NEDBANK GROUP LIMITED

INTEGRATED REPORT

for the year ended 31 December 2011

MAKE THINGS HAPPEN

NEDBANK GROUP

A Member of the OLD MUTUAL Group

CONTENTS

OVERVIEW

Financial calendar 2012	
Group profile	1
2011 Nedbank Group highlights	2
Performance highlights	3
Introduction	4
2011 recognition received	6
Group strategy	8
Investment case	10
Company structure	14
Operational footprint	15

STAKEHOLDER OVERVIEW

Stakeholder overview and introduction	16
Staff	18
Clients	20
Shareholders	23
Regulators	24
Communities	26
Value-added statement	31

GROUP OVERVIEW

Economic review	32
Chairman's Report	34
Board of directors	38
Chief Executive's Report	42
Group Executive Committee	46
Cluster management	50

OPERATIONAL OVERVIEW

Business profile	52
Nedbank Capital	58
Nedbank Corporate	64
Nedbank Retail and Nedbank Business Banking	68
Nedbank Wealth	76
Chief Operating Officer's Report	80
Sustainable development performance review	82
Independent assurance statement	152
Global Reporting Initiative Financial Services Sector Supplement	154
Global Reporting Initiative G3.1 Index	156

FINANCIAL RESULTS

Financial report	160
Eight-year review	174
Directors' responsibility	179
Company secretary's certification	179
Independent Auditors' Report	180
Audit Committee Report	181
Directors' Report	184
Consolidated annual financial statements and additional information	188

GOVERNANCE

Remuneration Report	344
Nedbank Group employee incentive schemes	370
Risk and balance sheet management review	372
Enterprise governance and compliance review	424
Attendance register	430

SHAREHOLDERS' INFORMATION

Letter from the Chairman	434
Question form for annual general meeting	435
Notice of annual general meeting	436
Form of proxy	442
Notes to form of proxy	445
Shareholders' analysis	447
Definitions	449
Abbreviations, acronyms and initialisms	453
Instrument codes	455
Contact details	456

YOUR GUIDE

ACCESSING THE INFORMATION YOU WANT

This report has been produced with a view to simplifying the process of accessing the specific information required by individual readers.

Icons that will be found in this report are:

Cross-referencing Reporting standard Online content

2011 Nedbank Group Transformation Report 2011 Nedbank Group Pillar 3 Basel II Public Disclosure Report

FINANCIAL CALENDAR 2012

Nedbank Group prides itself on supplying stakeholders with updated information on a regular basis. This information can be found at www.nedbankgroup.co.za under Investor Centre.

2011	Dec	Financial year-end – 31 December
2012	Jan	
	Feb	Annual results and announcement of final dividend – 29 February
	Mar	Final dividend payment (Nedbank Limited preference shares)
	Apr	Final dividend payment (Nedbank Group ordinary shares)
	May	Annual general meeting – 4 May
		First-quarter trading update
	Jun	
	Jul	
	Aug	Interim report and announcement of interim dividend
	Sept	Interim dividend payment
	Oct	Third-quarter trading update
	Nov	
	Dec	Financial year-end – 31 December
2013	Jan	
	Feb	Annual results and announcement of final dividend
	Mar	Publication and posting of integrated report
	Apr	Final dividend payment
	May	Annual general meeting

Dates correct at the time of going to print.

ANNUAL GENERAL SHAREHOLDERS' MEETING

Nedbank Group's annual general shareholders' meeting will be held on Friday, 4 May 2012, at 09:00
Venue: Nedbank Headoffice,135 Rivonia Road, Sandton, Gauteng, SA

DISTRIBUTION POLICY

All reports are available in English and can be downloaded at www.nedbankgroup.co.za/financial/Nedbank_ar2011/Portal.asp.

In line with Nedbank Group's initiatives on sustainability we have condensed our printed integrated report. This report has been distributed to current shareholders. The comprehensive version of this report is on the CD attached to the back cover of this report.

Shareholders, the public and investors may request a printed copy of this version via email at investor.relations@nedbank.co.za.

CONTENT OF THE REPORT

This condensed integrated report is targeted primarily at our current shareholders and potential investors. It has been prepared to assist all our stakeholders in making an informed assessment of the Nedbank Group's ongoing ability to create and sustain value. The following information is available online at www.nedbankgroup.co.za/financial/Nedbank_ar2011/Portal.asp:

- Comprehensive 2011 Nedbank Group Integrated Report.
- Audited 2011 Nedbank Group Annual Financial Statements.
- 2011 Nedbank Group Pillar 3 Basel II Public Disclosure Report.

INVESTOR RELATIONS

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THE STORY BEHIND THE PICTURE

2011 Nedbank Group Transformation Report

Download additional online content

It is the young generation of today that will one day harvest the fruits of the seeds we sow now.

Nedbank Group understands the delicate interaction between all the aspects of sustainability, as well as the importance of these for the enduring appeal of the business.

Realising the group's objective of building an organisation that optimises returns to stakeholders and that creates a sustainable future is enabled by an integrated approach to all the relevant elements of sustainability.

The group's strategies and operations are therefore focused on entrenching its economic, environmental, social and cultural sustainability to enhance its long-term performance and investment appeal.

The cover of this Nedbank Group 2011 Integrated Report depicts the fundamental interaction between two major interdependent components – the generation of the future and the crucial sustainability elements.

The interaction of the four sustainability pillars of the group as well as the constant influence on one another to ensure the enduring appeal of the business is highlighted.

The picture shows the four children working together on the same model to create a sustainable future and is supported by images representing the four sustainability elements:

- Economic – a piggy bank, representing the importance of saving for the future.
- Environmental – a watering can, representing water as a significant environmental issue and Nedbank's newly launched water stewardship programme.
- Cultural – a paper cut-out of people, representing diversity.
- Social – a toy fork lift, representing our commitment to social upliftment.

The children form a circle around the display, symbolising the valuable nurturing aspect of our environment.

Cross-referencing

Investment case
Pages 10 – 13

2011 Nedbank Group Pillar 3 Basel II Public Disclosure Report

Download additional online content

GROUP PROFILE

Nedbank Group Limited is a bank holding company and one of the four largest banking groups in SA measured by assets, with a strong deposit franchise. Its principal banking subsidiary is Nedbank Limited. The company's ordinary shares have been listed on JSE Limited since 1969 and on the Namibian Stock Exchange since 2007.

THE GROUP PROVIDES:

- Wholesale and retail banking services
- Insurance
- Asset management
- Wealth management

BUSINESS CLUSTERS

- Nedbank Capital
- Nedbank Corporate
- Nedbank Business Banking
- Nedbank Retail
- Nedbank Wealth

FOCUS

- Southern Africa
- Pan-African banking alliance with Ecobank Transnational Inc
- Positioned as a bank for all
- Acknowledged for its sustainability leadership
- Access to 36 countries

LOCATION

- Headquarters in Sandton, Johannesburg
- Large operational centres in Durban and Cape Town
- Regional branch network throughout SA – approximately 1 000 staffed outlets
- Branches and representative offices in other southern African countries and certain key global financial centres. These meet the international banking requirements of the group's SA-based multinational clients.

Reporting standard

GRI FSSS: FS6
GRI G3.1: 2.2, 2.4, 2.6

Cross-referencing

Investment case
Pages 10 – 13

Cross-referencing

Operational overview
Pages 58 – 79

Cross-referencing

Business profile
Pages 52 – 57

Cross-referencing

Company structure
Page 14

Cross-referencing

Operational footprint
Page 15

2011 HIGHLIGHTS

Reporting standard

GRI G3.1: EC1

Cross-referencing

Financial Report
Pages 160 – 173

Cross-referencing

Consolidated annual financial statements
Pages 188 – 343

Cross-referencing

Stakeholder overview
Pages 16 – 31

Cross-referencing

Sustainable development performance review
Pages 82 – 151

Solid earnings growth in a challenging economic environment.

HEADLINE EARNINGS
R6,2bn
▲ 26,2%

DILUTED HEADLINE EARNINGS PER SHARE
1 340 cents
▲ 25,4%

TANGIBLE NET ASSET VALUE PER SHARE
9 044 cents
▲ 10,8%

STRONG NIR GROWTH
R15,4bn
▲ 16,6%

SOLID EARNINGS GROWTH IN A CHALLENGING ECONOMIC ENVIRONMENT.

- Headline earnings increased **26,2%** to **R6 184m**.
- Diluted headline earnings per share up **25,4%** to **1 340 cents**.
- Strong non-interest revenue (NIR) growth of **16,6%** to **R15 412m**.
- Return on ordinary shareholders' equity (excluding goodwill) increased to **15,3%** from **13,4%**.
- Nedbank Retail turnaround progressing with earnings up **163,4%**.
- Full-year dividend per share of **605 cents**, up **26,0%**.

CONTINUED INNOVATIVE NEW-PRODUCT DEVELOPMENT – LISTENING AND UNDERSTANDING CLIENTS' NEEDS.

ONGOING ENHANCEMENT OF CAPITAL MANAGEMENT AND RISK PROCESSES.

- Approval by the South African Reserve Bank (SARB) of Advanced Measurement Approach for Operational Risk and Internal Model Approach for Market Risk.
- Strong capital and liquidity positions.
- Capital adequacy further strengthened (core Tier 1: **11,0%**).

RETAINED AND STRENGTHENED POSITION AS SA'S 'GREEN AND CARING' BANK.

- Carbon-neutral – Africa's first carbon-neutral financial services organisation.
- Seventh year of being listed on the Dow Jones World Sustainability Index.
- Invested R9m in World Wide Fund for Nature Water Balance Programme.

LEADING THROUGH TRANSFORMATION.

- Maintained and enhanced level 2 broad-based black economic empowerment (BBBEE) ranking under Department of Trade and Industry (dti) Codes.
- Based on an analysis of the published scorecards of the big four SA banks, Nedbank Group came out the top-scoring bank in BBBEE for 2011.

HIGH LEVELS OF STAFF MORALE MAINTAINED DESPITE CHALLENGING OPERATING CONDITIONS.

PERFORMANCE HIGHLIGHTS

ECONOMIC		% change 2010 – 2011	2011	2010	2009
Headline earnings	Rm	26,2	6 184	4 900	4 277
Income attributable to shareholders	Rm	28,7	6 190	4 811	4 826
Diluted earnings per share:					
– Headline	cents	25,4	1 340	1 069	983
– Basic	cents	27,7	1 341	1 050	1 109
Dividend declared per share	cents	26,0	605	480	440
Dividend cover	times		2,26	2,30	2,30
Net asset value	Rm	10,2	52 685	47 814	44 984
Tangible net asset value per share	cents	10,8	9 044	8 160	7 398
Net interest income (NII) to average interest-earning banking assets	%		3,46	3,35	3,39
Credit loss ratio – banking advances	%		1,14	1,36	1,52
Non-interest revenue (NIR) to total income	%		46,1	44,3	42,2
NIR to total operating expenses	%		81,5	79,6	78,8
Efficiency ratio	%		56,6	55,7	53,5
Group capital adequacy ratios:					
– Core Tier 1	%		11,0	10,1	9,9
– Tier 1	%		12,6	11,7	11,5
– Total	%		15,3	15,0	14,9
Average interest-earning banking assets	Rm	5,1	521 149	495 930	481 378
Total assets under administration	Rm	6,9	760 358	711 288	657 907
Total assets	Rm	6,5	648 127	608 718	570 703
Assets under management	Rm	9,4	112 231	102 570	87 204
Return on total assets	%		0,99	0,82	0,76
Return on ordinary shareholders' equity (ROE) (excluding goodwill)	%		15,3	13,4	13,4
ROE	%		13,6	11,8	11,8
Preprovisioning operating profit	Rm	10,1	13 709	12 454	12 143
Economic (loss)/profit	Rm	>100	924	(289)	57
Life assurance embedded value	Rm	47,6	1 522	1 031	795
Life assurance value of new business	Rm	38,6	409	295	187

Headline earnings reconciliation					
Profit attributable to equity holders of the parent	Rm		6 190	4 811	4 826
Non-headline earnings items	Rm		6	(89)	549
Non-trading and capital items	Rm		(14)	(91)	624
Taxation on non-trading and capital items	Rm		20	2	(75)
Headline earnings	Rm		6 184	4 900	4 277

ENVIRONMENTAL					
Carbon footprint per fulltime employee	tCO_2e[1]	(6,1)	7,74	8,25	8,77
Offset through carbon emission reduction projects allowing buffer	tCO_2e[1]		240 000	220 000	220 000
Carbon status	tCO_2e[1]		neutral	neutral	neutral

SOCIAL					
Socioeconomic development spend[2]	Rm	11,2	89	80	73

CULTURAL					
Headline earnings per employee	R000	21,9	217	178	158
Barrett entropy	%		11	13	13

[1] *tCO_2e = tonnes of CO_2 equivalent.*
[2] *Includes community trust.*

INTRODUCTION

This 2011 Nedbank Group Integrated Report offers a holistic view of the group's financial and non-financial performance. It continues the integrated approach to financial and non-financial reporting initiated by the group in 2010 and reflects its commitment to integrating economic, environmental, social and cultural sustainability across the organisation for the benefit of all stakeholders.

Reporting standard

GRI G3.1: 1.2, 3.1, 3.2, 3.3, 3.5, 3.6, 3.8, 3.9, 3.13

Cross-referencing

Stakeholder overview Pages 16 – 31

The 2011 report is the culmination of the ongoing integrated reporting that takes place across Nedbank Group. This integrated approach is in line with King III recommendations, which are widely considered global best practice in reporting. Integrated reporting also helps ensure that all clusters and business units remain focused on the imperative of long-term sustainable value creation for stakeholders.

This annual integrated report builds on the 31 December 2010 Nedbank Group Integrated Report.

SCOPE OF REPORTING

The report provides information on the group's operations, financial and non-financial performance and integrated sustainability developments during the financial year ended 31 December 2011. The report covers all group clusters, operational areas and businesses of Nedbank Group.

Organisations in which the group holds a minority stake are not included in the scope of this report. This report is primarily addressed to our staff, clients, shareholders, regulators and communities.

MATERIAL MATTERS

In 2011 the Nedbank Group material matters were adapted and expanded to align more closely with the strategic direction of the organisation, its integrated sustainability commitments and stakeholder requirements.

The process of determining these material matters is ongoing and inclusive. It involves input from stakeholders including, but not limited to, employees, clients, shareholders, analysts, media representatives, regulators, management teams and business partners. The material matters are inextricably linked to, and inform, the group's strategy. As such, the Nedbank Group Executive Committee (Group Exco) assumes responsibility for approval of the material matters prior to their endorsement by the Group Transformation, Social and Ethics Committee.

The priority material matters determine the content of this 2011 Nedbank Group Integrated Report and are as follows:

ECONOMIC SUSTAINABILITY

MATERIAL MATTERS

- Becoming more client-centred.
- Financial and economic conditions and performance.
- Governance, compliance and ethics.
- Responsible business management and lending practices.
- Effective risk management.
- Integrity of information technology systems.

MATERIALITY DRIVERS

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

KEY STAKEHOLDERS

Staff, clients, shareholders and analysts, regulatory bodies, communities, governments, media, business partners and industry bodies, suppliers and trade unions.

RESPONSE

Nedbank Group takes a holistic and highly integrated view of its business and aims to uphold, and contribute to, the democratic processes and economic institutions that enable it to operate in a thriving society.

ENVIRONMENTAL SUSTAINABILITY

MATERIAL MATTERS

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

MATERIALITY DRIVERS

- Contributing to behaviour change for a more sustainable future.
- Reducing environmental impact.

- Ensuring compliance with existing and developing environmental regulations.

KEY STAKEHOLDERS
Staff, clients, shareholders, regulatory bodies, communities, government, media and suppliers.

RESPONSE
As Africa's first carbon-neutral bank, Nedbank Group aims to address the energy-water-food nexus. This is achieved through a focus on managing the group's own impact, leading through collaboration, and facilitating environmental sustainability through products and services.

SOCIAL SUSTAINABILITY
MATERIAL MATTERS
- Socioeconomic development (including skills development).
- Access to finance.
- Lending to enable healthcare, housing and education, enterprise development and community upliftment.
- Economicem powerment.
- Preferentialp rocurement.

MATERIALITY DRIVERS
- Responding to national development, transformation and inclusivity imperatives.
- Contributing to social stability to support group operations.
- Developing new markets, revenue streams and the Nedbank Group client base.
- Contributing to social upliftment and social welfare.

KEY STAKEHOLDERS
Staff, clients, regulatory bodies, communities, government, media, suppliers and unions.

RESPONSE
Nedbank Group leverages socioeconomic investment, staff volunteerism and empowering partnerships to go beyond compliance and achieve its social sustainability goals and vision.

CULTURAL SUSTAINABILITY
MATERIAL MATTERS
- Building a resilient corporate culture.
- Embedding talent management.
- Developing staff capacity.

MATERIALITY DRIVERS
- Building a unique culture that delivers a competitive advantage.
- Attracting and retaining talented and capable staff.
- Embedding a performance-driven culture.

KEY STAKEHOLDERS
Staff, regulatory bodies, government and trade unions.

RESPONSE
Nedbank Group aims to create an ideal and attractive corporate culture appropriately representative of SA demographics by enabling personal growth, career development, a balanced work environment and appropriate recognition and reward structures for its employees.

INDEPENDENT ASSESSMENT AND GLOBAL REPORTING INITIATIVE INDICES
2011 is the first year in which the assurance of the Nedbank Group Integrated Report has been the responsibility of a combined financial and non-financial assurance team as the group assigned responsibility for its non-financial auditing requirements to its financial auditing firms, Deloitte & Touche and KPMG.

A number of new key performance indicators (KPIs) have been added to the assurance reporting parameters to enhance the robustness of the process. These KPIs have been emphasised in this report in **bold green** for identification purposes.

The Assurance Statement by Deloitte & Touche and KPMG confirms:

- the levels of assurance expressed over the specified KPIs;
- the preparation of this report in accordance with the self-declared Global Reporting Initiative (GRI) G3.1 Guidelines A+ application level using the principles of materiality, completeness and sustainability context; and
- the use of the principles of inclusivity, materiality, and responsiveness in accordance with AccountAbility's AA1000APS (2008).

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

An analysis of the group's compliance with the Global Reporting Initiative (GRI) Financial Services Sector Supplement (FSSS) indices guidelines and the full GRI content index are provided in this report.

Cross-referencing
KPIs for assurance reporting parameters
Page 152

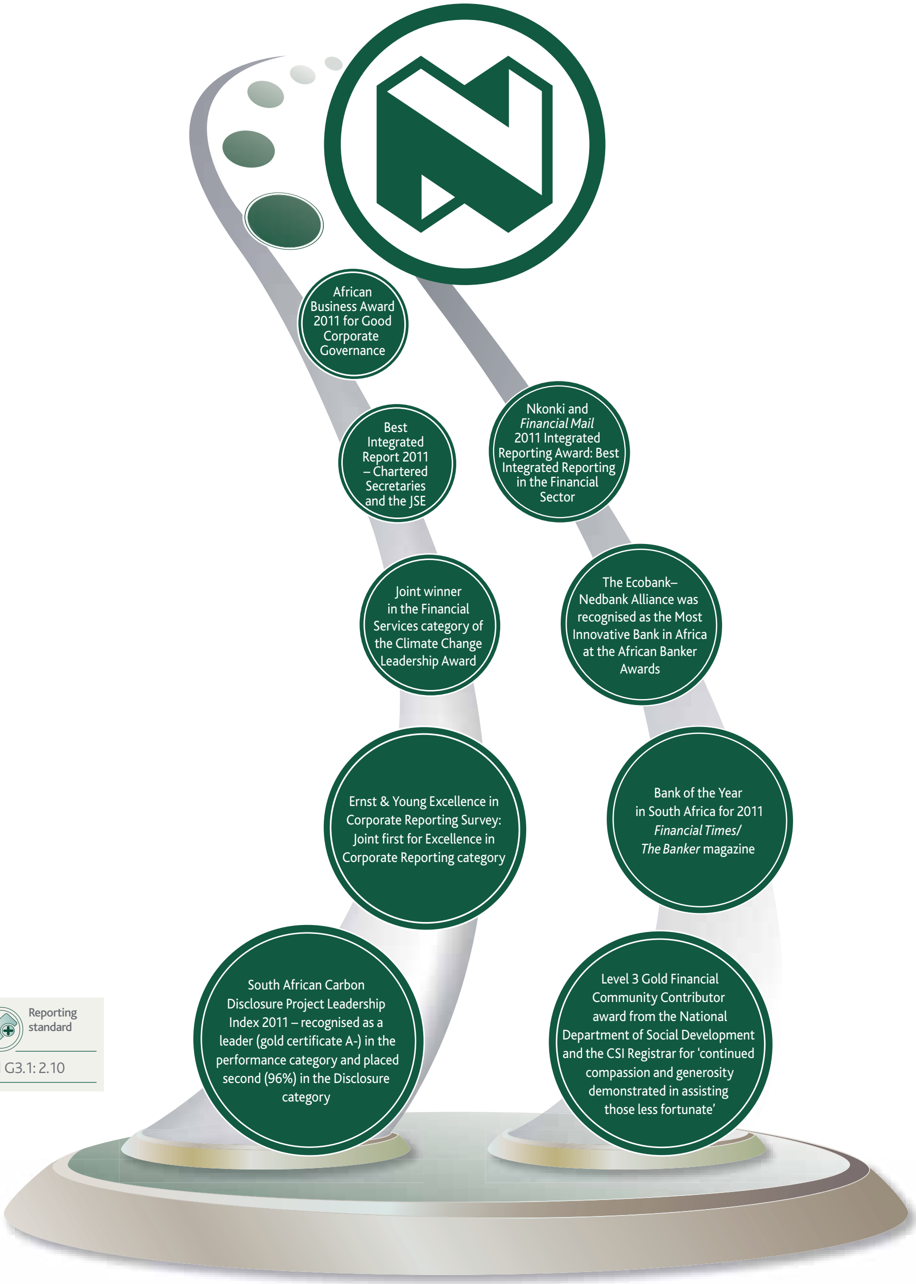
Cross-referencing
Assurance statement
Pages 152 – 153

Cross-referencing
dti Scorecard
Page 28

Cross-referencing
GRI FSSS index
Pages 154 – 155

Cross-referencing
GRI G3.1 index
Pages 156 – 159

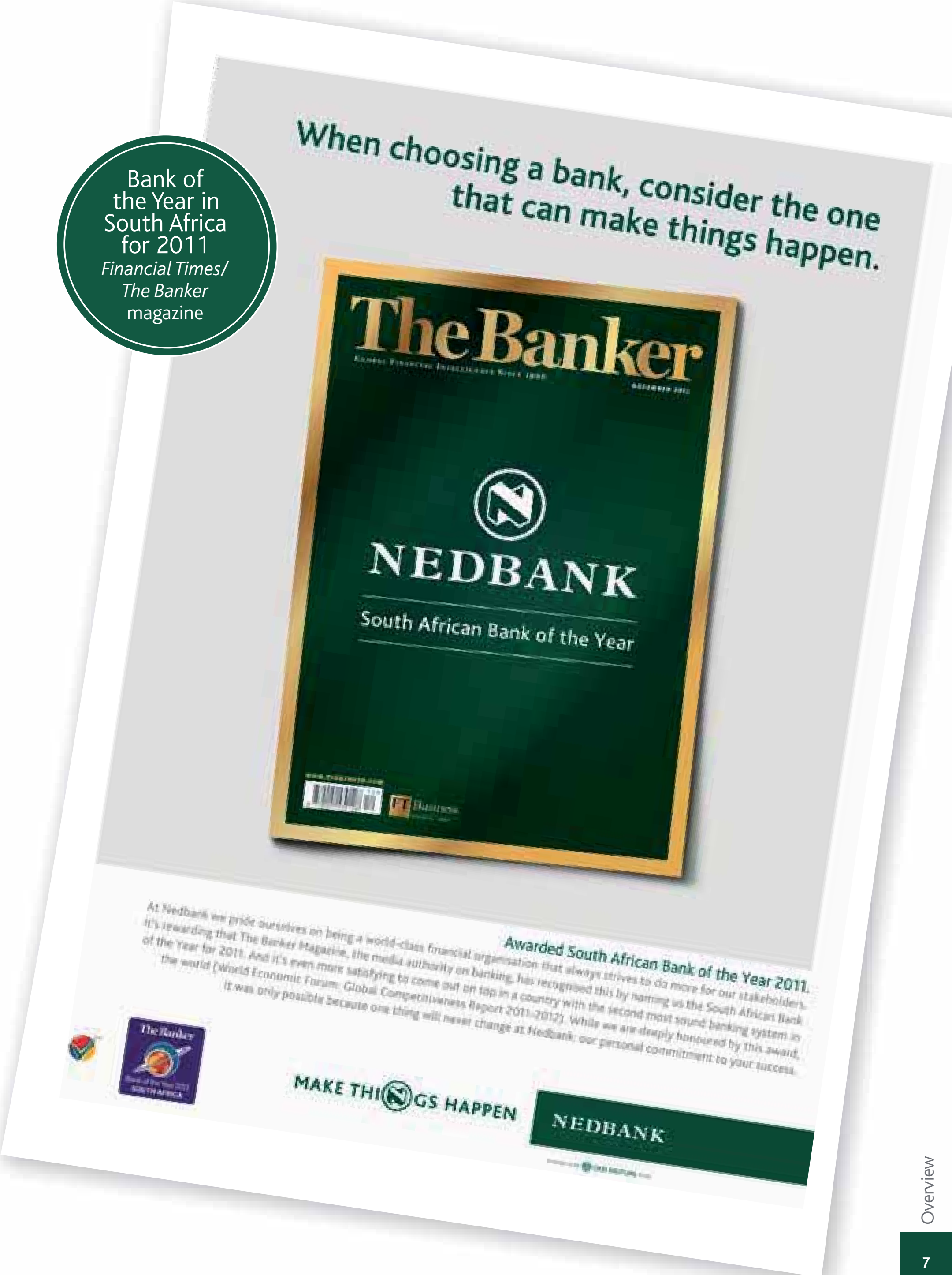
2011 RECOGNITION RECEIVED



Reporting standard
GRI G3.1: 2.10

Bank of the Year in South Africa for 2011

Financial Times/ The Banker magazine



GROUP STRATEGY

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

Reporting standard
GRI G3.1: 1.2

Cross-referencing
Chairman's Report
Pages 34 – 36

Cross-referencing
Chief Executive's Report
Pages 42 – 45

Cross-referencing
Chief Operating Officer's Report
Pages 80 – 81

The Nedbank Group strategy for 2012 to 2014 will see it continue to focus on the following objectives:

- Building enduring primary-banking relationships with more retail and wholesale clients.
- GrowingN IR.
- Growing EP through portfolio tilt.
- Repositioning Nedbank Retail.
- Becoming the leader in business banking for SA.
- Becoming the public sector bank of choice.
- Continuing as one of the top two wholesale banks in SA.
- Ramping up the wealth and asset management and insurance businesses.
- Expanding into Africa.
- Listening to, understanding and delivering for its clients.
- Building on the group's position as a leader in, and influencer of, integrated sustainability.

The strategic focus areas through which the group aims to achieve these objectives are outlined in the diagram adjacent. The focus areas of client-centred approach and evolving the group's plans for expansion in Africa and embedding sustainability as a strategic driver have been afforded increased priority in the current strategic planning cycle.

CLIENT FOCUS

During strategy sessions in 2011 the Group Executive Committee and Board agreed that being client-centred required an additional and defining shift in its strategy. Nedbank Group is to deliver and be seen to be making things happen in a client-centred way that differentiates it from an increasingly competitive banking environment, while not losing sight of its strong risk management principles. With client focus at the centre of its strategic framework since 2004 – 'listening, understanding and delivering' – the group will additionally focus on:

- innovative offerings leveraging the deeper understanding of its clients; and
- driving conscious changes that make it easier for clients to do business with the group and seamlessly integrate the group into their lifestyles.

Cross-referencing
Stakeholder overview: Clients
Pages 20 – 22

Cross-referencing
Sustainable development performance review
Pages 82 – 151

EXPANSION INTO AFRICA

Although overall returns in many parts of Africa are still relatively unattractive from an EP perspective, the rest of the continent provides attractive economic growth potential in the medium to long term. Against this backdrop, the group will continue to evolve its strategy of building Africa's most admired bank by:

- implementing its strategy to grow its physical network in the Southern African Development Community;
- leveraging boutique investment banking opportunities across Africa;
- deepening the Ecobank–Nedbank Alliance to provide clients with access to a Pan-African banking network; and
- evaluating selective investment opportunities in sub-Saharan Africa.

Nedbank Group's current strong capital position, combined with these strategic thrusts, positions it well for sustainable growth into Africa.

EMBEDDING SUSTAINABILITY AS A STRATEGIC SUCCESS DRIVER

During 2011 Nedbank Group undertook a detailed strategic review of its approach to sustainability. In partnership with the University of Cambridge Programme for Sustainability Leadership the group continues to develop and enhance its practical strategic framework that integrates its economic, environmental, social and cultural sustainability programmes. In the process the group aims to leverage its platform as SA's 'green and caring' bank by understanding how it – through its core business activities – can contribute most authentically and effectively to address SA's most material sustainability challenges, thereby sustaining the group's profitability while creating a flourishing society and vibrant economy that respects environmental limits.

Vision-led values driven.

The Nedbank Group strategy is visually represented as follows:

VISION

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

DEEP GREEN ASPIRATIONS

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

WHAT MAKES US DIFFERENT AND GUIDES OUR LONG-TERM STRATEGY?

GREAT AT LISTENING, UNDERSTANDING CLIENTS' NEEDS AND DELIVERING

OUR BRAND EXPRESSION

MAKE THINGS HAPPEN

OUR EIGHT STRATEGIC FOCUS AREAS

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

OUR SCOPE OF THE GAME

- A member of the Old Mutual Group
- Banking and selected financial services
- Bank for all
- Southern Africa focus with selected African expansion

OUR VALUES

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

INVESTMENT CASE

Reporting standard

GRI G3.1: 1.2, EC2

Cross-referencing

Group strategy
Pages 8 – 9

Cross-referencing

Value-added statement
Page 31

The Global Competitiveness Report 2011 – 2012 by The World Economic Forum ranked SA's financial industry second in 'soundness of banks' in the world. SA banks are well capitalised, operate in a predominantly closed funding system and deliver dividend yields above the JSE all-share index benchmarks.

SA's ranking in the global market

Indicators for SA	Ranking (/142) 2011 – 2012
Strength of auditing and reporting standards	1
Regulation of securities exchange	1
Efficacy of corporate boards	2
Soundness of banks	2
Protection of minority shareholders' interests	3
Financial market development	4
Financing through local equity market	4
Strength of investor protection	10

Source: World Economic Forum's The Global Competitiveness Report 2011 – 2012

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

- leveraging the group's strong positioning;
- continued delivery on the growth-oriented strategy;
- defensive investment given the stable banking sector in SA;
- being well positioned for a cyclical economic upturn, operational and financial gearing; and
- leadership in integrated sustainability.

LEVERAGE THE GROUP'S STRONG POSITIONING

Nedbank Group has a particular strength in wholesale banking thanks to:

- a track record of high returns with returns on equity (ROEs) in excess of 20% over an extended period;
- a differentiated, decentralised and accountable client-centred business service model in Nedbank Business Banking, which generates sustainably good returns and has globally best-in-class client management practices;
- the high client rating of Nedbank Corporate and historical strength in the domestic corporate banking market; and
- Nedbank Capital's integrated full-service investment banking model. Combined with an ability to leverage client relationships in collaboration with other wholesale clusters, balance sheet strength across the group, and industry expertise in targeted domestic and African sectors, this provides good growth opportunities.

The group has a strong, sustained cost management culture, with the existing strategy favouring an investment-for-growth focus while remaining cautious in the current uncertain economic environment.

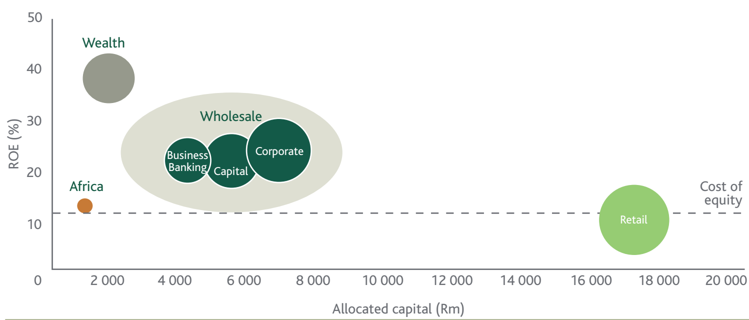
Risk and capital management are embedded in the group's culture, aimed at creating a strong, stable and economically sustainable organisation.

Strong core Tier 1 capital at 11,0% on a Basel II basis with sound funding and steadily improving liquidity ratios that are in line with that of domestic peers.

The group is well positioned to leverage the green economy and is a leader in transformation.

The strong and experienced Nedbank Group management team remains among the most skilled and transformed in the SA banking sector. Group Exco members have an average tenure of 12 years with Nedbank Group and in excess of an average 21 years' industry and functional experience.

LEVERAGE STRENGTHS IN WHOLESALE BANKING WHILE GROWING NEDBANK RETAIL, NEDBANK WEALTH AND REST OF AFRICA



DELIVER ON THE GROWTH-ORIENTED STRATEGY

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

REPOSITION NEDBANK RETAIL

Nedbank Retail remains a key driver of the group's medium-term profit growth and ROE improvement, enabled by delivery on the cluster's differentiated, client-centred growth strategy to build deep banking relationships with all in SA, leveraging distinctive strengths underpinned by worldclass risk management. Excellent progress has been made in executing on the 12 step change initiatives while also embedding effective risk practice such that the Nedbank Retail balance sheet is the strongest it has been in a number of years. Strategy implementation is being carefully orchestrated to maintain the growth momentum of the product lines while moving to a more client-centred and integrated business. While rebuilding the primary-banked client franchise will take time, Nedbank Retail is expected to deliver growth and a shareholder return above the cost of equity by 2013, based on current economic outlook and capital allocation methodology.

GROW NON-INTEREST REVENUE

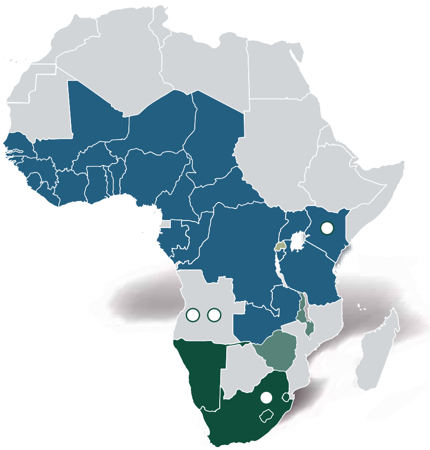
Delivery of quality transactional banking income growth above industry averages is assisting the group in making good progress towards its medium-to-long-term NIR expenses target of 85%. The objective is to achieve this target by continuing to deliver good-quality annuity income through commission and fee growth from primary-client gains, volume growth, innovative products and cross-sell across clusters.

PORTFOLIO TILT

The portfolio tilt strategy, introduced in 2010, focuses on strategically important EP-rich, lower-capital and liquidity-consuming activities, and at the same time drives the efficient allocation of the group's resources while positioning the group strategically for Basel III. Insurance, asset management, transactional banking products, selected asset categories and deposits are important targeted areas for growth. In secured lending the group continues to focus on profitable business that falls within the group's board-approved risk appetite.

EXPANDING INTO THE REST OF AFRICA

Nedbank Group continues its low-risk expansion strategy into the rest of Africa, leveraging the group's strengths and deepening the Ecobank–Nedbank Alliance. This approach provides clients with unparalleled access to banking services in 36 African countries through an effective one-bank experience. The granting of a $285m loan facility and the subscription for rights to take up to a 20% shareholding in Ecobank Transnational Inc in two to three years create a path to provide significant benefit to clients in the rest of Africa in a prudent yet substantive manner and ultimately could provide shareholders with access to the higher economic growth in the rest of Africa.



Cross-referencing
Chief Executive's Report
Pages 42 – 45

Cross-referencing
Chief Operating Officer's Report
Pages 80 – 81

Cross-referencing
Sustainable development performance review
Pages 82 – 151

POSITIONED FOR A CYCLICAL ECONOMIC UPTURN ON THE BACK OF OPERATIONAL AND FINANCIAL GEARING

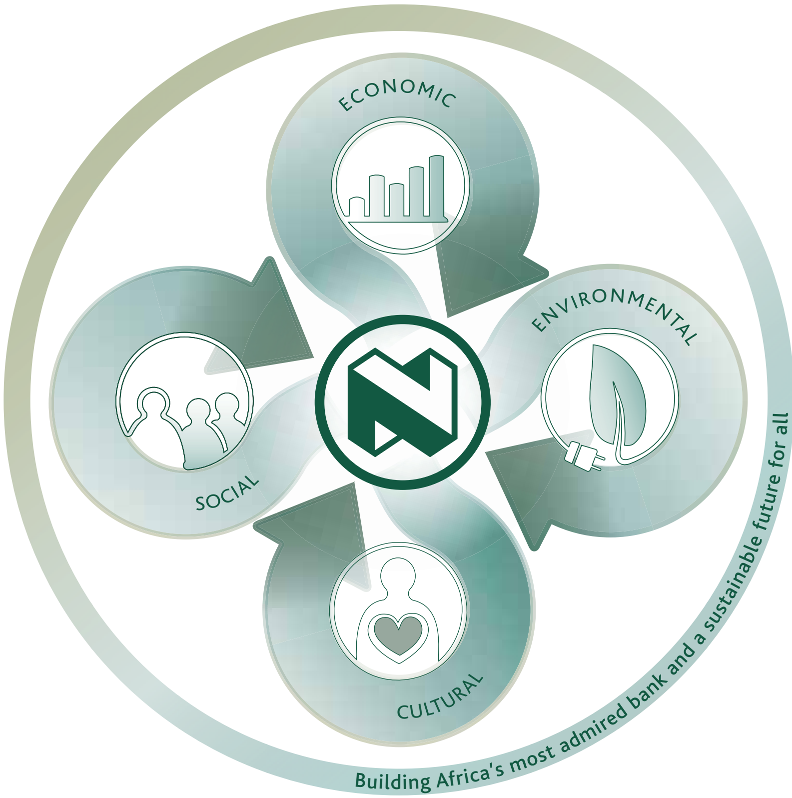
Good growth in profits along with operational and financial gearing benefits should enable Nedbank Group to deliver higher profitability ratios and narrow the gaps that exist between its return on assets and ROE and that of its peers.

Endowment income upside will be unlocked when interest rates increase (a 1% parallel change in interest rates increases pretax earnings through endowment by approximately R845m).

As the consumer recovery progresses, **continued improvement in impairments** is expected to bring the group to within its credit loss ratio target range of 0,60% to 1,00% (assuming an absence of significant deterioration in the economic environment), thereby benefiting group earnings.

LEADERSHIP THROUGH INTEGRATED SUSTAINABILITY

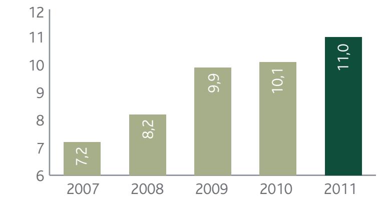
Companies that have integrated sustainability into their strategies and operations have been proven to yield superior returns over the longer term. With this in mind, Nedbank Group focuses on entrenching and integrating economic, environmental, social and cultural sustainability across the group to enhance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



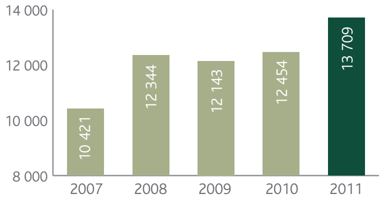
ECONOMIC SUSTAINABILITY

The group is well set for continued growth in 2012, building on the earnings momentum created in 2011 and the focus and success of the delivery on the group's strategic initiatives.

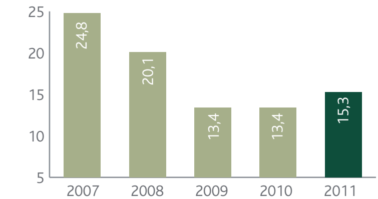
CORE TIER 1 CAPITAL (%)



PREPROVISIONING OPERATING PROFIT (RM)



ROE (EXCLUDING GOODWILL) (%)



ENVIRONMENTAL SUSTAINABILITY

The group continues to enhance its social and environmental risk management systems (SEMS) to extend the philosophy of the Equator Principles beyond the project finance arena. These tools are also applied in a way that ensures capital investments and shareholder value are protected.

A key focus remains to grow and leverage the group's climate change, biodiversity, water and agriculture work for maximum stakeholder and environmental benefit.

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

SOCIAL SUSTAINABILITY

In 2011, for the third consecutive year, Nedbank Group was rated the third most transformed company listed on JSE Limited in the annual *Financial Mail* survey of JSE-listed top 200 companies.

The group achieved level 2 broad-based black economic empowerment (BBBEE) status (score improved from 89,5 to 95,2) through continued focus on all elements of its scorecard. This was achieved while also delivering on a number of FSC elements, including access to financial services, despite these no longer being a regulatory requirement.

A strong commitment to social responsibility is embedded throughout Nedbank Group, with a total of R89m contributed to social upliftment by staff and clients and communities in 2011.

CULTURAL SUSTAINABILITY

In 2011, through the cycle, Nedbank Group demonstrated a proven organisational capability to succeed in challenging economic times.

A culture of governance, compliance and sustainability is evident in the comprehensive controls and processes integrated throughout the business.

Since 2004 positive shifts in staff morale as well as a strong positive move towards a high-performance culture have been evident.

The results of the 2011 Hewitt Staff Engagement Survey showed that the group remains above the global financial services average and within the accepted benchmark high-performance range.

Cultural entropy, which measures the amount of dissonance in the group, continued to improve in 2011. **At 11% it is now close to the international benchmark of 10%, with six current values matching the desired culture values (6 – 10 worldclass).**

The top 10 cultural values in the group, as measured by the annual Barrett Survey, continue to align with, and support, the group's strategy.

IN CONCLUSION

Nedbank Group's balance sheet is strong. Delivery on its key strategic initiatives and a focus on sustainability provide a platform for growth and ongoing delivery to all stakeholders.

Cross-referencing
Social sustainability
Pages 112 – 135

Cross-referencing
Cultural sustainability
Pages 136 – 151

Cross-referencing
Environmental sustainability
Pages 96 – 111

COMPANY STRUCTURE

AT 31 DECEMBER 2011

MAJOR SUBSIDIARY COMPANIES

NEDBANK GROUP LIMITED

NEDBANK LIMITED 100%

LOCAL SUBSIDIARIES

- Peoples Mortgage Limited
- Nedcor Investments Limited
- Nedgroup Investment 102 Limited
- Depfin Investments (Pty) Limited
- BoE Holdings Limited
- BoE Management Limited

FOREIGN NEDBANK SUBSIDIARIES

- Nedbank (Lesotho) Limited
- Nedbank (Swaziland) Limited 65%
- Nedcor Trade Services Limited

FOREIGN NEDBANK GROUP SUBSIDIARIES

- NedEurope Limited
- MN Holdings Limited
- Nedbank (Malawi) Limited 97,1%
- MBCA Bank Limited 70,9%
- NedNamibia Holdings Limited
- Nedbank Namibia Limited
- Nedgroup International Holdings
- Fairbairn Private Bank Limited
- Fairbairn Trust Company Limited (Guernsey)
- Tando AG
- Alliance Investments Limited

BoE INVESTMENT HOLDINGS LIMITED 100%

- BoE Private Client Investment Holdings Limited
- Nedgroup Wealth Management Limited
- BoE Life Limited
- Nedgroup Life Assurance Company Limited

NEDGROUP INVESTMENT HOLDINGS 101 LIMITED 100%

- Nedgroup Securities (Pty) Limited
- NBG Capital Management Limited
- NIB Blue Capital Investments (Pty) Limited
- BoE (Pty) Limited

TRUSTS AND SECURITIES ENTITIES

- Syfrets Securities Limited
- Syfrets Securities Nominees (Pty) Limited 99%
- Nedgroup Collective Investments Limited
- Nedinvest Limited
- Dr Holsboer Benefit Fund

OTHER INSURANCE ENTITIES

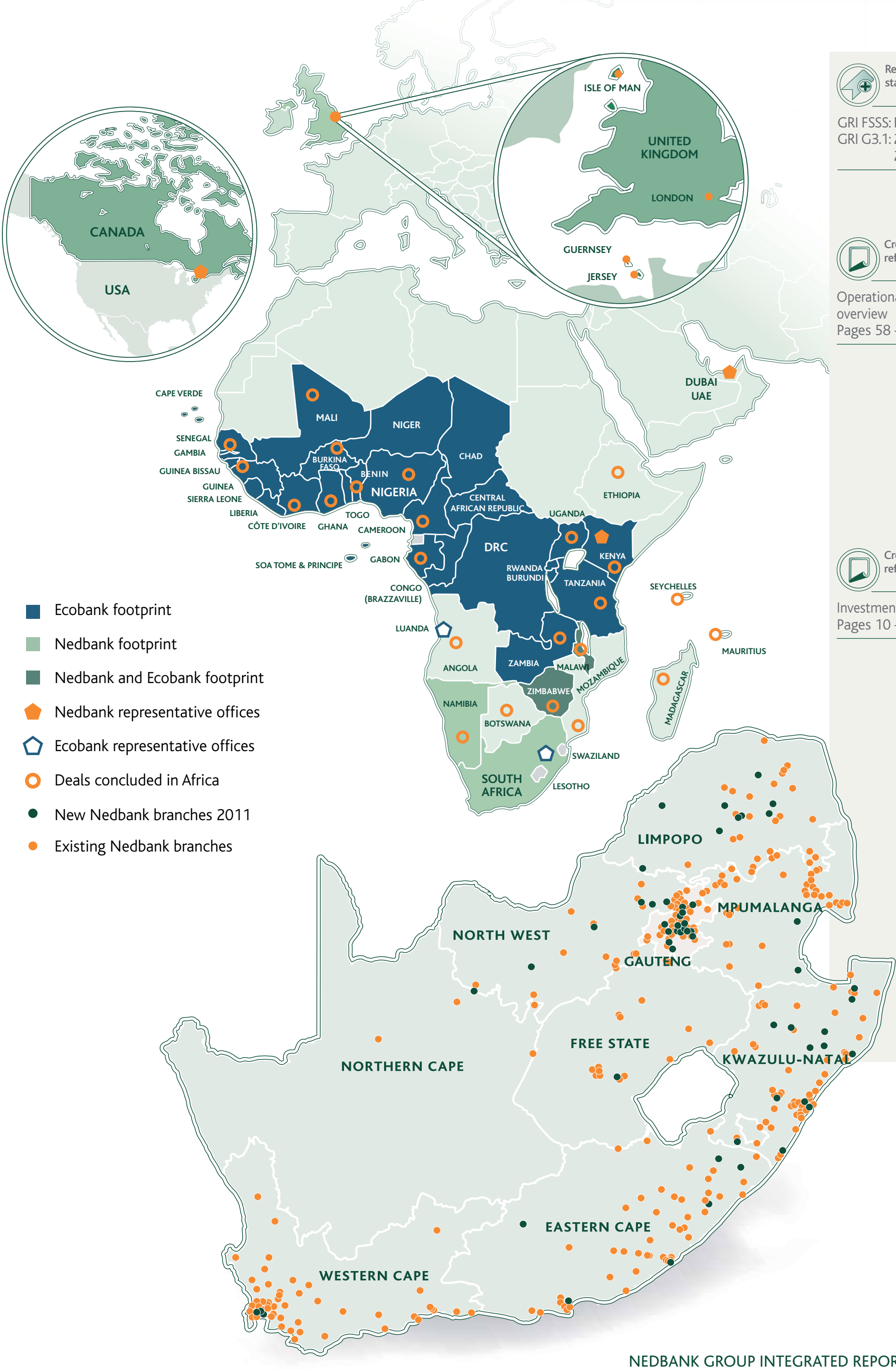
- Nedgroup Insurance Company Limited
- Nedcor Group Insurance Company Limited
- Nedcor (SA) Insurance Company Limited

Note: All subsidiaries are wholly owned unless stated otherwise.

Reporting standard

GRI FSSS: FS6, FS10.
GRI G3.1: 2.3, 2.6, 3.8

OPERATIONAL FOOTPRINT



Reporting standard

GRI FSSS: FS10
GRI G3.1: 2.3, 2.5, 2.8

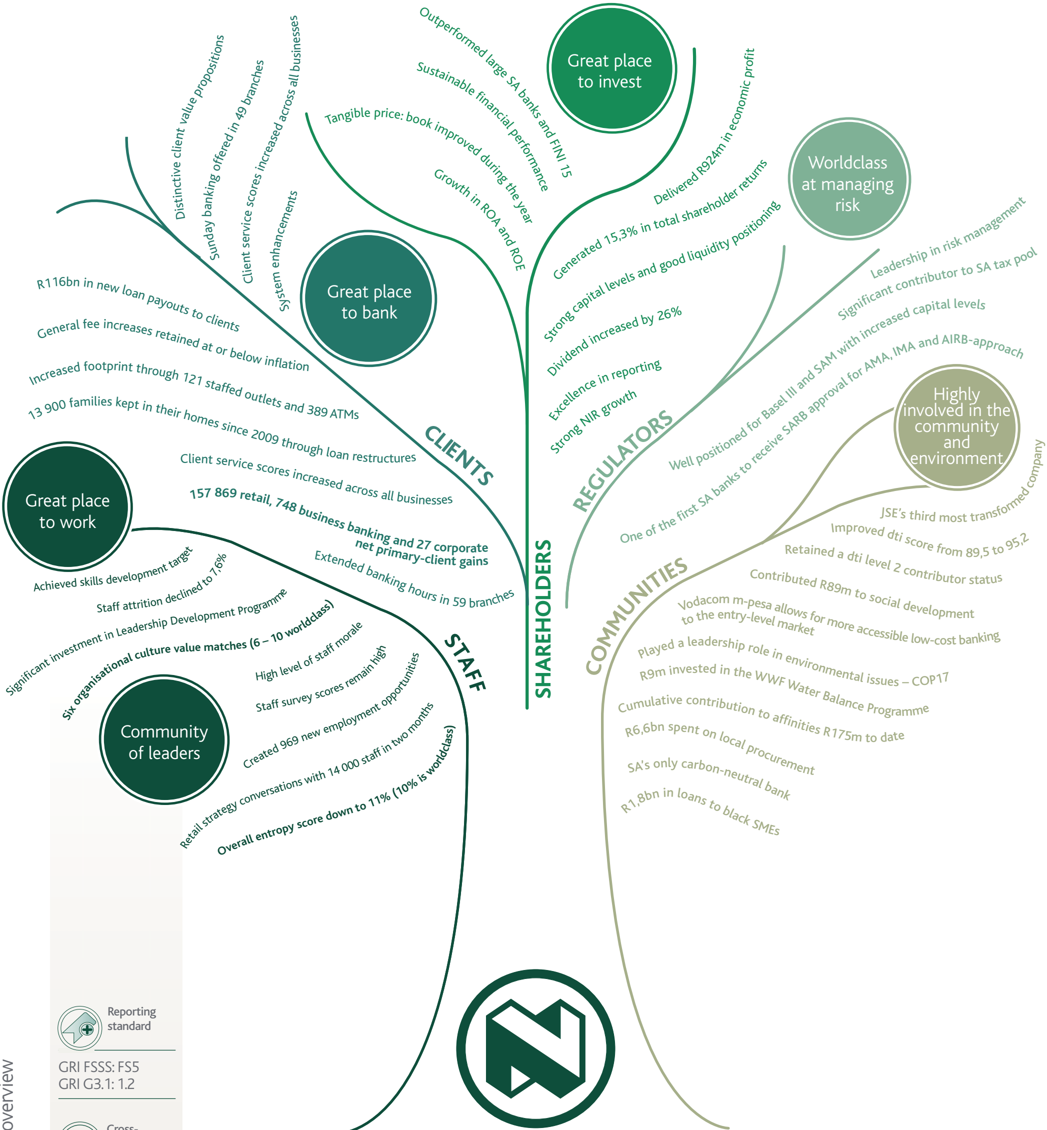
Cross-referencing

Operational overview
Pages 58 – 79

Cross-referencing

Investment case
Pages 10 – 13

STAKEHOLDER OVERVIEW



Reporting standard

GRI FSSS: FS5
GRI G3.1: 1.2

Cross-referencing

Definitions and abbreviations
Pages 449 – 455

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

STAKEHOLDER INTRODUCTION

STAFF

Reasons for engagement

- To ensure that Nedbank Group remains an employer of choice by providing a safe, positive and inspiring working environment.
- Fully to understand and respond to staff experiences, needs and concerns.
- To provide all staff with strategic direction and pertinent information regarding group activities.

Types of engagement

- A robust combination of face-to-face, written and broadcast communications. These included culture and engagement surveys, roadshows, emails, intranet communications, data casting, magazines and relevant training.
- Leading for Deep Green through a facilitated process, with natural working teams for personal mastery and team effectiveness.

CLIENTS

Reasons for engagement

- To understand the financial services needs of clients better.
- To provide appropriate advice and solutions to meet clients' identified financial needs.
- To ensure that the high service level expectancies of clients are met.
- To ensure accuracy of personal information.

Types of engagement

- Interactions through branch outlets, business relationship managers and call centres, complaint lines, client seminars, social media, surveys and marketing and advertising activities.
- Marketing that resonates communicating distinctive client insight-led offerings.

SHAREHOLDERS

Reasons for engagement

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

Types of engagement

- Local and international roadshows.
- Ad hoc communications and answering investor and analyst queries.
- Annual general meeting and other meetings.
- Conferences and presentations.
- Securities Exchange News Service (SENS) announcements.
- Mediar eleases.
- Investment analyst briefings.
- Feedback via broker reports and the corporate website.
- Detailed information on all published documents to ensure full disclosure of relevant information.

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

REGULATORS

Reasons for engagement

To maintain good relationships with regulators and ensure compliance with their legal and regulatory requirements, thereby retaining Nedbank Group's various operating licences and minimising its operational risk.

Types of engagement

- Ongoing meetings and interaction with regulators, including prudential visits and statutory reporting.
- Detailed reviews with clusters and functional areas about the effective use of AIRB practices in the business.

COMMUNITIES

Reasons for engagement

- To create partnerships that will best facilitate Nedbank Group's integrated environmental and social activities.
- To obtain input from communities and representative non-government organisations (NGOs) regarding key focus areas.
- To obtain input from environmental experts to ensure that Nedbank Group's operations are taking place in the most environmentally responsible manner.
- To create awareness of Nedbank Group's integrated environmental and social initiatives.

Types of engagement

- Nedbank Foundation – ongoing support of projects and interaction with a wide variety of non-profit and government organisations.
- Environmental/Sustainability partnerships with WWF-SA, Cambridge Programme for Sustainable Leadership, UNISA Advisory Council on Business and Climate Change and the United Nations Environment Programme Finance Initiative (UNEP FI).

Reporting standard

GRI G3.1: 4.14, 4.15, 4.16, 4.17

Cross-referencing

Cultural sustainability Pages 136 – 151

Cross-referencing

Stakeholder engagement Page 86

Cross-referencing

Risk and balance sheet management Pages 372 – 423

Cross-referencing

Social sustainability Pages 112 – 135

Cross-referencing

Environmental sustainability Pages 96 – 111

STAFF

Reporting standard

GRI G3.1: 4.4

Cross-referencing

Cultural sustainability Pages 136 – 151

Cross-referencing

Material matters Pages 4 – 5

Cross-referencing

For examples of engagement refer to page 87

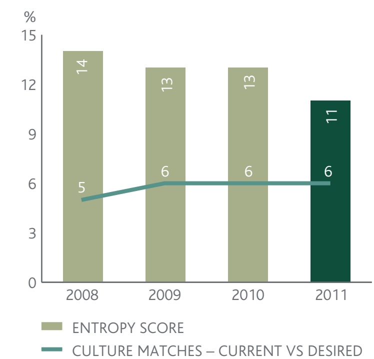
REVIEW OF 2011

In 2011 Nedbank Group improved its cultural sustainability performance as measured by non-financial key performance indicators. This was a direct result of the group's cultural sustainability focus of delivering on its strategic objectives. The performance scorecard below reflects the most significant performance indicators for the period under review:

DEEP GREEN ASPIRATIONS: TO BECOME A GREAT PLACE TO WORK, TO CREATE A COMMUNITY OF LEADERS, TO LIVE OUR VALUES

2011 objective	Making it happen in 2011	2011 self-assessment
Build an enabling high-performance culture	The results of the Nedbank culture (Barrett) survey in 2011 remained positive, with the overall entropy (extent of dissonance in an organisation) score decreasing from 13% in 2010 to **11%**. The entropy score for a worldclass organisational culture is 10%.	Achieved.
Improve staff satisfaction	2011 saw a decline in the Nedbank Staff Survey (NSS) score to **74,4%** (2010: 75,9%).	Not achieved but overall score well within the high performance range.
Embed talent management	Robust succession plans were completed and signed off for key jobs and cluster executive roles. The individual profiles for successors have been enhanced. Staff attrition (2011: **7,6%**) is the lowest it has been since 2008 (2008: 12,3%).	Achieved.
Learn and grow	Nedbank Group achieved its skills development target, allocating 76% of spend to previously disadvantaged groups. The group spent R301m on training in 2011, which is 3,99% of the basic payroll, with 3,05% of the basic payroll having been spent on black staff after adjusted recognition for gender.	Exceeded.
Accelerate transformation	Nedbank Group continued to focus on initiatives aimed at promoting understanding and tolerance, and fostering good relations among employees – including specific initiatives for women and people with disabilities. The group achieved 90% or more on six of the nine focus areas listed in its employment equity (EE) targets. Nedbank Group did not achieve its EE targets at senior management level. Challenges were also experienced in terms of meeting the group's African targets at all management levels. However, the group expects to achieve the black compliance target of 80% at junior management level by the end of 2012. Challenges include the establishment of a robust talent pipeline for senior management and executive level and the appointment of Africans at middle and senior management levels.	Overall progress in implementing EE objectives. However, some EE targets were not achieved.

BARRETT – ENTROPY SCORE AND CULTURE MATCH



TARGETS FOR 2012

- Conducting 100 LFDG workshops that impact at least 1 000 leaders and managers to create a culture shift and build personal and leadership effectiveness.
- Achieving a target of 2,58% for people with disabilities (PWD) and black PWD target of 1,44% of the total workforce profile.
- Reaching 12,6 points on the skills development pillar of the dti Scorecard out of a maximum of 15 points; an improvement on the 10,29 internal target for 2011.
- Attaining a score of 11,3 points in EE against the increased movement targets effective from 2012.

STRATEGIC FOCUS AREAS FOR 2012 AND BEYOND

- Continued enabling of a client-centred culture.
- Ongoing building of personal and team leadership effectiveness through the Leading for Deep Green (LFDG) programme.
- Development of an Integrated Talent Framework – including succession planning and talent acquisition, as well as workforce planning and revitalising the employee value proposition (EVP).
- Refining the Nedbank Group reward strategy to ensure a more differentiated employee proposition.
- Building functional expertise in prioritised job roles through job family-related learning academies.
- A new enterprise resource planning system leveraging technology to provide value-adding human resources (HR) systems and management information to the business.
- Development and retention of key black talent to create bench strength for senior black managers through recruitment, retention and accelerated development.

STAKEHOLDER ENGAGEMENT

FEEDBACK/RESULTING ACTIONS

- Cascading of the Leading for Deep Green Programme started in March 2011 as a direct result of feedback from quantitative and qualitative research. In addition, managers were given extra support via an electronic newsletter containing pertinent information on managing others effectively. Five editions were distributed in 2011.
- Based on employee demand, a number of employee wellbeing events were held in 2011. These included stress workshops, wellness days and celebrations to commemorate 16 Days of Activism and World Aids Day.
- Nedbank Group continued to offer free HIV testing and counselling for all employees.
- Staff are encouraged to share their ideas in terms of potential strategy, products and client service improvements via innovation forums or directly to the responsible executive. Where appropriate, these ideas are shared with the board.
- The group engaged with employees regarding topical transformation matters. These afforded an opportunity for engagement with senior managers, the Group Executive Committee and members of the Nedbank Group Board.
- Training to equip employees and managers on how to accommodate a person with a disability in the workplace was held in 2011.

CASE STUDY

BUILDING A HIGH-PERFORMING CULTURE

During 2010 Nedbank's staff survey trends were studied to assess common emergent themes. Trends indicated a need to probe further into what were generally higher entropy scores and lower satisfaction scores among middle managers. As a result focus groups were conducted to gain a better understanding of the challenges and issues facing this group of staff.

Interventions emanating from the middle management focus groups included cascading the Leading for Deep Green (LFDG) personal leadership and team effectiveness programme to middle managers. This programme, launched in 2006, was initially aimed at executive and senior management level, and over four years it reached approximately 2 000 participants. In 2011 a decision was taken to cascade the programme to more than 6 000 managers across the group by 2014. In order to deliver on this goal an internal facilitator unit was established in 2011, ensuring inhouse capability exists to run the programme. During 2011 altogether 547 managers participated in the programme, taking the total number of participants to date to approximately 2 500.

LFDG is an opportunity for individuals and teams to reflect on themselves and their team to increase their own self-awareness and their team's effectiveness. Delegates are given a chance to examine the impact they have on others and how this impacts on the work environment and the organisation's culture.

At the same time most teams experience powerful changes during the workshops, finding that they are empowered through sharing and self-growth to reach their full potential. Overall the programme provides an opportunity for individuals to improve the manner in which they lead and relate to their team members. The benefit of this is creating an effective manager, who is self-aware and can contribute positively and effectively to his/her team. This goes a long way to creating a great place to work.

CLIENTS

Reporting standard

GRI FSSS: FS13, FS14

REVIEW OF 2011

Client-centred means being great at listening, understanding clients' needs and delivering, which is at the heart of Nedbank Group's strategy. Client satisfaction and delighting clients are key to the group's sustainability.

Over the past 18 months Nedbank Retail has moved from a predominantly product-oriented business to placing the client at the centre of its organisational design to 'deliver a choice of distinctive client-centred banking experiences'. Nedbank Business Banking has for the past six years invested consistently in a distinctive client-centred delivery model, with strong senior regional leadership. Nedbank Capital, Corporate and Wealth by their very nature require deep client understanding and tailored solutions and as such client focus is part of their DNA.

Cross-referencing

Stakeholder engagement
Page 86

Cross-referencing

Material matters
Pages 4 – 5

DEEP GREEN ASPIRATION: TO BECOME A GREAT PLACE TO BANK

2011 objective	Making it happen in 2011	2011 self-assessment
Reposition Nedbank Retail	Nedbank Retail is striving to be the most distinctive, relationship-oriented and client-centred bank. Nedbank Retail successfully launched the Nedbank Savvy and Nedbank Ke Yona offerings, significantly strengthening the brand positioning in the broader market segments. The aspirational brand is more accessible, with 65% new clients in entry-level banking (ELB), including youths. The Customer Management Assessment Tool (CMAT™) score of 54% was above the retail average, up from 47% in 2009. This equates to an improvement of 10%. Nedbank Retail has seen a step change improvement in its most recent results in 2011, after several years of marginal improvements and for the first time ever has truly worldclass intentions. Further details are included under Nedbank Retail's review of 2011 in the 'Business profile' section.	Achieved.
Ramp up Nedbank Wealth	Nedbank Wealth achieved a significant earnings increase on the back of good growth in insurance and asset management. New products and innovation Insurance: • **360Business** – an insurance offering that protects the viability and sustainability of a business • Solar geyser – offers clients the option to replace a burst geyser with a solar water heater • Hospital Cash – provides cash benefits for the number of days of hospital confinement Asset management: • UCITS IV – a Dublin-domiciled international investment offering • Nedgroup Investments invested in capacity and skills to deliver cash and institutional solutions to the domestic market	Achieved.
Retain the group's leadership position in wholesale banking	The group maintained strong market share of other private sector loans (excluding foreign currency loans). Nedbank Group maintained the largest property finance market share among banks in SA, while ensuring a high-quality portfolio. The group has a strong deposit-taking franchise and is the leader in Corporate Saver products (management of trust funds).	Achieved.
Leader in Business Banking for SA	The group achieved the fifth highest score out of 900 companies globally and the highest-ever score for B2B companies in the rigorous CMAT™ benchmarking. Client satisfaction is at an all-time high, following consistent investments in strengthening the service culture, training employees and delivering through the localised client service teams. The credit loss ratio was better than the target range for the seventh successive year despite the tough economic environment, evidencing the strong risk management culture in the business.	Achieved.
Grow primary-client status and transactional income streams	Nedbank Retail grew its number of primary clients by 157 869 and improved the quality of revenue per client. Nedbank Business Banking delivered strong net primary-banked client gains at 29% compound growth over two years. Nedbank Corporate's primary clients increased by 27 large corporates, building further on the strong gains of 20 large corporates in 2010 and 19 in 2009.	Exceeded.

2011 objective	Making it happen in 2011	2011 self-assessment
Improve service levels to worldclass standards	Besides participating in a number of annual industry surveys, Nedbank Group commissions its own ongoing client research. The main metric common to the majority of the bank is the Net Promoter Score (NPS), which is both used as a measure of the overall health of client relationships and as a behavioural driver seeking to enhance client loyalty and organic growth. **Over the past two years, all businesses in Nedbank Group for which NPS was calculated have seen improvements in this score in excess of 10 percentage points from a 2009 baseline.** In addition, Nedbank Retail and Nedbank Business Banking commissioned an additional benchmarking study that sees them compare favourably with local banks in 2011. This research, complemented with relevant focus groups and one-on-one client interviews, serves to deepen the understanding of root causes and inform required actions. During the last quarter of 2011 the Hackett Group was requested to benchmark Nedbank Group's information technology (IT) capability against peer group and worldclass organisations. **A strong set of results positioned Nedbank Group IT within the first quartile (deemed 'worldclass' by Hackett) in terms of effectiveness and in the upper second quartile (just below 'worldclass') in terms of efficiency.** Overall 2011 ended up as a pleasing year from a systems availability perspective. The group measures the overall uptime of its major infrastructural platforms as well as its most critical application systems. **The blended uptime score for both infrastructure and applications was 99,87% versus a target of 99,70%.** It is important to note that this was achieved against a record number of changes, with increasing complexity, deployed into the IT environment. While client service remains key in the group's drive to being client-centred, in cases where it is unable to resolve a complaint to the client's satisfaction the Ombudsman for Banking Services provides a free, alternative dispute resolution mechanism for complainants. The robust internal dispute resolution process ensures timeous resolution of complaints. The ombudsman has recognised that fewer cases were opened in 2011 as a result of this proactive approach to resolving complaints. **In 2011, altogether 683 (2010: 773) Nedbank Group-related cases were opened, with 663 closed (2010: 710). Of the majority of cases opened 30% relate to ATM disputes and in the main these relate to some form of cloning.** In response to this industrywide trend the group's security teams have implemented further processes to protect clients.	Achieved.
Expand the group's distribution footprint	Significant investment was made to expand the group's distribution footprint with an additional 121 staffed points of presence and 389 ATMs. The group implemented an integrated channel strategy to deliver a seamless client experience leveraging digital innovations, and to support high-growth potential micromarkets and area collaboration.	Achieved.
Improve the group's positioning in the public sector	Nedbank Group participated in the majority of public sector business tenders during 2011 and was appointed primary banker by four public sector entities in addition to retaining the primary-banked account for uThungulu District Municipality. The business retained its share of public sector liabilities and exceeded the targets for NIR and asset creation. Feedback from various levels of government has indicated that Nedbank Group is now well recognised as a reliable partner to the public sector.	Achieved.
Selectively expand into Africa and leverage the Ecobank–Nedbank Alliance	The group continued to build on the initial foundations of the Ecobank–Nedbank Alliance, with a number of major achievements during 2011. Various banking initiatives were implemented that align with the vision of providing clients with a one-bank experience across the African continent. These included the enabling of Ecobank regional cards on Nedbank ATMs in SA. Revenue is being generated as a result of an effective client engagement approach supported by streamlined operational processing. Client activity in sub-Saharan Africa increased significantly during 2011 and is reflected in the increased pipeline, transactional revenue and account openings that have been recorded across the business clusters. The Ecobank–Nedbank Alliance was recognised as the Most Innovative Bank in Africa at the *African Banker* Awards ceremony held in Washington during the 2010 annual meetings of the World Bank and International Monetary Fund and provides an unrivalled Pan-African banking footprint of 36 countries and over 2 000 outlets.	Achieved.

Cross-referencing
Business profile
Pages 52 – 57

Cross-referencing
Ethics and corporate accountability
Pages 432 – 433

Reporting standard

GRI FSSS: FS15
GRI G3.1: 1.2, PR3, PR5, PR6

STRATEGIC FOCUS AREAS AND OBJECTIVES FOR 2012 AND BEYOND

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

Cross-referencing

Material matters
Pages 4 – 5

STAKEHOLDER ENGAGEMENT FEEDBACK/RESULTING ACTIONS

- The top six criteria impacting clients' selection of a corporate banking partner in 2011 were identified as:
  - Advanced electronic banking.
  - Accessibility of banking staff.
  - Good value for fees paid.
  - Client service.
  - An understanding of business needs.
  - Superior-quality staff.

  This feedback has informed the corporate business plans, strategy development and marketing campaigns.
- Processes were updated in Nedbank Retail and refined [ie process to get IT3(b) tax certificates, feedback on applications and fee reversals].
- A perceived lack of executive contact was identified as a key concern among Nedbank Capital clients in 2011. In response Client Mapping and Executive Sponsorship was initiated for the top 50 clients of Nedbank Capital.
- Primary requirements of Nedbank Wealth clients in 2011 were access to finance, proactive communication and greater levels of accessibility to their bank and its solutions.
- Nedbank Group invested R9m in SA's water security through the WWF Water Balance Programme. This investment supported a client survey that highlighted water security as the top environmental concern.
- Adverts in local African languages.
- Adverts with financial education message embedded.

Cross-referencing

For examples of engagement refer to page 88

DATA PROTECTION AND PRIVACY

Nedbank Group subscribes to the Code of Banking Practice of The Banking Association South Africa and complies with the Consumer Protection Act and the Protection of Information Act, all of which require that all personal client information be treated as private and confidential. The group is further committed to complying with the Electronic Communications and Transactions Act regarding client privacy as well as the Financial Intelligence Centre Act (FICA) and Financial Advisory and Intermediary Services (FAIS) Act. Formal policies and processes are in place to manage client privacy and confidentiality. For more details on cybercrime, such as online fraud, fraud prevention and anti-money laundering please refer to the 'Operational risk' section online.

Cross-referencing

Operational risk
Pages 416 – 423

RESPONSIBLE PRODUCT/ INFORMATION LABELLING

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

CASE STUDY

EFFECTIVE REHABILITATION OF DISTRESSED CLIENTS

Nedbank Group has kept over 13 900 households in their homes in 2011 through effective rehabilitations and nurturing clients towards improved financial fitness.

Every year many clients find themselves in situations where they are no longer able to meet their monthly bond repayments and as a result face foreclosure of their bond.

