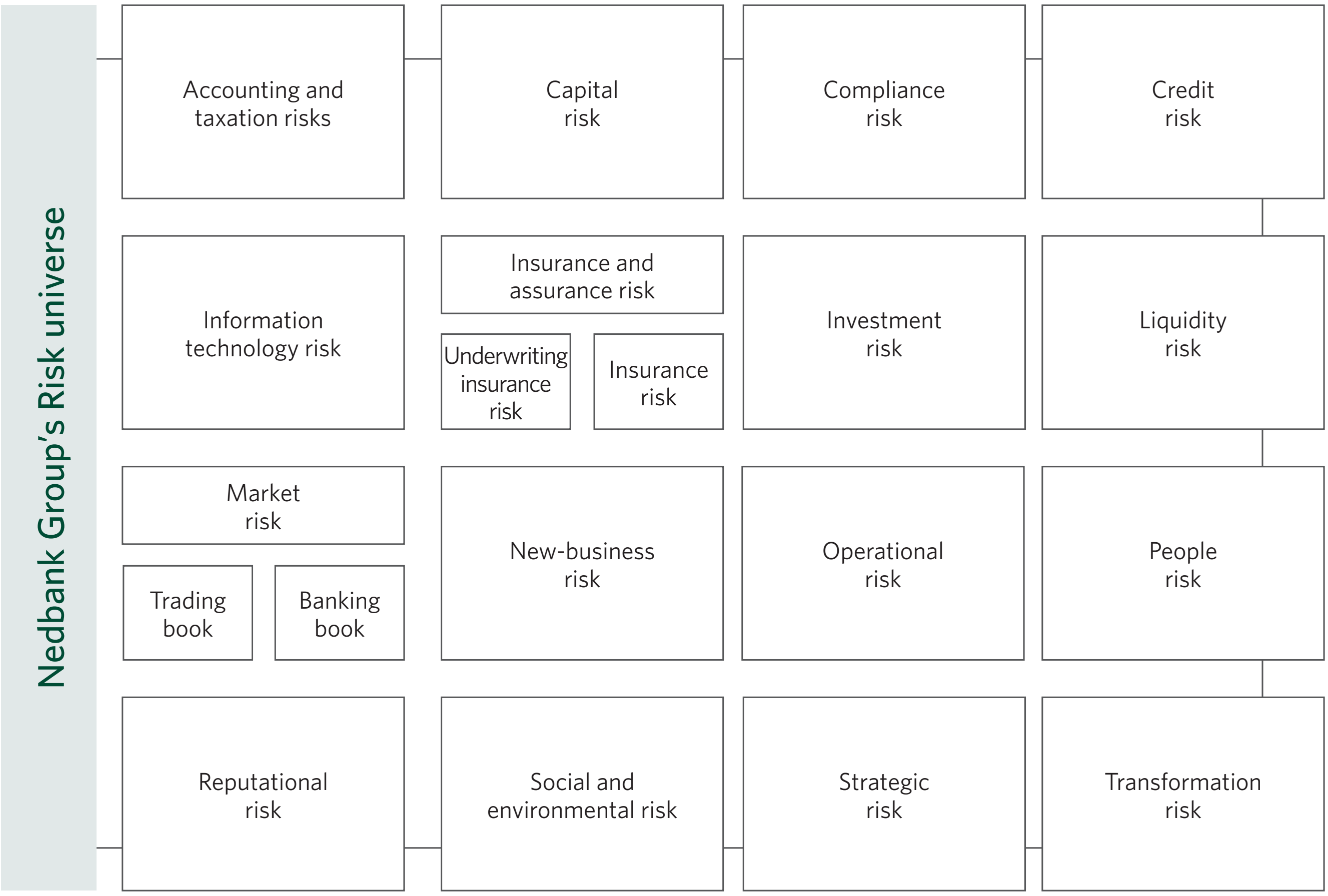
** *International Accounting Standards (IAS).*

RISK AND BALANCE SHEET MANAGEMENT REVIEW

at 31 December

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

FIRST LINE	The board and management of Nedbank Group are responsible for the implementation and management of risk.
SECOND LINE	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.
THIRD LINE	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.

OUTLOOK FOR 2013

To build on Nedbank Group's solid risk culture, looking forward the strategic emphasis will be placed on the following:

- Becoming client-driven – a key focus for 2013 will be on making Nedbank Group an 'easy place to bank', maintaining a businesslike approach to compliance, with a strong focus on client value management.
- Primary clients and cross-sell – sound risk principles will be maintained, focusing on non-interest revenue (NIR) and primary-client growth, providing assistance to identify cross-selling opportunities, facilitate solutions for new products and services, and align these with risk appetite.
- Risk as an enabler – continue to ensure risk versus reward optimisation. Embedding worldclass risk and balance sheet management will continue as plans are finalised and implemented, with a strategic emphasis to meet the new Basel III requirements.
- Productivity and execution – simplifying policies, charters, and procedures, streamlining internal approval processes, thereby reducing volumes of paper and creating efficiency through consistency.
- Unique and innovative culture – reengineering processes to demonstrate consistent and proactive responses to business needs and offer relevant risk and balance sheet management guidance. Agility and proportionate response to regulation, risk and balance sheet management, and strategy will continue.
- Transformation – embedding transformation, achieving transformation targets, ensuring visible, accessible leadership and strengthening the black talent pipeline will continue as high priorities.
- Green and caring bank – support of the group's carbon-neutral and water balance strategy, ensuring a safe and secure environment for staff and clients, and the further integration of social and environmental risk management in market, credit and operational risk all contribute to engraining the green strategy proactively.

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 by 31 March 2013.

RISK AND BALANCE SHEET MANAGEMENT HIGHLIGHTS

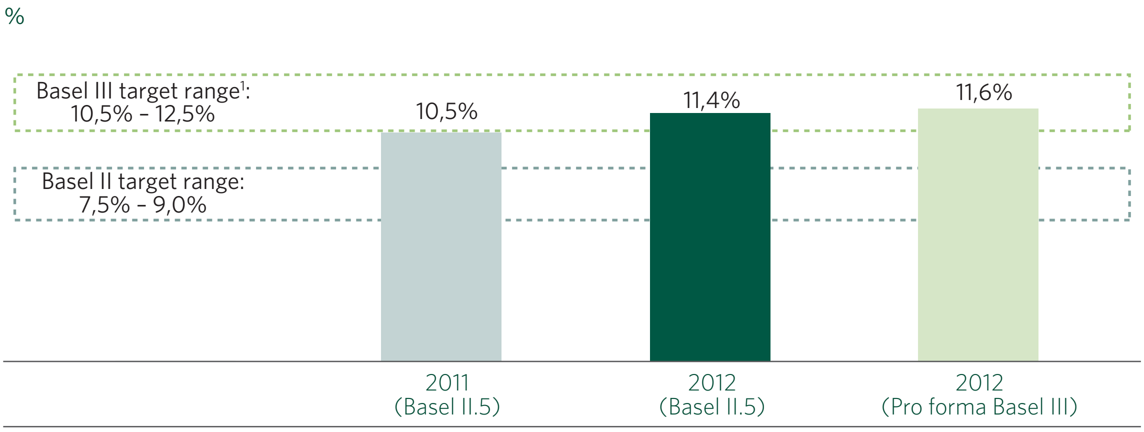
BASEL III

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



[1] *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%).

Regulatory capital		Basel III		2012		2011		
Key ratio[2]		SARB 2013 minimum[9]	New target TTC range[7]	Pro forma Basel III[4]	Actual Basel II.5[3]	Pro forma Basel III[4]	Pro forma Basel II.5[3]	Actual Basel II
CET1 CAR	(%)	4,5	10,5 – 12,5	11,6	11,4	10,5	10,5	11,0
Surplus CET1 capital[8,9]	(Rm)			10 331	22 032	5 259	18 150	18 975
Total capital ratio[5]	(%)	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[6]	(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

[2] Including unappropriated profits.
[3] Basel II.5 was effective from 1 January 2012.
[4] Basel III is effective from 1 January 2013, but the new requirements will be phased in over the period 2013 to 2019.
[5] R1 770m of Tier 2 debt capital was called and not replaced in 2012.
[6] 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.
[7] Nedbank's internal TTC target range is based on final minimum regulatory requirements of 2019 for CET1 CAR and 2015 for the Total CAR.
[8] 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.
[9] Excluding any specific Pillar 2B add-on and countercyclical buffer.

- Economic capital is the group's comprehensive internal measurement of risk and capital requirements, and forms the basis of the group's annual Internal Capital Adequacy Assessment Process (ICAAP). This includes a best-practice stress and scenario testing framework and process to confirm the robustness of the group's capital adequacy position and capital buffers, as well as the forward capital projections and related capital planning activities.
- Management and the board of directors are satisfied that the capital levels [both regulatory capital and Nedbank's internal capital assessment (economic capital) are conservative and appropriate, and both Nedbank Group and Nedbank Ltd are strongly capitalised relative to their business activities, strategy, risk appetite, risk profile and the external environment in which the group operates, and their liquidity profiles remain sound.

Economic capital and Nedbank's ICAAP		2012	2011[10]
Available financial resources (AFR):economic capital ratio	(%)	140	132
Surplus AFR over minimum economic capital requirements[11]	(Rm)	14 969	11 369

[10] December 2011 has been restated to reflect the updated economic capital methodology implemented in 2012. For detail refer from page 198.
[11] Economic capital requirements include the 10% capital buffer determined by the surplus ICAAP.

Solvency II and solvency assessment management (for SA)

- Solvency Assessment and Management (SAM) is the Financial Services Board's (FSB's) new economic risk-based solvency regime for South African insurers, which closely follows international regulatory trends, in particular Solvency II.
- SAM affects the Nedbank Wealth Cluster within Nedbank Group and implementation, which is set for 1 January 2015 (previously 2014), is on track, with the impact on the group's existing solvency or capital levels expected to be immaterial.

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.
    - 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
Total sources of quick liquidity	(Rm)	105 420	103 571
Surplus statutory liquid assets	(Rm)	24 375	23 736
Statutory liquid assets and cash reserves (ie SARB prudential minimum)	(Rm)	39 525	37 751
Other sources of quick liquidity[12]	(Rm)	41 520	42 084
Total sources of quick liquidity as a % of total assets	(%)	15,4	16,0
Long-term funding ratio (Q4 average)	(%)	26,0	25,0
Senior unsecured debt	(Rm)	18 776	17 026
Retail Savings Bond[13]	(Rm)	6 385	3 945[17]
Green Retail Savings Bond[13]		886	
Money Trader product[13]		3 344	
Reliance on NCDs[14]	(%)	14,0	18,7
Loans: deposits ratio	(%)	95,7	95,2
Basel III pro forma liquidity ratios			
LCR (effective date – 2015 to 2019) including targeted access to the CLF[15]	(%)	> 100	
NSFR (effective date – 2018)[16]	(%)	WIP	

[12] This includes corporate bonds, listed equities and other marketable securities.

[13] 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.

[14] As a % of total deposits.

[15] A 60% minimum LCR is required from 2015, increasing 10% per annum to 100% by 2019.

[16] 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.

[17] December 2011 number has been restated.

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.

EXTERNAL CREDIT RATINGS

Nedbank was upgraded by Fitch in July 2012 and now aligns with peers, while Standard & Poor's was engaged for a third formal rating in late 2012.

- On 19 July 2012 the Nedbank Group Ltd (NBG) and Nedbank Ltd (NBL) long-term foreign currency and local issuer default ratings were upgraded by Fitch to BBB+ from BBB, viability ratings to bbb+ from bbb and the national long-term ratings to 'AA(zaf)' from 'AA-(zaf)'.
- This upgrade to Nedbank's ratings reflects Fitch's positive view that these entities' credit profiles have converged with their peers.
- However, on 15 January 2013 Fitch subsequently downgraded NBG and NBL long-term foreign currency and local issuer default viability ratings by one notch in line with all the other South African banks, following the downgrade of the South African sovereign rating.
- Nedbank Ltd extended its external credit ratings coverage in 2012 by engaging Standard & Poor's to also provide formal ratings.
- On 10 December 2012 Standard & Poor's assigned its bbb/A-2 long- and short-term counterparty credit rating to Nedbank Ltd in line with both FirstRand Bank Ltd and Standard Bank of SA Ltd. Standard & Poor's also assigned its zaAA/zaA-1 South African national scale ratings to Nedbank Ltd.

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 Strategyare 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.

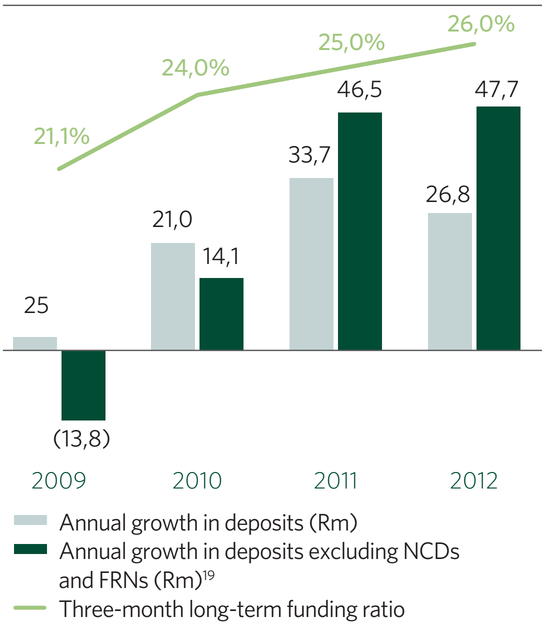
Summarised balance sheet	% change	2012* Rm	2011* Rm
Cash and securities	6,3	97 332	91 571
Net advances[18]	5,6	527 166	499 023
Other assets[18]	1,6	58 481	57 533
Total assets	5,4	682 979	648 127
Total equity	9,6	57 730	52 685
Deposits[18]	5,1	550 878	524 130
Long-term debt instruments	2,9	30 298	29 442
Other liabilities[18]	5,3	44 073	41 870
Total equity and liabilities	5,4	682 979	648 127

[18] *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.*

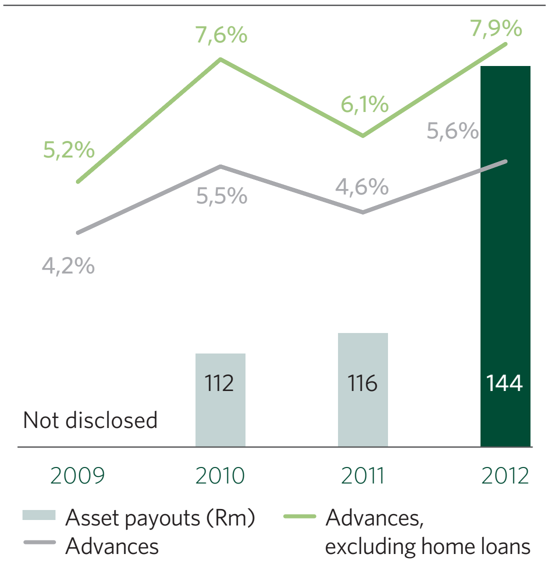
- Higher growth in 'cash and securities' is due to growth of the cash reserves and prudential liquid assets held with the SARB in line with balance sheet growth and the ongoing buildup of surplus liquid assets to enable pro forma Basel III LCR compliance.
- Net loans and advances grew 5,6% to R527bn (2011: R499bn), while excluding Retail Home Loans net advances grew at 7,9%.
- Pleasing growth in gross advances in Card of 16,1% (2011: 9,2%) and in Motor Finance Corporation (MFC) of 10,3% (2011: 9,7%), while tightening criteria resulted in personal loans growing at a reduced rate of 28,7% (2011: 36,5%). Low consumer demand for home loans in conjunction with selective advances growth and the rolloff of the backbook, led to a 5,5% reduction in the Retail Home Loans book, with single-product home loans being de-emphasised in line with the portfolio tilt strategy.
- The strong growth in ordinary shareholders' equity is aligned with the continued strong earnings growth, contributing to the strong capital ratios.
- The low growth in net long-term debt instruments (Tier 2 capital, senior unsecured debt and securitisation) is due to the impact of R1 770m of subordinated-debt redemptions during the year in line with the group's capital management strategy, and the issue of further senior unsecured debt as part of the group's Basel III liquidity planning.
- Key items in other assets include derivative financial instruments, investment securities, property and equipment, long-term employee benefit assets and intangible assets. Key items in other liabilities include derivative financial instruments, long-term employee benefit liabilities, investment contract liabilities and insurance contract liabilities.

** NCD = negotiable certificate of deposit. FRN = floating rate note.*

Enhanced funding and liquidity profile



Good-quality advances growth



** Audited*

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.

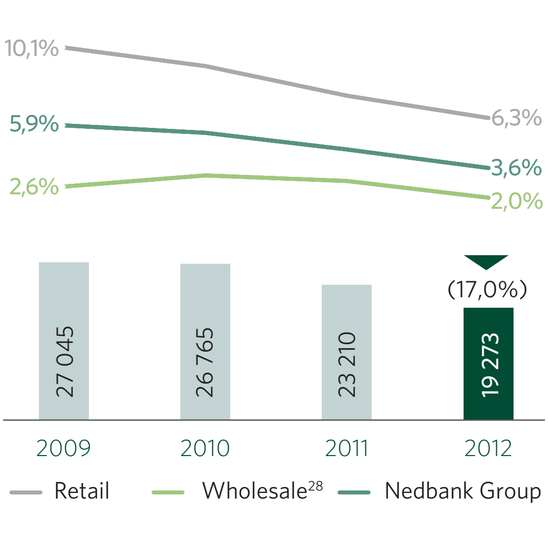
Summary of asset quality profile		2012	2011[26]
Return on assets (improved)	(%)	1,13	0,99
Total loans and advances[26]	(Rm)		
New loans advanced to clients (significant credit extension)		144 319	116 156
Gross loans and advances (good pockets of growth)		538 036*	510 520*
Net loans and advances (closing balance)		527 166*	499 023*
Total balance sheet impairments (coverage strengthened)	(Rm)	10 870	11 497
Total impairments coverage ratio[20,23,24,27] (strengthened)	(%)	56,4	49,5
Total wholesale[22]		41,9	42,8
Nedbank Retail[20,25,27]		63,3	53,0
Home Loans[23]		39,5	34,4
Personal Loans[27]		83,6	73,0
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[20,21,27] (improved)	(Rm)	19 273*	23 210*
Total wholesale[22]		6 141	8 219
Nedbank Retail[20,25,27]		12 449	14 350
Home Loans[23]		6 242	8 652
Personal Loans[27] (deteriorated)		2 607	1 725
Total defaulted advances to gross loans and advances[20,21,27] (improved)	(%)	3,6	4,5
Total wholesale[22]		2,0	2,9
Nedbank Retail[20,25,27]		6,3	7,5
Home Loans[23]		7,4	9,7
Personal Loans[27]		11,7	10,0
Total specific coverage ratio – defaulted advances[20,21,27] (strengthened)	(%)	38,6	37,7
Total wholesale[22]		27,4	33,5
Nedbank Retail[20,25,27]		45,2	41,2
Home Loans[23]		30,7	28,8
Personal Loans[27]		59,4	56,6

[20] 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.
[21] Includes Nedbank Wealth Cluster.
[22] Total wholesale includes Nedbank Capital, Nedbank Corporate and Nedbank Business Banking.
[23] Home Loans as discussed here represents a specific business unit within Nedbank Retail, and excludes the Nedbank Relationship Banking and Business Banking business units.
[24] Total impairments as a percentage of total defaulted advances.
[25] Nedbank Retail book does not include Nedbank Wealth Cluster's retail exposures.
[26] 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.
[27] 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.

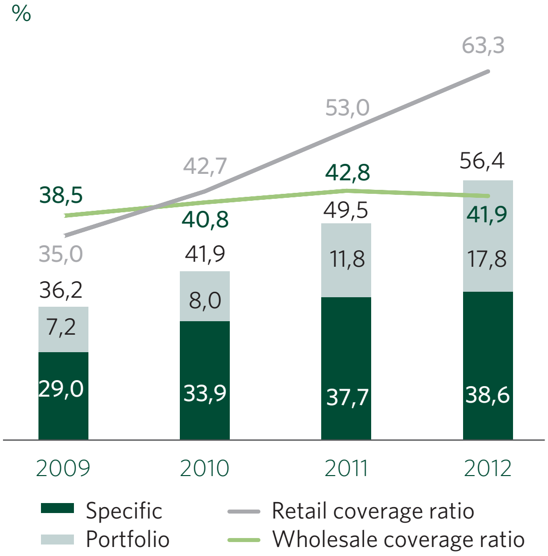
** Audited*

- 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.

Defaulted advances (Rm) and as a % of book



Total, specific and portfolio impairment coverage ratios



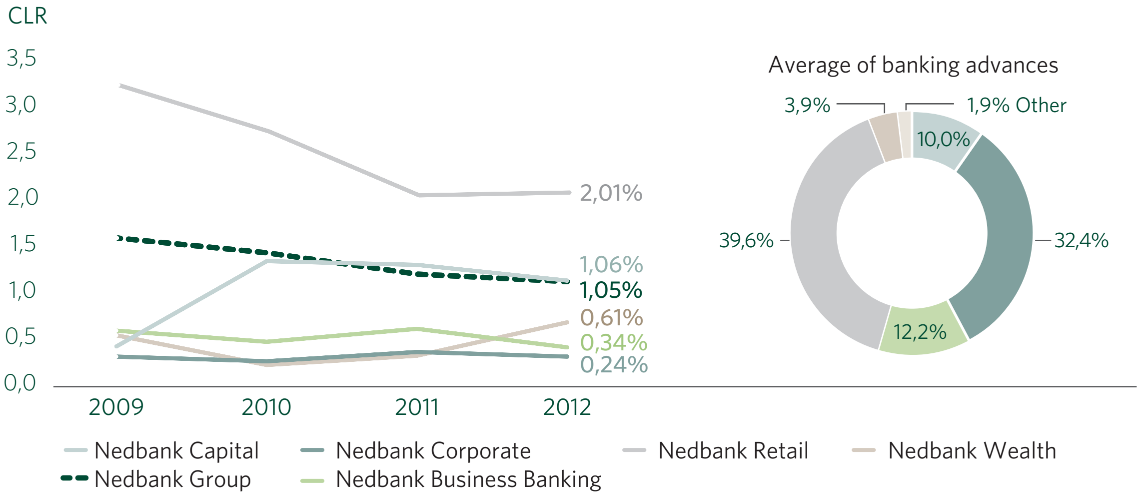
[28] *Wholesale includes Nedbank Capital, Nedbank Corporate and Nedbank Business Banking.*

- 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 2012 %	2011[30] %	Impairments charge 2012 %	2012 Rm	2011 %	2011 Rm	Credit loss ratios 2012 %	2011[30] %	TTC target ranges[29] %
Group	100,0	100,0	100,0	5 199	100,0	5 331	1,05	1,13	0,60 – 1,00
Nedbank Capital[29]	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	3,9	3,8	2,3	118	0,8	45	0,61	0,25	0,20 – 0,40
Central Management[31]	1,9	1,8	0,7	36	4,6	245			

[29] *The Nedbank Capital target range was amended in H2 2012.*
[30] *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.*
[31] *Includes Rest of Africa.*

Ongoing improvement in specific impairments while continuing to build portfolio impairments



- In line with the group's portfolio tilt strategy, the asset mix of the group – and especially within Nedbank Retail – has changed materially since 2009. The table below illustrates what the 2012 CLR would have been had the 2009 asset mix remained the same.

Impact of Nedbank Retail advances mix change on the group's and Nedbank Retail's CLR

Nedbank Retail advances mix				Credit loss ratio		
	2012 %	2011 %	2009 %		Nedbank Group %	Nedbank Retail %
Home Loans	42,7	48,5	54,5	Actual 2012 CLR	1,05	2,01
Vehicle Finance	28,5	25,9	21,8	Illustrative 2011 CLR based on 2012 portfolio mix	1,24	2,22
Personal Loans	11,3	7,8	4,5	Actual 2011 CLR	1,13	1,98
Card	5,1	4,4	4,2	Illustrative 2009 CLR based on 2012 portfolio mix	1,63	3,85
Other	12,4	13,4	15,0	Actual 2009 CLR	1,52	3,17
	100,0	100,0	100,0			

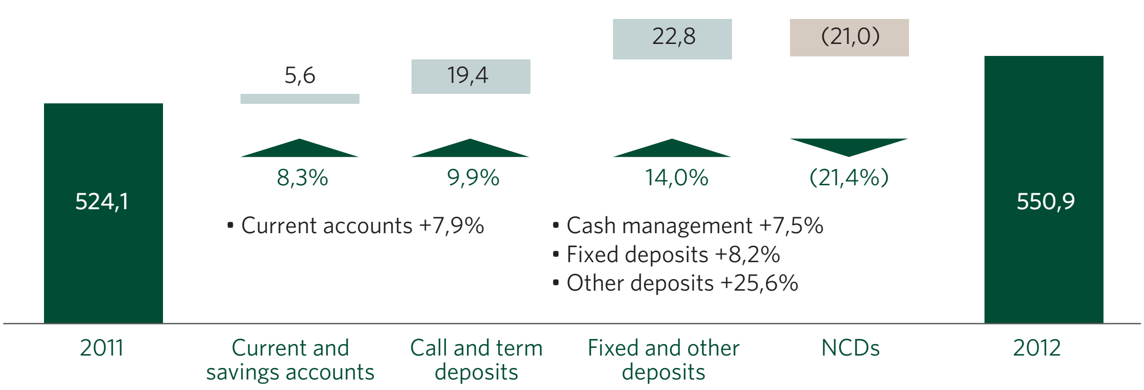
- Based on the 2012 Nedbank Retail asset mix, the 2009 Nedbank Retail CLR would have been 68b ps higher at 3,85% rather than the reported 3,17%. At a Nedbank Group level this translates into a 11bps deterioration to 1,63% rather than the reported 1,52%.
- These mix changes suggest the need to review these target TTC CLR ranges, which we plan to do in 2013.

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.

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

Deposits (Rbn)[32]



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
IRRBB (high)			
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)[33]	(843)
% of ordinary shareholders' equity (board limit: 2,25%)	(%)	1,5	1,7
Trading market risk (low)			
% of total group economic capital	(%)	1,3	1,4[36]
Total value at risk (VaR) (99%, one-day VaR) exposure (average)	(Rm)	14,7	12,0
Total stressed VaR exposure as per Basel II.5[35] (99%, one-day VaR at year-end)	(Rm)	17,1	32,5
Equity risk in the banking book (low)			
Total equity portfolio	(Rm)	4 493	4 385
% of total assets	(%)	0,7	0,7
% of total group economic capital	(%)	3,9	4,7[36]
Foreign currency translation (FCT) risk (low)			
Impact on group's total regulatory capital ratio for 10% change in the value of the rand[34]	(%)	0,1	0,1

[33] Positioned for an upward interest rate cycle.
[34] Due to FCT reserves currently being excluded from qualifying regulatory capital. This changes in 2013 under Basel III.
[35] Basel II.5 was effective from 1 January 2012.
[36] Restated for enhancements to 2012 economic capital methodologies.

Net interest margin

Net interest margin (NIM) improved in a tough economic environment, on the back of the group's portfolio tilt strategy and strong margin management, by 5bps from 3,48%[37] to 3,53% for the year, having improved by 12bps in the previous financial year.

		Change	2012	2011
NII margin	(bps)	5	353	348[37]
Interest-earning banking assets (year-to-year average)	(Rm)	39 052	556 846	517 794

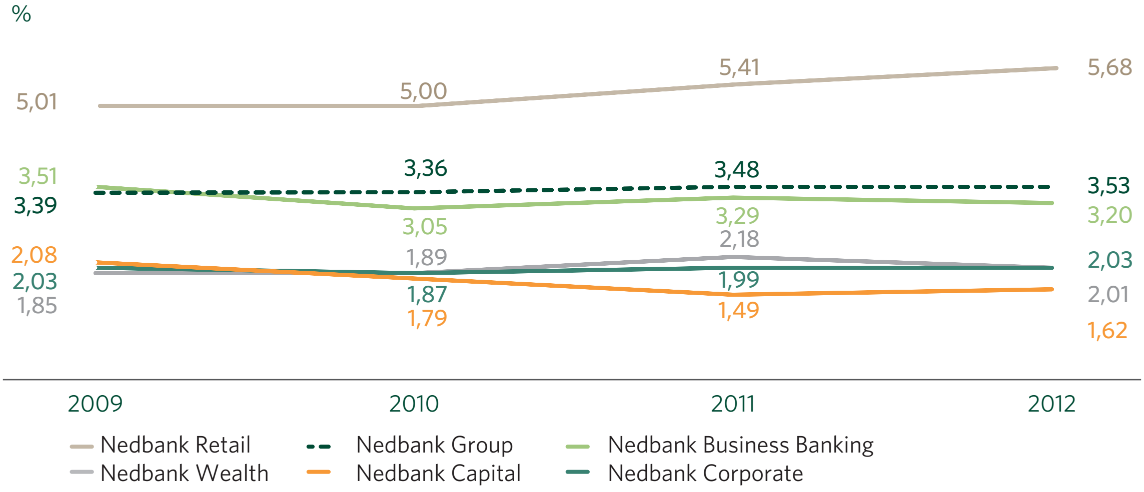
	2012 bps	2011[37] bps
Nedbank Group	353	348
Nedbank Capital	162	149
Nedbank Corporate	203	199
Total Nedbank Retail and Business Banking	487	471
Nedbank Business Banking	320	329
Nedbank Retail	568	541
Nedbank Wealth	201	218
Central Management, including Rest of Africa	74	65

Margin breakdown (bps)	2012	2011[37]
Opening margin	348	336
Improved asset pricing and mix benefits	15	8
Cost of enhancing liquidity risk profile – in line with Basel III	(6)	(7)
Impact due to interest rate change	(3)	(9)
Marginal cost of funds	1	9
Liability pricing and mix	(2)	8
Other	–	3
Closing margin	353	348

[37] 2011 NIM has been adjusted for the reclassification of acceptances, the impact being a 0,02% increase.

- Margin improved further in 2012 due to better asset pricing, backbook runoff and further benefits of advances mix changes as unsecured lending continued to grow faster than secured lending.
- The cost of Basel III increased further in 2012 as a result of higher liquid asset buffers and a longer funding profile causing further dilution to margin.
- The unexpected rate cut of 50bps in July 2012 caused a squeeze in margin.
- There was little improvement in the cost of marginal cash as deposit margins started to be squeezed in 2012 as banks competed more aggressively for deposits under Basel III. The deposit mix benefit was also limited in 2012, although NCD levels declined as holders of negotiable paper preferred other innovative deposit products.

Strengthening NIM trends across business clusters[38]



[38] 2010 to 2011 NIM has been adjusted for the reclassification of acceptances.