Fortunately, this is not the way it has to end, as demonstrated by Nedbank's proactive loan restructure programme, which has helped over 13 900 distressed clients to stay in their homes, while another 2 300 clients, who made use of the Nedbank-assisted Sales process, were able to sell their property at favourable rates, thus enabling them not only to maximise their return, but also to maintain a clean record with the credit bureaus.

Key in the process is for clients proactively to engage with Nedbank before they miss a payment, and to this extent Nedbank launched a payment solution website, where clients can be guided around the options available to them and ask for help from a specialised call centre agent.

The legal process is nasty and costly for both the client and the bank, adding to the stress in their lives. Fortunately, Nedbank can confirm that the number of sales in execution has significantly decreased as a result of various interventions put in place aimed at assisting distressed homeowners.

SHAREHOLDERS

REVIEW OF 2011

During 2011 Nedbank Group delivered on multiple areas to shareholders:

- Total shareholder return of 15,3%.
- Price to tangible book above beginning of the year; the best-performing large-bank share.
- R924m EP from R289m loss.
- Uplift in ROA and ROE driven by strong NIR growth.
- Total dividend up 26,0%.

DEEP GREEN ASPIRATION: TO BECOME A GREAT PLACE TO INVEST

Metric	2011		Medium-to-long-term target	2012 outlook vs 2011	
ROE (excl goodwill)	15,3%	✗	5% above monthly weighted COE	Improving, remaining below target.	✗
Diluted HEPS growth	25,4%	✓	≥ CPIX + GDP growth + 5%	Above the target level.	✓
Credit loss ratio	1,14%	✗	0,60% – 1,00%	Improving, into upper end of target.	✓
NIR/expenses	81,5%	✗	> 85%	Improving, remaining below target.	✗
Efficiency ratio	56,6%	✗	< 50%	Improving, remaining below target.	✗
			Basel II basis:	Strengthening, remaining above Basel II target range.	
Core Tier 1 CAR	11,0%		7,5% – 9,0%		
Tier 1 CAR	12,6%		8,5% – 10,0%		
Total CAR	15,3%	✓	11,5% – 13,0%		✓
Economic capital		✓	Internal Capital Adequacy Assessment Process (ICAAP) A debt rating (including 10% capital buffer)		✓
Dividend cover	2,26 times	✓	2,25 to 2,75 times (under review pending dividend tax change)		✓

The group believes that, based on its current economic outlook, it will continue to make progress in delivering on these medium-to-long-term financial targets in 2012.

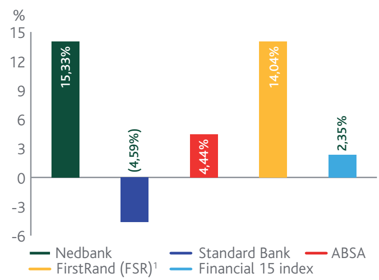
STRATEGIC FOCUS AREAS FOR 2012

- Further progress in meeting the medium-to-long-term financial targets.
- Refer to the investment case study for more details on:
  - Repositioning Nedbank Retail
  - Growing NIR
  - Portfolio tilt
  - Restof Africa

KEY STRATEGIC OBJECTIVES FOR 2012 AND BEYOND

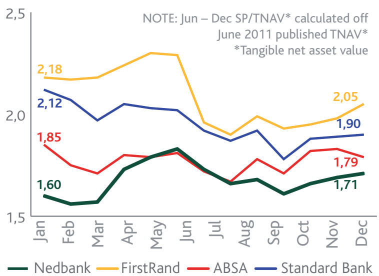
- Great place to invest

TOTAL SHAREHOLDERS' RETURN (TSR)

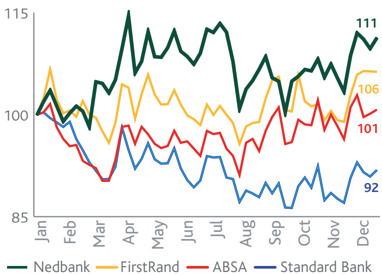


[1]FSR includes special dividend paid during 2011.

SHARE PRICE TO TNAV



2011: SHARE PRICE RELATIVE



Cross-referencing
Sustainable development performance review
Pages 82 – 151

Cross-referencing
Ethics and corporate accountability
Pages 432 – 433

Cross-referencing
Financial Report
Pages 160 – 173

Cross-referencing
Material matters
Pages 4 – 5

REGULATORS

Included in Nedbank Group's vision is to be admired by its regulators. Nedbank Group's primary regulator is the Bank Supervision Department of the South African Reserve Bank (SARB). The SARB is highly rated internationally as a regulator, especially following SA's successful navigation through the global financial crisis. The World Economic Forum's competitiveness report of 2011 ranked SA as number two in the category 'Soundness of Banks' and number one in the category 'Strength of Auditing and Reporting Standards'.

Other important regulators with whom Nedbank Group interacts frequently include JSE Limited (the JSE), the Financial Services Board (FSB), the Financial Intelligence Centre (FIC), the National Credit Regulator (NCR), the Financial Surveillance Department of the SARB and the Department of Labour.

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

Cross-referencing
Risk and balance sheet management Pages 372 – 423

Cross-referencing
Stakeholder engagement Page 86

REVIEW OF 2011

DEEP GREEN ASPIRATION: TO BE WORLDCLASS AT MANAGING RISK

Objective	Making it happen in 2011	2011 self-assessment
Manage risk as an enabler	Sound regulatory relationships, with good feedback from regulators and government stakeholders.	Achieved.
	Following approval of the Advanced Management Approach (AMA) for operational risk and Internal Measurement Approach (IMA) for market risk by the SARB, ensure these are embedded in risk and business processes.	Achieved.
	No significant matters/outcomes from the SARB onsite visits around governance and embedding of Basel II principles. Excellent feedback received on progress made in Nedbank Retail to embed quality risk management practices.	Achieved.
	Make significant progress towards the successful implementation of Basel III and Solvency 2 (SAM) in insurance businesses.	Significant progress in 2011. Gap analysis completed and plan being finalised.
	Internalise and operationalise new regulation/legislation efficiently and effectively.	Achieved.
	Engage proactively with the South African Police Services and other crime prevention initiatives to aid reductions in robberies, ATM bombings and cyber-related crimes. Improved physical security and bolstering of forensic skills.	Achieved.

Cross-referencing
Material matters Pages 4 – 5

STRATEGIC FOCUS AREAS FOR 2012

To build on the solid foundation established in 2010 and 2011 strategic emphasis will be placed on the following:

- Being client-driven – a key focus area for 2012 will be to make Nedbank an 'Easy place to bank'. This requires a careful balance of implementing the regulations so as to meet regulatory objectives while ensuring a great client experience.
- Providing effective risk leadership and maintaining strong relationships with the board, regulators and other stakeholders.
- Managing for value – this will be achieved through continued embedding and enhancement of the IMA for market risk capital requirements; AMA for operational risk; and Advanced Internal Ratings-based (AIRB) Approach for credit risk. Ongoing improvement of risk management practices will meet regulator expectations in continually elevating worldclass risk standards.
- Using risk as an enabler – alignment to the business will continue to ensure risk/reward optimisation and the achievement and exceeding of key performance objectives. Embedding worldclass risk management will continue as provisions are made to meet Basel III requirements.
- Creating a unique and innovative culture – continued emphasis on the importance of the reengineering of processes to demonstrate consistent and proactive responses to business needs and offer relevant risk management guidance. In the medium-to-long-term agility and proportionate response to regulation, risk management and strategy will continue to be focus areas.

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

KEY STRATEGIC OBJECTIVES FOR 2012 AND BEYOND

The significant regulatory reform programme (in particular Basel III) is materially increasing capital levels and liquidity costs, and calls for effective balance sheet management and a proactive strategic response. Regulatory risk remains high and uncertain due to Basel III, which is still to be finalised by the Bank of International Settlements (BIS) and the SARB (expected in 2012). To meet the stringent requirements of all regulators fully Nedbank Group will:

- continue with proactive engagement;
- respond timeously to regulators' concerns and queries;
- remain totally transparent to regulators; and
- maintain good relationships with all regulators.

STAKEHOLDER ENGAGEMENT

FEEDBACK/RESULTING ACTIONS

- Trilateral meetings were held with the board and group audit committees.
- Other than normal housekeeping issues, no major concerns were raised by the SARB during 2011.
- Engagements in 2011 focused on cash threshold reporting, illegal and internet gambling, the freezing of non-compliant credit card accounts, asylum seekers and refugees, suspicious-transaction reporting (STR) and training. Positive feedback was received on training initiatives and confirmation of the alignment of STRs. Following the FIC engagements, CTR has been implemented and enhancements to the system are being implemented.
- While the FSB raised issues in terms of improving the compliance operations in the business environment at the various closeout meetings, none of the matters related to material deficiencies in the compliance processes. Following the inspections, the group has not yet received the FSB reports to allow for implementation of recommendations, if required.

Cross-referencing
Risk and balance sheet management
Pages 372 – 423

Cross-referencing
Sustainable development performance review
Pages 82 – 151

Cross-referencing
Enterprise governance and compliance review
Pages 424 – 433

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

COMMUNITIES

Cross-referencing

Sustainable development performance review
Pages 82 – 151

Cross-referencing

Environmental sustainability
Pages 96 – 111

Cross-referencing

Group reduction targets
Page 99

Cross-referencing

Material matters
Pages 4 – 5

REVIEW OF 2011

DEEP GREEN ASPIRATION: TO BE HIGHLY INVOLVED IN THE COMMUNITY AND THE ENVIRONMENT

Strategic objective

Continue to lead as a corporate citizen to ensure that Nedbank Group remains SA's leading 'green and caring' bank, thereby building a sustainable business that is relevant in SA.

2011 objective	Making it happen in 2011	2011 self-assessment
Lead as a 'green bank' • Integrated sustainability step change:		Achieved.
– Impacts of lending	Refinement of the Social and Environmental Management System	
– Product and service development	• Nedbank Capital secured a 37% share of the funding in the first phase of SA's Renewable-energy Independent Power Producer Programme. • Launched SA's first green index – the Nedbank Green Index. • Launched the Nedbank BGreen Exchange-traded Fund, the first unitised fund of its kind in SA. • The group grew Nedbank Affinity donations by 28% to R18,7m in support of approximately 2 000 projects in the areas of arts and culture, sport development, needy children and environmental conservation. Since inception, R175m has been donated to the trusts across the Affinity portfolio. • Nedbank Group's clients use the Nedbank Solar Water Heater programme to install affordable solar geysers in their homes or businesses as part of an insurance replacement offering.	
– Carbonem issions	• In the South African Carbon Disclosure Project Leadership Index 2011 the group was recognised as a leader (gold certificate A-) in the performance category and placed second (96%) in the disclosure category.	
– Reduce resource consumption	• Greenhouse gas (GHG) emissions increased by 2,3%. This increase arises from organic growth and efforts to continue to expand Nedbank Group's GHG report boundary and scope, while simultaneously focusing on reducing its environmental impact. The group maintained its carbon-neutral status. Nedbank Group's emissions per fulltime employee (FTE) were reduced by 6,13% to 7,74 tCO_2e and emissions per m^2 of office space were reduced by 10,16% to 0,35 tCO_2e. • The centralised electronic carbon database is still being developed. • The group invested in SA's water security through the WWF Water Balance Programme. • Resource consumption was reduced in line with the group's reduction targets.	

2011 objective	Making it happen in 2011	2011 self-assessment
Lead as a 'caring bank' • Deliveron transformation commitment (level 2 BBBEE rating) • Become a truly SA bank: – Socioeconomic development (including external skills development) – Access to finance – Lending to enable healthcare, housing and education, enterprise development and community upliftment – Economic empowerment – Preferential procurement	• Nedbank Group maintained its level 2 rating in respect of the BBBEE Codes of Good Practice of the dti Codes. Nedbank Group was ranked by *Financial Mail as* SA's third most empowered corporate for the second year in a row. • The group exceeded the requirement of the dti Codes, which stipulate that 1% of net profit after tax (NPAT) must be directed towards socioeconomic development. In 2011 about 1,6% of Nedbank Group's 2010 NPAT, or R78m (R89m including the Community Trust) (2010: R80m), went towards supporting 448 socioeconomic development or social sustainability objectives in all nine provinces. – R35m of this was channelled through the Nedbank Foundation (the primary corporate social investment arm of Nedbank Group) to support 289 projects and causes (2010: 283). • In addition 2011 saw: – support provided to black small and medium enterprises (with a turnover of up to R35m), by extending R1 817m in new loans; – the provision of affordable-housing finance for 2 361 homes and the disbursement of R1 481m; – procurement spend of R7,7bn with 5 658 black-empowered suppliers; – financial and banking education of more than 48 500 consumers; and – continued growth of the banking footprint, with 121 additional staffed points of presence and 389 ATMs.	Achieved.

Cross-referencing
dti Scorecard
Page 28

Cross-referencing
Social sustainability
Pages 112 – 135

The group maintained its carbon-neutral status. Nedbank Group's emissions per fulltime employee were reduced by 6,13% to 7,74 tCO_2e and emissions per m^2 of office space were reduced by 10,16% to 0,35 tCO_2e.

carbon neutral
accredited

Cross-referencing
Carbon footprint
Page 102

2011 SUMMARISED DTI CODES SCORECARD

Ownership	Voting rights		Economic interest			Employee schemes/ Broad-based schemes, etc	Net equity value	Total score	Weighting points
	Black people	Black women	Black people	Black women	Designated groups				
	28,53%	**9,84%**	**25,75%**	**8,98%**	**20,73%**	**19,15%**	**25,75%**	**22,77**	**23**

Management control	Board	Black executive directors	Senior top management	Other top management	Bonus: Independent directors	Total score	Weighting
	50,00%	**41,67%**	**28,13%**	**n/a**	**62,50%**	**9,19**	**11**

Employment equity	Senior management	Middle management	Junior management	Disabled as % of total	Total score	Weighting
	25,88%	**53,63%**	**73,81%**	**1,52%**	**11,94**	**18**

Skills development	Skills spend %	Disabled skills spend %	Category B, C and D programmes	Total score	Weighting
	3,02%	**0,05%**	**4,41%**	**11,83**	**15**

Preferential procurement	% spend	% spend on QSEs[1] and EMEs[2]	% spend black-owned	% black-women-owned	Total score	Weighting
	99,58%	**32,33%**	**10,47%**	**4,50%**	**19,50**	**20**

Enterprise development	% contributions	Total score	Weighting
	6,30%	**15,00**	**15**

Socio-economic development	% contributions	Total score	Weighting
	1,76%	**5,00**	**5**

NON-SCORING PERFORMANCE

Product/Area	Mzansi	FSC[3] branches	Black SMMEs[4]	Black agriculture	Affordable housing	Targeted invest-ments	BEE[5] transaction financing	Consumer education	Weighting
Achieved	**290 951**	**8**	**R3 916**	**R164**	**R3 253**	**R10 590**	**R7 349**	**0,56%**	
Growth vs 2010	**(7,64%)**	**0,00%**	**92,57%**	**134,29%**	**83,58%**	**88,63%**	**11,86%**	**107,41%**	

Total BEE score			
	2011	**95,23**	**107**
	2010	**89,50**	**107**

[1] *Qualifying small entity.*
[2] *Exempt microenterprises.*
[3] *Financial Sector Charter.*
[4] *Small, medium and microenterprises.*
[5] *Black economic empowerment.*

Audited by SizweNtsalubaGobodo Inc.

STRATEGIC FOCUS AREAS FOR 2012

MAINTAIN AND ENHANCE NEDBANK GROUP'S POSITION AS SA'S 'GREEN AND CARING' BANK

Nedbank Group's positioning as a 'green and caring' bank is a strategic imperative for the group and reflects the group's commitment to embedding sustainability in all its forms across every area and function of the business.

While the word 'green' has come to represent something of a brand differentiator for Nedbank Group, its full meaning extends far beyond environmental concerns and actions. Being 'green and caring' is ultimately what drives the group's value proposition to its clients and stakeholders. It's a commitment always to strive to have a positive and lasting impact on the economy, environment, society and the group's own corporate culture, thereby unlocking the full potential of true, integrated sustainability.

KEY STRATEGIC OBJECTIVES AND TARGETS FOR 2012 AND BEYOND

Objective	Target
Continue with a step change focus to integrate sustainability initiatives and considerations more fully and holistically in all business activities.	Continued integration of sustainability into long-term strategy. Further development of sustainable product and service offerings. Enhancement of responsible lending practices.
Continue with carbon awareness, measurement and reduction and maintain the group's carbon-neutral status as part of its climate change leadership journey.	Minimising the group's carbon footprint through reducing electricity, paper consumption, waste and business travel and by increasing recycling initiatives. Maintaining carbon neutrality.
Reduced resource consumption	Continued focus on water access, quality and quantity. WWF Water Balance Programme will be a key part of this focus. This is in addition to the abovementioned initiatives to reduce resource consumption.
Deliver on transformation targets (level 2 dti Codes) and become a truly SA bank.	Maintain level 2 BBBEE rating with improving scores. Continue to enhance access to all financial services. Continue to grow the group's involvement in empowerment financing. Deepen the impact of the Nedbank Foundation spend through better integration of programmes and strengthening of partnerships.

STAKEHOLDER ENGAGEMENT

Examples of engagement	Resulting actions
The Nedbank Foundation works closely with the local leadership of the communities within which it operates as well as with the non-government organisations (NGOs) that implement the programmes that are funded.	Through these engagements Nedbank Group is able to identify further opportunities to improve the impact of these programmes, as well as extend their reach.
Although Nedbank Group is involved in the support of many initiatives within its selected focus areas, the company's efforts still remained relatively unknown among key stakeholders within these sectors.	Proactive activities to tell the Nedbank Group corporate social investment story better included taking journalists and other stakeholders on a roadshow, showcasing some of the projects that have been funded, and highlighting the sustainable benefit that these communities have derived from this.
The relationship between Nedbank Group and the WWF-SA continues to deliver benefits for environmental conservation in SA through The Green Trust and, in 2011, Nedbank Group's R9m investment in the WWF Water Balance Programme.	The WWF-SA challenges the Nedbank Group environmental status quo, through the Carbon-neutral Task Team. It has been involved in resetting the intensity reduction targets, where applicable, and providing input into the type of credits that are purchased to offset the group's residual footprint.
The **Caring for our Communities and Saving our World** initiative is a comprehensive community education programme aiming to share the many sustainability lessons learned by Nedbank Group with learners and community members, thereby enabling them to harness the power of sustainable thinking and action for their own benefit.	In 2011 almost 3 000 students and 700 adults from 59 schools across the country were involved in the programme, with more than 1 000 Nedbank Group volunteers helping to make it happen.
Education issues in relation to general sustainability and environmental issues were raised during engagements.	Both online training and printed communication were provided through the Nedbank BDFM Greening your Business Course and a regular column in *The Sowetan* newspaper.

Cross-referencing
Group strategy
Pages 8 – 9

Cross-referencing
Stakeholder engagement
Page 86

COMMUNITIES ... CONTINUED

Cross-referencing

Leading through collaboration
Page 96

CASE STUDY

LEADING WATER STEWARDSHIP PROGRAMME

Following Nedbank Group's achievement of carbon neutrality, the group has targeted water as a key focus of its sustainability efforts – with particular emphasis on access, quality and quantity as a three-pronged approach to effective water stewardship and the achievement of water security.

The group's water stewardship commitment is both internally and externally focused, with concerted efforts to reduce consumption across the group combined with the support and facilitation of various SA water security projects.

From a water access point of view Nedbank Capital has played a major funding and advisory role in various high-profile water infrastructure projects in southern Africa, including the Komati Water Scheme Augmentation Project.

The Nedbank Foundation has provided R4,8m in funding for the distribution of hundreds of 90-litre Hippo Water Rollers to rural communities. These rollers enable residents to collect and easily transport water across all types of terrain. The foundation also funded the sinking of boreholes for a number of communities.

In 2011 Nedbank Group significantly increased its commitment to the quantity and quality of water available for consumption by South Africans through its R9m investment in the WWF Water Balance Programme. These funds will be used to clear important water catchment areas of invasive plant species that severely limit the amount of water flowing into many of the country's dams.

By way of also addressing its own water demand and usage levels, Nedbank Group has implemented several internal initiatives. These include:

- black and grey water treatment systems in Phase II of its headoffice that recycle up to 50% of wastewater;
- dual-flusht oilets;
- water-saving devices such as hydrotaps and aerators;
- rainwater harvesting tanks for non-potable water requirements;
- sensor-fitted irrigation systems;
- biodegradable cleaning products; and
- the replacement of bottled water with filtered tap water.

Between 2009 and 2011 Nedbank Group reduced water consumption at its various campus sites by almost 5%, with current consumption per FTE at 15,97 kl per annum.

Nedbank Group also encourages its staffmembers to save water at home. In 2011 every employee was provided with water-saving devices to insert into their toilet cistern at home – saving up to one litre of water with every flush and a potential 100 million litres of water per year.

CASE STUDY

LEADING BUSINESS ACTION ON CLIMATE CHANGE – CONFERENCE OF THE PARTIES 17 (COP17)

Nedbank Group was actively involved in COP17 held in Durban, SA, between 28 November and 9 December 2011.

The group's participation at COP17 afforded it an international platform on which to demonstrate its expertise in sustainability, with particular emphasis on the environment. The sponsorship and hosting opportunities positioned the group well in the minds of local and international corporates, non-government organisations (NGOs) and governments as SA's truly green bank with a commitment to collaborating with like-minded organisations to develop climate change solutions and drive the establishment of a green economy.

Key events hosted or sponsored by Nedbank Group included the following:

- The group sponsored the World Climate Summit and Climate Action Event, the premier business events at COP17. Many group executives spoke, sharing the stage with President Jacob Zuma and other dignitaries.
- The Nedbank Group Kingsmead building played host to a number of key events, addressing critical issues around energy, water and food security.
- Nedbank Group's partnership with CPSL resulted in the popular COPpuccino sessions, which brought together thought leaders and analysts to give a business perspective on each day's proceedings at COP17.
- The Nedbank stand at the Climate Change Response expo brought together education and entertainment in a holistic green package.

More than merely a financial sponsorship, Nedbank Group's support of COP17 was used to highlight its belief in the potential for a practical global agreement to be developed to drive the reduction of man-made greenhouse gas emissions in a way that is considered fair and binding by all participants.

VALUE-ADDED STATEMENT

	2011 Rm	2011 Mix %	2010 Rm	2010 Mix %
Value added is the wealth created from providing quality services to clients				
Net interest income	18 034	87	16 608	98
Impairment losses on loans and advances	(5 331)	(26)	(6 188)	(36)
Income from lending activities	12 703	61	10 420	62
Non-margin-related income[1]	15 398	74	13 125	77
Other expenditure	(7 342)	(35)	(6 594)	(39)
	20 759	100	16 951	100
Value allocated				
Employees	10 243	49	8 794	52
Government (taxes)[2]	2 679	13	1 811	11
Shareholders[3]	2 921	14	2 367	14
Retentions for growth	4 916	24	3 979	23
Depreciation and amortisation	1 334	7	1 210	7
Retained income	3 582	17	2 769	16
	20 759	100	16 951	100

[1] *Includes non-interest revenue, non-trading and capital items, and share of profits of associates and joint ventures.*
[2] *Includes direct and indirect taxation.*
[3] *Value is allocated to shareholders in respect of cash dividends (does not include the underlying value of capitalisation shares awarded) and income attributable to non-controlling shareholders.*

Reporting standard

GRI G3.1: EC1

Cross-referencing

Consolidated annual financial statements Pages 188 – 343

The Nedbank stand at the Climate Change Response expo brought together education and entertainment in a holistic green package.

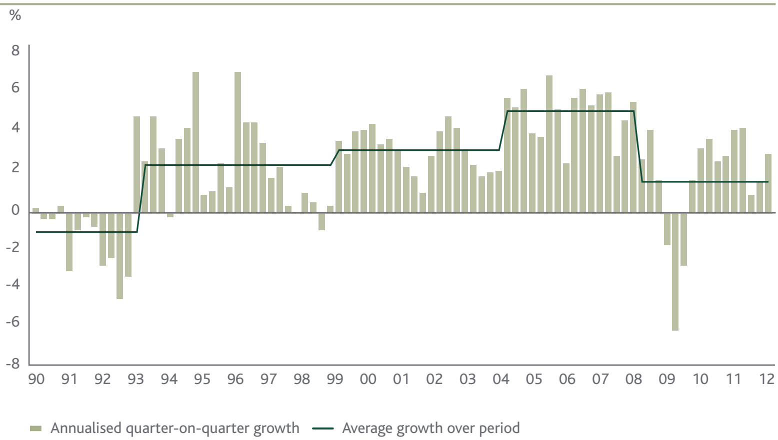
ECONOMIC REVIEW

SA's gross domestic product growth in 2011 was a moderate 3,1%, only slightly up on the 2,9% of the previous year. The stop-start nature of the global economic recovery was the key impeding factor, holding back primary and secondary activity as companies reassessed prospects and delayed investment decisions.

Reporting standard

GRI G3.1: 1.2, EC2

GROSS DOMESTIC PRODUCT



The global economic environment also suffered several setbacks, including the supply chain disruptions following Japan's natural and nuclear disasters, the budget ceiling impasse in the United States and the escalation of the Eurozone crisis. Early confidence soon waned and production faltered as the year progressed. Risk aversion and panic grew as liquidity for European banks dwindled and the likelihood of an imminent and disorderly breakup of the Eurozone increased. Policymakers were slow to address key concerns properly, with Europe in particular always behind expectations. Fortunately, a full-blown liquidity crisis was averted by two extensive European Central Bank programmes, which bought further time to address the underlying structural issues more comprehensively. Growth in most developing countries also lost momentum in the face of weak export demand and continued uncertainty.

SA production was hurt by the weaker demand in Europe, which makes up around 30% of manufactured exports, as well as a slump in many export prices in the second half of the year. Foreign support for the local rand bond market remained despite the nervous international climate. However, foreign net equity sales and a move back into the US dollar kept the rand under pressure. Despite rising inflation, the South African Reserve Bank kept interest rates at 37-year lows, citing the downside risks to the economy stemming from the global situation.

Domestic spending was relatively robust in 2011. After two years of contraction capital formation started expanding off the lower base. Encouragingly, this included the private sector and general government. However, projects continue to be delayed because of the global climate as well as policy uncertainty and infrastructural constraints, particularly in the electricity and transport arenas. Consumer spending remained firm, helped by some improvement in employment levels, above-inflation wage increases, continued low interest rates and a lower debt burden.

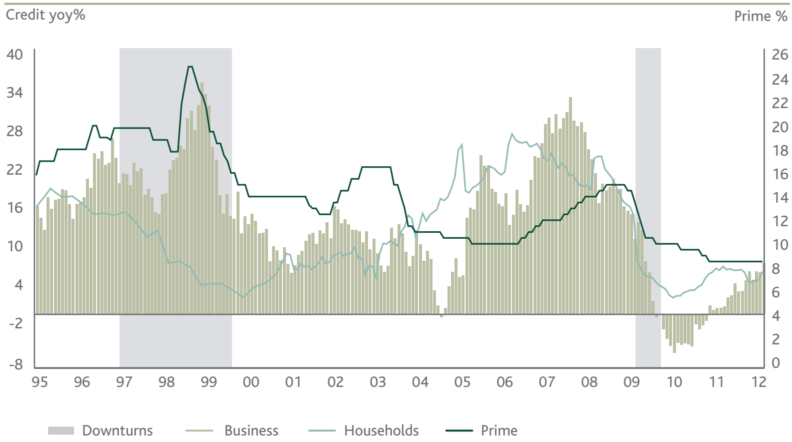
Macro conditions for the banking industry continued to improve, but at a relatively slow pace for this point of the economic cycle. Insolvencies and liquidations were lower than in 2010, but in the second half moved higher off the lower base established in the early part of the year. At the macro level the credit loss ratios continued to drift lower.

Credit extension remained modest, with most new advances going to companies and personal loans. Instalment sales and leasing finance also picked up during the year, but mortgage loan growth was weak. Increased regulatory requirements, bank caution after the 2008/2009 experience, continued high existing debt levels and uncertainty over the economic outlook have all contributed to the slow recovery in lending.

Environmental issues were high on the agenda in 2011 as SA successfully hosted the 17th Conference of the Parties of the United Nations (COP17) on climate change. The government also made material advances in encouraging the increased provision of renewable energy through its Renewable Energy Independent Power Producer Procurement Programme. The programme will help reduce reliance on carbon energy, but considerable changes to the country's economic structure will be required over the long term to contain emissions to acceptable levels.

Cross-referencing
Material matters
Pages 4 – 5

BUSINESS AND HOUSEHOLD CREDIT DEMAND: ANNUAL PERCENTAGE CHANGE



OUTLOOK

Prospects for 2012 remain largely dependent on developments among SA's key trading partners. The country is exposed to the expected downturn in Europe, although most trade is with the stronger performers within the European Union.

Commodity price performance is also important despite the fact that mining only represents around 10% of activity. However, more than half of SA's exports are commodities or commodity-related and there are strong linkages with other sectors.

A key area of global influence on the economy is through capital flows. The regular swings in risk-on, risk-off trades are likely to continue in 2012 as markets grapple with the implications of economies that are adjusting to a changed environment where increased debt is no longer the norm. Exchange rate volatility is therefore likely.

Locally, the economy's performance will remain constrained by a lack of infrastructure and uncertainty around the future policy environment as the African National Congress debates key issues ahead of its elective conference in December 2012.

CHAIRMAN'S REPORT

DR REUEL KHOZA

NON-EXECUTIVE CHAIRMAN

Reporting standard

GRI G3.1: 1.1

ETHICS AND CORPORATE ACCOUNTABILITY

Changing business practices both locally and internationally lead us to believe that the age of accountability has dawned as business starts to face its responsibilities to society and the environment.

In South Africa the introduction of King lll has created a heightened awareness of corporate governance and an increased focus on sustainable business practices. Companies are now required to report on their financial, social and environmental performance on an integrated basis. Internationally the consequences of the global financial crisis have led business to reexamine its responsibility to the society in which it operates.

Cross-referencing

Chief Executive's Report
Pages 42 – 45

Corporate accountability extends beyond being answerable only to shareholders.

Stakeholders include employees, clients, suppliers, trading partners, along with families and communities, all of whom stand to gain from the success of a business or lose when it fails.

The leaders of any institution are responsible to ensure that the rights of stakeholders are protected and enhanced. This responsibility, however, is mutual as it is up to stakeholders to defend their rights and hold boards and management accountable.

Corporate governance is grounded on an ethical foundation and we all have a duty to ensure that business is ethical and that stakeholders can exercise influence for the better.

Cross-referencing

Ethics and corporate accountability
Pages 432 – 433

The role of leadership in a corporation falls to the board of directors, and their goal should be to achieve long-term value through sustainable business practices that achieve profits, meet the needs of communities and conserve the environment.

Nedbank Group has an Ethics and Corporate Accountability Framework that guides behavioural practices, and during the past year the ethical foundation was strengthened across the business. This included the revision of the Nedbank Board Ethics Statement, creating a userfriendly Nedbank Code of Business Ethics and Code of Conduct, and the development of a Nedbank Pledge to be signed by all staff. The directors are required to sign the Board Ethics Statement annually to demonstrate their continued commitment to the group's values and ethical conduct.

In compliance with the Companies Act and the recommendations of King lll the mandate of the current Transformation and Sustainability Committee has been extended to incorporate the functions of a social and ethics committee. The board committee is now known as the Group Transformation, Social and Ethics Committee.

Further detail on ethics and corporate accountability is contained in the Enterprise Governance and Compliance review.

BANKING AND OPERATING ENVIRONMENT

The global banking environment deteriorated in 2011 as the European sovereign-debt crisis continued to unfold, leading to a loss of economic growth momentum in both developed and emerging markets.

Gross domestic product (GDP) growth for 2011 was 3,1%, and while this was up from 2010, it remains well below the level needed to make a material difference to job creation in the country.

Interest rates have remained constant in 2011 at 37-year lows.

Household demand for credit remained stable and transactional demand continued to strengthen, supported by real wage increases.

Business confidence remained at low levels for most of 2011, with corporate credit demand gaining some traction towards the end of the year as both private and public sector fixed-investment activity increased off a low base.

The challenges of climate change and the resulting energy-water-food nexus impact all of our stakeholders. We are attempting to address this through our integrated approach to sustainability.

JOB CREATION

One of the major socioeconomic and political challenges facing our country is addressing unemployment and creating jobs. While these issues are priorities on the national agenda, it should be acknowledged that there are few cases in the world where government and big business have been able to create jobs on a large scale. Job creation is also stifled if our economy is not expanding.

The issue needs to be addressed by focusing on entrepreneurship. Government should create an enabling environment with minimal regulation to enable entrepreneurs to flourish.

Our education system is producing thousands of graduates each year, yet the lack of skills and experience make it difficult to accommodate these young people in the formal economy. At the same time local government and municipalities in many areas of our country are in dire need of efficient administration and management.

We believe government and the private sector should collaborate to create a programme to deploy these unemployed graduates and recently qualified people to local authorities for a few years. This would allow them to transition from theoretical training to gain practical experience and enhance their prospects in the job market. Corporate SA can play a key role in sponsoring these graduates for the duration of their employment in local government.

There are also many highly skilled and experienced company executives retiring at statutory ages of 60 to 63. Given the skills shortage in our country, we need to harness these skills to mentor and train the young graduates and those entering the job market for the first time.

UPHOLDING OUR CONSTITUTION

SA is widely recognised for its liberal and enlightened constitution, yet we observe the emergence of a strange breed of leaders who are determined to undermine the rule of law and override the constitution. Our political leadership's moral quotient is degenerating and we are fast losing the checks and balances that are necessary to prevent a recurrence of the past. This is not the accountable democracy for which generations suffered and fought.

The integrity, health, socioeconomic soundness and prosperity of SA is the collective responsibility of all citizens, corporate or individual. We have a duty to build and develop this nation and to call to book the putative leaders who, due to sheer incapacity to deal with the complexity of 21st century governance and leadership, cannot lead.

We have a duty to insist on strict adherence to the institutional forms that underpin our young democracy.

BOARD OF DIRECTORS

One of our longest-serving boardmembers and senior independent director, Chris Ball, retired during the year after reaching the mandatory retirement age. Chris is a banking man of infinite sagacity and was a pillar of strength during the bank's transition. He served with distinction over more than eight years, the last four as our lead independent director. Chris always demonstrated decisive and independent thinking, and we wish him well in his retirement.

Malcolm Wyman was appointed as the senior independent non-executive director and also succeeded Chris as Chairman of the Group Audit Committee.

Alan Knott-Craig resigned as a non-executive director early in the new financial year following his appointment as chief executive of Cell C. Alan was the voice of innovation on our board and his expansive knowledge of the information technology and telecommunications industry has been invaluable to the group. Tom Boardman will assume the role of Chairman of the Group Information Technology Committee.

Thenjiwe Chikane has been appointed as Chairman designate of the Group Remuneration Committee and Gloria Serobe has been appointed as Chairman of the Group Transformation, Social and Ethics Committee.

Professor Brian Figaji will be retiring from the board following the annual general meeting in May 2012. Brian has been a stalwart and a stabilising voice of wisdom on the board over the past 10 years, and we will certainly miss his involvement at board and committee meetings.

We welcomed Mpho Makwana as an independent non-executive director. He has a wealth of diverse knowledge gained in the communications, banking and public sectors, and we look forward to benefiting from his experience.

Following the recent changes, the board now comprises 16 directors, with 13 being non-executive and seven of these classified as independent in terms of King lll. We are currently canvassing potential board candidates with industry and legal expertise.

Cross-referencing

Enterprise governance and compliance review
Pages 424 – 433

Cross-referencing
Group strategy
Pages 8 – 9

Cross-referencing
For guidance on the group's targeted performance for 2012 refer to the Chief Executive's Report
Pages 42 – 45

OUTLOOK

Macroeconomic conditions remain uncertain with downside risk, mainly as a result of the indirect effects of the European economic slowdown. SA's GDP is currently forecast to grow by 2,7% in 2012, but remains dependent on international developments. While SA's GDP growth lags that of its BRIC peers, it remains well ahead of many European and American markets.

Given that confidence is anticipated to remain fragile, private sector fixed-investment activity is expected to remain modest. However, government and public corporations are forecast to escalate their infrastructure spending, which should contribute to improved wholesale advances growth.

Infrastructure was identified as a priority in the President's State of the Nation address and in the Minister of Finance's recent budget speech, and we encourage government to address this with a sense of urgency. We would also like to see the planned infrastructure projects being undertaken in collaboration with the private sector. Government partnered most successfully with the private sector to deliver large-scale infrastructure development ahead of the football World Cup in 2010.

Consumer spending is anticipated to moderate as concerns about inflation, house prices and job security prevail. Transactional demand should remain robust, while credit demand is likely to improve slowly off a low base as consumer balance sheets strengthen and debt levels decline. Interest rates are expected to remain flat, with a possible increase in the fourth quarter of 2012.

In this uncertain global environment Nedbank Group offers qualities that we believe are attractive to investors and should support continued earnings growth due to:

- Nedbank Group being one of the country's big four banks, with SA banks ranked second in the Soundness of Banks category in the 2011 Global Competitiveness Survey undertaken by the World Economic Forum;
- a strong, well-capitalised balance sheet with a prudent funding structure and sound liquidity;
- a strong wholesale banking franchise generating high returns on equity (ROEs);
- our strengthened and growing retail franchise;
- our growing wealth management business yielding high ROEs;
- the group's proven ability to manage costs over time;
- our growing primary-client base;
- sound risk management practices;
- the group's stable and experience management team; and
- good staff morale and a values-based culture.

APPRECIATION

On behalf of my board colleagues I thank Errol Kruger who retired as the Registrar of Banks in July 2011. Errol was cooperative, meticulous and thorough in rising to the challenges of the job, and was always firm without being rigid. His role in ensuring that the domestic banking industry emerged relatively unscathed from the global financial crisis should never be underestimated. We also welcome Errol's successor, René van Wyk, and wish him well.

Thank you to my fellow directors for their insight and commitment to the affairs of the group. I congratulate Mike Brown and his Group Executive Committee on the excellent all-round performance in 2011. Mike has demonstrated bold and decisive leadership and heads a motivated and highly energised team who have created a strong growth momentum in the business. This ensures we face the year ahead with confidence.

Our staff are continually striving to exceed the expectations of our stakeholders and we thank them for their contribution in making 2011 a year of record earnings for Nedbank Group.

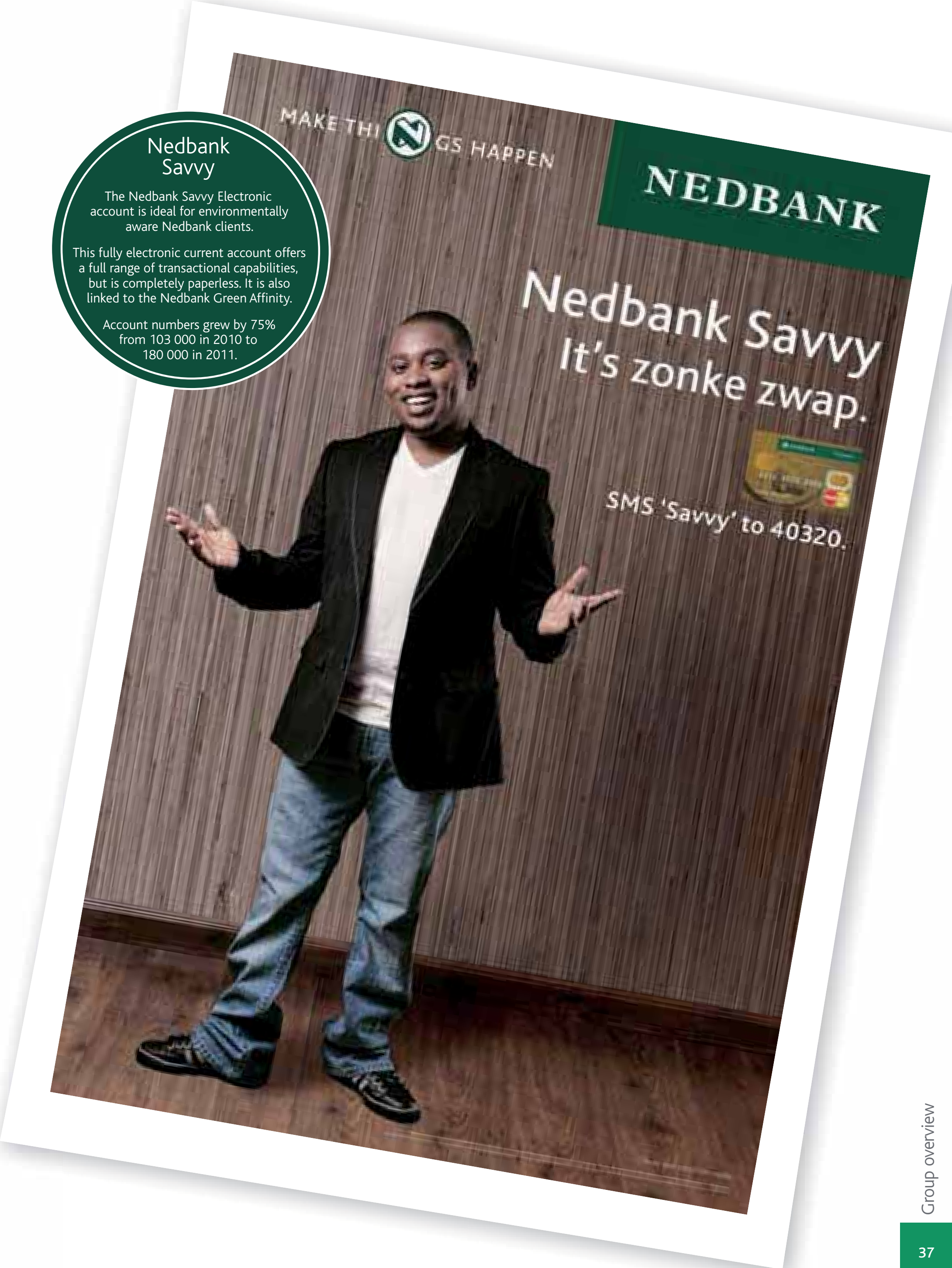
Dr Reuel Khoza
Chairman

Nedbank Savvy

The Nedbank Savvy Electronic account is ideal for environmentally aware Nedbank clients.

This fully electronic current account offers a full range of transactional capabilities, but is completely paperless. It is also linked to the Nedbank Green Affinity.

Account numbers grew by 75% from 103 000 in 2010 to 180 000 in 2011.



BOARD OF DIRECTORS

Reporting standard

GRI G3.1: 4.3

Cross-referencing

Chairman's Report
Pages 34 – 36

Dr Reuel Jethro Khoza (62)

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) Limited, and a non-executive director of Nampak Limited, Protea Group Limited 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 Limited. Reuel is also the Chancellor of the University of Limpopo.

COMMITTEES
Group Directors' Affairs Committee (Chairman).

SHARES
Nedbank Group Limited ordinary shares:
1 800 beneficial direct and 1 374 beneficial indirect.

Nedbank Limited preference shares: 0.

Cross-referencing

Chief Executive's Report
Pages 42 – 45

Thomas Andrew Boardman (62)

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 Limited from December 2003 to February 2010. He was previously Chief Executive and an executive director of BoE Limited. He was the founding shareholder and Managing Director of retail housewares chain Boardmans, which was sold to Pick n Pay Stores Limited in 2006. Prior to this he was Managing Director of Sam Newman Limited and worked for the Anglo American Corporation Limited for three years. He is a non-executive director of Nedbank Group, Woolworths Holdings Limited and Mutual & Federal Insurance Company Limited. He is a director of the World Wide Fund for Nature South Africa and The Peace Parks Foundation and Chairman of The David Rattray Foundation, and serves as a trustee on a number of other charitable foundations.

COMMITTEES
Group Information Technology Committee (Chairman with effect from 24 February 2012), Group Transformation, Social and Ethics Committee, Group Credit Committee, Large-exposure Approval Committee, Group Finance and Oversight Committee.

SHARES
Nedbank Group Limited ordinary shares:
55 662 beneficial direct and 191 548 beneficial indirect.

Nedbank Limited preference shares: 85 000 beneficial indirect.

Cross-referencing

Sustainable development performance review
Pages 82 – 151

Michael William Thomas Brown (45)

Chief Executive

APPOINTED
June 2004 as an executive director and March 2010 as Chief Executive.

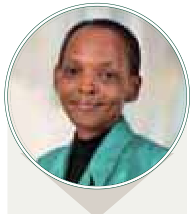
QUALIFICATIONS
BCom, Dip Acc, CA (SA), AMP (Harvard Business School, USA).

NATIONALITY
SA.

Before being appointed Chief Executive of Nedbank Group in 2010, Mike was the Chief Financial Officer of the group. Prior to this he was an executive director of BoE Limited and, after the merger between Nedbank Limited, BoE Limited, Nedbank Investment Bank Limited and Cape of Good Hope Bank Limited, was appointed Head of Property Finance at Nedbank Limited.

COMMITTEES
Large-exposure Approval Committee, Group Credit Committee.

SHARES
Nedbank Group Limited ordinary shares:
65 190 beneficial direct and 346 115 beneficial indirect.
Nedbank Limited preference shares: 0.



Thenjiwe Claudia Pamela Chikane (46)

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 boardmember of Datacentrix Holdings Limited 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 Limited, The Petroleum, Oil and Gas Corporation of South Africa (SOC) Limited (PetroSA) and chairperson 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 (appointed 24 February 2012 as Chairman designate).

SHARES
Nedbank Group Limited ordinary shares:
24 326 beneficial indirect.

Nedbank Limited preference shares: 0.

Graham Wayne Dempster (56)

Chief Operating Officer

APPOINTED
August 2009.

QUALIFICATIONS
BCom, CTA, CA (SA), AMP (Harvard Business School, USA).

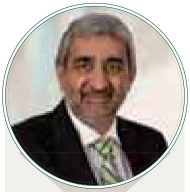
NATIONALITY
SA.

Graham joined the group in 1980 in the Corporate Finance Division of UAL Merchant Bank Limited. He was appointed General Manager in 1987 and Joint Head of the Special Finance Division in 1989. In 1992 he was transferred to Nedbank Limited, 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 Limited ordinary shares:
17 822 beneficial direct and 218 086 beneficial indirect.

Nedbank Limited preference shares: 0.



Mustaq Ahmed Enus-Brey (57)

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 Limited and Oceana Group Limited.

COMMITTEES
Group Risk and Capital Management Committee (Chairman), Group Remuneration Committee, Group Directors' Affairs Committee, Group Credit Committee, Group Finance and Oversight Committee, Large-exposure Approval Committee.

SHARES
Nedbank Group Limited ordinary shares:
2 113 beneficial indirect.

Nedbank Limited preference shares: 0.

Prof Brian De Lacy Figaji (67)

Independent Non-executive Director

APPOINTED
November 2002.

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

NATIONALITY
SA.

Brian is Chairman of Irvin & Johnson Limited and MARIB Holdings (Pty) Limited. He is the former principal and vice-chancellor of the Peninsula Technikon. He is also a director of Cape Lime (Pty) Limited and the Development Fund of the Development Bank of Southern Africa. He became a Nedbank Group director in November 2002.

COMMITTEES
Group Remuneration Committee (Chairman), Group Credit Committee, Group Directors' Affairs Committee, Group Transformation, Social and Ethics Committee, Group Audit Committee, Large-exposure Approval Committee.

SHARES
Nedbank Group Limited ordinary shares:
30 278 beneficial indirect and 1 530 non-beneficial indirect.

Nedbank Limited preference shares: 0.

Donald Ian Hope (55)

Non-executive Director

APPOINTED
December 2009.

QUALIFICATIONS
Member of the Association of Corporate Treasurers, 1989.

NATIONALITY
New Zealand.

Don was appointed Head of Strategy Development at Old Mutual plc in March 2009. He joined the Old Mutual Group as Group Treasurer in May 1999 with responsibility for developing the group's international treasury function. Don is Chairman of Old Mutual (Bermuda) Limited.

COMMITTEES
Group Risk and Capital Management Committee, Group Remuneration Committee, Group Finance and Oversight Committee.

SHARES
None.

Reporting standard

GRI G3.1: 4.3

Cross-referencing

Chief Operating Officer's Report
Pages 80 – 81

Cross-referencing

Remuneration Report
Pages 344 – 369

Reporting standard

GRI G3.1: 4.3

Cross-referencing

Directors' responsibilities
Page 179

Alan De Villiers Charles Knott-Craig (59)

Independent Non-executive Director

APPOINTED
January 2009.

QUALIFICATIONS
BSc (Eng) (Elec), MBL, DBL(hc), DBA(hc).

NATIONALITY
SA.

Alan served as Managing Director of Vodacom Limited from 1993 and was Chief Executive of Vodacom Group from 1996 until his retirement at the end of September 2008. He is currently a member of the Board of the Council for Scientific and Industrial Research, an independent non-executive director of Right to Care and a Governor of the Lebone II School.

COMMITTEES
Group Information Technology Committee (Chairman), Group Finance and Oversight Committee, Group Risk and Capital Management Committee, Group Directors' Affairs Committee.

SHARES
None.

RESIGNED
After the year-end on 24 February 2012.

Wendy Elizabeth Lucas-Bull (58)

Independent Non-executive Director

APPOINTED
August 2009.

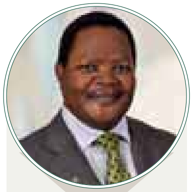
QUALIFICATIONS
BSc.

NATIONALITY
SA.

Wendy is a founder of empowerment investment company Peotona Group Holdings (Pty) Limited. She was previously Chief Executive of FirstRand Limited's retail business and prior to that an executive director of Rand Merchant Bank. She is currently an independent non-executive director of the Development Bank of Southern Africa and Anglo American Platinum Limited. Wendy is also a member of the President's Advisory Council on Black Economic Empowerment.

COMMITTEES
Group Information Technology Committee, Group Credit Committee (Chairman), Group Risk and Capital Management Committee, Group Directors' Affairs Committee, Group Finance and Oversight Committee, Large-exposure Approval Committee, Group Audit Committee.

SHARES
None.



Paul Mpho Makwana (41)

Independent Non-executive Director

APPOINTED
17 November 2011.

QUALIFICATIONS
BAdmin(Hons).

NATIONALITY
SA.

Immediate past Chairman of Eskom Holdings Limited.

Independent director of Adcock Ingram Limited effective 1 February 2012.

COMMITTEES
Group Remuneration Committee, Group Transformation, Social and Ethics Committee.

SHARES
None.

Nomavuso Patience Mnxasana (55)

Independent Non-executive Director

APPOINTED
October 2008.

QUALIFICATIONS
BCompt(Hons), CA (SA).

NATIONALITY
SA.

Nomavuso is a director at Winhold Limited, Optimum Coal Limited and Land and Agricultural Development Bank of SA Limited (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 Limited.

COMMITTEES
Group Audit Committee, Group Remuneration Committee, Group Risk and Capital Management Committee.

SHARES
Nedbank Group Limited ordinary shares:
11 620 beneficial indirect.

Raisibe Kgomaraga Morathi (42)

Chief Financial Officer

APPOINTED
September 2009.

QUALIFICATIONS
BCompt(Hons), CA (SA), H Dip Tax, AMP (INSEAD).

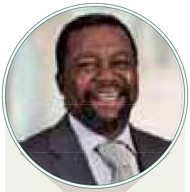
NATIONALITY
SA.

Raisibe has held senior positions in banking and insurance over the past 18 years. Prior to joining Nedbank Group she was an executive director of Sanlam Limited and a non-executive director of Santam Limited. She previously held several executive positions at the Industrial Development Corporation of SA Limited, the last position being Chief Operating Officer.

COMMITTEES
Large-exposure Approval Committee, Group Credit Committee.

SHARES
Nedbank Group Limited ordinary shares:
4 233 beneficial direct and 127 964 beneficial indirect.

Nedbank Limited preference shares: 0.



Joel Khathutshelo Netshitenzhe (55)

Independent Non-executive Director

APPOINTED
August 2010.

QUALIFICATIONS
MSc (University of London, UK).

NATIONALITY
SA.

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 is a member of 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 Limited.

COMMITTEES
Group Risk and Capital Management Committee.

SHARES
None.

Julian Victor Frow Roberts (54)

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 Limited.

COMMITTEES
Group Directors' Affairs Committee.

SHARES
None.

Gloria Tomatoe Serobe (52)

Non-executive Director

APPOINTED
August 2005.

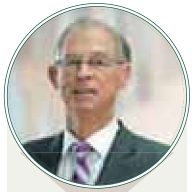
QUALIFICATIONS
BCom (Unitra), MBA (Rutgers, USA).

NATIONALITY
SA.

Gloria is the Chief Executive of Wipcapital Limited and also founder and executive director of Wiphold Limited. She was previously the Executive Director: Finance at Transnet SOC Limited. Gloria serves on several boards, including that of JSE Limited. She is also a non-executive director of Old Mutual Life Assurance Company (SA) Limited.

COMMITTEES
Group Transformation, Social and Ethics Committee (Chairman with effect from 24 February 2012), Group Credit Committee, Large-exposure Approval Committee.

SHARES
Nedbank Group Limited ordinary shares:
1 296 non-beneficial indirect.



Malcolm Ian Wyman (65)

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 Limited. 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 Limited ordinary shares:
350 non-beneficial indirect.

Nedbank Limited preference shares: 0.

Cross-referencing
Financial Report
Pages 160 – 173

Cross-referencing
Audit Report
Pages 180

CHIEF EXECUTIVE'S REPORT

MIKE BROWN

CHIEF EXECUTIVE

Reporting standard

GRI G3.1: 1.1

Cross-referencing

Chairman's Report
Pages 34 – 36

Cross-referencing

Material matters
Pages 4 – 5

Cross-referencing

Stakeholder overview
Pages 16 – 31

INTRODUCTION

It is pleasing to report to shareholders on a year of strong growth as headline earnings increased by 26,2% to a record level of R6,2bn, above the figure of R5,9bn reported in 2007 before the onset of the global financial crisis and economic downturn in SA. The results reflect an improved quality of earnings, conservative provisioning, increased liquidity buffers and strong capital generation, with core Tier 1 capital improving organically from 7,2% in 2007 to 11,0% in 2011.

Two years ago we identified four strategic drivers that are core to the sustainability and growth of our business, namely repositioning Nedbank Retail, growing non-interest revenue (NIR), implementing our portfolio tilt strategy and expanding our business in the rest of Africa. It is most encouraging to see the benefits of these strategic focus areas becoming increasingly evident in the results for 2011.

However, we recognise that lots of hard work still lies ahead. In 2011 the group achieved four of its eight medium-to-long-term financial targets and we have some way to go to meet all of our targets, particularly achieving the return on equity (ROE) targets in an environment of lower leverage and lower interest rates. While it was very pleasing to see our ROE (excluding goodwill) increase from 13,4% in 2010 to 15,3% in 2011, our target for this ratio is to exceed the cost of equity plus 5%, which is approximately 18% to 19%.

My report focuses primarily on progress towards realising the group's vision of building Africa's most admired bank, the strategic focus areas that are driving business growth and the prospects for 2012. The Chairman's Report covers corporate ethics and accountability and socio-political and economic issues on a macro level, while the Financial Report provides a more detailed analysis of our performance.

BUILDING AFRICA'S MOST ADMIRED BANK

Our vision of building Africa's most admired bank by our staff, clients, shareholders, regulators and communities focuses on sustainability and on delivery to a broad range of stakeholders as is the role of a bank in society. The group has continued to deliver on its vision and commitments to all stakeholders in 2011, and we list selected achievements to highlight the all-encompassing nature of our vision:

- **Staff:** Over 960 jobs were created as we expanded our footprint and grew the franchise; R303m was invested in leadership development programmes and we continued to experience a positive shift in corporate culture, which we consider to be one of our competitive advantages.
- **Clients:** Product and pricing improvements resulted in strong growth in primary clients in Nedbank Retail, Nedbank Business Banking and Nedbank Corporate, which has underpinned the growth in the group's NIR. We paid out R116bn in new loans; expanded the range of distinctive client-centred offerings; launched various product innovations; maintained fee increases at or below inflation, with average retail banking fees remaining at levels similar to those in 2005; increased our footprint by 121 new staffed outlets and 389 ATMs; further extended banking hours in 59 branches and Sunday banking in 49 branches to make it more convenient for our clients to do business with Nedbank; and, importantly in these difficult economic times, we have worked with our clients and through restructures have kept 13 900 families in their homes since 2009, despite payment challenges.

- **Shareholders:** Nedbank Group was the best performer of the four big banks on the JSE in 2011 and generated a 15,3% total shareholder return for the year. Economic profit totalled R924m compared with an economic loss of R289m in 2010 as ROE moved above the cost of equity for the first time since 2008. The total dividend for the year of 605 cents per share is 26,0% higher. The group was recognised by the *Financial Times* and *The Banker* magazine as the Bank of the Year in SA for 2011 as well as being the joint winner of the annual Excellence in Corporate Reporting Award for the 2010 integrated report.

- **Regulators:** Capital levels increased organically with the core Tier 1 capital ratio at 11,0%, compared with 10,1% last year. The group remains well positioned for Basel III and the Solvency Assessment and Management regime (South Africa's Solvency II), and is one of the first local banks to receive South African Reserve Bank (SARB) approval for using the advanced approaches for all three material risk types, namely credit, operational and market risk. Cash taxation contributions of R5,1bn were made to the fiscus through direct, indirect and other taxation.

- **Communities:** A key focus has been on making banking more accessible for the entry-level market and remote rural communities with initiatives such as Vodacom m-pesa, which has nearly 700 000 customers. Loans of R1,8bn were extended to black small to medium-sized enterprises, while over 93 entrepreneurs were assisted under skills development programmes. Nedbank Group was again the third most empowered company on the JSE, as measured by the Department of Trade and Industry (dti) Codes, and remained a level 2 contributor while increasing the dti score to 95,2 from 89,5, with both scores audited by Sizwe Ntsaluba. During the year close to R80m was contributed to social development by Nedbank and the Nedbank Foundation, with R6,6bn spent on local procurement. Nedbank played a leadership role in environmental sustainability through its participation in the 17th global Conference of the Parties (COP17) on climate change held in Durban in late 2011, we maintained our carbon neutrality, played a leading role in water stewardship and became a signatory to the CEO Water Mandate of the United Nations Global Compact. The bank's innovative affinity cards have over time contributed more than R175m to social and environmental causes, including the World Wide Fund for Nature.

GROUP STRATEGIC FOCUS

The group's four key strategic focus areas outlined earlier in my report will continue to drive earnings growth.

- In the past year excellent progress was made in repositioning Nedbank Retail as a more client-centred and integrated business while maintaining the growth momentum of the product lines. Nedbank Retail increased headline earnings 163% and improved its ROE from 4,6% in 2010 to 11,8%. This performance can be ascribed to strong underlying business performance, growth in primary clients, effective risk management practices and strengthening balance sheet impairments, while improving credit loss ratios, particularly in home loans.

- The group's NIR-to-expenses ratio improved to 81,5% from 79,6% in 2010 and the target of 85% remains a key focus in the medium term. We aim to achieve this target by continuing to deliver good-quality annuity income through commission and fee growth from primary-client gains, volume growth, new innovative products and cross-sell across clusters. Since 2009 the group has invested R514m by adding 58 branches, 229 in-retailer kiosks and 719 ATMs, and has refurbished 79 branches. We have continued to benefit from the acquisitions into Nedbank Wealth in 2009 and Imperial Bank has been integrated without any loss of momentum in the motor finance market.

- The group's portfolio tilt strategy continues to focus on strategically important economic-profit-rich, lower-capital and liquidity-consuming activities, and at the same time drives the efficient allocation of the bank's resources towards growing market share in areas that offer the most attractive economics at this point in the cycle. Insurance, asset management, transactional banking products, selected asset categories and deposits are important targeted areas for growth. In secured lending the group continues to focus on profitable business that falls within the group's board-approved risk appetite. In the residential property market the focus in Nedbank Retail is on deals originated through our own networks for transactional clients. In commercial property the group has a leading market share and the business has performed well through the cycle by focusing on servicing existing clients with strong track records.

- In the short to medium term the group's primary focus on SA and the five southern African countries in which we have a presence provides strong upside for Nedbank Group as it increases its share in the largest economic profit pool for financial services in Africa. However, the rest of Africa remains important to support our clients' growth aspirations and to provide a sustainable and growing return to shareholders in the longer term.

Cross-referencing
Investment case
Pages 10 – 13

Cross-referencing
Sustainable development performance review
Pages 82 – 151

Cross-referencing
Group Executive Committee
Pages 46 – 49

Cross-referencing
Risk and balance sheet management
Pages 372 – 423

2011 Nedbank Group Pillar 3 Basel II Public Disclosure Report
Download additional online content

Our alliance with Ecobank provides clients with a 'one bank' experience across the largest Pan-African banking network, spanning 36 countries and over 2 000 outlets across the continent. Our relationship with Ecobank was strengthened through the granting of a US$285m loan facility and obtaining subscription rights to acquire up to a 20% shareholding in Ecobank Transnational Inc in two to three years. This was in support of Ecobank's corporate development programmes, including its transformational acquisition of Oceanic Bank in Nigeria.

The group will continue to focus on embedding integrated sustainability as a strategic success driver.

STRENGTHENING OUR EXECUTIVE TEAM

Nedbank Group has an experienced executive team and during the year we added depth and diversity to the Group Executive Committee with three external appointments. Abe Thebyane (Group Executive, Human Resources), Thulani Sibeko (Group Executive, Marketing, Communications and Corporate Affairs) and Thabani Jali (Chief Governance and Compliance Officer) are all highly accomplished specialists in their fields.

Thabani succeeded Selby Baqwa who retired after almost nine years' service. Selby made a major contribution to the enterprise governance, compliance and sustainability functions and we wish him well.

We have also changed some responsibilities and reporting lines. Raisibe Morathi, our Chief Financial Officer, now reports directly to me, which is in line with the planning at the time of her appointment to the group in 2009. Graham Dempster, in addition to his role as Chief Operating Officer, assumed responsibility for the group's existing bank activities in the rest of Africa as well as the ongoing management of the Ecobank–Nedbank alliance, enabling us to develop an aligned approach to the group's activities in the rest of Africa.

BASEL III IMPLEMENTATION

The majority of the international Basel III proposals were finalised in December 2010, although some significant aspects remain to be completed this year. The details of how Basel III will be adopted in SA are expected to be determined by the SARB during 2012.

The group expects the impact of the new capital requirements to be manageable. On a Basel III pro forma basis for 2011 the group is in a position to absorb the Basel III capital implications, with all capital adequacy ratios remaining well above the upper end of current internal target ranges. These should improve further into 2013 (the expected commencement date of Basel III implementation) from projected earnings, continuing capital and risk optimisation, and the impact of the group's strategic portfolio management.

Once Basel III has been finalised the group will finalise and communicate its revised target capital ratios.

Two new liquidity ratios have been proposed under Basel III, being the liquidity coverage ratio (LCR) for implementation in 2015 and the net stable funding ratio (NSFR) for implementation in 2018. The impact of compliance by the SA banking industry of, particularly, the NSFR would be punitive if implemented as it currently stands in the light of structural constraints within the SA financial market. This is the case for many jurisdictions around the world, and the negative effect on economic growth and job creation would be significant. We therefore welcome the study commissioned into these potentially unintended consequences at the recent G20 meeting in Mexico. The group is confident that a pragmatic approach on this issue will be applied prior to implementation in 2018.

PROSPECTS, GUIDANCE AND TARGETS FOR 2012

The group is well positioned for continued growth in 2012, building on the earnings momentum created in 2011 and the focus and success of the delivery on the key strategic focus areas mentioned above. Refer to the 'Investment case' for further detail.

There is potential for further uplift from any acceleration of the economic cycle, as the group's income from lending activities should benefit from the positive effect of increased interest rates on endowment income, improved levels of advances growth and the prospect of lower credit loss ratios.

These drivers, along with the group's operational and financial gearing, are likely to enable continued improvement in the group's return on assets and ROE into the year ahead.

Against the background of the group's 2012 forecast for gross domestic producy growth, inflation and interest rates, management expects advances to grow at mid single digits. Refer to the Chairman's Report for further detail. The net interest margin should remain at levels similar to those in 2011 and benefit from any interest rate increases.

The credit loss ratio should continue improving into the upper end of the group's through-the-cycle target range.

NIR (excluding fair-value adjustments) is likely to grow at low double digits, maintaining the group's ongoing improvement in the NIR-to-expenses ratio.

Expenses, including investing for growth, are budgeted to show a big decline in year-on-year growth to mid to upper single digits.

The group will maintain strong capital ratios and continue to strengthen funding and liquidity in preparation for

Basel III and the possible impact of exercising our option to purchase up to 20% of Ecobank Transnational Inc in two to three years.

The medium-to-long-term targets remain unchanged, as detailed in the Financial Report. The group expects to improve performance and achieve five of the eight targets in 2012, including once again meeting its medium-to-long-term earnings growth target. However, earnings growth in 2012 is likely to be below the high level of 25,4% achieved in 2011.

ACKNOWLEDGEMENTS

Great strides have been made in pursuit of our vision of building Africa's most admired bank. I thank all my fellow stakeholders for their support in achieving these results and for ensuring that the group continues to deliver across the social, economic, environmental and cultural pillars of sustainability.

Thank you to our Chairman, Reuel Khoza, for his leadership of the board and for sharing his wealth of wisdom. My board colleagues play a vital governance, oversight and guidance role and I thank them for their commitment and active participation in the group.

The performance of the past year highlights the quality of management and depth of talent within the bank. It is a privilege for me to lead a fantastic executive team who are aligned with our vision and values. Thank you to our more than 28 000 people spread across SA and beyond its borders for your hard work and loyalty, and I look forward to your continued support in 2012 and beyond.

Mike Brown
Chief Executive

Cross-referencing
Financial Report
Pages 160 – 173

GROUP EXECUTIVE COMMITTEE

Cross-referencing
Business profile
Pages 52 – 57

Cross-referencing
Risk and balance sheet management
Pages 372 – 423

Cross-referencing
Group strategy
Pages 8 – 9

Cross-referencing
Enterprise governance and compliance review
Pages 424 – 433

Cross-referencing
Operational overview
Pages 58 – 79

Trevor Adams (49)

Group Executive: Balance Sheet Management

SERVICE
15 years.

QUALIFICATIONS
BCom(Hons), CA (SA), Risk Management in Banking (INSEAD).

Trevor was appointed to the Group Executive Committee in 2009 and leads the group's Balance Sheet Management Cluster, which comprises the integrated central functions of risk management (eg credit portfolio management, asset and liability management, concentration risk, risk strategy, risk appetite and stress testing), funding and liquidity management, capital management, margin management, and strategic portfolio management (eg portfolio tilt, funds transfer pricing, economic profit optimisation and risk-adjusted performance management), as well as the group's regulatory reporting under the Banks Act. Trevor also led the group's successful Basel II implementation, and now Basel III, including the significant enhancement of risk, capital, value-based and balance sheet management across the group. Prior to joining the group he was a partner at Deloitte & Touche, where he also specialised in banking and risk management, and so collectively has over 20 years' banking-related experience.

John Bestbier (56)

Group Executive: Strategic Planning

SERVICE
16 years.

QUALIFICATIONS
BBusSci Actuarial, CA (SA).

John was appointed to the Group Executive Committee in 2010 as Group Executive: Strategic Planning. John is an investment banker with extensive experience in the financial services industry, having led a number of large corporate finance transactions both for clients and for the group. In 1995 he served as a main board committee member of JSE Limited and was closely involved in the reforms adopted by the exchange. He joined the group in 1995 as a director of its investment banking subsidiary UAL Merchant Bank. During his tenure with the group he has served in various capacities and on a number of subsidiary boards, including Capital Markets, Short- and Long-term Insurance, Asset Management and Stockbroking.

Thabani Jali (53)

Group Executive: Enterprise Governance and Compliance

APPOINTED
17 October 2011

QUALIFICATIONS
BA (Fort Hare), LLB (Natal University), LLM (Tulane University, USA).

Thabani joined Nedbank Group in October 2011 as the Group Executive responsible for Governance and Compliance. He is also responsible for ethics, sustainability and Nedbank Group Editorial and Language Services. He is a member of the Specialist Committee on Company Law (formed by the minister in terms of section 191 of the Companies Act). Prior to joining the group, Thabani gained over 20 years' experience in the legal profession as an attorney, mediator, arbitrator and later a judge. Thabani was formerly executive chairman of PricewaterhouseCoopers (Southern Africa), a Deputy Judge President of the High Court of South Africa (Natal Provincial Division) and a Judge of the Competition Appeal Court. He was also a partner in a commercial law firm and served as chairman of the Competition Commission Enquiry into Bank Charges and the National Payment System from 2006 to 2008.

Ingrid Johnson (45)

Managing Executive: Retail and Business Banking

SERVICE
18 years.

QUALIFICATIONS
BCom, BAcc, CA (SA), AMP (Harvard Business School, USA).

Ingrid joined Nedbank Group in 1993 to set up the foreign currency financing operations in several offshore jurisdictions. She also carried operational responsibility for the group's banking businesses in London and Asia.
Ingrid introduced balance sheet management in the Corporate Banking Division, and thereafter moved into line management in Corporate Banking. In 2004 she was appointed Managing Director of Corporate Banking and in 2005 became Managing Director of Nedbank Business Banking.
She was appointed to the Nedbank Group Executive Committee in 2008.
In August 2009 Ingrid assumed the additional responsibility for the turnaround of the Retail Banking Cluster and the integration of Imperial Bank in her new role as the Group Managing Executive of Retail and Business Banking.

Brian Kennedy (51)

Managing Executive: Nedbank Capital

SERVICE
16 years.

QUALIFICATIONS
MSc (Eng)(Elec), MBA, AMP (Harvard Business School, USA).

Brian started his career in engineering before joining FirstCorp Merchant Bank Limited in 1988. He joined BoE Merchant Bank in 1996 and was appointed Managing Director in 1998. In 2001 he became an executive director of BoE Limited and was Chairman of BoE Securities. Brian led Capital Markets following the merger with Nedbank Limited and in November 2003 was appointed to the Group Executive Committee of Nedbank Group as Managing Executive of Nedbank Capital. He has 22 years' investment banking experience.

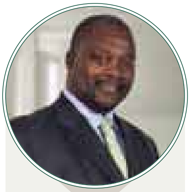
Dave Macready (53)

Managing Executive: Nedbank Wealth

SERVICE
14 years.

QUALIFICATIONS
BCom(Hons), CA (SA), SEP (Harvard Business School, USA).

Dave joined Nedcor Investment Bank in 1997 after being a partner at Deloitte & Touche for more than 10 years in both London and SA. He assumed responsibility for Syfrets Private Bank and NIB International and was appointed Managing Director of Asset Management three years later. In 2004 Dave took on the role of Managing Executive for the Bancassurance and Wealth Division. In 2009 Nedbank Wealth became the fifth client-facing cluster within Nedbank Group and Dave was appointed to the Group Executive Committee.



Mfundo Nkuhlu (45)

Managing Executive: Nedbank Corporate

SERVICE
8 years.

QUALIFICATIONS
BA(Hons), Strategic Management in Banking (INSEAD Business School), AMP (Harvard Business School, USA).