BASEL III OVERVIEW

- Since our June 2012 interim results report there have been significant Basel III developments:
  - Final minimum regulatory capital ratios for SA announced by the South African Reserve Bank (SARB) in October 2012.
  - Final and significant revisions to the liquidity coverage ratio (LCR), including new phase-in provisions, announced by the Basel Committee on 6 January 2013.
  - Europe and the USA have both delayed their Basel III implementations, whereas other jurisdictions, including SA, Australia, Canada, China, Japan and Singapore, have gone live on 1 January 2013.
  - There are still many work-in-progress (WIP) items under Basel III and some new items have been added.
- Nedbank has successfully implemented both Basel II.5 (effective 1 January 2012) and Basel III (effective 1 January 2013), and is extremely well positioned.

SUMMARY OF BASEL III REGULATORY TIMELINES

Key component		2013	2014	2015	2016	2017	2018	2019
Capital	Improved quality and definition of capital		■	■	■	■	■	
	Higher risk-weighted asset (RWA) requirements	■	■					
	Higher minimum ratios	■	■	■	■	■	■	■
	New capital buffers				■	■	■	■
	Fully loss-absorbency capital instruments	■	■	■	■	■	■	■
Leverage	Leverage ratio			■				
Liquidity	Liquidity Coverage Ratio			■ 60%	■ 70%	■ 80%	■ 90%	■ 100%
	Net stable funding ratio – subject to change						■ 100%	
	Liquidity risk management standards	■						
Risk and Basel's three pillars	Pillar 1 counterparty credit risk and centralised clearing counterparties	■	■					
	Securitisation framework review (version 2)		■					
	Trading book review (version 2)		■					
	Recovery and resolution plan	■	■					
	Pillar 3 – enhancements to disclosure	■	■					
	Other items		■	■	■	■	■	■

■ = implementation/phasing-in

SUMMARY OF BASEL III REQUIREMENTS

MARKET RISK AND SECURITISATION (BASEL II.5) – 2012

Introduction of a stressed value-at-risk (VaR) capital requirement for trading risk.

Introduction of an incremental risk charge (IRC).

Increase of capital requirements for complex securitisations.

Improved process and modeling of securitisation risk.

COUNTERPARTY CREDIT RISK (CCR) – 2013/2014

Introduction of additional capital charges for CCR credit exposures arising from banks' derivatives, repo and securities financing activities, based on stressed inputs, a credit valuation adjustment (CVA) charge, large exposures to financial institutions, wrong-way risk, etc.

Centralised clearing counterparties (CCPs) introduced.

Extensive new CCR risk management requirements.

CREDIT RISK (BANKING BOOK)

Basel II 1,06 credit risk-weighted asset (RWA) (Internal Ratings-based) scaler (Basel II.5) – 2012.

Forward-looking provisions International Financial Reporting Standard (IFRS) 9, integrated credit risk measurement framework with Basel II – WIP[1].

LEVERAGE RATIO – 2015

Introduction of a non-risk-based supplementary measure.

Includes off-balance-sheet exposure in total exposure/Tier 1 capital.

Minimum Tier 1 ratio of 3% [South African Reserve Bank (SARB) minimum 4%].

REGULATORY AND ACCOUNTING CONVERGENCE – WIP[1]

Valuations.

Forward-looking provisions (IFRS 9).

Hedge accounting.

OFF BALANCE SHEET ITEMS – AS ABOVE

Included in RWA, leverage and liquidity ratios.

OTHER ITEMS

Enhancements to Pillar 2 (risk management) and International Capital Adequacy Assessment Process (ICAAP) (Basel II.5) – 2012 and 2013.

Remuneration (risk-based, deferrals, etc) – 2013.

Recovery and resolution plans – 2013.

Fundamental review of trading book (version 2) – 2014.

WIDER REGULATORY FRAMEWORK

A safer financial sector to serve SA better

Twin peaks

Financial stability

Consumer protection

Access to financial services

Combating financial crime

LIQUIDITY

Liquidity coverage ratio (LCR) – 2015 to 2019.

Short-term liquidity resilience in 'stressed' scenario.

Phased in from 60% in 2015 to 100% by 2019.

Net stable funding ratio (NSFR) – 2018

Long-term funding encouraged; long-term lending implications.

Single biggest issue in Basel III; expect significant revision of NSFR.

Liquidity risk monitoring metrics – 2013

CAPITAL – 2013 TO 2019

Minimum capital ratios

Significant increase of the minimum capital adequacy ratios (CARs), especially common equity Tier 1.

Pillar 2A systemic risk add-on for SA.

Systemically important bank add-ons [global (G-SIB) versus domestic systemically important bank (D-SIB)].

Pillar 2B bank-specific add-on.

Capital conservation and countercyclical buffers

Introduction of capital conservation and countercyclical buffers.

An extension to Common Equity Tier 1 minimum above.

Capital quality

Common Equity Tier 1 capital is the predominant focus.

Fully loss-absorbent capital instruments required (additional Tier 1 and Tier 2).

Tier 2 instruments to contain no step-ups or incentives to redeem.

Grandfathering of existing capital instruments at 10% pa from 2013.

Phaseout of hybrid debt capital in SA by 2015.

Approach on preference shares still WIP[1] in SA.

Regulatory capital deductions

Tighter definitions, more deductions, enhanced quality of capital

Qualifying capital – now includes other disclosed reserves: SBP/FCT/AFS/PR[1] reserves and insurance capital up to 10% of CET1.

Minority interest up to 7% of bank's CET1 qualifies, but additional Tier 1 and Tier 2 issued out of subsidiary not taken into account at group level (to resolve with the Basel Committee).

OTHER ITEMS

Consolidated supervision enhancements – 2013.

Integrated balance sheet management required – 2013.

New data and regulatory reporting requirements – 2013.

Shadow banking – WIP[1].

Use of external credit ratings – 2013.

SUMMARY OF BASEL III WORK-IN-PROGRESS ITEMS

- Unlike Basel II implemented in 2008, Basel III will be phased-in over several years until 2019 and as such there are several key Basel III items that are WIP, such as:
  - Fundamentally revisit the NSFR liquidity standard.
  - Fundamental review of the trading book (version two).
  - Revisions to leverage ratio.
  - Recovery and resolution plans.
  - Shadow banking.
  - Centralised clearing counterparties (CCPs).
  - Forward-looking impairments (IFR S9)
    - Aligned with Basel's expected-loss approach
  - Large exposure rules/concentration risk
  - Use of external credit ratings
  - RWA comparability project.
  - Peer reviews of Basel III implementation.
  - New items recently added -
    - Interest rate risk in the banking book.
    - Fundamental review of Securitisation Framework (version two).
    - Revision to the Operational Risk Basel II Framework.
    - Simplification Task Force – addressing the 'complexity' issues raised, but no major changes are expected.
    - Enhancing the risk disclosures of banks (Pillar 3).

1 SBP = Share-based payments. FCT = Foreign currency translation. AFS = Available-for-sale. PR = Property revaluation. WIP = Work in progress.

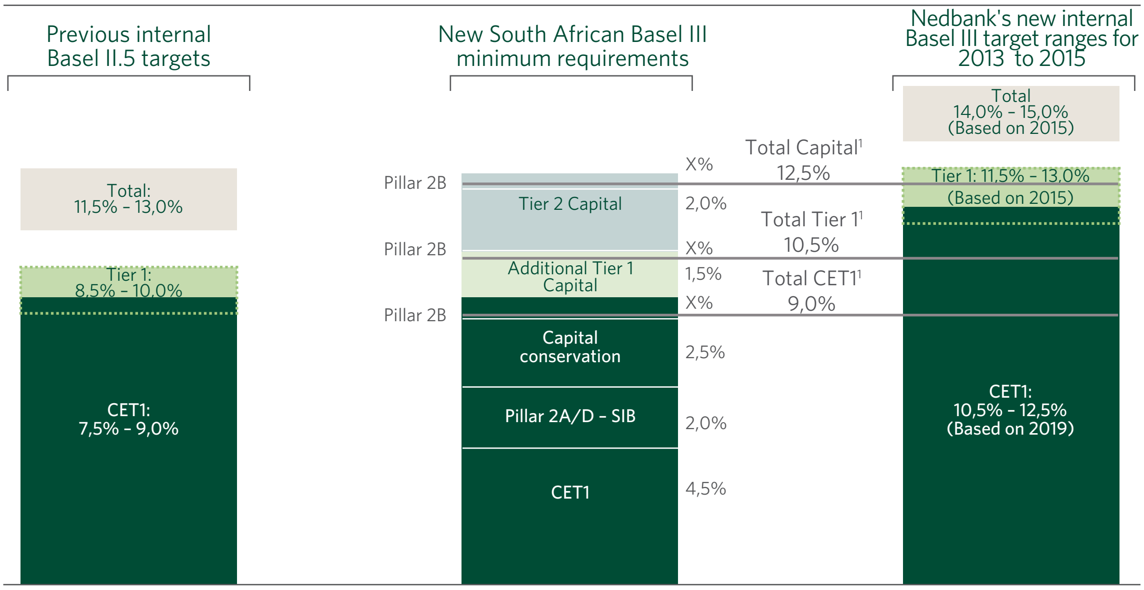
SUMMARY OF NEW, MINIMUM SOUTH AFRICAN CAPITAL REQUIREMENTS

Classes of capital[4]	Basel II.5 2012	Basel III 2013	Basel III 2014	Basel III 2015	Basel III 2019
COMMON EQUITY TIER 1 (CET1) RATIO					
Minimum CET1		3,50	4,00	4,50	4,50
Pillar 2A/D-SIB for CET1[1]		1,00	1,50	2,00	2,00
Minimum CET1 plus Pillar 2A/D-SIB for CET1		4,50	5,50	6,50	6,50
Capital conservation buffer[2]					2,50
TOTAL CET1 (excluding Pillar 2B[3] and countercyclical buffer)	5,25	4,50	5,50	6,50	9,00
Countercyclical buffer (assume maximum percent, if imposed)[2]					2,50
Total CET1 (excluding Pillar 2B[3], including maximum countercyclical buffer in 2019)	5,25	4,50	5,50	6,50	11,50
ADDITIONAL TIER 1 (T1) RATIO					
Minimum additional T1	1,75	1,00	1,50	1,50	1,50
Pillar 2A/D-SIB for T1[1]		0,50	0,00	0,00	0,50
TOTAL T1 RATIO (excluding Pillar 2B[3], including maximum countercyclical buffer in 2019)	7,00	6,00	7,00	8,00	13,50
SUMMARY OF TOTAL CAPITAL RATIO					
Minimum total capital	8,00	8,00	8,00	8,00	8,00
Pillar 2A/D-SIB for total capital[1]	1,50	1,50	2,00	2,00	3,50
Minimum Total Capital plus Pillar 2A/D-SIB for total capital	9,50	9,50	10,00	10,00	11,50
Capital conservation buffer[2]					2,50
TOTAL CAPITAL RATIO (excluding pillar 2B[3] and countercyclical buffer)	9,50	9,50	10,00	10,00	14,00
Countercyclical buffer (assume maximum percent, if imposed)					2,50
Total capital ratio (excluding pillar 2B[3], including maximum countercyclical buffer[2])	9,50	9,50	10,00	10,00	16,50
Capital instruments that are not Basel III-compliant and no longer qualify as Additional Tier 1 or Tier 2 capital	Phased out over 10-year horizon beginning 2013				

[1] The aggregate requirement for Pillar 2A and D-SIB will not exceed 2,0% for CET1, 2,5% for Tier 1 and 3,5% in respect of the total capital adequacy ratio. SARB will advise banks of their D-SIB surcharge in 2013.
[2] The capital conservation buffer together with the countercyclical buffer will be applied at CET1 level and will also be required to be met at both a Total Tier 1 and total capital level. The countercyclical buffer will only be applied when SARB deem there to be excessive credit growth in the system, not expected for the foreseeable future.
[3] Any bank-specific Pillar 2B add-on is at the sole discretion of the SARB, and may not be disclosed to the public. Any Pillar 2B add-on is allocated 50% to total CET1, 75% to Tier 1 and 100% to Total and Nedbank's new Basel III target ranges include a conservative add-on for any Pillar 2B.
[4] All dates are as of 1 January.

- Nedbank's 2013 to 2015 planning CET1 target ranges have been set using final 2019 requirements, however, Total Tier 1 and total capital target ranges have been set using 2015 requirements but using the minimum 9,0% CET1 for 2019 as the starting base. Total Tier 1 and Total 2015 requirements are used for now, given that there are outstanding matters such as treatment of minority interests, preference shares and SA's resolution regime.
- Therefore, the minimum regulatory ratios used for Nedbank's capital planning are as follows:
  - CET1: 9,0% (2009)
  - Additional T1: 1,5% (2015)
  - Total Tier 1: 10,5%
  - Tier 2: 2,0% (2015)
  - Total: 12,5%

Summary of Nedbank's new Basel III capital structure and target capital range ratios



[1] *Excludes any Pillar 2B add-on (as per SARB, banks may not disclose this to the public) and any countercyclical capital buffer.*

- Nedbank's 2013 to 2015 capital planning is set incorporating full compliance with end-state 2019 Basel III CET1 requirements, while total Tier 1 and Total requirements are based on the 2015 position due to outstanding matters such as minority interests, preference shares and SA's resolution regime.
- Minimum regulatory capital requirements applied through this 2013 to 2015 planning period are thus 9,0%, 10,5% and 12,5% for CET1, Tier 1 and total CAR, respectively.
  - This excludes any Pillar 2B add-on. However, Nedbank's target range makes provision for a conservative add-on.
- These minima have been used to set Nedbank's revised target capital adequacy ranges as follows:

	NEW (Basel III) (2013 to 2015)	OLD (Basel II.5) (To end 2012)
CET1[1]	10,5% – 12,5%	7,5% – 9,0%
Tier 1	11,5% – 13,0%	8,5% – 10,0%
Total CAR	14,0% – 15,0%	11,5% – 13,0%

[1] *An additional Asset and Liability Committee guideline is that the CET1 ratio will be managed at or about the midpoint of the range (ie 11,5%), while capital allocated to the business clusters will be maintained at an effective 11% level.*

Nedbank's actual capital ratios under Basel III

- CET1 strengthens in 2012 to 11,4% (pro forma 10,5% at December 2011) under Basel II.5 and even further on a December 2012 Basel III pro forma basis to 11,6%, mainly due to the net impact of:
  - Certain reserves [ie share-based payments (SBP), foreign currency translation (FCT), available for sale (AFS) and property revaluation (PR) reserves] that will qualify under Basel III (R3,4bn additional capital supply).
  - More favourable treatment of the 'investments in other financial entities' under the 'threshold deductions', resulting in R1,4bn additional qualifying capital and reserves, offset to a lesser degree by additional RWA (ie 250% risk weighting of the investment up to the 10% of CET1 limit).
- New capital deductions (R1,9bn) and increased risk coverage resulting in higher RWA (R5,0bn).
- Given the predominant focus on the CET1 ratio by Basel III and financial markets, and the new Basel III requirements to ensure all classes of capital instruments fully absorb losses, as well as in consideration of Nedbank's very high total CAR of 14,6% (pro forma Basel II.5) at the 2011 year-end, Nedbank Group called R1 770m Tier 2 capital during 2012 and did not replace it.
- Internationally, there is a concern around the understatement of RWA, and so a major workstream to have this investigated and reviewed by the Basel Committee is underway. However, in SA, in addition to having higher capital ratios, the local big four banks all have high RWA-to-total-asset ratios above 50%. At 31 December 2012 Nedbank's ratio was 53%.

Nedbank's major remaining Basel III capital-related work

- Issuing new Tier 2 debt capital instruments that comply with the Basel III loss absorbency requirements over 2013 to 2022.
- Fully phasing out existing hybrid capital instruments in 2015.
- Fully resolving with SARB the treatment of minority interests' implications for the group's capital ratios in respect of additional Tier 1 and Tier 2 capital instruments issued out of wholly owned subsidiaries (eg Nedbank Ltd).
- Awaiting SARB's finalisation of preference share capital treatment in a Basel III world/South African resolution regime.
- Recovery plan (for Nedbank).
- Resolution plan (for SA – SARB).

BASEL III LIQUIDITY RATIOS

- A key challenge under Basel III for SA and globally has been in respect of the two proposed liquidity ratios, the LCR previously for implementation in 2015, and the NSFR for implementation in 2018.
  - This is no longer the case in respect of the LCR for which Nedbank itself is well positioned, and on a pro forma basis is already compliant with the 2019 100% required LCR [assuming access to the SARB's committed liquidity facility (CLF)].

Liquidity Coverage Ratio

- On 6 January 2013 the Basel Committee announced significant revisions to the LCR and confirmed its implementation in 2015.
- The LCR will be phased-in between 2015 and 2019.
  - Previously 100% compliance was required from 2015, whereas now the minimum LCR requirement will be phased starting at 60% in 2015, and increasing by 10% each year to 100% in 2019.
  - Based on the current level of qualifying 'high quality liquid assets (HQLA)', Nedbank is already above 60%, excluding access to the SARB's CLF. Assuming its anticipated access to the currently available CLF, on a 2012 pro forma basis Nedbank is already above the 100% requirement of 201.
- The definition of HQLA has been widened and 'level 2' assets now include a new '2B' sub-category with broader eligibility criteria.
  - Under certain conditions, residential mortgage-backed securities (≥AA; 25% haircut), equities (50% haircut) and corporate bonds (A+ to BBB-; 50% haircut) can be included as 'level 2B' assets, which in aggregate are limited to 15% of total HQLA requirements.
  - The combined maximum of all 'level 2A' and 'level 2B' assets remains at 40% of HQLA.
  - Local rating scales will apply to level 2 assets, broadening the eligibility of assets in emerging markets.
- The definitions of net cash outflows have been relaxed.
  - For example, outflows for non-operational corporate clients' deposits have been lowered from 75% to 40%.
- Banks will be allowed to utilise their highly liquid assets during times of stress.
  - LCR ratios may therefore fall below 100% during a crisis, based on guidance from regulators.
- The Basel Committee will continue to examine the role of central bank facilities (ie SARB's CLF).
  - SARB will have to motivate the need for a CLF in SA, and be subject to a peer review by the Basel Committee.
  - It is likely that the extent of the available CLF will be reduced in the medium to long term.
- Liquidity and funding profile disclosure (Pillar 3) requirements will be developed soon by the Basel Committee.
- Nedbank actions taken to date to help meet the LCR requirements include:
  - Purchasing additional ('surplus') level 1 assets, high-quality liquid assets above the current prudential minimum (surplus statutory liquid assets: R24,4bn).
  - Increasing the quantum of long-term funding (long-term funding ratio – December 2012: 25%, compared with 18% in December 2009).
  - Investigating opportunities to structure new corporate lending in the form of corporate bonds versus traditional advances to increase the potential market capacity of level 2 assets. This is now even more pertinent given the recently announced changes in LCR requirements by the Basel Committee.
  - Portfolio tilt and strategic portfolio management as discussed earlier in this report, changing the balance sheet mix and shape.
  - Focusing on growing retail and commercial deposits.
  - Utilising domestic markets, including the domestic capital market, to lengthen the funding profile and reduce short-term wholesale funding reliance when pricing offers value. Since December 2009 the net senior unsecured debt issuance of R18,8bn, issuance under the GreenHouse securitisation programme of R1,8bn and growth in the retail savings bonds of R7,3bn all contributed to the longer funding profile achieved in 2012.

Net stable funding ratio

- The impact of NSFR compliance by SA and most banking industries worldwide would be punitive if implemented as the draft requirements currently stand, significantly impacting economic growth and job creation negatively.
- Recent changes made by the Basel Committee to the LCR requirements suggest that the Basel Committee will be pragmatic in its finalisation of these requirements, which would be finalised over the next two years.
- The structural challenges within the South African financial markets add to the local challenge of complying with the NSFR ratio. However, this is being proactively tackled by SARB and National Treasury in conjunction with the financial services industry.
- On 6 January 2013 the Basel Committee also announced that having now finalised the LCR it will in 2013 begin work on revising the NSFR which it expects to be completed over 12 to 24 months. The NSFR is currently only due to be implemented in 2018.

SOME OTHER KEY ASPECTS OF BASEL III

Counterparty credit risk

- Additional RWA arising from banks' derivatives and repurchase and securities financing transactions.
  - Strong focus on over the counter (OTC) derivatives.
  - Based on stressed inputs, a credit valuation adjustment (CVA) charge, large exposures to financial institutions and wrong-way risk.
- Simple, plain vanilla derivative transactions are predominantly used at Nedbank so the impact is not significant.
- CCPs/Exchanges are introduced under Basel III, but are still to be finalised in SA in 2013.
- As a result, this aspect is still WIP in SA going into 2013, therefore in SARB announced December 2012 a 0% capital requirement for CVA risk exposure in respect of ZAR-OTC and local OTC derivatives for 2013.
- There are extensive new CCR risk management requirements under Basel III.

Pillar 3 public disclosure

- An enhanced Disclosure Task Force has been put in place by the Basel Committee to improve and enforce transparency and comparability of banks, and enhance risk disclosure globally.
- Remuneration disclosure requirements have been an important focus of the Basel Committee and are addressed in Nedbank's 2012 year-end Remuneration Report.

STRATEGIC IMPLICATIONS OF BASEL III

- The strategic impact of Basel III internationally is very significant, changing business models, necessitating extensive deleveraging and negatively and materially impacting ROEs to a material extent.
- SA is rated number two in the world by the World Economic Forum in the Soundness of Banks category, which is not surprising, as SA banks are, as with Basel II implementation, South African banks are well positioned for Basel III, and business model changes seem limited and manageable.
  - However, the strategic impact is also quite significant locally, mainly driven by the much higher capital and liquidity costs.

NEDBANK'S FIVE-POINT MASTER PLAN FOR BASEL III STRATEGIC OPTIMISATION (FOLLOWED SINCE 2010)

1 Implementation (compliance)

- ☐ New Basel III and Basel II.5 compliance requirements
- ☐ Solvency II (Solvency Assessment Management)

2 'Smart' implementation and optimism

- ☐ Basel II (eg RWA optimisation)
- ☐ Basel III (eg proactive phase-in since 2010 to optimise Nedbank's financial returns and position in 2013 and beyond)

3 Balance sheet restructuring

- ☐ Target balance sheet mix/shape via portfolio tilt
- ☐ Capital and funding plans (eg grow retail and commercial deposits)
- ☐ Margin management and optimisation

4 Business portfolio refinement

- ☐ Portfolio tilt

5 Business unit strategy refinement

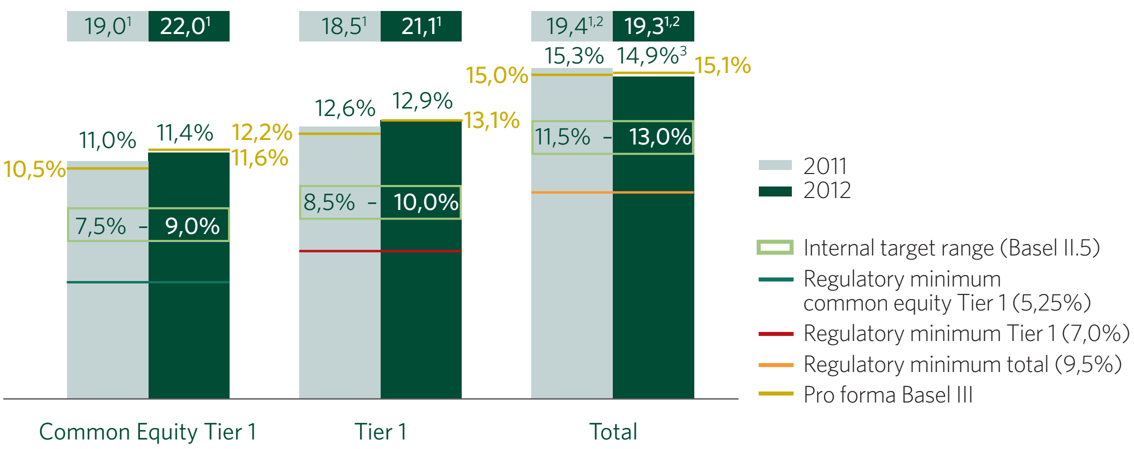
- ☐ Mix change (eg selective origination in Home loans)
- ☐ Product, client, transaction pricing and costs strategies
- ☐ RWA (capital) and LCR/NSFR (liquidity) optimisation
- ☐ Risk transfer (eg securitisation)

- Since 2010 Nedbank has been implementing its Basel III plan to:
- achieve full compliance from 1 January 2013 with the South African based Basel III regulations; and
- respond strategically and proactively to minimise the impact on financial returns (eg net interest margin, return on equity and economic profit) and enhance the mix/structure and strength of its balance sheet, using portfolio tilt as a key strategic focus area.

CAPITAL ADEQUACY

REGULATORY CAPITAL ADEQUACY

Nedbank Group regulatory capital adequacy (including unappropriated profits)

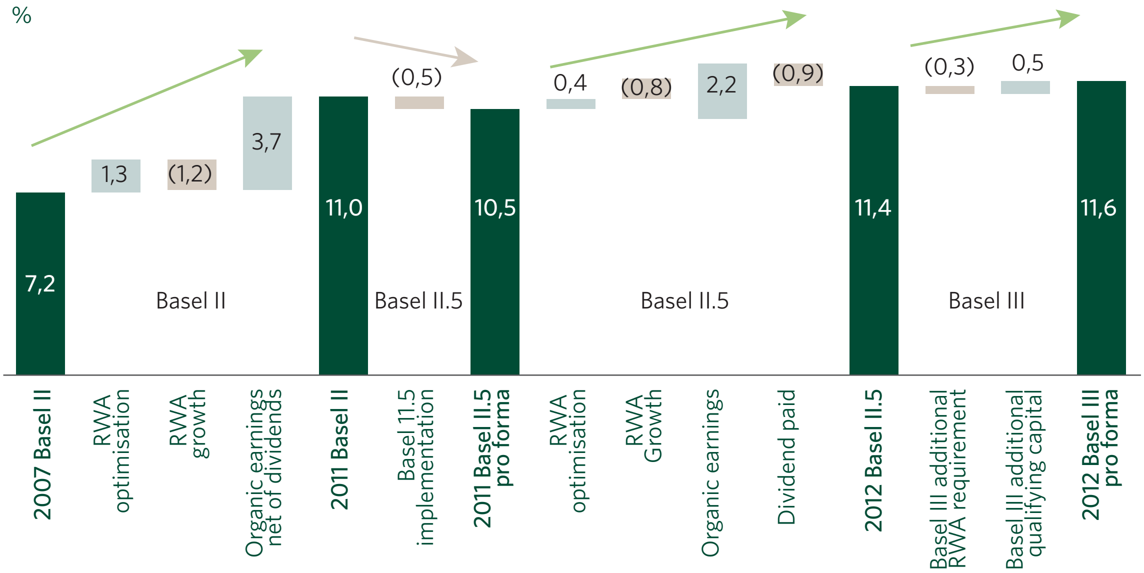


[1] *Surplus (Rbn) above regulatory minima.*

[2] *Based on the minimum Basel II South African Reserve Bank (SARB) requirement (9,5%).*

[3] *Reduction to December 2012 due to the redemption of Tier 2 debt instruments (R1,8bn), without replacement.*

Historical trend of increasing common equity Tier 1[1]



[1] *Including unappropriated profits.*

- The graphs above demonstrate Nedbank's track record of consistent strong organic capital generation from solid earnings growth and returns, risk-weighted assets (RWA) optimisation and strategic portfolio management within the group's key strategic focus area of portfolio tilt.
- The impact of Basel II.5, implemented on 1 January 2012, was fully absorbed with common equity Tier 1 (CET1) at 11,4% at year-end (2011: pro forma 10,5%).
  - During 2012 the SARB approved migration from The Standardised Approach (TSA) to the Advanced Internal Ratings-based (AIRB) Approach for measuring credit risk for the Motor Finance Corporation (MFC) portfolio, resulting in R8,8bn of RWA optimisation (reduction).
  - This was offset by the impact of Basel II.5, specifically increases in RWA due to the 1,06 scaling factor for credit risk (R11,6bn) and stressed Value at Risk (VaR) for market risk (R3,4bn), as well as an increase in operational risk RWA (R5,9bn) due to an update in the calculation of the Advanced Measurement Approach (AMA) floor.

Capital adequacy ratios

%	Basel II.5 SARB minimum	Basel II.5 target ranges	Basel III target ranges	Nedbank Group 2012 Basel III[1]	Nedbank Group 2012 Basel II.5	Nedbank Group 2011 Basel III[1]	Nedbank Group 2011 Basel II.5[2]	Nedbank Group 2011 Basel II	Nedbank Ltd 2012 Basel II.5	Nedbank Ltd 2011 Basel II.5[2]	Nedbank Ltd 2011 Basel II
Including unappropriated profits											
Common equity Tier 1		7,5 – 9,0	10,5 – 12,5	11,6	11,4	10,5	10,5	11,0	11,2	10,1	10,7
Tier 1		8,5 – 10,0	11,5 – 13,0	13,1	12,9	12,2	12,0	12,6	12,9	11,8	12,5
Total		11,5 – 13,0	14,0 – 15,0	15,1	14,9	15,0	14,6	15,3	15,3	14,9	15,8
Excluding unappropriated profits											
Common equity Tier 1	5,25				11,2		9,8	10,3	11,1	9,5	10,1
Tier 1	7,00				12,7		11,4	11,9	12,8	11,2	11,9
Total	9,50				14,7		14,0	14,7	15,2	14,3	15,1

[1] *Pro forma Basel III.*
[2] *Pro forma Basel II.5.*

- Nedbank Group capital adequacy ratios (CARs) increased to a Basel II.5 CET1 of 11,4% (2011: 11,0% under Basel II) and Tier 1 of 12,9% (2011: 12,6% under Basel II). The total CAR decreased to 14,9% (2011: 15,3% under Basel II) due to the redemption, without replacement, of the following Tier 2 bonds: NED 07 (R650m) in February 2012, NED 10 (R500m) in August 2012, and NED 12A (R500m) and NED 12B (R120m) in December 2012.
- As discussed earlier, Nedbank's capital ratios strengthened significantly in 2012 after the implementation of Basel II.5, which had a negative impact on CET1 and total CARs of 50 basis points (bps) to 70bps, respectively.
- In line with regulation 38(10) of the Banks Act, profits do not qualify as regulatory capital, unless formally appropriated by the board by way of a resolution. Accordingly, capital ratios are shown above, both including and excluding unappropriated profits.
- Consolidation of all entities for accounting purposes is in accordance with the International Financial Reporting Standards (IFRS) and for regulatory purposes is in accordance with the requirements of Basel II.5, the Banks Act and accompanying regulations. There are some differences in the basis of consolidation for accounting and regulatory purposes. These include the exclusion of certain accounting reserves [the foreign currency translation (FCT), shared-based payments (SBP), property revaluation (PR) and available for sale (AFS)], the deduction of the investment in insurance entities and the exclusion of trusts that are consolidated in terms of IFRS but are not currently subject to regulatory consolidation.
  - Refer to the table, 'Summary of qualifying capital and reserves' on page 405 for differences in the basis of consolidation for accounting and regulatory purposes. However, in accordance with the South African regulations incorporating the Basel III requirements, the FCT, SBP, PR and AFS reserves qualify as capital from 1 January 2013.
  - The FCT, SBP, PR and AFS reserves that arise in the consolidation of entities in terms of IFRS amounted to R3,4bn at year-end (2011: R2,9bn).