Mfundo joined Nedbank Group in 2004. He has led and managed Nedbank Africa, Corporate Banking and since 2009 has been the Managing Executive of Nedbank Corporate. He joined the Group Executive Committee in 2008. Previously he was the executive responsible for strategy, revenue and economic analysis at the SA Revenue Service. Prior to that he was with the Department of Trade and Industry as Chief Director for Africa and the New Partnership for Africa's Development (NEPAD) programme.

Sandile Shabalala (45)

Managing Executive: Business Banking

SERVICE
16 years.

QUALIFICATIONS
BAdmin, National Higher Diploma: Management Practice, CAI B (SA), MBL, Strategic Management in Banking (INSEAD Business School – France and AMP Harvard Business School – USA).

Sandile has over 23 years' banking experience, including 16 years at Nedbank Group. Prior to joining Nedbank Group he worked for Barclays Bank, NBS Bank Limited and Telkom SA. He has vast experience in retail, small-business, corporate and business banking in both sales and credit banking functions. Prior to his appointment in October 2009 to the Group Executive Committee as Managing Executive: Business Banking, Sandile had been leading and managing the Northern Business Unit in Business Banking as Divisional Executive.

Cross-referencing
Business profile
Pages 52 – 57

Cross-referencing
Operational overview
Pages 58 – 79

Thulani Sibeko (40)

Group Executive: Group Marketing, Communication and Corporate Affairs

APPOINTED
May 2011.

QUALIFICATIONS
BSc (Acc), Graduate Certificate.

Thulani joined Nedbank Group in May 2011 and leads the Group's Marketing, Communication, Transformation, CSI and Public Affairs areas. Thulani started his marketing career at Gillette SA in 1993 and has held different marketing roles at Polaroid, Procter & Gamble, Vodacom Group Limited and The Hollard Insurance Company Limited. During his marketing career, he has managed brands such as Gillette Series, Oral B, Braun, Polaroid, Olay, Pantene, Head & Shoulders, Vicks, Vodacom and Hollard. In addition to working in SA, Thulani has held regional assignments based in the USA, UK and Switzerland.

Fred Swanepoel (48)

Chief Information Officer

SERVICE
15 years.

QUALIFICATIONS
BCom(Hons), MBA, SEPSA, AMP (Harvard Business School, USA).

Fred has more than 22 years' experience in finance, banking and information technology. The first phase of his career with Nedbank Group began in 1996 when he was appointed Assistant General Manager of Western Cape Operations. In 2000 he brought his operational experience into the group's technology arena and was appointed Nedbank Group's Chief Information Officer in November 2008. Prior to this he held several high-level positions in the technology environment, including Divisional Director for Finance, Risk and Compliance, Projects and Programme Management, and Head of Group Software Services. Fred's focus is on continually improving Nedbank Group's technology and innovation culture to make it the leader in its market.

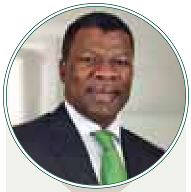
Ciko Thomas (42)

Managing Executive: Consumer Banking

SERVICE
2 years.

QUALIFICATIONS
BSc, MBA.

Ciko joined the group in January 2010 as Group Executive: Group Marketing, Communications and Corporate Affairs. He has wide-ranging marketing and business experience in the financial services, consumer goods and motor industries. He joined Nedbank Group from Barloworld Limited, where he was the Group Marketing Director of the Automotive Division. Ciko was previously General Manager of Retail Banking Marketing at Absa Group Limited. Before 2003 he held various management positions at SA Breweries Limited, Unilever SA (Pty) Limited, British American Tobacco SA and M-Net. In November 2010 Ciko was appointed as Managing Executive: Consumer Banking in the Nedbank Retail Cluster.



Abe Thebyane (52)

Group Executive: Group Human Resources

SERVICE
1 year.

QUALIFICATIONS
BAdmin, Postgraduate Diploma in Management (Human Resources), MBA.

Abe joined Nedbank Group and was appointed to the Group Executive Committee in February 2011 as Head of Group Human Resources. Abe has 29 years' experience in human resources, which he acquired through the various senior and executive positions he held in large corporations in SA. Prior to joining Nedbank Group, Abe was Executive Head: Human Resources, at Anglo American Platinum Limited for six years and before that he was Executive Director: Human Resources at Iscor Limited.

Philip Wessels (53)

Chief Risk Officer

SERVICE
16 years.

QUALIFICATIONS
BCom, CTA, CA (SA), Diploma in Advanced Banking Law, Institute of Stockbrokers.

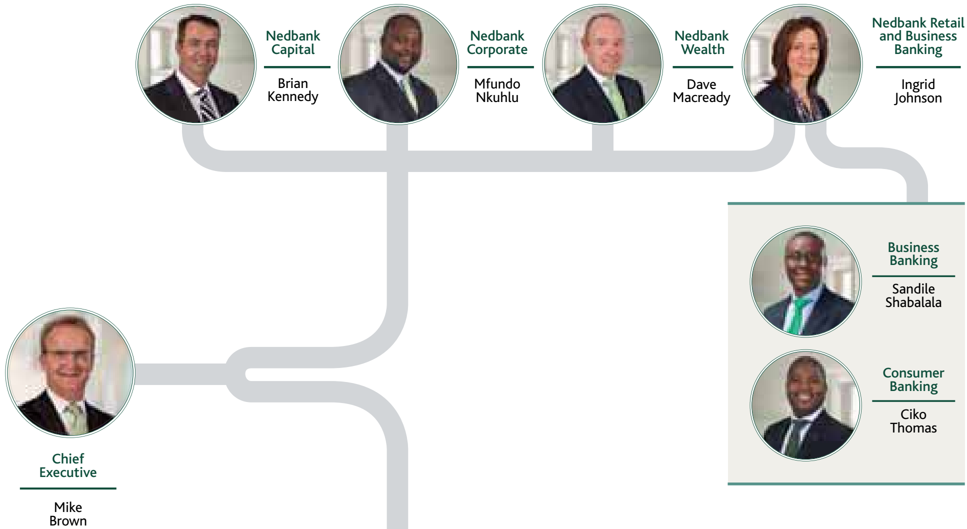
Philip has held the position of Chief Risk Officer on the Group Executive Committee for Nedbank Group for the past eight years. Under his leadership, and with the commitment and support of management and staff within the group, Nedbank Group's risk management processes and governance principles have become highly regarded in the financial services industry. In 2010 Philip received the Risk Manager of the Year Award from the Institute of Risk Managers of SA. Prior to his appointment as Chief Risk Officer in 2004, Philip was a divisional director in Nedbank Business Banking and Nedbank Corporate. In addition, he was an executive director of BoE Limited, Managing Director of BoE Securities, Chief Executive of BoE International (London) and Managing Director of BoE Bank, Business Banking and Boland Bank between 1995 and 2003. Philip was also a former partner at Deloitte & Touche between 1989 and 1995.

Cross-referencing
Operational overview
Pages 58 – 79

Cross-referencing
Risk and balance sheet management
Pages 372 – 423

GROUP EXECUTIVE COMMITTEE

CLIENT-FACING CLUSTERS



CENTRAL CLUSTERS

CLUSTER MANAGEMENT

NICHOLAS ANDREW (40)
Nedbank Wealth
Managing Executive: Asset Management
13 years' service

GRAEME AURET (42)
Nedbank Corporate
Managing Executive: Corporate Banking
8 years' service

GARETH BAINES (51)
Nedbank Wealth
Managing Executive: Insurance
Less than 1 year's service

FRANK BERKELEY (55)
Nedbank Corporate
Managing Executive: Property Finance
17 years' service

SAM BHEMBE (43)
Rest of Africa
Managing Executive: Banking Subsidiaries
6 years' service

LUIGI BIANCO (44)
Group Finance
General Manager: Planning, Measurement and Control
19 years' service

LANCE BLUMERIS (40)
Nedbank Wealth
Executive Head: Life Insurance
14 years' service

JAN BOSCH (39)
Nedbank Business Banking
Executive Head: Specialist Services
14 years' service

ANEL BOSMAN (46)
Nedbank Capital
Chief Operations Officer
11 years' service

VINCE BOULLE (47)
Nedbank Wealth
Managing Executive: Wealth Management (Local)
7 years' service

AYN BROWN (46)
Nedbank Business Banking
Executive Head: Human Resources
20 years' service

MICHAEL BURNELL (60)
Group Human Resources
HR Executive: Office of the Group Executive
41 years' service

BRIGITTE BURNETT (44)
Enterprise Governance and Compliance
Head: Sustainability
12 years' service

LLOYD BUTHELEZI (33)
Nedbank Wealth
Executive Head: Financial Planning
4 years' service

JOHN CHEMALY (47)
Nedbank Capital
Executive Head: Global Markets
12 years' service

BRENDA CHETTY (37)
Enterprise Governance and Compliance
Head: Client Facing Clusters, FAIS and Special Projects
14 years' service

THABANG CHILOANE (37)
Marketing
Divisional Executive: Public Affairs
9 months' service

RIAN CLOETE (38)
Group Finance
General Manager: Group Tax
8 years' service

ANTHONY COSTA (40)
Business Performance Executive
10 years' service

DAVID CREWE-BROWN (43)
Nedbank Retail
Executive Head: Finance, Projects and Strategy
16 years' service

SMIT CROUSE (35)
Rest of Africa
Managing Executive: Investments, Alliances and Strategy
3 years' service

GINA DAVIDSON (36)
Group Human Resources
HR Executive: Talent Management
11 years' service

MICHAEL DAVIS (40)
Balance Sheet Management
Executive Head: Group Asset, Liability and Capital Management
15 years' service

HERMANUS DE KOCK (38)
Nedbank Business Banking
Divisional Executive: Northern Business Unit
9 years' service

ANTON DE WET (45)
Nedbank Retail
Nedbank Retail
Managing Executive: Client Engagement Management
14 years' service

BEDRESH DHANJEE (41)
Nedbank Business Banking
Executive Head: Risk
22 years' service

LIONEL DIAKANYO (36)
Group Finance
Executive Head: Risk and Compliance
10 years' service

SICELWESIHLE DLAMINI (43)
Enterprise Governance and Compliance
Head: Governance and Compliance Shared Services
9 years' service

NHLAMULO DLOMU (35)
Group Human Resources
HR Executive: Organisational Development
2 years' service

BRIAN DUGUID (50)
Nedbank Retail
Managing Executive: Nedbank Integrated Channels
30 years' service

ADRIAAN DU PLESSIS (52)
Nedbank Corporate
Executive Head: Transactional Banking
20 years' service

SAREL DU PLESSIS (51)
Group Human Resources
HR Executive: Rewards Management
18 years' service

DENNIS DYKES (51)
Strategic Planning and Economics
Group Chief Economist
28 years' service

CRAIG EVANS (46)
Nedbank Business Banking
Divisional Executive: Coastal and Inland Business Unit
18 years' service

ALAN FABER (47)
Balance Sheet Management
Executive Head: Strategic Projects, Reporting and Execution
14 years' service

PAUL FINLAYSON (43)
Nedbank Wealth
Executive Head: BoE Private Clients
13 years' service

ANNETTE FRANCKE (37)
Nedbank Business Banking
Executive Head: Strategy, Marketing and Communication
6 years' service

IAN FULLER (56)
Group Finance
General Manager: Group Shared Services Centre
14 years' service

GREGORY GARDEN (55)
Marketing, Communications and Corporate Affairs
Group Brand Executive
13 years' service

SYDNEY GERICKE (53)
Nedbank Retail
Managing Executive: Retail Card
23 years' service

JOHN GIBSON (49)
Nedbank Wealth
Executive Head: Trust and Fiduciary (Local)
Less than 1 year's service

KERSHINI GOVENDER (38)
Marketing, Communications and Corporate Affairs
Divisional Executive: Strategy and Alignment
9 years' service

KONEHALI GUGUSHE (36)
Marketing, Communications and Corporate Affairs
Divisional Executive: Corporate Social Responsibility
4 years' service

DHIREN HARIPERSAD (33)
Balance Sheet Management
Executive Head: Group Value Based Management
1 year's service

GREG HORTON (55)
Nedbank Wealth
Managing Executive: Wealth Management (International)
17 years' service

GLYNIS HUNZIKER (40)
Group Risk
(Direct reporting into Chair of Group Audit Committee)
Chief Internal Auditor
16 years' service

KEITH HUTCHINSON (53)
Nedbank Retail
Managing Executive: Retail Secured Lending
25 years' service

NICK JACOBS (46)
Group Risk
General Manager: Group Risk Services
18 years' service

BERTUS JANSE VAN RENSBURG (37)
Nedbank Wealth
Acting Chief Risk Officer
6 years' service

KAREL JANSE VAN RENSBURG (37)
Nedbank Capital
Executive Head: Finance
4 years' service

TONY JOHNSON (34)
Balance Sheet Management
Executive Head: Group Credit Portfolio Management
7 years' service

PATISWA JUMBA (39)
Nedbank Wealth
Executive Head: Human Resources
3 years' service

GOOLAM KADER (45)
Nedbank Business Banking
Divisional Executive: Cape Business Unit
13 years' service

GRANT KELLY (39)
Nedbank Corporate
Executive Head: Risk
7 years' service

WILLEM KRÜGER (60)
Group Risk
General Manager: Group Legal
37 years' service

PETER LANE (55)
Nedbank Capital
Group Treasurer
22 years' service

MILLICENT LECHABA (44)
Nedbank Retail
Executive Head: Human Resources
6 years' service

THABANG LEGAE (41)
Group Technology
Divisional Executive: Systems Development
4 years' service

DOUGLAS LINES (40)
Nedbank Business Banking
Divisional Executive: Gauteng Business Unit
11 years' service

ANDREW LODGE (54)
Nedbank Wealth
Executive Head: Trust and Fiduciary (International)
15 years' service

THANDO LUKHELE (38)
Group Technology
Governance, Compliance, Legal, Procurement and Vendor Management
7 years' service

SHAMELLE MAHARAJ (39)
Nedbank Corporate
Executive Head: Human Resources
14 years' service

PATRICIA MAQETUKA (52)
Group Technology
Divisional Executive: Wholesale Banking Technology
19 years' service

WALTER MARTE (35)
Nedbank Wealth
Chief Financial Officer
6 years' service

BRADLEY MAXWELL (37)
Nedbank Capital
Executive Head: Investment Banking
10 years' service

SYDNEY MBHELE (38)
Marketing, Communications and Corporate Affairs
Divisional Executive: Integrated Marketing
6 months' service

WAYNE MCADAM (51)
Strategic Planning and Economics
Head: Group Strategy
19 years' service

NEIL MCCARTHY (40)
Nedbank Capital
Executive Head: Risk
16 years' service

DARRYL MCMULLEN (52)
Group Finance
General Manager: Group Financial Control
24 years' service

SHERALEE MORLAND (47)
Group Risk
General Manager: Enterprisewide Risk Management
6 years' service

MARYNA MOUTON (41)
Enterprise Governance and Compliance
Head: Governance and Ethics
16 years' service

MAKHOSAZANA MPUNGOSE (33)
Group Risk
Executive Head: Group Risk Human Resources
6 years' service

RAY NAICKER (35)
Group Technology
Divisional Executive: Programme Management and Architecture
11 years' service

CHICO NAIDU (56)
Nedbank Business Banking
Executive Head: Innovation, Process and Project Integration Services
34 years' service

PRIYABASHNI NAIDOO (38)
Nedbank Corporate
Executive Head: Finance Strategy and Brand
11 years' service

DION NAIR (36)
Nedbank Wealth
Executive Head: Insurance Advisers
6 years' service

SIBONGISENI NGUNDZE (42)
Nedbank Retail
Managing Executive: Retail Relationship Banking
8 years' service

GAWIE NIENABER (60)
Group Company Secretary
32 years' service

SAKKIE O'NEIL (62)
Marketing, Communications and Corporate Affairs
Divisional Executive: Transformation
13 years' service

ANNY PACHYANNIS-ALMAN (56)
Group Risk
General Manager: Group Market Risk Monitoring
15 years' service

GAVIN PAYNE (49)
Nedbank Retail
Executive Head: Retail Risk
28 years' service

MESHACK QACHA (48)
Group Finance
Human Resources Executive
18 years' service

DEAN RETIEF (37)
Group Human Resources
HR Executive: People Development
12 years' service

MARK ROCK-PERRING (44)
Marketing, Communications and Corporate Affairs
Divisional Executive: Market and Client Insights
13 years' service

SAREL RUDD (56)
Nedbank Retail
Managing Executive: Personal Loans
9 years' service

IOLANDA RUGGIERO (40)
Nedbank Wealth
Chief Operating Officer
9 years' service

ANDREW SEMATIMBA (44)
Group Technology
Divisional Executive: Africa Banking and e-Commerce
10 years' service

TERENCE SIBIYA (42)
Nedbank Capital
Executive Head: Coverage and Origination
Joined September 2011

GLENN SMITH (53)
Group Technology
Divisional Executive: Swisscard Technology
15 years' service

BITTIE SMOOK (55)
Enterprise Governance and Compliance
Head: Nedbank Editorial and Language Services
30 years' service

MURRAY STOCKS (45)
Nedbank Corporate
Executive Head: Corporate Shared Services
20 years' service

ASHLEY SUTTON-PRYCE (58)
Nedbank Retail and Business Banking
Executive Head: Human Resources and Communications
38 years' services

HENDRIK SWANEPOEL (49)
Group Technology
Divisional Executive: Risk, Security and Shared Services
18 years' services

KANDIS SWANEPOEL (46)
Nedbank Business Banking
Divisional Executive: Strategic Business Unit
15 years' service

JOHAN THERON (42)
Group Risk
Chief Credit Officer
13 years' service

TABBY TSENGIWE (40)
Marketing, Communications and Corporate Affairs
Divisional Executive: Group Communications
4 years' service

ANEES VAZEER (42)
Nedbank Wealth
Executive Head: Short-term Insurance
5 years' service

HENDUS VENTER (40)
Group Technology
Executive Head: Retail Banking and Wealth
10 years' service

ALFRED VISAGIE (39)
Group Finance
Head of Investor Relations
11 years' service

VEONA WATSON (45)
Group Finance
General Manager: Finance Strategy and Projects
11 years' service

MARK WESTON (48)
Nedbank Capital
UK Country Head
21 years' service

COLIN WHEATER (58)
Group Technology
Divisional Executive: Information Technology Infrastructure and Operations
21 years' service

ANDRE YOUNG (42)
Group Technology
Divisional Executive: Human Resources, Marketing and Communications
6 months' service

DANIEL ZULU (48)
Nedbank Capital
Executive Head: Information Technology, Projects and Human Resources
14 years' service

BUSINESS PROFILE

The following pages offer a broad overview of the various clusters making up Nedbank Group's core business. For detailed information on the business activities and strategies, as well as a review of 2011, please see the online version of this report at www.nedbankgroup.co.za.

NEDBANK CAPITAL

Reporting standard

GRI FSSS: FS6
GRI G3.1: 2.2, 2.7, EC2

NEDBANK CAPITAL

Contribution to group	2011	2010
Headline earnings (Rm)	1 225	1 202
Economic profit (Rm)	531	477
Total loans and advances (Rbn)	68,5	62,3
Total assets (Rbn)	202,6	215,2
Credit loss ratio (%)	1,23	1,27
Return on equity (%)	23,0	23,5
Employees	721	699

BUSINESS PROFILE

- Provides comprehensive investment banking solutions to institutional and corporate clients.
- Product strengths include investment banking, leverage financing, trading, broking, structuring and hedging.
- Offices in SA and London and representative offices in Angola and Toronto.
- Primaryun its:
  - Investment Banking
  - Global Markets
  - Treasury
  - Client Coverage

BUSINESS STRATEGY

- Follows an integrated investment banking business model – leveraging a unique combination of industry and product expertise with a single client interface.
- Long-term strategies include:
  - expanding into the rest of Africa and internationally in areas of sector specialisation;
  - leveraging the collaborative model within Nedbank Capital and other Nedbank Group clusters; and
  - being an integrated investment bank that offers bespoke, seamless client solutions built on product strengths and excellent execution.

MARKET POSITION

- Reputable industry standings across key portfolios (eg resources, infrastructure and energy).
- Leading market position in carbon credits and renewable-energy financing.
- Placed second in Bloomberg's overall corporate bond flow (excluding own issuances) for 2011.

REVIEW OF 2011

- Managed the business through difficult economic conditions in the light of the Northern Hemisphere crisis.
- Lending and investment criteria and cost management remained prudent.
- Portfolio effect from multiple businesses has maintained diversified earnings through the economic crisis.

CLUSTER INTEGRATED SUSTAINABILITY HIGHLIGHTS

- Increasing opportunity to fund, advise, invest and trade in the growing green economy.
- Product offering includes renewable energy financing, carbon products, 'BGreen' Exchange-traded Fund (ETF) and mining rehabilitation funds.
- Embarked on a social literacy programme for school children, called 'Spell It', as a follow-up to the successful ChessKids initiative.

KEY CHALLENGES IN 2011

- Large pipeline of Investment Banking deals approved, with certain deals commenced and reaching financial close in the fourth quarter of 2011, and the remainder flowing into 2012.
- GlobalM arkets revenue affected by difficult market conditions, risk aversion and international volatility.

LOOKING AHEAD TO 2012

- Focus on clients and client relationship management.
- Expansion into the rest of Africa while focusing on key growth sectors and leveraging the alliance with Ecobank.
- Leverage green initiatives, eg Renewable Energy Independent Power Producer Programme (REIPPP).
- Cross-sell solutions into existing group client base.

Cross-referencing

Operational overview
Pages 58 – 79

NEDBANK CORPORATE

NEDBANK CORPORATE

Contribution to group	2011	2010
Headline earnings (Rm)	**1 672**	1 496
Economic profit (Rm)	**801**	421
Total loans and advances (Rbn)	**164,8**	157,7
Total assets (Rbn)	**180,9**	170,3
Credit loss ratio (%)	**0,29**	0,20
Return on equity (%)	**25,0**	19,7
Employees	**3 546**	3 611

BUSINESS PROFILE

- Provides full-service corporate banking to large corporates with an annual turnover in excess of R400m, including commercial, industrial and property finance solutions.
- Comprises operations that service both retail and corporate market segments in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe through Nedbank Africa, with a representative office in Kenya.
- The cluster comprises:
  - Corporate Banking
  - Property Finance
  - Nedbank Africa
  - Transactional Banking
  - Nedbank Investor Services
  - Corporate Shared Services

BUSINESS STRATEGY

Aims to retain its top-two position in the SA corporate market through:

- increasing primary-banked clients;
- growing non-interest income (NIR) across all products;
- focusing on the public sector;
- delivering worldclass transactional banking solutions;
- managing client value;
- collaboration and cross-selling across Nedbank Group clusters to support service excellence;
- expanding selectively in Africa, including leveraging the Ecobank–Nedbank Alliance;
- Positioning itself to be a truly southern African bank, supporting its local client base as they expand into the rest of the continent; and
- continuing its focus on transformation in terms of both people and business strategies.

MARKET POSITION

- Strong market share in other private sector loans (excluding foreign currency loans).
- Largest market share in property finance among banks in SA.

REVIEW OF 2011

- Grew NIR through gaining **27 new primary-banked corporate clients**.
- Business showed resilience in current market by achieving good results with improvement in the core financial metrics.
- Managing for value and selective lending principles were adopted by client-facing businesses within the extremely challenging business environment.
- Impairments were well managed in a difficult environment.
- Continued with client migration to an enhanced electronic transactional banking platform.
- Enhanced traction on public sector business.
- Good progress in achieving business transformation objectives.

CLUSTER INTEGRATED SUSTAINABILITY HIGHLIGHTS

- Continued with direct financing of green buildings.
- Principal sponsor of the Green Building Council.
- Contributed to conserving and developing natural resources through the Go Green Fund in Namibia.

KEY CHALLENGES IN 2011

- Unpredictable and challenging business environment related to the global financial and Eurozone economic crisis.
- Slow growth environment in SA impacting adversely on client business activities.

LOOKING AHEAD TO 2012

- Continued challenging economic environment with modest advances growth.
- Continued pressure on property-related returns.
- Expected increase in rollout of government infrastructure programme.
- Improved understanding of client requirements to be able to offer innovative and proactive solutions.
- Focus on strategic initiatives to enhance NIR for sustainable revenue growth.
- Increased focus to enhance execution capability to improve delivery.
- Explore new growth opportunities within SA and the rest of Africa.

Cross-referencing
Operational overview
Pages 58 – 79

NEDBANK

NEDBANK BUSINESS BANKING

Contribution to group	2011	2010
Headline earnings (Rm)	852	825
Economic profit (Rm)	372	382
Total loans and advances (Rbn)	58,3	50,8
Total assets (Rbn)	88,6	79,8
Credit loss ratio (%)	0,54	0,40
Return on equity (%)	23,1	26,4
Employees	2 345	2 390

BUSINESS PROFILE

- Provides commercial banking solutions to small and medium-sized businesses with an annual turnover of between R7,5m and R400m.
- The cluster comprises:
  - four geographically decentralised client-facing business units;
  - a strategic business unit focusing on specialised finance, debtor management and client value propositions;
  - specialist services, including investment management, transactional banking sales, finance and business intelligence/client value management services; and
  - specialist functional areas providing human resources and finance, risk as well as business services, co-creating frameworks for execution by the decentralised businesses.

BUSINESS STRATEGY

Aspirational vision of being the leader in business banking for SA consistently driven through:

- increasing primary-banker status through client acquisitions and cross-selling;
- sourcing new client growth through strong business relationships;
- relevant industry value propositions based on deep client insights;
- leveraging technology for greater effectiveness and to enhance the client experience;
- transforming staff, developing people and managing talent;
- participating in local corporate social investment to uplift the communities it serves; and
- delivering upper-quartile financial returns.

MARKET POSITION

- Distinctive, holistic business model built on client-centred relationships and localised client service teams orchestrated by dedicated relationship banker.
- Strong client-centred risk culture; credit loss ratio better than target range for seventh successive year.
- Strong customer management capabilities as assessed by CMAT™ – achieved fifth highest score out of 900 companies globally.
- Strong deposit-taking franchise and leader in Corporate Saver product (management of trust funds).
- Excellent electronic banking platform, NetBank Business.
- Leader in debtor management.
- Increased primary-banked market share from 15% to 20% over past five years.
- Client satisfaction and cultural alignment metrics at all-time highs.
- Consistent financial performance with > 23% return on equity throughout the challenging economic cycle, notwithstanding lower endownment earnings of R935m pretax following interest rate reductions of 650 basis points.

CLUSTER INTEGRATED SUSTAINABILITY HIGHLIGHTS

- R5m of enterprise development spent to assist emerging black small and medium enterprises through training, business mentorship, incubators and flexible lending structures; support benefited 934 entrepreneurs and supported the creation of 712 jobs.
- Participation in numerous social sponsorships and upliftment programmes in the local communities, ranging from financial donations and fund raisers to hands-on involvement by the cluster's teams, eg Eco-School gardens.
- Ongoing efforts to reduce paper consumption and increase environmental awareness among clients and staff (eg charge for paper statements has been communicated to clients).
- R21m investment in the talent academy (an industry-first formally registered sales and credit learnership programme) to create a permanent source of skilled bankers (52 in 2011) while accelerating transformation.

REVIEW OF 2011

- Strong financial performance in a challenging economy – excellent risk management.
- New-client acquisition and cross-sell further improved.
- Introduced industry-first talent academy, with 50 graduates delivered for sales or credit positions.
- Imperial staff and client base for Specialist Asset Financing (SAF) and Professional Asset Financing (PAF) fully integrated and transactional cross-sell gaining momentum.
- Significant improvement in organisational culture – employee satisfaction remains high.
- Evolved decentralised business model to assess additional revenue paths – personal banker, card etc.

Cross-referencing
Operational overview
Pages 58 – 79

Reporting standard

GRI FSSS: FS13

KEY CHALLENGES IN 2011

- Economic recovery remained fragile; number of liquidations indicates significant stress in the system.
- Majority of companies remained cautious with respect to expansions; business activities remained muted.
- Primary-banked market share did not shift despite significant growth in net new clients.
- Highly competitive market required a strong focus on retaining clients and staff.

LOOKING AHEAD TO 2012

- Emphasis on growing share of smaller business segment through tailored offerings and simplified fulfilment processes.
- Execute on area-specific sales, marketing and expansion strategies in collaboration with Nedbank Retail.
- Continue to embed a lean mindset and culture of innovation to enhance the client experience and people effectiveness on a continuous basis.

NEDBANK

NEDBANK RETAIL

Contribution to group	2011	2010
Headline earnings (Rm)	2 002	760
Economic loss (Rm)	(203)	(1 583)
Total loans and advances (Rbn)	183,7	187,3
Total assets (Rbn)	190,4	193,4
Credit loss ratio (%)	1,98	2,67
Return on equity (%)	11,8	4,6
Employees	16 323	15 473

BUSINESS PROFILE

- Serves the financial needs of individuals and small businesses with up to R7,5m in annual turnover.
- Provides transactional, card, lending and investment products and services.
- Services merchants and large corporates in respect of card-acquiring services.
- The cluster comprises:
  - secured lending, including home loans and vehicle finance;
  - retail relationship banking, which combines personal relationship banking and small business services;
  - consumer banking, which entails client engagement (client insight, value management, client value propositions, digital innovation, transactional banking and investments), integrated channels and personal loans; and
  - card issuing and acquiring.

BUSINESS STRATEGY

Deliver a choice of distinctive client-centred banking experiences for all in SA that build deep, enduring relationships with Nedbank Group, underpinned by worldclass risk management. This will be achieved through:

- rebuilding the basics of a client-centred banking experience, and embracing the full 'household' including influencers, dependants and natural groupings;
- emphasising the virtuous circle of small businesses, individuals and entrepreneurs, and servicing the business, owner and employees on an integrated basis;
- developing specific value propositions for the youth, entry-level banking (ELB), middle-income market and seniors segments, tailored to their needs, behaviours and economics;
- repositioning home loans for selective origination and leveraging MFC;
- embedding worldclass risk management practices;
- harnessing the strength of wholesale client relationships to leverage card-acquiring capabilities and cross-selling opportunities such as employee banking; and
- an integrated channels strategy leveraging digital innovations, high-growth potential micromarkets, area collaboration and IT-enabled business process reengineering.

MARKET POSITION

- Striving to be the most distinctive, relationship-oriented, client-centred bank.
- 2,6m ELB clients including youth.
- 1,4m clients in middle-income market and small business with good growth prospects.
- 855 000 seniors.
- Strong vehicle finance share, leveraging MFC's distinctiveness (> 30%).
- Strong deposit franchise.
- Strong card-acquiring market share.
- Alternative channels benefiting personal-loans share (currently largest of SA's four banks).

CLUSTER INTEGRATED SUSTAINABILITY HIGHLIGHTS

- Holistic, community-driven approach to area expansion, ensuring full stakeholder involvement, local recruitment and community engagement.
- Enhanced offerings for the ELB market to provide affordable solutions addressing client needs (Ke Yona, Personal Loans < R1 000).
- Effective rehabilitation of distressed clients, keeping over 13 900 families in their homes since 2009.

Additional online content

Operational overview
Pages 58 – 79

- Greater accessibility through investments in additional 389 ATMs, 31 branches and 90 alternate outlets. Altogether 59 branches now operate extended hours and 49 of these also trade on Sundays, with 261 alternate instore outlets available. Over 75% of Personal Loans outlets now sell transactional banking and over 90% have ATMs.
- Deep strategic alignment, having exposed over 14 000 Nedbank Retail employees to the Retail strategic intent in three-hour strategy conversations facilitated by their managers within a two-month period. The process has had a profound impact on people's energy levels, motivation, understanding and commitment to delivering on the strategic imperatives for Retail and the broader bank and strongly positions Nedbank Retail for accelerating strategy execution in 2012.

REVIEW OF 2011

- Good progress made across the 12 step change initiatives underpinning the client-centred growth strategy.
- Strong executive leadership aligned to deliver on the strategy.
- Aspirational brand more accessible, with 65% new clients in ELB, including youth.
- Successfully launched Nedbank Savvy and Nedbank Ke Yona offerings, strengthening brand positioning in the broader market segments.
- Vodacom m-pesa offering attracting in excess of 693 000 subscribers, tenfold increase on last year.
- Retail Savings Bond raising of R3,9bn in competitively priced liabilities.
- Completed large-scale client migrations to ensure clients are serviced by the appropriate business unit.
- Continued strong performance from MFC, Personal Loans and Card, leveraged to benefit the holistic client experience.
- Rollout of new staff frontend banking platform to more than 6 500 users.

KEY CHALLENGES IN 2011

- Underpriced, poorer-quality home loans contained in the 2006-to-2008 book will be a drain on future earnings.
- Weak property market and high consumer indebtedness resulting in slow industry resolution of defaulted loans.
- High growth rates in unsecured lending – many new market entrants and varying interpretations of affordability criteria.
- Speed of innovation.

LOOKING AHEAD TO 2012

- Continue with the cohesive execution of the 12 step change initiatives underpinning the Nedbank Retail strategy for a sustainable turnaround.
- Unlock benefits through collaboration across all Nedbank Group clusters with respect to distribution strategy, micromarket potential and digital innovation.
- Leverage existing wholesale relationships to unlock the virtuous circle of the business, the owner and the employees to include more Nedbank Retail clients in the Nedbank@Work offering.
- Continue embedding strong risk management practices in line with defined risk appetite.

NEDBANK WEALTH

NEDBANK WEALTH

Contribution to group	2011	2010
Headline earnings (Rm)	625	592
Economic profit (Rm)	415	388
Total loans and advances (Rbn)	19,6	16,9
Total assets (Rbn)	37,8	33,9
Credit loss ratio (%)	0,25	0,15
Return on equity (%)	38,7	41,0
Employees	1 991	1 896

BUSINESS PROFILE

- Nedbank Wealth has operations in SA, London, on the Isle of Man, Jersey and Guernsey, and in the Middle East.
- Its three business divisions are:
  - Wealth Management, which includes private banking and fiduciary services locally and internationally as well as stockbroking and financial planning.
  - Asset Management, which includes the Nedgroup Investments range of local and international best-of-breed unit trusts, cash solutions and multimanagement, as well as private client active management and research supporting the high-net-worth (HNW) clients and stockbroking businesses.
  - Insurance, which includes short-term insurance, life insurance and insurance broking.

BUSINESS STRATEGY

Aspires to be the most admired wealth business, trusted and respected in creating, managing and protecting wealth.

Nedbank Wealth's key focus areas include:

Wealth management

- Benefits of a single-branded HNW proposition.
- Growth in UK and Middle East operations.
- Continued investment in advisory and stockbroking businesses.

Cross-referencing
Operational overview
Pages 58 – 79

Asset management

- Brand profile improving.
- Leverage new investment offerings.
- Best-of-breed provider of choice, locally and internationally.

Insurance

- Penetration of new products.
- Technology and systems to deliver client-centricity.
- Synergies across insurance.

MARKET POSITION

- **Wealth management.** Strong position in traditional HNW markets. Focus on growth in entrepreneurial and emerging wealth markets.
- **Asset management.** Nedgroup Investments rated among the top three finalists for Best Large Fund House at the 2011 Morningstar South Africa Fund Awards. Placed second overall in the Domestic Management Company of the Year category at the 2011 Raging Bull Awards.
- **Insurance.** One of the fastest growing bancassurers in SA as evidenced by the increase in embedded value (EV) and value of new business (VNB).

REVIEW OF 2011

Delivered on the financial and strategic objectives set for 2011. Highlights include:

Wealth management

- Strong international performance.
- Advice capacity strengthened.
- Significant awards and achievements.

Asset management

- Best-of-breed success internationally.
- Stewardship and sustainable performance.
- Investmento fferinge xpanded.

Insurance

- Strong growth in retail volumes.
- Extensive new-product expansion.
- Investment in systems and acquisition costs.

CLUSTER INTEGRATED SUSTAINABILITY HIGHLIGHTS

New products launched in 2011:

- Hospital Cash – provides cash benefits for the number of days of hospital confinement.
- **360Business** – a set of insurance offerings that protect the viability of a business.
- Guaranteed Income Plan – pays a guaranteed level of income over a five-year term and then repays the initial investment at the end of the five-year period.
- Guaranteed Growth Plan – pays no income during the five years and repays the initial investment, plus guaranteed growth over the term at the end the five-year period.
- UCITS IV – a Dublin-domiciled international investments offering.

Nedgroup Investments invested in capacity and skills to deliver cash and institutional solutions to the domestic market.

Launched a solar geyser proposition that offers clients the option to replace a burst geyser with a solar water heater.

Involved in various social and community initiatives including Young Enterprise Isle of Man's 'Learn to Earn', Childline, Habitat for Humanity, National Institute for Crime Prevention and the Reintegration of Offenders (NICRO), Rape Crisis, Ntokozweni Primary School.

Fairbairn Private Bank achieved 'Best Service Initiative' in the prestigious gold status awarded by Investors in People, which recognises commitment to continuous business improvement through staff.

KEY CHALLENGES IN 2011

Wealth management

- Continued low-interest-rate environment, particularly in the UK.
- Increasing European uncertainties and continued impact of UK austerity measures.
- Decline in stockbroking capacity and activity.
- Disappointing results from local fiduciary.

Asset management

- Local net flows lower than anticipated, impacting NIR.
- Subdued investor confidence and risk appetite.

Insurance

- Higher expense growth as a result of new-business strain, increased marketing spend and investment in systems, intellectual property and capacity.
- Drop-off in homeowner's cover (HOC) policies, impacting short-term gross written premium.
- Deterioration in personal-accident lapse rates.

LOOKING AHEAD TO 2012

- Prospects remain positive despite the impact of the low-interest-rate environment, market volatility and concerns around financial stability, particularly in Europe.
- The new, differentiated international HNW proposition is a major development, which will remove brand confusion and dramatically increase the group's competitiveness in the market.
- Recovery in stockbroking volumes and moderate JSE growth anticipated.
- Further weakening of the SA rand may support earnings growth from HNW businesses.
- Growth prospects in local and international asset management remain positive.
- Strong retail volumes, particularly in Personal Loans and Card, will support the growth of simple risk products and will maintain insurance earnings growth despite investment in initiatives and systems and the impact of new-business strain.

Cross-referencing
Operational overview
Pages 58 – 79

NEDBANK CAPITAL

NEDBANK CAPITAL

Nedbank Capital provides seamless, specialist advice, debt and equity raising and execution, and trading capabilities to clients in all major SA business sectors. Clients include the top 200 domestic corporates, parastatals, financial institutions, multinational corporates and major infrastructure, energy, telecommunications and mining projects in Africa as well as emerging black economic empowerment (BEE) consortiums.

Reporting standard

GRI G3.1: 2.2, EC2

OVERVIEW

The cluster comprises four primary businesses, from which it makes its distinctive products, services and solutions available to its clients. These are:

INVESTMENT BANKING

- Advisory services are offered, including corporate finance, debt origination and debt advisory services.
- Specialised finance provides debt-financing solutions, including project, export credit, acquisition, structured trade and commodity finance, as well as leveraged debt and securitisation offerings.
- Sectoral specialist teams provide clients with insight into and advice on energy, infrastructure, telecommunications, aviation, resource finance (including oil and gas) and diversified industrial industries.
- Private equity and alternative investments solutions are also provided.

GLOBAL MARKETS

- Equity trading provides hedging and structuring services to corporate, institutional and retail clients. This division leverages the synergies between trading and structuring equities, and facilitates BEE transactions.
- Fixed income, currency and commodities and foreign exchange provide currency, interest rate derivative and bond-related products, as well as proprietary trading in various markets.
- Nedgroup Securities (Pty) Limited provides research, sales and trading services to major institutions.
- The prime services team provides specialised and professional solutions to retail, institutional and specialist institutional investors.
- The innovation team challenges conventional thought and develops customised solutions to meet clients' requirements.

TREASURY

This is Nedbank Group's funding interface with local and international financial and investment markets. All domestic and foreign currency funding requirements are executed and managed through this unit. Treasury also includes the carbon finance unit and offers structured financial solutions.

CLIENT COVERAGE

This is Nedbank Capital's single point of entry for its clients. The team is responsible for origination of client-centric solutions and exploring integrated risk solutions that are fundamental in turbulent markets.

STRATEGY

Nedbank Capital focuses on client needs and the provision of customised and innovative solutions, leveraging off the plans implemented in 2011 and expanding in key business areas.

The Investment Banking team combines its sector-specific expertise with a defined risk appetite framework for growth in Africa, building on opportunities that should emanate from the alliance with Ecobank. The expected increase in trade flows in and out of Africa will also provide opportunities. Combined with a client coverage team that focuses on unique client needs and enhanced collaboration within Nedbank Group, the strategy is to drive value-generating deals. Nedbank Capital continues to entrench its existing market leading position in infrastructure, energy, telecommunications and resource finance, building the business domestically and in Africa.

Nedbank Capital leverages its existing brand position in green products and solutions. Advice on and financing of carbon transactions for clients continues to grow, while the cluster makes use of its deep expertise in renewable-energy financing to provide clients with sustainable funding solutions.

Trading businesses are strengthening their focus on the middle market and looking to build the bridge to the Business Banking client base, with the goal of strengthening the foreign exchange franchise. Creating scale in the electronic platforms supporting the Prime Services area allows for multiple products and asset classes, thus enhancing the client experience.

Innovative product and solutions development, effective risk management in all aspects of the business, and the attraction, retention and development of talented people constitute the cornerstones of Nedbank Capital's strategy.

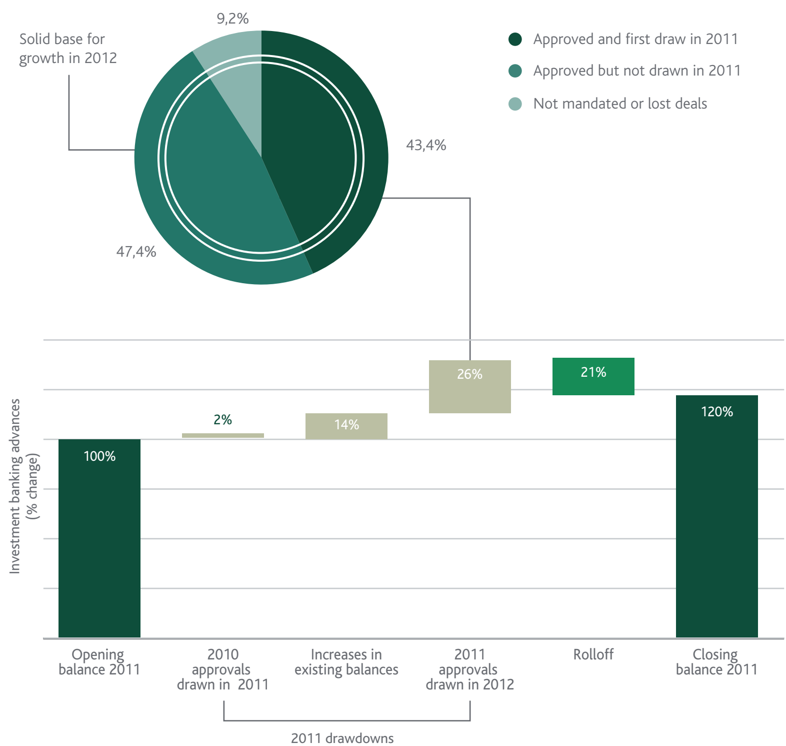
REVIEW OF THE YEAR

The SA market proved a challenging environment, particularly against the backdrop of the global economic difficulties. The market was volatile and generally compressed. While credit extension was strong, the utilisation of these credit facilities by clients was lower than anticipated. The continued benign interest rate environment and risk aversion led to low market activity and fewer opportunities for clients to avail themselves of Nedbank Capital's products and solutions. However, the Investment Banking business added R7,5bn in net new advances during 2011.

Investment Banking maximised opportunities in converting pipeline into credit extension, resulting in 20,5% growth in advances. The increase was driven by strong growth in advances in the final quarter of 2011, which, combined with a robust and deep deal pipeline, provides a solid base for growth into 2012.

The 2012 asset base is supported by a successful first phase of SA's Renewable Energy Independent Power Producer Programme (REIPPP) whereby Nedbank Capital was mandated to provide funding to 11 projects representing approximately 37% of the total allocated

INVESTMENT BANKING ADVANCES: 2011 PROFILE



megawatt capacity (approximately R6bn of funding). This represents an outstanding example of the commitment of Nedbank Capital to the country's realisation of its vision for a green economy.

Global Markets experienced a challenging trading year as market movements proved difficult to predict. Trading activity was characterised by a smaller risk appetite, shorter holding periods and a focus on maximising flow opportunities. Despite a strong pipeline emanating in the second half of 2010, conversion lead times have been significantly longer than in prior years as clients remained cautious in the light of the continued uncertain macroeconomic climate. This culminated in a slow start to 2011, however, the second half was noticeably more active as conversion rates climbed and utilisation accelerated. Global Markets showed strong performance in the last quarter of 2011, including some once-off client trades that are unlikely to be repeated. It is, however, anticipated that the base built during 2011 and previous years, together with deep deal pipelines and a robust new-deal approvals process, will provide a solid platform for the franchise in 2012.

Treasury had a steady 2011 against the backdrop of the Northern Hemisphere crisis and prospects for 2012 look positive. A highlight for the year was facilitating the extension of the group's long-term funding ratio from 24,0% to 25,0%.

The appointment of a head of client coverage in 2011 has been a key step in allowing Nedbank Capital to focus on a seamless client coverage model. Client service and innovation remain key to Nedbank Capital's sustainable business model. Every deal is structured around the creation of innovative solutions, delivered from a base of detailed understanding of client requirements and full service support. While most of the deals are tailored to specific client needs, this innovative thinking continued to drive development of 'off the shelf' products during the year under review – many of which will serve as a useful foundation on which to structure individual deals going forward.

Despite this challenging environment, Nedbank Capital retained its strong position in the local finance market. Some of the notable awards/achievements received by Nedbank Capital during 2011 include:

- Best Deal of 2010 by *Global Trade Review*.
- Best Financial Support in the Transport Industry at the Transport Africa Awards.
- 2011 *Mining Journal* outstanding achievements award for Base Resources.
- Placed second (excluding own issuances) in Bloomberg's overall corporate bond flow for 2011.

FINANCIAL REVIEW

Year ended		% change	2011	2010
Headline earnings	(Rm)	1,9	**1 225**	1 202
Efficiency ratio	(%)		**47,8**	45,1
Credit loss ratio banking advances	(%)		**1,23**	1,27
Average banking advances	(Rm)	6,5	**44 835**	42 113
Average deposits	(Rm)	(1,5)	**179 864**	182 637
Allocated economic capital	(Rm)	4,3	**5 335**	5 116
Return on equity	(%)		**23,0**	23,5

* *Restated.*

Nedbank Capital generated return on equity (ROE) of 23,0% (2010: 23,5%), headline earnings increased by 1,9% to R1 225m (2010: R1 202m) and economic profit (EP) increased by 11,3% to R531m (2010: R477m). The increase in EP is as a result of the increase in headline earnings, while the associated cost of equity declined year-on-year. Economic capital (ECap) increased by 4,3% in the year to 31 December 2011.

Net interest income (NII) declined to R1 180m (2010: R1 201m), predominantly due to lower endowment on capital. The margin earned from lending activities, excluding securitisation, increased to 2,99% (2010: 2,84%), reflecting management's focus on risk-adjusted pricing.

Non-interest revenue (NIR) increased by 8,4% to R2 454m (2010: R2 264m), driven by increases in income from trading and private equity activities. Trading income increased by 4,4% to R1 962m for the period (2010: R1 879m) and private equity income increased by 68,2% to R249m (2010: R148m).

Operating expenses (excluding directly attributable group costs) increased 8,3% to R1 284m (2010: R1 186m), reflecting continued investment in system infrastructure. The efficiency ratio at 47,8% (2010: 45,1%) was primarily driven by slower income generation in the trading businesses. Overall the NIR-to-expense ratio was 141,3% (2010: 145,0%).

The credit loss ratio in the banking book of 1,23% remained at levels similar to those in 2010. This was mainly due to additional impairments against exposures in the non-performing portfolio. The problematic exposures are to counterparties in the retail, biofuel and resources industries. The levels of impairments raised in 2011 are deemed adequate, especially given that the net exposure on the non-performing portfolio has been significantly reduced.

LOOKING FORWARD

Nedbank Capital is cautiously optimistic regarding the outlook for 2012 and expects some corporate and project leveraging to take place. With a solid earnings platform and quality lending book in place, Nedbank Capital's focus for the coming year will be on deal pipeline conversion, leveraging market position for green financing solutions and enhancing collaborative transactions. Disciplined and proactive risk management will continue to underpin all of these endeavours.

The cluster continues to focus on adding additional services to complement its existing expertise, enhancing its global structured trade and commodity finance offering in East and West Africa, targeting strategic growth in carefully selected sectors (including oil and gas) underpinned by the Ecobank–Nedbank Alliance, and increasing focus on agriculture to leverage and integrate its global markets expertise into client solutions. Leveraging the Treasury expertise to Nedbank Group's non-SA operations remains an ongoing focus area. The cluster will proactively advance the consolidated and collaborative coverage and distribution effort to fulfil Nedbank Capital's goal of maximising client economic profitability through cross-selling.

The cluster continues to build on the success in the first phase of the Department of Energy's REIPPP programme, and will leverage this in 2012 and beyond for subsequent phases of the REIPPP.

Nedbank Capital continues to work towards becoming entrenched as Africa's most admired investment banking business in the advisory, equity and specialised lending asset classes. A refined and robust risk appetite for boutique business in Africa, combined with its sector-specific expertise (extended to include oil and gas) and a client-centred approach, underpin this strategy.

The cluster will continue its theme of responsible investment banking by formalising several of the initiatives it has undertaken – particularly the creation of a sustainability forum that reports on, and monitors, its activities in the green space, carbon financing, renewables financing, as well as social initiatives such as Spell It and ChessKids.

'SPELL IT' INITIATIVE

Further to Nedbank Capital's investment in developing chess in underprivileged communities, the business embarked on a literacy programme, called 'Spell It'. The programmes are running concurrently in primary schools in District 14 (southern suburbs of Johannesburg, Soweto, Lenasia and Eldorado Park).

Spell It aims to support the education system by partnering with the Gauteng Department of Education at primary-school level to ensure each learner has the opportunity to achieve a good level of English literacy by the time he or she graduates to high school. It also aims to build excitement and momentum around learning and academic achievement. The programme targets grade 5 learners. Through Spell It, spelling coaches are provided to the schools to assist learners and teachers with the programme.

During 2011 a total of 9 000 grade 5 learners enrolled in the programme, over 6 000 words were learnt and a recent intensive coaching programme showed literacy levels had improved from 10% to 65% in just six weeks.

The programme consists of two components, the Vocabulary Assistance Programme (VAP) and Spelling Bee Competitions. VAP is a step-by-step, fun series of card games assisting learners to build on their existing knowledge while brushing up on the fundamentals of phonetics, spelling rules, word structures and the origin of English words.

SA'S FIRST GREEN INDEX

Environmental sustainability – Nedbank Capital launched SA's first Green Index
Nedbank Capital launched SA's first Green Index, which serves as a benchmark for environmentally conscious investors. The index has the potential to become the industry standard in measuring performance of companies with environmentally sustainable business practices.

Nedbank Group's commitment to environmental preservation is illustrated through this initiative, which tracks the performance of companies selected according to environmental criteria, primarily including carbon and climate change risks and opportunities. The Nedbank Green Index is a strategic fit with Nedbank Group's desire to be a leader in the sustainability space and a key contributor to the green economy. It will allow clients who share Nedbank Group's aspirations in the green space to demonstrate this in their investments.

The Nedbank Green Index is a rules-based index that is based on the local data set of the Carbon Disclosure Project (CDP) and the United Nations' register of Clean Development Mechanism (CDM) projects in SA. Holding the largest database of corporate climate change commitment and action in the world and with more than 550 institutional investors representing over US$71 trillion in assets supporting the initiative, the CDP is a credible data source. The CDP goes through regular selection and evaluation processes that can result in changes and rebalancing of constituent members of the index.

Further, Nedbank Capital launched an exchange-traded fund (BGreen ETF) in December 2011. This innovative solution leverages off the Nedbank Green Index (launched in July 2011), which allows environmentally conscious investors the opportunity to benchmark the performance of companies with environmentally sustainable business practices.

The BGreen ETF has created an investment opportunity that has not existed before. For the first time investors have the opportunity to show their commitment to the environment by buying a green investment product.

Cross-referencing

Environmental sustainability
Pages 96 – 111

NEDBANK CORPORATE

NEDBANK CORPORATE

Nedbank Corporate provides lending, deposit-taking and transactional services to Nedbank Group's wholesale banking clients. It does this through three client-facing business units and its support areas.

Reporting standard

GRI G3.1: 2.2, EC2

OVERVIEW

Corporate Banking is a relationship-driven business that focuses on the wholesale corporate market in southern Africa, with teams based in Johannesburg, Durban, Cape Town and London. Corporate Banking engages with clients who have annual turnovers exceeding R400m and lending requirements greater than R50m. This target market also includes the public sector. It extends a full-service wholesale banking offering from lending and deposit-taking to transactional banking through dedicated teams of corporate bankers, credit and transactional experts, as well as a specialised structured-debt team.

Property Finance specialises in providing specifically structured property finance solutions to:

- commercial, industrial, retail and residential property developers, investors and owner occupiers;
- listed property funds;
- partnerships – either through joint ventures or minority equity investments; and
- affordable housing developments.

Nedbank Africa provides holistic banking in five southern African countries and offers retail banking products, wholesale lending and deposit-taking. The focus is on economically profitable market segments and sectors where Nedbank Africa has a competitive advantage. The business leverages the Ecobank–Nedbank Alliance footprint in providing a one-bank experience and accessibility to its clients.

Transactional Banking supports Nedbank Corporate, Nedbank Business Banking and Nedbank Retail through innovative transactional product development. It offers services across SA, in five African countries, and in regions serviced by the Ecobank–Nedbank Alliance. Transactional Banking also manages Nedbank Corporate's international financial relationships with its global banking partners.

Corporate Shared Services is the delivery and service centre for transactional processing and is primarily responsible for the processing and servicing of wholesale products in support of Nedbank Corporate and Business Banking clients. It also provides transactional processing and servicing for a large portion of Nedbank Retail clients.

Nedbank Investor Services (NIS) provides custodial services and secured lending to the collective investments industry.

STRATEGY

Across Nedbank Corporate the strategy is one of evolution and enhancement. The businesses are mature and the focus is on improving and enhancing what has been built up through the years. The group's eight strategic focus areas serve as the key framework utilised for streamlining the cluster's focus areas. This approach is underpinned and executed via a strategy that involves:

- constantly improving its understanding of client requirements to be able to offer innovative and proactive solutions;
- a focus on strategic initiatives to increase non-interest revenue (NIR) for sustainable revenue growth, including enhancements in cash handling, electronic banking and global trade areas, while still focusing on growing the client base;
- enhancing execution capability to improve delivery in order to increase market share; and
- exploring new growth opportunities within SA and the rest of Africa, with particular emphasis on further leveraging the alliance with Ecobank.

The effect on growth in assets, net interest income (NII) and fee income arising from a slowdown in deals and lengthier execution times for borrowings will be closely monitored. Measures to contain costs and to fast-track the implementation of new-business solutions and minimise slow turnarounds and project delays will likewise come under close scrutiny.

REVIEW OF THE YEAR

Excessive levels of leverage, weak demographics and impaired financial systems fuelled global political, economic and sovereign-debt challenges in 2011. The impacts of the global recession filtered into the Southern African Development Community (SADC) region. The liquidity crisis in Swaziland, foreign exchange scarcity, lingering fuel shortages in Malawi and the effect on growth and investment of the political impasse and indigenisation policy in Zimbabwe were just some examples of the significant challenges to these African economies and markets.

While, the wholesale market in SA remained largely unaffected by the economic situation in Europe, SA corporates adopted a cautious stance regarding capital expenditure. There was a resurgence in corporate borrowing in the fourth quarter, but in contrast to corporate demand, the low level of public sector borrowing was disappointing. Nedbank Group nevertheless maintained its substantial market share in public sector lending.

The property sector was affected by muted credit extension, together with weak consumer demand. Against the backdrop of pedestrian economic growth, the Nedbank Corporate businesses continued to focus on client service, deepening understanding of client business needs and sound risk management. This focus ensured further success in the cluster's strategy to increase primary-banked market share and raise the numbers of transactional banking clients.

The Corporate Banking Division gained **27 new primary-banked clients**. There was an even stronger ranking for Nedbank Corporate in the Consulta, Startrack and BMI-T surveys of clients of banks operating in SA, as well as the Nihilent indices for predicting client loyalty. The ability to leverage the alliance with Ecobank and its Pan-African footprint was shown to be an increasingly important benefit to clients operating beyond SA.

Despite the tough property market that ensued in 2011, Property Finance achieved growth in average advances of 4,9%, with property private equity stocks contributing positively to returns. Building close relationships and understanding client needs ensured that the team were intricately involved in one of the biggest deals ever seen in the SA property market.

The Affordable Housing Unit provided financing for the development of 2 300 homes in 2011, disbursing R385m to benefit some 7 000 people. Approved deals under implementation totalled R1,19bn, the bulk of which was made up by R834m earmarked for Gauteng projects and R234m for projects in the Western Cape.

The tough environment within the SADC region did, however, offer some opportunities that saw Nedbank Africa growing average advances by 14,2%. These opportunities included participating in funding a debt facility for one of the single largest commercial investment deals of recent years in Swaziland, as well as a collaborative deal with Property Finance to fund the development of Lesotho's first fully integrated shopping mall, which forms part of a new comprehensive retail and commercial node.

Transactional Banking's contribution to cluster growth was underscored by further positive results from industrywide client feedback on key electronic banking criteria, successful implementation of new systems, a surge in client acquisitions and increased sales of its business solutions. Electronic banking revenues rose markedly.

Corporate Shared Services had another good year, delivering accurate and efficient processing with a high rollout of transactional devices to clients. A state-of-the-art custody system was completed, allowing the unit to target market share growth in custodial services and maximise opportunities in the collective investments industry. Total assets under custody amounted to R1,6 trillion at the end of December.

The tough trading conditions both locally and globally were reflected in the entropy scores recorded in the annual Barrett Survey. These scores measure the healthy functioning of the business as experienced by staff and the 2011 scores showed a marginal decline. The scores in the annual survey of staff on organisational culture also decreased from 72,2% in 2010 to 70,3% in 2011 including Nedbank Africa. While the scores are high and still reflective of a healthy functioning business, action is being taken to mitigate any negative movements.

Within Nedbank Corporate priority was given to the development of leadership agility and effectiveness, transformation, talent management and skills development as a means of continuing to build a high performance culture.

This drive was boosted, particularly at a middle management level, by a rollout across the cluster's divisions of the Leading for Deep Green (LFDG) initiative. Emphasis was on leadership development and team effectiveness through harnessing emotional intelligence and personal mastery. The LFDG rollout covered delegates from across Nedbank Corporate, including the cluster executive committee.

Reporting standard

GRI G3.1: 2.2, EC2

CASE STUDY

TRANSFORMATION BEYOND THE NUMBERS

Nedbank Corporate exceeded its skills development target for 2011 and tracked well against the skills development expenditure for black staff as emphasis was again placed on attraction and retention of talent and the development of key skills required for business growth. The cluster remains committed to achieving its employment equity targets, which proved challenging in 2011, and will continue to improve its position in terms of employing people with disabilities. Staff attrition rates decreased from 9% in 2010 to just over 7% in the current year.

The Nedbank Property Finance Academy continues to create a pipeline for scarce and critical skills, with 209 staffmembers having graduated. The academy demonstrates Nedbank Corporate's commitment to providing employees with opportunities for growth and development, while equipping them with a clear understanding of the industry and the tools and knowledge they require to contribute to the overall performance of the business.

The integration and alignment of recognition and reward processes to drive a high-performance culture in Nedbank Corporate is illustrated by celebrations of excellence and acknowledgement of superior performance. The groupwide focus on enabling a client-centred culture will help to drive the effective utilisation of recognition and reward structures as the cluster continues to invest in its people fully to realise individual and team potential.

FINANCIAL REVIEW

Year ended		% change	2011	2010
Headline earnings	(Rm)	11,8	**1 672**	1 496
Efficiency ratio	(%)		**48,9**	51,2
Credit loss ratio banking advances	(%)		**0,29**	0,20
Average banking advances	(Rm)	3,7	**157 003**	151 433
Average deposits	(Rm)	12,4	**139 416**	124 077
Allocated economic capital	(Rm)	(11,9)	**6 696**	7 603
Return on equity	(%)		**25,0**	19,7

Nedbank Corporate's headline earnings of R1 672m in 2011 represented an increase of 11,8% on 2010 and an improved return on equity (ROE) of 25,0% (2010: 19,7%). Performance was boosted by an increase in the number of primary-banked clients, further enhancements to the transactional banking offering, a fourth-quarter resurgence in corporate borrowing, proactive risk management, and effective cost controls.

Average advances for the financial year grew by 3,7% to R157bn (2010: R151bn), while average deposits grew by 12,4% to R139bn (2010: R124bn) as lower interest rates continued. This contributed to NII growing by 8% with a 6 basis points improvement in margin to 2,14%.

The strong growth of 12,1% in core NIR was in line with the cluster's strategy to increase primary-banked market share and raise the numbers of transactional-banking clients. While continued investments were made to support NIR growth, the rise in expenses was contained, resulting in the NIR-to-expenses ratio improving to 67,9%.

The credit loss ratio of 0,29% was well within the cluster's through-the-cycle target range of 0,20% to 0,35% thanks to improved ratios in Property Finance and Nedbank Africa, and a more normalised ratio in Corporate Banking.

The challenging risk environment within Property Finance continued to impact the residential development and vacant land subportfolios negatively. Despite this, there was an improvement in the impairment charge during 2011.

In the Africa portfolio, although the tough economic environment saw pressure on topline revenue growth, the risk performance was exceptional, with the impairment charge falling to well below the lower level of the expected through-the-cycle target range.

Total cost growth was 4,5%, with investment in people and systems being the key areas of spend.

Notwithstanding the pedestrian economic growth, Corporate Banking posted a 5,2% increase in headline earnings to R869m in 2011 (2010: R826m) on the back of a 19,4% increase in NII and a 8,2% gain in NIR. ROE was 29,1%, up from 27,6% in 2010. The efficiency ratio decreased to 48,3% from 52,5%.

A fourth-quarter surge in corporate deals – resulting from increased corporate activity and a greater number of manufacturers seeking funding for expansion – provided an opportunity to increase awareness of Corporate Banking services after a period of restrained client interaction.

Property Finance achieved sound growth in headline earnings of 24,0%. The improved earnings of R621m, compared with the R501m of 2010, came on the back of a reduced impairment charge, better generation of NIR and improved cost control. ROE was 23,4%, up from 14,1% in 2010, and the efficiency ratio dropped to 31,6% from 35,6% in 2010. The gross margin declined by 14 basis points.

Nedbank Africa saw a 9,4% drop in headline earnings, mainly due to subdued economic activity in Malawi, Kenya and Zimbabwe, and lower margins across all subsidiaries. Despite these challenges, Nedbank Africa's continued focus on client-centred solutions saw assets growing by 14,2%, with major client acquisitions in Swaziland and Namibia, where the latter was again impacted by increased pressure from regulatory authorities to reduce lending rates. Card acquiring in Namibia contributed to growth of 6% in NIR in that region.

LOOKING FORWARD

The challenging risk environment experienced in 2011 is expected to continue and even deteriorate further in 2012, particularly given the uncertainty in the Eurozone and the associated sovereign-debt crisis that is likely to plague the fragile global economy throughout the year. Given the challenging outlook from a risk perspective, Nedbank Corporate's risk strategies will centre on:

- Optimising return on capital within existing exposures through strategic client value management.
- Continuing with earlier risk identification and proactive client engagement.
- Selected asset growth in key sectors and with strategic clients, enhancing the overall economic profit within the cluster.

Although the resurgence in corporate borrowing in the last quarter of 2011 has provided some impetus into 2012, corporate SA is largely expected to continue with its 'wait and see' business and investment approach, which will constrain opportunities for advances growth.

Beyond SA, subdued activity in the SADC region, together with challenges of fulfilling indigenisation requirements, is anticipated.

The effect on growth in assets, NII and fee income arising from a slowdown in deals and lengthier execution times for borrowings will be closely monitored. Measures to contain costs, fast-track the implementation of new-business solutions and minimise slow turnarounds and project delays will likewise come under close scrutiny, with focus intensifying on the four key strategic themes mentioned earlier.

NEDBANK RETAIL AND NEDBANK BUSINESS BANKING

Nedbank Retail and Nedbank Business Banking are strongly positioned to retain and grow more clients by servicing the needs of individuals and businesses on an integrated basis in more than 65 area offices and over 1 000 staffed outlets. The comprehensive range of products, deep client insights and excellent channels are combined to deliver a choice of distinctive and client-centred banking experiences, which will allow clients to build deep and enduring relationships with Nedbank, underpinned by worldclass risk management.

Reporting standard

GRI G3.1: 2.2, EC2

OVERVIEW

Nedbank Business Banking services medium-sized businesses with an annual turnover of R7,5m to R400m. Typically these businesses tend to be family-owned and geographically dispersed. As such, Nedbank Business Banking operates through a well-entrenched, decentralised, accountable business service model, which uniquely positions the business to deliver personalised relationship banking based on local knowledge and a deep understanding of clients' businesses.

Client service teams, comprising sales, service and credit specialists, are located in offices around the country, ensuring proactive engagements and quick responses to client requests, as well as early identification of risks and service opportunities. The client service teams are supported by industry and product specialists who facilitate more complex client needs, including specialist finance, invoice discounting, transactional banking, card acquiring and asset management, as well as personal-banking solutions for business owners and their employees. Distinctive client value propositions (CVPs) are in place for agriculture, franchises, and the professional, medical and public sectors.

Nedbank Retail serves the financial needs of all individuals (excluding high-net-worth clients) and small/micro 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, motor finance, cards (both card-issuing and merchant-acquiring services), personal loans and investments.

Within Nedbank Retail, Retail Relationship Banking (RRB) targets households requiring an 'I know you' client experience and small/micro businesses with a turnover of less than R7,5m. The interaction is relationship-based (lower to higher touch) and supported by centralised functional teams or regionalised product specialists (shared with Nedbank Business Banking). RRB clients are served through 'relationship centres' within branches or by sharing personal bankers with Nedbank Business Banking.

INTRODUCTION

Nedbank Retail and Nedbank Business Banking have distinctive strategies relevant to their respective target markets and stage of journey. (Nedbank Business Banking is entering its eighth year of business transformation, while Nedbank Retail only started its strategic repositioning in 2010.) In addition, significant emphasis is placed on cross-cutting initiatives to unlock opportunities through collaboration across the two environments and with other group clusters.

STRATEGY

Increased competition, lower client activity, muted economic growth and the lowest interest rate environment in 37 years continued to constrain short-term growth prospects. A significant portion of pretax endowment earnings (cumulatively R3,2bn from a 650 basis points interest rate reduction since 2008) will not return in the near term, yet inflationary cost pressures continue to impact overall earnings growth.

In response to this lower growth, lower interest rate environment, Nedbank Retail and Nedbank Business Banking are seeking diligently to deliver on their distinctive strategies, leveraging key trends through a skilled collaborative leadership team to generate good shareholder value. Key strategic imperatives include:

- deepening the share of wallet and gaining new clients through providing a choice of distinctive client-centred banking experiences and taking advantage of Nedbank Group's relatively lower primary-banked market share;
- leveraging collaboration and innovation for growth in key markets, channels and products; and
- optimising costs through integrated channels and sustaining quality risk management practices to keep within desired through-the-cycle target risk appetite.

Given the geographically dispersed target market and strong links between business owners and employees, collaboration at micromarket level is key to deepening existing client relationships and accelerating non-interest revenue (NIR) growth. The close alignment of the Nedbank Retail and Nedbank Business Banking leadership team behind a clear strategic intent with explicit collaboration themes uniquely positions this business for the macroeconomic challenges and trends.

REVIEW OF 2011

An excellent start has been made to the strategic repositioning of Nedbank Retail to provide distinctive, client-centred banking experiences for all in SA, underpinned by worldclass risk management. Nedbank Business Banking is working closely with Nedbank Retail to leverage the strong market position and banking relationships the group has with businesses to provide enhanced banking solutions for the benefit of clients of both clusters.

Headline earnings in Nedbank Retail and Nedbank Business Banking almost doubled to R2,9bn (2010: R1,6bn) in a muted economy yielding very little organic growth and in which clients tended to manage their financial affairs judiciously – using surplus cash to deleverage. The main pretax drivers of the headline earnings growth were a R1 185m increase in NIR through growth in primary-banked clients, cross-sell and fee collection, R856m higher net interest income (NII) through improved margins and a R1 267m reduction in impairments, offset by R458m lower endowment earnings and a R189m investment in optimising the distribution footprint.

CASE STUDY

Kuruman – through a holistic approach to area expansion

Nedbank established a presence in Kuruman in September 2011 with a 161m² full-service branch. The branch achieved 27% more sales in the first three months of operation than any of the Nedbank branches opened in 2010.

The secret behind this success was the holistic approach taken by Nedbank, involving all stakeholders, and the careful assessment of client requirements. This entailed catering for the full range of clients, from personal loans for the entry-level client to cash-handling capabilities catering for larger businesses. At the same time the branch layout was optimised to minimise cost. During the launch emphasis was placed on local area marketing covering all client segments.

Staffmembers were recruited from within Kuruman and appropriately upskilled to perform multiple functions. The strong community focus prior to launch, which included the donation of water rollers through the Nedbank Foundation, ensured that Nedbank was fully integrated into the Kuruman community.

Good progress on cross-cutting strategic initiatives between the clusters delivered an enhanced client experience, further strengthened risk management and unlocked operating efficiencies, with specific focus on:

- aligning frontline teams to optimise cross-referrals and footprint;
- identifying 30 priority area growth nodes for distribution expansion and demonstrating the benefit of a joint cluster approach in Kuruman, Umtata and Worcester (see highlighted box in this section for details about Kuruman);
- integrating the card-acquiring sales force more closely with Nedbank Business Banking;
- streamlining systems, such as the integration of Motor Finance Corporation's (MFC's) differentiated frontend system with Nedbank Business Banking's newly developed vehicle finance platform and planning a single collections platform for Nedbank Retail;
- leveraging Nedbank Business Banking's regionally based product specialists, client-centred risk management and pricing systems into RRB;
- optimising the technology spend for the benefit of both clusters;
- clarifying the business service model between Nedbank Business Banking and RRB to avoid duplication and aligning transactional pricing to ensure a seamless client experience, with Nedbank Business Banking visiting clients at their premises and RRB providing a strong inbranch relationship offering, the business is now geared to capture an increased share of the small-business and relationship banking markets; and
- developing a joint strategic roadmap for 2012 to 2014 with six collaborative growth themes poised to deliver significant stakeholder value.

Business momentum in the MFC business has been maintained throughout the integration, with the achievement of over 30% market share at improved returns. To date 81% of the R98m of integration costs has been incurred and R54m of asset impairments has been booked to unlock 53% of the R158m cost synergy benefits.

Headcount continues to be stringently managed, with an emphasis on increasing frontline employees, strengthening the retail risk line capabilities, refining role accountabilities and creating career opportunities to strengthen the collaborative culture, which is a competitive differentiator.

Approximately 19 000 clients, including certain Imperial Bank clients, were moved to areas in the clusters where they can be served best. Related costs were also reallocated in line with revenue. Individual clusters' results are impacted by this, with a net benefit to Nedbank Business Banking of R9,1bn in advances, R1,7bn in liabilities and R119m in headline earnings from the move of clients from Retail to Business Banking. This benefit largely offsets the lower endowment earnings of R106m from the 90 basis point reduction in interest rates. Over the past six years approximately 50 clients representing R1,1bn in advances and R2,0bn in liabilities have transitioned from Business Banking to Corporate Banking, enhancing client retention and revenue growth.

LOOKING FORWARD

The two businesses have made excellent progress in executing their respective strategies and are uniquely positioned to unlock growth as the economy recovers. The positioning of both Nedbank Retail and Nedbank Business Banking in markets with attractive economics has been enhanced by the diligent execution of discerning strategies that harness Nedbank Group's unique strengths relating to the trends shaping the industry and society it serves. A skilled leadership team, with a track record of delivery, is in place to drive the building of high-quality businesses for sustainable performance.

By collaborating across the clusters growth prospects are enhanced through leveraging existing client relationships, better aligning the client offering to create a seamless Nedbank experience and optimising distribution to grow at area level across SA.

Focus will be on several collaborative growth themes, including:

- exploiting the opportunities by coordinating efforts in the frontline, expanding and optimising presence in key micromarkets and through area collaboration;
- unlocking all aspects of the virtuous circle of the individual who becomes an entrepreneur, builds a business and is a key influencer in his or her household and in the lives of employees as well as leveraging strong wholesale relationships to deliver the personal-banking offering to their employees at work;
- seamlessly migrating clients through Nedbank Group as their needs increase in complexity; and
- retaining and growing clients while also accelerating digital innovation as well as integrated channels to lower the costs to enhance the client experience and increase accessibility, with social media as an important real-time communication tool.

The clusters will continue to invest in their 20 000 people and provide them with meaningful careers as they drive cohesively towards transforming Nedbank Retail and Nedbank Business Banking for the benefit of the clients and the communities they serve, while also delivering on the group's aspiration to be the leader in business banking for SA.

NEDBANK BUSINESS BANKING

STRATEGY

The primary strategic thrust for Nedbank Business Banking is to continue its journey of business transformation and growth en route to becoming the leader in business banking for SA as measured across the key dimensions of employees, clients (including primary-banked market share) and financial performance. Emphasis is on the word 'for' SA, in recognition of the importance of Nedbank Business Banking's contribution towards enterprise development, job creation and community upliftment in the broader context of sustainable development.

Over the six years to 2011 Nedbank Business Banking has delivered consistently high returns to shareholders (23% to 32%) and cumulative economic profit (EP) of R3,1bn, while at the same time investing in the business in line with its strategic intent and ASCENT[1] strategy roadmap. This has been achieved by consistently investing in people leadership and diversity, compelling holistic client offerings with distinctive differentiators, organisational design aligned with strategic intent, disciplined risk management capabilities, pricing tools, CVPs for selected industries and overall market positioning.

REVIEW OF THE YEAR

2011 was characterised by the consistent commitment to Nedbank Business Banking's distinctive delivery model through the cycle, despite interest rate pressures, inflationary costs and a muted economy resulting in short-term-growth challenges.

Client satisfaction metrics (net promoter score, relationship quality and service quality) reached the highest levels since 2005 and following consistent interventions to emphasise the importance of service delivery with every employee, while in parallel improving the management information to monitor client interactions and staff training and increasingly automating the workflow to minimise rework as a result of manual errors.

Net new-client acquisition continued to improve despite the muted economic climate (up 25% year-on-year) on the back of heightened client engagement, higher-quality interactions and a simplified onboarding experience. Area-driven expansion (eg Umtata and Kuruman) and rigorous area plan execution, with aligned marketing efforts at a micromarket level, have also contributed to this growth, especially in the less urbanised areas. Overall primary-banked market share,

[1] *A: Acquire new primary-banked clients; S: Sales force productivity and size; C: Cross-sell and cross-divisional collaboration; E: Easy to do business; N: New markets and products; T: Talented, energised people.*

as measured by the BMI-T survey, remains at similar levels to 2010, which is estimated at 20 to 21% for the urban environment. Market share in non-urban areas was historically lower (approximately 16%), but is gaining momentum, enhanced by cross-cluster area collaboration.

Cross-sell to existing clients and client retention received equal focus, with enhanced reporting tools and management processes. To ensure a seamless client experience the business model has been further refined by integrating card-acquiring solutions with the transactional banking offering and providing personal banking for both business owners and their employees at the clients' premises.

A total of R16bn in new-asset payouts for the year (33% up over 2010) confirmed that Nedbank Business Banking remained open for business and provided support to its clients, especially in these challenging economic times.

Nedbank Business Banking approved approximately R5m in enterprise development assistance to emerging black small and medium enterprises (SMEs), comprising training, business mentorship, entrepreneurial incubators and flexible lending structures. This supported the creation of 712 jobs, with 934 entrepreneurs benefiting from easier access to finance and other developmental interventions. Nedbank Business Banking's empowerment financing performance exceeded its targets in both primary categories of loans extended to black SMEs and emerging enterprises operating in the agricultural sector.

In recognition of the vital role that its people play in its continued success, Nedbank Business Banking continued to refine and embed worldclass people practices to enhance the business' cultural sustainability by equipping employees to perform at their best.

The results of Nedbank Group staff surveys and employment equity metrics confirmed that these efforts are resulting in a cohesive and empowered organisational culture with staff satisfaction at levels typically associated with high-performing organisations.

Innovation across product, process and channel will increasingly become a differentiator in the eyes of clients and, as such, good progress has been made in entrenching innovation as part of the culture by empowering all staff to contribute.

Nedbank Business Banking's Talent Academy (an industry-first formally registered sales and credit learnership programme) saw its first set of graduates being placed in the business with great success. The very positive feedback both from participants and managers has ensured that this programme, which was nominated for the BHP Achiever Award for Skills Development, will serve as a permanent source of skilled bankers in Nedbank Business Banking and the greater organisation.

FINANCIAL REVIEW

Year ended		% change	2011	2010
Headline earnings	(Rm)	3,3	**852**	825
Efficiency ratio	(%)		**63,3**	62,0
Credit loss ratio	(%)		**0,54**	0,40
Average advances	(%)	14,9	**58 818**	51 179
Average deposits	(Rm)	7,2	**81 702**	76 218
Allocated economic capital	(Rm)	18,3	**3 696**	3 123
Return on equity	(%)		**23,1**	26,4

Nedbank Business Banking delivered an attractive return on equity (ROE) of 23,1% (2010: 26,4%) and headline earnings of R852m (2010: R825m). EP for the year was R372m (2010: R382m).

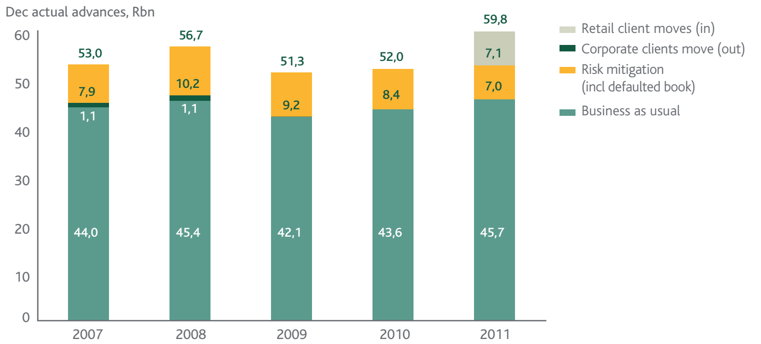
NIR growth of 10,7% (2010: 10,8%) was achieved through continued growth in client numbers, with the acquisition of 750 net new primary-banked clients (2010: 600), cross-sell of transactional products, as well as further enhancements to the fee collection processes. Revenue generation remains challenging due to reduced transactional volumes and a reduction in excess fees as clients manage their cashflows more proactively.

Nedbank Business Banking is investing for growth and building capacity through the Talent Academy, expansion of the sales force and innovation capability, after having carefully managed costs for several years in an environment with significantly lower endowment earnings following 650 basis points of interest rate reductions since 2008. In the short term and in the current slow-growth environment revenue growth lags long-term investment cost. Total expenses grew at 16,4% but, excluding investment for growth and additional costs relating to internal transfers between clusters, core expenses grew at 7,5%. Overall headcount decreased by 1,9% to 2 345.

Carefully balancing the levers of risk versus growth, Nedbank Business Banking remained open for business throughout the challenging economic cycle.

The advances portfolio quality was protected by the early identification of higher-risk clients in 2008 of R10,2bn, which were actively reduced to mitigate risk to R7bn in 2011.

SELECTIVE ADVANCES GROWTH PROTECTS PORTFOLIO CREDIT QUALITY



In addition, in 2008 the cluster focused on repricing the portfolio in anticipation of higher liquidity and capital costs and emphasised lending to primary-banked clients. The consequences of this strategy are reflected in the business-as-usual asset category reducing advances in 2009 and thereafter increasing at a compound annual growth rate of 4,2%. The cluster's commitment to enterprise development and partnering its clients for growth for a greater SA has also benefited 934 emerging entrepreneurs, including the agricultural sector.

Liabilities grew 7,2%, leveraging the market-leading products and closer linkages between the owner and his or her business. Nedbank Business Banking is a strong generator of funding, with total deposits of R85,5bn (2010: R77,9bn), increasing the net surplus funds placed with the group to R31,3bn (2010: R29,8bn).

The 0,22% improvement in margin to 3,25% (2010: 3,03%) is pleasing as gains in client-centred, risk-based pricing were maintained and the cost of funding eased, more than offsetting the R153m lower endowment interest income.

The credit loss ratio at 0,54% (2010: 0,40%) remains below the through-the-cycle target range of 0,55% to 0,75%, and continues to reflect the effective risk management practices within the cluster. The defaulted portfolio remains elevated at 5,1% of actual advances, but improved from 6,3% in 2010. This is reflected in the specific impairments charge net of recoveries decreasing 24,3% to R283m (2010: R374m) on a R60,46bn average portfolio.

LOOKING FORWARD

Nedbank Business Banking is poised for growth, with enhanced prospects as the economy recovers and, additionally, in a rising-rate pattern a 100 basis point increase in interest rates translates into an increase of approximately R100m in headline earnings and EP, an improvement of approximately three percentage points in ROE, while the high-quality advances portfolio should perform well. With client satisfaction and cultural alignment measures at six-year highs, the business is outwardly focused to service clients through the decentralised, accountable business model and client service team approach, which remains a competitive differentiator.

NEDBANK RETAIL

STRATEGY

Following a thorough strategic review of the retail business and landscape in 2010 (after five years of cumulative economic losses of R3bn), Nedbank Retail is charting a new path to sustainable profitable growth. Nedbank Retail's strategic intent is to 'deliver a choice of distinctive, client-centred banking experiences' for all in SA that build many deep, enduring client relationships, underpinned by sound risk management, with people, processes and technology aligned behind this strategic intent. The cohesive strategy is leveraging existing product and people strengths, as well as the strong wholesale client relationships to capture a fair share of an attractive, large and growing retail EP pool. The turnaround is being carefully orchestrated to maintain growth momentum of product niches, while evolving the business to be more integrated and client-centred. The underpriced, poorer quality home loans contained in the 2006-to-2008 book will continue to drain future returns.

To deliver this strategy 12 step change initiatives were identified, which will guide the implementation roadmap. Relative to Nedbank's past efforts to turn around Retail sustainably, the cohesive strategy and three fundamental imperatives, namely effective risk management practices, consistent investment in clients through their life stages and strong alignment of product, channel and consumer insights to deliver a choice of distinctive, client-centred experiences, should, with consistent delivery towards the cluster's true north, deliver the desired results over time.

The turnaround of Nedbank Retail is well on track and gaining momentum. Having addressed the secured-lending impairment challenges of the backbook by embedding appropriate risk management practices, strong foundations have been laid for sustainable earnings growth. An experienced leadership team was formed and has been in place through the year to implement the distinctive, client-centred growth strategy in a phased approach.

REVIEW OF THE YEAR

Excellent progress has been made across all the initiatives, with the results bearing testimony to the effectiveness of the strategic choices and speed of execution.

Nedbank Retail was able to deliver new-client growth, with sales up markedly over the prior year, through the launch of two specific CVPs, namely Nedbank Savvy and Nedbank Ke Yona, to enhance Nedbank Retail's positioning for the middle-market and entry-level banking segments respectively. In addition to the 90 000 new Savvy accounts opened and 191 000 new entry-level banking clients, youth sales were also up 14% as a result of the additional focus on this segment.

The Vodacom m-pesa cellphone offering continues to gain momentum, with client registrations increasing to 692 876 since August 2010 through 6 000 registered outlets. Nedbank Group was the first bank to enable its ATMs for cardless withdrawals.

Nedbank Retail's distribution has grown substantially and is more accessible and relevant with:

- some 635 more frontline salespeople (6,2% up);
- a total of 121 more staffed outlets and 389 more ATMs;
- increased branch presence to 54% of branches for RRB (from 38% a year ago);
- extended branch banking hours for conventional branches (59 operate extended hours, 49 of these also trade on Sundays in addition to the 261 outlets since 2004);
- investment in staff training effectively to deliver on the client offerings; and
- enhancing the personal loan distribution to include transactional bankers and ATMs in more than 75% and more than 90% of outlets respectively.

All of these have resulted in 157 000 net new primary-banked clients, up 8,9% year-on-year, and an 8,80% increase in the overall client base to 5,27m. The emphasis on clients and evolution to a more client-centred organisation are also reflected in the Net Promoter Score and external assessment of Nedbank Retail's client management capabilities, with both seeing significant positive shifts.

Nedbank Group has been a strong player in personal loans for the past 10 years and continued to show good growth in 2011, with advances up 36% year-on-year. However, given early warning signals (high personal loans demand, many new entrants, concerning consumer health trends and an upward trend in debt counselling applications), Nedbank Group has maintained a more selective origination strategy, while continuing to focus on applying prudent lending criteria and sound risk management processes. This approach has resulted in the personal loans business continuing to deliver high ROEs (23,3% in 2011) and profit growth of 20% year-on-year, while market share in this segment remained flat at 13,9%. In the short term the cluster's growth may vary compared with that of the market, as average loan size and tenor are reduced to expand the client base as part of the cluster's distinctive Nedbank Ke Yona value proposition.

Nedbank Retail's home-loans-defaulted portfolio continued to improve to 8,5% of home loan advances from 10,5% in December 2010 and is now at R9,5bn (2010: R12,5bn), while coverage ratios improved to 30% (2010: 23%), providing protection against the challenge of rehabilitating non-performing, (NP) loans in a property market showing negative growth in real terms and continued high levels of consumer indebtedness. The following management actions contributed to this improved position:

- Cumulatively restructuring R7,2bn of loans while retaining a balance sheet impairment ratio of 7%.
- Actively ensuring debt counselling commitments were honoured, causing a 33% reduction in the portfolio to R1,8bn since December 2010.
- Increasing security realisation through the voluntary sales process, Nedbank-assisted Sales (NAS), now at 49% of distressed disposals (R120m benefit).
- Enhancing collection processes resulting in a 92% penetration of accounts in collections, a 22% reduction in the value of accounts in collections, a 13% reduction in foreclosures and a 30% reduction in properties in possession.

Nedbank Group has kept over 13 900 households in their homes since 2009 through effective rehabilitations and nurturing clients towards improved financial fitness.

To accelerate the cultural alignment of all employees behind the strategic intent over 14 000 employees participated in strategy conversations led by the decentralised leadership. Further investments in employee roadshows and leadership conferences enabled consistent engagement on this transformation journey, the success of which was evidenced by the significant improvement in the people metrics.

The creation of RRB as a cohesive unit providing client-centred ('I know you') offerings to individuals and small businesses (where relationships are often intertwined) has progressed well. Over 1 000 people were affected by the changes, with all of two people still to be placed and good service metrics maintained. This business now has scale, a clear purpose and a strong foundation off which to retain and grow clients and deliver quality returns to shareholders.

Investment in technology continued, with major milestones reached, in particular the rollout of a new frontend platform simplifying inbranch fulfilment and commencement of the switch replacement, which will enable agile innovation of mobile applications and payments in the future.

FINANCIAL REVIEW

Year ended		% change	2011	2010
Headline earnings	(Rm)	>100,0	**2 002**	760
Efficiency ratio	(%)		**59,2**	57,7
Credit loss ratio	(%)		**1,98**	2,67
Average advances	(Rm)	(1,66)	**180 685**	183 739
Average deposits	(Rm)	0,21	**85 738**	85 558
Allocated economic capital	(Rm)	2,43	**16 963**	16 560
Return on equity	(%)		**11,8**	4,6

Momentum is accelerating, as reflected by the strong increase of 163,4% in headline earnings to R2 002m (2010: R760m) and a R1 380m improvement in EP on 2010 reducing the economic loss to R203m in 2011. ROE increased from 4,6% to 11,8%, with improved performance and financial returns in all of the underlying businesses driven by the comprehensive management actions introduced to support the strategic intent of Nedbank Retail.

The key pretax financial drivers were gross operating income increasing by R1 515m, with NII up R474m after absorbing a negative endowment rate impact of R305m and NIR up R1 041m and growing strongly at 17,3%, as well as income statement impairments reducing by R1 381m. ROE is also benefiting from the selective growth approach embedded in the concept of tilting the portfolio to economically attractive profit pools and reducing the focus away from standalone underpriced home loans while improving the quality of primary transactional clients.

Secured Lending increased headline earnings strongly by R1 112m to R815m at an ROE of 8,1% (2010: -3,4%) on R10bn of allocated capital. Card and Consumer Banking delivered headline earnings of R644m at an ROE of 35,4% and R466m at an ROE of 13,2% respectively. RRB produced headline earnings of R108m on R1,6bn of allocated capital.

The strong growth in NIR of R1 041m (up 17,3%) to R7 052bn is driven by a combination of moderate annual price increases totalling R291m, with transactional pricing held at levels similar to those of 2005, increased volumes in card and personal loans of R409m, and an increase in the volume and quality of transactional clients of R210m.

Cost growth of 12,8% to R9 889m includes R189m (2010: R136m) of strategic investments in expanding and improving distribution, a R249m increase in variable performance-based remuneration in line with the strong, sustainable recovery in headline earnings and EP, a R423m benefit in unlocking operating efficiencies, principally through integrated channels and lean processes, and a R180m investment in transactional banking initiatives. Organic cost growth adjusted for Imperial Bank moves and changes in transfer pricing methodology is 10,5% and includes inflationary adjustments of 7,5% as well as turnover, volume and changes in cost allocations of 3%.

A total of R189m has been invested in growing distribution by 389 ATMs, 13 branches, 18 personal loans branches, 65 personal loans kiosks and 25 Nedbank in Retailer outlets, and increasing RRB branch presence to 54,0% from 38,0% a year ago. This is in line with commitments to optimise expenses by R600m on a run rate basis and invest R400m of cumulative capital expenditure in distribution by 2014.

The Nedbank Retail credit loss ratio has improved substantially to 1,98% from 2,67% in 2010 and is within the through-the-cycle target range of 150 to 220 basis points. Impairments are expected, at this stage, to remain at the upper end of this target range, but could be higher due to sensitivities to the balance sheet mix.

Impairments have decreased 27,0% to R3 729m (2010: R5 110m) as defaulted advances reduced to 7,3% of the advances portfolio from their peak of 10,3% in 2009. This is the result of excellent collection efforts, effective cumulative client rehabilitations, including restructures, writing higher-quality new business in attractive EP pool products and continued post-writeoff recoveries. The Nedbank Retail balance sheet impairment ratio of 3,97% (2010: 3,76%) reflects the complexity of asset realisations in the current market, requiring ongoing security revaluations and retention of portfolio impairments on unseasoned restructures. To date R900m of balance sheet impairments has been retained on R9,5bn of cumulative restructures.

The home loans portfolio continues to be impacted by the effects of the 2006-to-2008 vintage, which could influence over 50% of future impairments. As such, the underpriced, higher-risk loans within the 2006-to-2008 book will continue to generate economic losses well into the future, masking the growing EP contribution from continuing Nedbank Retail operations.

Since 2010 Nedbank Retail has followed a discerning home loan strategy, which positions it as the primary-client interface with differentiated risk-based pricing. This positioning makes sense for Nedbank Retail, given its overall client-centred strategy, current overweight position in home loans versus transactional earnings, the slow property market, high client indebtedness, regulatory pressures on capital and liquidity, and the risk-reward relationship of home loans, which creates higher earnings volatility through the cycle. This formed the foundation of the home loan repositioning and is reflected in the profile of new business written at an 84% average loan-to-value ratio, average pricing of 40 to 50 basis points above the prime rate and with over 75% originations through the group's own branches and relationship bankers.

Average advances of R180,7bn (2010: R183,7bn) included client moves between clusters, strategic rebalancing of the portfolio and R3bn of proactive writedowns of distressed assets after realisation. On a comparable basis advances increased 2,7%, driven mainly by the unsecured-lending and MFC businesses.

Overall average deposits of R85,7bn, after taking client moves into consideration, grew moderately by 1,9%, maintaining Nedbank Retail's good position in household deposits. In March this year Nedbank Retail launched the Retail Savings Bond, which has been well received by clients and attracted R3,9bn of competitively priced new term deposits.

LOOKING FORWARD

The strong momentum in strategy is reflected in good client growth, improved primary-banked client measures and high cultural alignment to the new strategy. Careful orchestration of the 12 step change initiatives will continue to lead transformational change, lay a strong foundation and enable sustainable earnings growth.

The outlook for Nedbank Retail remains positive. While the strategy to rebuild the client franchise will take time, the strategic roadmap is expected to deliver growth and a return above the cost of equity by 2013, based on the current economic outlook and current capital allocation methodology.

CASE STUDY

STRATEGY CONVERSATIONS WITH OVER 14 000 EMPLOYEES IN RETAIL

Within a two-month timeframe over 14 000 Nedbank Retail employees have been through a facilitated change management process to achieve strategic alignment with the Nedbank Retail strategy. Line managers were equipped to conduct three-hour conversational engagements with groups of 20 to 30 people, unpacking the strategy, creating space for discussion and translating it into personal roles and accountabilities.

The process has had a profound impact on peoples' energy levels, motivation, understanding and commitment to delivering on the strategic imperatives for Nedbank Retail and the broader bank. The benefits of the effort are reflected in the survey conducted immediately after the conversation, as well as individual employee feedback, and strongly positions Nedbank Retail for accelerating strategy execution in 2012.

SURVEY RESULTS

- The presentation and overall experience added value to my understanding of the Retail strategy (97,12%).
- I am committed to embrace the new journey and commit to deliver my part of our strategy (98,90%).
- Through our collective efforts we can create magic every day and contribute to our clients realising their aspirations and financial goals (98,31%).

'FROM THIS DAY FORWARD MY BLOOD IS GREENER THAN EVER AND NEDBANK IS MY HOME. I WILL CARRY THE NAME WITH PRIDE AND HONOUR.'

'I AM PROUD TO BE PART OF A GENERATION THAT IS BRINGING ABOUT THIS WONDERFUL CHANGE WITHIN NEDBANK.'

'HERE IS TO PROSPERING AND GOING BEYOND HEIGHTS THAT OUR COMPETITORS DO NOT EVEN KNOW EXIST.'

This page is dedicated to Refilwe Mkhena (Regional Manager, Nedbank Retail), who passed away in a car accident on 20 February 2012, and Courtney Andrews (Area Manager, Nedbank Business Banking), who passed away from cancer on 24 January 2012. Thank you for being wonderful role models and gifts to Nedbank Group.

NEDBANK WEALTH

Nedbank Wealth provides insurance, wealth and asset management solutions to the broader Nedbank Group and distributes via financial planners, independent financial advisers and third-party intermediaries. The cluster is also responsible for the high-net-worth segment of Nedbank Group.

Reporting standard

GRI G3.1: 2.2, EC2

Nedbank Wealth has operations in SA, London and the Middle East, and on the Isle of Man, Jersey and Guernsey. The cluster is structured into three business divisions:

Wealth Management, which includes:

- **BoE Private Clients** – private client wealth management offering a fully integrated spectrum of services focussing on investments, banking (transactional, specialised and leveraged finance), estate planning, risk management and philanthropy.
- **Trust and Fiduciary Services** – fiduciary specialists focussing on estate planning, will-drafting and administration of deceased estates and trusts, including employment benefits and beneficiary funds.
- **Nedbank Financial Planning** – financial planning services in risk, investment, retirement and estate planning.
- **Fairbairn Private Bank** – offering international private banking and wealth management services, with offices in London and on the Isle of Man and Jersey and in the Middle East.
- **International Trust and Fiduciary Services** – located on Jersey and Guernsey and offering a comprehensive suite of fiduciary solutions.

Asset Management, which includes:

- The **Nedgroup Investments** range of local and international best-of-breed unit trusts, cash solutions and multimanagement as well as private client active management and research supporting the high-net-worth and stockbroking businesses.

Insurance, which includes:

- **Nedgroup Life** – providing credit life, simple risk and savings solutions and a set of differentiated individual risk life products.
- **Nedgroup Insurance** – a short-term insurer specialising in homeowner's cover, personal-accident and vehicle-related value-added insurance products including warranty, topup and tyre and rim cover.
- **Nedbank Group Insurance Brokers** – distributing a wide range of short-term insurance products and advice.

STRATEGY

Nedbank Wealth's key focus areas include:

Wealth Management

- Benefits of a single-branded high-net-worth proposition.
- Growth in UK and Middle East operations.
- Continued investment in advisory and stockbroking businesses.

Asset Management

- Brand profile improvement.
- Leverage new investment offerings.
- Best-of-breed provider of choice both locally and internationally.

Insurance

- Penetration through new products.
- Technology and systems to achieve client-centricity.
- Synergies across insurance.

REVIEW OF THE YEAR

Nedbank Wealth delivered on the financial and strategic objectives set for 2011 notwithstanding the impact of the prolonged unfavourable economic environment.

In Wealth Management the strategic focus on the creation of a single high-net-worth proposition for Nedbank Group is an important client-centric initiative.

SOCIAL ENTREPRENEURSHIP PROGRAMME – FUTUREFIT

In 2011 BoE Private Clients launched Futurefit – a social entrepreneurship programme that offers existing and prospective social entrepreneurs an experiential learning programme, facilitated by a panel of prominent coaches and business mentors. The programme is specifically intended to assist entrepreneurs in plotting sustainable pathways to employment creation, poverty alleviation and the promotion of health and welfare in society.

Nedbank Group has over a considerable period offered high-net-worth client services through Fairbairn Private Bank (FPB) and BoE Private Clients. The decision has now been taken to consolidate the current group high-net-worth client offerings, combining their deep heritage, strength, reputation and distinct client service capability. This new, highly differentiated international high-net-worth proposition for existing and prospective clients is a major development, which will dramatically increase the group's competitiveness in the market.

At the 2011 International Fund and Product awards for the offshore financial services industry Fairbairn Trust Company was awarded Best QROPs Provider. FPB was recognised as Best International Wealth Provider for the third year running and received Best Service Initiative in the prestigious Gold status by Investors in People, which recognises commitment to continuous business improvement through staff. Moody's Investors Service maintained FPB's A3/P-2 credit rating for 2011.

FAIRBAIRN PRIVATE BANK INVOLVEMENT

FPB supports the Young Enterprise Isle of Man's 'Learn to Earn' programme at two local high schools. FPB staff participate in one-day classroom sessions to lead students through a programme designed to explore the concepts of success, independence and employment. The day in the classroom is run by volunteer staff and is aimed at helping children look at their aspirations in life, what lifestyle and career would be required to live in that way and subsequently what level of education would be required for that career. It highlights the importance of education in preparing them for the future.

Performance from the international Wealth Management businesses remains satisfactory, with client and revenue growth despite continued record low interest rates and increasing European uncertainties.

The financial planning business delivered notable growth in advice-based sales on the back of an increase in planner numbers, higher productivity levels as well as an improvement in lapse ratios. Equipping financial planners to meet the deadline for the first phase of the Financial Advisory and Intermediary Services (FAIS) regulatory exams has been a key focus area during 2011. Nedbank Group is committed to giving professional and appropriate advice from qualified financial planners.

FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT

The purpose of the FAIS Act is to ensure that the activities of all financial services providers (FSPs) who supply financial advice to clients or act as intermediaries of third-party financial products are regulated. The FAIS Act requires that FSPs are licensed and that FSP representatives are fit and qualified to offer clients appropriate advice. The FAIS Act also obliges adherence to relevant codes of conduct.

In Asset Management the international best-of-breed strategy gained significant momentum and net flows, while locally net inflows slowed in the second half of the year due to subdued investor risk appetite. In 2011 Nedgroup Investments also launched a UCITS IV Dublin-domiciled international offering and invested in capacity and skills to capitalise on cash and institutional market opportunities in the domestic market.

CONTRIBUTION TO SUSTAINABILITY

In 2011 Nedgroup Investments donated 30% of all service fees earned by the Balanced Fund to four organisations: Childline, Habitat for humanity, NICRO and Rape Crisis.

Nedgroup Investments continued to raise its brand profile within the minds of end clients. Nedgroup Investments was rated among the top three finalists for Best Large Fund House at the 2011 Morningstar South Africa Fund awards and was placed second overall in the 'Domestic Management Company of the Year' category at the recent annual Raging Bull awards.

The Insurance Division devoted substantial effort and resources to ensure readiness for Solvency Assessment and Management (SAM). SAM is expected to be implemented in SA from 2014 and is SA's version of the international Solvency II risk-based capital adequacy requirements for the insurance industry. Leading international consulting firms have been appointed to assist with gap analysis, programme management and capacity planning. In addition, both the life and short-term insurance businesses have invested in key skills and capabilities to drive and deliver on the inhouse components of this project. Investment in technology and planned system replacements in insurance will further contribute to embedding SAM while supporting an improved client quoting and service experience.

In life insurance **360Life,** a fully underwritten life product, is ready for rollout to the independent advisory market in 2012. **360Life** was launched through Nedbank Group's internal channels in 2011 to allow for system and process testing and modification before being introduced externally.

Life Insurance also recently announced **360Business**, a set of insurance offerings that protect the viability and sustainability of a business. **360Business** will provide keyman insurance as well as cashflow to cover running costs and money to repay creditors. The Insurance Division is focused on launching a personal lines insurance bundled solution into the Nedbank client base, enabling a Nedbank end-to-end insurance solution to individual Nedbank Group clients with standalone insurance products. In short-term insurance Nedbank's Solar Geyser proposition was launched during the first quarter of 2011. This offers clients the option to replace a burst geyser with a solar water heater (SWH) and manages the receipt of the Eskom rebate on clients' behalf. Nedgroup Insurance also launched a Hospital Cash solution, which provides cash benefits for the number of days of hospital confinement.

CONTRIBUTION TO A GREENER FUTURE

Nedbank Group Insurance Brokers and Nedgroup Insurance Company continue their contributions of 50c and 30c respectively per life policy to The Green Trust. This is done on behalf of clients at no additional cost.

Cross-selling initiatives and improved group collaboration supported the performance from the insurance broking business. The introduction of a Nedbank online insurance quoting functionality has been very successful and is utilised by an increasing number of clients.

FINANCIAL REVIEW

Year ended		% change	2011	2010
Headline earnings	(Rm)	5,6	625	592
Credit loss ratio	(%)		0,25	0,15
NIR/expenses ratio	(%)		132,2	133,1
Efficiency ratio	(%)		63,3	62,2
Assets under management	(Rm)	9,4	112 231	102 570
Embedded value	(Rm)	47,6	1 522	1 031
Value of new business	(Rm)	38,6	409	295
Headline economic profit	(Rm)	7,0	415	388
Return on equity	(%)		38,7	41,0

Nedbank Wealth delivered headline earnings of R625m, up 5,6% on 2010 and increased economic profit (EP) by 7,0% to R415m. Return on equity declined marginally to 38,7% because of higher capital allocations. Significant growth in the insurance and asset management businesses as well as increased credit risk resulted in an increase in capital of 11,7%.

Normalising for an exceptional client loan recovery of £2,6m in 2010, as well as transferring the corporate trustee business to the Group Shared Services Division, the cluster achieved organic earnings growth of 10,8% and EP growth of 15,6%.

These results were achieved despite the continued low-interest-rate environment, particularly internationally, as well as subdued investor confidence and market activity.

Net interest income increased by 8,9% while the cluster's credit loss ratio of 0,25% remained within the target range. Non-interest revenue growth of 15,0% was supported by strong revenue increases from insurance, asset management and international wealth management. Overall expense growth of 15,9% was in excess of the group's expense growth given the cluster's investment in new-business strain, marketing and product development.

Earnings from international Wealth Management were supported by strong NIR growth resulting from increased investment flows and foreign exchange income as well as an improvement in margin. Results from local Wealth Management were impacted by impairments, a decline in stockbroking activity and a disappointing year in the fiduciary business.

Assets under management increased by 9,4% to R112bn on the back of continued investment in the asset management brand and good fund performance in the SA market. The international best-of-breed strategy has gained momentum, as evidenced by a substantial turnaround in international net inflows.

Good results from the Insurance Division stemmed from a more favourable claims environment and strong growth in the life business. An increase in the value of new business of 38,6% and life annual premium equivalent growth of 26,6% were supported by continued growth in the retail unsecured-lending businesses. The short-term insurance business achieved gross written premium growth of 9,1% despite the dropoff in homeowner's policies and a deterioration in personal-accident lapse rates.

LOOKING FORWARD

Growth and profitability prospects for Nedbank Wealth remain positive despite the impact of the prolonged unfavourable interest rate environment and concerns around financial stability, particularly in Europe.

The new, highly differentiated international high net worth proposition is a major development, which will remove brand confusion and dramatically increase the group's competitiveness in the market.

The group anticipates a recovery in stockbroking volumes and moderate JSE share price growth in 2012. In addition, potential further weakening of the SA rand may support earnings growth from the high-net-worth businesses.

Strong growth prospects exist in asset management, both locally and internationally.

Strong retail volumes, particularly in Personal Loans and Card, will support the growth of simple risk products and will maintain insurance earnings growth despite investment in initiatives and systems and the impact of new-business strain.

SOLAR WATER HEATING – TOWARDS A BRIGHTER, GREENER FUTURE

Committed to be a leading player in SA's transition towards a green economy, Nedbank Group provides South Africans with banking products and financial solutions that help them reduce their carbon footprints. The Nedbank Solar Water Heating initiative is one such offering that is making a difference.

Following the 15th Conference of the Parties (COP15) in Copenhagen in 2009, the SA government committed itself to reducing the country's emissions by 34% from business-as-usual levels by 2010, and by 42% by 2025. SA ranks among the world's top greenhouse gas emitters since 90% of the country's electricity generation comes from coal-fired power stations.

A key part of government's strategy in curbing emissions is achieving large-scale rollout of residential SWHs, as electric geysers are responsible for approximately 40% of the average SA household's electricity use.

The Department of Energy has set a goal of having one million SWHs installed by 2014, ramping up to 5,6 million by 2020. In support of this objective, Eskom, the national power utility, offers households SWH subsidies through its rebate programme.

Solar energy is an unlimited source of clean, green, renewable energy, making it an obvious choice in the global quest to combat climate change. SA enjoys one of the highest levels of solar energy in the world. Solar radiation reaches up to 6,5 kWh/m^2, compared with parts of Europe that only receive about 2,5 kWh/m^2.

In one year an SWH can save up to 70% of the electricity that an electric geyser uses. Importantly, each individual unit installed can prevent approximately two tonnes of carbon dioxide entering the earth's atmosphere every year.

For this reason Nedbank Group is actively promoting the switch to solar water heating. Nedgroup Insurance offers clients the option to replace a burst geyser with an SWH. It also manages the Eskom rebate on clients' behalf. A portion of clients' premium is also donated to The WWF Nedbank Green Trust, at no cost to clients.

Involving clients in green issues, while providing products and services that meet their related needs, forms part of Nedbank Group's overall sustainability strategy. Assistance with this rollout of SWHs is therefore in line with Nedbank Group's unique approach to sustainability, through which it seeks to integrate environmental and social sustainability efforts through a simultaneous focus on economic sustainability and its own profitability, as this is what will ensure it can continue to have a positive impact.

Cross-referencing

Environmental sustainability
Pages 96 – 111

CHIEF OPERATING OFFICER'S REPORT

TOTAL BLACK ECONOMIC EMPOWERMENT SCORE (DTI)

95,2 LEVEL 2

2010: 89,50 LEVEL 2

NON-INTEREST REVENUE/EXPENSES RATIO

81,5%

2010: 79,6%

The central specialist functions in the Chief Operating Officer (COO) portfolio are a critical component in enabling the frontline clusters to deliver client-centred services and solutions, in a coordinated and collaborative way, to compete strongly in the client segments and markets in which they operate. The group has a distinctive strategy and is growing its franchise off the strong operating platform that has been built over the last few years. Significant initiatives, with an emphasis on enhancing the client experience through greater functionality and ease of use, have positioned the group well to grow its share of primary-banked clients in all market segments.

Graham Dempster
Chief Operating Officer

Cross-referencing

Group strategy
Pages 8 – 9

A number of key strategic and cross-cluster initiatives under the direction of the COO are in place to optimise our client service, systems and people practices:

AFRICA

Strategically, our activities in the rest of Africa are very important, as we continue to extend servicing our clients across the continent and benefit our stakeholders. The size and growth rates of gross domestic product in the rest of Africa continue to increase materially and our clients are extending their reach across this very exciting emerging market. Through our strategic business alliance with Ecobank, we continue to build innovatively on the one-bank client experience across our unrivalled banking network spanning 36 countries. In November 2011 Nedbank Group provided the holding company of the Ecobank Group, Ecobank Transnational Incorporated, with a $285m three-year facility in support of Ecobank's corporate development programmes, including its recent acquisition of Oceanic Bank in Nigeria. This arrangement provides Nedbank Group with subscription rights that it can elect to exercise between months 24 and 36 to become up to a 20% shareholder in Ecobank. The arrangement further provides for the possibility of Ecobank establishing a reciprocal shareholding in Nedbank Group, subject to the required approvals; a review of the geographical alignment of businesses across the combined footprint; and reciprocal board representation of one director each. To provide for an aligned and integrated approach to our strategically important activities in the rest of Africa our existing operating banking subsidiaries in five southern African states namely, Namibia, Zimbabwe, Malawi, Lesotho and Swaziland (and the representative office in Kenya), have now been incorporated into the COO portfolio.

OPTIMISE ECONOMIC PROFIT THROUGH PORTFOLIO TILT

In light of changing banking regulation and pressure on banking return on equity, capital and liquidity have become increasingly scarce commodities and as a consequence the group introduced the concept of portfolio tilt in 2010 to concentrate on areas of strategic focus and/or higher economic-profit returns on a sustainable basis. This portfolio tilt approach is incorporated into the strategic planning process to review the performance of businesses and actively redirecting resources to optimise economic profit. Good progress was once again evident in the strengthening of capital ratios and tenor of funding.

NON-INTEREST REVENUE UPLIFT THROUGH PRIMARY-CLIENT GROWTH AND COLLABORATION BETWEEN CLUSTERS

The non-interest revenue (NIR) project has focused on cross-cluster opportunities. These opportunities are now embedded in the cluster plans in support of the group reaching its medium-term target NIR/expense ratio of 85%.

OPTIMISE-TO-INVEST INITIATIVE

The Optimise-to-invest Project progressed well in identifying cross-cluster overlaps in services and cost duplication to optimise the group's cost base and simplify our way of operating. The savings that were identified jointly by the clusters in addressing areas of cost duplication through this initiative have been overlaid into the three-year plans to deliver almost R500m in run-rate savings.

IT SYSTEMS RATIONALISATION AND REPLACEMENT

Group Technology (GT) has launched a groupwide initiative to rationalise and simplify a large portion of its core information technology (IT) systems from 220 to 60 over the medium term. Good progress was made during the year with, 19 systems being rationalised, and a further 30 are planned for 2012. The objective is to streamline the process for implementing new products more quickly, at a lower cost and with greater ease of use. A key philosophy is using service-oriented architecture, which enables a gradual approach to systems replacement and the reuse of processes. The IT roadmap has been developed with the frontline clusters based on their strategic priorities. This approach will lead to significant cost benefits over the longer term and will enable greater investment to take place in client systems, thereby enhancing the client experience. We commissioned an external benchmarking exercise by a global IT expert consultancy, with the assessment findings showing that GT is very well run and close to reaching worldclass standards for GT status in terms of its effectiveness and efficiency of operations. The benchmarking also identified opportunities in the application development area, where more effective processes aligning how GT and the line clusters work together, can bring additional benefits to the group as well as ideas further to enhance our innovation drive.

NEDBANK BRAND AND MARKETING REPOSITIONING

Nedbank Group continues to broaden its brand appeal across the board, with a particular emphasis on the youth and entry-level banking segments through positioning advertising, distribution and products such as Ke Yona, Nedbank Savvy and Vodacom m-pesa. The strengthening of the brand is tracked through a number of external benchmarks including brand dynamics, with Nedbank Group showing the strongest increase across the board in year-on-year performance over the past few years. A brand valuation exercise was also undertaken, which valued the brand at a significant value and provided key insights into where further gains can be realised.

LEADERSHIP DEVELOPMENT

Nedbank Group has consistently invested significant time and resources in unleashing the natural potential of our leadership across the group. There is a deep appreciation of what it takes to be effective leaders and teams, which has been engendered through participating in multiday development programmes that focus on developing personal mastery and team effectiveness, as well as building a 'vision-led values-driven culture' through the Leading for Deep Green programme. We believe that our unique corporate culture, developed through these processes and behaviours, is the ultimate enduring competitive advantage in our industry. The benefits of this programme have been seen in strong corporate culture and staff survey scores, higher staff morale, lower attrition rates and overall team effectiveness. During 2011 an additional 547 people participated in the programme, bringing the total number of participants to approximately 2 500 to date. We are well on our way into cascading this, over three years, to our 6 000 managers – an ambitious target that will have a profound impact on the leadership capability and effectiveness of the organisation as we continue to build a strong values-based leadership culture.

Cross-referencing
Cultural sustainability
Pages 136 – 151

SUSTAINABLE DEVELOPMENT PERFORMANCE REVIEW

'At Nedbank Group we strive to be a leader in sustainability, because it makes excellent business sense and is simply the right thing to do. Our focus is on balancing economic, environmental, social and cultural issues to ensure long-term sustainable value creation for all our stakeholders.'

Mike Brown – Nedbank Group Chief Executive

Reporting standard

GRI FSSS: FS3
GRI G3.1: 4.7, 4.8, 4.9, 4.10, EC1

Cross-referencing

Group strategy
Pages 8 – 9

Cross-referencing

Investment case
Pages 10 – 13

While Nedbank Group may be in the business of banking, it is first and foremost a responsible and accountable member of the SA and greater global community. This means that Nedbank Group is committed to serving the banking, financial and investment needs of its clients and delivering long-term value to its investors and other stakeholders, none of which would be possible without proactively protecting and contributing to the communities and environments within which it coexists.

This sense of shared responsibility lies at the heart of Nedbank Group's passion for sustainability in all its iterations.

For Nedbank Group an understanding of the interconnectedness of people, nature and finances translates into a fully integrated, holistic sustainability approach that informs the group's business approach, strategies and operations. As such, sustainability is material to the continued success and growth of the business and the creation of long-term shareholder value. In addition to forming the basis for a dedicated sustainable strategy, this belief in the importance of sustainability is borne out by the inclusion of sustainable considerations in Nedbank Group's overarching strategic focus areas and, as such, forms a core element of the group's attractiveness as an investment opportunity.

Sustainability, for Nedbank Group, extends far beyond targets and scorecards. It is entrenched across the organisation as an understanding by all staff and managers that only by building the business on sustainable principles can it remain viable and continue delivering value for all its stakeholders.

In addition to being reflected in this integrated report, this holistic sustainability approach informs the ongoing reporting activities of the group throughout the year, and non-financial sustainability issues are integral to all monthly Nedbank Group management and executive reports.

This section offers an overview of groupwide sustainability initiatives and developments for the year under review, particularly in the areas of environmental, social and cultural sustainability.

THE ROLE OF INTEGRATED SUSTAINABILITY IN RISK MITIGATION

The world finds itself in an era of unprecedented risk. There is a dire need for urgent solutions to be found to the many challenges facing the planet and its people. Just three of these challenges are water, food and energy security – all of which represent massive potential stumbling blocks to social development, environmental conservation, and economic stability and growth.

A closer look at these apparently diverse challenges reveals that they are closely and inextricably interconnected. Food production and distribution are entirely reliant on water and energy availability, and any reduction in the supply of these resources has potentially devastating consequences for the world's economies – exacerbated by the impact of environmental crises and stellar global population growth. All these factors impact financial stability and growth of financial markets and so the group's core business of banking.

As a global citizen, Nedbank Group accepts its responsibility to do the best it can, within its sphere of influence, to help address the risks that threaten the future of the planet.

SUSTAINABILITY GOVERNANCE STRUCTURES AND POLICY FRAMEWORK

Reporting standard

GRI G3.1: 1.2, 4.1

Key to the mitigation of these and other risks within Nedbank Group, as well as the identification of opportunities for the organisation, are sound and robust sustainability governance structures and policies. The table below provides an overview of the specific Nedbank Group strategic focus areas across the four sustainability pillars and key material matters. The table sets out the potential risks, the board and executive risk management committees in place to manage such risks, the policies and forums supporting such committees and the principles guiding the risk management processes. In addition, it further outlines relevant opportunities that arise from pursuing each key strategic focus area. The governance structures simultaneously serve to leverage identified opportunities.

Sustainability focus areas	Nedbank Group strategic focus and material matters	Relevant risks	Board and executive committee risk management committees	Policies and forums	Opportunities
ECONOMIC	**Strategic focus** • Increasing share of economic profit • Becoming client-driven • Managing risk as an enabler • Enhancing productivity and business execution **Material matters** • Client-centred • Financial and economic conditions • Governance, compliance and ethics • Responsiblebus iness management and lending practices • Effective risk management • Integrity of information technology systems	• Compliance risk • Social and environmental risk • Investment risk • Strategic risk • New-business risk • Credit risk	• Group Directors' Affairs Committee • Group Credit Committee • Business Risk Management Forum • Group Risk and Capital Management Committee (focus of this committee includes physical risks for staff and clients) • Group Audit Committee	• CreditPolic y • CompliancePolic y • Investment Risk Policy • Strategic Risk Policy • PrinciplesPolic y • Reputational-riskPolic y **Guiding principles** • Code of Banking Practice • SectorG uidelines • KingIII • GRI[1] • AA1000[2]	• Attracting clients and investment • Growing market share in the next (green) economy • Ensuring resilient profits
ENVIRON-MENTAL	**Strategic focus** • Leading as a green and caring bank **Material matters** • Resourcec onsumption • Carbonem issions • Environmental and social impacts of lending, investments and products	• Reputational risk • Social and environmental risk • Strategic risk • Investment risk	• Group Transformation, Social and Ethics Committee	• Environmental Policy supported by the Social and Environmental Management System **Guiding principles** • UN Global Compact • Equator Principles • Sector Guidelines • Screening Tool • King III • GRI[1] • AA1000[2]	• Contributing to a better environment for all • Attracting clients and investment • Creating a credible platform for lending products and services
SOCIAL	**Strategic focus** • Leading as a green and caring bank **Material matters** • Socioeconomicde velopment • Access to finance • Lending to enable healthcare, housing and education, enterprise development and community upliftment • Economicem powerment • Preferentialp rocurement	• Reputational risk • Social and environmental risk • Strategic risk • Investment risk	• Group Transformation, Social and Ethics Committee	• Corporate Responsibility Policy **Guiding principles** • UN Global Compact • Equator Principles • Sector Guidelines • King III • Broad-Based Black Economic Empowerment Act, 53 of 2003 • Codes of Good Practice • GRI[1] • AA1000[2]	• Contributing to a better environment for all • Attracting clients and investment
CULTURAL	**Strategic focus** • Evaluating people practices • Building a unique culture • Accelerating transformation **Material matters** • Building a resilient corporate culture • Embeddingta lent management • Developings taffc apacity	• Reputational risk • People risk • Transformation risk • Strategic risk	• Transformation and Human Resources Committee • Group Transformation, Social and Ethics Committee • Group Remuneration Committee	• Strategic Learning and Growth Policy • Remuneration, Rewards and Recognition Policy • People Transformation Policy • Code of Ethics • Nedbank Employment Equity Forum **Guiding principles** • UN Global • Compact • King III • GRI[1] • AA1000[2]	• Attracting and retaining the right staff to meet strategic imperatives • Attracting clients and investment

[1] *Global Reporting Initiative.*
[2] *AccountAbility Principles Standard.*

Reporting standard

GRI FSSS: FS1, FS2, FS3, FS11
GRI G3.1: 4.11, 4.12, EN26, HR1, EC1

SOCIAL AND ENVIRONMENTAL MANAGEMENT

The Group Transformation, Social and Ethics Committee (GTSEC) is a committee of the Nedbank Group Board, responsible for monitoring and refining all social, environmental, ethical and human-capital-related policies and ensuring that they are integrated into the Nedbank Group philosophy and practices.

At an executive management level the Group Executive responsible for enterprise governance and compliance assumes overall accountability for the integration of sustainability into the business. The Group Sustainability Committee (GSC), which feeds into GTSEC, has executive and senior management representation across the organisation to ensure:

- greater focus on realising the group vision to lead as a green and caring bank;
- the coordination of King III integrated sustainability initiatives across the business; and
- further integration in the implementation of sustainability.

The committee is supported by a dedicated and experienced sustainability team as well as various cluster sustainability forums with representation from all group businesses.

Cross-referencing

Business profile
Pages 52 – 57

During 2011 these forums focused on:

- enhancing the effective coordination of environmental and social initiatives across the group;
- providing a recognised platform for information sharing and maximisation of synergies;
- streamlining and facilitating sustainability reporting, communication and marketing;
- helping to shape the group's strategy and business plans by ensuring the inclusion of sustainability considerations; and
- providing input into the development of sustainable products and services.

During the year the group's environmental sustainability efforts were further enabled and enhanced through a number of focused task teams, including:

- the World Wide Fund for Nature (WWF) SA–Nedbank Carbon-neutral Task Team;
- the Impact Reduction Task Team;
- the Stakeholder Engagement Task Team; and
- the Social and Environmental Risk Task Team.

SOCIAL AND ENVIRONMENTAL RISK MANAGEMENT

Cross-referencing

Operational risk
Pages 416 – 423

Nedbank Group continues to place increasing emphasis on consolidating its social and environmental risk policies and management processes, not only to deliver positive environmental and social impacts, but also to protect shareholder value and returns on capital investments by ensuring responsible, fair and honest business practices.

In an ongoing effort to ensure compliance with environmental legislation and regulations, all environmental policies are regularly reviewed, while detailed reporting provides stakeholders with a clear view of Nedbank Group's environmental sustainability effectiveness.

The Environmental Policy is linked to, and supported by, Nedbank Group's Social and Environmental Management System (SEMS). SEMS is based on ISO 14001 and International Finance Corporation best-practice guidelines, and details the policy, procedures, responsible and accountable staff, and workflow required to identify and assess the environmental or social impacts of lending activities undertaken by Nedbank Group.

The Environmental Policy and SEMS also include sector guidelines on mining, property, water infrastructure, waste management, and mergers and acquisitions.

To give effect to all of the above a social and environmental risk evaluation tool (screening tool) was developed and is being implemented across the group in respect of significant investments. Any impact triggered in the social and environmental screening triggers an internal social and environmental impact assessment that includes the following considerations:

- Environmental policy requirements.
- Relevant sector guidelines.
- Compliance control plans.
- Relevant national, provincial and local legislation.
- Review of information in the public domain.
- Review of project and credit documents.
- Discussion with officials and site visits.

SEMS further provides that Nedbank Group works with clients to achieve compliance. By supporting clients with the relevant information on legislative requirements the group endeavours to facilitate and promote clients' adherence to and compliance with social and environmental legislation. Nedbank Group also encourages and enables the sharing of information on more efficient resource utilisation, the integration of sustainability in business, collaboration between clients and identification of carbon opportunities for clients that may not only become an additional income stream for clients, but also reduce the cost of finance and promote the viability and bankability of given projects.

Training has been provided on SEMS to client-facing staff responsible for the social and environmental screening, as well as compliance, risk, legal and credit officers responsible for managing the credit, financial, regulatory, reputational, social and environmental risk associated with the group's lending book.

RESPONSIBLE LENDING FOR SUSTAINABLE SUCCESS

Nedbank Capital continues to review all potential finance transactions for environmental and social compliance with International Finance Corporation (IFC) performance standards and legislation. An integrated and proactive approach to current and future legislation and standards is followed, as is strict compliance with the Equator Principles – a set of guidelines drawn up in 2003 by the IFC in conjunction with 10 of the world's largest banks with a view to ensuring a consistent approach to managing environmental and social risks in project financing.

Nedbank Group was the first African bank to adopt the Equator Principles in November 2005. In line with this, Nedbank Capital continues to adhere to responsible lending practices for project finance transactions.

The Equator Principles risk categories are broadly defined as follows:

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

Equator Principles-linked transactions (per risk category) that had the first drawdowns in 2011 are as follows:

Reporting standard

GRI G3.1: 4.13

TOTAL EQUATOR PRINCIPLES DEALS 2007 – 2011

	2011	2010	2009	2008	2007
Total number of deals that experienced their first drawdown	**2**	1	5	4	13
Category A	**1**		1	1	5
Category B	**1**	1	3	3	4
Category C			1		4
Total value of deals ($m)	**172**	25	174	84	239

Equator Principles transactions are typically complex with material lead times to implementation. The figures above only reflect transactions drawn down in the respective years and not total approvals for those years.

Cross-referencing

Business profile Pages 52 – 57

Nedbank Capital Green Mining Awards have become a highly prestigious event on the SA mining calendar and competition is fierce among entrants to demonstrate the extent and value of their sustainable mining practices, particularly concerning environmental preservation and social upliftment. The winners of the 2011 Nedbank Capital Green Mining Awards were:

- **Environmental category**

  Anglo American Thermal Coal's Gypsum Housing Project (joint winner); BHP Billiton's Turning Employee Benefits Into Company Profits – Ongoye Forest Project (joint winner)
- **Socioeconomic category**

  Anglo American Thermal Coal's HIV/Aids Workplace Programme (joint winner); Kumba Iron Ore – Sishen Mine's UGM Wellness Clinic (joint winner)
- **Sustainability category**

  Kumba Iron Ore – Sishen Mine's Rural Research Project.

SUSTAINABILITY CREDENTIALS

INDICES

- **Dow Jones World Sustainability Index membership** – the world's premier performance benchmark for companies in terms of corporate sustainability. Included for seventh year. One of only 25 banks worldwide and five companies with primary listings in SA to be included on the index. 2011: 80% (2010: 78%).
- **JSE SRI Index** – inclusion since 2004.
- **Global 1 000 Sustainable Performance Leaders Index** – Ranked 284th (third highest SA company).

NEDBANK IS REPRESENTED ON/ A SIGNATORY TO:

- Climate Neutral Network
- UNEP FI African Task Force
- UNEP FI Banking Commission
- UNEP FI Human Rights Work Stream
- UNEP Water and Finance Initiative Work Stream
- United Nations Global Compact – Caring for Climate Programme
- National Business Initiative Advisory Committee on Climate Change
- National Energy Efficiency Accord
- Banking Association of SA: Sustainable Finance Committee
- CEO Water Mandate
- Energy Efficiency Leadership Network Pledge
- Equator Principles

Reporting standard

GRI FSSS: FS5
GRI G3.1: 4.14, 4.15, 4.16, 4.17, SO5, EC6

Cross-referencing

Material matters
Pages 4 – 5

STAKEHOLDER ENGAGEMENT

Essential to the effectiveness of Nedbank Group's integrated and collaborative approach to sustainability is the interaction it maintains with all its stakeholder groups.

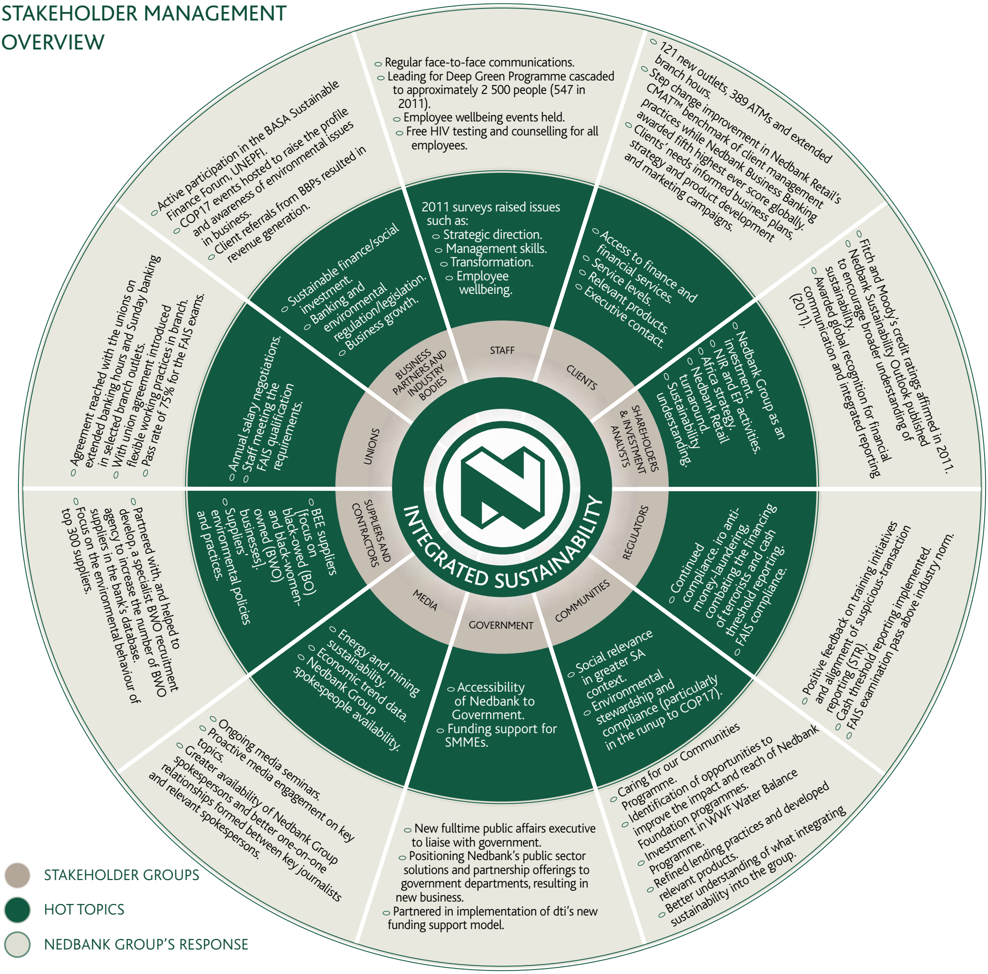
Stakeholders are determined and prioritised by the level of impact the organisation has on the relevant stakeholder and the influence that stakeholder has on Nedbank Group. Nedbank Group's primary stakeholders are referred to in the group's vision statement.

Stakeholder engagement is undertaken with a far broader aim than merely communicating 'to' the group's various stakeholder groups. Rather, Nedbank Group considers its various stakeholders as key partners in its endeavours and, as such, dedicated and proactive stakeholder engagement is aimed at identifying risks and opportunities, deepening relationships, providing disclosure, contributing to policy, and influencing attitudes and behaviours.

While ultimate responsibility for stakeholder engagement rests with the Nedbank Group Executive Committee, the various business units and divisions of the organisation are mandated to maintain inclusive, mutually beneficial relationships with their stakeholders and to be proactive in engaging with them in a transparent and ongoing manner.

Nedbank Group's stakeholder engagements for 2011 include an overview of the stakeholder groups involved, the nature and objective of the engagements and the results, findings, consequences or actions arising from such engagements. Below is a summary of some of the 'hot topics' raised by stakeholders and Nedbank Group's response.

STAKEHOLDER MANAGEMENT OVERVIEW



STAFF

Reasons for engagement	Types of engagement
• To ensure that Nedbank Group remains an employer of choice by providing a safe, positive and inspiring working environment. • Fully to understand and respond to staff experiences, needs and concerns. • To provide all staff with strategic direction and pertinent information regarding group activities.	• A robust combination of face-to-face, written and broadcast communications. These included culture and engagement surveys, roadshows, emails, intranet communications, data casting and magazines and relevant training.
Examples of engagement	**Feedback/Resulting actions**
• Two groupwide surveys were conducted to ascertain employee value alignment and wellbeing. Once analysed, comprehensive feedback was provided to all staff. • Similar to 2010, formal interactive face-to-face roadshows reaching 16 operations (including four African operations) were undertaken by the Chief Executive, Mike Brown, accompanied by a selection of Group Executive Committee (Exco) members. Various heads of business clusters each conducts at least one roadshow annually for their staff. • Three countrywide formal interactions with the Group Exco, led by the Chief Executive, take place annually via audiovisual broadcasts. These include a welcome address, the annual results presentation and an interim results presentation. • *3sixty* magazine (six editions annually) remains a key groupwide communication. • An annual engagement on the group's strategic direction took place with top 200 managers of the whole group. • The group continues to consult with staff across the group on employment equity matters via Nedbank Employment Equity Forum (NEEF) and cluster-specific employment equity forums. • An employee newsletter was launched with the aim of sharing HR-specific information with all employees. • A national People with Disabilities campaign was launched to create awareness of disabilities and to encourage employees to declare their disability.	• Cascading of the Leading for Deep Green Programme started in March 2011 as a direct result of feedback from quantitative and qualitative research. In addition, managers were given extra support via an electronic newsletter containing pertinent information on managing others effectively. Five editions were distributed in 2011. • Based on employee demand, a number of employee wellbeing events were held in 2011. These included stress workshops, wellness days and celebrations to commemorate 16 Days of Activism and World Aids Day. • Nedbank Group continued to offer free HIV testing and counselling for all employees. • Staff are encouraged to share their ideas in terms of potential strategy, products and client service improvements via innovation forums or directly to the responsible executive. Where appropriate, these ideas are shared with the board. • The group engaged with employees regarding topical transformation matters. These afforded an opportunity for engagement with senior managers, the Group Exco and members of the Nedbank Group Board. • Training to equip employees and managers on how to accommodate a person with a disability in the workplace was held in 2011.

Reporting standard

GRI G3.1: 4.4

Cross-referencing

Cultural sustainability
Pages 136 – 151

Cross-referencing

Stakeholder overview: Staff
Pages 18 – 19

SUSTAINABLE DEVELOPMENT PERFORMANCE REVIEW
... CONTINUED

Cross-referencing
Stakeholder overview: Clients
Pages 20 – 22

Cross-referencing
Business profile
Pages 52 – 57

CLIENTS

Reasons for engagement	Types of engagement
• To understand the financial services needs of clients better. • To provide appropriate advice and solutions to meet clients' identified financial needs. • To ensure that the high service level expectancies of clients are met. • To ensure accuracy of personal information.	Interactions through branch outlets, business relationship managers and call centres, complaint lines, client seminars, social media, surveys and marketing and advertising activities.
Examples of engagement	**Feedback/Resulting actions**
• Surveys and tools: including Startrack, Consulta, Business Electronic Banking Survey and Net Promoter Scores. • Client engagements: including standard meetings and telephonic contact as well as social engagements.	• The top six criteria impacting clients' selection of a corporate banking partner in 2011 were identified as: – Advanced electronic banking. – Accessibility of banking staff. – Good value for fees paid. – Client service. – An understanding of business needs. – Superior quality staff. This feedback has informed the corporate business plans, strategy development and marketing campaigns.
• Client-unfriendly processes identified and reported to the Nedbank Retail Service Action Forum.	• Processes were updated in Nedbank Retail and refined [ie process to get IT3(b) tax certificates, feedback on applications and fee reversals]. • A perceived lack of executive contact was identified as a key concern among Nedbank Capital clients in 2011. In response Client Mapping and Executive Sponsorship was initiated for the top 50 clients of Nedbank Capital. • Primary requirements of Nedbank Wealth clients in 2011 were access to finance, proactive communication and greater levels of accessibility to their bank and its solutions.
A survey was undertaken with clients to understand how they prioritise environmental issues. The results helped to prioritise the type of projects supported by the WWF–Nedbank Green Trust and Nedbank's own environmental focus areas. The top environmental issue was water security.	• Nedbank Group invested R9m in SA's water security through the WWF Water Balance Programme.
• Use of above-the-line marketing to improve access to the mass market.	• Adverts in local African languages. • Adverts with financial education message embedded.

SHAREHOLDERS, POTENTIAL SHAREHOLDERS AND INVESTMENT ANALYSTS

Reasons for engagement	Types of engagement
• To provide relevant and timeous information to current and future shareholders.	• Local and international roadshows. • Ad hoc communications and answering investor and analyst queries. • Annual general meeting and other meetings. • Conferences and presentations. • Securities Exchange News Service (SENS) announcements. • Media releases. • Investment analyst briefings. • Feedback via broker reports and the corporate website. • Detailed information on all published documents to ensure full disclosure of relevant information. In addition to the above, Nedbank Group regularly engages with its holding company, Old Mutual Group, to ensure alignment of policies and methodologies, the effective capturing of synergies and leveraging of opportunities.
Examples of engagement	**Feedback/Resulting actions**
• A total of 281 investor meetings, including results meetings, ad hoc meetings, meetings at individual requests and meetings at investor conferences. • Eight broker conferences and seminars. • Investor days held in respect of Nedbank Wealth and Nedbank Retail and Business Banking clusters. • Investor tour of Ghandi Square Personal Loans Branch. • Two annual credit rating reviews. • Old Mutual SA Businesses Investor Day and five broker-sponsored conferences. • A further 101 management meetings with shareholders, analysts and rating agencies. In addition to the items addressed in the normal course of investor relations, the content of these interactions included the Nedbank Retail turnaround and the group's focus on growing non-interest revenue and economic profit activities.	• Fitch and Moody's ratings were affirmed in July and October 2011 respectively. • Sustainability feedback was included in the 2011 interim results analyst presentation, annual results booklet, prospectuses for debt issuances, Pillar 3 Report and several SENS announcements. • The Nedbank Sustainability Outlook publication was created to encourage a broader understanding of sustainability matters. (Refer to www.nedbankgroup.co.za for copies of the publication.) • Numerous awards, including global recognition for financial communication and integrated reporting in 2011, were received.

Cross-referencing
Stakeholder overview: Shareholders Page 23

Cross-referencing
Financial Report Pages 160 – 173

Cross-referencing
Stakeholder overview: Regulators Pages 24 – 25

Cross-referencing
Risk and balance sheet management Pages 372 – 423

REGULATORY BODIES

Reasons for engagement	Types of engagement
• To maintain good relationships with regulators and ensure compliance with their legal and regulatory requirements, thereby retaining Nedbank Group's various operating licences and minimising its operational risk.	• Ongoing meetings and interaction with regulators, including prudential visits and statutory reporting.
Examples of engagement	**Feedback/Resulting actions**
• Sound relationships are maintained with all regulators and supervisors, including the Financial Intelligence Centre (FIC), the South African Reserve Bank (SARB), JSE Limited (the JSE), the Financial Services Board (FSB) and relevant offshore regulators. • Engagement with SARB takes place through various forums, from trilateral meetings with the board and group audit committees to one-on-one discussions with various executive officials at prudential meetings. A total of 31 SARB prudential meetings were held. • Engagements with the FIC regulators and supervisors take place on a bimonthly basis through the Nedbank/regulators anti-money-laundering (AML)/combating the financing of terrorism (CFT) meeting. Further engagement takes place through formal and informal communication channels. The bimonthly meetings enable Nedbank Group to communicate with the regulator and supervisors to ensure compliance with their requirements and obtain clarification, where necessary. Ad hoc cash threshold reporting (CTR) workshops were held to facilitate the implementation of CTR. • During 2011 the FSB conducted four onsite supervisory reviews, inspecting Nedgroup Life, Nedbank Insurance Company (as the short-term insurer), Nedgroup Investment Advisors and BoE Private Clients. The scope of their visits ranged from investigating compliance with insurance legislation (long and short term) to alignment with collective investment scheme legislation as well as the Financial Advisory and Intermediary Services (FAIS) Act.	• Trilateral meetings were held with the board and group audit committees. • Other than normal housekeeping issues, no major concerns were raised by SARB during 2011. • Engagements in 2011 focused on CTR, illegal and internet gambling, the freezing of non-compliant credit card accounts, asylum seekers and refugees, suspicious-transaction reporting (STR) and training. Positive feedback was received on training initiatives and confirmation of the alignment of STRs. Following the FIC engagements, CTR has been implemented and enhancements to the system are being implemented. • While the FSB raised issues in terms of improving the compliance operations in the business environment at the various closeout meetings, none of the matters related to material deficiencies in the compliance processes. Following the inspections the group has not yet received the FSB reports to allow for implementation of recommendations, if required.

Nedbank Group proactively comments on the amendments to the Labour Relations Act, Basic Conditions of Employment Act, Skills Development Act, Employment Services Bill, Banks Act and Regulations, Code of Banking Practice, Consumer Protection Act, Companies Act, the Integrated Energy Plan (IEP), the Integrated Resources Plan (IRP), Carbon Tax Discussion Paper, Renewable-energy Feed in Tariff (REFIT), and National Climate Response White Paper.

COMMUNITIES (INCLUDING SOCIAL AND ENVIRONMENTAL NON-GOVERNMENTAL ORGANISATIONS)

Reasons for engagement	Types of engagement
• Create partnerships that will best facilitate Nedbank Group's integrated environmental and social activities. • Obtain input from communities and representative non-government organisations (NGOs) regarding key focus areas. • Obtain input from environmental experts to ensure that Nedbank Group's operations are taking place in the most environmentally responsible manner. • Create awareness of Nedbank Group's integrated environmental and social initiatives.	Nedbank Foundation – ongoing support of projects and interaction by the Nedbank Foundation with a wide variety of non-profit and government organisations. Environmental/Sustainability partnerships with WWF-SA, Cambridge Programme for Sustainable Leadership, UNISA Advisory Council on Business and Climate Change and the United Nations Environment Programme Finance Initiative (UNEP FI).