Summary of RWA, minimum required capital (MRC) and surplus capital adequacy position for Nedbank Group

Risk type Rm	2012[4] RWA	Mix (%)	MRC[1]	2011[5] RWA	Mix (%)	MRC[1]
Credit risk	265 930	74	25 263	249 960	75	23 746
Advanced Internal Ratings-based Approach	242 395	67	23 028	192 167	58	18 256
Corporate, sovereign, bank, SME[3]	123 927	34	11 773	107 379	32	10 201
Residential mortgages	42 987	12	4 084	41 618	13	3 954
Qualifying revolving retail	10 680	3	1 015	8 957	3	851
Other retail	64 801	18	6 156	34 213	10	3 250
Standardised Approach	23 535	7	2 236	57 793	17	5 490
Corporate, sovereign, bank, SME[3]	17 213	5	1 635	17 061	5	1 621
Retail exposures	6 322	2	601	40 732	12	3 870
Counterparty credit risk						
Current exposure method	3 403	1	323	2 352	1	223
Securitisation risk						
Internal Ratings-based Approach	1 542	< 1	146	800	< 1	76
Equity risk						
Market-based Simple Risk Weight Approach	15 775	4	1 499	14 451	5	1 373
Listed (300% risk weighting)	1 704	< 1	161	2 387	1	227
Unlisted (400% risk weighting)	14 071	4	1 338	12 064	4	1 146
Trading market risk						
Internal Model Approach	5 295	1	503	3 775	1	359
Operational risk	52 135	15	4 953	46 251	14	4 394
Advanced Measurement Approach	48 956	14	4 651	38 567	12	3 664
The Standardised Approach	3 179	1	302	7 684	2	730
Other assets						
100% risk weighting	15 578	4	1 480	14 391	4	1 367
Total RWA	359 658	100		331 980	100	
Total MRC (9,5%)			34 168			31 538
Pillar 1 MRC (8,0%)			28 773			26 558
Pillar 2A MRC (1,5%)			5 395			4 980
Total qualifying capital and reserves[2]			53 483			50 894
Total surplus capital over MRC			19 315			19 356
Analysis of total surplus capital[2]						
Common equity Tier 1			22 032			18 975
Tier 1			21 051			18 478
Total			19 315			19 356

[1] *Total MRC is measured at 9,5% in line with SARB regulations and circular 5/2011.*
[2] *Includes unappropriated profits.*
[3] *SME = small and medium-sized enterprises.*
[4] *Basel II.5.*
[5] *Basel II.*

- Total RWA increased by R27,7bn during 2012, representing 8% growth for the year, on the back of the following:
  - Credit risk (including counterparty credit risk and securitisation risk) RWA increased by R17,8bn mainly as a result of the implementation of the Basel II.5 1,06 scaling factor and advances growth of 5,6% for the year. This was offset to a degree by the migration of the MFC book from TSA to the AIRB Approach.

- The significant increase in securitisation RWA over the period was based on the implementation of Basel II.5 in January 2012. Basel II.5 required higher risk weightings for resecuritised exposures as well as the inclusion of a 1,06 scaling factor to be applied to all AIRB exposures.
- Equity risk RWA increased by R1,3bn mainly as a result of the revaluation of various equity holdings.
- Market risk RWA increased by R1,5bn mainly as a result of the implementation of the Basel II.5 stressed VaR requirements from 1 January 2012.
- Operational risk RWA increased by R5,9bn largely due to an update in the calculation of the AMA floor.
- RWA declined under TSA due to the migration of the Imperial Bank Ltd portfolio from TSA to AMA in line with regulatory approval.

Summary of qualifying capital and reserves

Including unappropriated profits	Nedbank Group		Nedbank Ltd	
Rm	2012	2011	2012	2011
Total Tier 1 capital (primary)	46 227	41 717	40 330	36 693
Common equity Tier 1 capital	40 915	36 404	35 017	31 380
Ordinary share capital and premium	16 490	16 389	17 461	14 461
Minority interest: ordinary shareholders	220	178		
Reserves	37 460	32 558	23 077	21 913
Deductions	(13 255)	(12 721)	(5 521)	(4 994)
Impairments	(225)	(263)	(463)	(444)
Goodwill	(5 041)	(4 996)	(1 410)	(1 410)
Capitalised software development costs	(2 458)	(2 211)	(2 421)	(2 157)
Other intangibles	(422)	(571)		
Excess of downturn expected loss over provisions (50%)	(542)	(729)	(626)	(802)
AFS reserves	(126)	(77)	(9)	(9)
FCT reserves	(599)	(441)	(9)	(9)
SBP reserves	(1 334)	(975)	402	823
Property revaluation reserves	(1 383)	(1 370)	(985)	(969)
Capital held in insurance entities (50%)	(704)	(669)		
Other regulatory differences	(421)	(419)		(17)
Additional Tier 1 capital	5 313	5 313	5 313	5 313
Preference share capital and premium	3 561	3 561	3 561	3 561
Hybrid debt capital instruments	1 752	1 752	1 752	1 752
Tier 2 capital (secondary)	7 256	9 177	7 636	9 540
Long-term debt instruments	7 735	9 502	7 732	9 500
Property revaluation reserves (50%)	691	685	492	485
General allowance for credit impairments	76	401	38	370
Deductions	(1 246)	(1 411)	(626)	(815)
Capital held in insurance entities (50%)	(704)	(669)		
Excess of downturn expected loss over provisions (50%)	(542)	(729)	(626)	(802)
Other regulatory differences		(13)		(13)
Total qualifying capital and reserves	53 483	50 894	47 966	46 233
Excluding unappropriated profits				
Common equity Tier 1 capital	40 206	34 206	34 829	29 440
Total Tier 1 capital (primary)	45 518	39 519	40 142	34 753
Total qualifying capital and reserves	52 774	48 696	47 778	44 293

- The Nedbank Group total qualifying capital and reserves increased by R2,6bn mainly on the back of strong organic headline earnings of R7,5bn for the year. This was partially offset by the following:
  - The payment of the 2011 final dividend in April 2012 (R1,7bn) as well as the payment of the 2012 interim ordinary dividend in September 2012 (R1,7bn).
  - The redemption of Tier 2 debt during the year, as detailed earlier, amounting to R1,8bn, without replacement.
- With the implementation of Basel III on 1 January 2013 the following changes arise in Nedbank Group's qualifying capital and reserves:
  - Reserves currently not qualifying as capital, ie FCT, AFS, SBP and PR, will qualify and will result in an additional capital supply of R3,4bn.
  - The treatment of investments in financial and insurance entities as per regulation 38(5)(b)(i), will be revised such that, instead of a full deduction against capital, the investments will be recognised as capital up to a limit of 10% of CET1 capital (after application of specified adjustments). This will be a benefit for Nedbank Group.
  - Defined-benefit pension fund assets will be introduced as a deduction against CET1 capital.
  - The excess of provisions over expected loss will be fully deducted against CET1 capital, as opposed to 50% against CET1 and 50% against Tier 2 under Basel II.
  - Existing preference shares will not qualify as additional Tier 1 capital after 1 January 2013 as they do not meet the 'loss absorbency requirements'. They will, however, qualify for grandfathering with effect from this date, being phased out evenly over 10 years.
  - The bank's current Tier 2 debt will not qualify for inclusion as capital because it does not meet the Basel III loss-absorbent requirements. It will, however, qualify for grandfathering and be phased out evenly over ten years from 1 January 2013.
  - Existing hybrid debt will no longer qualify as primary capital with effect from 1 January 2015 as per the South African regulations and is being phased out from 1 January 2012. This will, however, only impact Nedbank in 2015, due to hybrid debt levels being below the maximum 2012 – 2014 SARB limit.

Summary of regulatory capital adequacy of all banking subsidiaries

The summary below provides all other banking subsidiaries' regulatory capital positions, reported based on their home country requirements.

Regulatory capital as % of RWA	Capital requirement (host country) %	2012 RWA Rm	2012 CET1 ratio %	2012 Total capital ratio %	2011 RWA Rm	2011 CET1 ratio %	2011 Total capital ratio %
Nedbank Namibia Ltd[1]	10,0	5 423	14,4	16,6	5 590	11,4	14,3
Nedbank Private Wealth (IOM) Ltd[3]	10,0	4 637	14,8	15,3	2 451	15,1	15,4
Nedbank Private Wealth Ltd Jersey Branch[3]					1 484	16,7	17,3
Nedbank (Swaziland) Ltd[1,2]	8,0	1 724		20,6	1 907		16,3
MBCA Bank Ltd[1,2]	10,0	1 199		20,2	1 076		15,5
Nedbank (Lesotho) Ltd[1,2]	8,0	1 102		23,6	961		24,2
Nedbank (Malawi) Ltd[1,2]	10,0	165		26,2	212		31,8

[1] *Updated quarterly.*
[2] *CET1 ratios are not calculated/included in the host country capital adequacy returns being submitted in the respective jurisdictions.*
[3] *Consolidated in Nedbank Private Wealth (IOM) Ltd from 31 December 2012 due to it no longer being a separate legal entity but a branch of Nedbank Private Wealth (IOM) Ltd.*

- The capitalisation of all these banking entities is deemed adequate, all have conservative risk profiles and risk appetites, and are managed, monitored and integrated within the group's Enterprisewide Risk Management Framework (ERMF) and Internal Capital Adequacy Assessment Process (ICAAP).

EXTERNAL CREDIT RATINGS

Fitch ratings

- On 19 July 2012 the Nedbank Group Ltd (NBG) and Nedbank Ltd (NBL) long-term foreign currency and local issuer default ratings (IDRs) were upgraded by Fitch to BBB+ from BBB, viability ratings to bbb+ from bbb and the national long-term ratings to 'AA(zaf)' from 'AA–(zaf)'.
- This upgrade to Nedbank's ratings reflects Fitch's positive view that these entities' credit profiles have converged with their peers.
- However, on 15 January 2013, Fitch announced that the NBG and NBL long-term foreign currency and local currency IDR were downgraded to BBB from BBB+. The viability rating was downgraded to bbb from bbb+ and the national long-term rating was affirmed at AA(zaf).
- The downgrade of Nedbank's IDR and viability rating is in line with the downgrade of all the five major South African banks and follows the downgrade of the sovereign's rating. The downgrade of these entities' credit profiles is the result of their high exposure to SA, given the high proportion of liquid assets held in government securities and a weakening operating environment.
- The outlook on Nedbank's credit ratings is stable in line with that of the five major banks. The rating agency highlighted that the viability ratings and IDRs of the five major South African banks could be sensitive to a material weakening of asset quality and long-term earnings potential in an uncertain economic environment and/or reduction in capital.

	Nedbank Group Ltd January 2013	**Nedbank Ltd** January 2013
Support	2	2
Foreign currency		
Short-term	F3	F3
Long-term	BBB	BBB
Long-term rating outlook	Stable	Stable
Local currency		
Long-term	BBB	BBB
Long-term rating outlook	Stable	Stable
National		
Short-term	F1+(zaf)	F1+(zaf)
Long-term	AA(zaf)	AA(zaf)
Long-term rating outlook	Stable	Stable

Moody's ratings

- On 4 October 2012 Moody's Investors Service (Moody's) downgraded the five major South African banks by one notch due to the challenging operating environment.
- In December 2012 Moody's changed the outlook for SA's banking system to negative from stable. The rating agency quoted the following driving factors for the downgrade:
  - Weak macroeconomic conditions, which will elevate credit risks and pressure asset quality and profitability.
  - Sizeable holdings of government securities, which link the bank's credit profile to the sovereign's creditworthiness.
  - The bank's increasing reliance on short-term wholesale deposits, which underpins structural funding challenges likely to be exacerbated by Basel III funding requirements.

	Nedbank Ltd October 2012
Bank financial-strength rating	C-
Outlook – financial-strength rating	Stable
Global local currency – long-term deposits	A3
Global local currency – short-term deposits	P-2
Outlook – local currency deposit ratings	Negative
Foreign currency – long-term bank deposits	Baa1
Foreign currency – short-term bank deposits	P-2
Outlook – foreign currency deposit rating	Negative
National scale rating – long-term deposits	Aa2.za
National scale rating – short-term deposits	P-1.za

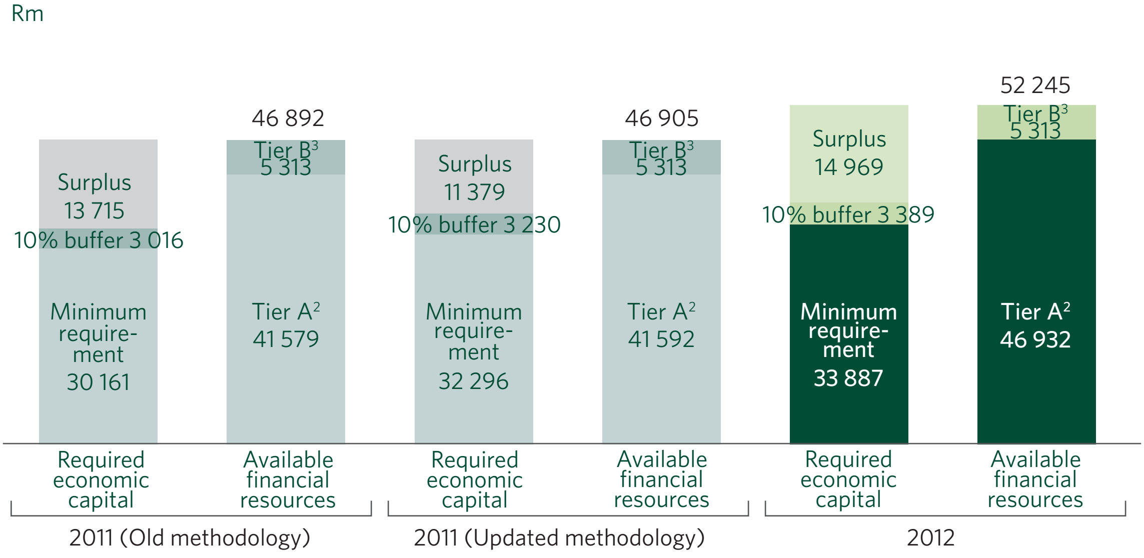
Standard & Poor's ratings

- In October 2012 Standard & Poor's Rating Services (Standard & Poor's) downgraded SA's sovereign long-term foreign currency credit rating to BBB from BBB+. The negative outlook remained unchanged. The rating agency attributed the downgrade to the 'uncertain' global and domestic environment as well as the political, economic and social implications of widespread strikes.
- Nedbank Ltd extended its external credit ratings coverage in 2012 by engaging Standard & Poor's also to provide formal ratings.
- On 10 December 2012 Standard & Poor's assigned its bbb/A-2 long- and short-term counterparty credit rating to Nedbank Ltd, reflecting Nedbank's adequate business position, capital earnings, liquidity and risk position and average funding profile. This is in line with both FirstRand Bank Ltd and Standard Bank of SA Ltd. Standard & Poor's also assigned its zaAA/zaA-1 South African national scale ratings to Nedbank Ltd.
- As with its peer banks, the outlook on Nedbank's credit ratings is negative and reflects the outlook assigned to the sovereign. The rating agency believes that outside a sovereign downgrade, there is limited pressure on the ratings given Nedbank's stable business profile and improving capitalisation.

	Nedbank Ltd December 2012
Counterparty credit rating – long- and short-term	BBB/A-2
Outlook – counterparty credit rating	Negative
SA national scale	zaAA/zaA-1

ECONOMIC CAPITAL ADEQUACY AND ICAAP

Nedbank Group economic capital adequacy[1]



[1] *Including unappropriated profits.*
[2] *Tier A AFR = CET1-type regulatory capital.*
[3] *Tier B AFR = additional Tier 1-type regulatory capital, but excludes Tier 2 regulatory capital.*

- Nedbank Group's ICAAP confirms that both Nedbank Group Ltd and Nedbank Ltd are capitalised above their current 'A' or 99,93% target debt rating (solvency standard) in terms of their proprietary economic capital methodology.
  - This includes a surplus of R15,0bn even after a 10% capital buffer is added, determined in accordance with the group's comprehensive Stress and Scenario Testing Framework.
- Several enhancements were made to the group's 2012 economic capital and capital allocation methodology. The 'old methodology' 2011 results, shown in the graph above and tables that follow, reflect the economic capital before implementing these changes, whereas the 'updated methodology' 2011 results reflect the impact on economic capital after incorporating these changes, and so are comparable with the 2012 results.

- The enhancements made to the group's economic capital methodology in 2012, and which impact the capital allocated to the business clusters, include the following:
  - Update of interest rate risk in the banking book (IRRBB) economic capital based on a new IRRBB model following the implementation of a more sophisticated calculation.
    - Due to Nedbank Group's conservative approach to risk management, the decision was taken to disregard inter-risk diversification for IRRBB.
  - Update of operational risk figures, which entails the update of AMA data, including the modelling of Nedbank Wealth as a separate cluster as it was previously included under Nedbank Retail.
  - Implementation of a refined transfer risk model.
    - Due to Nedbank Group's conservative approach to risk management, the decision was taken to disregard inter-risk diversification for transfer risk.
  - In addition to the above economic capital methodology changes, the following were implemented in allocating the group's total ordinary shareholders' equity to the various Nedbank business clusters:
    - The cap was increased from 10% to 11% to limit the maximum total capital allocated to the business clusters to the lower of actual capital and an equivalent 11% CET1 ratio of the group, with any excess above 11% being held at the centre. This is in response to the higher operating capital levels resulting from Basel III.
    - The regulatory deduction 'excess of downturn expected loss over eligible provisions' was allocated to the relevant generating business from where it arises.
    - Capital held against intangible assets is allocated to the relevant business from where it arises.
    - Capital held against goodwill acquired after 1 January 2012 will be allocated to the relevant business in which the investment resides.
- In line with Basel III, capital held in insurance entities is no longer deducted from available financial resources (AFR).
- Definitions and details on Nedbank Group's risk types and economic capital methodology are contained in the group's Pillar 3 Report.

Economic capital requirements and available financial resources

Nedbank Group	2012 Rm	2012 Mix (%)	2011 (Updated methodology) Rm	2011 (Updated methodology) Mix (%)	2011 (Old methodology) Rm	2011 (Old methodology) Mix (%)
Credit risk	19 765	58	18 936	59	18 997	63
Counterparty credit risk	195	1	55	< 1	55	< 1
Securitisation risk[1]	33	< 1	47	< 1	47	< 1
Transfer risk	6	< 1	8	< 1	118	< 1
Market risk	5 193	15	5 375	17	3 499	12
Trading risk	442	1	447	1	447	2
IRRBB	1 871	6	1 902	6	22	< 1
Property risk	1 505	4	1 428	4	1 430	5
Equity investment risk	1 305	4	1 532	5	1 533	5
FCT risk	70	< 1	66	< 1	67	< 1
Business risk	5 467	16	4 670	15	4 664	16
Operational risk	2 435	7	2 390	7	1 966	7
Insurance risk	256	1	188	1	188	1
Other assets risk	537	2	627	2	627	2
Minimum economic capital requirement	33 887	100	32 296	100	30 161	100
Add: capital buffer (10%)[2]	3 389		3 230		3 016	
Total economic capital requirement	37 276		35 526		33 177	
AFR	52 245	100	46 905	100	46 892	100
Tier A capital[4]	46 932	90	41 592	89	41 579	89[3]
Tier B capital[5]	5 313	10	5 313	11	5 313	11
Total surplus AFR	14 969		11 379		13 715	

[1] *Nedbank Retail 2011 securitisation economic capital is now separately disclosed. This was previously included under credit risk.*

[2] *Determined based on the group's ICAAP, approved by the board of directors.*

[3] *Tier A capital restated for 'Other adjustments'.*

[4] *Tier A AFR = CET1-type regulatory capital.*

[5] *Tier B AFR = additional Tier 1-type regulatory capital, but excludes Tier 2 regulatory capital.*

- When comparing the December 2011 results, updated versus old methodology, Nedbank Group's total economic capital requirement (including a 10% buffer) increased by R2,3bn, largely due to the following:
  - The impact of the more granular stochastic modelling of IRRBB (an additional R1,9bn in economic capital), including the disregard of inter-risk diversification for this risk type.
  - The R0,4bn increase in operational risk following the December 2011 AMA update.
  - The marginal changes in other risk types mainly as a result of the impact of inter-risk diversification.
- When comparing December 2012 results to December 2011 based on the updated methodology, total Nedbank Group economic capital requirements (including a 10% buffer) increased by R1,8bn largely due to the following:
  - Business risk increased by R0,8bn following an annual update of business risk parameters and the 12-month rolling income and expense forecasts, given the stronger earnings growth.
  - Credit risk economic capital increased by R0,8bn over the period mainly due to asset growth.
- AFR increased by R5,4bn for Nedbank Group and was mainly due to increased organic earnings growth for the year and an improvement in the excess of IFRS provisions over through-the-cycle (TTC) expected loss. The reduction in TTC expected loss was due to the decreases in defaulted advances over the period as well as the implementation of the AIRB Approach for the Motor Finance Corporation (MFC) portfolio. For economic capital purposes MFC always followed the AIRB Approach, however, the new model, which is now used for regulatory purposes, replaced the previous model used. The new model lowered the loss given default (LGD) on this portfolio.

Nedbank Group AFR analysis

Rm	2012	2011[1] (Updated metho-dology)	2011[1] (Old metho-dology)
Tier A capital	46 932	41 592	41 579
Ordinary share capital and premium	16 490	16 389	16 389
Minority interest: ordinary shareholders	220	178	178
Reserves	37 460	32 558	32 558
Retained income	33 877	29 569	29 569
Non-distributable reserves	141	126	126
AFS reserves	126	77	77
FCT reserves	599	441	441
SBP reserves	1 334	975	975
PR reserves	1 383	1 370	1 370
Deductions	(8 567)	(8 473)	(8 473)
Impairments	(225)	(263)	(263)
Goodwill	(5 041)	(4 996)	(4 996)
Capitalised software development costs	(2 458)	(2 211)	(2 211)
Other intangibles	(422)	(571)	(571)
Other adjustments	(421)	(432)	(432)
Excess of IFRS provisions over TTC expected loss	1 329	940	927
Tier B capital	5 313	5 313	5 313
Preference shares	3 561	3 561	3 561
Hybrid debt capital instruments	1 752	1 752	1 752
Total AFR	52 245	46 905	46 892

1 December 2011 for Nedbank Group has been restated.

☐ From a Basel III perspective 'Capital held in insurance entities (50%)' will no longer be treated as an impairment to capital. AFS, FCT, SBP and PR reserves will qualify as common equity capital under Basel III. These changes have already been taken into consideration for ICAAP AFR purposes.

Risk-based capital allocation to the business clusters[1]

Rm	Nedbank Capital 2012	Nedbank Capital 2011 New	Nedbank Capital 2011 Old	Nedbank Corporate 2012	Nedbank Corporate 2011 New	Nedbank Corporate 2011 Old	Nedbank Business Banking 2012	Nedbank Business Banking 2011 New	Nedbank Business Banking 2011 Old
Credit risk	1 576	1 574	1 579	3 765	2 944	3 405	1 964	1 995	2 000
Counterparty credit risk	31	37	41	18	15	16	8	10	10
Securitisation risk[3]	9	13	13						
Transfer risk	1	3	66	2	3	28			
Market risk	1 191	1 349	1 243	534	558	542	384	442	5
Trading risk	419	423	423			23			
IRRBB risk	104	113	2	88	94	4	379	439	2
Property risk						41	5	3	3
Investment risk	632	784	790	446	464	466			
FCT risk	36	28	28			8			
Business risk	684	714	713	854	632	702	647	483	483
Operational risk	517	524	530	478	454	515	273	277	419
Insurance risk									
Other assets risk	37	37	37	88	68	89	7	6	7
Minimum economic capital requirement	4 046	4 251	4 222	5 739	4 674	5 297	3 283	3 214	2 924
Intangible assets	378	328		367	478		80	81	
Excess of downturn expected loss over Provisions	(31)	(8)		(8)	2		65	81	
Goodwill									
Excess of CET1 over 11% of total RWA[4]									
Residual allocated buffer[5]	1 239	857	1 113	1 991	1 272	1 399	973	689	772
Total capital allocated	5 632	5 428	5 335	8 089	6 426	6 696	4 401	4 066	3 696

[1] Summary of average year-to-date capital allocation at December 2012 versus December 2011 based on updated methodology (by business cluster) using average year-to-date capital consumption.
[2] Rest of Africa reported as a part of Central Management from January 2012.
[3] Nedbank Retail 2011 securitisation economic capital separately disclosed.
[4] Excess of CET1 over 10% of total RWA for December 2011 (ie Old methodology).
[5] The residual capital allocation is made to align the capital allocated to business clusters fully with the ordinary shareholders' equity of the group, taking into account a capital buffer for stress testing.

- Risk-based economic capital allocation to the business clusters has been in place since 2008 for risk-adjusted performance measurement and remuneration purposes. It is a fundamental component in the measurement of the businesses' contributions to economic profit and risk-based return on equity (ROE).
- The economic capital enhancements in 2012, as discussed earlier, resulted in an overall increase in capital allocated to the frontline clusters, with a corresponding decrease in capital held centrally, but with no effect on Nedbank Group. This has resulted in a general reduction in cluster ROEs, offset to a degree by the related increase in endowment income.
  - Nevertheless, despite these higher capital levels mainly as a result of Basel III, all the above frontline clusters' ROEs remain above 20%, except Nedbank Retail, which is being strategically repositioned and is building momentum with its ROE increasing from 10,8% to 12,1%.
  - Nedbank Wealth's ROE was impacted the most by the enhancements, due to relatively significant intangible assets allocated to the cluster resulting from the insurance entity acquisitions of 2009.
- Nedbank Corporate credit economic capital increased by R0,8bn year-on-year largely as a result of an upward revision of the overall capitalisation rate of the property finance portfolio, including the former Imperial Bank property finance book, to a level management believed to be more appropriate (ie a qualitative overlay) similar to the revision for Retail Home Loans in 2010.
- Credit economic capital for Central Management, including Nedbank Rest of Africa, increased by R0,5bn when comparing December 2012 with December 2011 mainly as a result of the loan to Ecobank Transnational Incorporated (ETI) in November 2011. The loan was carried throughout 2012 and the associated credit economic capital increased due to a weakening ZAR as the loan is USD-denominated.

Nedbank Retail			Nedbank Wealth			Central Management including Rest of Africa[2]			Nedbank Group		
2012	2011 New	2011 Old	2012	2011 New	2011 Old	2012	2011 New	2011 Old	2012	2011 New	2011 Old
10 849	10 354	10 387	585	638	641	1 026	524	65	19 765	18 029	18 077
						71			128	63	67
29	40	40							38	53	53
						1		14	4	6	108
1 109	1 249	168	196	209	138	1 672	1 538	1 379	5 086	5 346	3 475
			2	2	2	22	23		443	448	448
993	1 094	13	52	77	1	96	85		1 712	1 903	22
111	150	150	9	6	6	1 398	1 272	1 232	1 523	1 431	1 432
5	5	5	112	106	111	144	146	141	1 339	1 506	1 513
			21	18	18	12	12	6	69	59	60
2 427	2 281	2 278	415	293	293	105	71	1	5 132	4 475	4 470
324	329	407	165	191	50	646	635	61	2 403	2 410	1 982
			194	201	201				194	201	201
147	151	150	44	41	43	249	293	267	572	597	593
14 885	14 405	13 430	1 599	1 574	1 366	3 770	3 062	1 787	33 322	31 180	29 026
839	814		508	555		645	299	2 544	2 817	2 554	2 544
655	710		10	7		(84)	(34)		607	757	
						5 011	4 974	4 974	5 011	4 974	4 974
						115		2 051	115		2 051
4 698	3 353	3 533	303	228	248	2 875	3 083	3 287	12 078	9 482	10 352
21 077	19 282	16 963	2 420	2 363	1 614	12 332	11 383	14 643	53 950	48 947	48 947

Cost of equity

- Nedbank Group has applied a cost of equity (COE) of 13,1% in 2012 (2011: 13,0%) and revised its COE to 13,0% for 2013 following a review of the COE components, based on the Capital Asset Pricing Model (ie risk-free rate, beta, and equity risk premium) and in consideration of the approach followed by the group's parent company (Old Mutual plc), average investment analysts' consensus and management's judgement.

CREDIT RISK

- 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 3,1% in 2011. Concerns around the operating environment and infrastructure constraints, the widening current account deficit, rising national debt, higher inflation, high levels of unemployment and declining trends in competitiveness with wage settlements outpacing productivity were included in the rationale by international rating agencies Moody's, Standard & Poor's and Fitch Ratings for the downgrade of SA's sovereign debt rating, placing 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, contained by a weak Eurozone and a relatively sluggish domestic economic environment.

SUMMARY OF LOANS AND ADVANCES BY CLUSTER

2012 Rm	Gross[3]	Total impairments	Mix %	Net[3]	Mix %
Nedbank Capital	82 913*	(419)*	4	82 494*	16
Trading book	29 762			29 762	6
Banking book	53 151	(419)	4	52 732	10
Nedbank Corporate[2]	163 626*	(896)*	8	162 730*	31
Total Nedbank RBB[1]	259 903*	(9 141)*	84	250 762*	47
Nedbank Business Banking	61 375*	(1 260)*	12	60 115*	11
Nedbank Retail	198 528*	(7 881)*	72	190 647*	36
Nedbank Wealth	19 976*	(112)*	1	19 864*	4
Central Management, including Rest of Africa[2]	11 618*	(302)*	3	11 316*	2
Total	538 036*	(10 870)*	100	527 166*	100
2011[3]					
Nedbank Capital	69 331*	(821)*	7	68 510*	14
Trading book	19 952			19 952	4
Banking book	49 379	(821)	7	48 558	10
Nedbank Corporate[2]	158 462*	(1 191)*	10	157 271*	31
Total Nedbank RBB[1]	251 711*	(9 107)*	79	242 604*	49
Nedbank Business Banking	60 364*	(1 508)*	13	58 856*	12
Nedbank Retail	191 347*	(7 599)*	66	183 748*	37
Nedbank Wealth	19 701*	(77)*	1	19 624*	4
Central Management, including Rest of Africa[2]	11 315*	(301)*	3	11 014*	2
Total	510 520*	(11 497)*	100	499 023*	100

[1] *RBB = Retail and Business Banking.*
[2] *Rest of Africa is reported under Central Management from January 2012. December 2011 has been restated for transfer of the Rest of Africa Division from Nedbank Corporate to the centre.*
[3] *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.*

* *Audited*

- Net loans and advances grew 5,6% to R527bn (2011: R499bn), with strong growth in trading advances of 49,2%.
  - Excluding trading advances, net banking advances growth of 3,8% was largely underpinned by advances growth in Nedbank Capital and Nedbank Retail.
  - Net loans and advances growth, excluding Retail Home Loans, was higher at 7,9%, which is consistent with the portfolio tilt selective origination strategy.
- Nedbank Capital's banking advances growth was driven by the successful conversion of its robust investment banking pipeline and increased trading advances as the interbank funding desk experienced significantly better market conditions than in the year before.
- Nedbank Retail's advances growth came from strong gains in Card of 16,1% (2011: 9,2%) and in MFC of 10,3% (2011: 9,7%), while tightening criteria resulted in Personal Loans growing at a reduced rate of 28,7% (2011: 36,5%). Low consumer demand for home loans in conjunction with selective advances growth and the rolloff of the backbook led to a 5,5% reduction in the retail home loans book, with origination through own client relationships and channels being emphasised.
- Nedbank Corporate recorded favourable gross advances 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 small and medium enterprise (SME) environment saw Nedbank Business Banking's clients defer expansion plans, deleverage further and transact less, which, together with judicious risk management, kept gross advances growth to 1,7%.

SUMMARY OF GROSS LOANS AND ADVANCES BY BUSINESS LINE

Rm	% change	2012	2011[3]
Nedbank Capital	19,6	82 913*	69 331*
Nedbank Corporate	3,3	163 626*	158 462*
Corporate Banking	1,6	77 263	76 012
Property Finance	4,5	84 057	80 399
Other	12,5	2 306	2 051
Nedbank RBB	3,3	259 903*	251 711*
Nedbank Business Banking	1,7	61 375*	60 364*
Nedbank Retail	3,8	198 528*	191 347*
MFC	10,3	57 111	51 772
Home loans[1]	(5,5)	84 563	89 455
Card	16,1	9 921	8 542
Personal Loans	28,7	22 215	17 262
Relationship Banking[2]	2,1	23 748	23 263
Other	(7,9)	970	1 053
Nedbank Wealth	1,4	19 976*	19 701*
Central Management, including Rest of Africa	2,7	11 618*	11 315*
Nedbank Group	5,4	538 036*	510 520*

[1] *Home Loans represents a specific business unit within Nedbank Retail. This excludes home loans in the Nedbank Retail Relationship Banking business unit.*
[2] *Nedbank Retail Relationship Banking includes Small Business Services (SBS) and Personal Relationship Banking.*
[3] *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.*

* *Audited*

SUMMARY OF LOANS AND ADVANCES BY PRODUCT*

	2012			2011[2]	
Rm	Change %	Rm	Mix %	Rm	Mix %
Home loans[1]	(2,6)	136 301	25,3	139 923	27,4
Commercial mortgages[1]	5,4	97 732	18,2	92 719	18,2
Leases and instalment sales	6,5	75 764	14,1	71 168	13,9
Card	15,6	10 019	1,9	8 666	1,7
Overdrafts	4,1	13 694	2,5	13 152	2,6
Properties in possession	(7,2)	574	0,1	619	0,1
Term loans	13,3	88 354	16,5	77 980	15,3
Personal Loans	28,7	22 969	4,3	17 847	3,5
Other term loans	8,7	65 385	12,2	60 133	11,8
Overnight loans	(4,0)	18 341	3,4	19 104	3,7
Other loans to clients	(1,9)	51 482	9,6	52 463	10,3
Preference shares and debentures	(5,6)	16 948	3,1	17 960	3,5
Factoring accounts	16,7	4 461	0,8	3 822	0,8
Deposits placed under reverse repurchase agreements	88,5	24 338	4,5	12 911	2,5
Trade, other bills and bankers' acceptances	(15,2)	28	< 0,1	33	< 0,1
Gross loans and advances	5,4	538 036	100,0	510 520	100,0
Total impairments	(5,5)	(10 870)		(11 497)	
Net loans and advances	5,6	527 166		499 023	

[1] Certain mortgages within Nedbank Wealth Cluster, previously disclosed as home loans, have been reclassified and disclosed as commercial mortgages for the period ended December 2011. This reclassification has no effect on total loans and advances balances within the group.

[2] 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.

** Audited*

SUMMARY OF EXPOSURE TO BANKS IN THE EUROZONE

- In view of the ongoing uncertainty and concerns in the Eurozone summary of Nedbank Group's exposure to that region, and specifically to banks in Portugal, Italy, Ireland, Greece and Spain (PIIGS), is provided below.

Rm	2012	Exposure as a % of balance sheet credit exposure	2011	Exposure as a % of balance sheet credit exposure
Total exposure to banks in PIIGS	161	0,03	261	0,04
Portugal	1	< 0,01	14	< 0,01
Italy	52	0,01	201	0,03
Ireland				
Greece				
Spain	108	0,02	46	< 0,01
France	4 723	0,75	4 813	0,80
Other	3 666	0,58	4 663	0,78
Total exposure to banks in the Eurozone[2]	8 550	1,36	9 737	1,62
Sovereign exposure	45 502	7,23	49 613	8,25
South African government[1]	43 314	6,88	47 685	7,93
Other countries	2 188	0,35	1 928	0,32

[1] *Predominantly comprising statutory liquid asset requirements.*

[2] *Includes the 17 European Union member states that have adopted the euro as their common currency.*

- Nedbank Group's exposure to PIIGS remains very low, decreasing to R161m (2011: R261m).
- The extent of total Eurozone exposure is only 1,36% (2011: 1,62%) of total balance sheet credit exposure.
- The decrease in direct South African sovereign exposure is due to a decrease in the net trading positions of South African government bonds.

BALANCE SHEET CREDIT EXPOSURE ANALYSIS

Reconciliation of gross loans and advances to summarised Basel III balance sheet exposure[2] by business cluster and asset class

Rm	Nedbank Capital[1]	Nedbank Corporate[1]	Total Nedbank RBB	Nedbank Business Banking
AIRB Approach	106 186	157 665	251 089	55 626
Corporate	30 102	82 195	8 792	8 675
Specialised lending – high-volatility commercial real estate (HVCRE)		5 158		
Specialised lending – income-producing real estate (IPRE)	2	47 747	3 271	3 271
Specialised lending – commodity finance	150			
Specialised lending – project finance	4 080			
SME – corporate	432	5 787	14 999	14 999
Public sector entities	6 803	9 610	162	162
Local governments and municipalities	826	6 751	1 161	1 161
Sovereign	16 774	35		
Banks	46 462	376		
Securities firms	343			
Retail mortgages			104 737	5 879
Retail revolving credit			10 456	
Retail – other			80 246	481
SME – retail	34	6	26 889	20 998
Securitisation exposure	178		376	
		5 467	5 292	5 162
Corporate		13	3	2
SME – corporate		5 454	1 451	1 369
Public sector entities				
Local government and municipalities			1	1
Sovereign				
Banks				
Securities firms				
Retail mortgages			3 132	3 089
Retail revolving credit				
Retail – other			367	367
SME – retail			338	334
Securitisation exposure				
Properties in possession		220	323	16
Non-regulated entities	19 380	5 529	2 074	565
Total Basel III balance sheet exposure[2]	125 566	168 881	258 778	61 369
Less assets included in Basel III asset classes	(42 653)	(1 462)	1 368	249
Derivatives	(14 558)	(99)		
Government stock and other dated securities	(14 696)	(5 537)		
Short-term securities	(13 075)			
Call money	(1 002)		116	
Deposits with monetary institutions	(3 396)			
Remittances in transit	1	32	55	5
Fair-value adjustments	(534)	(2 546)	(198)	(154)
Other assets net of fair-value adjustments on assets	4 607	6 688	1 395	398
Setoff of accounts within IFRS[6] total gross loans and advances[7]		(3 793)	(243)	(243)
Total gross loans and advances[5]	82 913	163 626	259 903	61 375

[1] *Nedbank Corporate and Nedbank Capital include London Branch (AIRB Approach).*

[2] *Balance sheet credit exposure includes on-balance-sheet, repurchase and resale agreements, and derivative exposure (refer to next page for details).*

[3] *A portion of the legacy Imperial Bank book, excluding the MFC book that now follows the AIRB Approach, Fairbairn Private Bank (UK) and the non-South African banking entities in Africa are covered by TSA.*

[4] *Rest of Africa reported under Central Management from January 2012.*

Nedbank Retail	Nedbank Wealth	Central Management including Rest of Africa[4]	Total 2012	Mix (%)	Change (%)	Total 2011[5]	Mix (%)
195 463	13 274	29 401	557 615	88,5	15,5	482 778	80,3
117			121 089	19,2	8,8	111 309	18,5
			5 158	0,8	(15,8)	6 123	1,0
	1 328		52 348	8,3	9,2	47 955	8,0
			150	< 0,1	5,0	143	< 0,1
			4 080	0,6	79,7	2 270	0,4
	772		21 990	3,5	10,8	19 841	3,3
			16 575	2,6	1,3	16 358	2,7
			8 738	1,4	20,5	7 249	1,2
		26 891	43 700	6,9	(9,4)	48 209	8,0
		2 510	49 348	7,8	16,2	42 477	7,1
			343	0,1	> 100,0	36	< 0,1
98 858	9 739		114 476	18,2	(4)	119 185	19,8
10 456	56		10 512	1,7	11,2	9 455	1,6
79 765	588		80 834	12,8	> 100,0	25 518	4,2
5 891	791		27 720	4,4	7,3	25 829	4,3
376			554	0,1	(32,5)	821	0,1
130	10 828	14 222	35 809	5,6	(56,5)	82 255	13,7
1	2	4 863	4 881	0,8	34,1	3 639	0,6
82		36	6 941	1,1	(34,3)	10 569	1,8
		110	110	< 0,1	> 100,0	48	< 0,1
		48	49	< 0,1	48,5	33	< 0,1
	179	1 623	1 802	0,3	28,3	1 404	0,2
	6 515	2 627	9 142	1,4	29,8	7 043	1,2
43	3 110	3 516	9 758	1,5	2,2	9 545	1,6
		285	285	< 0,1	(99,4)	46 556	7,7
	1 022	1 114	2 503	0,4	(26,8)	3 418	0,6
4			338	0,1	> 100,0		
307	31		574	0,1	(7,3)	619	0,1
1 509	655	8 383	36 021	5,7	2,0	35 315	5,9
197 409	24 788	52 006	630 019	100,0	4,8	600 967	100,0
1 119	(4 812)	(40 388)	(87 947)		1,0	(86 853)	
		(464)	(15 121)		13,4	(13 340)	
		(12 943)	(33 176)		14,7	(28 933)	
	(5 042)	(11 444)	(29 561)		(14,4)	(34 530)	
116	(468)	(143)	(1 497)		(58,3)	(3 592)	
		(1 061)	(4 457)		76,2	(2 529)	
50		105	193		(4,9)	203	
(44)			(3 278)		34,2	(2 443)	
997	698	(14 438)	(1 050)		(37,2)	(1 689)	
			(4 036)		12,3	(3 594)	
198 528	19 976	11 618	538 036		5,4	510 520	

[5] 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.

[6] IFRS = International Financial Reporting Standards.

[7] Relates to the difference in the level of setoff applied under IFRS when compared with the setoff applied to the balance sheet credit exposure under Basel III.

Detailed analysis of Basel III balance sheet exposure by business cluster and asset class

- Nedbank Ltd and the Nedbank London Branch now make up 95% of the total credit extended by Nedbank Group. During the second half of 2012 Nedbank received approval from the South African Reserve Bank (SARB) to use the AIRB Approach for the MFC portfolio from the legacy Imperial Bank book. This has resulted in 95% (2011: 88%) of the total credit extended by Nedbank Group being covered by the Basel III AIRB Approach.
- The remaining portion of the legacy Imperial Bank (ie in Property Finance and Nedbank Business Banking), Fairbairn Private Bank (UK) and the non-South African Nedbank African subsidiaries' credit portfolios remain on TSA, however, the group plans to move the remaining legacy Imperial Bank Business Banking and Property Finance exposures to the AIRB Approach during 2013.

Summary of the components of the total Basel III balance sheet credit exposure by business cluster and asset class

December 2012	On-balance-sheet exposure		Off-balance-sheet exposure	
Rm	AIRB	TSA	AIRB	TSA
Nedbank Capital	68 032		19 914	
Corporate	25 175		13 018	
Specialised lending – IPRE				
Specialised lending – commodity finance	150			
Specialised lending – project finance	3 764		6	
SME – corporate				
Public sector entities	6 006		210	
Local governments and municipalities	132			
Sovereign	12 554		13	
Banks	20 073		960	
Securities firms				
SME – retail				
Securitisation exposure	178		5 707	
Nedbank Corporate	157 665	5 467	66 879	30
Corporate	82 195	13	54 074	
Specialised lending – HVCRE	5 158		493	
Specialised lending – IPRE	47 747		2 477	
SME – corporate	5 787	5 454	727	30
Public sector entities	9 610		4 268	
Local governments and municipalities	6 751		635	
Sovereign	35			
Securities firms			757	
Banks	376		3 428	
SME – retail	6		20	
Nedbank Business Banking	55 626	5 162	22 423	510
Corporate	8 675	2	4 603	
Specialised lending – IPRE	3 271		401	
SME – corporate	14 999	1 369	7 480	95
Public sector entities	162		17	
Local governments and municipalities	1 161	1	1	
Retail mortgages	5 879	3 089	2 026	415
Retail – other	481	367	82	
SME – retail	20 998	334	7 813	

	Repurchase and resale exposure	Derivative exposure		Total credit extended[1]		Total Basel III balance sheet credit exposure[4]		Exposure at default (EAD)	Down-turn expected loss[2]	BEEL[3]
	AIRB	AIRB	TSA	AIRB	TSA	AIRB	TSA	AIRB	AIRB	AIRB
	24 337	13 817		126 100		106 186		96 956	116	135
	2 386	2 541		43 120		30 102		40 439	75	112
		2		2		2		2	<1	
				150		150		154	<1	
		316		4 086		4 080		4 298	20	21
		432		432		432		527	7	
	21	776		7 013		6 803		6 875	<1	
		694		826		826		321	<1	
	4 043	177		16 787		16 774		12 845	<1	2
	17 544	8 845		47 422		46 462		25 538	14	
	343			343		343		21	<1	
		34		34		34		51	<1	
				5 885		178		5 885	<1	
				224 544	5 497	157 665	5 467	204 605	327	400
				136 269	13	82 195	13	119 094	160	64
				5 651		5 158		5 651	40	117
				50 224		47 747		51 700	98	51
				6 514	5 484	5 787	5 454	6 447	28	51
				13 878		9 610		13 493	<1	113
				7 386		6 751		7 257	1	
				35		35		36	<1	
				757				791	<1	
				3 804		376		118	<1	
				26		6		18	<1	4
				78 049	5 672	55 626	5 162	76 508	460	757
				13 275	2	8 675	2	12 591	75	121
				3 672		3 271		3 712	8	8
				22 479	1 464	14 999	1 369	22 320	120	104
				179		162		176	<1	
				1 162	1	1 161	1	1 206	<1	
				7 905	3 504	5 879	3 089	7 446	36	146
				563	367	481	367	518	3	18
				28 811	334	20 998	334	28 539	218	360

Summary of the components of the total Basel III balance sheet credit exposure by business cluster and asset class (CONTINUED)

December 2012 Rm	On-balance-sheet exposure AIRB	 TSA	Off-balance-sheet exposure AIRB	 TSA
Nedbank Retail	195 463	130	39 437	20
Corporate	117	1	1 479	
SME – corporate		82		14
Retail mortgages	98 858	43	18 237	6
Retail revolving credit	10 456		15 016	
Retail – other	79 765		864	
Banks				
SME – retail	5 891	4	3 841	
Securitisation exposure	376			
Nedbank Wealth	13 274	10 828	4 157	1 591
Specialised lending – IPRE	1 328	2	219	
SME – corporate	772		55	
Sovereign		179		
Banks		6 515		1 184
Retail mortgages	9 739	3 110	3 451	1
Retail revolving credit	56		203	
Retail – other	588	1 022	109	406
SME – retail	791		120	
Central Management, including Rest of Africa[5]	29 401	13 980	55	2 555
Corporate		4 624		2 070
SME – corporate		36		23
Public sector entities		110		38
Local governments and municipalities		48		14
Sovereign	26 891	1 623		
Banks	2 510	2 624	55	139
Retail mortgages		3 516		1
Retail revolving credit		285		268
Retail – other		1 114		2
Total	519 461	35 567	152 865	4 706
Downturn expected loss (AIRB Approach)				
IFRS impairment on AIRB loans and advances				
Excess of downturn expected loss over eligible provisions				

[1] *Total credit extended includes on-balance-sheet, off-balance-sheet (includes unutilised facilities), repurchase and resale agreements, and derivative exposure.*
[2] *Downturn expected loss in relation to performing loans and advances.*
[3] *Best estimate of expected loss (BEEL) is in relation to non-performing loans and advances.*
[4] *Balance sheet credit exposure includes on-balance-sheet, repurchase and resale agreements, and derivative exposure.*
[5] *Rest of Africa reported in Central Management from January 2012.*

	Repurchase and resale exposure	Derivative exposure		Total credit extended[1]		Total Basel III balance sheet credit exposure[4]		Exposure at default (EAD)	Downturn expected loss[2]	BEEL[3]
	AIRB	AIRB	TSA	AIRB	TSA	AIRB	TSA	AIRB	AIRB	AIRB
				234 900	150	195 463	130	225 353	3 497	5 598
				1 596	1	117	1	470	13	
					96		82			
				117 095	49	98 858	43	118 726	656	2 014
				25 472		10 456		17 273	600	697
				80 629		79 765		80 608	2 104	2 655
				9 732	4	5 891	4	7 899	124	232
				376		376		377	< 1	
				17 431	12 419	13 274	10 828	18 941	42	82
				1 547	2	1 328	2	1 708	5	3
				827		772		894	4	
					179		179			
					7 699		6 515			
				13 190	3 111	9 739	3 110	13 897	24	63
				259		56		520	2	2
				697	1 428	588	1 022	799	4	2
				911		791		1 121	3	12
			242	29 456	16 777	29 401	14 222	29 486	38	14
			239		6 933		4 863			14
					59		36			
					148		110			
					62		48			
				26 891	1 623	26 891	1 623	26 891	< 1	
			3	2 565	2 766	2 510	2 627	2 595	38	
					3 517		3 516			
					553		285			
					1 116		1 114			
	24 337	13 817	242	710 480	40 515	557 615	35 809	651 849	4 480	6 986
										11 466
										10 383
										1 083

SUMMARY OF IMPAIRMENTS, CREDIT LOSS RATIOS, DEFAULTED ADVANCES AND COVERAGE RATIOS

Summary of key credit risk ratios

%	Nedbank Capital	Nedbank Corporate[1]	Total Nedbank RBB	Nedbank Business Banking	Nedbank Retail	Nedbank Wealth	Total
2012							
Impairments to gross loans and advances							
Total impairments*	0,51	0,55	3,52	2,05	3,97	0,56	2,02
Specific impairments*	0,31	0,33	2,51	1,46	2,84	0,44	1,38
Portfolio impairments*	0,20	0,22	1,01	0,59	1,13	0,12	0,64
Impairment charge as a percentage of NII	35	12	30	7	37	24	26
Credit loss ratio target range	0,10 – 0,55[2]	0,20 – 0,35		0,55 – 0,75	1,50 – 2,20	0,20 – 0,40	0,60 – 1,00
Total credit loss ratio	1,06	0,24	1,62	0,34	2,01	0,61	1,05
Specific credit loss ratio	0,99	0,23	1,38	0,28	1,73	0,61	0,91
Portfolio credit loss ratio	0,07	0,01	0,24	0,06	0,28		0,14
Defaulted advances to gross loans and advances	0,94	1,69	5,79	4,23	6,27	2,78	3,58
Properties in possession to gross loans and advances		0,13	0,12	0,03	0,15	0,16	0,11
2011[3]							
Impairments to gross loans and advances							
Total impairments*	1,18	0,75	3,62	2,50	3,97	0,39	2,25
Specific impairments*	1,04	0,54	2,82	1,96	3,09	0,27	1,71
Portfolio impairments*	0,14	0,21	0,80	0,54	0,88	0,12	0,54
Impairment charge as a percentage of NII	46	14	32	11	38	9	30
Credit loss ratio target range	0,10 – 0,35	0,20 – 0,35		0,55 – 0,75	1,50 – 2,20	0,20 0,40	0,60 – 1,00
Total credit loss ratio	1,23	0,29	1,63	0,53	1,98	0,25	1,13
Specific credit loss ratio	1,27	0,33	1,45	0,46	1,77	0,26	1,01
Portfolio credit loss ratio	(0,04)	(0,04)	0,18	0,07	0,21	(0,01)	0,12
Defaulted advances to gross loans and advances[2, 4]	2,10	2,32	6,93	5,10	7,50	2,25	4,55
Properties in possession to gross loans and advances		0,12	0,16	0,02	0,21	0,12	0,12

[1] Rest of Africa is reported in Central Management from January 2012. December 2011 numbers are restated for the transfer of the Rest of Africa Division from Nedbank Corporate to the centre.

[2] The Nedbank Capital target range was amended in 2012.

[3] 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.

[4] The personal loans defaulted advances as at December 2011 have been restated to take account of the policy, showing debt-counselling and debt-counselling restructured accounts as defaults.

- Lower levels of income statement impairments at R5 199m (2011: R5 331m) were reported.
- The credit loss ratio improved to 1,05% for the year (2011: 1,13%), remaining above the group's through-the-cycle (TTC) range of 60 to 100bps 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 further strengthening the portfolio impairments charge to 0,14% (2011: 0,12%) mainly on the performing personal loans, MFC and home loans books.

** Audited*

- ☐ The increased level of portfolio impairments was mainly as a result of further model conservatism and book 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).
- ☐ Credit loss ratios in the wholesale clusters improved in the second half of the year.
- ☐ Nedbank Retail's credit loss ratio was maintained within its TTC range and at levels similar to those in the first six months of the year, reflecting the effect of asset mix changes as unsecured lending attracts higher levels of impairments than secured lending.
- ☐ Nedbank Wealth's credit loss ratio deteriorated mainly due to the impact of a subdued property market.

Reconciliation of balance sheet impairments by business cluster

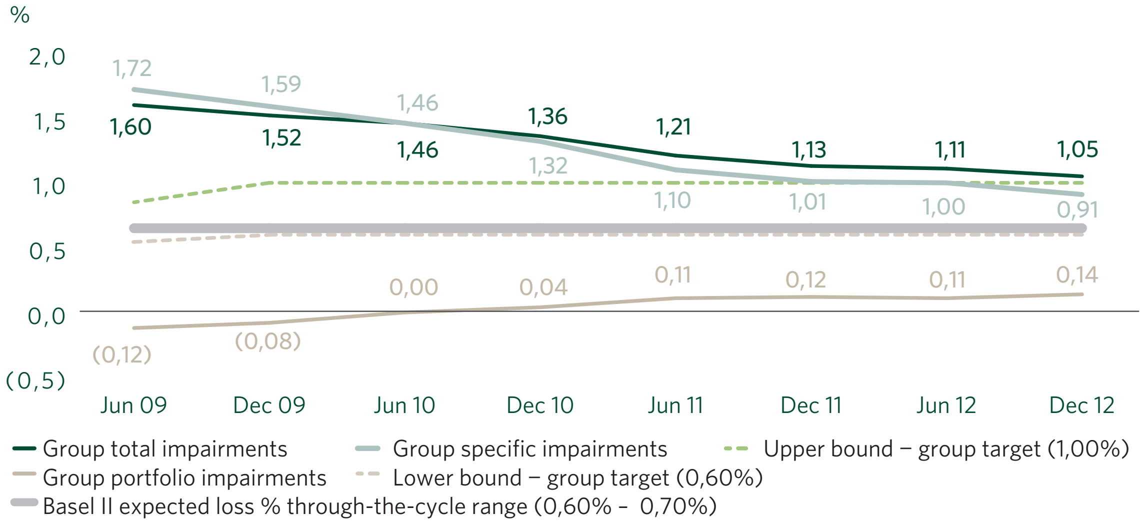
Rm	Nedbank Capital	Nedbank Corporate	Total Nedbank RBB[2]	Nedbank Business Banking	Nedbank Retail	Nedbank Wealth	Central Management[1]	2012	Change %	2011
Opening balance*	821	1 191	9 107	1 508	7 599	77	301	11 497	2,4	11 226
Specific impairments*	722	852	7 087	1 181	5 906	53	35	8 749	(3,6)	9 072
Specific impairments, excluding discounts	675	592	6 163	986	5 177	3	35	7 468	(3,5)	7 740
Specific impairments for discounted-cashflow losses	47	260	924	195	729	50		1 281	(3,8)	1 332
Portfolio impairments*	99	339	2 020	327	1 693	24	266	2 748	27,6	2 154
Income statement impairments charge (net of recoveries)*	526	385	4 134	206	3 928	118	36	5 199	(2,5)	5 331
Specific impairments	532	381	3 377	182	3 195	87	(46)	4 331	(9,8)	4 805
Net increase/decrease in impairments for discounted-cashflow losses	(43)	(20)	161	(15)	176	31	57	186	> 100,0	(51)
Portfolio impairments	37	24	596	39	557		25	682	18,0	577
Recoveries*	61	22	763	33	730	5	15	866	35,1	641
Amounts written off and other transfers*	(989)	(702)	(4 863)	(487)	(4 376)	(88)	(50)	(6 692)	17,4	(5 701)
Specific impairments*	(1 013)	(703)	(4 863)	(487)	(4 376)	(88)	(22)	(6 689)	17,0	(5 719)
Portfolio impairments*	24	1					(28)	(3)	> (100,0)	18
Closing balance*	419	896	9 141	1 260	7 881	112	302	10 870	(5,5)	11 497
Specific impairments*	259	532	6 525	894	5 631	88	39	7 443	(14,9)	8 749
Specific impairments, excluding discounts	255	292	5 440	714	4 726	7	(18)	5 976	(20,0)	7 468
Specific impairments for discounted-cashflow losses	4	240	1 085	180	905	81	57	1 467	14,5	1 281
Portfolio impairments*	160	364	2 616	366	2 250	24	263	3 427	24,7	2 748
Total gross loans and advances*	82 913	163 626	259 903	61 375	198 528	19 976	11 618	538 036	5,4	510 520
Total average gross banking book loans and advances	49 596	160 178	255 854	60 407	195 447	19 327	9 248	494 203	5,6	467 916
Total average gross loans and advances	73 711	160 178	255 854	60 407	195 447	19 327	9 248	518 318	4,9	494 041

[1] *Rest of Africa is reported in Central Management from January 2012.*

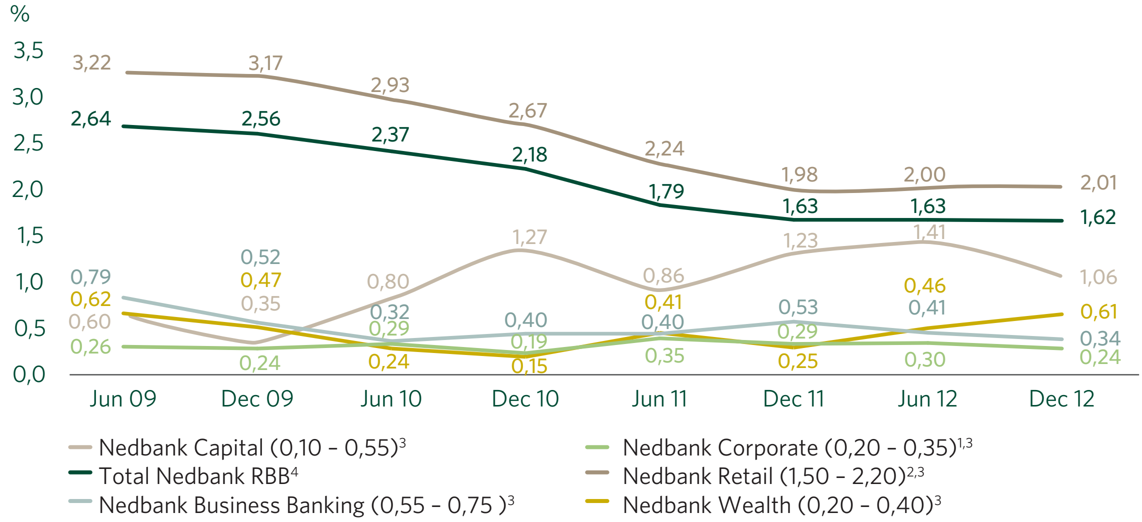
[2] *Retail and Business Banking.*

* *Audited*

Nedbank Group credit loss ratio



Credit loss ratio by business cluster

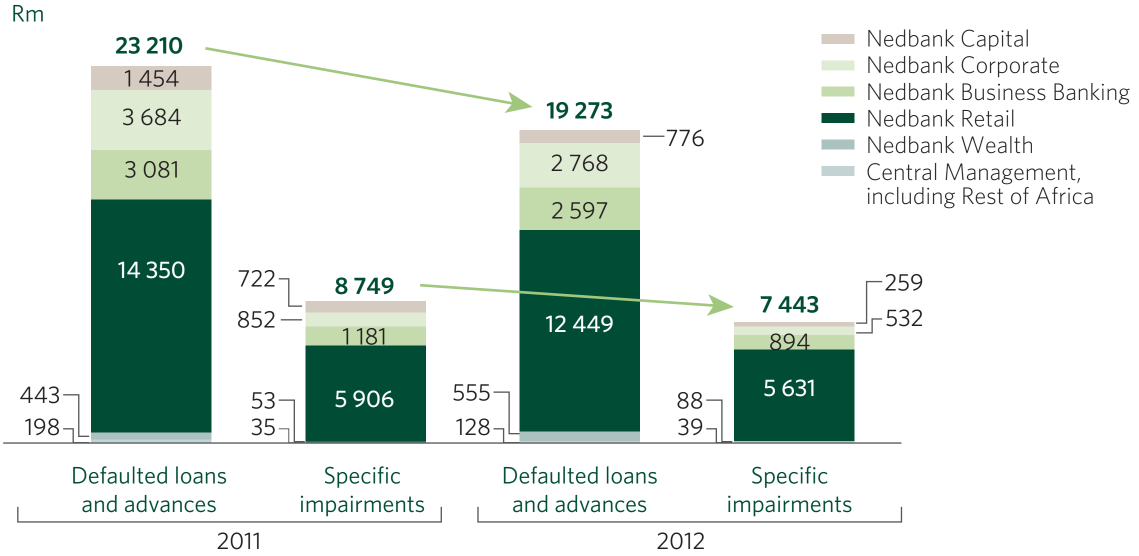


[1] *Nedbank Corporate restated due to migration of Nedbank Africa to Central Management as well as the Imperial Book integration in 2012.*
[2] *Nedbank Retail CLRs restated due to the Imperial Bank integration in 2010.*
[3] *TTC target range.*
[4] *RBB = Retail and Business Banking.*

Defaulted loans and advances and coverage ratios

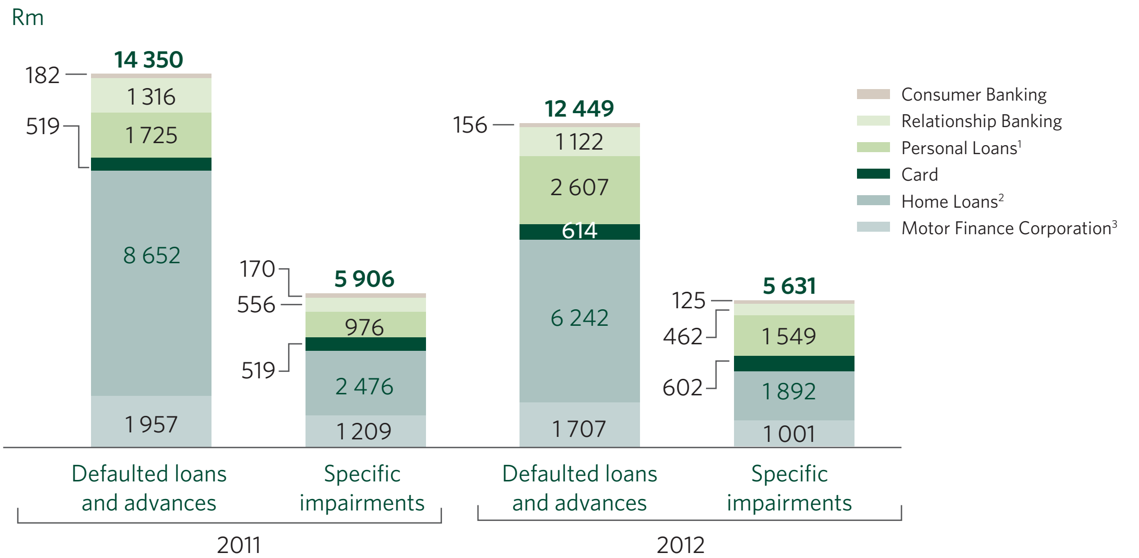
- The specific coverage ratio is the amount of specific impairments that have been raised for total defaulted loans and advances. This is the inverse of the expected recoveries ratio. Expected recoveries are equal to defaulted loans and advances less specific impairments, as specific impairments are raised for any shortfall that would arise after all recoveries are taken into account. Expected recoveries of defaulted loans and advances include recoveries as a result of the liquidation of security or collateral as well as recoveries as a result of a client curing or partial client repayments.
- The absolute value of expected recoveries on/from defaulted accounts (which includes security values) will generally increase as the number of defaults increase. The expected recovery amount will in most instances be less than the total defaulted exposure, as 100% of the defaulted loan is seldom recovered.
- A decrease in the coverage ratio (or increase in the expected recoveries ratio) may arise as a result of the following:
  - Expected recoveries improving due to improved market conditions and therefore lower loss given default (LGD).
  - Higher curing levels.
  - A change in the defaulted product mix with a greater percentage of products that have a higher security value and therefore a lower specific impairment, such as secured products (home loans and commercial real estate).
  - An increase in the value of collateral that is an input into the LGD calculation and would result in a decrease in the LGD and decrease in specific impairments.
  - A change in the mix of new versus older defaults as in most products the recoveries expected from defaulted clients decrease over time.
  - A change in the write-off policy, eg if the period is extended prior to writing off a deal, there will be a longer period in which recoveries can be realised.