Examples of engagement	Feedback/Resulting actions
• The Nedbank Foundation works closely with the local leadership of the communities within which it operates as well as with the NGOs that implement the programmes that are funded.	• Nedbank Group is able to identify further opportunities to improve the impact of these programmes, as well as extend their reach.
• Although Nedbank Group is involved in the support of many Corporate Social Investment (CSI) initiatives, the company's efforts still remained relatively unknown among key stakeholders.	• Proactive activities to tell the Nedbank Group CSI story better included taking journalists and other stakeholders on a roadshow, showcasing some of the projects that have been funded.
• In July 2011 the Nedbank Foundation hosted the Minister of Basic Education, Ms Angie Motshekga, and a wide variety of stakeholders in the education sector, where some key issues affecting basic education were discussed.	Following discussions with Minister Motshekga: • The Matric Revision Programme was extended to more locations in Limpopo, and the number of participating schools in the Northern Cape was increased. The programme now reaches more than 2 500 students in five provinces. • The Nedbank Fundisa Maths and Science Programme was piloted to improve matric performance in Mathematics and Physical Science. The programme reaches 600 students and 40 teachers in two provinces. • The Nedbank bursary system was integrated into all Nedbank Group high school interventions, ensuring that the learners who participate in these programmes have an opportunity to receive further bursary assistance.
• The relationship between Nedbank Group and the WWF-SA continues to deliver benefits for environmental conservation in SA through The Green Trust and, in 2011, Nedbank Group's R9m investment in the WWF Water Balance Programme.	• Through the Carbon-neutral Task Team the WWF-SA challenges the Nedbank Group environmental status quo. The team has been involved in the resetting of the intensity reduction targets, where applicable, and provides input into the type of credits that are purchased to offset the group's residual footprint.
• The Caring for our Communities and Saving our World initiative is a comprehensive community education programme aiming to share the many sustainability lessons learned by Nedbank with learners and community members, thereby enabling them to harness the power of sustainable thinking and action for their own benefit.	• In 2011 almost 3 000 students and 700 adults from 59 schools across the country were involved in the programme, with more than 1 000 Nedbank volunteers helping to make it happen.
• Nedbank Group is represented on various UNEP FI committees and workstreams, is a member of the UNEP FI African Task Force (ATF) and co-chairs the Water and Finance Workstream.	• The group attended the Global Round Table, hosted by UNEP FI in Washington in 2011. During the Conference of the Parties 17 (COP17) Nedbank Group collaborated with UNEP FI to offer a 'finance day' that explored the role of banks in the transition to a low-carbon economy as well as hosted two closed events for UNEP FI members and the negotiators on the Green Climate Fund and Reducing Emissions from Deforestation and Forest Degradation (REDD).
• Various engagements with the UN Global Compact, including signing up to the CEO Water Mandate.	• Nedbank Group's Communication of Progress in terms of the UN Global Compact was well received and met all requirements. Reporting in terms of the group's commitment to the CEO Water Mandate is only due in 2012.
• The Cambridge Programme for Sustainable Leadership assisted the Group Sustainability team with facilitating a strategic sustainability project for Nedbank Group Exco.	• The project, although not yet complete, has resulted in a better understanding of what integrating sustainability considerations into the group (in both the short and long term) would involve and what challenges and opportunities may need to be explored.

Cross-referencing
Stakeholder overview: Communities
Pages 26 – 30

Cross-referencing
Environmental sustainability
Pages 96 – 111

Cross-referencing
Social sustainability
Pages 112 – 135

Cross-referencing

Business profile
Pages 52 – 57

Cross-referencing

Enterprise governance and compliance review
Pages 424 – 433

GOVERNMENT

Reasons for engagement	Types of engagement
• To build and strengthen relationships with government, both as a partner in the development of the country and as a current or potential client. • To provide input into the legislative development process that will affect the activities of the group. • To reaffirm Nedbank Group's commitment to public sector business development through proactive interaction with government departments and representatives. • Visibly to participate and be a partner in the transformation process of SA and the financial sector in particular.	• Public sector business and partnerships. • Support for financial requirements and advisory services. • Support of government social initiatives. • Input into regulatory developments (see pages 422 – 423).

Examples of engagement	Feedback/Resulting actions
• Ongoing interactions with government departments and governing bodies, state-owned enterprises and municipalities continued throughout the year. Departments included the Department of Human Settlements, the Department of Agriculture, the Department of Environmental Affairs, the Department of Trade and Industry (dti), the National Treasury, the Limpopo Treasury Department, the Department of Defence, the Department of International Relations and Co-operations, the Department of Transport and the Department of Correctional Services. • Through its public affairs engagements the group has secured protocol training from the Department of International Relations and Co-operations. This training will ensure that Nedbank Group executives and staff, who interact with senior government officials, are equipped to do so effectively. • The group commented on numerous regulatory developments in the course of 2011. These included the Waste Act, the National Climate Change Policy, carbon taxes and IRP2. Comment on IRP2 was provided in the context of the existing EP and REFIT. Comment was also provided on the changes to the Broad-Based Black Economic Empowerment (BBBEE) Act. • Nedbank Group is actively involved in policy development and negotiations as part of the new Financial Sector Code and participated in the negotiations of the amendments to the Department of Trade and Industry (dti) Codes of Good Practice. • Nedbank Group engaged in public interaction with the dti on various matters, including BBBEE, job creation and regulation. • Nedbank Group actively participated in The Banking Association South Africa (BASA) Teach a Child to Save project. Altogether 254 staff volunteers visited 142 schools in nine provinces and reached 19 669 children through the campaign, which is aimed at improving the financial literacy level of children at an early stage.	• Nedbank Group has responded to the need to interact with government on a more frequent and consistent basis by employing a fulltime public affairs executive, in addition to the dedicated public sector team. • Continued engagement with all spheres of governments and municipalities has improved Nedbank Group's position with this important stakeholder, with more government officials gaining a better understanding of the group's public sector offering. • Protocol training will be offered free of charge to Nedbank Group employees and will serve to entrench the increasingly positive relations between the group and the various government departments with which it interacts. • Notable 2011 successes are: – Department of Energy – National Consumer Commission – Department of Economic Development – Tlokwe Municipality – Aganang Local Municipality – Matatiele Local Municipality – Thembisile Hani Local Municipality – New Partnership for Africa's Development (NEPAD) – Department of Water Affairs – SA National Parks – SA Weather Services – City of Tshwane – Department of Public Works (Expanded Public Works Programme) – Nuclear Energy Corporation • The dti has acknowledged the value added by Nedbank Group in the design of the new funding support model and has requested that the group be one of its first partners in implementing the model. • Commendations were received for all participants in the Teach a Child to Save project and Nedbank Group has agreed to continue the project in 2012.

MEDIA

Reasons for engagement	Types of engagement
• To leverage the media as a channel to communicate with relevant stakeholders. • To position Nedbank Group proactively as a thought leader, the bank of choice for all South Africans, a responsible corporate citizen and the most transformed leader in the financial services sector. • To respond to media queries as they pertain to banking and relevant industry activities, including environmental issues.	• Communication and relationship building with key journalists and general media to position a brand-led organisation proactively. • External communication of the Nedbank Group leadership, brand, values and product offering.
Examples of engagement	**Feedback/Resulting actions**
• Daily liaison with various media contacts regarding business-related issues. • Formal media briefings were held on a one-on-one basis with Mike Brown and various media houses. • Other formal media engagements included the Nedbank Retail strategy, the Nedbank Water Stewardship Programme, the Green Index and Exchange-traded Fund, new energy efficiency initiatives, COP17, product launches and pricing. • Media seminars covering general banking and financial industry updates, mining and sustainability hosted by Nedbank Group experts. • Interviews with key business media at key reporting dates.	• Most journalists indicated an improvement in the availability of Nedbank Group spokespersons, with better one-on-one relationships formed between key journalists and relevant spokespersons. • Media feedback on the seminars was positive, resulting in more media seminars being planned for 2012.

Cross-referencing
Investment case
Pages 10 – 13

Cross-referencing
Environmental sustainability
Pages 96 – 111

Cross-referencing
Greening the group's supply chain
Pages 110 – 111

Cross-referencing
Preferential procurement
Page 135

SUPPLIERS AND CONTRACTORS

Reasons for engagement	Types of engagement
• To maintain an ideal and timeous supply of goods and services for Nedbank Group's operations. • To assist suppliers in ensuring their own viability through education, early-payment terms and other support. • To encourage environmentally responsible practices in the group's supply chain. • To investigate opportunities for local procurement.	• Ongoing interaction with suppliers and contractors includes supplier education workshops, a quarterly newsletter on sustainability matters and one-on-one negotiations.
Examples of engagement	**Feedback/Resulting actions**
• In 2011 Nedbank Group focused on increasing its spend with black economic empowerment (BEE) suppliers, with particular focus on black-women-owned (BWO) businesses. • The group engaged with suppliers to share its environmental journey and to encourage suppliers to change their behaviour. • Further research was conducted and negotiations undertaken regarding the greater use of biological cleaning materials. • Discussions were held with suppliers around the use of electronic interfaces to reduce paper usage. • Supplies were informed about the use of environmentally friendly stationery and the inclusion of their environmental status on the Nedbank Group ordering system. • The group worked with its preferred courier companies to ensure further rationalisation of services to reduce costs and carbon emissions. • Nedbank Group had the opportunity to present its Sustainable Procurement Journey at the Smart Procurement industry session.	• The focus on improving the group's level of BEE spend continues to deliver transformation benefits, but onboarding of BWO business vendors remains very challenging. The group has partnered with, and helped to develop, a specialist BWO recruitment agency to improve this statistic in 2012. • In terms of spend, Nedbank Group's largest suppliers are in the information technology domain. It is pleasing to see that a large number of these suppliers are continuing to work actively towards reducing their carbon emissions. • The interest of suppliers in environmental issues has increased substantially and the group has focused its attention on the sustainability development of suppliers of the top 80% of its overall spend. • While environmentally friendly stationery items remain costly, the group managed to negotiate a good price for recycled corn pens and has implemented the purchase of this product. • The tender for courier services has ensured a rationalisation of all routes, thereby reducing the overall travel footprint. Further rationalisation of deliveries to branches is planned for the coming year. • In late 2011 Nedbank Group became a signatory to the Local Procurement Accord. Initial indications are that 77% of Nedbank Group's SA procurement of goods and services are procured locally.

Cross-referencing
Occupational health and safety
Pages 150 – 151

UNIONS

Reasons for engagement	Types of engagement
• To maintain a good working relationship with the unions and obtain approval, or reach consensus, on any decisions or projects that require changes in working conditions or to the operational requirements of the business.	• Group Human Resources (HR) manages labour relations with the unions on an ongoing basis and consults on any changes in working conditions, restructures of the business and performance management issues. This includes consultations on the resolution of alleged unfair labour practices to ensure the fair and equitable treatment of staff.
Examples of engagement	**Feedback/Resulting actions**
• Monthly and quarterly consultations via special joint committee meetings. • Annual salary negotiations. • Workplace engagements via NEEF. • Updates on the achievement of staff meeting the legislated FAIS qualification requirements. • Positive feedback from unions on the group's ongoing integrated sustainability initiatives in the community.	• The financial sustainability of the retail branch network was enhanced by the fact that agreement was reached with the unions on the introduction of extended banking hours as well as Sunday banking in selected branch outlets. • Nedbank Group managed to achieve a pass rate in excess of 75% for the FAIS regulatory examinations, surpassing the industry norm of 50%.

BUSINESS PARTNERS AND INDUSTRY BODIES

Reasons for engagement	Types of engagement
• To continue learning through interaction with industry and cross-sectoral organisations. • To leverage and build the group's strategic business partnerships for maximum benefit of all stakeholders. • To use business associations as a forum to promote Nedbank Group's viewpoint on key issues.	• Membership of industry associations and bodies such as BASA, National Business Initiative, UNEPFI and UNGC. • Active participation for the development of a Sector Code for the Financial Sector. • Strategic partnerships with the group's black business partners (BBPs) – Wiphold and Brimstone – through monitoring of performance scorecards on a quarterly basis.
Examples of engagement	**Feedback/Resulting actions**
• Ongoing participation in BASA's working groups and projects remains a priority. • Engagements with the National Business Initiative were intensified during 2011 as a result of COP17 being in SA. Nedbank Group hosted a number of events with the National Business Initiative (NBI) in the runup to and during COP17. • Active participation in the development of all aspects of the draft Financial Sector Code. • All BBPs have representation on relevant Nedbank Group committees and forums, such as the Nedbank Group Board and GTSEC.	• Nedbank Group participates actively in BASA Sustainable Finance Forum, an umbrella/strategic body that addresses issues critical to the long-term sustainability of the banking sector. • Nedbank Group continues to be an active partner in the development and promulgation of the Financial Sector Code. • COP17 events served to raise the profile and awareness of environmental issues within the business community. Events were well attended and feedback was positive. • Various client referrals were received from black business partners, resulting in revenue generation in the Nedbank Corporate and Nedbank Capital businesses. Successful community engagements (imbizos) were held to deepen Nedbank Group's relationships with the communities.

Cross-referencing
Leading through collaboration
Page 96

ENVIRONMENTAL SUSTAINABILITY

'As a stakeholder in the future prosperity of the planet, Nedbank Group accepts that it has a responsibility to secure that future through environmental stewardship.'

Mike Brown – Nedbank Group Chief Executive

Reporting standard

GRI FSSS: FS1, FS2
GRI G3.1: 1.2, 2.2, 4.9, EC2, EN20, EN22

Cross-referencing

Group strategy
Pages 8 – 9

Cross-referencing

Material matters
Pages 4 – 5

Cross-referencing

Carbon footprint
Page 102

Nedbank Group remains committed to practising, encouraging and enabling environmental sustainability – a commitment that extends beyond compliance or target-driven environmental practices.

For the group minimising its usage of, and impact on, the planet's limited natural resources is material to its overall resilience and success as a bank. Equally important is its effectiveness in encouraging others to do the same, whether through working partnerships, business incentivisation, or simply enabling individual environmental action through innovative products and services.

This environmental stewardship commitment is also a key component of the group's corporate culture and environmental sustainability targets and forms an important part of ongoing performance assessment.

In recent years the group has demonstrated this commitment to environmental sustainability as a material driver through a number of ground-breaking achievements. These include the announcement in 2010 that it had become Africa's first carbon-neutral bank and the implementation in 2011 of a water stewardship programme – the first of its kind in the SA banking sector. The group continues proactively to entrench carbon awareness and resource management across its operations, and working with the private and public sector to maximise its positive impact on the environment.

Given the anticipated heightened regulatory requirements concerning carbon emissions and the reduction thereof, Nedbank Group is committed to participating actively in the transformation of SA to a new, green economy, which it aims to achieve by helping to facilitate the transition by SA individuals, communities and businesses to a low-carbon environment.

To this end Nedbank Group's approach to environmental sustainability is built on three distinct but interconnected components, which are expanded on in the rest of this section.

MANAGING ITS OWN IMPACT

Based on the belief that your own house must be in order before you can truly maximise your influence, a key environmental sustainability focus for Nedbank Group remains effectively managing and limiting the direct impact it has on the environment. Particular attention is paid to energy efficiency, continued carbon reduction, water stewardship and environmentally responsible lending.

LEADING THROUGH COLLABORATION

Nedbank Group recognises the opportunity and responsibility it has to use its extensive influence to deliver a positive indirect environmental impact. To achieve this, Nedbank Group works closely with its stakeholders to raise awareness of the role they can play in environmental sustainability and enable them, where possible, to minimise any negative impacts they may have.

FACILITATING ENVIRONMENTAL SUSTAINABILITY THROUGH PRODUCTS AND SERVICES

Nedbank Group supports the environmental sustainability efforts of its individual and corporate clients via a selection of environmentally responsible banking and financial solutions. In addition, the group is committed to supporting environmental preservation through responsible lending that encourages clients seeking finance to place sustainable principles at the heart of their operations and projects.

RESPONDING TO ENVIRONMENTAL RISKS AND OPPORTUNITIES

Nedbank Group acknowledges the risks posed by climate change and the interrelatedness of water, food and energy security. In line with group's philosophy of effectively managing risk and harnessing the opportunities it presents, climate change is approached from the dual perspective of limiting its impact on stakeholders, while unlocking any potential benefits.

The key sustainability risks for Nedbank Group are outlined in the following table, along with a brief overview of the efforts it is making to mitigate these and leverage any opportunities they present:

Key risk	Impacts	Responses and opportunities
Energy security	• Economicc hallenges • Politicalu ncertainty • Resourcei nstability • Pricei ncreases	• The group's achievement with regard to energy efficiency not only means it is tangibly contributing to addressing the country's energy challenges, but also positions it to offer advice and guidance to other businesses that wish to follow this route. • Nedbank Group has provided input into regulatory developments to ensure that the legislation accommodates all stakeholder interests where possible. • Nedbank Capital has been allocated 37% of the funding of the Renewable Energy Independent Power Producer (IPP) programme allocation. This is aimed at establishing the country's first phase of renewable energy infrastructure development. • Nedbank Group offers key advisory and funding services in respect of new green economy activities and is proactively developing a 'pipeline' of future projects that will help to address energy security in SA.
Water security	• Healthr isks • Reduced crop yields/food shortages • Economic stagnation and decline • Waterr estrictions • Pricei ncreases	• Nedbank Group has adopted a comprehensive water stewardship programme aimed at helping to address the three critical issues of water scarcity, water quality and access to water. A significant element of this strategy includes financing of sustainable water infrastructure development projects across South Africa. • Nedbank Group's investment of R9m into the World Wide Fund for Nature (WWF) Water Balance Programme will help with the removal of alien plant species and deliver 550 000 kl of water per year into two of SA's primary catchment areas. • Nedbank Capital have funded numerous water infrastructure projects throughout SA. • The group's Social and Environmental Management System (SEMS) includes high-level questions focused on identifying water security risks and raising awareness. • Through the Green Affinity, Nedbank Group and its clients support a number of Green Trust-financed projects aimed at addressing issues of water availability, quality and access.
Food security	• Economicdec line • Healthr isks • Foods hortages • Pricei ncreases • Land use change • Socialun rest	• Given the importance of sustainable agriculture to SA's future, the group is absolutely committed to working closely with all stakeholders in this sector to gain a better understanding of the challenges they face and to develop workable, sustainable solutions. • Nedbank Business Banking has a formal agriculture structure that offers financial solutions to agricultural clients. Supported by a team of agricultural specialists, Nedbank Group is able to offer customised solutions that not only cater for clients' specific financial requirements, but also help contribute towards longer-term sustainability. • Nedbank Group, through The Green Trust, has supported a number of innovative initiatives to help transform the SA agricultural marketplace while educating and assisting new farmers in sustainable agricultural practices. (See online report for further details.)

In addition to the specific responses and initiatives outlined above, a large percentage of the corporate social investment (CSI) activities undertaken by the Nedbank Foundation are focused on addressing the direct and indirect social and environmental impacts of food, water and energy security. Details of some of these projects are provided in the 'Social sustainability' section of this report.

Cross-referencing
Leading water stewardship programme
Page 30

Cross-referencing
Social and Environmental Management System
Page 84

Cross-referencing
Nedbank Green Affinity
Pages 106 – 107

Cross-referencing
Nedbank Foundation
Pages 113 – 120

Reporting standard

GRI FSSS: FS7, FS8
GRI G3.1: EN8, EN26

Cross-referencing

Business profile
Pages 52 – 57

MANAGING NEDBANK GROUP'S IMPACT

CARBON NEUTRALITY

In 2010 Nedbank Group became the first financial services institution in Africa to achieve carbon neutrality. This effectively launched the group into the next phase of its 20-plus-year environmental sustainability journey, positioning Nedbank Group well to realise its vision of becoming a leader in, and driver of, sustainability via its balanced and integrated approach to addressing environmental, social, cultural and economic sustainability issues.

Of particular relevance to this achievement was the commitment by Nedbank Group to attain carbon neutrality as far as possible through its own reduction efforts. To this end the group drove significant behavioural change across its business in order to reach its stated reduction targets in terms of paper, water, electricity, waste, travel and carbon emissions.

Since its achievement of carbon neutrality the group has leveraged its status to build its client value proposition, deliver improved value and help drive the establishment of SA's green economy through extensive stakeholder collaboration and partnerships.

While carbon neutrality was primarily facilitated through Nedbank Group's own carbon reduction efforts, carbon credits were required to offset the remaining emissions. In keeping with the group's integrated sustainability commitment, these were obtained from projects that deliver integrated sustainability benefits to the environment and society in the regions in which they operate.

In 2011 Nedbank Group continued to build on this integrated sustainability support philosophy by securing the carbon credits it required to retain its carbon neutrality through supporting a variety of African and SA projects. The projects supported demonstrate both social and environmental credentials, and include:

- The Rukinga Project.
- The Nova Institute Mpumalanga and Highveld Air Quality projects.
- The Amathole Berries greenhouse gas reduction project.
- The Environmental Trust of Uganda's Trees for Global Benefits project.
- The Kibale National Park (Uganda) Natural High Forest Rehabilitation Project.
- **The Rukinga Project** – In 2010 the Rukinga Project in Kenya's Kasigau Corridor became the world's first Reducing Emissions from Deforestation and forest Degradation (REDD) project to issue carbon credits. In 2011 Nedbank Group continued its association with this project, which is helping to prevent the deforestation of this eco-sensitive region while, at the same time, delivering massive economic and social upliftment benefits to local communities in the area.
- **The Nova Institute** – Highveld Air Quality (SA) implemented an air quality project, which achieved emission reductions through the implementation of an improved top-down ignition method for domestic coal fires used for cooking and heating. The project includes areas of Mpumalanga, the Free State and Gauteng. The method improves the efficiency of domestic fires, limits particle emissions and reduces the quantity of coal needed. Income from verified emission reductions is used to further the project and implement similar projects.
- **Amathole Berries** – This commercial agricultural and rural development company is committed to the increasing use of renewable energy sources, both as an environmental and commercial consideration. Through its partnership with Credible Carbon, the trading company of the PACE Centre, Amathole Berries identifies and develops onsite greenhouse gas saving projects, including emission reductions through innovative composting and the replacement of inorganic nitrate fertilisers with natural fertilisers. All carbon revenue from this project accrues to the Amathole Berries Farm Employees Trust, which is 15%-owned by farm employees.
- **The Environmental Trust of Uganda** – This is Uganda's leading indigenous, non-profit conservation finance institution. It supports natural resource management initiatives aimed at providing long-term sustained funding for the conservation of biodiversity and environmental management in Uganda. The Trees for Global Benefits programme is a cooperative community-based carbon offset scheme that emphasises sustainable land use practices that also benefit the livelihoods of families and communities.
- **Natural High Forest Rehabilitation Project** – Kibale National Park is one of the last remaining tropical forest blocks in Uganda. It hosts the greatest variety and concentration of primates found anywhere in East Africa and is home to at least 350 tree species. Since the early 1990s work has been underway to reforest approximately 10 000 ha of the park, thereby restoring this biodiversity and increasing its carbon stocks. Quantifying and valuing carbon emissions that are avoided due to the project enable revenue generation through the sale of voluntary carbon units (VCUs). The project also seeks to educate local communities about their impact on the park, and promotes appropriate land management practices and sustainable forest usage, while creating employment opportunities.

CLIMATE CHANGE POSITION STATEMENT

Nedbank Group's Climate Change Position Statement is the bank's public declaration of its commitment to acting to address climate change and a formal pledge to reducing its impact on the environment.

Nedbank Group's climate change work is driven by a defined set of intensity reduction targets that are closely aligned with the National Energy Efficiency accord and the Energy Efficiency Leadership Network Pledge, both of which Nedbank Group is a signatory. In addition to encouraging its own reductions in resource usage, the position statement mandates Nedbank Group to work closely with its suppliers and business partners to encourage and help them measure, manage and reduce their own carbon emissions.

In 2011 the group's preferential procurement processes were further refined to include considerations around suppliers' demonstrated commitments to these types of reduction principles or a willingness to work with Nedbank Group to reduce their environmental impact going forward.

REDUCTION TARGETS

The reduction targets have been set as a way to accurately measure and manage the group's carbon emissions as well as its impact on available resources. The targets are also an effective means of improving transparency and reporting on these reduction efforts and on the group's overall greenhouse gases (GHG). For 2012 the paper, water, waste and recycling targets have been reset.

Resource	Target
Energy	12% reduction by the end of 2015 based on 2005 levels or 5 335 kWh per fulltime employee (FTE). Currently at 5 841 kWh per FTE.
Water	6% reduction by the end of 2016 based on 2011 levels or consumption of 15,01 kl per FTE. Currently at 15,97 kl per FTE.
Paper*	10% reduction by the end of 2016 based on 2010 levels. The 2011 paper consumption was **1 775 tonnes** (2010: 1 917 tonnes).
Waste	8% reduction by the end of 2016 based on 2011 levels, or waste to landfill of 20,91 kg per FTE. Currently at 23 kg per FTE.
Recycling	6% increase in recycling by the end of 2016 based on 2011 levels or 33,58 kg per FTE. Currently at 31,68 per FTE.
Carbon emissions (includes business travel)	12% reduction by the end of 2015 based on 2007 levels or 7,67 tCO_2e per FTE. Currently at 7,74 tCO_2e per FTE.

* *The paper target is an absolute target and not an intensity reduction target, as most of Nedbank Group's paper usage is related to client communications and related regulatory requirements rather than individual employee usage.*

As has been the case in previous years, the reduction targets – particularly those aimed at carbon intensity management – were integral to the assessment of performance during the 2011 financial period. Performance against these reduction targets is monitored and documented, on a monthly basis, by a dedicated task team. This team also uses the results of its ongoing reduction target performance measurement to raise awareness, across the group, of progress to date and possible ways of accelerating target achievement.

Cross-referencing

Greening the group's supply chain
Pages 110 – 111

ENVIRONMENTAL SUSTAINABILITY ... CONTINUED

Cross-referencing
Performance highlights
Page 3

DEVELOPMENTS AROUND TARGETS IN 2011

During the 2011 financial year the group achieved the following in terms of its 2011 intensity reduction efforts:

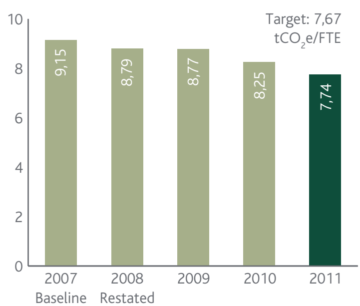
Reduction element	Achievement in 2011
Carbon emissions	Emissions were reduced by 6,13% to 7,74 tCO_2e per FTE. Emissions per m^2 of office space were reduced by 10,16% to 0,35 tCO_2e.
Electricity	Electricity usage was reduced by 0,14% per FTE and by 5,36% based on floor space per FTE.
Water	Water consumption on campus sites was reduced by 9% per FTE.
Paper	A reduction of 7,4 % in paper usage was achieved across the entire group, exceeding the 2011 target.
Waste and recycling	The waste target was exceeded by 31% with 23 kg per FTE sent to landfill down from 33 kg per FTE in 2010. Recycling increased in line with the 2011 target.
Business travel	Business travel increased from 6 885 tCO_2e to 9 846 tCO_2e due to an increase in air travel. This increase is attributed to growth in the business.
Total environmental investment	The group invested a total of R61,2m (2010: R54,6m) into environmental initiatives, including the scope increase of its carbon neutrality and its water stewardship programme.

CARBON EMISSIONS

For the 2011 financial year Nedbank Group's total GHG emissions increased by 2,12%. This increase was the result of the continued organic growth of the organisation and the ongoing efforts of the group to expand its GHG reporting scope, while simultaneously focusing on reducing its environmental impact.

The positive impact of this approach is evidenced in the reduction in carbon emissions per FTE by 6,13% to 7,74 tCO_2e for the period under review. Emissions per m^2 of office space were also reduced by 10,16% to 0,35 tCO_2e/m^2.

EMISSIONS PER FTE – tCO_2e



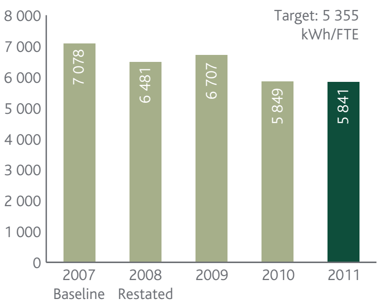
ENERGY

Approximately 75% of Nedbank Group's carbon footprint comes from electricity usage. Consequently, the group makes every effort to reduce its electricity usage via active intervention, staff education and focused investment. The group achieved a marginal overall energy usage reduction of 0,15% per FTE during the 2011 financial year, but a reduction of 3,4% was achieved on the adjusted baseline (ie inclusion of Phase II) at the campus sites that are owned by Nedbank Group. The implication is that buildings owned and managed by Nedbank Group far outperform leased space from an energy intensity reduction point of view.

At a capital investment of R5,1m for the period, specific initiatives aimed at reducing electricity usage in 2011 included:

- the continued use and rollout of occupancy sensors to regulate the use of lighting within office spaces;
- ongoing upgrading of light fittings to energy saving units; and
- regulated usage of decentralised air-conditioning systems (comfort cooling can be the biggest consumer of electricity in an office environment).

ENERGY CONSUMPTION – kWh/FTE



WATER

The group set itself an ambitious new target of a further 10% reduction on 2009 levels by the end of 2011. This target was almost met during the year under review.

Water consumption for Nedbank Group campus sites in 2011 amounted to **266 316 kl**, which represents a reduction of 9% per FTE. The achievement was driven primarily through continued staff awareness of the group's water stewardship responsibilities, the installation of more water saving devices such as hydrotaps and aerators across the group, and the collection and use of rainwater and recycled water for non-potable water requirements. At the SA Water Quality Conference in 2011 Nedbank Group received Green and Blue Drop accreditation for the water purification of the drinking and effluent water at its training facility in the Cradle of Mankind, Muldersdrift, Gauteng.

As a relatively small water user Nedbank Group is now fast approaching a steady state in terms of its operational water usage. While further reductions will be targeted in the next five years, the growing water crisis has prompted the group to expand its focus on water quantity, quality and access. This has led to a R9m investment in the WWF Water Balance Programme, which will fund the removal of alien invasive plant species, thereby releasing more than 550 000 kl of water per year back into two of SA's priority water catchment areas. For more information please refer to the 'Communities' section.

PAPER

In 2011 Nedbank Group delivered a very pleasing 7,4% reduction in its overall paper usage across the organisation. This achievement was largely the result of the work being done within the Nedbank Retail Cluster to streamline its paper-based client-facing processes and switch to electronic documentation wherever possible. One specific example of this is work undertaken in the card collection process, which resulted in a reduction in the paper used for each process and a saving of more than 14m pieces of paper in 2011. This equates to a saving of approximately 5 600 boxes of paper.

During 2011 a number of stakeholders queried the carbon impact of paper usage versus electronic communication. In response Nedbank Group engaged external experts to gain a complete understanding of the full lifecycle or environmental impact of paper, including the often-cited carbon sequestration/storage benefits of plantations. The study established that the full paper value chain (including transportation and water use) does indeed have a net environmental burden, even if the analysis includes carbon sequestration/storage as a benefit and, as such, Nedbank Group continues to reduce its paper usage wherever possible.

WASTE AND RECYCLING

In addition to paper-recycling activity, the group continues to make it easy for employees to dispose safely of compact fluorescent lamps, batteries and printer cartridges by placing accessible collection boxes at all campus sites. As a result of these initiatives, and the continued recycling drive across the group, general waste sent to landfills in 2011 amounted to **379 tonnes** or 23 kg per FTE, down from 33 kg per FTE in 2010.

Nedbank Group Property Services continues to drive cost savings through the effective use of recycling practices, the implementation of food waste disposal units and the use of vegetable gardens and worm farms at staff canteens and kitchens at a number of campus sites.

The total amount of recycled waste across all campus sites increased by 5% in 2011. This achievement becomes even more significant when seen in the context of the overall reduction in paper usage during the same period.

BUSINESS TRAVEL

Nedbank Group has a detailed Business Travel Policy that includes comprehensive green travel guidelines to limit business travel and promote the use of tele- and videoconferencing.

In 2011 overall business travel increased by 51% based on kilometres travelled. It is important to note that this is still 9,6% lower than the 2007 baseline. This increase can be attributed to the overall growth in the business during the period.

ENVIRONMENTAL EXPENDITURE

In the 2011 financial year Nedbank Group invested R61,2m (2010: R54,6m) in a vast range of environmental initiatives, the most significant of which were cost of carbon credit offsets (2011: R15m; 2010: R16m), energy efficiency initiatives, donations to The Green Trust and investment in water stewardship through the WWF Water Balance Programme.

Cross-referencing

Leading water stewardship programme Page 30

Reporting standard

GRI FSSS: FS3, FS4, FS5, FS7, FS8, FS11, FS14
GRI G3.1: EN1, EN3, EN4, EN16, EN17, EN19, EN20, EN22

Cross-referencing

Performance highlights Page 3

CARBON FOOTPRINT MEASUREMENT

Nedbank Group's carbon emissions per FTE were reduced year-on-year by 6,13% to 7,74 tCO_2e per annum and emissions per m^2 of office space also reduced by 10,16% to 0,35 tCO_2e per annum.

The overall reported GHG emissions in absolute terms increased by 2,12% year-on-year from 2010 to 2011. However, this increase is as a consequence of efforts to continue expanding Nedbank Group's GHG report boundary and scope (see below), while simultaneously focusing efforts on reducing its environmental impact. The year 2011 saw a significant increase in reporting detail for SA and non-SA facilities and operations. In 2011 a big drive was undertaken to increase the accuracy of non-SA reported electricity.

Reporting period	Financial year 2010
Methodology	The GHG Protocol – corporate accounting and reporting standard (revised edition). External experts were consulted where no clear guidance or guidance applicable to SA was available.[1]
Inclusions	Nedbank Group's activities, equipment and operations, as well as the actions of its employees associated directly with 754 (2010: 583) SA offices and branches and all non-SA equipment and operations as integrated into the greater Nedbank Group.
Exclusions	Data required to undertake emissions calculation is not currently available for the following: • Scope 1 and 3, as they relate to non-SA offices due to a lack of reliable data. In 2011 better quality electricity consumption data was collated for non-SA facilities. Due to this the staff headcount for non-SA facilities was incorporated in the reporting. • Emissions associated with the operation and service of automated teller machines (ATMs), self-service terminals (SSTs) and point-of-sale (POS) devices located away from a branch or office premises and other remote devices. • Any other premises or activities owned or operated by Nedbank Group not explicitly referenced in this report.

FTE count and occupied office space included in the report	2011	2010	2009	2007 baseline
Total occupied floor space of reported buildings (m^2)	622 042[2]	542 147	520 821	261 450
Employees included in FTE calculations	28 146	25 884	24 284	14 203
Total number of FTEs	28 146[4]	25 884[3]	24 284	25 518
Percentage of all employees covered by the report	100,00[5]	100,00	100,00	55,66

[1] *In some cases the vendor-supplied emission factors will be used as supplied. An example of this is the Eskom grid emission factor, which is reported as 0,99tCO_2e/MWh in the Eskom 2011 annual report.*
[2] *Increase in m^2 is due to investigations of domestic lease agreements and inclusion of foreign premises.*
[3] *Excluding international secondees.*
[4] *GHG emissions are monitored on a monthly basis and reported against monthly FTE numbers. The result is that the annual FTE number used for GHG emissions is a 12-month average. Campus site FTE numbers for 2011: 16 678 (2010: 14 988).*
[5] *In 2010 only estimated scope 2 emissions related to non-SA employees were accounted for and non-SA employees were not included in the total 2010 FTE number. Reporting has improved in 2011 and now all staff are included (1 642 FTE non-SA).*

NEDBANK GROUP GHG EMISSIONS INVENTORY – CO_2e (TONNES)

Scope	2011	2010	2009	2007 baseline
Scope 1: Direct emissions from:	776,51	1 667,82	428,61	694,85
Fuel used in equipment owned or controlled by Nedbank Group (eg generators)	205,67	150,11	244,64	419,72
Air-conditioning and refrigeration gas refills	466,88	1 419,99	75,27	140,18
Nedbank Group fleet of vehicles	103,97	97,73	108,70	134,95
Scope 2: Indirect emissions from purchased electricity:	162 742,02	165 343,42	167 753,56	96 361,71
Purchased electricity – SA	154 393,35	155 929,55	167 753,56	96 361,71
Purchased electricity – Non-SA	8 348,67	9 383,87		
Total scope 1 and 2 emissions	163 518,53	166 981,24	168 182,17	97 056,56
Scope 3: Indirect emissions from[1]:	54 438,59	46 167,43	43 458,99	31 483,31
Business travel in rental cars	519,75	822,07	329,45	498,59
Business travel on commercial airlines	6 712,54	4 055,65	5 436,01	7 790,61
Business travel in employee-owned cars	2 613,29	2 006,92	1 435 64	2 244,13
Employee commuting	41 054,70	35 123,84	32 007,95	17 665,83
Product distribution	0,09	2,71	1,86	–
Consumption of office paper	3 538,22	4 156,24	4 248,08	3 284,15
Total scope 1, 2 and 3 emissions (GHG protocol)	217 957,13	213 148,68	211 641,16	128 539,87
Non-Kyoto Protocol GHG emissions	–	279,41	1 440,16	1 406,38
Split of Nedbank Group carbon emissions tCO_2e				
Scope 1 (%)	0,36	0,78	0,20	0,53
Scope 2 (%)	74,67	77,46	78,73	74,16
Scope 1 and 2 (%)	75,02	78,24	78,93	74,69
Scope 3 (%)	24,98	21,63	20,40	24,23
Non-Kyoto Protocol GHG emissions (%)	–	0,13	0,68	1,08

[1] *Total Nedbank Group fulltime employees (FTEs) were used although only limited non-SA scope 3 emissions were included. This was due to limited data availability.*

SCOPE 1 EMISSIONS

Reported scope 1 emissions from refrigerants decreased by approximately 67% year-on-year due to a much lower required refrigerant replacement load. Continuous efforts are underway to ensure that as little refrigerant gasses as possible are used and/or replaced. Emissions from all scope 1 activities remained under 1% of total emissions. Furthermore, it is important to note that, for ease of interpretation, the refrigerants previously accounted for as Non-Kyoto Protocol GHG emissions were moved to scope 1 emissions.

As in 2010 electricity supply interruptions were minimal throughout 2011. Diesel used in generators did, however, increase due to an increase in the number of facilities with diesel standby generators and more frequent testing of these generators.

SCOPE 2 EMISSIONS

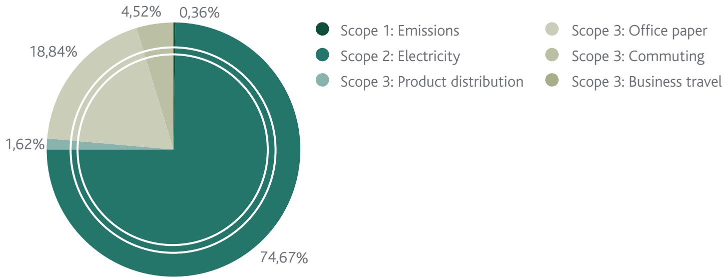
Approximately 75% of the total GHG emissions reported for 2011 are from purchases of third-party electricity generation. This is in line with what was reported in previous years.

Nedbank Group has continued to target energy consumption and is pleased to report a year-on-year reduction of 3,4% in the total energy consumed by SA regional and headoffice sites on an adjusted baseline (ie inclusion of Phase II). These sites are owned by Nedbank Group, which implies that more advanced and costly technologies can be implemented as compared with leased properties, where Nedbank Group as tenant has less leeway regarding alterations.

SCOPE 3 EMISSIONS

Approximately 25% of the total 2011 GHG emissions arose from reported scope 3 activities, almost 19% from staff commuting, 4,5% from staff business travel, and 1,6% from third-party manufacture of office paper.

NEDBANK GROUP 2011 CARBON FOOTPRINT



Nedbank Group – SA performance targets

Nedbank Group – SA Key performance indicators	Progress from 2010 (Y-O-Y)	Progress from 2007 baseline	2011	2010	2009
Total carbon emissions tCO_2e (including non-SA)	2,12%	67,73%	217 957,13	213 428,09	213 081,32
Emissions per FTE	(6,13%)	(15,37%)	7,74	8,25	8,77
Emissions per m^2	(10,16%)	(29,92%)	0,35	0,39	0,41
Emissions per operating income (g/rand)	(14,15)	n/a	7,75	9,03	11,49
Energy					
Consumption in kWh	8,59%	63,51%	164 384 875[1]	151 388 224	162 867 539
Consumption in kWh per FTE	(0,15%)	(17,48%)	5 841	5 849	6 707
Paper					
Tonnes used	(7,42%)	66,67%	1 775,07	1 917,29	1 932,22
Usage per FTE (tonnes)	(14,89%)	(15,91%)	0,0631	0,0741	0,0796
Business travel – commercial airlines (km)					
Commercial airlines (km)	63,56%	(9,54%)	50 756 834[2]	31 032 595	38 852 231
Air travel per FTE (km)	50,41%	(54,36%)	1 803	1 199	1 600
Business travel – rental cars (km)					
Rental cars (km)	(39,30%)	(10,24%)	2 624 962	4 324 603	1 924 492
Rental cars per FTE (km)	(44,15%)	(54,72%)	93	167	79

[1] *In 2011 more campus sites were incorporated into Nedbank and the result was an overall increase in energy consumption, although electricity use per FTE and electricity use per m^2 decreased.*
[2] *Air travel increased in 2011 due to overall business growth. The 2011 levels, however, are still lower than the 2007 baseline.*

STAFF COMMUNICATION, TRAINING, ENGAGEMENT AND ACKNOWLEDGEMENTS

With a staff compliment of more than 28 000, Nedbank Group recognises that its effectiveness in the area of environmental sustainability relies heavily on the support, buy-in and passion of its employees. For this reason the group makes every effort to engage with its staffmembers to raise awareness of environmental responsibilities and opportunities in which they involve themselves.

- **Deep Green Day** has become something of an institution within the Nedbank Group culture and 2011 focused on entrenching the organisation's reputation as SA's 'green and caring bank'. Employees gave of their time and money to make 29 000 sandwiches for distribution to disadvantaged individuals and communities, while a range of environmental volunteerism projects allowed staff to build relationships with their colleagues and spread the 'green' message to others.
- **MyWorkSpace** was introduced in 2011. This groupwide communications platform allows for easy, customised sharing of information by allowing employees, business units and projects to develop their own online profiles and share successes, information and updates across the organisation.
- ***3sixty*** is the primary staff communications vehicle. The publication allows business units and senior management to convey valuable environmental management and investment information and, in so doing, maintain awareness and momentum around environmental sustainability.
- **Staff roadshows** are presentations by Chief Executive, Mike Brown, and other Executive Committee members that provide a proven way for senior management to connect with all employees via face-to-face presentations or through videoconference and share key sustainability information, general progress and respond to specific questions from staff.
- **Sustainability Resource** has the primary aim of providing groupwide access to important sustainability information. This shared portal carries training material, research on climate change, water and social sustainability, legislation and policies, international best practice and environmental risk. It also offers tools such as SEMS, training material and screening and assessment methods.
- **Super Sustainability Forum** is a teleconferencing initiative aimed at all employees outside of the Nedbank Group headoffice in Sandton and reduces travel that would have been required for face-to-face meetings.
- **Face-to-face communication** sessions equip staffmembers with important insights into a variety of environmental sustainability initiatives and the implications thereof for the business. The aim is to enable these employees to use their wide sphere of influence within the group and beyond to help change environmental mindsets.

SUSTAINABILITY TRAINING AND POLICY ACKNOWLEDGEMENTS

To ensure consistency of vision and understanding by all staff Nedbank Group requires that its employees confirm that they fully understand the group's sustainability objectives and commitments. In addition each employee is required to acknowledge that he or she has received, read and understood all relevant environmental policies on an annual basis. At the end of 2011:

- 89,8% of employees had formally acknowledged Nedbank Group's Environmental Policy;
- 90,2% had completed the Corporate Responsibility Policy Acknowledgement; and
- 56,5% had participated in the Nedbank Carbon Survey.

Due to the ongoing communications and awareness creation in the group, individual staff commitment to environmental sustainability continues to increase, with 2011 levels of individual commitment to green at 95,5% compared with the 95,0% of 2010. In 2011 a total of 89,4% (2010: 81%) of employees completed the group's online sustainability training, which covers the basic principles of sustainability and outlines the bank's approach to sustainability and its achievements to date. The training also offers employees practical guidance on how they can become involved in helping the group achieve its sustainability targets and objectives.

The 2011 Nedbank Group internal sustainability survey once again assessed the understanding of sustainability issues and the level of awareness of, and buy-in to, the organisation's sustainability objectives and undertakings by staffmembers. No less than 97% of Nedbank Group staff who participated in the survey regard the organisation as a leader in sustainability. Other key findings of the survey included:

- 80% of staffmembers know what carbon neutrality means and 97% (2010: 73%) support the organisation's decision to go carbon neutral.
- The commitment by staff to buy green products and services in their personal capacity increased from 82% in 2010 to 83% in 2011.
- 93% of staffmembers believe that Nedbank Group's management is committed to environmental sustainability.

Reporting standard

GRI FSSS: FS4

Cross-referencing

Ethics and corporate accountability
Pages 432 – 433

Reporting standard

GRI FSSS: FS3, FS5, FS8, FS14

LEADING THROUGH COLLABORATION

For Nedbank Group leadership in environmental sustainability is about a determination to achieve as much as it possibly can through its efforts to preserve the planet. The group recognises that this requires a highly collaborative approach in which it involves as many of its stakeholders in its sustainability journey as possible, and uses its influence to promote environmental sustainability awareness, encouraging other companies and individuals to join it in securing a better future for all.

WORLD WIDE FUND FOR NATURE SOUTH AFRICA

After 21 years of shared vision and commitment the relationship between Nedbank Group and WWF-SA continues to deliver benefits for environmental conservation in SA. The WWF–Nedbank Green Trust, which both organisations were instrumental in forming, continues to receive significant support – both in terms of financial investment from Nedbank Group and project and operational guidance and input from WWF-SA. In 2011 Nedbank Group's R9m investment into the WWF Water Balance Programme signalled the start of a new chapter in its long-term partnership with WWF-SA.

THE NEDBANK GREEN AFFINITY AND THE WWF–NEDBANK GREEN TRUST

In 1990 Nedbank Group, in partnership with WWF-SA, established the WWF–Nedbank Green Trust ('The Green Trust') as an innovative and sustainable vehicle through which to raise funds to support environmental causes and projects.

The Green Trust's mission is to bring together environmental and social sustainability in order to enable people to live and work in harmony with the environment. After more than 20 years in existence The Green Trust has demonstrated that a strong people focus is essential to the achievement of environmental sustainability and the protection of the planet's natural heritage.

The Green Trust funds projects in climate change, freshwater conservation, marine conservation, preservation of outstanding places, conservation of species of special concern and conservation leadership.

Through its Green Affinity Programme Nedbank Group has donated nearly R115m to The Green Trust over the years in support of approximately 180 environmental projects and causes throughout SA. The Green Affinity enables Nedbank Group clients to involve themselves in this support and also to have money donated to a green cause on their behalf, but at no cost to them, as they make use of the various Nedbank Green Affinity-linked accounts. In 2011 Nedbank Green Affinity donations to The Green Trust increased by 38% to over R8,7m (2010: R6,3m).

For more information on The Green Trust visit www.nedbankgreen.co.za.

Below are just some examples of current and past WWF–Nedbank Green Trust-supported projects, many of which are focused on sustainable agriculture and food security:

- **The Biodiversity and Wine Initiative (BWI)** is a pioneering partnership between the SA wine industry and the conservation sector, aimed at encouraging wine producers to protect the natural habitat, farm sustainably and express the advantages of the Western Cape's abundant diversity in their wines. Nedbank Group provided essential bridging finance to this project after its successful two-year pilot. The success of the project is demonstrated in the fact that, in less than four years, 126 000 ha of natural area have been conserved by BWI producers – making the SA wine industry's conservation footprint bigger than the actual vineyard footprint of 102 000 ha.
- **The GreenChoice Alliance** is a national alliance for the promotion of food systems that are environmentally sound, socially just and economically viable, and that produce quality food. Nedbank Group co-funds the market transformation component of this collaborative initiative, which is aimed at positively and materially changing the way food and animal fibre products, derived from natural resources, are produced and consumed. GreenChoice was established in 2007 as a multistakeholder alliance, coordinated by WWF and Conservation International. It provides a platform where stakeholders can share knowledge, identify sustainable solutions and gain better market access for environmentally friendly products.
- **The WWF Sustainable Fruit Initiative** is aimed at promoting sustainable farming, production and consumer practices within the SA fruit industry. In 2011 Nedbank Group, through The Green Trust, committed to a three-year funding programme for this initiative.
- **The Khomani San Traditional Conservation Area** is the realisation of the Khomani San's vision of establishing traditional eco-tourism, cultural and hunting ventures on their ancestral land, which includes 25 000 ha inside the Kgalagadi Transfrontier Park and six farms spanning 36 000 ha outside the park. Funds from The Green Trust are being used to assist with the establishment and running of an office to manage and oversee the project. The Khomani San now have their own gate into the park where they

issue visitor permits. A powerful drawcard for visitors is their accomplished Khomani San guides and trackers who have a vast knowledge of the desert fauna and flora.

UNITED NATIONS ENVIRONMENT PROGRAMME FINANCE INITIATIVE

Nedbank Group was the first SA bank to join the United Nations Environment Programme Finance Initiative (UNEP FI) in February 2004. The initiative is a unique global partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works with some 200 financial institutions that are signatories to the UNEP FI Statements, as well as a range of partner organisations, to develop and promote linkages between sustainability and financial performance.

UNEP FI launched its African Task Force in SA in January 2002 to:

- address sustainability issues within the African context;
- set sustainability priorities for the African financial sector; and
- drive a holistic, integrated sustainability approach across all African finance sections.

In 2011 Nedbank Group continued as a member of the African Task Force and co-chair of the UNEP FI Water and Finance Workstream with a work programme focused on water risk identification, management, monitoring and reporting. The group presented at the Global Round Table, hosted by UNEP FI in Washington in October 2011, and also shared details of its Water Wise journey at the UNEP FI water training session at the World Bank.

During the Conference of the Parties (COP17) Nedbank Group collaborated with UNEP FI, the National Business Institute and other member banks to offer a 'finance day' that explored the role of banks in the transition to a low-carbon economy. This open session was well attended and included presentations by Trevor Manuel, Nedbank Group Chief Economist Dennis Dykes and representatives from Stellenbosch University, HSBC and UNEP FI.

The group also hosted two closed events for UNEP FI members and the negotiators on the Green Climate Fund and REDD. These sessions allowed attendees from the private sector to express their thoughts on vital environmental sustainability issues and obtain insight on the role that the private sector can play in driving it.

Nedbank Group remains involved in the Global UNEP FI Steering Committee and the Banking Commission, and is a member of the Biodiversity and Ecosystem Services Workstream.

Further details about UNEP FI and copies of its various publications can be found at www.unepfi.org.

LEGISLATION AND REGULATION

Nedbank Group plays an active role in facilitating, and contributing to, the policy and regulatory developments by feeding comments and suggestions into a variety of industry bodies or directly to the relevant government departments.

There are also a number of policies and regulatory developments that the group monitors and contributes to, including the Integrated Energy Plan (IEP), the Integrated Resource Plan (IRP), the Carbon Tax Discussion Paper, the Renewable-energy Feed-in Tariff (REFIT) and the National Climate Response White Paper.

In addition to positioning Nedbank Group as a thought leader in legislative and regulatory developments, the group's participation in these processes helps to position it strategically to be able to fund future business opportunities that may arise as a result of the developing regulatory framework.

RENEWABLE ENERGY INDEPENDENT POWER PRODUCER PROGRAMME

As one of the leading investors in infrastructure projects in SA's financial markets, Nedbank Group provided the funding for 37% of the more than 1 200 MW of energy capacity represented by all the bids submitted in the first phase of the country's Renewable Energy IPP programme.

This support extended beyond providing the finance the bidders needed to cover the required guarantee of R100 000 per MW of capacity, as proposed in their bids, and included close partnerships with 15 of the 53 bidders as well as the provision of input, guidance and advice as regards the bids and the sustainability of their operations.

EXTERNAL ENGAGEMENTS AND ENVIRONMENTAL SUSTAINABILITY INITIATIVES

The 2011 financial year again saw Nedbank Group sharing learnings and experience with like-minded organisations in an effort to maximise its environmental sustainability effectiveness and further entrench its reputation as the country's truly green bank. These engagements and initiatives included Nedbank Sustainability Outlook, *Financial Mail* Green Business Guide, Nedbank BDFM Greening your Business course, Earth Hour, Nedbank Green Wine Awards, Nedbank Green Mining Awards and the hosting of a Sustainability Seminar for the media. In addition, the group participated in the SA Corporate Leaders Group and the SA CEO Forum and sponsored the SA Water and Energy Forum.

Reporting standard

GRI G3.1: SO5

Cross-referencing

Business profile
Pages 52 – 57

Cross-referencing

Risk and balance sheet management: Compliance risk
Pages 422 – 423

Cross-referencing
Stakeholder engagement
Page 86

- **Nedbank Sustainability Outlook** is researched by the University of Cambridge Programme for Sustainable Leadership. This sustainability publication enjoys a distribution of over 100 000 and seeks to encourage debate around various sustainability issues and the financial and investment implications thereof.
- ***Financial Mail Green Business Guide*** highlights businesses and organisations that have a measureable committed to environmental conservation in an effort to promote environmentally aware consumer behaviour. In 2011 Nedbank Group again sponsored the publication.
- **Nedbank BDFM Greening your Business course** was produced in partnership with *Business Day* and *Financial Mail*. This online business training course provides comprehensive insights into and information on practical ways in which companies can undertake their own environmental sustainability journeys. It is offered free of charge to Nedbank Group clients and the general public. More than 1 100 participants from 859 companies participated in the course in 2011.
- **Earth Hour** is the world's biggest mass action initiative aimed at addressing climate change. For one hour people on all seven continents switch off their lights in a symbolic gesture to call on world leaders to adopt a unified approach that will succeed in keeping global warming below two degrees Celsius. Nedbank Group continued its support of this worthwhile campaign in 2011 by turning off the lights in approximately 30 of its buildings around the country and encouraging staffmembers, clients and suppliers to do the same in their homes and businesses. Nedbank, WWF-SA and the City of Johannesburg also hosted a free concert at Orlando West, with a lights switchoff at Orlando Stadium in Soweto on Saturday, 26 March, from 20:30.
- **Nedbank Green Wine Awards (Cape Winemakers Guild).** For the past 15 years Nedbank Group has partnered with the Cape Winemakers Guild (CWG), the CWG Development Trust, and the Biodiversity and Wine Initiative to encourage transformation and sustainable practices within the SA wine industry. The Nedbank Green Wine Awards were established in 2009 to raise consumer awareness and elevate sustainable wine farming practices so that buyers can make informed wine purchases. The awards competition is divided into two categories:

  1 Best wine from organically grown grapes (rated according to the 20-point/5-star system); and

  2 Best environmental practices (judged by a panel of four environmental experts).

  The 2011 winners were:

  Best Wine from organically grown grapes:

  - Best white and best wine overall – Reyneke Chenin Blanc 2010
  - Best red wine – Laibach, The Ladybird Red 2010
  - Best natural sweet wine – Stellar, Heaven on Earth Natural Sweet
  - Best environmental practices award – Paul Cluver, Elgin
- ***Sowetan* column.** During 2011 Nedbank Group again played a pivotal role in educating communities on environmental and sustainability matters. One of the key ways in which this was accomplished was through the Nedbank 'Green Unpacked' column in the *Sowetan*. Published fortnightly, the column focused on making environmental and sustainability issues real, understandable and accessible to the more than 1,5m readers of the newspaper.

SIMPLIFYING THE CLIMATE CHANGE LANDSCAPE

Adapted from an opinion piece printed in the Business Day *in October 2011 by Nedbank Group Chief Executive, Mike Brown, and AngloGold Ashanti Limited Chief Executive, Mark Cutifani.*

Based on a framework developed by the Cambridge Programme for Sustainability Leadership, the following four-step process is proposed in order to simplify the climate change landscape to promote shared commitment and definitive action:

Step 1 – Agree and commit to a carbon budget – International consensus is that the global average temperature must not rise more than 2° C above the preindustrial norm. This means humanity now has a strictly limited 'carbon budget' that it may emit in future. It is estimated that we have a budget for 40 years of about 680 gigatons of CO_2. If we keep emitting as we are, this will be exhausted in less than 20 years. The first step, therefore, is for leaders in all sectors to acquaint themselves with this basic scientific fact and acknowledge the reality of it.

Step 2 – Share out the budget fairly – Having understood and acknowledged the reality of humanity's fixed carbon budget, the world's governments must divide that budget in a way that is fair and can be supported by the majority of critical emitting nations.

Step 3 – Manage SA's carbon budget properly – While the share of the global carbon budget that SA can expect to receive depends on the calculation methods used, a range of 0,5% to 2% is likely. At 1,5% this equates to 10,2 gigatons of CO_2 that can be emitted from now until 2050. At our current emissions rate, that will be used up in 23 years! To extend this deadline, SA's carbon budget must be shared out among all its people and companies in a way that maximises socioeconomic benefits. This requires a participative and well-informed discussion among relevant stakeholders and, in all likelihood, some very tough decisions.

Step 4 – Find ways to reduce emissions while creating stakeholder value – At an individual business level, SA organisations must start planning for the transition to a low-carbon economy, so that they can contribute to the national reduction in carbon emissions, while still building value for all their stakeholders.

What is needed right now?

- Support of continued scientific research.
- International negotiations to find a binding global agreement.
- Constructive engagement between business, government and civil society.

- **Sustainability seminars** are Nedbank Group-hosted and offer SA journalists insight into matters surrounding sustainability. This contributes towards a solid foundation from which to report on the topic. Nedbank Group has hosted similar successful seminars covering mining and financial services. The format includes presentations by Nedbank Group spokespersons as well as external experts in the relevant topic.
- 2011 saw Nedbank Group joining the **Corporate Leaders Group**. Based on the Prince of Wales Corporate Leaders Group established in 2005, the South African Corporate Leaders Group forms part of the Cambridge Programme for Sustainability Leadership (CPSL) and comprises 10 companies representing a cross-section of the SA economy. The purpose of the group is to drive strategic, long-term, transformational change in the SA economy, with particular focus on the changes necessary to ensure long-term economic prosperity, competitive advantage and corporate sustainability at a national level.
- The **CEO Forum** comprises leaders of SA businesses and was formed in response to government's call to action a 'Team South Africa' approach to address climate change in the country. This CEO-led platform allows for high-level engagement between captains of industry and key stakeholders and provides visible leadership in support of SA's climate change response.

Cross-referencing
Group strategy
Pages 8 – 9

Reporting standard

GRI FSSS: FS3, FS11

Cross-referencing

Stakeholder overview
Pages 16 – 31

Cross-referencing

Preferential procurement
Page 135

CONFERENCES AND ENGAGEMENTS

Throughout the 2011 financial year Nedbank Group continued to participate actively in a number of conferences and events aimed at addressing environmental sustainability issues and challenges. These included Conference of the Parties 17 (refer to the 'Communities' section for more detail) and SA Water and Energy Forum (SAWEF):

- **SA Water and Energy Forum**
  Nedbank Group co-sponsored the first SAWEF in 2011. SAWEF was created to offer a platform on which key players from all sectors of the economy – government, industry, commerce, civil society, science, architects, designers and the media – can come together, engage with each other, and focus their collective expertise and energy to find solutions to the various sustainability challenges facing the country.

GREENING THE GROUP'S SUPPLY CHAIN

Nedbank Group's procurement areas continue to work closely with their suppliers as part of the extension of the organisation's Climate Change Position. Tendering and engagement sessions focus on influencing suppliers to make greater efforts to incorporate environmental sustainability in the way they work. This approach is enjoying ever-increasing support. During 2011 the group again hosted supplier training and awareness sessions with close to 200 key suppliers in the retail and group technology areas, among others. Nedbank Group's sustainability journey and learnings were shared to encourage similar actions and behaviour among suppliers. Ethics awareness training also formed part of these sessions.

The group has used the experience of its technology division to add environmental commitment and action to its procurement decisionmaking formula. The sustainability practices of suppliers are now entrenched in group procurement processes and given evaluation weighting along with price, quality and black economic empowerment (BEE) status.

VENDOR ONBOARDING

Nedbank Group is moving from an environmental sustainability 'awareness' requirement to a 'compliance' requirement for its top 300 vendors. These vendors represent approximately 80% of total group spend. All new vendors are required to confirm the existence of an environmental policy in their business and answer questions regarding their recycling, reuse and reduction practices.

Nedbank Group successfully presented its procurement journey to the Smart Procurement Conference in October 2011, where most of the participants recognised the increased awareness of sustainability issues on their own procurement journeys.

The success in terms of sustainability partnering achieved with international information technology vendors in past years was extended to local vendors during 2011. Nedbank Group has concentrated on relationships with manufacturing and services vendors, and success has been achieved with vendors contracted for the construction and establishment of new branches and lobbies, as well as the upgrading of existing branches.

Each commodity specialist within Nedbank's Group Procurement Division now has sustainability as an integral element of his or her performance scorecards, prompting careful consideration of environmental factors in all supplier engagements.

The 2011 procurement and supplier initiatives aimed at greening Nedbank Group's supply chain included:

- **Furniture and new buildings**
  All new desks are manufactured using Forestry Stewardship Council-accredited wood, while chairs and carpets are mostly made of recyclable materials. The design work and interior of all new buildings have sustainability as a key driver. 2011 saw further investigation into the use of waterless urinals and more efficient towel dispensers, as well as continued success with the implementation of recycled/grey-water initiatives. All tenants in Nedbank-owned buildings agreed to adhere to Nedbank Group's environmental approach in terms of water, electricity and waste management.
- **Hotels**
  The group continues to encourage all hotels frequented by its staff travellers to use best-of-breed environmental practices and policies, and has been a driving force in suggesting water reduction initiatives, including low-flow showerheads and reduced laundry requirements. It has also been instrumental in the instigation of exciting new sustainability initiatives, including organic gardens, inseason vegetables and fruit, and local food suppliers. Representatives of Nedbank Group inspect these properties regularly and the reports on progress have been very positive.
- **Car rental**
  Nedbank Group continues to use two preferred car rental vendors, both of whom have introduced models of less environmentally damaging cars. They have also expanded and improved their facilities so as to use less water for washing cars. More effective use of shuttle services and the Gautrain is encouraged.
- **Air travel**
  The group continues to engage with all airlines regarding the reduction in carbon footprint. These all provide regular progress reports on the reduced use of fuel through the introduction of new planes or through improved processes with older aircraft. The group's booking process ensures that travellers are made aware of the environmental impact of their business travel.
- **Stationery**
  After extensive investigation Nedbank Group has introduced an environmentally friendly and price-competitive pen made from corn waste. Every year the group investigates numerous

opportunities to 'green' its stationery, but costs remain the most prohibitive factor. In 2011 it raised its efforts to share these experiences with customers of its preferred stationery suppliers to unlock potential economies of scale in this regard.

- **Computer consumables**
  All suppliers of computer consumables are ISO-accredited. A new management information system was implemented to provide improved data on toner and printer usage. One of the group's key suppliers of remanufactured toner cartridges, Green Office, won the Green Company of the Year award.
- **Paper**
  Nedbank Group continues to monitor the use of all types of paper. The choice of supplier is still based on groupwide life cycle analysis (LCA), which is also considered to inform decisions regarding the use of virgin or recycled paper for specific purposes across the group.
- **Cleaning and hygiene services**
  The group uses biodegradeable cleaning liquids and processes at all its main campus sites. In 2011 this was also rolled out to Nedbank Retail branches, with specialised cleaning liquids made available on all 'Procure to Pay' system catalogues. The Innu-Science-developed product has been certified as being environmentally friendly and 90% of the total product is biodegradable within 14 days. One of the group's cleaning suppliers, Supercare, has used the Nedbank Group sustainability journey as an inspiration to change its car fleet and bring in recycling and the use of biodegradable packaging.
- **Couriers**
  UTI Mounties and Skynet have rationalised their courier routes and vehicle loads to take into consideration the new business model for transporting cheques and credit cards. This has significantly reduced kilometres driven and also their carbon footprint.

FACILITATING ENVIRONMENTAL SUSTAINABILITY THROUGH PRODUCTS AND SERVICES

Nedbank Group recognises that it is in a position to influence the behaviours of its clients, and encourages or enables them to have a positive environmental impact through the solutions it offers.

Some of the green products and services offered by the group in 2011 included:

THE NEDBANK GREEN AFFINITY

Nedbank Group clients can support environmental causes via the The Green Trust simply by choosing to use Nedbank Green Affinity banking, investment or insurance products. The group donates money to the trust on behalf of these clients at no cost to them. In 2011 Nedbank Green Affinity donations to The Green Trust amounted to R8,7m (2010: R6,3m).

NEDBANK SAVVY ACCOUNT

The Nedbank Savvy Electronic account is ideal for environmentally aware Nedbank clients. This fully electronic current account offers a full range of transactional capabilities, but is completely paperless. It is also linked to the Nedbank Green Affinity. Account numbers grew by 75% from 103 000 in 2010 to 180 000 in 2011.

THE NEDBANK GREEN INDEX

In 2011 Nedbank Capital launched SA's first Green Index to serve as a benchmark for environmentally conscious investors. The index measures the performance of companies with environmentally sustainable business practices and combines their environmental credentials with predetermined liquidity screening criteria to create an investable environmental sustainability index. The index is also tangible proof of the viability of green businesses and will serve to encourage mother organisations to enhance their environmental sustainability efforts in order to make it onto the index.

THE NEDBANK BGREEN EXCHANGE-TRADED FUND

In 2011 Nedbank Capital launched the Nedbank BGreen Exchange-traded Fund (ETF). A first in SA, the vehicle allows retail and institutional investors to invest based on their environmental convictions without sacrificing performance or returns. The Nedbank BGreen ETF is based on the Nedbank Green Index, which was launched in July 2011 as a benchmark for environmentally conscious investors and a means of measuring the performance of companies with environmentally sustainable business practices.

ESTATEMENTS

Nedbank Group continues to recommend to its clients that they convert to electronic statements. This offering is available for clients with current accounts, cards, home loans and vehicle finance. For every current account client that chooses to convert to eStatements the bank donates 25 cents to The WWF–Nedbank Green Trust. This money, R2,4m for 2011, is earmarked for the support of projects on the trust's Climate Change Programme.

SOLAR WATER HEATER PROGRAMME

As part of its support of the government's solar water heater programme, Nedbank Group has introduced a comprehensive solar water heater initiative, which includes the option for clients to replace burst geysers with solar geysers. The initiative was launched in 2011 and 82 Nedbank clients have used the facility to install affordable solar geysers in their homes or businesses.

CARBON FINANCING

Nedbank Capital's Carbon Finance Team provides forward-thinking finance solutions, guidance and advice. They partner with clients to help them contribute to, and benefit from, the green economy.

GREENBACKS 'GREEN STREAM'

Nedbank Group's Greenbacks loyalty programme includes a 'green stream' that allows members to redeem loyalty points for goods that are environmentally friendly.

Reporting standard

GRI FSSS: FS3, FS7, FS8, FS14
GRI G3.1: 2.2

Cross-referencing

Stakeholder overview: Clients
Pages 20 – 22

Cross-referencing

Business profile
Pages 52 – 57

SOCIAL SUSTAINABILITY

The achievement of true social sustainability in Africa requires more than just financial support. It demands commitment to the principles of economic upliftment, business development, job creation, community empowerment and social transformation.

Reporting standard

GRI FSSS: FS1, FS2
GRI G3.1: 4.9

Cross-referencing

Material matters
Pages 4 – 5

2011 Nedbank Group Transformation Report

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As an organisation that recognises these social imperatives as key drivers of SA's sustainable future, Nedbank Group actively seeks out and pursues opportunities to support communities, develop and grow small businesses, foster job creation opportunities and contribute to the overall development of a sustainable and robust social structure in SA and into Africa.

The group continues to strive to Make Things Happen in the lives of less fortunate communities. This commitment has earned Nedbank Group a reputation as an organisation that is highly involved in the community and the environment and one that takes a genuine interest in improving the health, education and wellbeing of the communities in which it operates and in empowering its staff and clients to do the same.

Aligned to the group's social material matters, this section of the 2011 Nedbank Group Integrated Report includes information on the group's progress in the areas of:

- Socioeconomic development (SED)
  - Corporate social investment (CSI) – the Nedbank Foundation and related trusts
  - Consumer (including sustainability) education
  - Youthde velopment
  - Nedbank Affinities
  - Sponsorships
- Transforming financial services
  - Access to financial services
  - Targeted investments
  - Black economic empowerment (BEE) transaction financing
- Enterprise development (ED)
- Preferential procurement

It is important to read this report in conjunction with the 2011 Nedbank Group Transformation Report for a full understanding of the work undertaken in this area.

SOCIOECONOMIC DEVELOPMENT

NEDBANK GROUP'S APPROACH TO SOCIOECONOMIC DEVELOPMENT

SED is at the heart of Nedbank's aspirations of leading in transformation and being highly involved in communities through support, upliftment and empowerment.

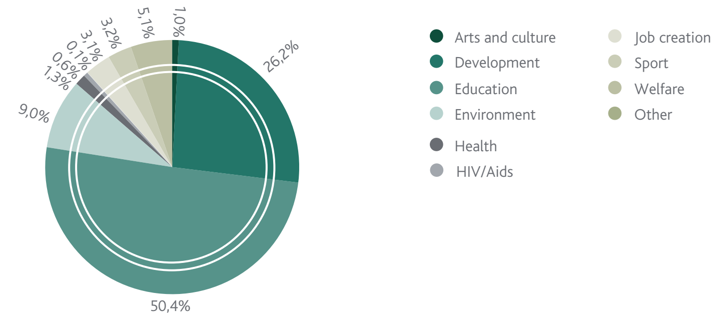
The group's social sustainability thrust comprises both economic and social development initiatives. Wherever possible, these are closely integrated to deliver lasting benefits and raise the living conditions, financial situations, business potential and transformation progress of individuals and companies across the country.

While this commitment is never purely target-driven, the Department of Trade and Industry (dti) Codes stipulate that 1% of net profit after tax (NPAT) of all large SA organisations must be directed towards SED. In 2011 1,8% of Nedbank Group's 2010 NPAT, or R78m (R89m including the Community Trust) (2010: R79m), went towards supporting 448 socioeconomic development or social sustainability objectives in all nine provinces.

The Nedbank Foundation works to make a sustainable difference to deserving individuals and communities through its support of charitable organisations and projects.

The following chart illustrates the group's performance against dti Codes compliance targets. Nedbank Group has consistently spent more than the minimum required – evidence of the group's commitment in this regard.

NEDBANK CLAIMED SED CONTRIBUTIONS 2009 TO 2011: R229m



CORPORATE SOCIAL INVESTMENT

CSI is a non-negotiable business and moral imperative for Nedbank Group. Based on its understanding that there are no quick fixes to the social transformation challenges facing the country, the group identifies long-term projects that it believes have the potential to sustain themselves over time and make a lasting impact on the social fabric of SA. In most cases the financial support of these projects, organisations or initiatives occurs through the group's social investment arm, the Nedbank Foundation.

THE NEDBANK FOUNDATION

As the primary CSI arm of Nedbank Group, the Nedbank Foundation works to make a sustainable difference to deserving individuals and communities through its support of charitable organisations and projects focused on the following main areas:

- **Education**, which includes school-based educational projects, early-childhood development (ECD), rural-school refurbishment, teacher training, tertiary education and other government-identified priorities.
- **Community development**, with a particular focus on initiatives that support and care for communities in need and vulnerable groups.
- **Skills development**, which includes training, skills development and enterprise support and development.
- **Health**, which includes interventions for people with disabilities, diseases like HIV/Aids, cancer, diabetes and TB, as well as providing training and infrastructure development in communities.

When selecting projects within the focus areas, due consideration is also given to environmental impact and issues.

Staff volunteerism is a further channel through which Nedbank Group staffmembers are encouraged to support social sustainability objectives.

By equitably spreading its CSI spend across these primary focus areas Nedbank Group avoids the risk of diluting its financial support and ensures that, through its contributions, it remains an enabler of transformation, upliftment and development in SA. Funding is only granted after a comprehensive investigation of the applications received, and no political or discriminatory organisations are supported.

The positive impact of the Nedbank Foundation's financial support is also enhanced through ongoing monitoring of projects, appropriate input and guidance by business and social upliftment experts, and administrative assistance where required.

As part of the foundation's standard operating procedures, portfolio managers routinely visit the projects that are funded, ensuring that the funds provided are utilised appropriately and any challenges or risks faced by the projects or organisations are identified.

Through these visits enhancements are made to the project scope and opportunities of further support by other Nedbank Group departments are identified. This is particularly so with the skills development projects where some projects are connected with the Nedbank Enterprise Development or Small Business Services Divisions. These projects provide entrepreneurial training and coaching to ensure sustainability of microenterprises, and further banking services and loans can then be provided to these enterprises, allowing them to grow.

Reporting standard

GRI G3.1: SO1

Cross-referencing

Cultural sustainability Pages 136 – 151

2011 Nedbank Group Transformation Report

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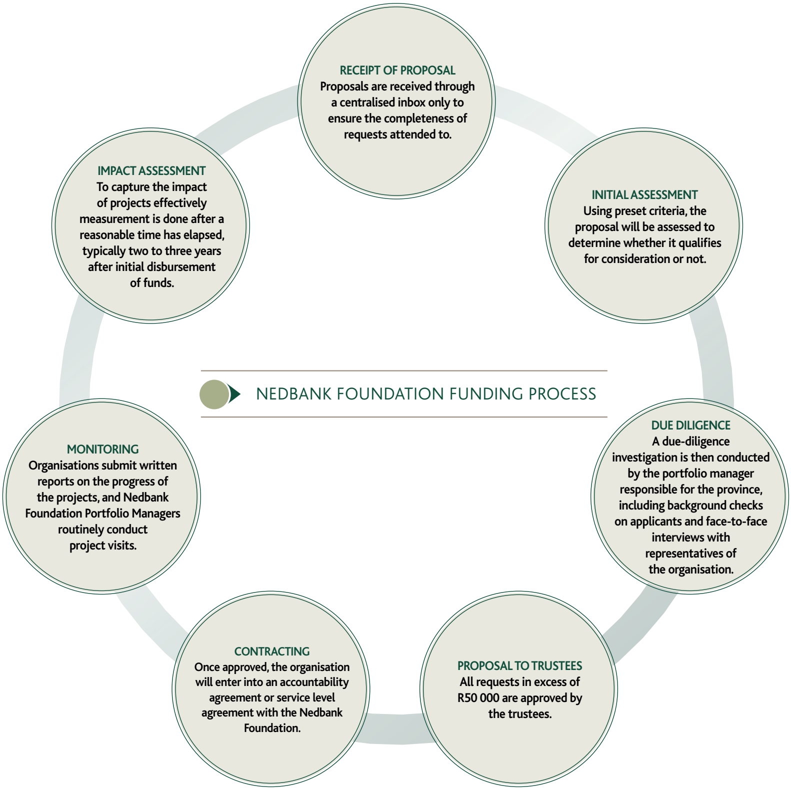
SOCIAL SUSTAINABILITY ... CONTINUED

These visits also provide an opportunity to connect beneficiary projects that have complementary objectives and geographic reach, allowing them to work together to achieve a bigger impact.

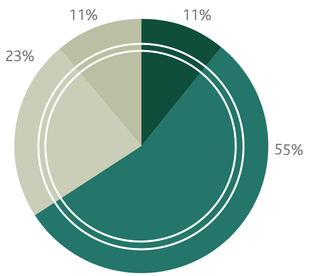
To ensure that all projects or initiatives supported by the Nedbank Foundation are in line with its specified focus areas and the group's social sustainability objectives, a rigorous funding approval process (available online) is followed.



The 2011 CSI brings the total amount of funding provided to social upliftment projects by the Nedbank Foundation over the past three years to R100,5m. This investment is spread across its key focus areas as follows:

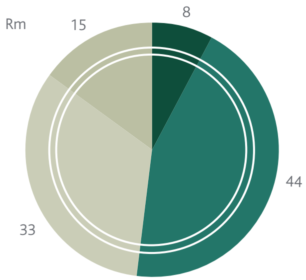
NEDBANK FOUNDATION CSI SPEND 2011: R35m

- Volunteerism (R3,8m)
- Education (R19,4m)
- Community development (R8,1m)
- Economic development (R3,7m)



NEDBANK FOUNDATION CSI SPEND 2009 – 2011: R100,5m

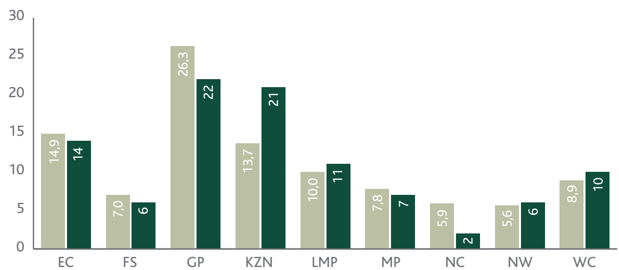
- Volunteerism
- Education
- Community development
- Economic development



Education is a key focus area for the Nedbank Foundation, as it is the bedrock of society, bringing economic wealth, personal prosperity and political stability. It is vital for the future sustainability of any country, as the more educated the people are, the more productive society will be, and the better off the next generation will be. In SA there are many challenges facing the education sector, resulting in chronic skills shortages that undermine the country's development efforts. It is because of this that more than half of the foundation's investment is in education, contributing towards building a more sustainable future.

Being a bank with a national footprint, CSI spend is spread in line with the population distribution of the country, while taking into account the intervention needs of each province (ie poverty levels and state of education).

PROVINCIAL SPLIT OF CSI FUNDING



Cross-referencing
Chairman's Report
Pages 34 – 36

Although an indepth impact analysis of CSI funding as a whole was not undertaken in 2011, an analysis of interventions was conducted. Findings confirmed that the focus on education remains appropriate, but the scope of education interventions should expand to provide holistic support to both the system and the people in it.

Elements of an effective school

Key education programmes in 2011 were aimed at addressing some of these elements, and during 2012 further interventions will be added as required.

Some examples of projects supported by the Nedbank Foundation are provided in the online version of this report.

Focus area	Project	Description	Impact
Education – Early Childhood Development (ECD) (R1,58m)	Nedbank Edutainer Project	The Nedbank Edutainer is a shipping container that has been converted into an ECD classroom, taking about 25 to 30 children. The group donated five of these in 2011, across five provinces (KwaZulu-Natal, Western Cape, Gauteng, North West and Free State).	The importance of ECD was particularly highlighted when the results of the Annual National Assessments were released, which showed significant challenges within SA's schooling system. In grade 3 the national average performance in literacy stands at 35%. In numeracy SA's learners are performing at an average of 28%. Provincial performance in these two areas is between 19% and 43%, the highest being the Western Cape, and the lowest being Mpumalanga. The results also highlighted the importance of mother tongue instruction in the foundation phase of education. The projects funded by the foundation in 2011 addressed the issues of infrastructure and resources, as well as training of practitioners,
	Nedbank ECD Resource Project (Puo Education)	This project provides educational toys and training of ECD practitioners who have received donations of the Nedbank Edutainers. The project benefited 15 ECD practitioners working with the five edutainers donated.	
	Ntataise Trust and Tshepang Educare Trust	Ntataise Trust and Tshepang Educare Trust provide training for ECD practitioners, particularly in rural areas, providing them with better skills to manage their crèches and be effective in teaching young children. Both are based in the Free State. In 2011 the foundation funded the training of 30 ECD practitioners by these two organisations.	The lack of infrastructure for crèches results in many children either being left to roam the streets as they do not go to school, or just getting gathered into a house with a child minder who does nothing to stimulate or develop them. The availability of resources like educational toys changes what used to be a child-minding exercise, to a stimulating environment where children have their learning and physical needs developed. It also creates employment for the community as crèches can formally be established by being registered with the Department of Social Development. The funding benefited a total of 45 ECD practitioners, and more than 500 children.

Focus area	Project	Description	Impact
Education – Learner support focusing on matric and Mathematics and Physical Science	**Penreach** 2011: R250 000 2010: R250 000	The foundation funded the afternoon and Saturday tutorial classes in Mathematics, Physical Science and English, covering four schools in Mpumalanga.	This programme has been very successful in the past two years, consistently producing top Mathematics and Physical Science students in the province. It reaches 250 learners, and in 2011 produced 15 As and 35 Bs for Mathematics and Physical Science in the final National Senior Certificate examinations. The highlight of the 2011 results is the fine achievement by two learners in Physical Science. Sizwe Bembe and Bheka Nkambula of Mthombo Secondary School both achieved 100%, topping the Mpumalanga provincial list in Physical Science. Bembe also achieved 93% in Mathematics, while Wandile Gumede, also of Mthombo, scored 95% in Science. Both of these learners participated in the tutorial sessions funded by Nedbank Group since grade 10. In addition – demonstrating the holistic support by Nedbank Group – Sizwe Bembe received a Nedbank Group bursary to begin his studies towards a BSc Actuarial Science degree at UCT in 2012.
	Mathematics by Music 2011: R300 000 2010: R300 000	This programme provides extra tuition in Mathematics for learners in grades 10 to 12 in Kimberley, Northern Cape. The children are from disadvantaged backgrounds and attend various public schools.	In 2011 a total of 360 learners participated in the Mathematics by Music tutorials. The programme has been very successful in that participants have consistently achieved a 100% pass rate in grade 12 Mathematics. Some exciting achievements at grade 12 level include: In 2011 the joint top grade 12 learner in the province for Mathematics was Khotso Pitso from Dr EP Lekhela High School (94%). Kagisho Scott, from Vuyolwethu High School in Galeshewe, was joint top learner in the province for Physical Science (93%). Goodwill Tshekela from Dr EP Lekhela High School in Galeshewe was the only learner to achieve 100% for Mathematics in the Northern Cape Province in 2010. He also achieved 96% for Physical Science and is currently studying Computer Science at the University of the Witwatersrand. All these learners have participated in the organisation's programmes since grade 9.
	KwaDukuza Resource Centre R136 000	Based in Stanger, KwaZulu-Natal, this programme provides extra tutorials in Mathematics and Physical Science, as well as assistance with career guidance and university/bursary applications, and reaches 40 grade 12 learners.	The students participating in this programme achieved a 100% pass rate, with 43% qualifying to study towards a Bachelor's degree (versus a national average of 24%) and a further 41% qualifying to study towards a higher diploma.

Focus area	Project	Description	Impact
Education – Learner support focusing on matric and Mathematics and Physical Science	**Nedbank Matric Revision Programme** 2011: R2 500 000 2010: R2 000 000	Targeting matric learners, this programme provides extra tuition in Mathematics, Physical Science, Accounting, Business Studies and Mathematical Literacy. It is run at Love Life Centres in five provinces (Eastern Cape, Free State, Limpopo, Mpumalanga and Northern Cape), covering 25 schools. The programme started in September 2010, and the areas were selected based on their poor matric results in 2009.	Each year the release of the matric results raises an outcry from the general public, particularly in the Eastern Cape, Limpopo and Mpumalanga, with learners seeming to be completing high school with no reasonable prospects of a better future. The Nedbank Matric Revision Programme was initiated to provide assistance with this particular issue, bringing additional support to learners who are dedicated to improving their performance. This programme reached more than 2 000 learners, and has helped improve the pass rate of the participating schools, although this was not by a big margin. Learning material developed by the Learning Channel is used, and in 2011 the intervention was further extended to provide Mobile Science Laboratories to the centres as well as training for the teachers and tutors. Many of the learners participating in the programme had never had access to science equipment to conduct experiments before. The programme achieved modest success to date and various challenges have been identified, including the availability of transport for the learners to access the centres, particularly on weekends, as well as the understanding of English. The 2012 programme has been extended to include English, and transport will be provided for certain centres. This is a long-term intervention and a significant improvement in results is expected from 2013.
	Nedbank Fundisa Mathematics and Science 2011: R3 500 000	This programme is aimed at learners in grade 10 to 12, providing extra tuition in Mathematics and Physical Science in the Eastern Cape and Limpopo, covering another 25 schools. In 2011 the programme intake was learners from grade 10 and 11, so as to provide a sound base for grade 12.	This is another long-term intervention, providing support for learners in grade 10 to 12. In 2011 the intake consisted of only grade 10 and 11 learners to ensure that, by the time these learners reach grade 12, they have an improved grounding in the subjects. To provide holistic support the centres were equipped with mobile laboratories, and the students were provided with customised learning aids and material, as well as all necessary stationery, such as Mathematics sets and scientific calculators. The teachers were provided support by subject experts through regular workshops and consultations. Feedback from the school principals was that the learners participating in the programme showed improvement in their performance, were highly motivated, and some had even started sharing their learnings with other students. In 2012 this programme will have the first grade 12 class, and a 100% pass rate is expected.

Focus area	Project	Description	Impact
Community development – Caring for orphaned and vulnerable children	**Lebone: The Aids Mission Outreach** 2011: R300 000	The Aids Mission Outreach Trust, which was constituted in 1999, established Lebone House in 2000. Lebone House is a holistic child care centre, looking after children infected or affected by HIV/Aids. Some of these children are orphans, while others are either too sick to be looked after by their parents, or are from very impoverished backgrounds. In 2011 Nedbank Foundation funding was used for the housing of HIV-positive orphans, their education and general wellbeing.	Lebone provides children with a loving environment, while caring for the children's physical, emotional and spiritual needs. When Lebone opened its doors in 2000, it cared for 15 children and, through other donors' funding, Lebone has expanded its reach to include 75 resident orphaned and vulnerable children as well as a further 37 children from the community as day scholars. In addition, Lebone supports family units through its Agricultural Production and Nursery Scheme. In 2011 its Skills Development Programme offered more than 75 unemployed adults the opportunity to develop skills to generate an income for their own livelihood.
Community Development – Health	**Hopetown Clinic** 2011: R250 000	In a public private partnership with the Department of Health in the Northern Cape to upgrade Hopetown Clinic, the Nedbank Foundation provided funding towards the construction of two consulting rooms to accommodate both HIV/Aids and TB-infected patients.	Hopetown is a very small community of around 25 000 people located about 100 km from Kimberley. The levels of poverty and illiteracy are extremely high and most people depend on government grants for survival. The infrastructure of the clinic in Hopetown was inadequate and failed to address the particular needs of a community that has very high levels of HIV/Aids and TB-infections. The clinic did not have a dedicated counselling and testing room, which is essential to ensure the privacy and preserve the dignity of patients.
Community development – welfare support for vulnerable groups	**Winter Blanket Campaign** 2011: R500 000	The Nedbank Foundation funded buying blankets for distribution to vulnerable groups, particularly the elderly, orphaned and vulnerable children, and people living with disabilities.	The Nedbank Winter Campaign distributed more than 5 000 blankets across all nine provinces, reaching a wide range of beneficiaries, including from children's homes, old-age homes, hospices and centres for disabled people. In a media partnership with SAfm, the Nedbank Foundation also encouraged the public to bring blankets and clothes to Nedbank branches or donate funds towards the purchasing of blankets for disadvantaged individuals during the cold winter months. In addition, the foundation participated in various radio campaigns aimed at fundraising for blankets for underprivileged members of society, while challenging Nedbank clients to do the same. In response, Nedbank clients Blackberry, Nashua Mobile, Monte Casino, Ingrams, Putco, Builder's Warehouse, Kia Motors and Sheraton Hotel donated approximately R450 000 towards the initiative. The campaign was also supported by Nedbank Group staffmembers at selected campus sites and branches, who contributed by collecting blankets and clothes and distributing them to hospices, old-age homes and other non-profit organisations during the winter months of 2011.

STAFF VOLUNTEERISM

Nedbank Group's efforts at developing and growing workplace volunteerism are a natural extension of its 'vision-led, values-driven' ethos, as well as its Deep Green aspiration to be highly involved in the community and environment.

The group's volunteerism programmes therefore form an integral part of its CSI commitment and offer a tangible way for employees to become more personally involved in addressing the social, economic and environmental issues that pervade SA. To encourage involvement Nedbank Group grants its employees two full days of additional leave per year – over and above their statutory annual leave – to engage in volunteer work.

Nedbank Foundation spent R2 585 685 in support of volunteer programmes in 2011. In 2009 and 2010 the amounts spent totalled R2 250 000 and R2 047 588 respectively.

To encourage and facilitate a culture of volunteerism the Nedbank Foundation facilitates various employee and client volunteer programmes. These include Team Challenge, Local Hero, Payroll Giving and support of initiatives such as Mandela Day.

Cross-referencing
Cultural sustainability
Pages 136 – 151

Programme	Description	Staff involved	Donations 2011	Beneficiaries
Local Hero	Encourages employees to participate in volunteer work, donating R10 000 to non-profit projects and organisations.	182 (since inception in 2001)	R475 000	Include schools, homes for the elderly and disabled, animal welfare organisations and sports clubs, as chosen by employees.
Nedbank Team Challenge	A 10-month, team-based employee volunteerism programme that enables employees to give of their time and skills in support of various non-profit organisations.	168	R250 000 to projects supported by winning teams	Various social, environmental and animal causes, as selected by the teams of employees.
Caring for Communities	A community education programme promoting the four pillars of sustainability through workshops and project build days for grade 6/7 learners and adults; staff involvement in building vegitunnels, rainharvesting tanks and solar cookers.	1 000	R1 200 000	Predominantly rural schools and communities in the area surrounding new branch openings or needy schools identified by staff.
Angel Tree	Employees 'adopt' and support charitable organisations preselected by the Nedbank Foundation.	50 supported the foundation activities. Many more staff purchased gifts for organisations of their own choice.	R100 000	The beneficiaries for 2011 were orphaned and vulnerable children as well as the elderly. During the festive season the plight of those people who do not have families is particularly heartbreaking. Beneficiaries included Childline, Women at the Threshing Floor (WATTF), Reakaha, Kgotatso Laka Music Academy and Princess of Africa Foundation.
Payroll Giving	A regulated way for employees to contribute to established charities through the SA Children's Charity Trust.	5 122	R1 435 650 (R6 903 075 since inception)	Childhood Cancer Foundation South Africa (CHOC), SA Red Cross Society, Cotlands, Reach For A Dream, Ithemba Trust and the QuadPara Association of South Africa (QASA).
Mandela Day/ Month	Nedbank Group employees volunteer at various organisations and coordinate charitable activities in support of this great initiative.	131	R66 000	Organisations that support orphans and vulnerable children, homes and care centres for the elderly, homes for visually impaired people, underprivileged schools, centres for people with special needs, animal rescue shelters and more.
Casual Day	All staffmembers are encouraged to support this national initiative in aid of people with disabilities and raise money towards the charities it supports.	14 800	R148 000	Charities and organisations as identified by the National Council for Persons with Physical Disabilities in SA.

- **Local Hero**
  This initiative encourages and honours individuals who participate in volunteer work by supporting their projects financially. A committee meets every month to assess requests and awards qualifying applications from Nedbank Group employees and clients a minimum of R10 000 towards the non-profit organisations in which they are involved.
- **The Nedbank Team Challenge**
  Team Challenge is a 10-month employee volunteerism programme that enables employees to contribute by working in teams. The teams give of their time and skills in support of various non-profit organisations.

  The Nedbank Foundation provides seed funding to every team to help initiate and implement their projects. Adjudication takes place every November, with the final winners announced at the annual Nedbank Staff Community Builder Awards.

2011 Team challenge winner
Run by 30 employees across six Nedbank branches in the Garden Route, the Garden Route Loeries Project has raised over R700 000 in five years to help more than 50 charities. The distance between the branches makes it very difficult to be involved and hands on, so the team decided to raise funds collectively, which in turn can be distributed between needy charities in the towns within which they operate. Held at the Hyatt Regency Oubaai Golf Resort & Spa in George, this year's fundraising event generated over R184 000, which will be distributed between 13 charities. In recognition of this consistent commitment, the Garden Route Loeries were awarded the 2011 winning prize of R50 000 from the Nedbank Foundation towards the charities of their choice.

- **Angel Tree**
  Nedbank Group employees who participate in Angel Tree do so by buying a gift for someone less privileged than themselves over the festive period.

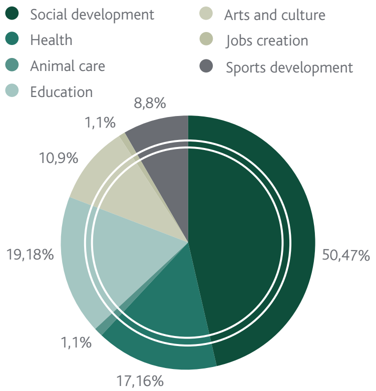
  In 2011 the Nedbank Foundation also selected four charitable organisations located across SA and hosted celebratory events at each. The Nedbank Foundation donated R100 000 towards these functions, which were organised and coordinated by Nedbank employees.
- **Payroll Giving**
  Payroll Giving offers employees an effective and regulated means of contributing to several established charities through the SA Children's Charity Trust. Using the funds given by employees, monthly donations are made to CHOC, SA Red Cross Society, Cotlands, Reach For A Dream, Ithemba Trust and QASA.
- **Mandela Day**
  On Mandela Day (18 July) each year Nedbank Group's Local Hero ambassadors volunteer at various organisations and coordinate charitable and volunteer activities in all nine provinces. Employee volunteer activities include work at organisations that support orphans and vulnerable children, homes and care centres for the elderly, homes for visually impaired people, underprivileged schools, centres for people with special needs and animal rescue shelters.
- **Staff volunteerism contributions in 2011**
  The Nedbank Foundation spent R2 126 000 in support of volunteer programmes between January and November 2011. In 2009 and 2010 the amounts were R2 250 000 and R2 047 588 respectively.
- **Client volunteerism – Local Hero**
  Nedbank Group prides itself on being the bank that cares for communities and encourages its stakeholders to do the same. As part of this commitment the group's successful Local Hero staff volunteerism programme was extended to Nedbank Group clients in 2008.

  In 2011 this client-based programme saw 177 (2010: 182) applications for funding from clients involved with charitable causes. A total of 106 (60%) of these applications met the required criteria and R1 225 000 was donated by the Nedbank Foundation in support of various non-profit organisations (2010: R1 030 000). Most of these funds went to organisations in KwaZulu-Natal, the Western Cape and Gauteng. A key objective for the programme for 2012 is to improve the distribution of Local Hero funds to qualifying clients and organisations in all the provinces.

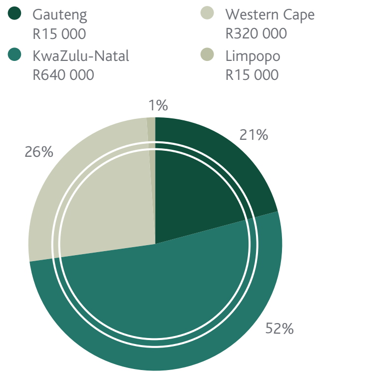
Reporting standard

GRI FSSS: FS5, FS16

NEDBANK LOCAL HEROES: CAUSES SUPPORTED 2011



NEDBANK LOCAL HEROES: FUNDS PAID OUT PER PROVINCE 2011



CONSUMER EDUCATION

The Nedbank Group consumer education material, designed and developed in 2008, flowed from an undertaking given by the bank to the Banking Association South Africa. The aim of the material was to provide clients and potential clients with accurate and relevant information that would assist them in making informed decisions regarding their financial wellbeing.

The material has been regularly updated and caters for a range of income earners. The content includes banking products and services, personal budgeting, buying on credit and, where appropriate, insurance and assurance. In 2011 more than 48 500 (2010: 20 800) consumers were trained across all SA's provinces. The cost of the training to Nedbank in 2011 was almost R4,3m (2010: R2,7m).

SUSTAINABILITY EDUCATION

Nedbank's Caring for our Communities and Saving our World initiative is a comprehensive community education programme aiming to share the many sustainability lessons learned by Nedbank Group with learners and community members, thereby enabling them to harness the power of sustainable thinking and action for their own benefit. The programme follows a two-pronged approach, engaging with adult community members and educating grade 6 and 7 learners from the same community about the basics of sustainability by means of an interactive workshop. The knowledge imparted to both groups is brought to life at the end of the programme by involving all attendees in a project build day. Learners, educators and community members, together with Nedbank Group volunteers, work together to construct a vegetable tunnel, solar cooker, and rainwater harvesting tank or indigenous erosion control garden, depending on the identified community need.

Many of these project days are run in partnership with The Wildlife and Environmental Society of South Africa (WESSA), who have relationships with the schools in which the group works. WESSA staff coordinate and facilitate these project days, including providing tools and instructions to complete the projects.

In 2011 almost 3 000 students and 700 adults from 59 schools across the country were involved in the programme, with more than 1 000 Nedbank Group volunteers helping to make it happen.

2011 Project statistics	
Workshops (teach the principles of sustainability)	• 38s chools • 2 962 learners • 690a dults
School projects	• 59s chools • 136 projects implemented – 72 vegitunnels – 46 solar cookers – 18 rainwater harvesting tanks
Areas	• **Gauteng:** Orange Farm, Bramley/Alex, Dobsonville (Soweto), Kagiso (Soweto), Protea South (Soweto), Daveyton, Eikenhof, Etwatwa, Vlakfontein, Sebokeng, Soshanguve (Pretoria), Zakaryia Park, Cosmo City (Randburg), Zandspruit. • **North West:** Mafikeng. • **KwaZulu-Natal:** Esikhaleni (Richards Bay), Durban North, Beacon Ridge, Kwa-Mashu, Nquthu, Edendale. • **Free State:** Bloemfontein. • **Limpopo:** Modjadji, Polokwane. • **Western Cape:** Mbekweni (Paarl), DuNoon (Milnerton), Wellington, Vredendal Noord, Belhar, Atlantis, Moorreesburg, Table View, Gordons Bay, Retreat, Paarl, Kleinmond, Wellington, Mitchells Plain, Robertson. • **Northern Cape:** Kuruman. • **Eastern Cape:** Dimbaza, Mount Frere, Dwadwa (East London).
Staff volunteers	• **2011:** 1 004 Nedbank Group staff volunteers • **2010:** 670 Nedbank Group staff volunteers • **2009:** 400 Nedbank Group staff volunteers

SOCIAL SUSTAINABILITY ... CONTINUED

2011 CASE STUDIES

THATHEZAKHO SOLAR COOKER FUN DAY
DOBSONVILLE, SOWETO

- 10 solar cookers
- 50 Nedbank Group staff volunteers
- 50 learners
- POPCORN cooking competition

'At the Solar Cooker day at Thathezakho Primary, Dobsonville, I was touched by the kids' participation and I would like to give back to that community. I would like to use my grant to sponsor a child or two in that school.'

CHRISTMAS VEGITUNNEL PARTY
DWADWA, EAST LONDON

- Onev egitunnel
- 19 Nedbank Group staff volunteers
- **Father Christmas** handing out gifts and hugs for all learners

'To make the day extra special for the children we decided to have a Christmas party and hand out gifts generously donated by the Nedbank staff, as well as a toothbrush, toothpaste, deodorant and soap for each child.'

'I dressed up as Father Christmas and handed out the gifts. It was a truly humbling experience to see the children's faces light up when they received the gifts.'

ZANDSPRUIT ECO-VILLAGE
VEGITUNNEL PROJECT

- Twov egitunnels
- 80 learners and 50 adults participated in sustainability workshops
- 25 Nedbank Group staff volunteers
- **R10 000 donation for trees**

'What a successful day building the vegetable tunnels. A very big thank you to the volunteers, who worked extremely hard – but we know it was worth it! (Most of us were nursing aching bodies the following day.) Together we have given a community something that is sustainable and will benefit many going forward.'

KUYASA HIGH SCHOOL
DIMBAZA, EASTERN CAPE

'The only way to describe the whole day is that it was GREAT FUN! We all realised once again how blessed we are! Thanks for the opportunity to be part of this type of initiative.'

- One vegitunnel and one rainwater harvesting tank
- Donation of computers and books to Kuyasa High School
- 21 Nedbank Group staff volunteers
- Sustainability workshops for 80 learners and 20 community members
- Teach a Child to Save workshops for three additional primary schools
- Local councillors and community leaders attended the event

THE PROJECTS

VEGITUNNELS

Vegetable garden tunnels (vegitunnels) are 9 m x 4 m tunnels in which seedlings are planted in black plastic bags containing growth medium. Vegetables (usually spinach) grown inside the tunnel can be used to supplement the meals prepared at the school as part of the feeding scheme and to provide fresh and healthy vegetable to the learners. The vegetables can also be given to learners to take home to their families to supplement their meals, or can be sold to the community to earn extra income for the school.

RAINWATER HARVESTING TANKS

Rainwater harvesting tanks capture rainwater falling on the school building roofs, and store it for use in the vegetable gardens or on the school grounds. The school therefore cuts down on the amount of municipal water used and the associated costs. It is also a valuable lesson to the learners on precious resources and recycling.

SOLAR COOKERS

Solar cookers provide the school with an alternative means of cooking (boil water, make samp, etc) thereby reducing the reliance on electricity or gas, and the associated costs. The cookers are also an educational resource that introduces the concepts of renewable energy to the learners.

Cross-referencing

Operational overview: Nedbank Retail Pages 72 – 75

TRANSFORMING COMMUNITIES THROUGH YOUTH DEVELOPMENT

In addition to the imperative to develop employees, Nedbank Group recognises that it operates within the communities from which it obtains business and sources talent. To stay true to the Deep Green aspiration of leading transformation Nedbank Group is involved in initiatives focused on developing communities and youth. These include:

- **The Nedbank Graduate Programme** – Nedbank Group is committed to attracting, retaining and developing graduates predominantly from designated groups to establish a pipeline of young people with the relevant qualifications and potential to deliver a sustainable competitive advantage and contribute to the achievement of the group's transformation vision. The Nedbank Graduate Development Programme provides participants with fast-tracked, experiential and applied learning opportunities via a holistic learning model that exposes them to various modules. In 2011 a total of 119 graduates (2010: 80) participated in the Nedbank Graduate Programme. This programme is one of the ways in which Nedbank Group contributes to government's pleas for the creation of youth employment and making graduates employable, and the group has employed 85% (2010: 75%) of them.

  '***The graduate programme** has come to an end and I would like to thank each and every one for their role in making this past year a wonderful experience. Thank you for the time invested in me; I am truly grateful for the opportunity granted by Nedbank Corporate. It has been a very interesting year for me with a lot of learning and self-growth. My first contact person at Nedbank Corporate, from the telephone interview, was so helpful and friendly. I am grateful for my onboarding experience and introduction to the Nedbank culture. The team spirit was absolutely phenomenal and the relationships I formed in the team are for keeps. I learnt so much and gained a lot of insight on issues concerning various industries in our country and abroad.' **Mirriam Thugwana***

- **Learnerships** – Nedbank Group embraces and encourages lifelong learning for all. To this end the group offers employment opportunities to unemployed youth via its participation in BankSETA initiatives such as the Letsema and Kuyasa learnerships. This also ensures that the group contributes to the broader SA transformation agenda. During 2011 Nedbank Group offered various learnerships to 109 unemployed individuals, 99% of whom were black. In addition 64% of the 138 learners who were in the programme in 2010 were employed by the bank, and 50,5% were employed in 2011.

- **External bursaries** – Nedbank Group funds a number of external bursaries to the value of R14,1m that are administered by the National Student Financial Aid Scheme (NSFAS) through a public-private partnership. These external bursaries are integral to the maintenance of the group's long-term talent pipeline and help to attract and develop graduates to the organisation. Through the Nedbank Bursary Fund 80 new bursaries were awarded to academically suitable students in 2011. During the 2011 national bursary roadshows 98% of students rated the bursary scheme good to excellent.

'I want to thank you personally for all the hard work you have done for me during my studies, organising bursary events and always keeping me up to date with what is happening.

Nedbank has given me the opportunity to live a better life by going to university and studying towards something I am very passionate about; words can't describe how thankful I am!

Nedbank has always made me feel important whenever I attended a bursary-related event and needless to say, the food and the organising were great!' **Bursar**

During 2011 the group also worked on better alignment between the graduate recruitment and bursary recruitment programmes to ensure that the 2012 criteria for the two programmes are more aligned. By so doing, the chances of a bursar not qualifying for admission to the Nedbank Graduate Programme are minimised, and the talent pool is further increased.

THE NEDBANK AFFINITIES

The Nedbank Affinity Programme started in 1990 as a unique vehicle through which Nedbank Group clients and employees could provide financial support – at no cost to themselves – to causes close to their hearts, simply through their banking, investing and insurance transactions by using affinity-linked products.

The monetary donations are facilitated by Nedbank Group through the sacrifice of a percentage of its profit margin on the qualifying Nedbank Affinity products. Since inception the programme has enabled Nedbank clients to contribute nearly R175m in support of approximately 2 000 projects in the areas of arts and culture, sports development, needy children and environmental conservation.

For the 2011 year the Nedbank Affinity donations grew by 28% to R18,7m (2010: R14,7m), coming primarily from the recently launched Investment Affinity accounts and electronic statements.

The Nedbank Affinity Programme comprises four affinities, three of which are outlined below, while the fourth – the Nedbank Green Affinity – is covered in the 'Environmental sustainability' section of this report.

THE NEDBANK ARTS AFFINITY (AND THE ARTS & CULTURE TRUST)

The Arts & Culture Trust (ACT) was established in 1994 with the purpose of attracting funding for the sustainable development and growth of arts, culture and heritage in SA. Since then ACT has disbursed more than R18m to fund nearly 700 projects in the development areas of job creation, creative skills, management skills, cultural diversity and cultural tourism marketing.

Since inception the Nedbank Arts Affinity has donated nearly R15m to ACT. In 2011 Nedbank Affinity donations to the ACT grew by 3% to R831 457 (2010: R809 317).

Nedbank Group, through the Nedbank Arts Affinity Programme, funds the ACT Development Programme, the ACT Nedbank DALRO Scholarship Programme and a discretionary fund.

Examples of the projects and initiatives supported through the funding provided by the Nedbank Arts Affinity are available in the online version of this report.

Examples of the projects and initiatives funded by ACT in 2011 with the support of the Nedbank Arts Affinity include:

- **The ACT Development Programme**, which funds programmes supporting artistic excellence in creative production (development of new SA work), professional development and arts training for youth by means of grants.
- **Well Worn Theatre's Planet B** was formed with the aim of creating new and stimulating theatrical work around the themes of climate change and global warming, sustainable and holistic development, social justice and eco-consciousness. Planet B is a new SA play dealing with an epic story of survival in a post-2050, climate-ravaged world.
- **The National Arts Festival (NAF):** Arts and Exhibition Internship enables university students who are studying fine arts or visual arts to obtain onsite arts management experience during the buildup to the NAF and during the festival itself.
- **The Eastern Cape Philharmonic Orchestra (ECPO) Youth Orchestral Experience** has been held annually since 2003, and takes place over five days during the September/October school holidays. It attracts learners from schools throughout the Eastern Cape, who audition for a place in either the Youth Orchestra or the Wind Band. Approximately half the participants each year come from disadvantaged communities served by the ECPO's Music Investment Project.
- **The Botshabelo Youth Partnership**, in collaboration with the community library, introduces young people to creative writing and storytelling.
- In 2011 the third edition of the **ACT/Nedbank/DALRO Scholarship Programme** was held at Gold Reef City in Johannesburg. Sponsored by Nedbank Group and the Dramatic, Artistic and Literary Rights Organisation (DALRO), the scholarships programme awards two scholarships with a combined value of R210 000 to students who wish to pursue undergraduate studies in the performing arts. Individuals between the ages of 18 and 25 who are not considered to be professional and who are not registered for an undergraduate performing arts course are eligible to enter. The 2011 scholarship winners were Nomagugu Gumede from KwaZulu-Natal and Tankiso Mamabolo from the Lady Grey Arts Academy in the Eastern Cape.

For more information on the ACT go to www.nedbankarts.co.za and www.act.org.za.

THE NEDBANK CHILDREN'S AFFINITY (AND THE NELSON MANDELA CHILDREN'S FUND)

The Nedbank Children's Affinity was launched in 2005 in partnership with the Nelson Mandela Children's Fund (NMCF). The vision of the NMCF, which was founded by former president Nelson Mandela in 1995, is to change the way society treats its children and youth and has as its primary beneficiaries children and youth from birth to 22 years old who come from impoverished backgrounds.

Reporting standard

GRI FSSS: FS7

Cross-referencing

Nedbank Green Affinity
Pages 106 – 107

Examples of the projects and initiatives supported through the funding provided by the Nedbank Children's Affinity are available in the online version of this report

The fund's ultimate goal is poverty eradication, and not just the amelioration of the difficult circumstances the target beneficiaries find themselves in. To achieve this the fund supports five key strategic programme areas:

- The wellbeing of children – strengthening families and communities to mitigate the impact of both HIV/Aids and child abuse.
- Leadership and excellence – identifying and nurturing youth with leadership potential.
- Skills development – realising the potential of young people to contribute positively to their own development and that of others.
- Disability – improving the quality of life of disabled children and youth.
- Goelama – building links between services offered by government and NGOs in communities.

Examples of NMCF-supported projects include:

- **Path out of Poverty (POP) programme (Goedgedacht Trust)** operates predominantly among the farm communities of Riebeek West and Riebeek Kasteel, just outside Malmesbury in the Western Cape. POP is run by the Goedgedacht Trust and includes a series of interlocking projects aimed at addressing early learning difficulties in farm children. It also includes a parenting skills training programme, which helps parents and young adults to understand the role they have to play as parents, and a life skills and personal development programme.
- **Kids Care and Support Trust (KCST)** is situated in Bronkhorstspruit, east of Pretoria. This community-based organisation serves three townships, providing support and services to children orphaned or vulnerable as a result of HIV/Aids. KCST reaches more than 650 children under the age of 18 who are either infected or affected by HIV and/or Aids.
- **Masibambisane Home-based Care and Support Group** was established in 2001 to care for and support people living with HIV and Aids, as well as orphans and vulnerable children. It operates in the township of Mdantsane in East London, with 60 caregivers caring for 614 orphans from 457 families. They provide care and support to those infected and affected by HIV and Aids, and also serve orphans and vulnerable children by providing basic necessities such as clothing, food parcels and vegetables.

Since the launch of the Nedbank Children's Affinity Nedbank Group has donated nearly R35m to the NMCF. In 2011 these donations to the NMCF grew by 16% to R6,5m in total (2010: R5,6m).

For more information on the Nedbank Children's Affinity and the NMCF go to www.nedbankchildren.co.za or www.nelsonmandelachildrensfund.com.

THE NEDBANK SPORT AFFINITY (AND THE SPORTS TRUST)

The vision of The Sports Trust is to build active communities by providing all South Africans with opportunities to play sport. In addition to providing sporting equipment and upgrades to sporting facilities in outlying or previously disadvantaged communities, The Sports Trust proactively advances sport development in SA, helps to identify young sporting talent, and offers coaching and training programmes.

Since inception the Nedbank Sport Affinity has donated nearly R15m to The Sports Trust, which, in turn, has disbursed more than R60m to nearly 250 projects. In 2011 Nedbank Sport Affinity donations grew by 52% to R2,7m, compared with R1,8m in 2010.

Examples of the projects supported in the Sports Trust in 2011 are available in the online version of this report.

Examples of projects supported by The Sports Trust and the Nedbank Sport Affinity include:

- **Nedbank Sports Trust Soccer Development Programme** – As part of its sponsorship of the Nedbank Cup, Nedbank Group, in partnership with The Sports Trust, has been donating soccer kits to schools all over SA. The initiative, which started in 2010, was improved in 2011 with the addition of a coaching programme and equipment added to the soccer kit. In 2011 altogether 60 schools benefited from the programme.
- **Kwadeda Golf Project** – The Sports Trust, in partnership with Nedbank Group and Sun International, made another significant contribution to golf development through the launch of a new practice facility in Soweto. The Kwadeda Golf Project was officially opened at the Kwadeda High School, with the Minister of Sport and Recreation, Fikile Mbalula, in attendance. The facility is the first of its kind in Soweto, and includes a putting green and practice nets that will be available for use by the entire Zola community.
- **The Nedbank Sports Trust Development Cycling Programme** – In 2011 altogether 100 bicycles, helmets and cycling kits were provided to children from the Boland and Cape Flats. A total of 556 bicycles have been provided since 2007 and the programme has invested nearly R1,5m in cycling development in the Western Cape during the same period. The aim is to develop the sport of cycling among disadvantaged communities in the Western Cape, while also providing children with low-cost transport to and from school and helping them to maintain a healthy lifestyle.

For more information on The Sports Trust go to www.nedbanksport.co.za or www.thesportstrust.co.za.

NEDBANK GROUP SPONSORSHIPS

Nedbank Group views sponsorships as a dual opportunity. On one hand they afford the group unique means of raising its brand profile. However, they are also an ideal way of realising the Nedbank brand promise to Make Things Happen in the lives of individuals and communities across the country.

For this reason there is a strong development focus in the vast majority of Nedbank Group sponsorships, which currently include golf, soccer, sport for the disabled, road running, The Businesswomen's Association, Cape Winemakers Guild and the Nedbank and Old Mutual Budget Speech Competition.

GOLF

Golf is no longer the exclusive domain of affluent sportsmen and women. The sport has grown in popularity and now enjoys a broad following across the full spectrum of SA society. As such, it offers sponsorship opportunities at every level – from professional competitions to golf development and golf for people with disabilities. By sponsoring golfing events Nedbank Group reaches a large section of its existing client base, as well as its ever-widening target market. The changing demographics within the golfing world also mean the group is able to reach the important emerging market and contribute to the growth and development of golf among the previously disadvantaged.

Nedbank Group's current golf sponsorship portfolio includes:

- The Nedbank Golf Challenge is dubbed 'Africa's Major'. This event attracts global attention and is an excellent way of profiling the Nedbank brand on the global stage.
- The Nedbank South African Disabled Golf Open.
- The Nedbank Affinity Cup is part of the Sunshine Tour played prior to the Nedbank Golf Challenge. Nedbank Group donates an annual amount equal to the winner's prize money to the SA Golf Development Board.
- The Sports Trust Golf Challenge is a joint initiative with Sun International that raises R1m in aid of sport development annually and is played on the Gary Player course the day after the Nedbank Golf Challenge. To date over R11m has been raised through this event in aid of The Sports Trust.

SPORTS FOR THE DISABLED

Nedbank Group has been associated with sports for the disabled since 1992. It sponsors the annual Nedbank National Championships for the Physically Disabled and co-sponsors the SA Paralympics Team (along with six other corporate sponsors) that will be competing at the 2012 London Paralympic Games.

Other sponsorships includes:

- Nedbank Technical Excellence and Administration Programme
- Nedbank SA Disabled Golf Open

ROAD RUNNING

Road running is one of SA's most accessible and popular sports. As such, it affords Nedbank Group an excellent platform from which to engage effectively with participants and spectators across the country. The group operates 13 running clubs across all nine provinces. During 2011 these Nedbank Running Clubs continued to enjoy a steady increase in membership, growing from 2 300 in 2010 to 2 800 in the current financial year. Two of the clubs are specifically identified as having a development focus, while the others help to build the profile of road running in general. The 86th Comrades Marathon saw 826 members of Nedbank Running Clubs take to the road, with no fewer than nine of the 20 available gold medals going to these members. Apart from the running clubs Nedbank Group's road running sponsorship portfolio also includes co-sponsorship of the Comrades Marathon.

BRAND AMBASSADORS

Nedbank Group does not sponsor individuals. However, since 2007 it has supported a number of 'brand ambassadors', who represent the Nedbank brand and promote the association of the group with various sports or sponsorship properties. In 2011 Nedbank Group's two brand ambassadors were Emily Gray (sport for people with disabilities) and René Kalmer (road running), both exceptional sporting talents appearing at roadshows, functions and prize-givings. They also featured in certain Nedbank Group advertising campaigns.

SOCCER

For the past four years Nedbank Group has sponsored the SA Premier Soccer League's official knockout cup competition – the Nedbank Cup. The competition features 32 teams – 16 from the Premier League, eight

Reporting standard

GRI FSSS: FS7, FS13, FS14
GRI G3.1: EC8

from the National First Division and eight from the SA Football Association. It is the only SA cup competition that addresses football development through the inclusion of both professional and amateur teams.

2011 also saw Nedbank Group, in partnership with The Sports Trust, running a campaign aimed at giving underprivileged children an opportunity to enjoy the game of soccer. A total of 50 schools from across the country participated, with youngsters receiving full soccer kits during the season. This built on the very successful '100 kits to 100 schools in 100 days' campaign run in 2010.

THE BUSINESSWOMEN'S ASSOCIATION

Nedbank Group has sponsored and supported the Business Women's Association (BWA) for the past 11 years. The annual BWA SA Women in Leadership Census, in partnership with Nedbank Group, has grown in stature over the past seven years and now plays a pivotal role in gender transformation within corporate SA. By highlighting the progress that has been made and the disparities that still exist, the census delivers a constant reminder to corporate SA of the need to transform.

CAPE WINEMAKERS GUILD

Nedbank Group's sponsorship of the Cape Winemakers Guild (CWG) enables the group to be highly involved in the country's wine industry and supportive of its transformation. Established by Nedbank Group and the CWG in 1999, the Nedbank Cape Winemakers Guild Development Trust is wholly funded by donations and proceeds raised through silent and charity auctions at various Nedbank/CWG events throughout the year. The trust invested more than R500 000 in social upliftment, scholarship and mentorship programmes for aspiring winemakers in 2011. The trust also provides finance for infrastructural projects at local schools, school tuition fees and bursaries for potential Protégé Programme students.

THE NEDBANK AND OLD MUTUAL BUDGET SPEECH COMPETITION

Now in its 40th year, this competition (run in cooperation with the Department of Finance) aims to contribute to economic excellence in SA by promoting the principles of sustainable economic development, developing future leaders in the field of economics, making young South Africans excited about Economics as a subject and career path among pre- and postgraduate students.

TRANSFORMING FINANCIAL SERVICES

Nedbank Group remains committed to delivering social sustainability and economic upliftment that transcends mere compliance. As such, the group has retained the process of setting and delivering on Financial Sector Charter (FSC)-based internal targets as it believes that these will help ensure that it continues to entrench and expand the transformation of the business services and its client base.

ACCESS TO FINANCIAL SERVICES

A significant part of this transformation commitment, and fundamental to Nedbank Group's achievement of its objective to be a bank for all, the group continues to invest in making banking services and accounts more accessible to all members of SA's population.

At the end of 2011 the Nedbank Group boasted a total of 1 080 national Nedbank-branded and staffed points of presence across SA. It continues to take an aggressive approach to growing its footprint in the non-traditional branch space, with several new innovations such as 'Branch in the Box', mobile branches, inretailer outlets, Personal Loan Branches and Personal Loans Kiosks. These innovations bring a much more cost-efficient option for ensuring accessibility for the group's clients and are fast proving their popularity in new markets.

The self-service channel strategy has also been subject to an aggressive expansion plan over the past three years, resulting in a base of 2 272 self-owned Nedbank automated teller machines (ATMs), 549 outsourced ATMs and self-service devices (SSDs), 385 self-service terminals (SSTs) and 6 391 cashback point-of-sale (POS) devices as at the end of 2011.

- **The Nedbank@Work** business unit, which falls within Nedbank Retail, was specifically reengineered in 2011 with the purpose of delivering employee banking offerings to the group's most valued corporate and business banking clients.

- **Mzansi** – Nedbank Retail has consistently used mobile sales teams (MSTs) to go into rural settlements and help educate residents on their finances and assist them to open Mzansi accounts or Nedbank Group's attractively priced offerings with Ke Yona and Vodacom m-pesa. The table below shows the number of open and active Mzansi accounts through Nedbank since 1 January 2009:
- **Extended banking hours** – A pilot initiative started in November 2010 proved that there was merit in extending Nedbank branch business hours during the week and on Sundays. This was implemented in 2011 to positive feedback from clients. 59 Nedbank branches across the country have extended their trading hours and now trade during the week until 18:00 and from 10:00 to 14:00 on Sundays.

TARGETED INVESTMENT

Nedbank Group views targeted investment as an opportunity to extend the effectiveness of its social sustainability efforts through debt financing of, credit extension to, or equity investment in SA projects that will help to close any gaps or backlogs that still exist in the country's economic development and facilitate job creation for future growth. The group's targeted investment activities comprise:

- Black agriculture finance
- Affordableh ousing
- Black small and medium enterprise (SME) financing and support
- Transformational infrastructure finance

BLACK AGRICULTURE FINANCE

Nedbank Group's agriculture focus targets the three subsectors of agriculture, namely horticulture, livestock and field crops – all incorporating the entire value chain (primary and secondary agriculture). Clients have access to a focused range of products and to specialist agriculture economists in regional offices throughout the country. Solutions range from access to finance to capacity building and mentorship. In 2011 many emerging black farmers and cooperatives benefited from this approach, which combines finance with business skills training and specialist advisory services. Since 2009 Nedbank Group has provided finance in this area totalling R164m.

AFFORDABLE HOUSING – MORTGAGES

The value of loans originated from January 2011 to December 2011 declined by 31% when compared with the same period in 2010.

Poor credit history and affordability continue to be the biggest hurdles for client approvals.

The cost of an entry-level house is in the region of R300 000, which requires a monthly income of around R10 300 to qualify for a 20-year mortgage. In this case the monthly home loan instalment would be R3 100 a month.

There are signs that the supply of new housing may be improving. This is demonstrated by the 13,9% increase in houses built that are less than 80 m^2, a good proxy for affordable-housing activity, when compared with the same period in 2010. Since 2009 Nedbank Group has provided finance in this area totalling R2 037m.

AFFORDABLE HOUSING – DEVELOPMENT FINANCE

Nedbank Group acknowledges the growing need for focused, specialised funding of new affordable-housing developments to increase access to housing for the broad segment of South Africans who are in the lower income brackets. To this end the group's Affordable-housing Unit in the Nedbank Property Finance Division leveraged the momentum achieved in this business during 2009 and 2010 to provide further claimable funding of more than R297m for new affordable-housing developments in the major metropolises across SA.

In acknowledgement of the fact that individuals who earn less than R12 000 a month are unable to afford entry-level affordable housing, the group has implemented a responsive funding approach that enables its clients who develop affordable housing to produce rental stock that caters for those in this lower-income bracket.

Cross-referencing
Operational overview: Nedbank Corporate Pages 64 – 67

BLACK SMALL AND MEDIUM ENTERPRISE FINANCING

SME plays a critical role in job creation, income generation and the economic growth of the country. However, there are still many challenges that restrict the growth and development of SMEs and Nedbank Group is proactively helping this important sector address and overcome these challenges.

Nedbank Business Banking, through its presence in more than 65 locations extends support to SMEs across the country, giving them access to dedicated, skilled bankers supported by a team of finance and business specialists. Solutions are customised from a suite of products and service to meet the individual business needs.

This is augmented through a comprehensive enterprise development proposition that offers entrepreneurs easier access to finance, underpinned by training, mentorship, specialist advisory services and capacity building. Since 2009 Nedbank Group has provided finance in this area totalling R3 916m.

TRANSFORMATIONAL INFRASTRUCTURE

Transformational infrastructure deals with financing basic infrastructure in previously disadvantaged areas, assisting those areas to become more productive and part of the mainstream economy. Since 2009 Nedbank Group has provided finance in this area totalling R2 781m.

Some of the major transformational infrastructure projects funded by Nedbank Group in 2011 included:

- **Gauteng Online** – This network solution provides internet service protocol (ISP) to 2 200 schools in Gauteng. This five-year contract includes the implementation of school computer laboratories, IT infrastructure and mobile education facilities. The aim is to empower learners and educators in terms of the Gauteng Department of Education's guidelines on e-learning.
- **City of Johannesburg Metropolitan Municipality** – All long-term funding for the city is generally for infrastructure purposes. Loans were mainly required for water and sanitation infrastructure, electricity and transport infrastructure.
- **eThekwini (KwaZulu-Natal)** – This R500m loan was used for the acquisition of motor vehicles, and plant and equipment as part of the local government's ongoing integrated development plan aimed at infrastructure service delivery.
- **Bakwena Toll Road Project (Mpumalanga)** – Nedbank Capital was the lead arranger for the refinancing of the Bakwena N1/N4 Toll Road Project to the value of R3,7bn, resulting in the largest refinancing of an infrastructure project yet completed in SA.

BLACK ECONOMIC EMPOWERMENT TRANSACTION FINANCING

BEE transaction financing is defined as the supply of equity and transaction financing for BEE companies other than exempted microenterprises (EMEs) and qualifying small entities (QSEs). Nedbank Group remains strongly positioned in this area of transformation financing, the purpose of which is to enable black-empowered and black-owned entities to achieve their growth goals and prosper in the long term. These types of equity deals also facilitate ownership by more people, thereby promoting the sharing of wealth and sustainable development of the economy. Since 2009 Nedbank Group has provided finance in this area totalling R7 349m.

Breakdown of 2011 Nedbank Group empowerment financing

Category (Rm)	2011[1]	2010	2009
Targeted investments	**10 590**	5 681	2 319
Transformational infrastructure	**2 781**	1 906	559
Affordable housing	**3 253**	2 033	982
Black agriculture loans	**164**	70	20
Black SME financing	**3 916**	1 672	759
BEE transaction financing	**7 349**	6 570	1 362

[1] *2011 measurements complies to recommended standards developed as part of the Financial Sector Code.*

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ENTERPRISE DEVELOPMENT

Enterprise development is a cornerstone of social sustainability for SA as it is key to ongoing creation of much-needed employment opportunities. For Nedbank Group the importance of enterprise development extends even further since, in many ways, it is an essential requirement for the continued expansion and sustainability of the group's business and retail client base.

Given the many barriers to entry for businesses in this country, Nedbank Group takes a multifaceted, highly proactive approach to enterprise development, including a mix of funding, transactional and support products, and services that provide flexibility and adaptability across all industries.

Some of the enterprise development initiatives undertaken or supported by Nedbank Group in 2011 included:

- **Laundry Cooperative (KwaZulu-Natal)** – This cooperative is situated in rural KwaZulu-Natal and comprises 30 members who provide laundry services to various campsites and lodges in and around the Giant's Castle area. Nedbank Business Banking provided grant assistance to the cooperative in 2010 and additional loan assistance in 2011 for procurement of equipment.
- **Poultry Cooperative (KwaZulu-Natal)** – Nedbank Business Banking provided financial assistance and business advice to this small cooperative located in the Nula district, near Port Shepstone. The funds will enable the cooperative to increase production from 600 birds per six-week cycle to 4 000 birds per six-week cycle.
- **Non-profit organisations** – Nedbank Group views non-profit organisations (NPOs) that facilitate employment opportunities for rural communities as a key roleplayer in job creation. The group provided assistance to an NPO in KwaZulu-Natal that focuses on facilitating market access for small businesses in the region through partnerships with rural and other marginalised communities. Altogether 520 beneficiaries were positively impacted through this intervention, with 316 jobs supported or created.

PREFERENTIAL PROCUREMENT

The preferential procurement performance of the group for 2011 has exceeded internal expectations. The broad-based black economic empowerment (BBBEE) overall spend stands at **99,58%**. In the subcategories SME spend stands at **32,33%** against a 15% target, black-owned (BO) spend is **10,47%** against a 9% target, and black-women-owned (BWO) spend is **4,50%** against a 6% target. These results translate into a very credible achievement of **19,50** points on the preferential procurement scorecard out of a possible 20 points.

These achievements are a direct result of the buy-in and cooperation of the various Nedbank Group business clusters and the groupwide commitment from business units to adhere to the group's preferential procurement policies.

LOCAL PROCUREMENT ACCORD

Representatives of business, organised labour, the community constituency and government met in 2011 and have concluded an accord on promoting local procurement. The parties to the accord, with Nedbank Group taking a leading role, recognise the importance of local procurement in promoting jobs and industrialisation.

Government has undertaken to provide the necessary standards for measurement and verification of local content. Nedbank Group, as part of organised business, has committed itself to improving the levels of local procurement through the identification of imported goods and services that can be replaced with economically viable local equivalents.

As a first step, Nedbank Group has commenced with the production of high-level management information indicating that the bank currently procures 77% of goods and services locally. This management information will be upgraded as the standards and verification processes become clearer. The bank is in the process of updating the vendor onboarding system to allow for the identification of local procurement credentials. These initiatives will allow Nedbank Group to review its supply chain and key vendors with a view to increasing local content and with an objective of formally reporting on progress with effect from June 2012.

Reporting standard

GRI FSSS: FS3, FS11
GRI G3.1: EC6

Cross-referencing

Greening the group's supply chain
Pages 110 – 111

CULTURAL SUSTAINABILITY

An innovative, values-driven corporate culture is an essential cornerstone of Nedbank Group's overall sustainability commitment. The group strives to create an empowering environment, representative of SA demographics, in which employees have the freedom to contribute to the corporate culture they desire, and that encourages personal and career growth, values alignment, and a shared vision for the future.

Reporting standard

GRI FSSS: FS1, FS2
GRI G3.1: 4.5, 4.9

Cross-referencing

Material matters
Pages 4 – 5

Cross-referencing

Stakeholder overview: Staff
Pages 18 – 19

While there is significant human resources (HR) investment with a view to fostering and entrenching cultural sustainability across the group, the achievement of such cultural sustainability is not viewed as the exclusive responsibility of the HR Department. Rather, it is a process that is driven by all levels of leadership and it demands buy-in and commitment from all stakeholders in the organisation.

A key emphasis of this sustainability commitment remains on two specific areas, namely transformation and culture – both of which are aimed at ensuring that Nedbank Group achieves its aspiration of being truly a great place to work.

STRATEGIC FOCUS AREAS FOR 2011

Transformation beyond the numbers	• Foster an integrated approach to transformation in an effort to building a truly representative bank where transformation, both qualitative and quantitative, is prioritised.
Building a unique culture for competitive advantage	• Enable a culture conducive to the creation of a great place to work.
Leadership/Management effectiveness	• Operationalise the Nedbank Learning Framework and invest in leadership and management effectiveness. • Cascade Leading for Deep Green (LFDG) to senior and middle managers.
Talent management	• Attract, develop and grow talent within the group. • Define scarce skills categories and focus on building a pipeline for these skills.

REVIEW OF THE YEAR

Despite continued challenges in the global and local financial environments, Nedbank Group remained committed to achieving the cultural sustainability objectives set out for 2011.

The group's integrated approach to transformation continued, with the ultimate aim of building a bank that reflects societal demographics. Numerous diversity programmes, combined with an intensive focus on people with disabilities and the close monitoring of the group's employee/workforce profile, were core contributors to achieving many of the defined HR targets and objectives.

The group continued to monitor its culture and climate from the point of view of its employees, using the quantitative and qualitative feedback obtained to assess and validate its cultural sustainability achievements and to develop action plans and relevant interventions.

The year 2011 saw a focus on enhancing leadership capabilities and management effectiveness, which culminated in the launch of a new approach to learning across the organisation. In support of this, the first job-family-related academy, the HR Academy, was launched, aiming to ensure functional as well as technical on-the-job training and heightened employee effectiveness of HR staff. This was followed by the launch of the Risk Academy, which will focus on building risk and compliance capability within the group.

In addition to these and other interventions aimed at developing Nedbank Group's existing talent, the group sharpened its focus on attracting the best new talent. A key aspect of this focus area was on redefining and refining the scarce-skills categories relevant to the operations of the organisation.

2011 ACCOLADES

- Received the 2011 Best Remuneration Report Award from the SA Remuneration Association.
- Received a gold award for the Best Graduate Print Media Advert, as well as for the overall integrated graduate strategy and campaign, both from the SA Graduate Recruitment Association.

HIGHLIGHTS OF 2011

CREATING A GREAT PLACE TO WORK

- Building the capabilities of employees through training and development initiatives
  - Relaunched the LFDG programme with more than 700 middle and senior managers having participated. An internal LFDG facilitator unit was also established to build inhouse capability to run the programme, which is aimed at building effective personal and team leadership.
  - More than 100 graduates participated in the Nedbank Graduate Development Programme, thereby creating a pipeline of suitably qualified young individuals from which the bank can source talent.
  - Coaching capability was rolled out across the group, with 22 line managers participating in an International Coaching Federation (ICF) accredited coaching programme, and more than 500 line managers being upskilled to improve coaching on the job.
  - More than 450 line managers participated in business education and executive development programmes (BEP and EDP), more than 60% of whom were black employees.
  - Altogether 75 HR managers participated in the HR Academy in an effort to improve frontline HR capabilities.
  - A total of 44 employees obtained property finance qualifications through the Nedbank Property Finance Academy, and more than 50 employees graduated from the Business Banking Talent Academy – thereby building the group's credit and sales pipeline.
  - Some 699 delegates participated in various learnerships, including those offered to unemployed youth, allowing Nedbank Group to contribute to the broader SA transformation agenda.
- Transformation and culture development
  - Nedbank Group overachieved on its internal skills development targets for 2011, as well as the junior management employment equity targets for blacks and black females. The group has achieved 11,83 points on the skills development pillar of the black economic empowerment (BEE) scorecard. This achievement exceeds the internal target of 10,29 points. The internal target for the percentage of people with disabilities has also been exceeded, as the year-end achievement was 2,76% against an internal target of 2,52%. Similarly, Nedbank Group's performance on black and black female as a percentage of junior management is ahead of its targets (black as a percentage of junior management: 79,6% achievement versus 78,1% target; black female as a percentage of junior management: 52,8% achievement versus 49,6% target).
  - Transformation dialogues were completed – including sessions with the board, Group Exco and senior manager focus groups – to help set an informed transformation tone for Nedbank Group for the next three years.
  - The Batho Pele Diversity Programme was rolled out to more than 2 000 employees across the group.

Cross-referencing
Chief Operating Officer's Report
Pages 80 – 81

  - The recruitment philosophy and procedure are in alignment with the spirit of the Employment Equity (EE) Act as well as the Broad-Based Black Economic Empowerment (BBBEE) Act. During 2011 foreign nationals made up 2,4% of new hires.
- Looking after the wellbeing of employees
  - Over 2 500 employees participated in the HIV Counselling and Testing (HCT) campaign, and an HIV impact assessment study was finalised. The Employee Wellbeing Programme was utilised well, with 35,9% (2010: 21,5%) of employees having made use of this service to assist them with various wellness issues.
- Managing the talent pipeline
  - A full review of top management succession plans was undertaken, coupled with talent conversations for all their direct reports.
  - A new bursary advertising campaign and selection process was implemented for external bursars.

CHALLENGES TO DELIVERY IN 2011

- Nedbank Group did not achieve its EE targets at senior management level, but has identified specific areas of concern and put plans in place to increase efforts to make senior management more representative in terms of race, gender and disability status.
- Challenges were also experienced in terms of meeting the group's African targets at all management levels – however, the group's dti compliance target of 80% black at junior management will be achieved by the end of 2012.
- The design of the Nedbank Leader/Manager Academy has progressed slower than anticipated and further work will be required in 2012 prior to the launch of this initiative.

OBJECTIVES AND PLANS FOR 2012

- Continued promotion and enabling of a client-centred culture.
- Ongoing building of personal and team leadership effectiveness through the LFDG programme.
- Development of an Integrated Talent Framework – including succession planning and talent acquisition, as well as workforce planning and revitalising the employee value proposition (EVP).
- Repositioning the Nedbank Group reward strategy to create a differentiated employee proposition and ensure consistent understanding and addressing of all of the issues related to employee rewards.
- Building functional expertise in prioritised job roles through job-family-related learning academies.
- Leveraging technology to provide value-adding HR systems and management information systems (MIS) to the business – including an enterprise resource planning programme.
- Development and retention of key black talent in order to create bench strength for senior black managers through recruitment, retention, replacement and accelerated development.

TARGETS FOR 2012

- Conducting 100 LFDG workshops that impact at least 1 000 leaders and managers to create a culture shift and build personal and leadership effectiveness.
- Achieving a target of 2,58% for people with disabilities (PWD) and black PWD target of 1,44% of the total workforce profile.
- Reaching 12,6 points on the skills development pillar of the dti Scorecard out of a maximum of 15 points; an improvement on the 10,29 internal target for 2011.
- Attaining a score of 11,3 points in EE against the increased movement targets effective from 2012.

KEY RISKS AND MITIGATION STRATEGIES FOR 2012

Strategic focus area (objective)	Risk associated with objective	Mitigating action(s)
Enabling a client-centred culture	Not achieving full integration and buy-in from all stakeholders.	The development of a client-centred philosophy (business case) to obtain a common understanding within Nedbank Group of what client centricity means, leading to buy-in from all stakeholders.
Implementing transformation as a qualitative as well as quantitative process	Failing to embed transformation holistically into the group's culture.	Achieving and sustaining senior management targets. Accelerated development plans for knowledge and skills transfer – especially for designated groups.
Integrated Talent Framework	Not succeeding in holistically considering talent to ensure all aspects of the integrated offerings are geared to attract, retain and motivate talent.	An integrated talent framework that includes: • developing a strategic workforce plan and framework for bridging the gap between the skills demand and supply; • building a scarce-/critical-skills pipeline; and • enhancing talent mobility through the work of the job family and senior management talent forums.
Learning academies	Not realising the vision to improve performance through building core capabilities that are required for specific job families. Successful completion of academy courses will require that talent is reevaluated, job profiles are realigned and further job opportunities are highlighted. If this is not achieved, it could result in the loss of talent.	Job family talent forums will need to be established to develop plans for transitioning individuals who have been through the academy and overseeing the implementation of these plans.
Enabling HR technology	HR and line managers being ineffective in the delivery of services.	Business benefits case to be developed to determine return on investment.

Reporting standard

GRI G3.1: 2.8, LA1, LA2

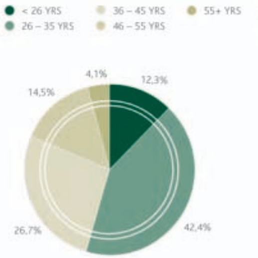
NEDBANK GROUP EMPLOYEE PROFILE

Nedbank Group	2011	2010	2009
Total number of employees opening balance	27 525	27 037	27 570
SA permanent employees at the beginning of the year	24 044	22 416	22 720
Add:			
Recruitment	2 930	2 844	1 812
Take-on	0	1 030	
Less:			
Terminations	1 895	2 246	2 116
Resignations	1 453	1 733	1 538
Deaths	34[1]	32	26
Dismissals	210	230	293
Retirements	139	188	155
Retrenchments	7	17	32
Emigration	27	46	72
Disability	25	0[2]	0[2]
SA permanent employees at the end of December 2011	25 079	24044	22 416
Add other employee categories:			
Contractors and financial planners	1 763	1 777	1 802
International employees (including Africa)	1 608	1 658	1 666
External entities	44	46	1 153
Total number of employees (excluding temporary staff)	28 494	27 525	27 037

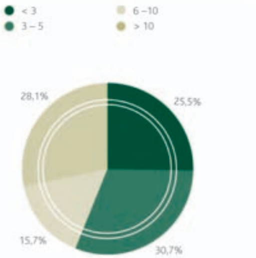
[1] *Deaths: 18 female; 16 male.*
[2] *Disability temination numbers were included in total termination numbers (2009: 44; 2010: 42).*

Operational overview

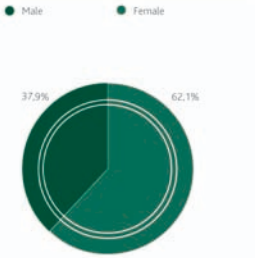
EMPLOYEE AGE PROFILE



EMPLOYEE TENURE

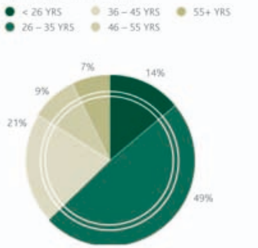


GENDER PROFILE

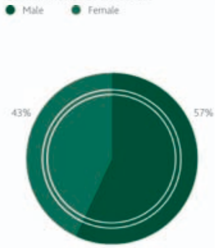


ATTRITION RATES 2011: **7,6%** (2010: 9,3%)

AGE PROFILE OF EMPLOYEES



GENDER PROFILE OF EMPLOYEES



Cross-referencing

Staff volunteerism
Page 121

A UNIQUE AND INNOVATIVE CULTURE

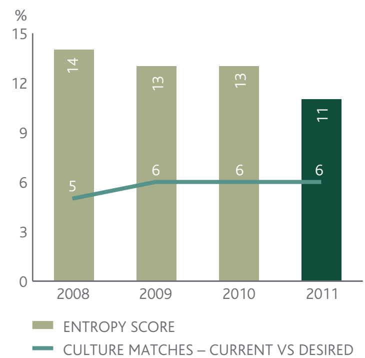
Nedbank Group recognises the value of its people and the importance of an empowering, healthy and productive environment that contributes to a positive work experience and a culture that takes each person's unique circumstances and needs into account.

ENGAGING WITH EMPLOYEES

The Nedbank Group culture is one of the group's key competitive advantages. As such it is fiercely protected and carefully measured on an ongoing basis. Once measured via annual employee surveys such as the Barrett Survey and the Nedbank Staff Survey (NSS), required actions are mapped out and implemented to ensure continuous improvement of the culture and alignment with employee desires and requirements. Progress is continuously monitored through the appropriate internal governance structures.

The results of the Nedbank Culture (Barrett) Survey in 2011 remained positive, with the overall entropy score decreasing from 13% in 2010 to 11%, with six value matches across the group's current and desired organisation culture. The entropy score measures the extent of dissonance in an organisation, with the entropy score for an ideal organisational culture being 10%. The 11% score for Nedbank Group is therefore closer to the ideal score.

BARRETT – ENTROPY SCORE AND CULTURE MATCH



The year 2011 saw a decline in the NSS score to 74,4% (2010: 75,9%). Although the percentage drop may not seem significant, Nedbank Group considers this as a statistically significant decline, and will seek to understand the main causes of this drop with a view to formulating corrective measures where required. The dimensions that experienced a statistically significant decline include strategic direction, communication as well as change and transformation. Dimensions that experienced improvements include diversity, training and development as well as rewards, recognition and performance management.

Nedbank Group also conducts an Employee Engagement Survey, using the Hewitt Engagement Model, as part of its annual staff survey. This model measures three key behaviours that indicate engagement levels via employees' responses to six questions. Past results of this survey indicate that the engagement levels of staff remain stable relative to prior years and performance on the critical drivers of engagement is still strong.

In 2011 Nedbank Group moved from its previous 'high' performance range of 67% to a score of 63% – putting it in the 'indifferent' category. While this score is below the Global Best Employers score, it is still above the global financial services score of 56%, and the group scored better than the global financial benchmark on four of the six engagement statements.

In 2011 the group also took a more integrated approach to reviewing the information received from the various staff surveys conducted, as well as various other sources of employee culture feedback. The result was a holistic view of the key themes impacting on the lives and work of Nedbank Group employees. Recommendations to address and build on these themes were then developed and these will be monitored on an ongoing basis to ensure impact and effectiveness through the appropriate internal governance structures.

In 2010 focus group sessions were held with middle managers to gain a deeper understanding of the key issues that needed to be addressed at this critical management level. The year 2011 saw continued exploration and implementation of the key interventions to address these issues. The middle management focus group sessions resulted in the revision of existing interventions such as LFDG and the production of a managers' newsletter aimed at equipping this essential level of leadership with relevant HR information that is linked to the HR calendar.