Defaulted advances declining, driving lower specific impairments in all business clusters



- Total defaulted advances declined 17,0% to R19 273m (2011: R23 210m), driven by further decreases in defaults in home loans and commercial mortgages as well as reductions in Nedbank Capital as a direct result of the resolutions of defaulted advances.
- Nevertheless, 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%) for the reasons discussed earlier around the CLR.
- 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 the commercial lending portfolio where there were a number of partial write-offs as well as reductions in defaulted advances in Nedbank Capital as a direct result of resolutions.

Defaulted advances declining, driving lower specific impairments in all Retail business lines except Personal Loans

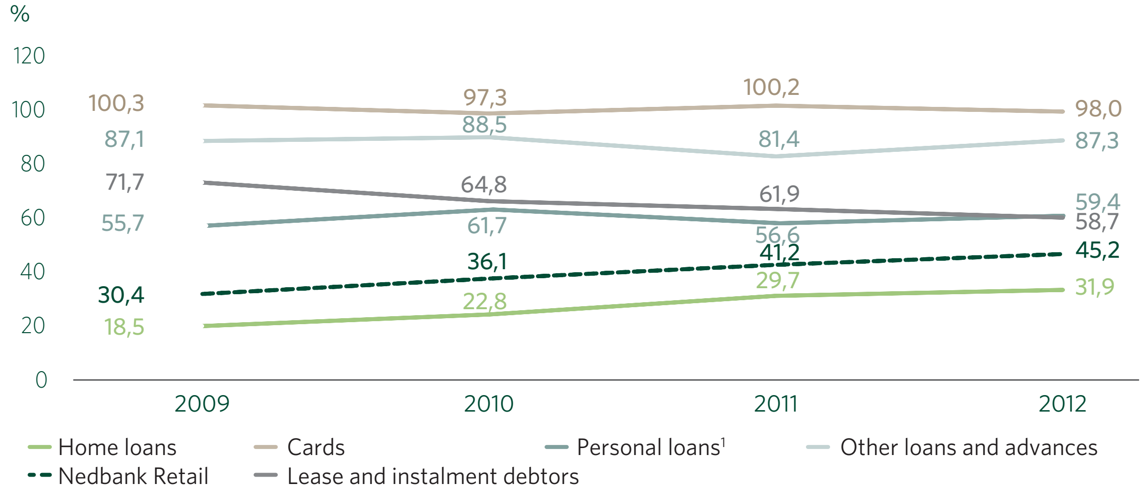


[1] *The Personal Loans defaulted advances at December 2011 have been restated to take account of the policy showing debt-counselling and debt-counselling restructured accounts as defaults.*

[2] *Home Loans as discussed here represents a specific business unit within Nedbank Retail, and excludes the Nedbank Relationship Banking and Business Banking business units.*

[3] *A distinction has been drawn in 2012 between distressed restructures and 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.*

Summary of specific coverage ratios by major retail product



[1] *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.*

- Specific coverage levels in Nedbank Retail increased from 41,2% to 45,2%, largely due to the mix between secured and unsecured lending changing.
  - The contribution of unsecured lending (including Personal Loans and Card) to Nedbank Retail's defaulted advances increased to 28,0% (2011: 18,5%), with an average specific coverage of 68,4%.
- Personal Loans defaulted advances increased to 20,9% of total Nedbank Retail defaulted advances (2011: 12,0%), while specific coverage strengthened to 59,4% (2011: 56,6%) following a move to provide fully for loans after five consecutive missed payments rather than after six consecutive missed payments, as was the practice previously.
- Nedbank Retail's home loan specific coverage ratio continued to increase to 31,9% (2011: 29,7%), providing protection for the rehabilitation of defaulted advances in a property market with negative real growth and continued high levels of consumer indebtedness.
- Card specific coverage ratios remain high at 98,0%.
- The lease and instalment debtors specific coverage ratio declined to 58,7% in 2012 (2011: 61,9%) due to more restructured accounts, which hold a lower provision percentage than a defaulted account, being pushed into default in line with the group disclosure policy.

Summary of defaulted loans and advances, specific impairments and specific coverage ratio by business cluster

	Defaulted loans and advances		Expected recoveries	Specific impairments				Specific coverage ratio	
						On defaulted loans and advances	For discounted cash-flow losses	2012	2011[2,3]
	Rm	as % of total	Rm	Rm	as % of total			(%)	(%)
2012									
Nedbank Capital	776	4,0	517	259*	3,5	255	4	33,4	49,7
Other loans and advances	776	4,0	517	259	3,5	255	4	33,4	49,7
Nedbank Corporate[1]	2 768	14,3	2 236	532*	7,1	292	240	19,2	23,3
Home loans	63	0,3	53	10	0,1	6	4	15,9	28,0
Commercial mortgages	2 273	11,8	1 870	403	5,4	182	221	17,7	22,6
Leases and instalment debtors	9		6	3		3		33,3	38,5
Properties in possession	220	1,1	220						1,6
Other loans and advances	203	1,1	87	116	1,6	101	15	57,1	46,0
Nedbank Business Banking	2 597	13,5	1 703	894*	12,0	714	180	34,4	38,3
Home loans	1 094	5,7	823	271	3,6	178	93	24,8	23,3
Commercial mortgages	379	2,0	303	76	1,0	44	32	20,1	20,1
Leases and instalment debtors	489	2,5	199	290	3,9	269	21	59,3	62,3
Card	4		1	3		3		75,0	
Properties in possession	16	0,1	16						
Other loans and advances	615	3,2	360	254	3,4	220	34	41,4	51,9

* *Audited*

Summary of defaulted loans and advances, specific impairments and specific coverage ratio by business cluster (continued)

	Defaulted loans and advances		Expected recoveries	Specific impairments				Specific coverage ratio	
	Rm	as % of total	Rm	Rm	as % of total	On defaulted loans and advances	For discounted-cash-flow losses	2012 (%)	2011[2,3] (%)
Nedbank Retail	12 449	64,7	6 818	5 631*	75,7	4 726	905	45,2	41,2
Home loans	6 840	35,5	4 656	2 184	29,3	1 942	242	31,9	29,7
Commercial mortgages	18	0,1	10	8	0,1	6	2	44,4	55,9
Leases and instalment debtors	1 796	9,4	741	1 054	14,2	913	141	58,7	60,9
Card	614	3,2	12	602	8,1	596	6	98,0	100,2
Personal loans	2 607	13,5	1 058	1 549	20,8	1 037	512	59,4	56,6
Properties in possession	307	1,6	307						11,1
Other loans and advances	267	1,4	34	234	3,1	232	2	87,3	93,0
Nedbank Wealth	555	2,8	468	88*	1,2	7	81	15,9	12,0
Home loans	388	2,0	342	46	0,6	(35)	81	11,9	12,1
Commercial mortgages	123	0,6	91	32	0,4	32		26,0	
Leases and instalment debtors	6		1	5	0,1	5		83,3	60,0
Properties in possession	31	0,2	30	1		1		3,2	4,3
Other loans and advances	7		3	4	0,1	4		57,1	58,3
Central Management including Rest of Africa[1]	128	0,7	89	39*	0,5	(18)	57	30,5	26,5
Home loans	49	0,3	37	12	0,2	1	11	24,5	26,3
Commercial mortgages	1		1			(4)	4		2,5
Leases and instalment debtors	18	0,1	8	10	0,1	1	9	55,6	32,1
Personal loans	18	0,1	10	8	0,1	(5)	13	44,4	57,5
Other loans and advances	42	0,2	33	9	0,1	(11)	20	19,6	21,8
Group	19 273*	100,0	11 830	7 443*	100,0	5 976	1 467	38,6	37,7
Home loans	8 434	43,8	5 911	2 523	33,9	2 092	431	29,9	28,4
Commercial mortgages	2 794	14,5	2 275	519	7,0	260	259	18,6	22,3
Leases and instalment debtors	2 318	12,0	955	1 363	18,3	1 192	171	58,8	61,7
Card	618	3,2	13	605	8,1	599	6	97,9	99,6
Personal loans	2 625	13,6	1 068	1 557	20,9	1 032	525	59,3	56,7
Properties in possession	574	3,0	573	1		1		0,2	7,8
Other loans and advances	1 910	9,9	1 035	875	11,8	800	75	45,7	54,1
2011 Group[2]	23 210*	100,0	14 461	8 749*	100,0	7 468	1 281		
Home loans	10 872	46,8	7 781	3 091	35,3	2 746	345		
Commercial mortgages	3 850	16,6	2 991	859	9,8	568	291		
Leases and instalment debtors	2 806	12,1	1 076	1 730	19,8	1 532	198		
Card	521	2,2	2	519	5,9	516	3		
Personal loans[3]	1 742	7,5	755	987	11,3	651	336		
Properties in possession	619	2,7	571	48	0,6	47	1		
Other loans and advances	2 800	12,1	1 285	1 515	17,3	1 408	107		

[1] *Rest of Africa is reported in Central Management from January 2012. December 2011 numbers are restated for the transfer of the Rest of Africa Division from Nedbank Corporate to the centre.*

[2] *A distinction has been drawn between distressed restructures and arrangements in the MFC portfolio. This has resulted in a redistribution of assets across the delinquency buckets. The prior-year comparatives have been adjusted to take account of this change.*

[3] *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.*

* *Audited*

Properties in possession (PiPS)

Rm	Nedbank Capital	Nedbank Corporate	Total Nedbank RBB	Nedbank Business Banking	Nedbank Retail	Nedbank Wealth	Central Management[1]	Total Nedbank Group 2012	Total Nedbank Group 2011
Opening balance*		186	409	12	397	24		619	662
Disposal/Writedowns/ Revaluations		(6)	(380)	(11)	(369)	(5)		(391)	(636)
PiPs acquired		40	294	15	279	12		346	593
Closing balance*		220	323	16	307	31		574	619
Unsold		148	235	13	222	24		407	371
Sold awaiting transfer		72	88	3	85	7		167	248

[1] *Central Management, including Rest of Africa. Rest of Africa is reported in Central Management from January 2012.*

- There has been a sustained decrease in PiPs to R574m (2011: R619m), with a decrease of R91m in Nedbank Retail, offset by a R34m increase in Nedbank Corporate in the commercial real estate portfolio.

Debt counselling

- The analysis below is Nedbank Group's debt counselling book within the Retail cluster, which shows both new applications in the year to date and the portfolio balance.

	New applications				Portfolio balance			
	2012		2011		2012		2011	
Product	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm
Card	11 128	97	9 584	102	17 879	183	16 118	173
Personal loans	17 767	600	12 643	363	23 829	762	18 273	531
Mortgages	1 417	397	1 825	822	3 668	1 494	4 222	1 762
Overdrafts	6 208	16	4 406	21	5 981	31	5 359	39
Vehicle and asset finance	4 973	468	5 230	485	12 481	1 116	11 948	1 151
Total	41 493	1 577	33 688	1 793	63 838	3 585	55 920	3 656

- The total portfolio balance in rand value has decreased by 1,9% since 2011. While the continued decrease in rand value is attributed to the secured portfolio, mainly in home loans, the number of accounts has increased as a result of the growth in the unsecured portfolio, mainly in personal loans, which contains smaller loans.

CREDIT CONCENTRATION RISK

Within Nedbank Group the credit concentration risk and associated risk appetite are actively managed, measured and ultimately capitalised for in the group's economic capital and Internal Capital Adequacy Assessment Process (ICAAP).

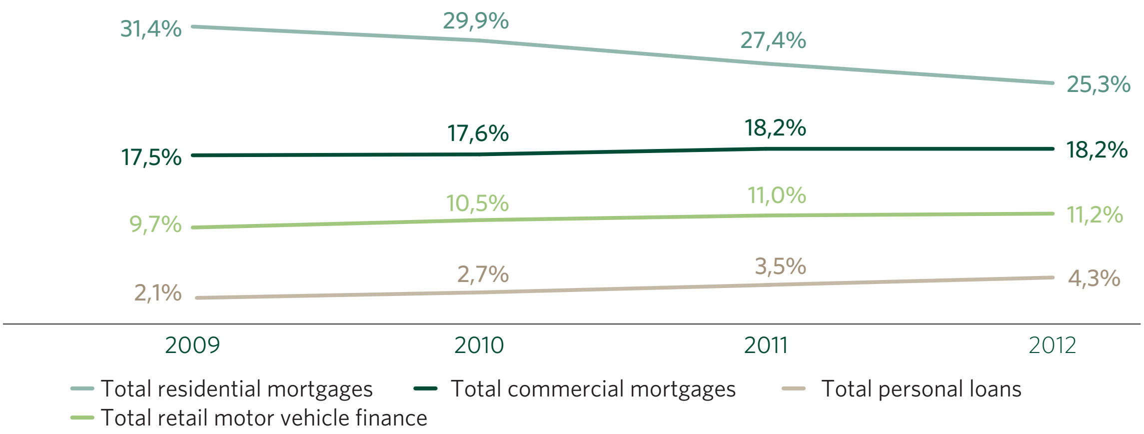
Single-name credit concentration risk

- Of the total group credit economic capital, only 4,2% is attributable to the top 20 largest exposures, excluding banks and government exposure, and 3,8% to the top 20 banks' largest exposures, highlighting that Nedbank Group does not have undue single-name credit concentration risk.
- Direct exposure to the South African government relates mainly to statutory liquid asset requirements and constitutes 7,2% of total balance sheet credit exposure.
- The group's credit concentration risk measurement incorporates the asset size of obligors/borrowers into its calculation of credit economic capital. Single-name concentration is monitored at all credit committees within the group's Enterprisewide Risk Management Framework (ERMF), which includes the applicable regulatory and economic capital per exposure.

* *Audited*

Industry concentration risk

Gross loans and advances (% of total)



- Commercial mortgage lending has remained stable at 18,2% of gross loans and advances, and consequently Nedbank Group has maintained its dominant local market share position. This potentially high concentration is mitigated by high levels of collateral, low average loans to value (LTVs) (approximately 50%), the underpinning of corporate leases and a highly experienced management team.
- Although total mortgage exposure (ie residential and commercial) remains a significant part of the balance sheet at 43,5%, this has consistently been decreasing from its peak levels of 2009 at 48,9% in line with the selective origination in Retail Home loans, while Nedbank remains comfortable with its dominant commercial mortgage market share position in the industry.
- While Nedbank has the smallest residential mortgage portfolio among the local peer group, the contribution of these advances as a percentage of total gross loans and advances is substantial at 25,3% at 2012 (2011: 27,4%). Nedbank has adopted a selective origination, client-centric growth strategy as part of its portfolio tilt initiative, resulting in a planned reduction of residential mortgages as a proportion of total credit exposure.
- Total retail motor vehicle finance exposure within Nedbank Group is only 11,2% of gross loans and advances while current market share is approximately 29,3%. Sound risk management principles are applied by an experienced management team and this was further enhanced with the approval by SARB in 2012 of the Basel III AIRB Approach for the MFC portfolio.
- Nedbank currently has the lowest market share in retail secured lending among its peers. However, it stands on 36,5% of total group loans and advances and has decreased slightly in line with the home loans portfolio tilt strategy.
- Given the continuing concerns in the mining sector, exposure to these clients is carefully monitored and is low at approximately 3% of total credit economic capital.

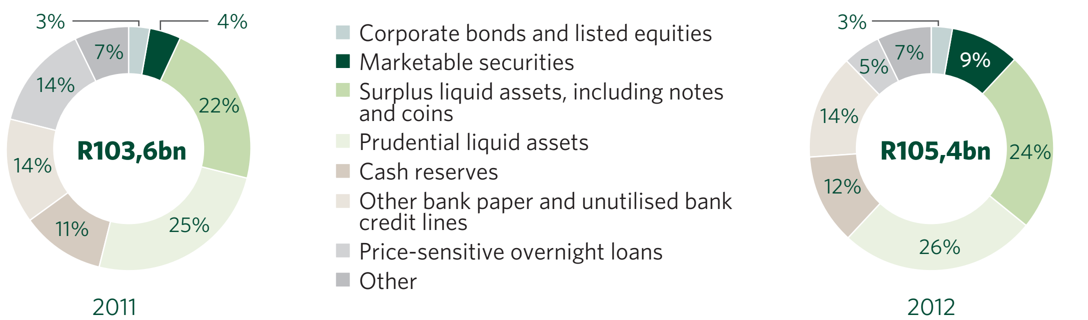
Geographic concentration risk

- Given that 94% of the group's loans and advances originate in SA, local geographic exposure is high. Practically, however, this concentration has proven positive for Nedbank Group, given the global financial crisis, and reflects its focus on its geographical area of core competence.
- The direct exposure of Nedbank Group to the banking sectors of Portugal, Italy, Ireland, Greece and Spain (PIIGS) is R161m, with total Eurozone exposure at R8 550m. This is monitored on an ongoing basis. The group holds no sovereign bonds issued by these countries. Direct lines to banks in Italy and Spain are restricted to systemically important banks.

LIQUIDITY RISK

- Nedbank Group remains well funded with a strong liquidity position, underpinned by a further lengthening of the funding profile, a large surplus liquid asset buffer, a strong loans-to-deposit ratio and low reliance on interbank and foreign currency funding.
- The three-month average long-term funding ratio at December 2012 increased to 26%, compared with the three-month average of 25% at December 2011.
  - The increased long-term funding ratio was supported by the successful issuance of senior unsecured debt in February 2012 of R1,7bn, followed by a further issue of R1,5bn in August 2012.
  - Strong growth in Nedbank Retail savings bonds of R3,3bn also contributed to a lengthening in the funding profile.
  - While Nedbank targets an average long-term funding ratio of 25%, the actual ratio does fluctuate around this target level, based on aggregate demand for long-term deposits and other term instruments.
- Advances grew by 5,6% in 2012, while deposits, excluding negotiable certificates of deposits, grew by 11,2%.
  - Overall, this resulted in a healthy loans-to-deposits ratio of 95,7% (2011: 95,2%), which remains consistently below 100%.
- The surplus liquidity buffer (a ringfenced pool of government bonds and treasury bills, in excess of prudential liquid asset requirements) ended the year on target at R24,4bn, a level deemed appropriate from the perspective of positioning Nedbank Group to meet the Basel III liquidity coverage ratio (LCR) pending requirement.
  - This contributed positively to the increase in the group's total sources of quick liquidity available for stress funding requirements, which amounted to R105,4bn at year-end (2011: R103,6bn). The graphs below reflect the size and composition of this portfolio.
- In May 2012 the South African Reserve Bank (SARB) issued Guidance Note 05/2012, stating that it would allow banks to include cash reserves in the calculation of the LCR and that it will provide a committed liquidity facility (CLF) for an amount up to 40% of the LCR requirements.
  - Taking into account Nedbank Group's cash reserves, the liquid assets held for regulatory purposes, the surplus liquidity buffer and Nedbank's anticipated access to the CLF, on a pro forma basis Nedbank is already compliant with the 2019 Basel III LCR requirement.
- Meeting the LCR requirement was further assisted by the announced amendments to the LCR by the Basel Committee on Banking Supervision (Basel Committee) on 6 January 2013. The amendments are positive in that they provide banks with the following:
  - A longer lead time to implement the LCR, starting at 60% in 2015 and increasing by 10% per annum until 2019.
  - A broader definition of qualifying high-quality liquid assets that can be held in the bank's liquidity buffers.
  - Reduced liquidity buffer requirements given refinements to various cash outflow assumptions in the LCR formula.
- Based on industry estimates, compliance with the net stable funding ratio (NSFR) remains structurally challenging. Consequently Nedbank will continue to work closely with the SARB, peer groups and National Treasury addressing the structural challenges, being mindful of the fact that the Basel Committee is likely to consider fundamental changes to the NSFR well ahead of its targeted implementation date of January 2018.
  - Having finalised the LCR, the Basel Committee also formally announced on 6 January 2013 that it will, as a matter of priority, focus on the NSFR over the next two years.

Nedbank Group's sources of quick liquidity



- The contractual and business as usual (BaU) liquidity mismatches of the group are presented overleaf. Based on client behavioural attributes, it is estimated that 94% (2011: 81%) of the amounts owed to depositors is stable.

NEDBANK GROUP CONTRACTUAL LIQUIDITY GAP

2012 **Rm**	Next day	2 to 7 days	8 days to 1 month	1 to 2 months	2 to 3 months	3 to 6 months*	6 to 12 months*	> 12 months*	Total*
Cash and cash equivalents	22 782	135	4 205						27 122
Other short-term securities		1 078	7 675	3 652	4 545	9 080	13 572	3 855	43 457
Derivative financial instruments	16	94	361	471	472	653	829	10 916	13 812
Government and other securities	319		981	1 273	1 491	2 307	441	19 941	26 753
Loans and advances	31 851	6 416	60 883	11 913	8 032	20 084	36 570	351 417	527 166
Other assets								44 669	44 669
Total assets	54 968	7 723	74 105	17 309	14 540	32 124	51 412	430 798	682 979
Total equity								57 730	57 730
Derivative financial instruments	3	16	60	78	78	333	745	12 141	13 454
Amounts owed to depositors	245 068	18 068	67 834	38 528	20 894	46 271	38 185	76 030	550 878
Provision and other liabilities	9 513							21 106	30 619
Long-term debt instruments			66		1 837	1 592	1 937	24 866	30 298
Total equity and liabilities	254 584	18 084	67 960	38 606	22 809	48 196	40 867	191 873	682 979
Net liquidity gap – 2012	(199 616)	(10 361)	6 145	(21 297)	(8 269)	(16 072)	10 545	238 925	–
Net liquidity gap – 2011	(190 812)	(12 911)	(18 845)	(31 592)	(7 077)	(8 775)	(8 458)	278 470	–

- The cumulative overnight to 1 month liquidity mismatch improved by R18,7bn as a result of the increase in the long-term funding ratio and management of the contractual mismatch between assets and liabilities. The increased long-term funding profile was supported by senior unsecured debt issuance, the GreenHouse securitisation issue and growth in Nedbank's retail savings bonds.

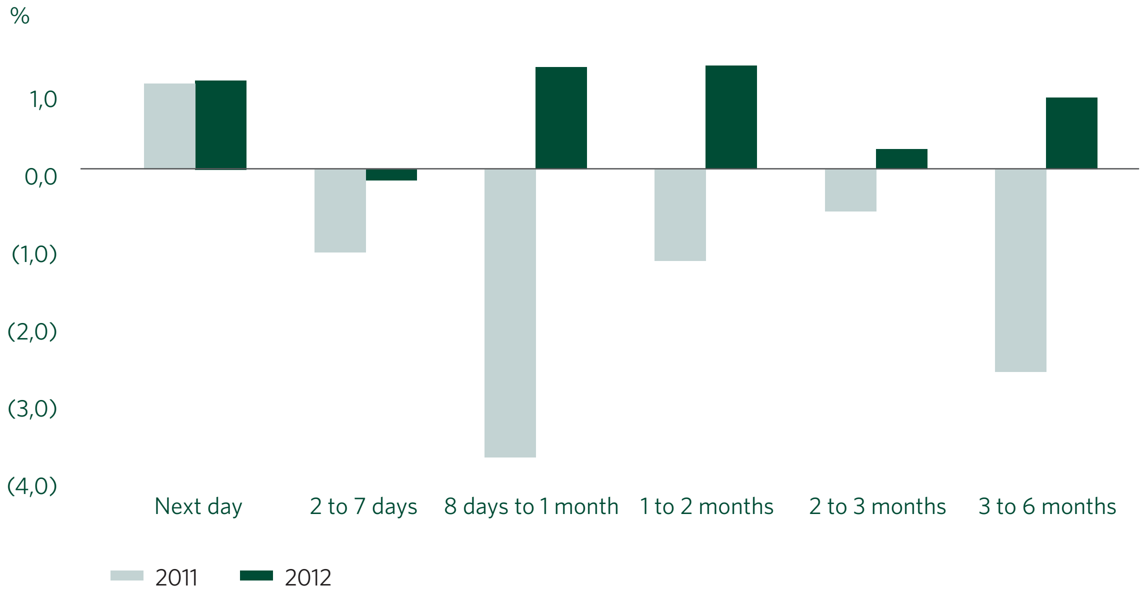
NEDBANK GROUP BUSINESS-AS-USUAL LIQUIDITY GAP

2012 **Rm**	Next day	2 to 7 days	8 days to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 months	> 12 months	Total*
Cash and cash equivalents								27 122	27 122
Other short-term securities		1 078	7 675	3 652	4 545	9 080	13 572	3 855	43 457
Derivative financial instruments	16	94	361	471	472	653	829	10 916	13 812
Government and other securities								26 753	26 753
Loans and advances	8 330	2 016	26 566	12 207	12 316	32 536	64 622	368 573	527 166
Other assets								44 669	44 669
Total assets	8 346	3 188	34 602	16 330	17 333	42 269	79 023	481 888	682 979
Total equity								57 730	57 730
Derivative financial instruments	3	16	60	78	78	333	745	12 141	13 454
Amounts owed to depositors	500	4 097	25 476	7 109	13 659	33 973	47 681	418 383	550 878
Provision and other liabilities								30 619	30 619
Long-term debt instruments			66		1 837	1 592	1 937	24 866	30 298
Total equity and liabilities	503	4 113	25 602	7 187	15 574	35 898	50 363	543 739	682 979
Net liquidity gap – 2012	7 843	(925)	9 000	9 143	1 759	6 371	28 660	(61 851)	–
Net liquidity gap – 2011	7 181	(6 909)	(24 098)	(7 642)	(3 532)	(16 907)	(17 430)	69 337	–

- The BaU table above shows the expected liquidity mismatch under normal market conditions after taking into account the behavioural attributes of stable deposits, savings and investment products, rollover assumptions associated with term deals, but excluding BaU management actions. The next-day BaU liquidity mismatch is positive, with cash inflows exceeding outflows.
- As illustrated overleaf, Nedbank Group's overnight-to-one-month liquidity position improved in 2012, compared with 2011, based on the BaU liquidity mismatch. This has been achieved through a strategy of lengthening the funding profile and managing the asset/liability composition from a behavioural perspective. Furthermore, Nedbank has enhanced its behavioural models, using statistical approaches and assumptions that are more aligned with empirical historical data observed from Nedbank's balance sheet.

** Audited*

Nedbank Group's behavioural liquidity mismatch[1]



[1] *Expressed on total assets and based on maturity assumptions before rollovers and risk management.*

INTEREST RATE RISK

- Nedbank Group is exposed to interest rate risk in the banking book (IRRBB) primarily due to the following:
  - The bank writes a large quantum of prime-linked advances.
  - To lengthen the funding profile of the bank, term funding is raised across the curve at fixed-term deposit rates that reprice only on maturity.
  - Three-month repricing swaps and forward rate agreements are typically used in the risk management of term deposits and fixed-rate advances.
  - Short-term demand funding products reprice to different short-end base rates.
  - Certain non-repricing transactional deposit accounts are non-rate-sensitive.
  - The bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not reprice for interest rate changes.
- IRRBB comprises:
  - Repricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and repricing (for floating rate) of bank assets, liabilities and off-balance-sheet positions.
  - Reset or basis risk – imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
  - Yield curve risk – changes in the shape and slope of the yield curve.
  - Embedded optionality – the risk pertaining to interest-related options embedded in bank products.