BUILDING EFFECTIVE PERSONAL AND TEAM LEADERSHIP

In 2006 Nedbank Group launched the LFDG programme, which was aimed at building effective personal and team leadership. The programme initially focused only on executive and senior management. However, based on feedback received from the various employee surveys, a decision was taken to cascade the programme to over 6 000 managers across the group by 2014.

The LFDG programme provides an opportunity for individuals to identify and improve on the manner in which they lead and relate to their team members, thereby building effective personal and team leadership that contributes to making Nedbank Group a great place to work. Feedback from managers who have participated in the programme indicates its effectiveness in achieving this objective.

'Thanks to Leading for Deep Green my team relationships shifted, resulting in a more effective team. Our values system is more congruent and we now have a shared working approach. The tension within the team has declined as well and we trust each other more. There has been a move from individual performance to team performance.' **Veronica Motloutsi** – Business Architect

'Leading for Deep Green allowed my team to connect, to build better relationships, and to be motivated and energised to go forward.' **Peter James** – Executive: Systems Development

'Leading for Deep Green has resulted in improved relationships with team members as I now better understand how they like to work and don't like to work. So it builds respect for people's individual way of working. The programme helps create an environment of positivity, happiness, and employee contentment, and a drive to move forward together to reach the company's goals.' **Beverley Kieck** – Senior Manager

ENABLING EMPLOYEES TO EXCEL THROUGH EFFECTIVE PERFORMANCE MANAGEMENT

A culture that encourages and rewards good performance is vital to Nedbank Group's sustainable success and growth. High priority is placed on reinforcing behaviours that drive a high-performance culture through the use of performance management as an enabler. Effective engagement between manager and employee is encouraged to review performance and identify areas of development and support on a continued basis. In 2011 a total of 92,1% employees documented and confirmed their performance ratings.

RECOGNISING AND REWARDING EMPLOYEES FOR GOOD PERFORMANCE

The Nedbank Group recognition process places extensive emphasis on employee recognition, with a validated link to the remuneration and performance management processes. It acknowledges and highlights those employees who have exceeded expectations by pushing beyond boundaries, demonstrate behaviours that support the Nedbank Group values and contribute to Nedbank Group's overall success, thus creating a high-performing organisation. By encouraging managers and employees to recognise extraordinary performance in others, a culture of mutual appreciation is fostered which, in turn, contributes to making Nedbank Group a great place to work.

As a way of thanking and showing appreciation to employees for good performance, Nedbank Group rewards them through the Nedbank Achiever programme. This programme acknowledges employees contributions to the overall objectives of the organisation. In 2011 Nedbank Group formally recognised 843 employees for their performance with a weekend away with their partners. Out of these achievers, 152 were selected as Top Achievers and formally recognised (with their partners) for their top performance with a seven-day Mediterranean cruise. In addition 247 were awarded with a two-night stay (with partners) at the Nedbank Ndlulamithi Game Lodge in the Welgevonden Game Reserve.

DEVELOPING EMPLOYEES

Supporting employees and enabling them to reach their full potential through continuous personal development is key to making Nedbank Group a great place to work. Not only does such support empower employees to perform optimally, it also enables them to engage more effectively with management, thereby ensuring that the group is well positioned to achieve its strategic objectives. In 2011 82% of staff underwent training. This equated to an average of 43 hours (2010: 39) of training per employee. The gender breakdown of this is 46 hours for males and 41 hours for females.

Reporting standard

GRI G3.1: LA10, LA12

Reporting standard

GRI G3.1: LA8, LA15

The various programmes aimed at developing Nedbank Group employees include:

- **Business education programmes (BEPs)** are based on a holistic view of building competencies for the various management levels across the group.
- **Executive Education Programmes (EDPs)** are offered by various local and international institutions. The objective of these programmes is to provide senior managers and executives with a global perspective, enabling the participants to become global leaders who are able to lead in a complex and changing world.
- **Internal bursaries** offer employees the opportunity to study while they work. In 2011 Nedbank Group spent R11,6m on internal bursaries towards various qualifications ranging from undergraduate to post-graduate degrees, including PhD degrees.
- **Coaching** received much attention during 2011 to ensure the successful introduction of coaching as an important capability to enhance the application of learning in the workplace, to assist with career transition, and to entrench desired leadership behaviours. More than 500 line managers were upskilled to improve the application of learning of their staff, and 22 internal coaches were accredited to assist managers with career transition and leadership behaviour development.
- **Nedbank academies** are aimed at establishing job-family-related learning academies that will address the functional requirements of prioritised jobs. The job family approach will allow staff to be developed within their current or future aspired roles, opening up new career opportunities. The academies will be underpinned by clearly defined job profile requirements, a thorough pre-and post-assessment process, and interventions that will cover both formal and informal learning. Two such academies were launched in 2011, namely the HR Academy and the Risk Academy. More academies are to be launched in 2012 and beyond. Here is some feedback from staff who participated in the HR Academy:

  'I will give the HR Academy an A. I am fascinated by the journey.' **Oldjohn Mothupi** – Human Resources Manager Personal Loans

  'After going through Phase 1 of the HR Academy, I now realise that I am the CEO of my own life.' **Anvitha Sahadeo** – Human Resources Manager Small Business Services

  'Great time and effort has gone into building the HR Academy. Thank you for starting the academy journey with us.' **Wilna Jensen** – Human Resources Manager: Corporate Shared Service

PROMOTING EMPLOYEE WELLNESS

As a caring employer, Nedbank Group offers its employees the comprehensive Employee Wellbeing Programme, facilitated through independent counselling and advisory services (ICAS). This programme provides employees with assistance and support for a wide range of personal issues, including stress management, financial matters, and even an onsite debriefing and counselling service for employees who have been exposed to traumatic events such as bank robberies.

In 2011 the overall rate of engagement in the Employee Wellbeing Programme, which includes uptake of all services offered, amounted to 36,3%. Annualised individual usage of the core counselling and advisory services of 18,5% was also recorded. This is ahead of the industry average of 13,3%. Concerns relating to relationship issues (23,3%), stress (11,9%) and legal issues (7,9%) constituted the most common concerns raised during this period. The group will continue to provide support with regard to these issues via workshops and communications and will continue to remind staff of the ICAS resource for legal enquiries.

During the latter part of 2010 Nedbank Group conducted a behavioural risk assessment audit, which provided valuable information on the areas where assistance can be provided to employees with managing their health risks. One of the interventions that resulted from this audit was the Nedbank Biggest Loser Challenge. As part of Nedbank Group's broader employee wellness commitment, employees were invited to participate in a 12-week healthy weight loss challenge during 2011. Specific entry criteria were required and the initiative was overseen by a registered dietician. Regular weigh-in sessions were performed to track the progress of participants, who altogether lost 3,1% body fat and 228 kg over the challenge period. The overall winner was Sean de Necker who lost more than 6% of his body fat and gained a new lease on life.

'When I saw the communication introducing the Nedbank Biggest Loser Challenge 2011, I was overweight and suffering from high blood sugar and high blood pressure. I struggled to focus at work and at home and always felt lethargic with low energy levels. As a result of my involvement in the challenge, I was equipped with the knowledge to overcome my bad eating habits and unhealthy lifestyle. The Biggest Loser Challenge motivated me to lose weight by sharing my hardships and victories with the rest of my team, and proved that anything is possible if you persist. Yes, it does take a lot of hard work, dedication and discipline, but it can be done.' ***Sean de Necker***

The group also provides its employees at senior management level with a structured executive health programme called EXEC|care, the cornerstone of which is a comprehensive wellbeing assessment undertaken by experienced wellbeing professionals, including biokineticists, medical doctors and nutritionists. During the year under review 118 Nedbank Group executives made use of this facility – a 35% increase on the 2010 usage. The group provides generous maternity benefits.

Between 1 November 2010 and 4 August 2011 the group ran its HIV counselling and testing (HCT) campaign in support of the national HCT drive. During this time 2 548 employees were tested for HIV/Aids. Also during 2011 Nedbank Group embarked on a process to revamp its approach to HIV/Aids testing and education for its employees. The rollout of an integrated wellness strategy, looking at lifestyle diseases more broadly, is planned for 2012.

OTHER 2011 INITIATIVES

Other 2011 initiatives aimed at making Nedbank Group a great place to work include education assistance for employees' children or dependants, onsite childcare facilities (95,5% of female employees were retained in 2011 post maternity leave) and flexible work practices.

- **Education assistance** – through various grants aimed at providing financial assistance to qualifying employees whose children or dependants study at primary and secondary school level. Study grants are also provided to employees to fund the fulltime studies of their children or dependants at university level. During 2011 Nedbank Group assisted a total of 874 employees via grants to the value of R4,6m.
- **Onsite childcare facilities** – offered at three of Nedbank Group's headoffice buildings in Gauteng. By meeting the childcare needs of working parents, these facilities help to boost the productivity of employees and reduce absenteeism. Together these facilities accommodated 238 children in 2011.
- **Flexible work practices (FWP)** – for qualifying employees. The number of employees taking advantage of this option increased from 672 in 2010 to 895 in 2011. The various FWP options include, but are not limited to, telecommuting, flexitime and compressed working hours. Altogether 90% of the employees who utilise FWP take advantage of the flexitime and telecommuting options.

> *'It is rare to have a corporate and especially a bank which lives its values and culture through its offerings to its staff. The flexible work practices are a leap in trust and as the experience deepens management of it becomes second nature. The benefit to staff and their families provides for enriched working experience where work and home life can be balanced giving back to the bank a much more present staffmember. Keep it up, Nedbank, great place to work!'* **Alan Wight**

LEADING INTERNAL TRANSFORMATION

Nedbank Group is committed to continuing to accelerate transformation both within the group and in support of the country. As such the group developed and finalised a new three-year EE plan for the period 2011 to 2013 (in accordance with the requirements of the EE Act), as the previous EE plan expired in December 2010. At the end of 2011 the workforce profile of the bank was as depicted in the table on page 146.

In addition, the EE governance structures continue to function well, in an increasingly coordinated manner, to ensure that EE issues are properly escalated for decisionmaking in the group. A subcommittee of the Nedbank Group board on transformation, sustainability and ethics (GTSEC) has the overall responsibility for the direction and management of the group, and actively monitors EE action plans. A subcommittee of the Group Executive Committee on transformation and human resources (TRAHRCO) ensures full integration of all transformation processes within the group and advises on strategies for transformation. Each cluster has an EE forum that is made up of employer and employee representatives. In turn, each cluster is represented on the Nedbank Employment Equity Forum (NEEF), a consultative body constituted in accordance with the EE Act. NEEF continues to measure its performance through relevant and identified key focus areas, and 2011 was no different. One of the key focus areas the forum identified and successfully concluded in 2011 was the consultation and signoff of the new three-year EE plan.

Employees are also provided with an additional channel, the internal ombudsman, to voice any concerns they may have regarding unfair discrimination, sexual harassment and victimisation. **In 2011 the office of the ombudsman handled 68 incidents (2010: 99), which were used to facilitate resolving the issues by the aggrieved staffmember, his or her line manager and HR manager.**

Reporting standard

GRI G3.1: LA1, LA13, EC7

Cross-referencing

Social sustainability Pages 112 – 135

Reporting standard

GRI G3.1: 4.5, LA14

2011 EMPLOYMENT EQUITY ANALYSIS (BASED ON THE EE ACT)

	Male				Female				Foreign nationals		
Occupational levels	A	C	I	W	A	C	I	W	Male	Female	Total
Top management	6			9	1			3			19
Senior management	65	21	63	385	41	11	31	110	29	10	766
Professionally qualified	819	371	633	1 645	843	519	692	1 744	90	88	7 444
Skilled technical	2 031	795	713	656	3 746	1 843	1 366	1 900	31	99	13 180
Semiskilled	649	198	113	74	1 434	536	272	404	3	15	3 698
Unskilled											
Unmatched	1		1	1	2	1		2		1	9
Total permanent	3 571	1 385	1 523	2 770	6 067	2 910	2 361	4 163	153	213	25 116
Temporary employees	398	108	87	323	692	164	117	255	28	29	2 201
Grand total	3 969	1 493	1 610	3 093	6 759	3 074	2 478	4 418	181	242	27 317[1]

[1] *This number excludes non-payroll contractors, non-payroll temporary employees, international employees, and employees from external entities.*

REMUNERATION AND EYETHU STAFF SHARE SCHEMES

The group embarks on an annual exercise – after salary increases – to ensure that there are no discriminatory pay disparities in the various occupational levels and job families as well as no race and gender discrimination.

During 2011 the Department of Labour requested information from Nedbank Group to demonstrate its alignment to the principle of 'equal pay for work of equal value'. The information has been shared with the department and the group awaits feedback, which will be available in 2012.

Cross-referencing

Remuneration Report
Pages 344 – 369

Nedbank Group is committed to building Africa's most admired bank (by staff, clients and shareholders, regulators and communities) and therefore complies with all requests from the department to minimise any risk of non-compliance. In addition, the group's total remuneration and reward philosophy is aimed at attracting and retaining motivated, high-calibre people.

The minimum wage for all permanent staff is R90 000 per annum for the 2011 financial year, an increase of 9,76% from the R82 000 per annum in 2010.

For further information with regard to the Nedbank Remuneration Policy please refer to the Remuneration Report.

Nedbank Group's BBBEE transaction in 2005 saw the launch of the Eyethu Empowerment Schemes, which allowed participation by employees, strategic black business partners, corporate and retail clients and a community trust. The schemes consist of the Black Executive Trust and the Black Management Scheme (both aimed at attracting and retaining black senior and middle managers), as well as the Evergreen Trust, aimed at empowering black employees at lower income levels. The Eyethu Broad-based Employee Scheme vested in 2010. However, certain employees are still participating in the schemes, subject to the approved rules of the schemes.

ENABLING TRANSFORMATION THROUGH EMPLOYEE DEVELOPMENT

Of the 429 employees who participated in Nedbank Group's business education programmes during 2011 70% (2010: 59%) were black employees and 35% (2010: 30%) black females. Of the 58 (2010: 61) employees who participated in the executive education programmes 48% (2010: 41%) were black and 19% (2010: 19,7%) were black females, helping towards building the group's transformation bench strength and pipeline. As was the case in 2010 more than 1 000 employees also benefited from Nedbank Group's internal bursaries, of which 78% were black (2010: 79%).

One of the pillars of the group's transformation efforts is the development of EE forum members to ensure that they acquire the capacity to fulfil their roles as employee representatives on EE matters. Capacity-building workshops are conducted on a quarterly basis for this purpose and ad hoc sessions also take place on request from various areas nationally. During 2011 a total of 15 such sessions were conducted and 269 people were trained.

Sessions were also held with line HR managers to create awareness and sensitise them to people with disabilities in the workplace. Altogether four sessions were held, attended by 55 employees. The sessions are part of the bigger PWD strategy to ensure that the group's employees with disabilities are reasonably accommodated and that Nedbank Group is a great place to work for them as well.

Disability training workshops were also provided by the employee wellbeing service provider, ICAS. The training was aimed at creating awareness and providing

2011 Nedbank Group Transformation Report

Download additional online content

employees with information on where to get support. The Nedbank Employee Wellbeing Programme also offers employees the opportunity to 'Ask a Disability Expert' about specific PWD issues, and present case-by-case referrals for the verification of disabilities and the relevant information on reasonable accommodation.

During the year 20 sexual harassment awareness sessions were offered with the aim of making employees aware of the existing Nedbank Group Sexual Harassment Policy and escalation procedure. The sessions were conducted in partnership with the employee wellbeing service provider, who is also equipped to deal with the psychological impact of sexual harassment on affected employees.

DIVERSITY INITIATIVES

Nedbank Group's aim is to have an inclusive culture where all employees feel welcome, with particular focus placed on women and people with disabilities.

- **People with disabilities (PWD)**

  In 2011 Nedbank Group's commitment to being a great place to work for employees with disabilities was reinforced further. Interventions and plans in support of this commitment included the Nedbank PWD Communications Plan, which was launched in the first quarter of 2011 and is closely aligned to the national and international calendar of events for people with disabilities.

  In the runup to the International Day for Persons with Disabilities 2011 Nedbank Group increased its efforts in creating awareness of disabilities as well as providing support to managers. To bring the communications alive for employees it was decided that some employees who had declared their disability status would be used as the face of the campaign to enhance its credibility. The slogan for the initiative was 'My disability has little to do with my ability'.

The campaign was aimed at raising awareness among all employees as to the different types of disabilities and the challenges facing those with such disabilities. It also encouraged employees to declare their disability status in order to ensure that Nedbank Group is best able to accommodate its employees who have disabilities. The group encourages staff to declare their status, because the group needs to ensure that Nedbank Group is well equipped to provide reasonable accommodation (a requirement of the EE Act) as well as to create an inclusive culture that caters for all staff.

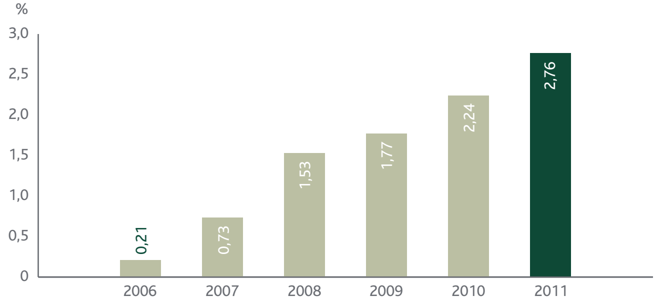
The campaign included the following:
- *Leaders Conversation Guide*, a guide targeted at managers with direct reports covering tips on holding a 10-minute meeting with employees, defining disability and a list of disabilities.
- An internal TV advertisement broadcast on the internal TV channel.
- Promotional buttons and articles on internal communications channels.
- A audio-visual message that was aired on every employee's computer screen.
- The PWD intranet site, which was updated to ensure it was a suitable avenue of support and source of information for all employees.

The percentage of Nedbank Group employees with disabilities has increased from 0,21% (in 2006) to 2,76% at the end of 2011, and much of this increase between 2010 and 2011 can be directly attributed to the 2011 awareness campaign.

PEOPLE WITH DISABILITIES

	Male				Female				Foreign nationals		
Occupational levels	A	C	I	W	A	C	I	W	Male	Female	Total
Top management											
Senior management	3	1	2	14				6	1	1	28
Professionally qualified	8	9	17	81	13	6	14	72	1	3	224
Skilled technical	42	14	23	34	77	37	25	93	1	2	348
Semiskilled	25	5	5	12	26	12	9	41			135
Unskilled											
Unmatched											
Total permanent	78	29	47	141	116	55	48	212	3	6	735
Temporary employees	2	1	1	6	3	1	2	3	1		20
Grand total	80	30	48	147	119	56	50	215	4	6	755

PWD PERCENTAGE REPRESENTATION 2006 – 2011



Cross-referencing

Sponsorships
Pages 131 – 132

- **Women initiatives**
  Through Nedbank Group's strategic relationship with Wiphold (one of Nedbank's black business partners), a relationship with African Women Chartered Accountants (AWCA) was established to provide female staff, particularly those working in areas of scarce and critical skills, with informal networking opportunities. The involvement with AWCA also assists in positioning Nedbank Group as employer of choice, especially in areas where it is a challenge to meet EE targets. In addition, the partnership has allowed the bank to forge a relationship with Adcorp, a placement agency. Through this relationship Adcorp has been used as the supplier for a number of talent management acquisition projects, including the preselection processes for the bursary and graduate programmes.

  Through the Brimstone Consortium (also a Nedbank Group black business partner) the group has also recently established a relationship with SA Women in Engineering, as part of its commitment to providing support to women in areas of scarce and critical skills.

  The group also leverages on the current Nedbank sponsorship of the Business Women's Association of South Africa (BWA) for further strengthening its gender equity position.

- **Transformation dialogues**
  During the course of the year under review various transformation dialogue sessions were conducted. A series of talks by invited guest speakers and panels addressed current transformation topics. These included sessions by:
  - Statistics SA in response to a previous talk by an Adcorp labour analyst on the state of unemployment in SA; and
  - a national planning commissioner on the first diagnostic report released by the commission earlier in the year.

  These types of sessions are aimed at encouraging employees to hold open and honest debates on broader transformation matters that affect the way Nedbank Group implements its transformation initiatives.

  Other transformation dialogues took the form of one-on-one sessions with preselected board members, all Group Executive Committee (Exco) members, as well as focus groups comprising a representative sample of senior managers. The dialogues allowed participants to gain an understanding of the latest opinions of decisionmakers about the state of transformation at Nedbank Group and will inform the formulation of position statements on transformation within the group for the next three years. The dialogues were also necessary to provide input into the next three-year EE plan (2011 to 2013) to direct an informed and updated transformation tone.

- **Batho Pele Diversity Management Programme**
  Batho Pele (humanness first) is Nedbank Group's foundation diversity programme that aims at creating an inclusive culture and providing support for the creation of a work environment where no one is made to feel unwelcome. The programme has been rolled out into several business units over the past three years, and this will continue across the rest of the business during the course of 2012.

Given the nature and extent of the diversity challenges facing SA businesses, it is natural for employees to experience a measure of discomfort as a result of a diversity journey. Despite this, there is a clear willingness among Nedbank Group employees to embrace diversity as a key cultural sustainability imperative and support leader-driven diversity that underpins Nedbank Group's 'business as usual' approach.

A total of 120 managers and teams across the group have agreed to include diversity matters on their regular meeting agendas, and will be basing these conversations on Stanley Bongwe's book *100 Lessons in Diversity*.

CREATING A GREAT PLACE TO WORK THROUGH SOUND EMPLOYEE RELATIONS

As part of its commitment to promoting and fostering good employee relations, Nedbank Group acknowledges its employees' rights to representation, freedom of association and collective bargaining. The minimum notice period for bargaining and non-bargaining units, as specified in agreements, is three months for any significant operational changes.

While the number of disciplinary incidents and disputes referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) in 2011 was lower than in 2010, this cannot be ascribed to any single factor. The number of dismissals due to disciplinary incidents also decreased to 171 for 2011 (2010: 209), with most being related to instances of dishonesty or gross negligence. Nedbank Group's approach to dismissals remains firmly rooted in a fair disciplinary process.

During the year under review formal and informal management training and various focus group discussions were offered on the industrial relations aspect of managing discipline, grievances and performance. A total of 284 managers and supervisors attended these sessions.

COLLECTIVE BARGAINING

The group continues to embrace the principles of collective bargaining, which assists in creating healthy employer-employee relationships. At 31 December 2011 a total of 67,6% permanent Nedbank Group employees belonged to the collective bargaining unit. The organisation utilises this process to agree fairly and equitably on the terms and conditions of employment with all member employees.

The group also consults with employees and their recognised unions on any restructuring that may be required. During 2011 all such restructuring initiatives were successfully concluded without any forced retrenchments. Furthermore, actions taken to support the right to exercise freedom of association and collective bargaining are entrenched in the existing HR policies.

	2011	2010
Total number of employee relations incidents logged	**8 258**	8 426
Incidents resolved through counselling	**3 779**	3 554
Resolved by means of verbal warnings	**1 473**	1 575
Resolved by means of written warnings	**2 236**	2 717
Cases referred to the CCMA	**124**	142
Of the cases referred to the CCMA:		
Settled	**54**	67
Withdrawn	**19**	15
Dismissed in favour of Nedbank Group	**30**	31
Unfavourable decisions against Nedbank Group	**2**	3
Still in progress	**21**	37

Reporting standard

GRI G3.1: HR4, LA4, LA5

CULTURAL SUSTAINABILITY ... CONTINUED

Reporting standard

GRI G3.1: LA6, LA7

Cross-referencing

Employee wellness
Pages 144 – 145

OCCUPATIONAL HEALTH AND SAFETY

Since Nedbank Group sincerely believes that its people are its most important and valuable asset, the highest priority is placed on ensuring a culture of occupational health and safety, driven by the Group Risk Occupational Health and Safety Division.

To entrench this culture of health and safety the group in SA complies fully with the Occupational Health and Safety Act, 85 of 1993, including its various regulations, and the Compensation for Occupational Injuries and Diseases Act, 130 of 1993. Nedbank Group subsidiaries in other countries are required to comply with their local occupational health and safety legislation or Nedbank Group's Occupational Health and Safety Policies – whichever is more stringent. All Nedbank Group stakeholders, including staff, contractors, partners and clients, are required to agree to, and comply with, the Nedbank Group Occupational Health and Safety Policies and Procedures. In 2011 Nedbank Group compliance with the Occupational Health and Safety Act was maintained at Gold (98%) level.

OCCUPATIONAL HEALTH AND SAFETY COMMITTEES

All Nedbank Group sites have established occupational health and safety committees that meet monthly to review health and safety matters and to implement corrective measures. An Occupational Health and Safety Management team within the Group Risk Occupational Health and Safety Division also meets monthly to manage high-risk matters. A quarterly occupational health and safety regional forum serves to monitor and maintain compliance in each region with relevant legislation, programmes and policies.

The table below indicates the total number (3 306) of occupational health and safety appointees within Nedbank Group in 2011:

Chief Executive	Chief Risk Officer	Appointee headoffice and area offices	Deputy assistant to 16.2 appointee	Section 8	Safety represent-ative/ Accident investigator	Evacuator	First-aid officer/ Medic	Fire marshal
1	2	100	11	446	559	674	759	754

INCIDENT RECORDING AND INJURY REPORTING

In accordance with the Compensation for Occupational Injuries and Diseases Act, 130 of 1993, Nedbank Group records and documents all workplace injuries, including minor first-aid incidents, medical incidents and injuries on duty.

Qualified accident investigators thoroughly assess and record all injuries on duty sustained by group employees and contractors.

The table below reflects incidents and injuries recorded in 2011 compared with 2010:

Category	**2011**	2010
First aid (minor incident)	**511**	1 240
Medical	**56**	40
Injury on duty – Nedbank Group (reported to WC[1] authorities)	**19**	61
Injury on duty (contractors)	**2**	16
Fatalities	**–**	1
Days lost	**357**	696

[1] *Workmen's compensation.*

As can be seen, there has been a significant year-on-year decline in first-aid incidents, injuries on duty and days lost due to injury. This is a direct result of the continued focus on occupational health and safety awareness and monitoring across the group.

In 2011 a total of 2,0% of man-days were lost to sick leave, a marginal increase on the 1,9% lost in 2010.

OCCUPATIONAL HEALTH AND SAFETY EDUCATION AND TRAINING

Comprehensive occupational health and safety training is available on the Nedbank Group intranet site and is compulsory for all group employees. Occupational health and safety awareness events are also held annually and regular updates are communicated to all employees.

Employees appointed to occupational health and safety positions complete formal training in their relevant field of appointment, as required by legislation. Training and certification of occupational health and safety appointees is recorded, monitored and audited annually. A Pandemic Committee is in place to advise employees on communicable diseases and the Occupational Health and Safety Division is represented on both the Wellness Forum and the People with Disabilities Forum.

RISK CONTROL: COMPLIANCE AND EMERGENCY PROCEDURES

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

TRADE UNIONS

Nedbank Group consults with its trade unions, when necessary, on occupational health and safety matters. Health and safety appointees are not permitted to belong to any trade union.

Cross-referencing
Collective bargaining
Page 149

ASSURANCE STATEMENT

INDEPENDENT ASSURANCE REPORT ON SELECTED NON-FINANCIAL INFORMATION TO THE DIRECTORS OF NEDBANK GROUP LIMITED

Reporting standard

GRI FSSS: FS9
GRI G3.1: 3.13

We have undertaken an assurance engagement on selected non-financial information, as presented in the 2011 Nedbank Group Integrated Report ('the report') of Nedbank Group Limited ('Nedbank') for the year ended 31 December 2011.

SUBJECT MATTER AND RELATED ASSURANCE

Our assurance engagement was on selected non-financial information for the year ended 31 December 2011.

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

1 Limited assurance on Nedbank's assertions relating to their alignment with the AA1000APS (2008) principles (inclusivity, materiality and responsiveness) as described on page 5 of the report.

2 Limited assurance on the key performance indicators, highlighted in bold green on the relevant pages of the report.

3 Limited assurance on Nedbank's self-declaration of the GRI G3.1 A+ application level (pages 154 to 159).

Key performance indicators	Description	Page
Net promoter score (NPS)	NPS score variance over past two years for clusters that used NPS	21
Net primary client gain	Number of net primary client gained/lost for retail, corporate and business banking	16, 20, 53
Ombudsman for Banking Services cases	Number of cases opened and closed, and percentage cases linked to ATM disputes	21
Systems availability	Blended uptime score for infrastructure and applications, IT capability quartile positioning	21
Equator deals	Number of projects financed	85
Carbon footprint	Total tonnes of CO_2 equivalents	103, 104, 175
Water	Total kl consumed on campus sites	101, 175
Paper	Total tonnes consumed	99, 104, 175
Waste sent to landfill	Total tonnes sent to landfill from campus sites	101, 175
Waste recycled	Total tonnes recycled from campus sites	175
Entropy	Entropy score and number of value matches	3, 13, 18, 142
Employee surveys	Nedbank Staff Survey (NSS) and Barrett Survey scores	18, 142
Nedbank Ethics Indicator (NEI)	NEI score variance, number of indicators improving and deteriorating	443
Internal ombudsman	Number of cases handled	145
Employee turnover	Staff attrition rate	16, 18, 141
BEE scorecard	Scores from broad-based black economic empowerment (BBBEE) and Financial Sector Charter (FSC) verified scorecard	13, 28, 134

DIRECTORS' RESPONSIBILITIES

The directors of Nedbank are responsible for the selection, preparation and presentation of the sustainability information, for the identification of stakeholders and stakeholder reporting requirements, for material issues, for commitments with respect to sustainability performance, for establishing and maintaining appropriate performance management and for such internal controls as the directors determine are necessary for Nedbank's preparation of the report, as well as for the selection of the performance information from which the reported information is derived. The directors are also responsible for the selection and application of the criteria detailed below:

- The AA1000APS (2008)[1] for the three principles of inclusivity, materiality and responsiveness [the AA1000APS (2008) principles]; and
- The Global Reporting Initiative (GRI) G3.1 Guidelines.

INDEPENDENCE AND EXPERTISE

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

OUR RESPONSIBILITY

Our responsibility is to express limited assurance conclusions on the selected non-financial information based on our work performed. We have conducted our engagement in accordance with the International Standard on Assurance Information (ISAE 3000), assurance engagements other than the audits or reviews of historical financial information.

A limited assurance engagement involves performing procedures to obtain evidence about identified subject matter. Our procedures selected depend on our judgement, including the risks of material misstatement of the selected sustainability information in the report, whether due to fraud or error. In making our risk assessments, we considered internal control relevant to Nedbank's preparation of the Report. We believe the evidence we have obtained is sufficient and

[1] *AA1000 AccountAbility Principles Standard (2008), issued by AccountAbility.*

appropriate to provide a basis for our limited assurance conclusion. In a limited assurance engagement, the evidence-gathering procedures are less than where reasonable assurance is expressed.

SUMMARY OF WORK PERFORMED

Our work included the following evidence-gathering procedures:

- Interviews with management and senior executives at corporate level to evaluate the application of the GRI G3.1 guidelines and AA1000APS (2008) principles and to obtain an understanding of the control environment related to integrated reporting.
- Testing the processes and systems at group level that generate, collate, aggregate, monitor and report selected sustainability information and inspecting related documentation, more specifically:
  - Interviews and discussions with relevant managers, key personnel and/or stakeholders of Nedbank to confirm definitions and boundaries for selected performance information, and to gather information on the data collection and report preparation processes.
  - Evaluation of internal data management controls based on system walkthroughs.
  - Inspection of selected internally and externally generated documents and records and comprehensive data analyses.
  - Recalculation of the key performance indicators.
- Evaluating whether the information presented in the report is consistent with our overall knowledge and experience of sustainability management and performance at Nedbank and is not materially inconsistent with information contained in the integrated report.

CONCLUSIONS

1 *On the AA1000APS (2008) principles of inclusiveness, materiality and responsiveness on which we are required to express limited assurance*
Based on our work performed, nothing has come to our attention that causes us to believe that Nedbank's assertions relating to their alignment with the AA1000APS (2008) principles of inclusivity, materiality and responsiveness, described on page 5, is not fairly stated.

2 *On the selected key performance indicators on which we are required to express limited assurance*
Based on our work performed, nothing has come to our attention that causes us to believe that the selected key performance indicators set out in the table above for the year ended 31 December 2011 are not fairly stated, in all material respects, in accordance with the GRI G3.1 Guidelines.

3 *On Nedbank's self-declaration on the GRI G3.1 A+ Application level on which we are required to express limited assurance*
Based on our work performed, nothing has come to our attention that causes us to believe that Nedbank's self-declaration of an A+ application level is not fairly stated in all material respects in accordance with the GRI G3.1 Guidelines.

LIMITATION OF LIABILITY

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

KPMG.

KPMG Services
Per N Morris
Registered Auditors
Director

KPMG Crescent
85 Empire Road, Parktown
Johannesburg
2193

Policy board:
Chief Executive: RM Kgosana
Executive Directors: DC Duffield, A Hari, AM Mokgabudi, D van Heerden
Other directors: LP Fourie, N Fubu, T Fubu, TH Hoole, A Jaffer, M Letsitsi, E Magondo, A Masemola, JS McIntosh, CAT Smit, 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.

8 March 2012

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per N le Riche
Partner

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

National Executive:
GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Risk Advisory), NB Kader (Tax), L Geeringh (Consulting), L Bam (Corporate Finance and Legal Services), JK Mazzocco (Human Resources), CR Beukman (Finance), TJ Brown (Chairman of the Board), MJ Comber (Deputy Chairman of the Board)

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

GLOBAL REPORTING INITIATIVE

FINANCIAL SERVICES SECTOR SUPPLEMENT

GRI[1] FSSS[2]	Topic	Page	Description
FS1	Description of policies with specific environmental and social components applied to business lines	 85 96 – 111 112 – 135 136 – 151 372 – 423 432	**Sustainability development performance review:** • Responsible lending for sustainable success. • Environmental sustainability. • Social sustainability. • Cultural sustainability. **Risk and balance sheet management review** **Enterprise governance and compliance review:** • Ethics and corporate accountability.
FS2	Description of procedures for assessing and screening environmental and social risks in business lines	 85 96 – 111 112 – 135 136 – 151 372 – 423 432	**Sustainability development performance review:** • Responsible lending for sustainable success. • Environmental sustainability. • Social sustainability. • Cultural sustainability. **Risk and balance sheet management review** **Enterprise governance and compliance review:** • Ethics and corporate accountability.
FS3	Description of processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	 84 – 85 102 – 104 106 – 110 110 – 111 111 135	**Sustainability development performance review:** • Social and environmental risk management. **Environmental sustainability:** • Carbon footprint measurement • Leading through collaboration. • Greening the group's supply chain. • Facilitating sustainability through products and services. **Social sustainability:** • Preferential procurement.
FS4	Description of processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	 102 – 104 105 105 418 432	**Environmental sustainability:** • Carbon footprint measurement • Staff communication, training and engagement. • Training and related policy acknowledgements. **Risk and balance sheet management review:** • Money-laundering, terrorist-financing and sanctions risk management, and fraud risk management. **Enterprise governance and compliance review:** • Ethics and corporate accountability.
FS5	Interactions with clients/investors/ business partners regarding environmental and social risk and opportunities	16 – 31 86 – 95 102 – 104 106 – 110 124	**Stakeholder overview** **Sustainability development performance review:** • Stakeholder engagement. **Environmental sustainability:** • Carbon footprint measurement • Leading through collaboration. **Social sustainability:** • Consumer education.
FS6	Percentage of the portfolio for business lines by specific region, size and sector	1 14 15 52 – 79 174 – 177	**Group profile** **Company structure** **Operational footprint** **Business profile** **Nedbank Group Limited eight-year review – statistics and ratios**
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business	 98 – 105 111 129 132 – 135	**Environmental sustainability:** • Managing Nedbank Group's impact. • Facilitating sustainability through products and services. **Social sustainability:** • The Nedbank Affinities. • Transforming financial services. **2011 Transformation Report**

[1] *Global Reporting Initiative.*
[2] *Financial Services Sector Supplement.*

GRI FSSS	Topic	Page	Description
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose	 98 – 105 106 – 110 106 111	**Environmental sustainability:** • Managing Nedbank Group's impact. • Leading through collaboration – The Nedbank Green Affinity. • Facilitating environmental sustainability through products and services.
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	152 – 153	Assurance statement to the directors of Nedbank Group Limited. Group Internal Audit: 2011 Sustainability review – report issued to management.
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental and social issues	14 15	**Company structure** **Operational footprint**
FS11	Percentage of assets subject to positive and negative environmental and social screening	 84 – 85 102 – 104 110 – 111 135	**Sustainability development performance review:** • Social and environmental risk management. **Environmental sustainability:** • Carbon footprint measurement. • Greening the group's supply chain. **Social sustainability:** • Preferential procurement.
FS12	Voting policies applied to environmental and social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting		No organisations over which Nedbank holds the right to vote shares or advises on voting.
FS13	Access points in the low-populated or economically disadvantaged areas by type	 22 172 – 175 132 – 135	**Stakeholder overview: Clients:** • Responsible product/information labelling **Business profile: Nedbank Retail** **Social sustainability:** • Transforming financial services. **2011 Transformation Report**
FS14	Initiatives to improve access to financial services for disadvantaged people	 22 102 – 104 107 – 109 111 132 – 135	**Stakeholder overview: Clients:** • Responsible product/information labelling **Environment sustainability:** • Carbon footprint measurement • Leading through collaboration – external engagements and environmental sustainability initiatives. • Facilitating sustainability through products and services. **Social sustainability:** • Transforming financial services. **2011 Transformation Report**
FS15	Policies for the fair design and the sale of financial products and services	 22 416 416 417 418 422 – 423 432	**Stakeholder overview: Clients:** • Responsible product/information labelling **Risk and balance sheet management review:** • Information and technology risk. • People risk. • Financial crime. • Money-laundering, terrorist-financing and sanctions risk management. • Compliance risk management. **Enterprise governance and compliance review:** • Ethics and corporate accountability.
FS16	Initiatives to enhance financial literacy by type of beneficiary	 124	**Social sustainability:** • Consumer education. **2011 Transformation Report**

GRI 3.1 INDEX

GLOBAL REPORTING INITIATIVE (GRI G3.1) INDEX

Our response to GRI G3.1 is aligned with application level A+. This is with reference to the information disclosed in the printed Integrated Report as well as the online version at www.nedbankgroup.co.za.

No	Profile disclosure	Printed report page ref	Description online reference
1	**Strategy and analysis**		
1.1	Statement from the most senior decisionmaker of the organisation.	32 – 34 40 – 43	Chairman's Report Chief Executive's Report
1.2	Description of key impacts, risks and opportunities.	4 – 5 8 – 9 10 – 13 14 – 28 30 – 31 57 60 144 – 155	Introduction: Material matters Group strategy Investment case Stakeholder overview Economic review Sustainability governance structures and policy framework Responding to environmental risks and opportunities Risk and balance sheet management review
2	**Organisational profile**		
2.1	Name of the organisation.		Nedbank Group Limited
2.2	Primary brands, products and/or services.	1 48 – 53 60 – 65	Group profile Business profile Operational reviews Environmental sustainability
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.		Operational footprint Company structure
2.4	Location of organisation's headquarters.	1	Group profile
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		Operational footprint
2.6	Nature of ownership and legal form.		Company structure Group profile
2.7	Markets served (including geographic breakdown, sectors served and types of client/beneficiary).	 48 – 53	Operational footprint Business profile
2.8	Scale of the reporting organisation.	 84 – 91 92 – 95 75	Operational footprint Financial Report Nedbank Group Limited eight-year review Cultural sustainability: Employee profile
2.9	Significant changes during the reporting period regarding size, structure or ownership.		No significant changes during the reporting period.
2.10	Awards received in the reporting period.	6	2011 Recognition received
3	**Report parameters**		
3.1	Reporting period (eg fiscal/calendar year) for information provided.	4 – 5	Introduction
3.2	Date of most recent previous report (if any).	4 – 5	Introduction
3.3	Reporting cycle (annual, biennial, etc).	4 – 5	Introduction
3.4	Contact point for questions regarding the report or its contents.	177	Contacts
3.5	Process for defining report content.	4 – 5	Introduction
3.6	Boundary of the report (eg countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	4 – 5	Introduction
3.7	State any specific limitations on the scope or boundary of the report.		N/a
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	4 – 5	Introduction Company structure
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	4 – 5	Introduction Basis of preparation available at www.nedbankgroup.co.za
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement.		A number of restatements were made in the notes to the financial statements, none of which were material.
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.		None
3.12	Table identifying the location of the standard disclosures in the report.	82 – 83	GRI FSSS Full GRI G3.1
3.13	Policy and current practice with regard to seeking external assurance for the report.	4 – 5 80 – 81	Introduction Assurance statement

No	Profile disclosure	Printed report page ref	Description online reference
4	**Governance, commitments and engagement**		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	57 156 – 163	Sustainability governance structures and policy framework Enterprise governance and compliance review
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	156 – 163	Enterprise governance and compliance review
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	36 – 39 156 – 163	Board of directors Enterprise governance and compliance review
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	16 166 – 171 175	Stakeholder overview: Staff Stakeholder engagement: Staff Notice of annual general meeting Form of proxy
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	116 – 143 74 – 79	Remuneration Report Cultural sustainability
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	156 – 163	Enterprise governance and compliance review
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics, including any consideration of gender and other indicators of diversity.	56 – 59 156 – 163	Sustainable development performance review Enterprise governance and compliance review
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation.	56 – 59 156 – 163	Sustainable development performance review Enterprise governance and compliance review
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles.	56 – 59 60 – 65 66 – 73 74 – 79 156 – 163	Sustainable development performance review Environmental sustainability Social sustainability Cultural sustainability Enterprise governance and compliance review
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	56 – 59 156 – 163	Sustainable development performance review Enterprise governance and compliance
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	58 162	Sustainable development performance review: Social and environmental risk management Enterprise governance and compliance review: Ethics and corporate accountability
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	58	Sustainable development performance review: Social and environmental risk management
4.13	Memberships in associations (such as industry associations) and/or national/ international advocacy organisations in which the organisation has positions in governance bodies. Participates in projects or committees. Provides substantive funding beyond routine membership dues or views membership as strategic.		Sustainability credentials
4.14	List of stakeholder groups engaged by the organisation.	15, 59	Sustainable development performance review: Stakeholder engagement
4.15	Basis for identification and selection of stakeholders with whom to engage.	15, 59	Sustainable development performance review: Stakeholder engagement
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	15, 59	Sustainable development performance review: Stakeholder engagement
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	15, 59	Sustainable development performance review: Stakeholder engagement
Environmental – Management approach			
EN1	Materials used by weight or volume.	92 – 95	Nedbank Group Limited eight-year review Environmental sustainability: Carbon footprint measurement
EN2	Percentage of materials used that are recycled input materials.		Not material for Nedbank
EN3	Direct energy consumption by primary energy source.	92 – 95	Nedbank Group Limited eight-year review Environmental sustainability: Carbon footprint measurement
EN4	Indirect energy consumption by primary source.	92 – 95	Nedbank Group Limited eight-year review Environmental sustainability: Carbon footprint measurement
EN8	Total water withdrawal by source.		Nedbank's participation in the WWF Water Balance Programme addresses water consumption regardless of source
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.		No land owned, leased or managed or adjacent to a protected area/area of high biodiversity value
EN12	Description of significant impacts of activities, products, and services on Performance biodiversity in protected areas and areas of high biodiversity value outside protected areas.		No land owned, leased or managed or adjacent to a protected area/area of high biodiversity value

GRI 3.1 INDEX ... CONTINUED

No	Profile disclosure	Printed report page ref	Description online reference
Environmental – Management approach ... continued			
EN16	Total direct and indirect greenhouse gas emissions by mass.	63	Environmental sustainability: Carbon footprint measurement
EN17	Other relevant indirect greenhouse gas emissions by mass.	63	Environmental sustainability: Carbon footprint measurement
EN19	Emissions of ozone-depleting substances by mass.		Environmental sustainability: Carbon footprint measurement
EN20	NOx, SOx, and other significant air emissions by type and mass.	60 – 65	Environmental sustainability Carbon footprint measurement
EN21	Total water discharge by quality and destination.		Not material for Nedbank
EN22	Total mass of waste by type and disposal method.	60 – 65 63	Environmental sustainability Environmental sustainability: Carbon footprint measurement
EN23	Total number and volume of significant spills.		N/a due to nature of financial services
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	58 62	Sustainable development performance review: Social and environmental risk management Environmental sustainability: Managing Nedbank Group's impact
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		N/a due to nature of financial services
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		No significant fines were received during the period
Human rights – Management approach			
HR1	Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening.	58 162	Sustainable development performance review: Social and environmental risk management Enterprise governance and compliance review: Ethics and corporate accountability 2011 Transformation Report
HR2	Percentage of significant suppliers and contractors and other business partners that have undergone screening on human rights and actions taken.	162	Enterprise governance and compliance review: Ethics and corporate accountability 2011 Transformation Report
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	162	Enterprise governance and compliance review: Ethics and corporate accountability
HR4	Total number of incidents of discrimination and corrective actions taken.	78	Cultural sustainability: Collective bargaining
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.		No significant risk identified for the reporting period
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour and measures taken to contribute to the effective abolition of child labour.		No significant risk identified for the reporting period
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.		No significant risk identified for the reporting period
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	162	Enterprise governance and compliance review: Ethics and corporate accountability
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	162	Enterprise governance and compliance review: Ethics and corporate accountability
Labour practices and decent work – Management approach			
LA1	Total workforce by employment type, employment contract, and region broken down by gender.	75 77 – 79	Cultural sustainability: Employee profile Cultural sustainability: Leading internal transformation
LA2	Total number and rate of new employee hires, employee turnover by age group, gender and region.	75	Cultural sustainability: Employee profile
LA4	Percentage of employees covered by collective bargaining agreements.	78	Cultural sustainability: Collective bargaining
LA5	Minimum notice periods regarding significant operational changes, including whether it is specified in collective agreements.	78	Cultural sustainability: Collective bargaining
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	79	Cultural sustainability: Occupational health and safety
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and by gender.	79	Cultural sustainability: Occupational health and safety
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist members, their families or community members regarding serious diseases.	76	Cultural sustainability: Promoting Employee Wellness
LA10	Average hours of training per year per employee by gender and employee category.	76	Cultural sustainability: Developing employees
LA12	Percentage of employees receiving regular performance and career development reviews.	76	Cultural sustainability: Enabling employees to excel through effective performance management

No	Profile disclosure	Printed report page ref	Description online reference
Labour practices and decent work – Management approach ... continued			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity.	77	Cultural sustainability: Leading internal transformation
LA14	Ratio of basic salary of men to women by employee category by significant locations of operation.	77	Cultural sustainability: Remuneration
LA15	Return to work and retention rates after parental leave, by gender.	76	Other 2011 initiatives
Society – Management approach			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	67 – 68	Social sustainability: The Nedbank Foundation
SO2	Percentage and total number of business units analysed for risks related to corruption.		Risk and balance sheet management review: Operational risk
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.		Risk and balance sheet management review: Operational risk
SO4	Actions taken in response to incidents of corruption.		Risk and balance sheet management review: Operational risk
SO5	Public policy positions and participation in public policy development and lobbying.	59 64	Sustainable development performance review: Stakeholder engagement Environmental sustainability: Legislation and regulation
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.		Nedbank's policy does not allow for contributions to individual political parties.
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.	150	Risk and balance sheet management review: Enterprisewide Risk Management Framework
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		No material fines received in the reporting period
SO9	Operations with significant potential or actual negative impacts on local communities.		No significant or potential negative impacts for the reporting period
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		Not applicable to Nedbank
Product responsibility – Management approach			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		Not applicable due to nature of financial services
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	20	Stakeholder overview: Client data protection and privacy Responsible product/labelling Risk and balance sheet management review: Operational risk
PR5	Practices related to client satisfaction, including results of surveys measuring client satisfaction.	18 – 20	Stakeholder overview: Client
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	20	Stakeholder overview: Client data protection and privacy Responsible product/labelling Risk and balance sheet management review: Operational risk
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		No significant fines received for non-compliance in this regard in the reporting period
Economic – Management approach			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	2 3 29 56 –79 84 – 91 92 – 95 144 – 155	2011 highlights Performance highlights Value-added statement Sustainable development performance review Financial Report Nedbank Group Limited eight-year review Risk and balance sheet management review
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	10 – 13 30 – 31 48 – 53 60 – 65 144 – 155	Investment case Economic review Business profile Operational reviews Environmental sustainability Risk and balance sheet management review
EC3	Coverage of the organisation's defined-benefit plan obligations.	116 – 143	Remuneration Report
EC4	Significant financial assistance received from government.		No financial assistance received from government.
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation.	15, 59 72	Sustainable development performance review: Stakeholder engagement Social sustainability: Preferential procurement
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	77	Cultural sustainability: Leading internal transformation 2011 Transformation Report
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	71 – 73	Social sustainability: Transforming financial services 2011 Transformation Report

FINANCIAL REPORT

HEADLINE EARNINGS

R6,2bn

2010: R4,9 bn

RETURN ON EQUITY (EXCLUDING GOODWILL)

15,3%

2010: 13,4%

'It is pleasing that the group's headline earnings of R6,2bn is now above our previous high of R5,9bn in 2007, despite three important differences: in 2011 earnings were achieved with a far more prudent impairment positioning, interest rates of 550 basis points lower impacted endowment earnings and credit growth was more subdued. This along with the good traction on non-interest revenue (NIR) growth and investing in the franchise emphasises the quality this year's earnings.'

Raisibe Morathi
Chief Financial Officer

Reporting standard

GRI G3.1: 2.8, EC1

Cross-referencing

Consolidated annual financial statements
Pages 184 – 339 and 344 – 371

Cross-referencing

Chief Executive's Report
Pages 42 – 45

Cross-referencing

Economic review
Pages 32 – 33

Nedbank Group showed strong performance for the year, despite a tough operating environment, and is well positioned for continued growth in 2012, building on the earnings momentum created in 2011. The group's key strategic focus areas of repositioning Nedbank Retail, growing NIR, implementing the portfolio tilt strategy and expanding in the rest of Africa will continue to drive earnings growth.

FINANCIAL OVERVIEW OF 2011

Headline earnings increased by 26,2% to R6,2bn (2010: R4,9bn) and diluted headline earnings per share grew 25,4% to 1 340 cents.

Importantly, the return on ordinary shareholders' equity (ROE) is above the group's cost of equity of 13%, resulting in a turnaround in economic profit to R924m (2010: economic loss R289m). Preprovisioning operating profit, a measure of the strength of the underlying franchise, grew by 10,1%, reflecting good fundamentals and growth of the franchise. The group continues to see growth in tangible net asset value (TNAV) per share, which increased by 10,8%.

The group declared dividends totalling 605 cents per share for the year, up 26,0% on 2010, in line with revenue growth and at a dividend cover of 2,26 times.

FINANCIAL REPORTING

Nedbank Group's focus on providing relevant and timeous information to its stakeholders contributed to the group receiving a number of awards in recognition of its integrated report and communication efforts, including:

- Bank of the Year in SA in the 2011 – *Financial Times/The Banker* magazine Banker of the Year Awards.
- First place in the financial sector and second out of the Top 40 JSE-listed companies in the 2011 Nkonki and *Financial Mail* Integrated Reporting Awards.
- Joint first place out of the Top 100 JSE-listed companies for the 2010 integrated report in the Ernst & Young 2011 Excellence in Corporate Reporting Survey.
- Overall winner for the 2011 annual report at the Annual Chartered Secretaries Southern Africa and JSE Limited Awards as a result of continued improvements in the content and accessibility of information in the annual report and results presentations.

More importantly though, while the group appreciates receiving these awards, they are a reflection of the importance the group places on ensuring appropriate and timeous disclosure of information to its various stakeholders.

The continued complexity and regulation in banking have created additional responsibility to increase transparency and disclosure. This is a task that continues to be of critical focus to Nedbank Group.

DETAILED REVIEW OF RESULTS

Diluted headline earnings per share increased 25,4% to 1 340 cents (2010: 1 069 cents) and diluted basic headline earnings per share increased 27,7% to 1 341 cents (2010: 1 050 cents).

The strong growth in earnings was underpinned by the 16,6% increase in NIR, net interest margin (NIM) expansion and continued improvement in the Nedbank Retail credit loss ratio.

ROE, excluding goodwill, increased to 15,3% (2010: 13,4%) and ROE to 13,6% (2010: 11,8%), with the benefit of return on assets (ROA) improving to 0,99% (2010: 0,82%), which was partially offset by a reduction in gearing.

The group is well capitalised with the core Tier 1 capital adequacy ratio at 11,0% (2010: 10,1%) and the group's funding and liquidity levels remain sound. Liquidity buffers increased R18,0bn to R24,0bn and the long-term funding ratio increased to the group's target level of 25,0%.

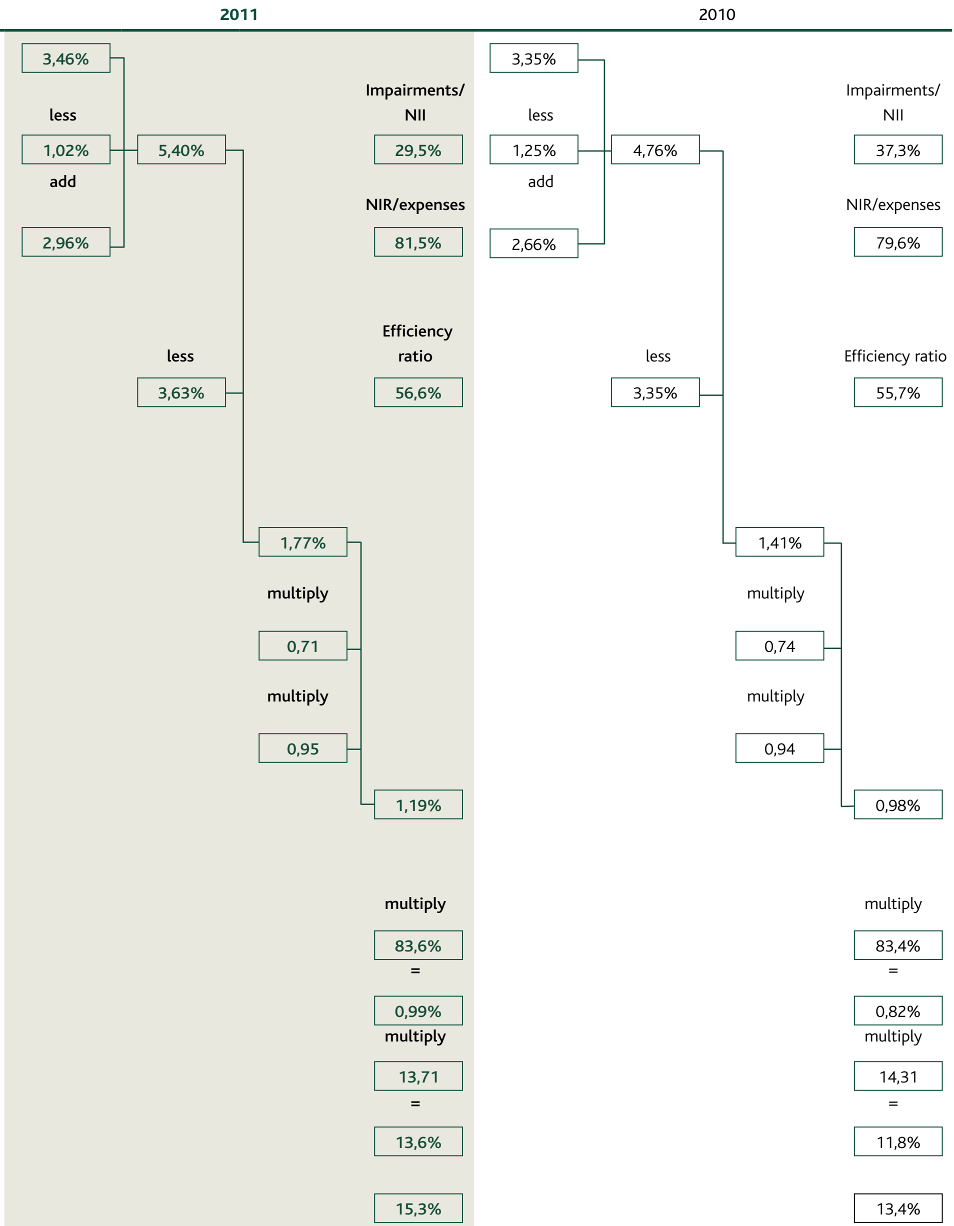
The group's TNAV per share continued to increase, growing by 10,8% to 9 044 cents at 31 December 2011 (2010: 8 160 cents).

KEY FINANCIAL INDICATORS

For the year ended 31 December		% change	2011	2010
Headline earnings	(Rm)	26,2	6 184	4 900
Preprovisioning operating profit	(Rm)	10,1	13 709	12 454
Headline economic profit/(loss)	(Rm)	>100	924	(289)
Diluted headline earnings per share	(cents)	25,4	1 340	1 069
Diluted basic earnings per share	(cents)	27,7	1 341	1 050
Return on ordinary shareholders' equity (ROE)	(%)		13,6	11,8
ROE (excluding goodwill)	(%)		15,3	13,4
Return on assets	(%)		0,99	0,82
Tangible net asset value per share	(cents)	10,8	9 044	8 160
Core Tier 1 capital adequacy	(%)		11,0	10,1
Margin NII to average interest earning banking assets	(%)		3,46	3,35
Credit loss ratio – banking advances	(%)		1,14	1,36
Non-interest revenue/expenses ratio	(%)		81,5	79,6
Efficiency ratio	(%)		56,6	55,7
Assets under management	(Rm)	9,4	112 231	102 570
Life assurance embedded value	(Rm)	47,6	1 522	1 031
Life assurance value of new business	(Rm)	38,6	409	295

RETURN ON EQUITY DRIVERS
FOR THE YEAR ENDED 31 DECEMBER

	2011 Rm	2010 Rm	
Net interest income (NII)	18 034	16 608	Net interest income/average interest-earning banking assets
Impairment of loans and advances	(5 331)	(6 188)	Impairments/average interest-earning banking assets
Non-interest revenue (NIR)	15 412	13 215	NIR/average interest-earning banking assets
Income from normal operations	28 115	23 635	
Total operating expenses	(18 919)	(16 598)	Total expenses/average interest-earning banking assets
Share of profits of associates and joint ventures		1	Associate income/average interest-earning banking assets
Net profit before taxation	9 196	7 038	
Indirect taxation	(505)	(447)	
Direct taxation	(2 194)	(1 366)	Effective taxation rate
Net profit after taxation	6 497	5 225	
Non-controlling interest	(313)	(325)	Income attributable to minorities
Headline earnings	6 184	4 900	Headline earnings
Daily average interest-earning banking assets	521 149	495 930	
Daily average total assets	623 404	594 751	Interest-earning banking assets/daily average total assets
			Return on assets (ROA)
Daily average shareholders' funds	45 467	41 551	Gearing (ROE/ROA)
			ROE
			ROE excluding goodwill


2011
3,46%
less
1,02%
add
2,96%
5,40%
less
3,63%
1,77%
multiply
0,71
multiply
0,95
1,19%
Impairments/ NII
29,5%
NIR/expenses
81,5%
Efficiency ratio
56,6%
multiply
83,6%
=
0,99%
multiply
13,71
=
13,6%
15,3%
2010
3,35%
less
1,25%
add
2,66%
4,76%
less
3,35%
1,41%
multiply
0,74
multiply
0,94
0,98%
Impairments/ NII
37,3%
NIR/expenses
79,6%
Efficiency ratio
55,7%
multiply
83,4%
=
0,82%
multiply
14,31
=
11,8%
13,4%

Cross-referencing
Segmental reporting
Pages 197 – 201

CLUSTER PERFORMANCE

The business clusters collectively reported an increased ROE of 18,6% and earnings growth of 30,8%.

		Headline earnings (Rm)		ROE %	
Year ended	% change	**2011**	2010	**2011**	2010
Nedbank Capital	1,9	**1 225**	1 202	**23,0**	23,5
Nedbank Corporate	11,8	**1 672**	1 496	**25,0**	19,7
Nedbank Business Banking	3,3	**852**	825	**23,1**	26,4
Nedbank Retail	163,4	**2 002**	760	**11,8**	4,6
Nedbank Wealth	5,6	**625**	592	**38,7**	41,0
Operating units	30,8	**6 376**	4 875	**18,6**	14,4
Centre	<(100)	**(192)**	25		
Group	26,2	**6 184**	4 900	**13,6**	11,8

Nedbank Retail's growth in headline earnings and ROE improvement were achieved through excellent progress strategically and financially in repositioning the cluster. Delivering distinctive, client-centred value propositions enabled strong new-client growth and markedly increased sales. As a result the cluster's NIR grew 17,3%, primarily driven by higher transactional and lending volumes. In addition, improved risk-based pricing, effective collections and rehabilitations resulted in reduced impairments that contributed to the robust performance.

The good performance from the wholesale clusters was supported by excellent risk management, an increase in primary clients and higher usage of innovative transactional-banking offerings. Nedbank Capital navigated well through difficult and volatile markets and ended the year with a small increase in its headline earnings. Nedbank Wealth performed well and its 2009 acquisitions continued to bear fruit, supporting its growth in earnings and embedded value, while the insurance and asset management businesses contributed strongly.

The centre moved to a loss of R192m primarily as a result of an additional amount of R200m before tax that was raised as a group portfolio impairment and a R111m after-tax share-based payments charge for the Eyethu community share scheme.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended (Rm)	% change	**2011**	2010
Net interest income	8,6	**18 034**	16 608
Impairments	(13,8)	**(5 331)**	(6 188)
Income from lending activities	21,9	**12 703**	10 420
Non-interest revenue	16,6	**15 412**	13 215
Total expenses	14,0	**(18 919)**	(16 598)
Indirect taxation	13,0	**(505)**	(447)
Associate income	>100		1
Headline profit before taxation	31,9	**8 691**	6 591
Direct taxation	60,6	**(2 194)**	(1 366)
Minorities and preference shares	(3,7)	**(313)**	(325)
Headline earnings	26,2	**6 184**	4 900
Basic earnings	28,7	**6 190**	4 811

AVERAGE BANKING STATEMENT OF FINANCIAL POSITION AND RELATED INTEREST

FOR THE YEAR ENDED 31 DECEMBER

	2011			2010		
Rm	Average balance	Margin statement interest		Average balance	Margin statement interest	
	Assets	Received	%	Assets	Received	%
Average prime rate			9,00			9,90
Loans and advances and clients' indebtedness for acceptances						
Home loans (including properties in possession)	145 522	10 877	7,5	146 426	11 962	8,2
Commercial mortgages	85 601	7 493	8,8	81 936	7 686	9,4
Finance lease and instalment debtors	68 534	7 077	10,3	65 400	7 303	11,2
Credit cards	8 455	1 165	13,8	7 733	1 106	14,3
Bills and acceptances[1]	3 418	6	0,2	1 955	20	1,0
Overdrafts	13 494	1 224	9,1	13 230	1 331	10,1
Term loans and other[2]	146 067	10 749	7,4	139 256	11 304	8,1
Impairment of loans and advances	(11 534)			(10 628)		
Government and other securities	35 246	3 072	8,7	34 923	2 929	8,4
Short-term funds and trading securities	26 346	1 217	4,6	15 699	736	4,7
Interest-earning banking assets	521 149	42 880	8,2	495 930	44 377	8,9
Net interdivisional asset-trading book	(2 431)			(666)		
Revaluation of FVTPL-designated[3] assets	1 817			1 442		
Derivative financial instruments	187			93		
Insurance assets	9 495			8 435		
Cash and banknotes	2 296			2 083		
Other assets	6 975			7 111		
Associates and investments	3 570			2 984		
Property and equipment	6 040			5 399		
Intangible assets	7 533			7 387		
Mandatory reserve deposits with central banks	12 452			11 766		
Total assets	569 083	42 880	7,5	541 964	44 377	8,2
	Liabilities	Paid	%	Liabilities	Paid	%
Deposit and loan accounts	259 681	12 882	5,0	238 284	13 955	5,9
Current and savings accounts	59 824	640	1,1	56 878	788	1,4
Negotiable certificates of deposit	113 734	7 153	6,3	111 230	8 319	7,5
Other interest-bearing liabilities[4]	34 709	1 739	5,0	42 264	2 420	5,7
Long-term debt instruments	28 168	2 432	8,6	25 696	2 287	8,9
Interest-bearing banking liabilities	496 116	24 846	5,0	474 352	27 769	5,9
Other liabilities	11 612			11 317		
Revaluation of FVTPL-designated[3] liabilities	1 817			1 442		
Derivative financial instruments	1 804			1 445		
Investment contract liabilities	9 299			8 257		
Ordinary shareholders' equity	44 696			41 305		
Non-controlling interest	3 739			3 846		
Total equity and liabilities	569 083	24 846	4,4	541 964	27 769	5,1
Interest margin on interest-earning banking assets	521 149	18 034	3,46	495 930	16 608	3,35

Where possible, averages are calculated on daily balances.

[1] *Includes clients' indebtedness for acceptances.*
[2] *Includes term loans, preference shares, factoring debtors, other lending-related instruments and interest on derivatives.*
[3] *Fair value through profit and loss.*
[4] *Includes foreign currency liabilities and liabilities under acceptances.*

NET INTEREST INCOME

Net interest income (NII) grew 8,6% to R18 034m (2010: R16 608m), with NIM growing to 3,46% (2010: 3,35%). Average interest-earning banking assets increased by 5,1% (2010 growth: 3,0%).

The increase in NIM reflects:

- asset margin expansion on new advances from risk-adjusted pricing and a change in asset mix; and
- the lower cost of term liquidity in 2011.

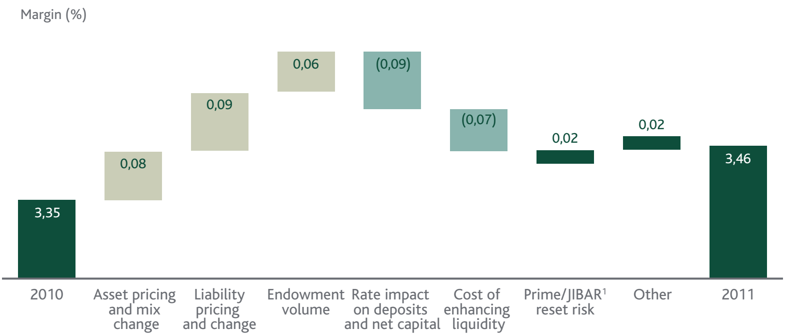
This was partially offset by:

- the impact of endowment, with average interest rates 90 basis points lower than in 2010;
- the cost of enhancing the group's funding profile; and
- the cost of carrying higher levels of lower-yielding liquid assets as the group proactively positions itself for the likely implications of Basel III.

Cross-referencing
Risk and balance sheet management
Pages 372 – 423

NET INTEREST MARGIN ANALYSIS

ASSET AND LIABILITY MARGIN PRICING OFFSETTING ENDOWMENT AND COST OF LIQUIDITY



[1] *Johannesburg Interbank Agreed Rate.*

IMPAIRMENTS CHARGE ON LOANS AND ADVANCES

The credit loss ratio improved to 1,14% for the year (2010: 1,36%), while further strengthening the portfolio impairment provision.

The credit loss ratio relating to specific impairments improved substantially to 1,02% for the year (2010: 1,32%) as defaulted advances continued tracking downwards to R23 073m (2010: R26 765m).[1]

Cross-referencing
Consolidated annual financial statements
Pages 270 – 272

IMPAIRMENTS

SPECIFIC IMPAIRMENTS CONTINUE TO TRACK DOWNWARDS

Credit loss ratio analysis (%)	2011	H2 2011	H1 2011	2010
Credit loss ratio components				
Specific impairments	1,02	0,93	1,10	1,32
Portfolio impairments	0,12	0,13	0,11	0,04
Total	1,14	1,06	1,21	1,36

The group maintained a strong focus on credit risk management. The increased level of portfolio impairments includes R159m relating to lengthened emergence-period assumptions and R200m in the centre for unknown events that may have already occurred, but which will only be evident in the future.

SEGMENTAL IMPAIRMENT ANALYSIS

	% of banking advances	2011	H2 2011	H1 2011	2010	Through-the-cycle target ranges
Impairments charge (Rm)		5 331	2 539	2 792	6 188	
Credit loss ratios (%)						
Group		1,14	1,06	1,21	1,36	0,60 – 1,00
Nedbank Capital	13,6	1,23	1,57	0,86	1,27	0,10 – 0,35
Nedbank Corporate	32,2	0,29	0,24	0,34	0,2	0,20 – 0,35
Nedbank Business Banking	12,3	0,54	0,67	0,4	0,4	0,55 – 0,75
Nedbank Retail	38,2	1,98	1,73	2,24	2,67	1,50 – 2,20
Nedbank Wealth	3,7	0,25	0,09	0,41	0,15	0,20 – 0,40

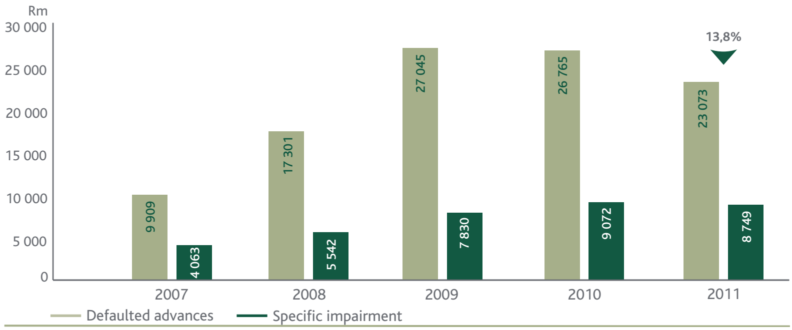
Cross-referencing
Consolidated annual financial statements Page 273

Nedbank Retail's credit loss ratio of 1,98% (2010: 2,67%) is now within the cluster's through-the-cycle (TTC) target range of 1,50% to 2,20%. Nedbank Capital's credit loss ratio remained elevated at levels similar to those of 2010, mainly due to impairments charges on increased non-performing loans. Credit loss ratios in Nedbank Corporate, Nedbank Business Banking and Nedbank Wealth remained within or better than the respective clusters' TTC target ranges.

DEFAULTED ADVANCES

DEFAULTED ADVANCES

Defaulted, total advances	2,61%	3,91%	5,88%	5,50%	4,55%
Coverage ratio	41,0%	32,0%	29,0%	33,9%	37,9%



Cross-referencing
Consolidated annual financial statements
Pages 242 – 245

NON-INTEREST REVENUE

The momentum in NIR continued in 2011, resulting in strong growth of 16,6% to R15 412m (2010: R13 215m) and the ratio of NIR to expenses increasing to 81,5% (2010: 79,6%).[1]

Year end (Rm)	% change	2011	2010
Commission and fees	16,2	11 335	9 758
Insurance income	22,4	1 053	860
	16,7	12 388	10 618
Trading income	3,4	2 168	2 096
Private equity income	41,7	323	228
Non-banking subsidiary income (Tando)	15,7	214	185
Other income	9,5	379	346
	14,8	15 472	13 473
Fair-value adjustments	76,7	(60)	(258)
Credit spread on bonds/swaps		(49)	(213)
Basis and other		(11)	(45)
	16,6	15 412	13 215

The continued trend of growth in commission and fee income, which was up 16,2%, arose from further primary-client gains, robust transaction volumes and a good uptake of new products, particularly in Nedbank Retail, as well as of electronic channels in the rest of the group.