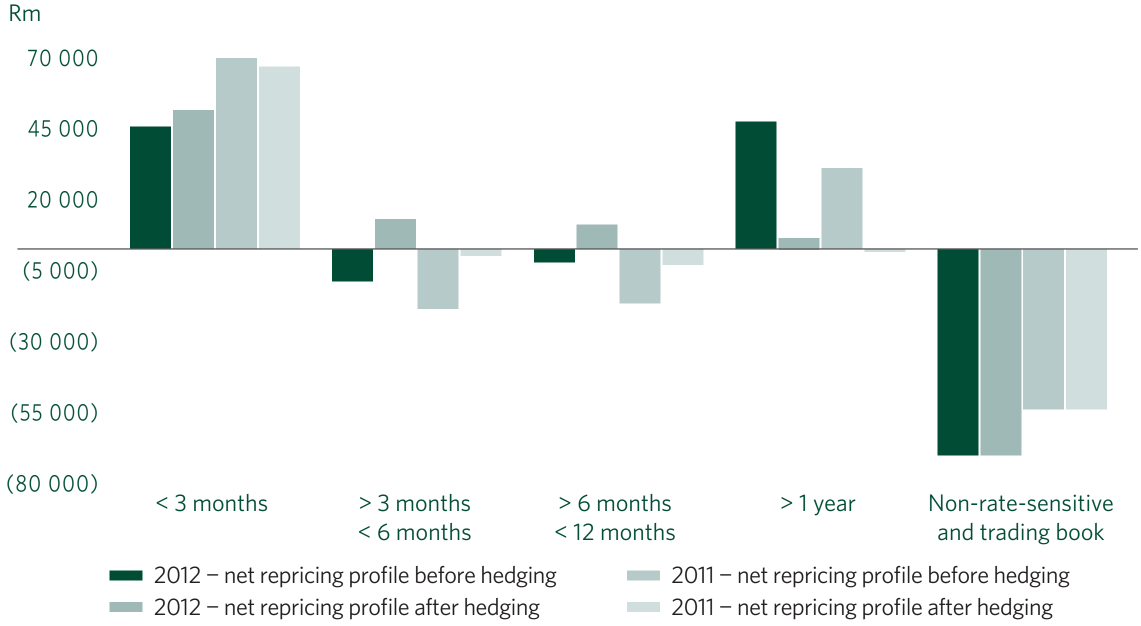
NEDBANK GROUP – INTEREST RATE REPRICING GAP

Rm	< 3 months	> 3 months < 6 months	> 6 months < 12 months	> 1 year	Non-rate-sensitive and trading book
2012					
Net repricing profile before hedging	43 185	(11 216)	(4 490)	45 061	(72 540)
Net repricing profile after hedging	49 034*	10 723*	8 718*	4 065	(72 540)
Cumulative repricing profile after hedging	49 034*	59 757*	68 475*	72 540	–
2011					
Net repricing profile before hedging	67 431	(20 943)	(18 976)	28 717	(56 229)
Net repricing profile after hedging	64 461*	(2 148)*	(5 364)*	(720)	(56 229)
Cumulative repricing profile after hedging	64 461*	62 313*	56 949*	56 229	–

* *Audited*

- The < 3 months positive net repricing profile after hedging has decreased in 2012, with a corresponding increase in this position in the '> 3 months < 6 months' to '> 1 year' repricing buckets as a result of the Asset and Liability Committee's (ALCO's) decision to reduce the group's sensitivity for a further interest rate cut in the short to medium term. This strategy was executed through the acquisition of Treasury Bills as part of the group's liquid asset buffer portfolio. These assets were subsequently not hedged, thereby exposing the group to fixed-interest-rate risk, thereby reducing interest rate sensitivity.
- The increase in the positive non-interest-rate sensitivity and trading book position is largely the result of stronger capital levels and higher transactional deposit balances at year-end.

Nedbank Group interest rate repricing profile



EXPOSURE TO INTEREST RATE RISK

	Nedbank Ltd		Other group companies		Nedbank Group	
Rm	**2012**	2011	**2012**	2011	**2012**	2011
Net interest income (NII) sensitivity						
1% instantaneous decline in interest rates	**(643)**	(715)	**(170)**	(128)	**(813)**	(843)
2% instantaneous decline in interest rates	**(1 325)**	(1 419)	**(340)**	(257)	**(1 665)**	(1 676)

- At year-end the NII sensitivity of the group's banking book for a 1% parallel reduction in interest rates is 1,51% of total group ordinary shareholders' equity (2011: 1,72%), which is well within the board's approved risk limit of 2,25%.
  - This exposes the group to a decrease in NII of approximately R813m before tax should interest rates fall by 1%, measured over a 12-month period. NII sensitivity, as currently modelled, exhibits very little convexity and results in an increase in pre tax NII of approximately similar amounts should rates increase by 1%.
- During 2012 the group's NII sensitivity has been decreased through interest rate risk management strategies to mitigate the adverse impact on NII as a result of potential downside risk to interest rates in the short to medium term.
- IRRBB strategies are evaluated regularly to align with interest rate views and defined risk appetite. This ensures that optimal on- and off-balance-sheet strategies are applied, either positioning the balance sheet or protecting interest income through different interest rate cycles, while aligning IRRBB sensitivity with through-the-cycle impairment sensitivity, which is seen as a natural economic net income hedge, but is subject to a time lag differential across financial reporting periods.
- Nedbank Ltd's economic value of equity, measured for a 1% parallel decrease in interest rates, is a reduction in value of R81m at December 2012 (2011: R325m). The decrease this year is the result of strategies implemented to mitigate the adverse impact of downside risk to interest rates.

EQUITY RISK

- The total equity portfolio for investment risk is R4 493m (2011: R4 385m).
  - A total of R3 212 (2011: R3 240m) of this portfolio is held for capital gain, while the rest mainly comprises strategic investments.

Investments	Publicly listed		Privately held		Total	
Rm	2012	2011	2012	2011	2012	2011
Fair value disclosed in balance sheet (excluding associates and joint ventures)	533*	796	3 320*	3 049	3 853*	3 845
Fair value disclosed in balance sheet (including associates and joint ventures)	533*	796	3 959*	3 589	4 492*	4 385

- Equity risk in the banking book is a very small component of the group's balance sheet, comprising only 0,7% of the group's total assets, 3,9% of the group's total economic capital requirement and 4,4% of the group's risk-weighted assets (RWA).

Equity investments held for capital gain (private equity) reported in non-interest revenue (NIR)

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	2012*	2011*	2012	2011	2012	2011
Securities dealing	138	(79)	(38)	152	176	(231)
Investment income – dividends received	73	402	51	97	22	305
Total	211	323	13	249	198	74
Realised	260	509[1]	116	230	144	279[1]
Unrealised	(49)	(186)[1]	(103)	19	54	(205)[1]
Total	211	323	13	249	198	74

[1] *December 2011 numbers have been restated.*

- Equity investments held for capital gain are generally classified as fair value through profit and loss, with fair value gains and losses reported in NIR. Strategic investments are generally classified as 'available for sale', with fair value gains and losses recognised directly in equity.

FOREIGN CURRENCY TRANSLATION RISK

- Foreign currency translation risk (FCTR) is the risk that the bank's exposures to foreign capital will lose value as a result of shifts in the exchange rate. As Nedbank Group is a rand-reporting entity, its risk is in a strengthening of the rand.

Offshore capital split by functional currency

Nedbank Group	2012			2011		
$m (US dollar equivalent)	Forex-sensitive	Non-forex-sensitive	Total	Forex-sensitive	Non-forex-sensitive	Total
US dollar	136		136	138		138
Pound sterling	146		146	130		130
Swiss franc	7		7	17		17
Malawi kwacha	5		5	8		8
Other		569	569		539	539
Total	294	569	863	293	539	832
Limit	350			350		

- Equity in forex-sensitive foreign subsidiaries has increased marginally by 0,3% to $294m. Total offshore capital has also increased by 4% to $863m at year-end largely as a result of increased profits.
- FCTR remains relatively low and is aligned with the appropriate offshore capital structure of the group. The total RWA for the group's foreign entities is approximately R14,3bn, being low at approximately 4,0% of the group. The average capitalisation rate of the group's foreign denominated business is 18% and well above the regulatory requirements.
- Any foreign exchange rate movement will therefore have a small effect on Nedbank Group's capital adequacy.

* *Audited*

SECURITISATION RISK

SECURITISATION ACTIVITIES OF THE GROUP

- Nedbank Group uses securitisation exclusively as a funding diversification tool and to add flexibility in mitigating structural liquidity risk. The group currently has two traditional securitisation transactions:
  - GreenHouse Funding (RF) Ltd, Series 1 (GreenHouse), a residential mortgage-backed securitisation programme launched in December 2007 and refinanced in November 2012.
  - Synthesis Funding Ltd (Synthesis), an asset-backed commercial paper (ABCP) programme launched during 2004.

ASSETS SECURITISED AND RETAINED SECURITISATION EXPOSURE

Transaction					Assets securitised[1]		Assets outstanding		Amount retained/ purchased[2]		Risk-weighted assets	
Rm	Year initiated	Rating agency	Transaction type	Asset type	2012	2011	2012	2011	2012	2011	2012	2011
GreenHouse	2007	Fitch	Traditional securitisation	Home loans	2 049	2 000	1 320	1 462	374	218	296	220

[1] This includes all assets identified for securitisation, including those home loans still awaiting registration of cession of the mortgage bond by the Deeds Office at year-end.

[2] This is the nominal amount of exposure and excludes accrued interest.

LIQUIDITY FACILITIES PROVIDED TO NEDBANK'S ASSET-BACKED COMMERCIAL PAPER PROGRAMME

Transaction Rm	Year initiated	Rating agency	Transaction type	Asset type	Programme size	Face value of notes outstanding 2012	Face value of notes outstanding 2011	Liquidity facilities 2012	Liquidity facilities 2011	Risk-weighted assets 2012	Risk-weighted assets 2011
Synthesis	2004	Fitch	ABCP programme	Asset-backed securities, corporate term loans and bonds	15 000	4 768	4 044	4 771	4 047	1 246	580

- Nedbank Group refinanced GreenHouse in November 2012, redeeming all notes and subordinated loans on the scheduled maturity date. GreenHouse acquired a further R807m of home loans from Nedbank and financed the existing and new home loan portfolio of R2 049m through the issuance of R1 944m of new notes and subordinated loans from Nedbank of R256m.
  - There have been no downgrades of any of the commercial paper issued in Nedbank Group's securitisation transactions and the performance of the underlying portfolios of assets remains acceptable.
- Nedbank Group also fulfils a number of secondary roles as liquidity facility provider, hedge counterparty and investor in third-party securitisation transactions.
  - All securitisation transactions entered into thus far have involved the sale of the underlying assets to the special-purpose vehicles. Nedbank Group has not originated or participated in synthetic securitisations.
- Nedbank Group complies with International Financial Reporting Standards in recognising and accounting for securitisation transactions.
  - In particular, the assets transferred to the GreenHouse securitisation vehicle continue to be recognised and consolidated in the balance sheet of the group and the securitisation vehicle is consolidated under Nedbank Group for financial reporting purposes, as is Synthesis.
  - Securitisations are treated as sales transactions (rather than financing transactions). The assets are sold to the special-purpose vehicles at carrying value and no gains or losses are recognised.
- The regulations relating to banks were amended, effective 1 January 2012, to incorporate the revised market risk and securitisation proposals as per Basel II.5. The primary reasons for the increase in the liquidity facility risk-weighted assets are the classification of securitisation exposures into normal securitisation exposures and resecuritisation exposures, together with the associated increase in the Supervisory Formula Approach risk weight floor from 7% to 20% for resecuritisation exposures.

TRADING MARKET RISK

- Most of Nedbank Group's trading activity is managed in Nedbank Capital. This includes market-making and the facilitation of client business in the foreign exchange, interest rate, equity, credit and commodity markets.
- Nedbank Capital focuses primarily on client activities and flow trading in these markets.

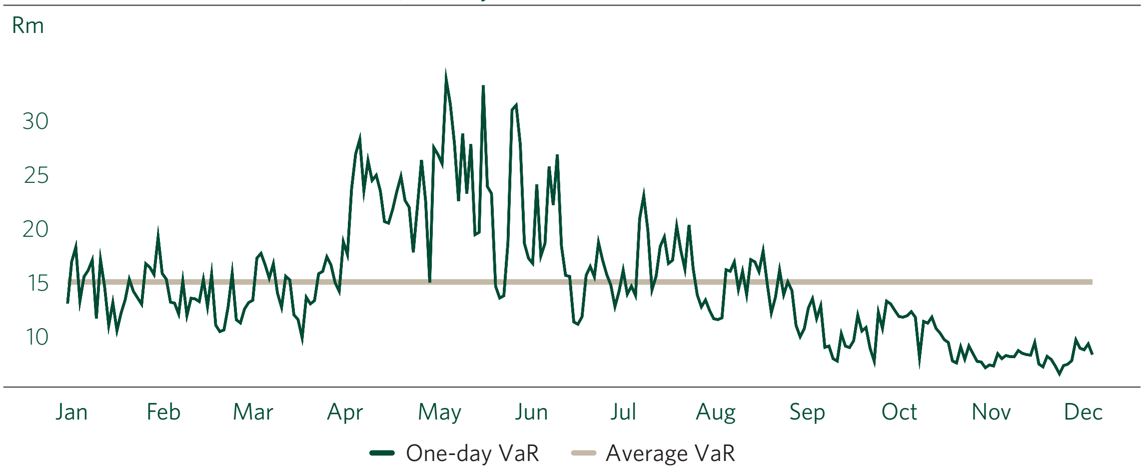
Nedbank Group trading book value at risk (VaR)*

Risk type	Historical VaR (99%, one-day VaR)			
Rm	Average	Minimum[1]	Maximum[1]	End of period
2012				
Foreign exchange	4,4	0,8	15,3	1,9
Interest rate	8,6	4,5	15,4	5,0
Equity	4,6	0,9	13,0	2,9
Credit	2,6	1,5	4,2	3,1
Commodity	0,9	0,1	3,1	0,6
Diversification[2]	(6,4)			(5,5)
Total VaR exposure	14,7	6,2	33,5	8,0
2011				
Foreign exchange	3,5	0,7	13,6	3,9
Interest rate	8,8	5,1	14,2	5,1
Equity	4,0	2,2	10,6	9,2
Credit	2,7	1,3	4,0	2,3
Commodity	0,3		1,1	0,8
Diversification[2]	(7,3)			(7,4)
Total VaR exposure	12,0	5,9	21,0	13,9

[1] *The maximum and minimum VaR values reported for each of the different risk factors do not necessarily occur on the same day. As a result a diversification number for the maximum and minimum values has been omitted from the table.*
[2] *Diversification benefit is the difference between the aggregate VaR and the sum of VaRs for the five risk types. This benefit arises because the simulated 99%/one-day loss for each of the five primary market risk types occurs on different days.*

- In addition to applying business judgement, management uses a number of quantitative measures for managing the exposure to trading market risk. These measures include:
  - Risk limits based on a portfolio measure of market risk exposures referred to as VaR, including expected tail loss.
  - Scenario analysis, stress tests and other analytical tools that measure the potential effects on the trading revenue arising in the event of various unexpected market events.
- While VaR captures Nedbank Group's exposure under normal market conditions, sensitivity analysis and stress testing are used to add insight into the possible outcomes under abnormal market conditions.

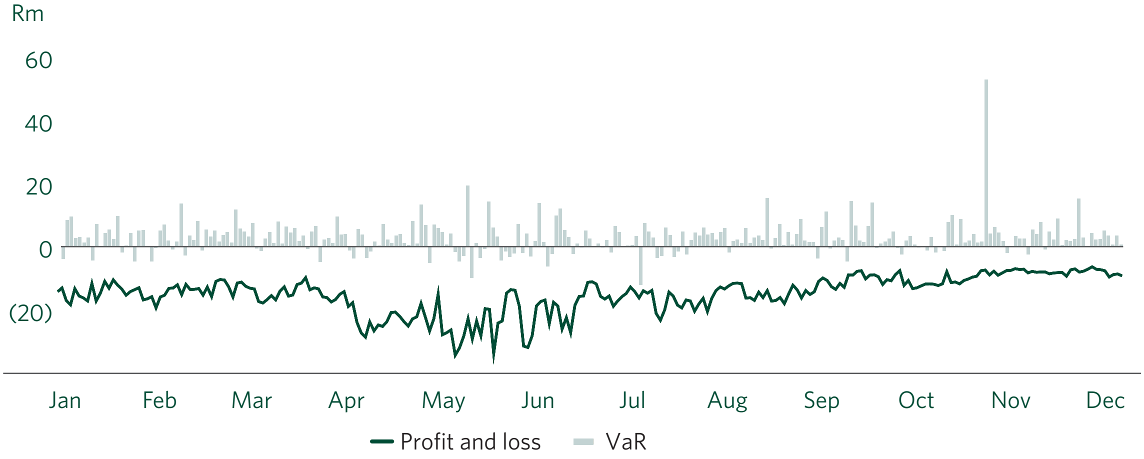
Value-at-risk utilisation for 2012 (99%, one-day VaR)



* *Audited*

- The graph alongside illustrates the daily VaR for the 12-month period to 31 December 2012. Nedbank Group remained within the approved risk appetite and the VaR limits allocated by the board, which remain low, with trading market risk consuming only 1,3% and 1,5% of group economic capital and regulatory capital respectively.
- During May and June 2012 the higher daily VaR was mainly due to the foreign exchange risk factor. During this period the higher-than-usual directionality due to options in this risk factor resulted in an elevated potential risk as calculated by the VaR model. These positions during the latter part of the year were significantly reduced, resulting in a decreased contribution from this risk factor.

Value-at-risk profit and loss for 2012



[1] *In November 2012 Nedbank Capital facilitated a number of hedging transactions. These deals resulted in a significant positive trading income.*

- VaR is an important measurement tool and the performance of the model is regularly assessed through a process called backtesting. This is done by comparing the daily VaR over a one-year period (on average of 250 trading days) to the actual and hypothetical daily trading revenue (including net interest income but excluding commissions and primary revenue) with the VaR estimate and counts the number of times the trading loss exceeds the VaR estimate.
- During 2012 the South African Reserve Bank (SARB) conducted its annual review of Nedbank's internal model for the calculation of regulatory capital for trading market risk. Nedbank's approval to use the Internal Model Approach (IMA) was renewed by SARB, with a reduction in the multiplier used in the capital calculation. This reflects positively on Nedbank Group's market risk control environment and the effectiveness of the VaR model.
- Nedbank Group's trading businesses (including net interest income, commissions and primary revenue credited to Nedbank Group's trading businesses) produced a daily revenue distribution that is skewed to the profit side, with trading revenue being realised on 225 days out of a total of 250 days in the period. The average daily trading revenue generated for the period, excluding that related to investment banking, was R7,61m (2011: R6,02m). In November 2012 Nedbank Capital facilitated a number of hedging transactions. These deals resulted in a significant positive trading income.
- As part of the Basel II.5 update to the Banks Act regulations, implemented in SA on 1 January 2012, the risk-weighted assets (RWA) for market risk now require an add-on for stressed VaR as opposed to being based purely on normal VaR as required by Basel II. This resulted in a significant increase of the RWA required for market risk from R3,8bn to R5,3bn and a small impact on normal capital adequacy ratios due to Nedbank Group's risk profile having a component of very low trading market risk.

Nedbank Group trading book stressed VaR

Risk type	Historical VaR (99%, 10-day VaR)			
Rm	Average	Minimum[1]	Maximum[1]	End of period
2012				
Foreign exchange	22,8	5,6	48,5	22,2
Interest rate	60,8	36,1	96,5	54,2
Equity	27,4	7,7	80,8	23,9
Credit	8,7	4,3	13,9	13,4
Commodity	2,4	0,2	8,3	2,0
Diversification[2]	(35,4)			(61,5)
Total stressed VaR exposure	86,7	53,1	171,6	54,2

[1] *The maximum and minimum VaR values reported for each of the different risk factors do not necessarily occur on the same day. As a result a diversification number for the maximum and minimum values has been omitted from the table.*
[2] *Diversification benefit is the difference between the aggregate VaR and the sum of VaRs for the five risk types. This benefit arises because the simulated 99%/one-day loss for each of the five primary market risk types occurs on different days.*

- During 2012 the Basel Committee on Banking Supervision published a consultation paper on the fundamental review of the Trading book, despite the new 2012 requirements of Basel II.5. Although the final form of the proposals will only crystallise in 2013, it is clear that a major regulatory shift is expected. Nedbank is well positioned with its current market risk systems to implement the proposals currently considered.

COUNTERPARTY CREDIT RISK

- Counterparty credit limits are set at an individual counterparty level and approved within the Group Credit Risk Management Framework. Counterparty credit risk (CCR) exposures are reported and monitored at both a business unit and group level. To ensure that appropriate limits are allocated to large transactions scenario analysis is performed within a specialised counterparty risk unit. Based on the outcome of such analysis, proposals regarding potential risk-mitigating structures are made prior to final limit approval. Limits for the group's Corporate and Business Banking businesses favour a nominal limit to facilitate monitoring.
- There is continued emphasis on the use of credit risk mitigation strategies, such as netting and collateralisation of exposures. Nedbank Group and its large bank counterparties have International Swaps and Derivatives Association (ISDA) and International Securities Market Association (ISMA) master agreements as well as credit support (collateral) agreements in place to support bilateral margining of exposures. Limits and appropriate collateral are determined on a risk-centred basis.
- Netting is applied only to underlying exposures where supportive legal opinion is obtained as to the enforceability of the relevant netting agreement in the particular jurisdiction. Margining and collateral arrangements are entered into in order to mitigate CCR. Haircuts, appropriate for the specific collateral type, are applied to determine collateral value. Margining agreements are pursued with interbank trading counterparties on a proactive basis. Margining thresholds constitute unsecured exposure to the counterparty and are assessed as such. To deal with a potential deterioration of CCR over the life of transactions thresholds are typically linked to the counterparty external credit rating.
- Nedbank Group applies the Current Exposure Method (CEM) for Basel II.5 CCR. The CEM results are also used as input in the economic capital calculations to determine credit economic capital.
- The Basel III regulatory standards for CCR contains significant enhancements and, in particular, introduce a credit valuation adjustment (CVA) capital charge. On 21 December 2012 the South African Reserve Bank (SARB) issued directive D3/2012 that has taken effect on 1 January 2013, which allowed a zero risk weight for CVA on ZAR-based derivatives and derivatives with local counterparties pending the finalisation of a centralised counterparty for over-the-counter (OTC) derivatives in SA.
- Wrong-way risk is identified and monitored in line with internal risk processes, and as such no capital requirement is associated with this risk. No excessive wrong-way risk exists within Nedbank Group.
- Potential collateral calls or postings are monitored with our various counterparties under a range of market movements and stress scenarios to provide senior management with a forward-looking view of future collateral requirements.

OVER-THE-COUNTER DERIVATIVES FOR NEDBANK GROUP

OTC derivative products	2012		2011	
Rm	Notional value	Gross positive fair value	Notional value	Gross positive fair value
Credit default swaps	29 554	199	12 220	248
Embedded derivatives	3 501[1]	4	2 308	2
Trading	26 053	195	9 912	246
MarkIt iTraxx Europe	21 405[2]	174	6 714	229
Third party	4 648[3]	22	3 198	17
Equities	2 884	1 682	1 305	1 976
Foreign exchange and gold	206 245	2 637	241 164	4 356
Interest rates	760 183	10 103	832 512	8 735
Other commodities			147	19
Total	998 866	14 621	1 087 348[4]	15 334

[1] Credit default swaps embedded in credit-linked notes issued by Nedbank Group whereby credit protection of R1 804m is purchased or credit-linked notes purchased whereby credit protection of R1 697m is sold.
[2] Trading positions MarkIt iTraxx Europe through the purchase (R10 652m) and sale (R10 753m) of credit protection.
[3] Trading positions third-party transactions through the purchase (R3 299m) and sale (R1 349m) of credit protection.
[4] 2011 has been restated to include notional values on deals with no credit risk as these were previously excluded.

OTC derivative netting

Rm	Gross positive fair value	Current netting benefits	Netted exposure (before mitigation)	Collateral	Netted exposure (after mitigation)	Exposure at default	Risk-weighted assets
2012	14 621	6 867	7 754	510	7 244	8 959	3 403
2011	15 334	8 806	6 299	900	5 542	9 437	2 353

SECURITIES FINANCING TRANSACTIONS

Rm	Gross positive fair value	Collateral value after haircut	Netted current credit exposure (after mitigation)	Exposure at default	Risk-weighted assets
2012					
Repurchase agreements	24 338	23 194	1 143	1 154	71
Securities lending	9 542	12 046	1 527	1 527	138
Total	33 880	35 240	2 670	2 681	209
2011					
Repurchase agreements	12 911	12 572	339	339	12
Securities lending	7 216	13 350	940	940	103
Total	20 127	25 922	1 279	1 279	115

INSURANCE RISK

- Insurance risk arises in the Nedbank Wealth Cluster and is assumed by Nedgroup Life Assurance Company Ltd (Nedgroup Life) and Nedgroup Insurance Company Ltd (Nedgroup Insurance).
  - Nedgroup Life offers credit life, simple-risk and savings solutions, as well as a set of differentiated underwritten individual risk life products supported by a wellness programme. A large part of the book is derived from the provision of life cover linked to Nedbank Group's lending activities.
  - Nedgroup Insurance is a short-term insurer that focuses predominantly on homeowner's insurance, personal accident and vehicle-related value-add products for the retail market.
- The Financial Services Board (FSB) is introducing a revised prudential regime for insurance, the Solvency Assessment and Management (SAM) regime, to ensure that regulation of the South African insurance sector remains in line with international best practice. SAM is based on Solvency II, a risk-based capital adequacy directive being implemented for European insurers and reinsurers in 2014. SAM, such as Basel II, is based on three pillars and is intended to be implemented in 2015. The short-term insurance industry had interim measures that needed to be met in 2012 with regard to capital adequacy requirements. Nedgroup Insurance complies with these requirements and is still well capitalised. The group is on track to implement the regulatory requirements of SAM proactively, with a focus on the strategic intent in order to optimise the new regime.
- The Nedbank Wealth Cluster, which also provides banking and asset management services, is a capital and liquidity 'light' business that generates high returns off a low risk profile. Accordingly, it is considered a high-growth area in the group's Portfolio Tilt strategy. Insurance risk consumes only 0,8% (2011: 0,6%) of the group minimum economic capital requirement. The solvency ratios are reflected in the following table.

Solvency ratios	Regulatory minimum	Target range[1]	**2012**	2011
Long-term insurance (Nedgroup Life)	1,00x	> 1,5x	5,1x	4,1x
Short-term insurance (Nedgroup Insurance Company)	1,25x	> 1,3x	1,6x	1,4x

[1] *Management target range is based on the greater of regulatory and economic capital.*

- In SA the regulators currently require insurers to hold capital at a minimum of 1 times cover for long-term insurance and 1,25 times for short-term insurance.
- The long-term insurance ratio is well above statutory and management target levels mainly due to strong organic earnings over the year and due to a change in the capital calculation methodology for investment guarantees. (This resulted in an R18m reduction of required capital.) The ratios improved from 4,1 times to 5,1 times at year-end.
- The short-term insurance ratio improved from 1,4 times to 1,6 times, well above the target level. This is largely due to the introduction of the SAM interim-measure capital calculations for short-term insurers. The group target has been revised to > 1,3 times (previously > 1,5 times) to align with the dividend policy.

OPERATIONAL RISK

INTRODUCTION

Operational risk management is a reflection of how the group is running the business. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements. Operational risk is not typically taken in pursuit of an expected return, but exists as part of the normal course of business at all levels. Operational risk management is aimed at protecting the business (by inter alia minimising internal losses, reducing cost, enhancing controls, preventing or detecting revenue leakage) and to build a durable business (for example, increase efficiencies and effectiveness; streamline processes; reduce waste, redundancy and downtime; and introduce new internal controls, lessening the impact of external events such as natural disasters).

NEDBANK GROUP'S APPROACH TO MANAGING OPERATIONAL RISK

In December 2010 the South African Reserve Bank (SARB) authorised Nedbank Group to use the Advanced Measurement Approach (AMA). Consequently, the group now calculates its operational risk regulatory capital requirements using partial and hybrid AMA. Partial use refers to 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 is the attribution of group operational risk capital to legal entities by means of an allocation mechanism.

The approval by SARB confirms the existence, across the group, of sound operational risk governance practices aimed at identifying, measuring, managing and mitigating operational risks. The group continues to invest in the improvement of its operational risk measurement and management approaches.

The AMA Operational Risk Management Framework was approved by the board's Group Risk and Capital Management Committee. The AMA methodologies contained therein have been rolled out and embedded in the businesses, including for the purposes of the Internal Capital Adequacy Assessment Process (ICAAP).

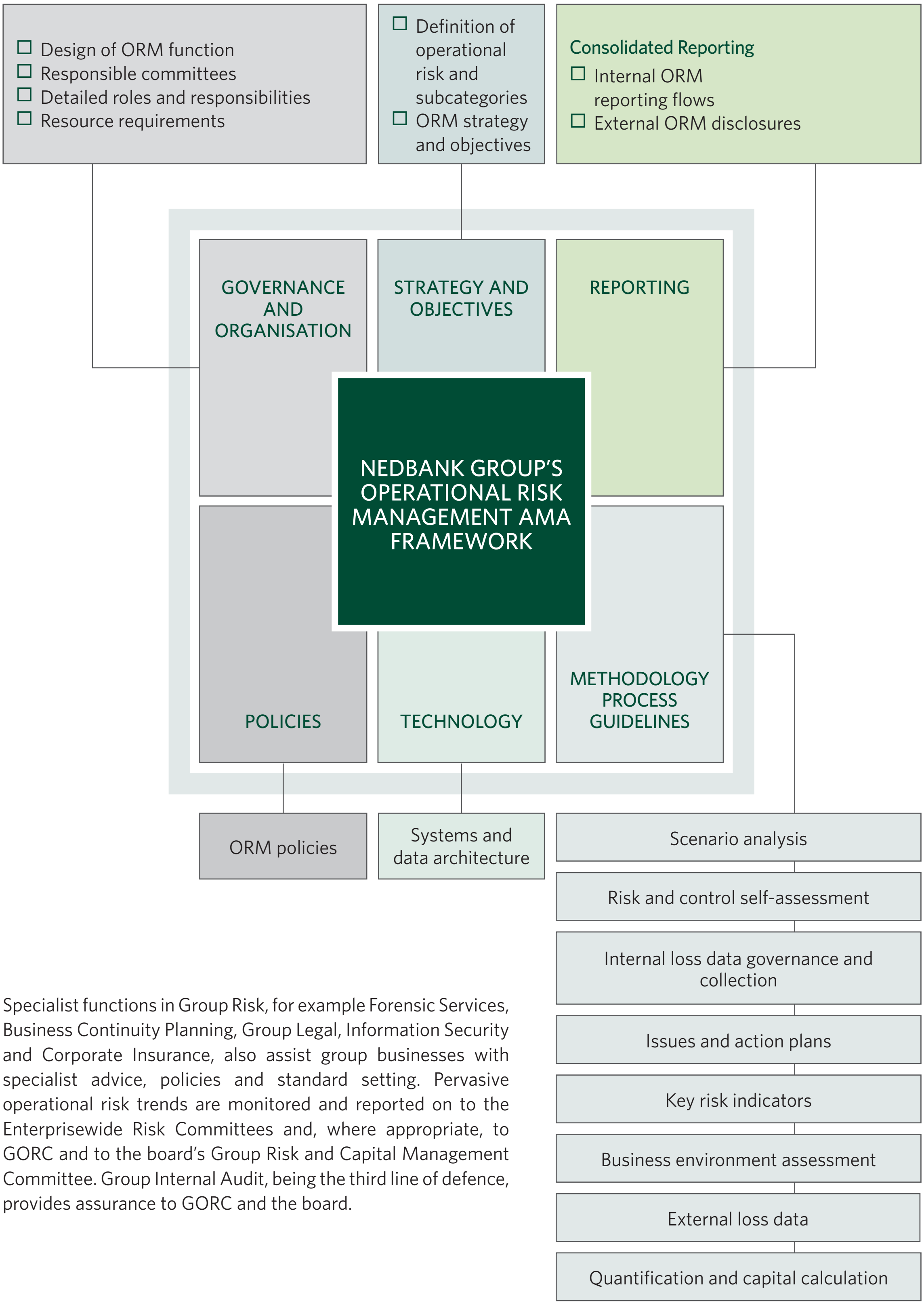
Business clusters act as the first line of defence and are responsible for the identification, management, monitoring and reporting of operational risk. Operational risk is reported and monitored through the divisional and cluster Enterprisewide Risk Committees and overseen by the Group Operational Risk Committee (GORC) and the board's Group Risk and Capital Management Committee. The Group Operational Risk Management (GORM) Division within the Group Risk Cluster acts as the second line of defence in the Nedbank Enterprisewide Risk Management Framework (ERMF).

The primary responsibilities of GORM are to develop, maintain and champion the Group Operational Risk Management Framework (ORMF), policies and enablers to support Operational Risk Management (ORM) in the business as well as implement the Basel II, regulatory requirements and international best practice for ORM. To ensure that Nedbank's operational risk practices remain sound and aligned with new operational risk standards Nedbank benchmarked itself with the papers published by the Basel Committee on Banking Supervision (BCBS) in 2011, Principles for the Sound Management of Operational Risk and Operational Risk and Supervisory Guidelines for the Advanced Measurement Approaches.

OPERATIONAL RISK MANAGEMENT FRAMEWORK

The diagram below depicts Nedbank Group's AMA ORMF elements:

Nedbank Group's AMA ORMF elements



Specialist functions in Group Risk, for example Forensic Services, Business Continuity Planning, Group Legal, Information Security and Corporate Insurance, also assist group businesses with specialist advice, policies and standard setting. Pervasive operational risk trends are monitored and reported on to the Enterprisewide Risk Committees and, where appropriate, to GORC and to the board's Group Risk and Capital Management Committee. Group Internal Audit, being the third line of defence, provides assurance to GORC and the board.

OPERATIONAL RISK MEASUREMENT, PROCESSES AND REPORTING SYSTEMS

The primary operational risk measurement processes in the group include risk and control self-assessments, internal loss data collection processes and governance, the tracking of key risk indicators (KRIs), external loss data, scenario analysis and capital calculation, which are designed to function in an integrated and mutually reinforcing manner.

Risk and control self-assessment

Risk and control self-assessment (RCSA) is a forward-looking process through which business unit management identifies risks that could threaten the achievability of business objectives and offers a set of controls and actions to mitigate the risks.

Key risk indicators

KRIs are designed to be both forward and backward looking in the sense that they function not only as early warning indicators, but also as escalation triggers where set risk tolerance levels have been exceeded.

Internal loss data collection

The internal loss data collection process and tracking is backward-looking and enable the monitoring of trends and the analysing of the root causes of loss events. Operational risk losses are reported in the Nedbank Internal Loss Data Collection System.

Nedbank Internal loss data trends

Gross losses by event type 2008 – 2012

The graph above reflects the top four categories for Nedbank Group's gross internal losses by event type for each year from 2008 to 2012.

Nedbank Group's operational risk loss profile, from internal loss data, over the five-year period is dominated by execution delivery and process management (EDPM), external fraud (EF) and clients products and business practices (CPBP). EDPM losses have become more significant in 2012, with EF remaining constant. CPBP-related losses have contributed less since 2011.

The gross losses depicted are prior to any recoveries being taken into account. A low percentage of operational risk loss experience to gross operating income was maintained and significant material loss events were limited.

Boundary events

Boundary events are those losses and near misses that manifest themselves in other risk types, such as credit and market risk, but have relevance to operational risk because they emanate from operational breakdowns or failures. Boundary events are often identified by credit and market risk management, and are included in credit risk loss databases and operational risk capital calculations respectively.

Material credit risk events caused by operational failures in the credit processes are flagged separately in the internal loss data collection system. In line with the Banks Act and Basel II requirements the holding of capital related to these events remains in Credit Risk. These events are included as part of the ORMF to assist in the monitoring, reporting and management of the control weaknesses and causal factors within the credit process.

Material market risk events caused by operational failures in the market risk processes are also flagged separately in the internal loss data collection system. The capital holding thereof is included in operational risk capital.

External loss data

External data is used to incorporate infrequent, yet relevant and potentially severe, operational risk exposures in the measurement model. The group currently incorporates the effects of external data in the operational risk capital calculation model indirectly, in conjunction with the scenario analysis process.

Nedbank is a member of and actively participates in working groups of the Operational Riskdata eXchange Association (ORX). ORX accumulates data submitted by each of the 61 member banks on a quarterly basis. In addition, the group subscribes to the SAS OpRisk Global Database, which concerns data sourced from the media and other sources within the public domain.

Scenario analysis

Operational risk scenario analysis is a required element of AMA and is defined in the ORMF as one of the data sources for operational risk modelling and measurement. It serves as the main input for operational risk loss exposure estimation. Scenario analysis is conducted in a disciplined and structured way using expert judgement to estimate the operational risk exposure of the group. Scenario analysis focuses on solvency and aims to identify the major operational risks that can negatively affect the solvency of the group.

Nedbank shares and uses a set of anonymous operational risk scenarios shared through ORX in order to identify trends and benchmark itself against international peers.

Business environment and internal control factors (BEICFs)

The group takes into account business environment and internal control factors during the conduct of RCSAs. Consideration of BEICFs enables the group to take into account any changes in the external and internal business environment, look at inherent risks as a result of any changes in the business environment and design appropriate controls.

Capital modelling and capital allocation

Nedbank calculates its operational risk regulatory capital requirements using partial and hybrid AMA with effect from 31 December 2010. The majority of the group is on AMA and only an small portion of the group is on the TSA (11%), which includes operations in the Rest of Africa.

Under AMA, Nedbank has approval to use an internal model determine risk-based operational risk capital requirements for all business units on AMA to more accurately. Internal loss data and operational risk scenarios represent the main input into the model. The outputs of the other data elements, ie internal loss data, external loss data and BEICFs, are the main inputs into the scenarios.

The model generates a regulatory capital requirement, which is determined at a 99,9% confidence level. The final capital is then calculated by including updates for TSA entities and meeting SARB minimum requirements relating to a capital floor.

The model and outputs undergo a robust annual validation exercise. Any issues identified are reported, tracked and addressed in accordance with Nedbank's risk governance processes.

Operational risk capital is allocated on a risk-sensitive basis to clusters in the form of economic capital charges, providing an incentive to improve controls and to manage these risks within established operational risk appetite levels.

Operational risk appetite

Nedbank has a board-approved operational risk appetite statement that is aligned with the Group Risk Appetite Policy. The operational risk appetite combines both quantitative metrics and qualitative judgement to encapsulate financial and non-financial aspects of operational risk. The operational risk appetite statement makes explicit reference to key operational risks. The group continues to focus on refining the operational risk appetite and participates in industry forums such as ORX to continuously enhance the process and remain aligned with international leading practice.

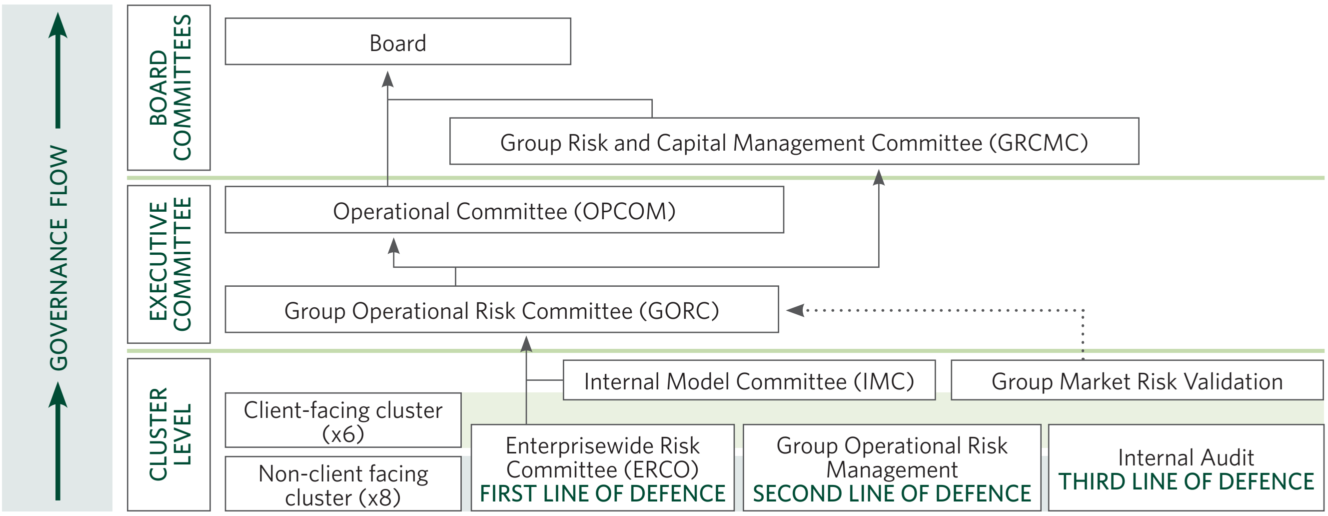
Reporting

A well-defined and embedded reporting process is in place. Operational risk profiles, loss trends and risk mitigation actions are reported to and monitored by the risk governance structures of the group.

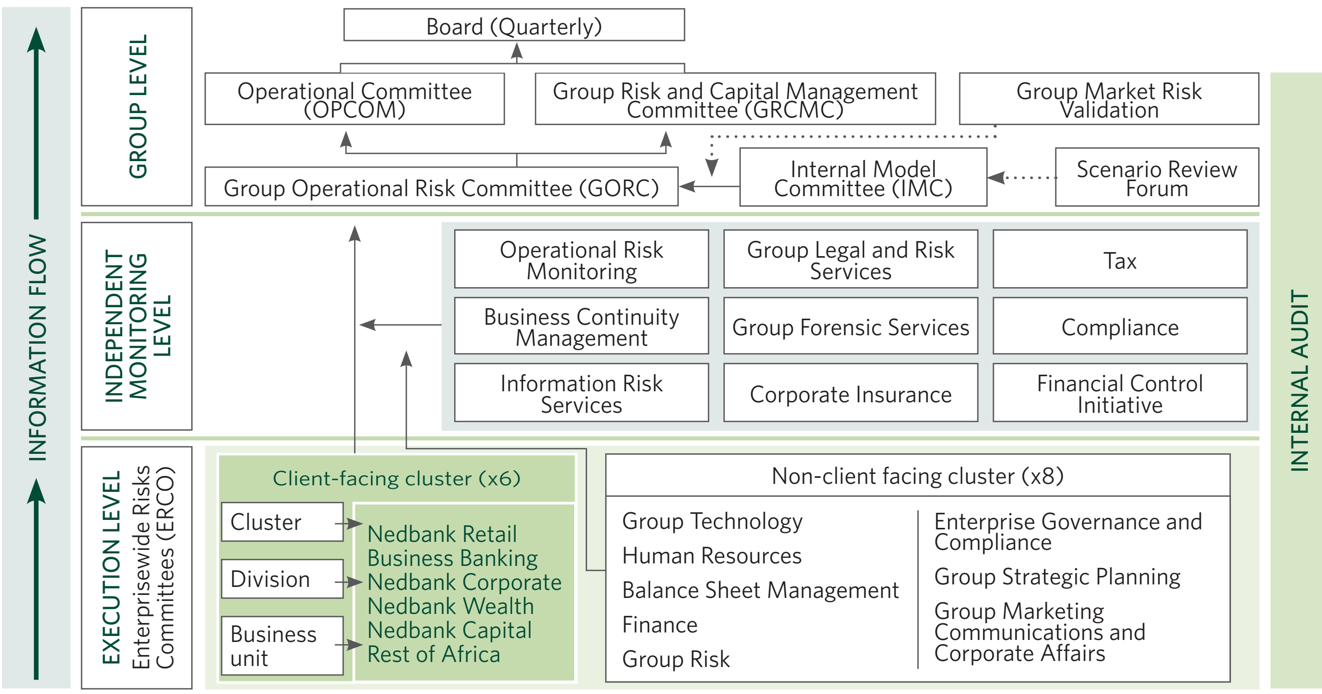
OPERATIONAL RISK GOVERNANCE STRUCTURE

The diagrams below depict the operational risk and, governance and reporting structures within Nedbank Group:

Nedbank Group's Governance Structure



Nedbank Group's Reporting and Committee Structure



MANAGING SUB-COMPONENTS OF OPERATIONAL RISK

Specific sub-components of operational risks recognised and managed by Nedbank Group include:

Financial crime

We consider financial crime a major operational risk that has the potential to lead to significant losses. As such, we undertake vigorous active risk management to mitigate this risk.

Fraud risk management

Given the financial losses and negative social impact of fraud, we proactively combat this type of crime and dishonesty in our group while also striving to protect our shareholders' and clients from falling victim to unscrupulous individuals and organised crime groupings. Fraud prevention measures include internal and external whistleblowing reporting lines, anti-corruption initiatives and cybercrime combating capabilities.

Internal fraud and dishonesty

At Nedbank Group we maintain a policy of zero tolerance towards any dishonesty among our staffmembers. During 2012 altogether 195 (2011: 161) Nedbank employees were dismissed for dishonesty following internal investigations.

Assessment of fraud and corruption risk

The risk of internal and external fraud is evaluated on several levels within the organisation:

- RCSAs are regularly conducted to ensure appropriate controls and monitoring.
- Fraud key risk and control indicators are monitored, tracked and reported on.
- Facilitated fraud risk assessments are undertaken as per the International Standards on Auditing 240 (ISA 240).
- New products, and all processes related to their use, are evaluated to ensure that all aspects of fraud risk, legal risk and regulatory risk (such as the anti-money-laundering requirements) are considered.
- Annual fraud and corruption risk assessments are conducted in terms of the UK Bribery Act 2010.

Personnel integrity management

Nedbank employees are expected to maintain the highest standards of honesty and integrity and to act with due care and diligence at all times. People risk is managed and minimised through specific controls that are incorporated into our recruitment and selection processes for all employees, including permanent staff, contractors, temporary employees and consultants. In addition to minimising the group's vulnerability to fraud, embezzlement, theft, corruption and mismanagement, these processes help to cultivate a culture of ethics and integrity in keeping with our group's values.

The Financial Advisory and Intermediary Services Act, 37 of 2002, determines the 'fit and proper' requirements that are applicable to all financial service providers, key individuals, representatives and compliance officers. We undertake screening of these individuals every 24 months to ensure the highest level of honesty and integrity. A process is being developed that will facilitate the automated renewal and maintenance of these clearances.

As required by the Banks Act, 94 of 1990, the process of appointing directors or executive directors includes screening to ensure compliance with the requirements of honesty and integrity.

The Determination of Fit and Proper Requirements for Financial Services Providers (FSPs) and Representatives, 2008, requires that FSPs, key individuals and representatives authorised, approved or appointed prior to 2009 to successfully complete the relevant level 1 regulatory examination by 31 December 2011. During July 2011 the FSB issued a general exemption announcing an extension to the deadline from 31 December 2011 to 30 June 2012. The FSB Regulator further announced that a person who has written the examination applicable to him/her at least once by 30 June 2012 but who was unsuccessful in his/her attempt would have an additional 3 months until 30 September 2012 (the rewrite deadline) to re-write and pass the examination.

On the 12 October 2012, the Registrar, after due consideration of, inter alia, the examination statistics, decided to extend the 30 September 2012 rewrite deadline to 31 March 2013.

The purpose of the regulatory examination is to address certain problems within the financial industry and to ensure that all financial service providers have a proper understanding of their specific regulatory roles. The exams are compulsory for everyone rendering financial services to clients.

- A key objective is to professionalise stakeholders in the industry and allow clients to have confidence that financial service providers know and understand the legislation that governs the financial industry.
- Knowledge and understanding regarding the role and responsibilities of a key individual and representative under the FAIS Act.
- Financial Service Providers were further under the misconception that ensuring compliance with the legislation is the responsibility of the compliance officer. This is not the case – the key individual is responsible to ensure compliance with the FAIS Act and representatives also have specific responsibilities in respect thereof. The compliance officer is responsible for the monitoring of compliance only.

Nedbank has secured a pass rate of 91%✓ out of a total of the 4 646 FAIS affected staff (representatives and key individuals appointed within the transitional period) that have written the FAIS first level regulatory exam at 31 December 2012. The remaining staffmembers have until 31 March 2013 to become FAIS compliant. This is a favourable result when compared with the October 2012 industry average pass rate of 84%.

Due diligence

Due-diligence investigations are performed on request from the various Nedbank business units or divisions. These investigations form part of comprehensive background assessments of prospective and existing clients, partners, vendors, agents, intermediaries and joint venture partners and are designed to help mitigate national and international business and reputational risks.

Ongoing assessments are also performed on the commercial, political, social and security environments in which such business is undertaken or is likely to be undertaken. Social, economic and governmental changes in a country can create an environment that reduces security and increases the risk to the group's assets, staff, premises and information and, consequently, its ability to continue to do business. In 2012 altogether 836 (2011: 1 020) due-diligence investigations were performed in 26 countries.

Whistleblowing

At Nedbank Group we strive to create a safe and enabling environment where concerns, suspicions, irregularities and unethical conduct can be reported safely and without fear of retribution or victimisation. To this end various reporting channels are available to employees, vendors, service providers and clients. Security and fraud-related incidents can be reported, at any time, through an internal reporting line, which is supported by an external, independently managed, whistleblowing hotline available to staff and clients. The facility is also available to Nedbank Africa subsidiaries in Namibia, Swaziland, Lesotho, Malawi and Zimbabwe. An ethics panel has been established for the appropriate handling of ethics-related reports of a sensitive or serious nature.

Staffmembers are regularly reminded about the existence of these whistleblowing facilities and the type of activities or suspicions to look out for and report. In 2012 a total of 1 204 tip-offs were received (2011: 1 606) and a total of 597 anonymous whistleblowing reports were referred for investigation to Group Forensic Services. Of these investigations, 41 led to disciplinary action against staffmembers.

Staffmembers are also able to report suspicions of fraud, corruption and dishonesty via the Nedbank Group Risk Reporting Line, which is managed by Group Forensic Services.

Online fraud

The successful rollout of Nedbank's new client security mechanism known as 'Approve-it' has had a positive impact of significantly reducing the incidence of online fraud among our clients. However, we are aware of the fact that fraudsters are constantly developing new ways of committing their crimes and our clients remain vulnerable to malware attacks (not yet significantly adopted by the SA criminal fraternity) as well as so-called 'SIM swap' attacks. We therefore continue to work tirelessly to develop additional forms of protection for our clients and our systems, and liaise with law enforcement agencies and other industry stakeholders to review security measures and stand together against online fraud attacks.

Corruption

As a responsible lender and corporate citizen, Nedbank Group is opposed to corruption in all its forms. In the fourth quarter of 2012 we called on our staff, managers and Exco to sign an anti-corruption pledge committing themselves to taking a stand against corruption and upholding ethical and transparent business practices. To date more than 80% of all Nedbank Group employees have signed the pledge, and this will now be extended to staffmembers in our African subsidiaries.

Phase 2 of the UK Bribery Act programme was partially completed in 2012 with the introduction of a due diligence policy, which will be finalised early in 2013. Phase 2 of the programme included a review of the corruption risk assessments conducted in 2011 and enhancement of the due diligence conducted on new vendors, and the finalisation of the audit begun in 2011. The programme received an overall audit opinion of 'satisfactory'. As part of our ongoing training and awareness programme, we participated in international fraud awareness week, as well as international anti-corruption day. Based on the number of staffmembers that accessed our electronic communications, the campaign reached more than 91% of Nedbank employees.

Cybercrime risk

We are acutely aware of the increasing impact of cybercrime on the entire banking industry and its clients. As a result, we have established extensive internal digital forensic and eDiscovery capabilities to deal with this risk effectively.

We continue to work with other financial institutions, through the South African Bank Risk Information Centre (SABRIC), to establish a financial sector Cybersecurity incident response team (CSIRT). This will be aligned with the envisaged National CSIRT as outlined in the draft Cybersecurity Policy of SA issued by the Department of Communication.

Legal risk

Legal risk management involves activities aimed at managing a particular set of legal risks and/or risks that can be addressed by legal means. The Basel II accord definition for legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

Nedbank Group has a decentralised legal risk management model. Our experts in various legal fields ensure conformity with the business and legal principles that apply in the jurisdictions where we do business. The key types of legal risks that are taken into account are:

- Documentation – the risk of the group's contractual arrangements not being enforceable as envisaged, or being enforced against the group in an adverse manner.
- Litigation – the risk that the group's litigation is not managed effectively.
- Regulatory – the risk that the group does not comply with applicable laws and regulations.
- Dispute resolution – the risk of not achieving optimal results when claims are made by, or against, any part of the group.
- Appointment of external lawyers – the risk that inadequate control is exercised over the appointment, nature of the instruction, service standards and cost of law firms.
- Internal legal advisers – the risk that inadequate control is exercised over the appointment, capacity and capability of legal advisers within the group.
- Legal advice and engagement – the risk that the group incurs potential financial or reputational damage as a result of not making optimal use of the internal legal advisers across the group.
- Competition law – the risk that competition law is not followed and the risk that relationships with competition authorities are not appropriately managed in the territories where the group conducts its business.
- Intellectual property – the risk that the group's intellectual property will not be legally protected in all applicable jurisdictions.

Compliance and regulatory risk

Compliance and regulatory risk has become increasingly significant given the heightened regulatory environment in which financial services organisations operate. We remain committed to the highest regulatory and compliance standards, especially given the increasing scale and complexity of laws and regulations.

The fact that Nedbank Group operates globally means it is subject to a variety of complex local and international laws, regulations and supervisory requirements. We therefore have extensive board-approved policies, procedures and governance structures in place to direct compliance risk management and associated activities. The board also exercises its oversight of compliance risk via the Directors' Affairs Committee. In addition, the group has an independent Enterprise Governance and Compliance function that forms part of the second line of defence within its risk management model.

The key activities undertaken by Enterprise Governance and Compliance in support of the directors, executive officers, management and employees in discharging their compliance responsibilities include:

- Providing continuous strategic compliance risk management leadership.
- Undertaking independent compliance risk monitoring.
- Setting the group's governance and compliance framework.
- Working closely with the various cluster governance and compliance functions to embed compliance risk management practices within their respective businesses.

Some of the key regulatory developments in 2011 and 2012 included:

- Stricter reporting requirements for crossborder transactions and governance of the Financial Surveillance Reporting System.

- The Companies Act in May 2011, representing a total 'overhaul' of the previous governing legislation. We responded to the new requirements via a coordinated groupwide implementation programme.
- The Consumer Protection Act was promulgated and became effective from April 2011, making provision for a fair, accessible and sustainable marketplace for consumer products and services. Nedbank Group embraced this legislation and embarked on a compliance programme to manage the implementation of the act.
- The release of the 'B Version' of the Protection of Personal Information Bill in December 2012. Our Information Protection Programme is aligned with the provision of this latest version of the Bill. Some highlights from 2012 include:
  - Approval of the Nedbank Privacy Policy.
  - Privacy awareness training material developed to support the Nedbank Privacy Policy.
  - Assessment and enhancement of IT security controls over personal information.
  - Increased focus on storage and retention of personal information.
  - Ongoing cluster gap analysis to identify potential risk in the processing of personal information.

Our focus in 2013 will be more client-centred, with increased emphasis on the process of collecting, using, storing and destroying (where required) client personal information.

The Foreign Account Tax Compliance Act (FATCA) was passed as law in the United States of America (US) in March 2010. The FATCA provisions were included as part of the Hiring Incentives to Restore Employment Act (HIRE Act). This imposes additional reporting and disclosure requirements for US Persons' with any interest in a specified foreign financial asset held by a Foreign Financial Institution (FFIs). If an FFI does not enter into an agreement with the US Internal Revenue Service (IRS), all relevant US-sourced payments, such as dividends and interest paid by US institutions, are subject to a 30% withholding tax.

FATCA requirements commence officially in December 2013. Draft regulations covering FATCA were released by the US IRS and have formed the basis of the FATCA programme, that has been established within Nedbank Group.

Treating Customers Fairly (TCF)

The National Treasury's (NT) policy document entitled 'A safer financial sector to serve South Africa better' includes proposals to strengthen financial sector regulation in response to lessons learnt from the recent global financial crisis and domestic financial sector challenges.

The key policy priorities identified include:

- Financial sector regulation:
- Consumer protection and
- Market conduct.
- Financial stability and soundness (prudential regulation).
- Expanding access through financial inclusion.
- Combating financial crime.

Given the aforementioned policy priorities of strengthening both prudential and market conduct regulation, South Africa is moving towards a 'twin peaks' model of financial regulation with the,

- SARB tasked with prudential regulation of the sector and
- FSB tasked with market conduct regulation (mandate extended to include market conduct regulation of retail banking).

The NT policy document highlights the TCF initiative as 'an important step in strengthening market conduct objectives in the financial sector'. The FSB has therefore been given an unequivocal mandate by the NT to introduce TCF as a key mechanism to drive the policy priority of ensuring consumer protection through strengthened market conduct regulation.

Governance structures

- The Brand Committee has been mandated to exercise TCF management oversight, while the Transformation, Social and Ethics Committee will exercise board oversight of TCF, including its implementation.

2012 progress

- The Nedbank client -facing clusters have been working on the completion of the FSB self-assessment tool to determine the state of readiness in terms of the TCF outcomes.

Occupational Health and Safety Risk Management

Nedbank Group Occupational Health and Safety (OHS) Risk Management aims to ensure Nedbank compliance with the Occupational Health and Safety Act and its regulations, and the Compensation for Occupational Injuries and Diseases Act, as well as a safe and healthy workplace for all employees, contractors and visitors. This entails constant monitoring of Nedbank Group OHS policies and procedures to align them with changes in regulations. It further entails the support of the Nedbank Group Executive Management to ensure all management and staff are fully aware of their responsibilities and trained in OHS matters.

Nedbank Group's compliance rating is 97,39%.

National Credit Act

The National Credit Act (NCA) came into effect in March 2006. The act promotes a fair and non-discriminatory marketplace for access to credit and responsible credit-granting practices, and prohibits unfair practices by credit providers.

Nedbank has always considered itself to be a responsible lender and welcomes the NCA, which supports our credit policy and strategy to become the most admired bank in Africa by, among others, our clients and the communities we work in. Nedbank continues to maintain a good relationship with the National Credit Regulator through regular interaction and cooperation in respect of the various compliance requests and reviews.

Information security risk

Information security risk arises from an inability to ensure the confidentiality, integrity and availability of business and client information for which the group is accountable. All Nedbank Group information security responsibilities have been consolidated and fall within the responsibility of the Chief Information Security Officer (CISO). Nedbank Ltd is a member of the Information Security Forum (ISF) and subscribes to the ISF's Standards of Good Practice as part of the Information Security Management Framework.

The CISO office manages information security through the Information Security Steering Committee (ISSC) that consists of senior representatives from the various clusters. Important risk matters are presented and discussed at the ISSC, which informs the focus of ongoing action to address issues such as information and data classification, decentralised SQL databases, open-file shares, hard-drive encryption, information security awareness, risk management, metrics and reporting.

Physical security risk

Nedbank strives to make its physical environments safe and secure for clients and staff. We continue to participate in SABRIC initiatives and collaborate with the South African Police Service (SAPS) and the National Prosecuting Authority (NPA) in combating crime.
Physical security across the group improved in 2012, with a decline in security incidents from 29 in 2011 to 24 in the year

under review. At branch level there were no robberies in 2012, compared with five in 2011, and there were also fewer burglaries (14 in 2012 compared to 17 in 2011). There was one burglary on a campus site in 2012 (2011: 0). ATM attacks showed an increase to nine in 2012 from the seven in 2011.

Key physical security focus areas for 2013 are to:

- implement a risk assessment programme;
- increase security awareness levels; and
- continue implementing appropriate measures for creating a safe and secure transacting environment for employees and clients.

Money-laundering, terrorist0financing and sanctions risk management

Nedbank Group will not be associated with money laundering or terrorist financing. The group endeavours to identify any business relationships or applications for business relationships or transactions with individuals, entities and countries targeted in financial sanctions legislation. Clearly defined policies, processes, practices, procedures and plans ensure compliance with all statutory duties and regulatory obligations or, in the absence of these, agreed standards.

The Business Risk Management Forum (BRMF), a Group Executive subcommittee chaired by the Chief Risk Officer, is mandated to provide among others strategic direction for, and monitor the effective implementation of:

- Anti-Money-Laundering (AML);
- Combating the Financing of Terrorist and related activities (CFT); and
- sanctions compliance initiatives throughout the group.

The AML, CFT and Sanctions Programmes Executive Steering Committee, a subcommittee of the BRMF, ensures the internalisation and operational implementation of AML, CFT and sanctions compliance. Money laundering, terrorist financing and sanctions risk management issues are also reported and monitored through the quarterly Enterprisewide Risk Committees in business.

Nedbank Group Risk maintains a close and transparent working relationship with the Financial Intelligence Centre (FIC) and the Bank Supervision Department of the South African Reserve Bank (SARB). It attends quarterly meetings with the regulator and supervisor to ensure compliance with their requirements and to obtain clarification where necessary.

Training for AML, CFT and sanctions remains a high priority. Awareness training for AML and CFT is conducted on an ongoing basis and Nedbank Group Awareness Training for Sanctions Compliance was launched during the year under review.

An automated Client Risk Profiling System went live in July 2012 to profile clients within specific risk bands, increase the focus on higher-risk clients (enhanced due diligence and ongoing monitoring) and undertake ongoing client detail maintenance.

Various cash threshold and suspicious transaction reports have been submitted to the FIC.

Our AML, CFT and Sanctions Programmes continue to enjoy the full support of group, cluster, and business line executives. All key decisionmakers are active members of the AML, CFT and Sanctions Programmes Executive Steering Committee or its related governance forums and structures.

The intention going forward is to continue building on the positive interactions with the regulator and supervisory structures, thereby cementing sustainable and trusting relationships that unlock benefits for all parties involved.

Nedbank Group will continue to focus on the implementation of innovative initiatives that limit money laundering and terrorist financing and promote sanctions compliance.

Business Continuity Management

Business continuity management (BCM) is aimed at ensuring resilient group business activities in emergencies and disasters. The BCM function provides overall guidance and direction, monitors compliance with regulatory and best-practice requirements and facilitates regular review of BCM practices.

Identified critical business units conduct annual business recovery tests from three regional business resumption areas. There were 111 business units that conducted business recovery tests from the regional resumption areas during the year. Business continuity plans (BCP) were updated and retests were performed where minor problems were experienced during testing. At 30 November 2012 there were 1 197 BCPs in Nedbank, of which 953 (79%) were completed and 828 (69%) were tested within the past 240-day cycle.

During 2012 BCM focused on BCP awareness and training in African subsidiaries.

All recovery testing relating to the Payments Association of SA (PASA) is done with the quarterly disaster recovery tests at the group's disaster recovery site. Altogether 21 disaster recovery tests were conducted during 2012, including Africa. Business recovery tests and disaster recovery tests in 2012 were successful. Nedbank obtained certification from PASA in May 2012 and remain the only bank in SA that has achieved this.

Insurance obtained to mitigate the bank's exposure to operational risk

Continuous modification to the group insurance programmes, taking into account insurance market appetite/product offering and Nedbank's changing needs, ensures the group has a well-structured insurance programme for its financial and non-financial operational risk exposures. The group insurance operation reports to the Group Chief Risk Officer and is responsible for the design and management of the principal insurance programmes addressing the group's insurable, operational risk exposures. This function is responsible for ensuring that the cover purchased for the group is up to date with the best coverage available within the insurance markets and relevant to the group's operating environment.

Cover is reviewed annually and, wherever possible, extended to align with Nedbank Group's strategy and aspirations.

The division also ensures that cover is purchased where required to meet any statutory or regulatory requirements. The primary insurance policies that cover exposures to operational risk include:

- financial lines insurance (comprehensive crime, professional indemnity and fraud);
- assets all risks insurance (eg damage to physical assets); and
- general insurance (eg motor insurance, public liability, travel, terrorism and sabotage).

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

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

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

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

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 Mnxasana (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 Commitee
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: 1 296 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

NOTICE OF ANNUAL GENERAL MEETING

Nedbank Ltd
(Incorporated in the Republic of South Africa)
Reg No 1951/000009/06
JSE share code: NBKP ISIN: ZAE000043667
('Nedbank' or 'the company')

This notice is sent to holders of Nedbank non-redeemable non-cumulative non-participating preference shares ('perpetual preference shares') and the holders of the Class A and Class B redeemable cumulative preference shares (collectively hereafter referred to as 'the preference shares') for information only.

In terms of article 44.8 of the memorandum of incorporation of Nedbank the holders of the perpetual preference shares will not be entitled to be present or to vote, either in person or by proxy, at any meeting of the company by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail at the date of the meeting:

- the preference dividend or any part thereof remains in arrears and unpaid after 6 (six) months from the due date thereof; and
- a resolution of the company is proposed (in which event the preference shareholders will be entitled to vote only on such resolution) that directly affects the rights attached to the preference shares or the interests of the holders thereof, including a resolution for the winding up of the company or for the reduction of its capital.

In terms of articles 45.9 and 46.9 the holders of the Class A and Class B redeemable cumulative preference shares ('redeemable preference shares') respectively, are entitled to receive notice and attend the annual general meeting, but will not be entitled to speak or vote thereat, unless the circumstances as recorded in these articles prevail at the date of the meeting.

Notice is hereby given to the shareholders recorded in the securities register of Nedbank on Friday, 22 March 2013, that the annual general meeting of the shareholders of Nedbank will be held in the Executive Boardroom, Ground Floor, Block A, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Thursday, 2 May 2013, at 15:30, 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 Limited ('JSE Listings Requirements'), which meeting is to be participated in and voted at by shareholders recorded in the securities register of the company 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/holders of voting rights of the company are present at the annual general meeting. The percentage of voting rights required to pass the ordinary resolutions is at least 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.

AGENDA

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The annual financial statements of the company, incorporating inter alia the directors' report and the auditors' report for the financial year ended 31 December 2012, have been distributed as required and will be presented to the shareholders. The complete set of the consolidated audited annual financial statements, together with the reports, are contained in the annual report.

2 ORDINARY DIVIDENDS

To note the dividends of R1 000 000 000 declared and paid on 13 March 2012, R900 000 000 declared and paid on 30 March 2012, R2 000 000 000 declared and paid on 11 May 2012 and R1 200 000 000 declared and paid on 3 September 2012 to the sole shareholder holding the issued ordinary shares for the period 1 January 2012 to 31 December 2012.

3 DIVIDENDS ON PERPETUAL PREFERENCE SHARES

To note preference dividend number 19 of 37,29507 cents per share declared for the period from 1 January 2012 to 30 June 2012, paid on Monday, 27 August 2012, to shareholders of the non-redeemable non-cumulative non-participating preference shares recorded in the books of the company at the close of business on Friday, 24 August 2012, and preference dividend number 20 of 35,82649 cents per preference share declared for the period from 1 July 2012 to 31 December 2012 and payable on Monday, 25 March 2013.

4 DIVIDENDS ON CLASS A AND CLASS B REDEEMABLE CUMULATIVE PREFERENCE SHARES

To note and confirm the preference dividend of R70 458,72 declared and paid on 24 February 2012 and R71 145,68 declared and paid on 27 July 2012 on the class A redeemable cumulative preference shares and the preference dividend of R130 502,92 declared and paid on 24 February 2012 and R113 117,81 declared and paid on 27 July 2012 on the class B redeemable cumulative preference shares, respectively in accordance with the terms of the preference share subscription and participation agreement entered into between Nedbank, IBL Asset Finance and Services Ltd, Imperial Holdings Ltd and Associated Motor Holdings (Proprietary) Ltd to the shareholders respectively holding the class A and class B redeemable cumulative preference shares.

RESOLUTIONS

5 ORDINARY RESOLUTION 1

REELECTION OF DIRECTORS OF THE COMPANY

' To resolve to reelect those directors that will retire by rotation in terms of the memorandum of incorporation of the company and, being eligible, make themselves available for reelection as directors of the company, each by way of a separate vote.' Biographical details of the directors to be reelected are set out on pages 240 to 243 of the annual report.

5.1 'To resolve that Mrs RK Morathi be and is hereby reelected as a director of the company.'

5.2 'To resolve that Mr GW Dempster be and is hereby reelected as a director of the company.'

5.3 'To resolve that Mr JVF Roberts be and is hereby reelected as a director of the company.'

5.4 'To resolve that Mr MI Wyman be and is hereby reelected as a director of the company.'

6 ORDINARY RESOLUTION 2

Election of director of the company

During the year the board of directors appointed Mr ID Gladman as a director of the company. Mr Gladman retires in terms of the memorandum of incorporation of the company and, being eligible, makes himself available for election. His biographical details are set out on page 242 of the annual report.

6.1 'To resolve that Mr ID Gladman be and he is hereby elected as a director of the company.'

7 ORDINARY RESOLUTION 3

Reappointment of external auditors

'To resolve that, on recommendation of the Nedbank Group Audit Committee, the auditors, Deloitte & Touche (with the designated auditor to be Mr S Jordan) and KPMG Inc (with the designated auditor currently being Ms H Berrange) be and are hereby reappointed as joint auditors, pursuant to the authority obtained from the Group Audit Committee, to hold office from the conclusion of this annual general meeting till the next annual general meeting of Nedbank.'

8 ORDINARY RESOLUTION 4

External auditors' remuneration

'To resolve that the Nedbank Group Audit Committee be and is hereby authorised to determine the remuneration and the terms of engagement of the auditors of the company.'

9 ORDINARY RESOLUTION 5

Control of authorised, but unissued, shares

'To resolve that the authorised, but unissued, shares in the authorised share capital of Nedbank be and are hereby placed under the control of the directors to issue these shares, in such numbers and on such terms and conditions and at such times and at such prices as they deem fit, 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.'

10 ADVISORY ENDORSEMENT OF REMUNERATION POLICY

'To endorse through a non-binding advisory vote that in terms of 'The Revised King Code and Report on Governance for South Africa' ('King III'), as published in September 2009, shareholders, as required, hereby approve the remuneration policy of the company and its implementation as adopted by the Nedbank Group's Remuneration Report, a copy of which appears on pages 20 to 22 of the Nedbank Ltd Annual Report.'

11 SPECIAL RESOLUTION 01/2013

Remuneration of non-executive directors

'To resolve that the non-executive directors' fees for their services as directors, in accordance with the company's remuneration policy, as set out in the Remuneration Report contained in the annual financial statements, be and are hereby approved'.

12 SPECIAL RESOLUTION 02/2013

General authority to provide financial assistance to related and interrelated companies

'To resolve 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' as contemplated in the Companies Act (the 'Group') 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 '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 these terms and conditions will limit the provision by the company of the 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.'

This resolution, if adopted, will have the effect of authorising the provision of the described financial assistance by the company to companies 'related' to and 'interrelated' with the company and persons 'related' to such companies (subject to the conditions set out in the resolution) if the board of directors decides it is desirable to do so. The effects of providing such financial assistance will depend on the nature of the financial assistance and the purpose for which it is used.

Voting by proxy

The holders of voting rights/shareholders entitled to attend speak and vote at the meeting may appoint a proxy or proxies to attend, speak and vote in its/their stead. A proxy need not be a shareholder/holder of voting rights of the company. Completed proxy forms should preferably be received at the office of the company secretary 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

Transfer secretaries in South Africa:
Perpetual preference shares only
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

FORM OF PROXY

Nedbank Ltd
(Incorporated in the Republic of South Africa)
(Reg No 1951/000009/06)
JSE share code: NBKP ISIN: ZAE000043667
('the company')
to be used by the holders of voting rights on ordinary shares

I/We

of (address)

being the holder(s) of ______ ordinary shares in the company, appoint (see note 1):

1. or failing him/her

2. or failing him/her

3 the chairman of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the annual general meeting that will be held in the Executive Boardroom, Ground Floor, Block A, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Thursday, 2 May 2013, at 15:30, for the purpose of considering and, if deemed fit, passing with or without modification as ordinary and/or special resolutions of the company the 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), or the voting rights held by me, in accordance with the following instructions:

	Number of votes (on a show of hands, one vote) (on a poll, each shareholder/holder of voting rights will be entitled to that proportion of the total votes in the company that the aggregate amount of the nominal value of the shares held bears to the aggregate amount of nominal value of all shares issued and voting)		
	For	Against	Abstain
Resolutions *Ordinary resolutions*	Number of shares	Number of shares	Number of shares
Ordinary Resolution 1: To reelect the following directors of the company:			
Mrs RK Morathi			
Mr GW Dempster			
Mr JVF Roberts			
Mr MI Wyman			
Ordinary Resolution 2: To elect director: Mr ID Gladman			
Ordinary Resolution 3: To appoint external auditors Deloitte & Touche and KPMG Inc as joint auditors			
Ordinary Resolution 4: To pay external auditors remuneration			
Ordinary Resolution 5: To authorise the control of authorised unissued shares			
Advisory Endorsement: To approve the remuneration policy			
Special resolutions			
Special Resolution 01/2013: Remuneration of non-executive directors			
Special Resolution 02/2013: General authority on financial assistance in terms of sections 44 and 45 of the Companies Act			

Signed at (place) on (date) 2013

Signature

Assisted by me

(where applicable)

Please see the notes on the reverse side hereof.

NOTES TO FORM OF PROXY

A shareholder/holder of voting rights entitled to attend and vote at the annual general meeting is entitled to appoint one or more individuals as proxy/proxies (who need not be person(s) entitled to vote at the annual general meeting of the company) to attend, participate in, speak and vote or abstain from voting in place of that holder at the annual general meeting. On a show of hands the holders holding ordinary shares in the company will have only one vote. On a poll a holder of voting rights who is present in person or represented by proxy/proxies will be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of shares held by him bears to the aggregate amount of the nominal value of all the shares issued by the company and carrying the right to vote.

A proxy 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 Executive Boardroom, Ground Floor, Block A, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Thursday, 2 May 2013, at 15:30, or any adjournment thereof, unless it is revoked earlier.

Please note

1 The date has to be filled in on this form of proxy when it is signed.
2 This proxy has to be received by:
The Company Secretary, Mr TSB Jali, c/o Group Secretariat, Ground Floor, Block A, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, 2196 or PO Box 1144, Johannesburg, 2000, no later than 24 hours before the commencement of the meeting (excluding Saturdays, Sundays and public holidays).

The shareholders holding non-redeemable non-cumulative non-participating preference shares and Class A and Class B redeemable cumulative preference shares will not be entitled to vote at the meeting. They may nominate and appoint authorised agents and representatives to attend on their behalf, but such attendees will have neither the right to speak nor the right to vote at the meeting.

DEFINITIONS

ADVANCED INTERNAL RATINGS-BASED APPROACH

Advanced Internal Ratings-Based (AIRB) Approach, which is subject to supervisory approval where a bank may use its internal developed credit risk measurement systems to calculate the capital requirements for credit risk.

ADVANCED MEASUREMENT APPROACH

The Advanced Measurement Approach (AMA) allows a bank to calculate its regulatory capital charge (using internal models) based on internal risk variables and profiles. This is the only risk-sensitive approach for operational risk allowed in Basel II.

ASSETS UNDER MANAGEMENT

Assets managed by Nedbank Group, which are beneficially owned by clients and are therefore not reported on the consolidated balance sheet. Advances that have either been fully or partially utilised by a borrower.

AUTOMATED TELLER MACHINE

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

BANKS

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

BASEL CAPITAL ACCORD

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

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

Corporate exposures

CORPORATE

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

Specialised lending high-volatility commercial real estate

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

Specialised lending income-producing real estate

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

Specialised lending object finance

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

Specialised lending commodities finance

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

Specialised lending project finance

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

Small and medium enterprises corporate

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

Purchased receivables corporate

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

DEFINITIONS (CONTINUED)

PUBLIC SECTOR ENTITIES

This asset class covers all exposures to enterprises that are wholly or majority owned by the central government, eg Eskom and Transnet.

LOCAL GOVERNMENTS AND MUNICIPALITIES

This asset class covers all exposures to metropolitan councils, district councils and municipalities.

Sovereign (including central government and central bank)

This asset class covers all exposures to counterparties treated as central government.

SECURITIES FIRMS

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

RETAIL EXPOSURES

Retail mortgages (including home equity line of credit)

This asset class covers all mortgage advances or credit lines to individuals, which are fully secured by a mortgage over residential property.

Retail revolving credit

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

RETAIL OTHER

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

Small and medium enterprises retail

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

Purchased receivables – retail

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

BLACK ECONOMIC EMPOWERMENT TRANSACTION

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

Borrowing group

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

Capital adequacy ratio

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

Group capital adequacy ratio

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

Primary (tier 1) capital

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

Core tier 1 capital

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

Secondary (tier 2) capital

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

DEFINITIONS (CONTINUED)

Tertiary (tier 3) capital
Tertiary capital consists of capital obtained by way of unsecured subordinated loans, subject to such conditions as may be prescribed.

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

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

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

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

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

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

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

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

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

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

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

DIVIDEND/DISTRIBUTION DECLARED PER SHARE
Dividend/Distribution declared per share is the actual interim dividend paid/capitalisation award issued and the final dividend declared/capitalisation award declared for the period under consideration, expressed in cents.

DIVIDEND/DISTRIBUTION PAID/ CAPITALISED PER SHARE
Dividend/Distribution paid/capitalised per share is the actual final dividend paid/capitalisation award issued for the prior year and the interim dividend paid/capitalisation award issued for the year under consideration, expressed in cents.

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

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

DTI CODES
The Codes of Good Practice as promulgated on 9 February 2007 under section 9(1) of the Broad-Based Black Economic Empowerment Act, 2003 (53 of 2003), establishes the rules, targets and stipulations for the measurement of broad-based black economic empowerment (BBBEE) within South Africa based on three scorecard classifications for organisations: emerging microenterprise (EME), qualifying small enterprise (QSE), or generic enterprise. Nedbank is scored as a generic enterprise under the published codes.

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

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

DEFINITIONS (CONTINUED)

Fully diluted basis

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

EARNINGS YIELD

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

ECONOMIC CAPITAL

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

ECONOMIC PROFIT OR LOSS

Headline earnings after adjusting for cost of capital.

EFFECTIVE TAXATION RATE

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

EFFICIENCY RATIO (COST-TO-INCOME RATIO)

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

Exposure at default

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

Expected loss

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

FOREIGN EXCHANGE TRANSLATION GAINS/ LOSSES

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

HEADLINE EARNINGS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IMPAIRMENTS CHARGE TO AVERAGE ADVANCES

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

IMPAIRMENT OF LOANS AND ADVANCES

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

INDIRECT TAXATION

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

'JAWS' RATIO

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

JOHANNESBURG INTERBANK AGREEMENT RATE

The Johannesburg Interbank Agreement Rate (JIBAR) is the rate that SA banks charge each other for wholesale money.

KING II (THE CODE)

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

DEFINITIONS (CONTINUED)

KING III

The revised King Code and Report on Corporate Governance for South Africa 2009, which sets out revised principles of good corporate governance for SA companies.

LONDON INTERBANK OFFERED RATE

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

MARKET CAPITALISATION

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

NET ASSET VALUE PER SHARE

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

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

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

NON-INTEREST REVENUE TO TOTAL EXPENSES

Non-interest revenue as a percentage of total expenses from normal operations.

NON-INTEREST REVENUE TO TOTAL INCOME

Non-interest revenue as a percentage of total income from normal operations.

NON-TRADING AND CAPITAL ITEMS

These comprise the following:

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

OFF-BALANCE-SHEET ASSETS

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

PRICE/EARNINGS RATIO

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

PROPERTIES IN POSSESSION

Properties in possession (PIPS) acquired through payment defaults on loans secured by properties.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY

Return on ordinary shareholders' equity (ROE) is headline earnings expressed as a percentage of average equity attributable to equity holders of the parent.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY EXCLUDING GOODWILL

Return on ordinary shareholders' equity (ROE) excluding goodwill is headline earnings expressed as a percentage of average equity attributable to equity holders of the parent less goodwill.

RETURN ON TOTAL ASSETS

Return on total assets (ROA) is headline earnings expressed as a percentage of average total assets.

RISK-WEIGHTED ASSETS

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

SOUTH AFRICAN RESERVE BANK REGULATIONS RELATED TO BANKS AND THE BA RETURNS*

The regulations relating to banks were amended with effect from 01/01/2008, based on the revised Basel Capital Accord (Basel II). The new Basel Capital Accord of the Bank of International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities.

DEFINITIONS (CONTINUED)

It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

* *The new Banks Act regulatory returns.*

SEGMENTAL REPORTING

Operational segment

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

Geographical segment

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

SECURITISATION EXPOSURES

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

SHARE-BASED PAYMENTS

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

SHARES HELD BY GROUP ENTITIES (TREASURY SHARES)

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

Self-service terminal

A self-service terminal (SST) is similar to an ATM, but is designed for non-cash transactions.

THE STANDARDISED APPROACH

The standardised approach (TSA) is an approach to calculate regulatory credit risk requirements that sets out specific risk weights specified by the regulator in lieu of the AIRB Approach.

TANGIBLE NET ASSET VALUE PER SHARE

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

TOTAL COLLATERAL

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

TOTAL CREDIT EXTENDED

The total of all advances extended by a bank, including unutilised facilities and other off-balance-sheet exposures.

TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Ordinary share capital, share premium and reserves.

WEIGHTED AVERAGE NUMBER OF SHARES

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

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

ABBREVIATIONS, ACRONYMS AND INITIALISMS

While acronyms and abbreviations are tools for communicating effectively and concisely, this is only true for those who have a prior understanding of them. It is therefore better to refrain from using them or to give the explanation/definition before using them.

By nature this list is not exhaustive.

ABCP	asset-backed commercial paper
ABVA	Association of BEE Verification Agencies
ACT	Arts & Culture Trust
AFR	available financial resources
AFS	available for sale
AFS	annual financial statements
AGM	annual general meeting
AIRB	Advanced Internal Ratings-based
ALCO	Asset and Liability Committee
AMA	Advanced Measurement Approach
ANFSA	Academic and Non-fiction Authors Association of South Africa
ANSI	American National Standards Institute
APB	Accounting Practices Board
APE	annualised premium equivalent
ARfG	adjusted recognition for gender
ATM	automated teller machine
AUM	assets under management
BAML	Bank of America–Merill Lynch
BANKSETA	Banking Sector Education and Training Authority
BASA	The Banking Association South Africa
BaU	business as usual
BBBEE	broad-based black economic empowerment
BBP	black business partner
BCBS	Basel Committee on Banking Supervision
BCM	business continuity management
BCP	business continuity plan
BEE	black economic empowerment
BEEL	best estimate of expected loss
BEICF	business environment and internal control factor
BEP	business education programme
BIS	Bank for International Settlements
BLSA	Business Leadership South Africa
bps	basis points
BRMF	Business Risk Management Forum
BSD	Banking Supervision Department
BUSA	Business Unity South Africa
BWASA	Businesswomen's Association of South Africa
BWO	black-women-owned
CAGR	compound annual growth rate
CAR	capital adequacy ratio
CARS	cash automation reconciliation system
CBSS	Compulsory Bonus Share Scheme
CC	1 clearing counterparty 2 close corporation
CCB	countercyclical capital buffer
CCBA	Climate, Community and Biodiversity Alliance
CCMA	Commission for Conciliation, Mediation and Arbitration
CCP	centralised clearing counterparty
CCR	counterparty credit risk
CE	chief executive
CEE	Commission for Employment Equity
CEM	Current Exposure Method
CEO	chief executive officer
CER	common equity ratio
CET1	common equity Tier 1
CFT	combating the financing of terrorism
CGT	capital gains tax
CGU	cash-generating unit
CHOC	Childhood Cancer Foundation South Africa
CIR	corporate and investment banking
CISO	Chief Information Security Officer
CLF	committed liquidity facility
CLR	credit loss ratio
CMAT™	Customer Management Assessment Tool™
CNHR	cost of non-hedgeable risk
COE	cost of equity
CPBP	clients, products and business practices
CPR	1 Consumer Protection Regulator 2 credit process redesign
CPT	corporate performance target
CRISA	Codes for Responsible Investing in South Africa
CSI	corporate social investment
CSIRT	cybersecurity incident response team
CTR	cash threshold report
CVA	credit valuation adjustment
CVP	client value proposition
CWG	Cape Winemakers Guild
DAC	Directors' Affairs Committee
DALRO	Dramatic, Artistic and Literary Rights Organisation
DB	defined benefit
DRTB	drug-resistant tuberculosis
D-SIB	domestic systemically important bank
DSTI	deferred short-term incentive
dti	Department of Trade and Industry
EAD	exposure at default
ECap	economic capital
ECD	early-childhood development

ABBREVIATIONS, ACRONYMS AND INITIALISMS

ED	enterprise development
EDD	enhanced due diligence
EDPM	execution delivery and process management
EE	employment equity
EF	external fraud
ELB	entry-level banking
EME	exempted microenterprise
EP	economic profit
EPS	earnings per share
ERM	enterprisewide risk management
ERMF	Enterprisewide Risk Management Framework
ESG	environment, social and governance
ETI	Ecobank Transnational Incorporated
EV	embedded value
EVP	employee value proposition
Exco	Executive Committee
FAIS Act	Financial Advisory and Intermediary Services Act
FATCA	Foreign Account Tax Compliance Act
FCT	foreign currency translation
FCTR	1 foreign currency translation reserve 2 foreign currency translation risk
FET	Further Education and Training
FFI	foreign financial institution
FICA	Financial Intelligence Centre Act
FICCC	fixed income, commodities, credit and currencies
FLISP	Finance Linked Individual Subsidy Programme
FRN	floating rate note
FSB	Financial Services Board
FTE	fulltime employee
GAC	Group Audit Committee
GCC	Group Credit Committee
GDP	gross domestic product
GEMs	global energy markets
GFOC	Group Finance and Oversight Committee
GHG	greenhouse gas(es)
GIA	Group Internal Audit (department name)
GITCO	Group Information Technology Committee
GORC	Group Operational Risk Committee
GP	guaranteed package
GRC	1 Group Remuneration Committee 2 Group Risk Committee
GRCMC	Group Risk and Capital Management Committee
GRI	Global Reporting Initiative
G-SIB	global systemically important bank
GTSEC	Group Transformation, Social and Ethics Committee
HEPS	headline earnings per share
HIRE Act	Hiring Incentives to Restore Employment Act (US)
HNW	high net worth
HQLA	high-quality liquid asset(s)
HR	human resources
HRCA	Human Rights Compliance Assessment
HVCRE	high-volatility commercial real estate
IAS	1 International Accounting Standard(s) 2 Investor Analyst Society
IASB	International Accounting Standards Board
IBSA	Insurance and Banking Staff Association
ICAAP	Internal Capital Adequacy Assessment Process
ICF	International Coaching Federation
IDR	issuer default rating
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard(s)
ILAAP	Internal Liquidity Adequacy Assessment Process
IMA	Internal Measurement Approach
IMC	1 Internal Model Committee 2 Investment Management Centre
IOD	Institute of Directors
IPRE	income-producing real estate
IRC	incremental risk charge
IRS	Internal Revenue Service (US)
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISMA	International Securities Management Association
ISMA	International Securities Market Association
ISSC	Information Security Steering Committee
IT	information technology
JCW	Johannesburg Child Welfare
JSE, the	JSE Limited
KPI	key performance indicator
KRI	key risk indicator
LCR	liquidity coverage ratio
LFDG	Leading for Deep Green
LGD	loss given default
LTI	long-term incentive
LTV	loan to value
MDIC	Mortgage Default Insurance Company
MFC	Motor Finance Corporation
MFL	MyFinancialLife™
MRC	minimum required capital
MSOP	management stock option programme
MST	mobile sales team
mtCO2e	metric ton carbon dioxide equivalent
NAF	National Arts Festival
NAV	net asset value
NBG	Nedbank Group
NBL	Nedbank Limited

ABBREVIATIONS, ACRONYMS AND INITIALISMS

NCD	negotiable certificate of deposit
NCR	National Credit Regulator
NDMA	National Debt Mediation Association
NDP	National Development Plan
NEI	Nedbank ethics indicator
NGO	non-governmental organisation
NII	net interest income
NIM	net interest margin
NIR	non-interest revenue
NIS	Nedbank Investor Services (department name)
NMCF	Nelson Mandela Children's Fund
NPA	National Prosecuting Authority
NPAT	net profit after tax
NPS	Net Promoter Score
NQF	National Qualifications Framework
NSBC	National Small Business Chamber
NSFR	net stable funding ratio
NSS	Nedbank Staff Survey
OCI	other comprehensive income
OHS	occupational health and safety
OMART	Old Mutual Alternative Risk Transfer Fund
OPCOM	Operational Committee
ORX	Operational Riskdata eXchange Association
OTC	over the counter
PASA	Payments Association of South Africa
PAYE	pay as you earn
PD	probability of default
PGN	Professional Guidance Note
PIIGS	Portugal, Ireland, Italy, Greece and Spain
PIP	property in possession
POS	point of sale
PR	1 prime rate property revaluation
PVFP	present value of future profits
PVNBP	present value of new-business premiums
QASA	QuadPara Association of South Africa
QSE	qualifying small entity
RAPM	risk-adjusted performance measurement
RAROC	risk-adjusted return on capital
RBB	Retail and Business Banking
RCSA	risk and control self-assessment
REDD	Reducing Emissions from Deforestation and Forest Degradation (UN)
RegCap	regulatory capital
REIPPP	Renewable Energy Independent Power Producer Programme
Remco	Remuneration Committee
RIC	Responsible Investment Committee
RMBS	residential-mortgage-backed securities
ROA	return on (total) assets/return on assets
ROE	return on equity/return on ordinary shareholders' funds
RORWA	return on risk-weighted assets
RRB	Retail Relationship Banking
RSP	1 Restricted Share Plan 2 risk-based strategic planning
RWA	risk-weighted asset(s)
SACEI	South African Corporate Ethics Indicator
SADC	Southern African Development Community
SAGDA	South African Graduate Development Association
SAM	Solvency Assessment and Management
SAPS	South African Police Service
SAQA	South African Qualifications Authority
SARB	South African Reserve Bank
SASBO	South African Society of Banking Officials
SBP	share-based payments
SBS	Small Business Services (department name)
SCALA	Sustainability Culture and Leadership Awareness
SED	socioeconomic development
SEMS	1 Social and Environmental Management System 2 Sustainable Energy Management systems
SENS	Securities Exchange News Service
SFA	Supervisory Formula Approach
SIB	systemically important bank
SIE	sale in execution
SME	small and medium enterprise(s)
SMME	small, medium and microenterprises
SPE	special-purpose entity
SSFA	Simplified Supervisory Formula Approach
SST	self-service terminal
STC	secondary tax on companies
STI	short-term incentive
TB	tuberculosis
TNAV	total net asset value
TSA	The Standardised Approach
TSR	total shareholder's return
TTC	through the cycle
UNEP	United Nations Environment Programme
UNEP FI	United Nations Environment Programme Finance Initiative
UNGC	United Nations Global Compact
UNPRI	United Nations Principles for Responsible Investment
VaR	value at risk
VBSS	Voluntary Bonus Share Scheme
VCU	voluntary carbon unit
VIF (business)	value of in-force (business)
VNB	value of new business
VWAP	volume-weighted average price
WEF	World Economic Forum

NOTES

NOTES

CONTACT DETAILS

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NEDBANK LIMITED ANNUAL REPORT 2012
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INVESTOR RELATIONS
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* Executive ** Senior independent non-executive director.

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