Insurance income grew strongly at 22,4%, achieved through insurance sales into the MFC, personal-loans and card businesses as well as an improved underwriting performance.

Trading income increased by 3,4% to R2 168m (2010: R2 096m) in difficult markets. Private equity income increased by 41,7% to R323m (2010: R228m), mainly from improved realisations and dividends received in the Nedbank Capital and Nedbank Corporate private equity investment portfolios.

NIR from private equity (Rm)	December 2011	December 2010
Nedbank Capital	249	148
Nedbank Corporate Property Finance	74	80
Total NIR from private equity	323	228

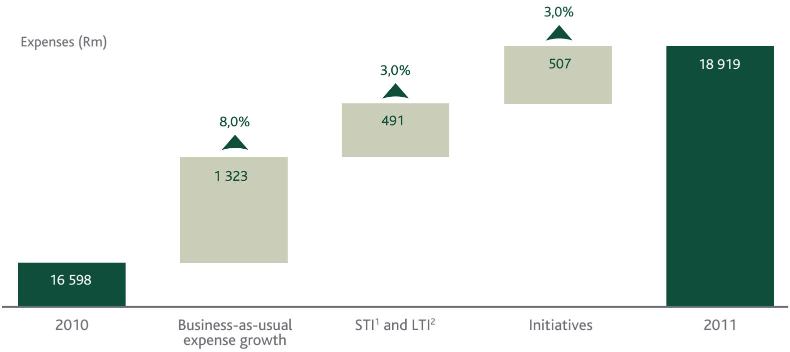
NIR was negatively impacted by R49m (2010: R213m loss) over the year as a result of fair-value adjustments on the group's subordinated-debt and associated hedges, resulting from the strengthening of the group's credit spreads.

EXPENSES

The group continued to manage core expenses while investing for growth, resulting in an ongoing improvement in the NIR-to-expenses ratio. Expenses increased 14,0% to R18 919m (2010: R16 598m), comprising expense growth of 8,0%, relating to business-as-usual activities, 3,0% relating to investing for growth initiatives and 3,0% relating to variable compensation.

EXPENSE DRIVERS

BUSINESS-AS-USUAL EXPENSES UP 8,0% WHILE INVESTING FOR GROWTH



[1] *Short -term incentives*
[2] *Long -term incentives*

Overall the main drivers of expense growth were:

- Remuneration costs increasing 12,5%, driven by 3,4% headcount growth and inflation-related salary increases of 6,5%.
- Short-term incentive costs increasing 35,8% on the back of 26,2% headline earnings growth, an R1,2bn increase in EP and outperformance on some non-financial measures.
- Long-term incentive costs increasing R140m to R262m, as 2010 contained a reversal of prior charges when historical corporate performance targets were not met and related restricted shares issued in 2007, 2008 and 2009 lapsed.
- Volume-driven costs, such as fees and computer-processing costs, continuing to grow in support of revenue-generating business activities.
- Investing for growth initiatives taking place across the clusters, which included the repositioning of Nedbank Retail that entailed footprint rollout, headcount growth in frontline and collections staff, and system enhancements.

The efficiency ratio increased to 56,6% (2010: 55,7%), reflecting the negative endowment impact of lower interest rates on NII compounded by slower growth in interest-earning banking assets and the strategy of investing for growth. Nedbank Group's compound NIR growth of 10,2% since 2007 continues to exceed its related compound expense growth of 8,8%. Comparing Nedbank Group with the peer industry average compound growth since 2007 clearly illustrates outperformance on both NIR (higher growth) and expenses (lower growth) and a resultant positive growth delta.

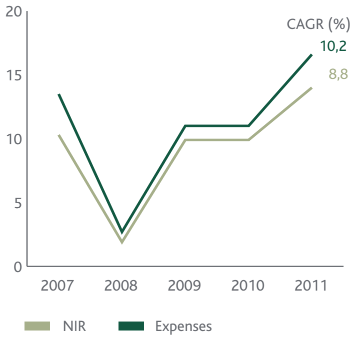
Cross-referencing
Consolidated annual financial statements Pages 246 – 249

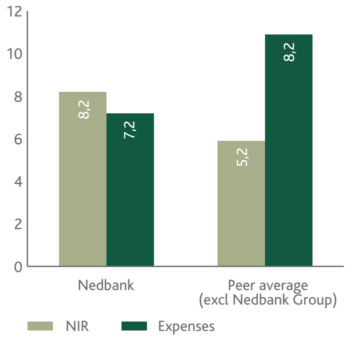
Cross-referencing
Risk and balance sheet management
Pages 372 – 423

Cross-referencing
Eight-year review
Pages 174 – 177

NON-INTEREST REVENUE/EXPENSES TREND

SUSTAINED POSITIVE NIR/EXPENSES JAWS RATIO





TAXATION

The tax charge increased 60,6% to R2 194m (2010: R1 366m), with the effective tax rate increasing to a more normalised 25,2% (2010: 20,7%). The increase resulted from:

- the 31,9% growth in income before tax;
- a lower proportion of dividend income relative to total income than in 2010;
- secondary tax on companies savings in the first six months of 2010, resulting from the takeup of the scrip dividend (81,5%) offered in that period; and
- the reversal of certain tax provisions in 2010.

COMPREHENSIVE STATEMENT OF FINANCIAL POSITION

CAPITAL

The group's capital adequacy ratios remain well above the group's internal targets and continue to be strengthened as a result of ongoing risk and capital optimisation, strong growth in organic earnings and a strategic focus on managing for value and portfolio tilt.

Basel II (%)	2011	2010	Internal target range (Basel II)	Regulatory minimum
Core Tier 1 ratio	11,0	10,1	7,5 – 9,0	5,25
Tier 1 ratio	12,6	11,7	8,5 – 10,0	7,00
Total capital ratio	15,3	15,0	11,5 – 13,0	9,75

Ratios calculated include unappropriated profits.

Given the predominant focus on the core Tier 1 ratio under Basel III and considering the group's strong total capital adequacy ratio, the group elected to call the Nedbank Limited Tier 2 bond (Ned 5), amounting to R1,5bn in April 2011, without replacing it.

Further detail on the group's capital and Basel III developments that will affect capital and liquidity can be found in the 'Risk and balance sheet management' section of this report.

INTERNAL CAPITAL ALLOCATION

Further enhancements to the internal capital allocation to business clusters occurred in 2011 to support the closer alignment of group and cluster ROEs. These enhancements have no impact on the group's overall capital levels and ROE, but have impacted the ROEs recorded by the business clusters. This is an ongoing process born out of evolving regulatory developments such as Basel III.

LOANS AND ADVANCES

Loans and advances grew 4,4% to R496bn (2009: R475bn), with growth increasing, particularly in the wholesale portfolios, during the fourth quarter.

LOANS AND ADVANCES BY CLUSTER

(Rm)	% change	December 2011	December 2010
Nedbank Capital	9,9	68 510	62 328
Banking advances	13,9	48 558	42 650
Trading advances	1,4	19 952	19 678
Nedbank Corporate	4,5	164 754	157 703
Nedbank Business Banking	14,8	58 272	50 765
Nedbank Retail	(2,0)	183 663	187 334
Nedbank Wealth	16,3	19 625	16 869
Other	>100,0	1 224	274
	4,4	496 048	475 273

Advances totalling R9bn were transferred from Nedbank Retail to Nedbank Business Banking in 2011 to leverage its strong client and risk practices. On a like-for-like basis the growth in Nedbank Retail was 2,7%, while Nedbank Business Banking's advances, excluding the full impact of the Imperial Bank transfer and other client moves, remained flat.

Cross-referencing
Risk and balance sheet management Pages 372 – 423

LOANS AND ADVANCES BY PRODUCT

Year ended (Rm)	% change	2011	2010
Home loans	(1,9)	143 154	145 895
Commercial mortgages	3,9	89 488	86 100
Properties in possession	(6,5)	619	662
Term loans	4,5	77 980	74 605
Other term loans	(2,4)	60 133	61 604
Personal loans	37,3	17 847	13 001
Leases and instalment sales	4,8	71 168	67 881
Credit cards	9,6	8 666	7 910
Overnight loans	52,2	19 104	12 552
Overdrafts	(1,2)	13 152	13 307
Other	8,5	84 214	77 587
Impairment of advances	2,4	(11 497)	(11 226)
	4,4	496 048	475 273

A strategy of selective origination resulted in low economic profit home loans decreasing by 1,9% and an increase of 37,3% in personal loans and 9,6% in card receivables, and 5% growth in MFC included in leases and the instalment sales line. Commercial mortgages were up 3,9%, improving slightly ahead of the growth of 2,6% reported at the half-year stage. Properties in possession continued to decrease, benefiting from NedAssist (where the group assists clients in financial difficulty to sell their houses) and other strategies to reduce this category of asset. Other term loans decreased 2,4%, reflecting low levels of business confidence and subdued demand for loans by corporates, while overnight loans grew 52,2%, in line with short-term client demand for working capital and corporate treasuries switching from term loans. Other loans increased 8,5%, including the US$285m loan to Ecobank Transnational Inc, the group's strategic alliance partner in Africa. Encouragingly, after muted growth, the group saw wholesale credit demand starting to regain some ground in the fourth quarter, which bodes well for 2012.

DEPOSITS

Deposits increased by 6,3% to R521bn (2010: R490bn), and the group's loan-to-deposit ratio strengthened to 95,2% (2010: 96,9%).

Cross-referencing
Risk and balance sheet management
Pages 372 – 423

Cross-referencing
Consolidated annual financial statements
Pages 291 – 293

Cross-referencing
Chief Executive's Report
Pages 42 – 45

Optimising the mix of the deposit book remains a key focus in reducing the high cost of longer-term and professional funding. This is critical as banks compete more aggressively for lower-cost deposit pools with longer behavioural duration as they position their balance sheets in preparation for the Basel III liquidity ratios. Low interest rates, coupled with low domestic savings levels and the deleveraging of consumers, led to modest growth in retail deposits during 2011. Relatively higher deposit growth in commercial deposits indicated increasing working capital and available capacity among corporate clients.

DEPOSITS BY PRODUCT

Year ended (Rm)	% change	2011	2010
Current accounts	8,5	**51 733**	47 672
Savings accounts	7,8	**15 900**	14 756
Term deposits and other	12,9	**331 318**	293 467
Call and term deposits	18,3	**196 889**	166 386
Fixed and other deposits	5,8	**134 429**	127 081
Foreign currency liabilities	(4,5)	**9 342**	9 781
Non-negotiable certificates of deposit	(11,5)	**97 840**	110 584
Deposit repurchase agreements	5,9	**15 022**	14 180
	6,3	**521 155**	490 440

Current and savings accounts grew 8,5% and 7,8% respectively, in line with market demand. Growth in term deposits of 12,9% was driven by call and term deposits increasing 18,3% as a result of excess liquidity in the market as corporates remained cash-flush, and fixed deposits increasing 5,8%, boosted by the group's Retail Savings Bond product that generated R3,9bn of deposits. The reduction in negotiable certificates of deposit was the result of structured changes in the collective investments industry and the group's strategy to grow term deposits.

PROSPECTS

Nedbank Group's earnings momentum and delivery on its key strategic initiatives have set it up for continued growth in 2012.

The group's medium-to-long-term targets remain unchanged and we will continue to make progress on meeting these targets for 2012.

STATEMENT OF FINANCIAL POSITION – BANKING/TRADING CATEGORISATION

AT 31 DECEMBER

	2011				2010			
Rm	Banking	Trading	Elimi-nations	Total	Banking	Trading	Elimi-nations	Total
ASSETS								
Cash and cash equivalents	13 441	16		13 457	8 621	29		8 650
Other short-term securities	27 544	18 070	(9 628)	35 986	18 067	12 306	(3 329)	27 044
Derivative financial instruments	244	15 378	(2 782)	12 840	258	15 673	(2 049)	13 882
Government and other securities	35 289	4 619	(9 732)	30 176	31 571	4 313	(4 060)	31 824
Loans and advances	476 096	19 952		496 048	455 595	19 678		475 273
Other assets	4 583	7 468		12 051	4 446	5 568		10 014
Clients' indebtedness for acceptances	2 975			2 975	1 953			1 953
Current taxation receivable	698			698	483			483
Investment securities	13 588	693		14 281	11 604	314		11 918
Non-current assets held for sale	8			8	5			5
Investments in associate companies and joint ventures	568			568	936			936
Deferred taxation asset	(45)	311		266	15	269		284
Property and equipment	6 918	8		6 926	5 799	12		5 811
Long-term employee benefit assets	2 114	4		2 118	2 044	8		2 052
Mandatory reserve deposits with central banks	11 952			11 952	11 095			11 095
Intangible assets	7 737	40		7 777	7 492	2		7 494
Interdivisional assets		16 113	(16 113)	–		12 022	(12 022)	–
Total assets	603 710	82 672	(38 255)	648 127	559 984	70 194	(21 460)	608 718
EQUITY AND LIABILITIES								
Total equity attributable to equity holders of the parent	45 943	3 003		48 946	41 543	2 558		44 101
Non-controlling interest attributable to:								
– ordinary shareholders	178			178	153			153
– preference shareholders	3 561			3 561	3 560			3 560
Total equity	49 682	3 003	–	52 685	45 256	2 558	–	47 814
Derivative financial instruments	2 876	13 759	(2 782)	13 853	2 168	11 933	(2 049)	12 052
Amounts owed to depositors	482 563	48 220	(9 628)	521 155	454 648	39 129	(3 337)	490 440
Provisions and other liabilities	6 991	17 492	(9 732)	14 751	5 887	16 410	(4 052)	18 245
Liabilities under acceptances	2 975			2 975	1 953			1 953
Current taxation liabilities	200			200	191			191
Deferred taxation liabilities	1 147	198		1 345	1 640	164		1 804
Long-term employee benefit liabilities	1 479			1 479	1 414			1 414
Investment contract liabilities	8 237			8 237	7 309			7 309
Insurance contract liabilities	2 005			2 005	1 392			1 392
Long-term debt instruments	29 442			29 442	26 104			26 104
Interdivisional liabilities	16 113		(16 113)	–	12 022		(12 022)	–
Total liabilities	554 028	79 669	(38 255)	595 442	514 728	67 636	(21 460)	560 904
Total equity and liabilities	603 710	82 672	(38 255)	648 127	559 984	70 194	(21 460)	608 718

NEDBANK GROUP LIMITED EIGHT-YEAR REVIEW

STATISTICS AND RATIOS

Reporting standard

GRI FSSS: FS6
GRI G3.1: 2.8, EN1, EN3, EN4, EC1

		Seven-year CAGR[1] %	2011	2010	2009	2008	2007	2006	2005	2004
Share statistics										
Earnings per share										
Headline	cents	16,0	1 365	1 104	1 010	1 422	1 485	1 110	797	483
Diluted headline	cents	15,7	1 340	1 069	983	1 401	1 429	1 076	791	482
Basic	cents	18,2	1 367	1 084	1 140	1 581	1 511	1 135	966	423
Diluted basic	cents	18,0	1 341	1 050	1 109	1 558	1 454	1 099	958	422
Dividends/Distributions										
Declared per share	cents	26,0	605	480	440	620	660	493	290	120
Paid/Capitalised per share	cents	31,4	533	442	520	660	594	394	181	79
Dividend/Distribution cover	times		2,26	2,30	2,30	2,29	2,25	2,25	2,75	4,00
Net asset value per share	cents	12,7	10 753	9 831	9 100	8 522	7 513	6 363	5 597	4 654
Tangible net asset value per share	cents	15,2	9 044	8 160	7 398	7 179	6 207	5 106	4 351	3 361
Shares										
Gross number in issue	m		507	515	499	469	459	451	443	394
Treasury shares	m		(52)	(66)	(63)	(59)	(57)	(56)	(41)	[2]
Net number in issue	m		455	449	436	410	402	395	402	394
Weighted average number	m		453	444	423	405	399	400	397	361
Fully diluted weighted average	m		462	458	435	412	414	412	400	362
Share price and related statistics										
Nedbank Group traded price										
Closing	cents		14 500	13 035	12 405	9 550	13 600	13 350	10 000	7 780
High	cents		15 445	15 000	12 900	13 975	15 810	13 950	10 280	7 999
Low	cents		12 360	11 725	6 492	7 498	12 325	9 790	6 700	5 240
JSE banks index – closing			41 177	40 985	36 675	30 566	35 876	36 121	29 234	22 975
JSE all-share index – closing			31 985	32 119	27 666	21 509	28 958	24 915	18 097	12 657
Market capitalisation	Rbn		73,6	67,1	61,9	44,8	62,5	60,2	44,3	30,7
Number of shares traded	m		206,1	265,2	272,7	305,4	232,2	191,7	168,1	245,8
Number traded to weighted average number of shares	%		45,5	59,7	64,5	75,4	58,2	48,0	42,3	68,1
Value of shares traded	Rm		28 578	35 379	27 512	31 237	31 954	22 219	13 709	15 345
Value traded to market capitalisation	%		38,8	52,7	44,5	69,8	51,1	36,9	31,0	50,0
Price/earnings ratio	historical		11	12	12	7	9	12	13	16
Price to book	times		1,3	1,3	1,4	1,1	1,8	2,1	1,8	1,7
Dividend yield	%		4,2	3,7	3,5	6,5	4,9	3,7	2,9	1,5
Earnings yield	%		9,4	8,5	8,1	14,9	10,9	8,3	8,0	6,2
Closing price/tangible net asset value	times		1,6	1,6	1,7	1,3	2,2	2,6	2,3	2,3
Performance ratios										
Net interest income to interest-earning banking assets	%		3,46	3,35	3,39	3,66	3,94	3,94	3,55	3,18
Non-interest revenue to total income	%		46,1	44,3	42,2	39,9	42,5	46,3	49,8	53,1
Credit loss ratio – banking advances[3]	%		1,14	1,36	1,52	1,17	0,62	0,52	0,49	0,55
Non-interest revenue to total operating expenses	%		81,5	79,6	78,8	78,1	77,4	79,7	76,9	74,0
Efficiency ratio										
Including black economic empowerment (BEE) transaction expense	%		56,6	55,7	53,5	51,1	54,9	58,2	64,8	71,8
Excluding BEE transaction expense	%		56,0	55,2	53,1	50,4	54,2	57,5	62,5	71,8
Expenses to average assets	%		3,01	2,81	2,65	2,60	2,95	3,06	3,24	3,41
Effective taxation rate	%		25,2	20,7	20,2	21,6	26,3	27,8	23,4	24,2
Return on total assets[3]	%		0,99	0,82	0,76	1,09	1,30	1,14	0,93	0,54
Return on risk-weighted assets	%		1,86	1,51	1,31	1,62	1,76	1,60	1,40	0,82
Return on equity (ROE)[3]	%		13,6	11,8	13,4	17,7	21,4	18,6	15,5	11,0
ROE (excluding goodwill)[3]	%		15,3	13,4	11,8	20,1	24,8	22,1	18,9	14,4

		Seven-year CAGR[1] %	2011	2010	2009	2008	2007	2006	2005	2004
Assets and related ratios										
Advances										
Performing advances	Rm	11,9	484 472	459 734	433 054	424 791	370 125	306 004	249 318	220 202
Defaulted/impaired loans and advances[4]	Rm		23 073	26 765	27 045	17 301	9 909	7 743	4 304	7 490
Gross advances	Rm	12,1	507 545	486 499	460 099	442 092	380 034	313 747	253 622	227 692
Impairment of advances	Rm		(11 497)	(11 226)	(9 798)	(7 859)	(6 078)	(5 184)	(5 214)	(6 684)
Net advances	Rm		496 048	475 273	450 301	434 233	373 956	308 563	248 408	221 008
Non-performing assets to gross advances	%		4,5	5,3	5,9	3,9	2,6	2,5	1,7	3,3
Impairment of advances to gross advances	%		2,3	2,3	2,1	1,8	1,6	1,7	2,1	2,9
Assets										
Total assets on statement of financial position	Rm	10,2	648 127	608 718	570 703	567 023	488 856	424 912	352 258	327 840
Assets under management	Rm		112 231	102 570	87 204	84 381	85 438	86 212	63 925	60 369
Total assets administered by the group	Rm	10,1	760 358	711 288	657 907	651 404	574 294	511 124	416 183	388 209
Capital and related ratios										
Total equity attributable to equity holders of the parent	Rm	15,1	48 946	44 101	39 649	34 913	30 193	25 116	22 490	18 337
Regulatory capital[5]										
Tier 1	Rm		41 707	36 861	36 627	33 967	26 611	22 932	21 151	17 274
Total qualifying capital	Rm		50 884	47 372	47 538	44 120	37 421	32 683	29 099	25 663
Risk-weighted assets[5]	Rm		331 980	323 437	326 466	355 235	334 876	276 914	225 756	212 459
Group capital adequacy ratios[5]										
Core Tier 1	%		11,0	10,1	9,9	8,2	7,2			
Tier 1	%		12,6	11,7	11,5	9,6	8,2	8,3	9,4	8,1
Total	%		15,3	15,0	14,9	12,4	11,4	11,8	12,9	12,1
ENVIRONMENTAL										
Electricity consumption[6]	mWh		92 139	83 341	95 547	98 711	100 581			
Water consumption[6]	kl		266 136	263 876	276 481	373 935	445 459			
Waste reduction: Landfill[6]	tonnes		379	497	552	674	774			
Total recycled materials[6]	tonnes		528	500	455	419	396			
Paper consumption	tonnes		1 775	1 917	1 932	1 928	2 019			
Total carbon emissions	tonnes		217 957	213 428	213 081	135 469	121 949			
SOCIAL										
Corporate social investment spend	Rm		78,0	70,2	68,3	38,0	37,1	36,2	40,5	
Socioeconomic development spend	Rm		89,0	79,9	72,6	66,9	45,3			
Overall BEE spend ratio	%		99,6	85,1	83,4	62,0	48,1	46,0	34,9	
CULTURAL										
Number of employees			28 494	27 525	27 037	27 570	26 522	24 034	22 188	21 103
Revenue per employee	R000		987	859	798	801	846	788	713	665
Expenses per employee	R000		664	603	558	498	509	495	497	518
Headline earnings per employee	R000		217	158	158	209	223	185	143	83
Training and skills development spend	% of payroll		4,0	3,6	4,3	4,1	2,0	2,7	2,3	
Compliance with Occupational Health and Safety Programme	%		Above 95	Above 95	Above 95	93,6	91,2	94,3	Above 95	

Refer to pages 449 to 454 for definitions of terms used.

1 Compound annual growth rate.
2 Represents amounts less than R1m.
3 2009 to 2011 were calculated using a daily-average denominator. 2004 to 2008 were calculated using a simple-average denominator.
4 The amounts for 2007 to 2011 represent defaulted advances, while those for 2004 to 2006 represent impaired advances.
5 Ratios and balances for 2007 to 2011 were calculated according to Basel II principles, while ratios and balances for prior years were calculated according to Basel I principles.
6 Campus sites only.

NEDBANK GROUP LIMITED EIGHT-YEAR REVIEW

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

Rm	Seven-year CAGR[1] %	2011	2010	2009	2008	2007	2006	2005	2004
Interest and similar income	9,5	42 880	44 377	50 537	57 986	42 001	28 521	23 234	22 789
Interest expense and similar charges	6,8	24 846	27 769	34 231	41 816	27 855	17 558	14 705	15 644
Net interest income	14,1	18 034	16 608	16 306	16 170	14 146	10 963	8 529	7 145
Impairments charge on loans and advances	23,5	5 331	6 188	6 634	4 822	2 164	1 483	1 189	1 217
Income from lending activities	11,5	12 703	10 420	9 672	11 348	11 982	9 480	7 340	5 928
Non-interest revenue	9,6	15 412	13 215	11 906	10 729	10 446	9 468	8 469	8 099
Operating income	10,4	28 115	23 635	21 578	22 077	22 428	18 948	15 809	14 027
Total operating expenses	8,1	18 919	16 598	15 100	13 741	13 489	11 886	11 017	10 939
Operating expenses	8,9	18 725	16 450	14 974	13 547	13 341	11 740	10 469	10 314
Merger and recovery programme expenses								155	625
Black economic empowerment transaction expenses		194	148	126	194	148	146	393	
Indirect taxation	1,0	505	447	438	374	305	345	223	470
Profit from operations before non-trading and capital items	18,7	8 691	6 590	6 040	7 962	8 634	6 717	4 569	2 618
Non-trading and capital items		(14)	(91)	624	756	111	124	701	(254)
Profit from operations	20,4	8 677	6 499	6 664	8 718	8 745	6 841	5 270	2 364
Share of profits of associates and joint ventures	(100,0)		1	55	154	239	153	167	147
Profit before direct taxation	19,4	8 677	6 500	6 719	8 872	8 984	6 994	5 437	2 511
Direct taxation	19,4	2 174	1 364	1 307	1 868	2 343	1 933	1 140	629
Profit for the year	19,4	6 503	5 136	5 412	7 004	6 641	5 061	4 297	1 882
Profit attributable to:									
Equity holders of the parent	22,1	6 190	4 811	4 826	6 410	6 025	4 533	3 836	1 528
Non-controlling interest – ordinary shareholders	(17,7)	32	59	242	257	344	309	233	125
– preference shareholders	3,0	281	266	344	337	272	219	228	229
	19,4	6 503	5 136	5 412	7 004	6 641	5 061	4 297	1 882
Headline earnings	19,8	6 184	4 900	4 277	5 765	5 921	4 435	3 167	1 743

[1] *Compound annual growth rate.*

NEDBANK GROUP LIMITED EIGHT-YEAR REVIEW

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

Rm	Seven-year CAGR[1] %	2011	2010	2009	2008	2007	2006	2005	2004
ASSETS									
Cash and cash equivalents	16,5	13 457	8 650	7 867	8 609	10 344	12 267	11 142	4 630
Other short-term securities	12,0	35 986	27 044	18 550	18 589	25 793	25 756	17 014	16 310
Derivative financial instruments	(10,2)	12 840	13 882	12 710	22 321	9 047	15 273	16 176	27 276
Government and other securities	2,0	30 176	31 824	35 983	42 138	29 637	22 196	22 658	26 224
Loans and advances	12,2	496 048	475 273	450 301	434 233	373 956	308 563	248 408	221 008
Other assets	7,8	12 051	10 014	5 455	6 084	9 313	12 468	11 601	7 101
Clients' indebtedness for acceptances	10,2	2 975	1 953	2 031	3 024	2 251	2 577	1 291	1 509
Current taxation receivable	19,9	698	483	602	346	59	161	134	196
Investment securities	11,8	14 281	11 918	11 025	8 455	8 318	7 155	6 875	6 561
Non-current assets held for sale	(22,6)	8	5	12	10	31	490	385	48
Investments in associate companies and joint ventures	(8,0)	568	936	924	1 167	978	907	657	1 019
Deferred taxation asset	(19,9)	266	284	282	200	25	120	680	1 258
Investment property	19,7	614	199	211	213	171	158	163	174
Property and equipment	12,2	6 312	5 612	4 967	4 327	3 929	3 377	3 095	2 828
Long-term employee benefit assets	8,7	2 118	2 052	1 860	1 741	1 393	1 444	1 225	1 183
Mandatory reserve deposits with central bank	12,0	11 952	11 095	10 508	10 065	8 364	7 039	5 747	5 420
Intangible assets	6,2	7 777	7 494	7 415	5 501	5 247	4 961	5 007	5 095
Total assets	10,2	648 127	608 718	570 703	567 023	488 856	424 912	352 258	327 840
EQUITY AND LIABILITIES									
Ordinary share capital	2,1	455	449	436	410	402	395	402	394
Ordinary share premium	7,0	15 934	15 522	13 728	11 370	10 721	9 727	10 465	9 892
Reserves	22,1	32 557	28 130	25 485	23 133	19 070	14 994	11 623	8 051
Total equity attributable to equity holders of the parent	15,1	48 946	44 101	39 649	34 913	30 193	25 116	22 490	18 337
Non-controlling interest attributable to:									
– ordinary shareholders	(17,4)	178	153	1 849	1 881	1 511	1 202	1 049	680
– preference shareholders	3,7	3 561	3 560	3 486	3 279	3 421	3 070	2 770	2 770
Total equity	13,4	52 685	47 814	44 984	40 073	35 125	29 388	26 309	21 787
Derivative financial instruments	(9,5)	13 853	12 052	11 551	23 737	11 432	12 904	17 055	27 781
Amounts owed to depositors	11,0	521 155	490 440	469 355	466 890	384 541	324 685	261 311	250 747
Provisions and other liabilities	1,7	14 751	18 245	11 252	9 829	34 225	37 847	32 357	13 153
Liabilities under acceptances	10,2	2 975	1 953	2 031	3 024	2 251	2 577	1 291	1 509
Current taxation liabilities	0,5	200	191	315	235	337	434	466	193
Other liabilities held for sale							417		
Deferred taxation liabilities	2,4	1 345	1 804	1 945	2 100	1 616	1 649	959	1 143
Long-term employee benefit liabilities	4,2	1 479	1 414	1 304	1 231	1 157	1 215	1 071	1 109
Investment contract liabilities	14,9	8 237	7 309	6 749	5 843	5 846	5 278	4 166	3 109
Insurance contract liabilities		2 005	1 392	1 133					
Long-term debt instruments	22,0	29 442	26 104	20 084	14 061	12 326	8 518	7 273	7 309
Total liabilities	10,0	595 442	560 904	525 719	526 950	453 731	395 524	325 949	306 053
Total equity and liabilities	10,2	648 127	608 718	570 703	567 023	488 856	424 912	352 258	327 840
Guarantees on behalf of clients	14,8	28 288	29 614	28 161	25 226	20 579	15 250	11 064	10 770

[1] *Compound annual growth rate.*

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION CONTENTS

Consolidated annual financial statements

Consolidated statement of comprehensive income	188
Consolidated statement of financial position	189
Consolidated currency-adjusted statement of comprehensive income	190
Consolidated currency-adjusted statement of financial position	192
Consolidated statement of changes in equity	194
Consolidated statement of cashflows	196
Segmental reporting	197
Geographical segmental reporting	202
Notes to the financial statements	
Accounting principles	
Principal accounting policies	204
Standards and interpretations	216
Key assumptions concerning the future and key sources of estimation	219
Capital management	221
Consolidated statement of financial position – categories of financial instruments	222
Fair-value measurement	224
Liquidity gap	238
Contractual maturity analysis for financial liabilities	239
Historical value at risk (99%, one-day) by risk type	240
Interest rate repricing gap	240
Credit analysis of other short-term securities, and government and other securities	240
Notes to the consolidated statement of comprehensive income	
Interest and similar income	241
Interest expense and similar charges	241
Non-interest revenue	242
Operating expenses	246
Indirect taxation	248
Non-trading and capital items	248
Direct taxation	250
Earnings	251
Dividends	252
Notes to the consolidated statement of financial position	
Assets	
Cash and cash equivalents	254
Other short-term securities	254
Derivative financial instruments	254
Financial instruments designated as at fair value through profit or loss	258
Government and other securities	260
Loans and advances	261
Impairment of loans and advances	270
Other assets	274
Investment securities	274
Investments in associate companies and joint ventures	275
Non-current assets held for sale	275
Deferred taxation	276
Investment property	277
Property and equipment	278
Long-term employee benefits	280
Intangible assets	287
Acquisitions	289
Reserves	
Share capital	289
Liabilities	
Amounts owed to depositors	291
Provisions and other liabilities	294
Investment contract liabilities	295
Insurance contract liabilities	295
Long-term debt instruments	296
Contingent liabilities and undrawn facilities	298
Commitments	298
Collateral	299
Securitisations	300
Foreign currency conversion guide	300
Cashflow information	301
Managed funds	302
Share-based payments	304
Related parties	320
Analysis of investments in associates and joint ventures	324
Analysis of investments in subsidiaries	326
Major subsidiary companies	328
Embedded-value report of Nedgroup Life Assurance Company Limited	329

Company annual financial statements

Company statement of comprehensive income	332
Company statement of financial position	332
Company statement of changes in equity	333
Company statement of cashflows	333
Notes to the company financial statements	
Operating expenses	334
Direct taxation	334
Sundry debtors	334
Investment securities	334
Share capital	335
Sundry creditors	335
Impairment of intergroup loans and advances	335
Cash generated by operations	335
Taxation paid	335
Share-based payments	336
Related parties	338
Liquidity, credit risk and market risk information	339

Additional information

Disclosure requirements in terms of Home Loan and Mortgage Disclosure Act	340
Compliance with IFRS – annual financial statement notes	342

DIRECTORS' RESPONSIBILITY

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Nedbank Group Limited, comprising the statements of financial position at 31 December 2011; the statements of comprehensive income; the statements of changes in equity and statements of cashflows for the year then ended; the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes; and the directors' report in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, the AC 500 standards as issued by the Accounting Practices Board, and the requirements of the Companies Act, 71 of 2008 (as amended).

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

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

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

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

APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

The group annual financial statements and annual financial statements of Nedbank Group Limited, as identified in the first paragraph, were approved by the Nedbank Group Limited Board of Directors on 28 February 2012 and are signed on its behalf by:

Dr RJ Khoza
Chairman

MWT Brown
Chief Executive

Sandown
28 February 2012

COMPANY SECRETARY'S CERTIFICATION

In terms of section 88(2)(e) of the Companies Act, 71 of 2008 (as amended), I certify that, to the best of my knowledge and belief, Nedbank Group Limited has lodged with the Commissioner all such returns and notices as are required by the Companies Act, 71 of 2008 (as amended), and that all such returns and notices are true, correct and up to date.

GS Nienaber
Company Secretary

Sandown
28 February 2012

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF NEDBANK GROUP LIMITED

We have audited the consolidated group annual financial statements of Nedbank Group Limited, which comprise the directors' report, the consolidated and separate statements of financial position as at 31 December 2011, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cashflows for the year then ended, a summary of significant accounting policies and other explanatory notes set out on pages 184 to 339, and the Remuneration Report as set out on pages 344 to 371 and the sections indicated as audited in the Risk and Balance Sheet Management Review set out on pages 372 to 423 of the group's integrated report as disclosed in the accompanying CD and online at www.nedbankgroup.co.za.

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, 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 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 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting 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 consolidated and separate financial position of Nedbank Group Limited as at 31 December 2011, and of its consolidated and separate financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of SA.

KPMG Inc

KPMG Inc
Per H Berrange
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road, Parktown
Johannesburg
2193

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

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

Sandown
28 February 2012

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per D Shipp
Partner

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

National Executive:
GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Risk Advisory), NB Kader (Tax), L Geeringh (Consulting), L Bam (Corporate Finance and Legal Services), JK Mazzocco (Human Resources), CR Beukman (Finance), TJ Brown (Chairman of the Board), MJ Comber (Deputy Chairman of the Board)

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

AUDIT COMMITTEE REPORT

The legal responsibilities of the Nedbank Group Audit Committee ('the committee') are set out in the Companies Act, 71 of 2008 (as amended), 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)(appointed Chairman 6 May 2011)
- CJW Ball (retired 6 May 2011)
- TCPCh ikane
- NPM nxasana
- Prof B de L Figaji (appointed 18 February 2011)
- WE Lucas-Bull (appointed 24 February 2012)

Biographical details of the current members of the committee are set out on pages 38 to 41. Members' fees are included in the table of directors' remuneration on pages 366 and 367.

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 Enterprisewide Risk Management Framework (ERMF) on pages 372 and 373 of the integrated report. 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 contained in the Enterprise Governance and Compliance Report on pages 424 to 433.

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 246. Further details are contained in the Enterprise Governance and Compliance Report on pages 424 to 433.

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 the group's key external stakeholders.

The functions of the three lines of defence, as well as the principal responsibilities that extend across the group, are set out in the Risk and Capital Management Report on pages 372 and 373.

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 International Financial Reporting Standards 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 ERMF.
- Reviewing and monitoring all key performance indicators to ensure the appropriate high-level decisionmaking 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 group's compliance with the Basel II 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.
- Considering 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 (as amended), 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 Listing Requirements the Audit Committee had, at its meeting held on 20 January 2012, 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

28 February 2012

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

ANNUAL FINANCIAL STATEMENTS
Full details of the financial results are set out on pages 188 to 339 and 344 to 371 of these annual financial statements, which have been prepared under the supervision of the Nedbank Group Chief Financial Officer, Mrs RK Morathi, and audited in compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board, the AC 500 standards as issued by the Accounting Practices Board, and the requirements of the Companies Act, 71 of 2008 (as amended).

INTEGRATED REPORT
The board of directors acknowledges its responsibility to ensure the integrity of the integrated report. The board has accordingly applied its mind to the integrated report and in the opinion of the board the integrated report addresses all material issues, and presents fairly the integrated performance of the organisation and its impacts. The integrated report has been prepared in line with best practice pursuant to the recommendations of the King III Code (principle 9.1).

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

YEAR UNDER REVIEW
The year under review is fully covered in the Chairman's Statement on pages 34 to 37, Chief Executive's Report on pages 42 to 45, operational reviews on pages 58 to 79, Chief Operational Officer's Report on pages 80 and 81, and the Financial Report on pages 160 to 173.

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 Group is Old Mutual Life Assurance Company (SA) Limited and associates, which holds 51,86% of the issued ordinary shares of the company. The ultimate holding company is Old Mutual plc, incorporated in England and Wales. Further details of shareholders appear on pages 447 and 448.

DIVIDENDS
Details of the dividends appear on pages 252 and 253 in note 20 to the annual financial statements.

DIRECTORS
Biographical details of the current directors appear on pages 38 to 41. Details of directors' and prescribed officers' remuneration and Nedbank Group shares issued to directors and prescribed officers appear on pages 344 to 371.

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

- Mr CJW Ball retired as senior independent director (6 May 2011).
- Mr MI Wyman was appointed as senior independent director (6 May 2011).
- Mr PM Makwana was appointed as independent non-executive director (17 November 2011).
- Mr A de VC Knott Craig resigned as an independent non-executive director (24 February 2012).

The directors who, in terms of the memorandum of incorporation, are required to seek reelection at the annual general meeting are Mesdames TCP Chikane, NP Mnxasana and GT Serobe, and Mr DI Hope and Dr RJ Khoza. Being eligible, they make themselves available for reelection.

Mr PM Makwana was appointed by the board of directors during 2011. 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 4 May 2012.

In terms of Nedbank Group policy, non-executive directors and independent non-executive directors of Nedbank Group who have served on the board for a period longer than nine years are required to retire from the board. Prof B de L Figaji reached the nine-year limit on 25 November 2011 and retires as a director at the close of the Nedbank Group annual general meeting on 4 May 2012.

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)
CJW Ball	Senior independent director	1 November 2002	6 May 2011
TA Boardman	Non-executive director	1 November 2002 (1 March 2010 as non-executive)	
MWT Brown	Chief Executive	17 June 2004	
TCP Chikane	Independent non-executive director	1 November 2006	
A de VC Knott-Craig	Independent non-executive director	1 January 2009	24 February 2012
GW Dempster	Chief Operating Officer and executive director	5 August 2009	
MA Enus-Brey	Non-executive director	16 August 2005	
B de L Figaji	Independent non-executive director	25 November 2002	
DI Hope (New Zealand)	Non-executive director	1 December 2009	
RJ Khoza	Chairman and non-executive director	16 August 2005	
WE Lucas-Bull	Independent non-executive director	1 August 2009	
PM Makwana	Independent non-executive director	17 November 2011	
NP Mnxasana	Independent non-executive director	1 October 2008	
RK Morathi	Chief Financial Officer and executive director	1 September 2009	
JK Netshitenzhe	Independent 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)	Senior independent director	1 August 2009	

DIRECTORS' INTERESTS

The directors' interests in ordinary shares in Nedbank Group and non-redeemable non-cumulative preference shares in Nedbank Limited at 31 December 2011 are set out in the Remuneration Report on pages 368 and 369.

AUDIT COMMITTEE

The Audit Committee Report appears on pages 181 to 183.

COMPANY SECRETARY AND REGISTERED OFFICE

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

BUSINESS ADDRESS

Nedbank Group Limited
Nedbank Sandton
135 Rivonia Road
Sandown, Sandton, 2196
SA

REGISTERED ADDRESS

135 Rivonia Road
Sandown, Sandton
2196

POSTAL ADDRESS

Nedbank Group Limited
PO Box 1144
Johannesburg, 2000
SA

PROPERTY AND EQUIPMENT

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

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) Limited ('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 Limited (WIPHOLD) and Chief Executive of Wipcapital (Pty) Limited, a wholly owned subsidiary of WIPHOLD. Mr MA Enus-Brey is Chief Executive and 8,53% shareholder of Brimstone Investment Corporation Limited 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 Group's memorandum of incorporation.

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

Service contracts have been entered into for Messrs MWT Brown and GW Dempster and Ms 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 page 357.

INSURANCE

The group has placed cover in the London traditional insurance market of up to R1,85bn for losses in excess of R50m. Group captive insurers provide cover for losses that may occur below the R50m level, retaining R100m. Selected insurance covers are placed with the Old Mutual Group.

SUBSIDIARY COMPANIES

Details of principal subsidiary companies are reflected on pages 326 to 328 of the annual financial statements.

SPECIAL RESOLUTIONS BY SUBSIDIARIES

- 10 March 2011 for the change of name of Imperial Bank Limited to IBL Asset Finance and Services Limited, and on 11 April 2011 for the conversion of shares.
- 30 March 2011 by TP Hentiq 6373 (Pty) Limited for the adoption of a new memorandum of incorporation.
- 1 April 2011 by Syfrets Securities Limited for the increase in share capital.
- 12 April 2011 by NBS Boland Group Limited to amend the memorandum of incorporation to allow for payments to shareholders.
- 3 May 2011 by MBCA Finance (Private) Limited for the repurchase of its own shares by way of a share swap with shares held by the company in MBCA Holdings Limited, and for the allotment of shares to MBCA Holdings Limited.
- 10 June 2011 by Nedbank Limited for remuneration paid to directors.
- 30 June 2011 by Investage 91 (Pty) Limited for the approval of financial assistance in terms of section 45 of the Companies Act, 71 of 2008 (as amended).
- 4 July 2011 by BDI Corporate Finance (Pty) Limited for the disposal of assets.
- 19 September 2011 by Nedgroup Insurance Company Limited for the approval of directors' remuneration.
- 5 October 2011 by Nedbank Namibia Limited relating to the amendment of its articles of association with regard to references to the Namibian Companies Act, 28 of 2004, and the amended Namibian Banking Institutions, 2 of 1998, to amend the borrowing powers so as to enhance structural liquidity within the company's funding programme, to create alternative asset classes within the Namibian market and to align the articles with those of Nedbank Group Limited with regard to retirement dates of directors.
- 11 October 2011 by Nedbank Limited for the creation of class A and class B redeemable cumulative preference shares.
- 14 October 2011 by Depfin Investments (Pty) Limited for the issue of shares to a related company.
- 17 October 2011 by Nedgroup Securities (Pty) Limited for the issue of shares to a related company.
- 19 October 2011 by Depfin Investments (Pty) Limited for the issue of shares to a related company.
- 15 November 2011 by Central Union Trust Limited to change its name to Nedgroup Beneficiary Solutions Limited.
- 12 December 2011 by Depfin Investments (Pty) Limited for the issue of shares to a related company.
- 9 January 2012 by Syfrets Securities Limited for the issue of shares to a related company.

ACQUISITION OF SHARES

On 6 January 2011 Nedbank Group exercised call options that were granted to it by the AKA–Nedbank Eyethu Trust, the Nedbank Eyethu Corporate Scheme Trust and the Nedbank Eyethu Non-executive Directors Trust to repurchase Nedbank Group ordinary shares. A total of 1 321 260 Nedbank Group ordinary shares were repurchased from the AKA–Nedbank Eyethu Trust, 8 006 209 Nedbank Group ordinary shares from the Nedbank Eyethu Corporate Scheme Trust and 621 898 Nedbank Group ordinary shares from the Nedbank Eyethu Non-executive Directors Trust in terms of the specific repurchase. The total cost of the repurchase of the shares was R10,5m [inclusive of securities transfer tax (STT) costs and costs of the call option].

No shares in Nedbank Group were acquired by Nedbank Group or by a Nedbank Group subsidiary during the financial year under review in terms of the general authority previously granted by shareholders.

Members will be requested to renew the general authority enabling the company or a subsidiary of the company to repurchase shares.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any other material events that have occurred between the reporting date and 28 February 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Notes	2011 Rm	2010 Rm
Interest and similar income	12	42 880	44 377
Interest expense and similar charges	13	24 846	27 769
Net interest income		18 034	16 608
Impairments charge on loans and advances	27.1	5 331	6 188
Income from lending activities		12 703	10 420
Non-interest revenue	14	15 412	13 215
Operating income		28 115	23 635
Total operating expenses		18 919	16 598
Operating expenses	15	18 725	16 450
BEE transaction expenses	15.1	194	148
Indirect taxation	16	505	447
Profit from operations before non-trading and capital items		8 691	6 590
Non-trading and capital items	17	(14)	(91)
Profit from operations		8 677	6 499
Share of profits of associates and joint ventures	30.1	*	1
Profit before direct taxation		8 677	6 500
Direct taxation	18.1	2 174	1 364
Profit for the year		6 503	5 136
Other comprehensive income/(loss) net of taxation		697	(77)
Exchange differences on translating foreign operations		469	(246)
Fair-value adjustments on available-for-sale assets		(21)	(3)
Gains on property revaluations		249	172
Total comprehensive income for the year		7 200	5 059
Profit attributable to:			
Equity holders of the parent		6 190	4 811
Non-controlling interest – ordinary shareholders		32	59
– preference shareholders		281	266
		6 503	5 136
Total comprehensive income attributable to:			
Equity holders of the parent		6 879	4 734
Non-controlling interest – ordinary shareholders		40	59
– preference shareholders		281	266
Total comprehensive income for the year		7 200	5 059
Basic earnings per share (cents)	19.1	1 367	1 084
Diluted earnings per share (cents)	19.1	1 341	1 050

* *Represents amounts less than R1m.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER

	Notes	2011 Rm	2010 Rm
ASSETS			
Cash and cash equivalents	21	13 457	8 650
Other short-term securities	22	35 986	27 044
Derivative financial instruments	23	12 840	13 882
Government and other securities	25	30 176	31 824
Loans and advances	26	496 048	475 273
Other assets	28	12 051	10 014
Clients' indebtedness for acceptances		2 975	1 953
Current taxation receivable		698	483
Investment securities	29	14 281	11 918
Non-current assets held for sale	31	8	5
Investments in associate companies and joint ventures	30	568	936
Deferred taxation asset	32	266	284
Investment property	33	614	199
Property and equipment	34	6 312	5 612
Long-term employee benefit assets	35	2 118	2 052
Mandatory reserve deposits with central bank	21	11 952	11 095
Intangible assets	36	7 777	7 494
Total assets		648 127	608 718
EQUITY AND LIABILITIES			
Ordinary share capital	38.1	455	449
Ordinary share premium		15 934	15 522
Reserves		32 557	28 130
Total equity attributable to equity holders of the parent		48 946	44 101
Non-controlling interest attributable to:			
– ordinary shareholders		178	153
– preference shareholders	38.2	3 561	3 560
Total equity		52 685	47 814
Derivative financial instruments	23	13 853	12 052
Amounts owed to depositors	39	521 155	490 440
Provisions and other liabilities	40	14 751	18 245
Liabilities under acceptances		2 975	1 953
Current taxation liabilities		200	191
Deferred taxation liabilities	32	1 345	1 804
Long-term employee benefit liabilities	35	1 479	1 414
Investment contract liabilities	41	8 237	7 309
Insurance contract liabilities	42	2 005	1 392
Long-term debt instruments	43	29 442	26 104
Total liabilities		595 442	560 904
Total equity and liabilities		648 127	608 718
Guarantees on behalf of clients	44	28 288	29 614

CONSOLIDATED CURRENCY-ADJUSTED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

Millions	2011 ZAR	2010 ZAR
Interest and similar income	42 880	44 377
Interest expense and similar charges	24 846	27 769
Net interest income	18 034	16 608
Impairments charge on loans and advances	5 331	6 188
Income from lending activities	12 703	10 420
Non-interest revenue	15 412	13 215
Operating income	28 115	23 635
Total operating expenses	18 919	16 598
Operating expenses	18 725	16 450
BEE transaction expenses	194	148
Indirect taxation	505	447
Profit from operations before non-trading and capital items	8 691	6 590
Non-trading and capital items	(14)	(91)
Profit from operations	8 677	6 499
Share of profits of associates and joint ventures		1
Profit before direct taxation	8 677	6 500
Direct taxation	2 174	1 364
Profit for the year	6 503	5 136
Non-controlling interest attributable to ordinary shareholders	32	59
Non-controlling interest attributable to preference shareholders	281	266
Profit attributable to equity holders of the parent	6 190	4 811
Less: non-trading and capital items	6	(89)
Non-trading and capital items	(14)	(91)
Tax on non-trading and capital items	20	2
Headline earnings	6 184	4 900
Average exchange rate at 31 December for R1 (note 48)	1	1

2011 USD	2010 USD	2011 GBP	2010 GBP	2011 EUR	2010 EUR
5 913	6 066	3 683	3 936	4 232	4 593
3 426	3 796	2 134	2 463	2 452	2 874
2 487	2 270	1 549	1 473	1 780	1 719
735	846	458	549	526	640
1 752	1 424	1 091	924	1 254	1 079
2 125	1 806	1 324	1 172	1 521	1 368
3 877	3 230	2 415	2 096	2 775	2 447
2 608	2 269	1 625	1 472	1 867	1 718
2 581	2 249	1 608	1 459	1 848	1 703
27	20	17	13	19	15
70	61	43	40	50	46
1 199	900	747	584	858	683
(2)	(12)	(1)	(8)	(1)	(9)
1 197	888	746	576	857	674
1 197	888	746	576	857	674
300	186	187	120	215	142
897	702	559	456	642	532
4	8	3	5	3	6
39	36	24	24	28	28
854	658	532	427	611	498
1	(12)	1	(8)	1	(9)
(2)	(12)	(1)	(8)	(1)	(9)
3		2		2	
853	670	531	435	610	507
0,1379	0,1367	0,0859	0,0887	0,0987	0,1035

Financial results

CONSOLIDATED CURRENCY-ADJUSTED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

Millions	2011 ZAR	2010 ZAR
ASSETS		
Cash and cash equivalents	13 457	8 650
Other short-term securities	35 986	27 044
Derivative financial instruments	12 840	13 882
Government and other securities	30 176	31 824
Loans and advances	496 048	475 273
Other assets	12 051	10 014
Clients' indebtedness for acceptances	2 975	1 953
Current taxation receivable	698	483
Investment securities	14 281	11 918
Non-current assets held for sale	8	5
Investments in associate companies and joint ventures	568	936
Deferred taxation asset	266	284
Investment property	614	199
Property and equipment	6 312	5 612
Long-term employee benefit assets	2 118	2 052
Mandatory reserve deposits with central bank	11 952	11 095
Intangible assets	7 777	7 494
Total assets	648 127	608 718
EQUITY AND LIABILITIES		
Ordinary share capital	455	449
Ordinary share premium	15 934	15 522
Reserves	32 557	28 130
Total equity attributable to equity holders of the parent	48 946	44 101
Non-controlling interest attributable to:		
– ordinary shareholders	178	153
– preference shareholders	3 561	3 560
Total equity	52 685	47 814
Derivative financial instruments	13 853	12 052
Amounts owed to depositors	521 155	490 440
Provisions and other liabilities	14 751	18 245
Liabilities under acceptances	2 975	1 953
Current taxation liabilities	200	191
Deferred taxation liabilities	1 345	1 804
Long-term employee benefit liabilities	1 479	1 414
Investment contract liabilities	8 237	7 309
Insurance contract liabilities	2 005	1 392
Long-term debt instruments	29 442	26 104
Total liabilities	595 442	560 904
Total equity and liabilities	648 127	608 718
Guarantees on behalf of clients	28 288	29 614
Exchange rate at 31 December for R1 (note 48)	1	1

	2011 USD	2010 USD	2011 GBP	2010 GBP	2011 EUR	2010 EUR
	1 659	1 300	1 074	838	1 282	973
	4 437	4 065	2 871	2 621	3 429	3 042
	1 583	2 086	1 024	1 345	1 224	1 562
	3 720	4 783	2 408	3 084	2 876	3 580
	61 163	71 434	39 585	46 054	47 273	53 468
	1 486	1 504	962	970	1 148	1 128
	367	294	237	189	284	220
	86	73	56	47	67	54
	1 761	1 791	1 140	1 155	1 361	1 341
	1	1	1		1	1
	70	141	45	91	54	105
	33	43	21	28	25	32
	76	30	49	19	59	22
	778	843	504	544	602	631
	261	308	169	199	202	231
	1 474	1 668	954	1 075	1 139	1 248
	959	1 125	620	726	741	843
	79 914	91 489	51 720	58 985	61 767	68 481
	56	67	36	44	43	51
	1 965	2 333	1 272	1 504	1 519	1 746
	4 014	4 228	2 598	2 726	3 103	3 164
	6 035	6 628	3 906	4 274	4 665	4 961
	22	23	14	15	17	17
	439	535	284	345	339	401
	6 496	7 186	4 204	4 634	5 021	5 379
	1 708	1 811	1 106	1 168	1 320	1 356
	64 258	73 713	41 588	47 524	49 666	55 175
	1 819	2 742	1 177	1 767	1 406	2 052
	367	294	237	189	284	220
	25	29	16	19	19	21
	166	271	107	175	128	203
	182	213	118	137	141	159
	1 016	1 099	657	708	785	822
	247	208	160	135	191	157
	3 630	3 923	2 350	2 529	2 806	2 937
	73 418	84 303	47 516	54 351	56 746	63 102
	79 914	91 489	51 720	58 985	61 767	68 481
	3 488	4 451	2 257	2 870	2 696	3 332
	0,1233	0,1503	0,0798	0,0969	0,0953	0,1125

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 2009	435 733 177	436	13 728	224	1 002
Shares issued in terms of employee incentive schemes	8 823 158	9	1 111		
Shares issued in terms of capitalisation award	7 397 653	7	937		
Shares issued in terms of BEE transaction	1 225 560	2	217		
Shares delisted in terms of BEE transaction	(1 225 560)	(2)			
Shares acquired/cancelled by group entities and BEE trusts	(3 389 877)	(3)	(471)		
Dilution of shareholding in subsidiary					
Preference shares issued					
Preference share dividends paid					
Dividends to shareholders					
Total comprehensive income for the year				(246)	172
Transfer to/(from) reserves				2	(28)
Share-based payments reserve movement					
Regulatory risk reserve provision					
Liquidation of subsidiaries					
Additional capitalisation of subsidiaries					
Buyout of non-controlling interests					
Other movements					
Balance at 31 December 2010	448 564 111	449	15 522	(20)	1 146
Shares issued in terms of employee incentive schemes	2 397 269	2	309		
Shares issued in terms of BEE transaction	90 262		12		
Shares acquired/cancelled by group entities and BEE trusts	4 176 492	4	91		
Preference share dividends paid					
Acquisition of subsidiary					
Dividends distribution in respect of BEE transaction					
Dividends to shareholders					
Total comprehensive income for the year				461	249
Transfer to/(from) reserves					(25)
Share-based payments reserve movement					
Dilution of non-controlling interests					
Other movements					
Balance at 31 December 2011	455 228 134	455	15 934	441	1 370

* *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.*

**** *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	Non-controlling interest attributable to ordinary shareholders	Non-controlling interest attributable to preference shareholders	Total equity
875	173	76	23 135	39 649	1 849	3 486	44 984
				1 120			1 120
				944			944
				219			219
				(2)			(2)
				(474)			(474)
			(13)	(13)	13		–
				–		92	92
			(5)	(5)		(281)	(286)
			(2 042)	(2 042)	(8)		(2 050)
		(3)	4 811	4 734	59	266	5 059
4	(46)	25	43	–			–
70				70			70
	(3)			(3)			(3)
			(4)	(4)			(4)
				–	2		2
			(91)	(91)	(1 762)	(3)	(1 856)
			(1)	(1)			(1)
949	124	98	25 833	44 101	153	3 560	47 814
				311			311
				12			12
				95			95
				–		(281)	(281)
				–	7	1	8
			(310)	(310)			(310)
			(2 608)	(2 608)	(11)		(2 619)
		(21)	6 190	6 879	40	281	7 200
(420)	2		443	–			–
446				446			446
			11	11	(11)		–
			9	9			9
975	126	77	29 568	48 946	178	3 561	52 685

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2011 Rm	2010 Rm
Cash generated by operations	49.1	16 552	15 251
Cash received from clients	49.2	57 850	57 327
Cash paid to clients, employees and suppliers	49.3	(42 367)	(43 093)
Dividends received on investments		428	254
Recoveries on loans previously written off		641	763
Change in funds for operating activities		(4 080)	(12 891)
Increase in operating assets	49.4	(35 200)	(42 172)
Increase in operating liabilities	49.5	31 120	29 281
Net cash from operating activities before taxation		12 472	2 360
Taxation paid	49.6	(3 609)	(2 093)
Cashflows from operating activities		8 863	267
Cashflows utilised by investing activities		(3 702)	(4 438)
Acquisition of property and equipment, computer software and development costs and investment property		(1 697)	(2 004)
Disposal of property and equipment, computer software and development costs and investment property		32	372
Disposal of investment banking assets		14	11
Acquisition of associate companies		(71)	(149)
Disposal of associate companies		373	138
Acquisition of other investments		(3 629)	(2 415)
Disposal of other investments		1 276	1 462
Acquisition of investments in subsidiary companies net of cash	49.7		(1 853)
Cashflows from financing activities		557	5 504
Net proceeds from issue of ordinary shares		418	1 807
Issue of long-term debt instruments		4 901	6 513
Redemption of long-term debt instruments		(1 563)	(493)
Dividends paid to ordinary shareholders	49.8	(2 918)	(2 042)
Preference share dividends paid		(281)	(281)
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)		(54)	37
Net increase in cash and cash equivalents		5 664	1 370
Cash and cash equivalents at the beginning of the year*		19 745	18 375
Cash and cash equivalents at the end of the year*	21	25 409	19 745

** 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 Group Limited'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, Nedbank Africa and the specialist businesses of Transactional Banking and Shared Services. These businesses focus mainly on providing lending, deposit-taking and transactional banking solutions and execution services to the wholesale banking client base of Nedbank Group Limited. 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 Africa has banking operations in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe. Nedbank Africa operates in the retail and wholesale banking segments in each country.

NEDBANK WEALTH

Nedbank Wealth provides insurance, wealth and asset management solutions to the broader Nedbank Group and provides its offering via financial planners, independent financial advisers and third-party intermediaries. The cluster is also responsible for the high-net-worth (HNW) segment of Nedbank Group.

SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

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 (MFC)], 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.

SHARED SERVICES

Shared Services is an aggregation of business operations that provide various support services to Nedbank Group Limited, 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

Includes group capital instruments together with certain group overheads not recoverable from business segments, mainly within the Balance Sheet Management Division.

	Nedbank Group		Nedbank Capital	
	2011	2010	2011	2010
STATEMENT OF FINANCIAL POSITION (Rm)				
Cash and cash equivalents	25 409	19 745	4 474	2 732
Other short-term securities	35 986	27 044	31 329	20 792
Derivative financial instruments	12 840	13 882	12 755	13 790
Government and other securities	30 176	31 824	13 044	12 083
Loans and advances	496 048	475 273	68 510	62 328
Other assets	47 668	40 950	10 048	7 578
Intergroup assets	–	–	62 464	95 886
Total assets	648 127	608 718	202 624	215 189
Equity and liabilities				
Total equity	52 685	47 814	5 335	5 116
Derivative financial instruments	13 853	12 052	13 824	12 006
Amounts owed to depositors	521 155	490 440	174 043	184 201
Provisions and other liabilities	30 992	32 308	8 610	13 200
Long-term debt instruments	29 442	26 104	812	666
Intergroup liabilities	–	–		
Total equity and liabilities	648 127	608 718	202 624	215 189
STATEMENT OF COMPREHENSIVE INCOME (Rm)				
Net interest income	18 034	16 608	1 180	1 201
Impairments charge on loans and advances	5 331	6 188	549	535
Income from lending activities	12 703	10 420	631	666
Non-interest revenue	15 412	13 215	2 454	2 264
Operating income	28 115	23 635	3 085	2 930
Total operating expenses	18 919	16 598	1 737	1 561
Operating expenses	18 725	16 450	1 726	1 506
BEE transaction expenses	194	148	11	55
Indirect taxation	505	447	51	23
Profit/(Loss) from operations	8 691	6 590	1 297	1 346
Share of profits of associates and joint ventures	–	1		
Profit/(Loss) before direct taxation	8 691	6 591	1 297	1 346
Direct taxation	2 194	1 366	72	139
Profit/(Loss) after direct taxation	6 497	5 225	1 225	1 207
Profit attributable to non-controlling interest:				
– ordinary shareholders	32	59		5
– preference shareholders	281	266		
Headline earnings/(loss)	6 184	4 900	1 225	1 202
SELECTED RATIOS*				
Average interest-earning banking assets (Rm)	521 149	495 930	156 188	156 864
Return on assets (%)	1,0	0,8	0,6	0,6
Return on equity (%)	13,6	11,8	23,0	23,5
Net interest income to average interest-earning banking assets (%)	3,46	3,35	0,76	0,77
Non-interest revenue to total income (%)	46,1	44,3	67,5	65,3
Non-interest revenue to total operating expenses (%)	81,5	79,6	141,3	145,0
Credit loss ratio – banking advances (%)	1,14	1,36	1,23	1,27
Efficiency ratio (%)	56,6	55,7	47,8	45,1
Efficiency ratio (excluding BEE transaction expenses) (%)	56,0	55,2	47,5	43,5
Effective taxation rate (%)	25,2	20,7	5,6	10,4
Contribution to group economic profit	924	(289)	531	477
Number of employees	28 494	27 525	721	699

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

Depreciation costs of R789m (2010: R714m) and amortisation costs of R609m (2010: R560m) for property, equipment, computer software, capitalised development and other intangible assets are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

SEGMENTAL REPORTING
FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

	Nedbank Corporate		Nedbank Wealth	
	2011	2010	2011	2010
STATEMENT OF FINANCIAL POSITION (Rm)				
Cash and cash equivalents	3 615	1 868	602	327
Other short-term securities	1 130	1 357	3 279	4 200
Derivative financial instruments	(74)	(65)	2	
Government and other securities	5 011	4 314		
Loans and advances	164 754	157 703	19 625	16 869
Other assets	6 513	5 097	14 252	12 524
Intergroup assets				
Total assets	180 949	170 274	37 760	33 920
Equity and liabilities				
Total equity	6 696	7 603	1 614	1 445
Derivative financial instruments	16	20		
Amounts owed to depositors	157 601	131 194	13 713	11 356
Provisions and other liabilities	4 806	3 570	11 375	9 794
Long-term debt instruments	3	2		
Intergroup liabilities	11 827	27 885	11 058	11 325
Total equity and liabilities	180 949	170 274	37 760	33 920
STATEMENT OF COMPREHENSIVE INCOME (Rm)				
Net interest income	3 570	3 306	441	405
Impairments charge on loans and advances	458	307	45	25
Income from lending activities	3 112	2 999	396	380
Non-interest revenue	1 771	1 566	2 252	1 958
Operating income	4 883	4 565	2 648	2 338
Total operating expenses	2 609	2 496	1 703	1 471
Operating expenses	2 592	2 455	1 701	1 469
BEE transaction expenses	17	41	2	2
Indirect taxation	39	41	68	53
Profit/(Loss) from operations	2 235	2 028	877	814
Share of profits of associates and joint ventures		1		
Profit/(Loss) before direct taxation	2 235	2 029	877	814
Direct taxation	531	504	252	222
Profit/(Loss) after direct taxation	1 704	1 525	625	592
Profit attributable to non-controlling interest:				
– ordinary shareholders	32	29		
– preference shareholders				
Headline earnings/(loss)	1 672	1 496	625	592
SELECTED RATIOS*				
Average interest-earning banking assets (Rm)	166 814	158 943	22 159	21 471
Return on assets (%)	1,0	0,9	1,8	1,7
Return on equity (%)	25,0	19,7	38,7	41,0
Net interest income to average interest-earning banking assets (%)	2,14	2,08	1,99	1,89
Non-interest revenue to total income (%)	33,2	32,1	83,6	82,9
Non-interest revenue to total operating expenses (%)	67,9	62,8	132,2	133,1
Credit loss ratio – banking advances (%)	0,29	0,20	0,25	0,15
Efficiency ratio (%)	48,9	51,2	63,3	62,2
Efficiency ratio (excluding BEE transaction expenses) (%)	48,5	50,4	63,2	62,2
Effective taxation rate (%)	23,8	24,8	28,8	27,3
Contribution to group economic profit	801	421	415	388
Number of employees	3 546	3 611	1 991	1 896

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

Depreciation costs of R789m (2010: R714m) and amortisation costs of R609m (2010: R560m) for property, equipment, computer software, capitalised development and other intangible assets are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Shared Services		Central Management		Eliminations	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1 852	1 494	1 852	1 494			168	154	14 698	13 170		
–	(1)		(1)					248	696		
–	–							157	157		
–	–							12 121	15 427		
241 935	238 099	183 663	187 334	58 272	50 765	20	(6)	1 204	280		
5 576	5 263	4 884	4 567	692	696	7 126	6 643	4 153	3 845		
29 591	28 364			29 591	28 364			12 901	3 747	(104 956)	(127 997)
278 954	273 219	190 399	193 394	88 555	79 825	7 314	6 791	45 482	37 322	(104 956)	(127 997)
20 659	19 683	16 963	16 560	3 696	3 123	1 485	1 362	16 896	12 605		
–	–							13	26		
175 139	162 973	91 404	87 204	83 735	75 769	408	370	251	346		
4 571	3 357	3 447	2 424	1 124	933	418	1 718	1 212	669		
1 517	1 760	1 517	1 760					27 110	23 676		
77 068	85 446	77 068	85 446			5 003	3 341			(104 956)	(127 997)
278 954	273 219	190 399	193 394	88 555	79 825	7 314	6 791	45 482	37 322	(104 956)	(127 997)
12 467	11 611	9 655	9 181	2 812	2 430	(244)	(156)	620	241		
4 053	5 320	3 729	5 110	324	210		1	226			
8 414	6 291	5 926	4 071	2 488	2 220	(244)	(157)	394	241	–	–
8 538	7 353	7 052	6 011	1 486	1 342	494	401	(55)	(246)	(42)	(81)
16 952	13 644	12 978	10 082	3 974	3 562	250	244	339	(5)	(42)	(81)
12 612	11 110	9 889	8 770	2 723	2 340	187	113	71	(153)	–	–
12 597	11 090	9 878	8 761	2 719	2 329	147	73	(38)	(143)		
15	20	11	9	4	11	40	40	109	(10)		
210	232	185	210	25	22	132	94	5	4		
4 130	2 302	2 904	1 102	1 226	1 200	(69)	37	263	144	(42)	(81)
–	–										
4 130	2 302	2 904	1 102	1 226	1 200	(69)	37	263	144	(42)	(81)
1 245	717	871	342	374	375	(58)	(218)	152	2		
2 885	1 585	2 033	760	852	825	(11)	255	111	142	(42)	(81)
–	–								25		
31	–	31						250	266		
2 854	1 585	2 002	760	852	825	(11)	255	(139)	(149)	(42)	(81)
267 364	264 010	180 794	183 756	86 570	80 254	14	117	25 267	22 748	(116 657)	(128 223)
1,0	0,6	1,1	0,4	1,0	1,0						
13,8	8,1	11,8	4,6	23,1	26,4						
4,66	4,40	5,34	5,00	3,25	3,03						
40,70	38,80	42,2	39,6	34,6	35,6						
67,70	66,20	71,3	68,5	54,6	57,4						
1,63	2,18	1,98	2,67	0,54	0,40						
60,1	58,6	59,2	57,7	63,3	62,0						
60,0	58,5	59,1	57,7	63,2	61,7						
30,1	31,2	30,0	31,0	30,5	31,3						
169	(1 201)	(203)	(1 583)	372	382	(203)	62	(789)	(436)		
18 668	17 863	16 323	15 473	2 345	2 390	3 479	3 381	89	75		

GEOGRAPHICAL SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER

	Nedbank Group		SA**	
STATEMENT OF FINANCIAL POSITION (Rm)	**2011**	2010	**2011**	2010
ASSETS				
Cash and cash equivalents	**25 409**	19 745	**21 547**	16 488
Other short-term securities	**35 986**	27 044	**31 577**	20 488
Derivative financial instruments	**12 840**	13 882	**12 549**	13 349
Government and other securities	**30 176**	31 824	**26 855**	29 532
Loans and advances	**496 048**	475 273	**465 043**	453 187
Other assets	**47 668**	40 950	**43 862**	37 848
Intergroup assets	**–**	–	**(11 434)**	(6 676)
Total assets	**648 127**	608 718	**589 999**	564 216
EQUITY AND LIABILITIES				
Total equity	**52 685**	47 814	**46 007**	42 350
Derivative financial instruments	**13 853**	12 052	**13 405**	11 506
Amounts owed to depositors	**521 155**	490 440	**490 740**	462 379
Provisions and other liabilities	**30 992**	32 308	**29 995**	31 469
Long-term debt instruments	**29 442**	26 104	**29 439**	26 102
Intergroup liabilities	**–**	–	**(19 587)**	(9 590)
Total equity and liabilities	**648 127**	608 718	**589 999**	564 216
Contribution to total assets (%)	**100**	100	**91**	93

STATEMENT OF COMPREHENSIVE INCOME (Rm)				
Net interest income	**18 034**	16 608	**17 081**	15 702
Impairments charge on loans and advances	**5 331**	6 188	**5 200**	6 372
Income from lending activities	**12 703**	10 420	**11 881**	9 330
Non-interest revenue	**15 412**	13 215	**14 347**	12 248
Operating income	**28 115**	23 635	**26 228**	21 578
Total operating expenses	**18 919**	16 598	**17 702**	15 499
Operating expenses	**18 725**	16 450	**17 512**	15 354
BEE transaction expenses	**194**	148	**190**	145
Indirect taxation	**505**	447	**491**	431
Profit from operations	**8 691**	6 590	**8 035**	5 648
Share of profits of associates and joint ventures	*****	1	*****	
Profit before direct taxation	**8 691**	6 591	**8 035**	5 648
Direct taxation	**2 194**	1 366	**2 059**	1 191
Profit after direct taxation	**6 497**	5 225	**5 976**	4 457
Profit attributable to non-controlling interest:				
– ordinary shareholders	**32**	59		29
– preference shareholders	**281**	266	**281**	266
Headline earnings	**6 184**	4 900	**5 695**	4 162
Contribution to headline earnings (%)	**100**	100	**92**	85

* *Represents amounts less than R1m.*
** *Includes all group eliminations.*

	Rest of Africa		Rest of world	
	2011	2010	2011	2010
	1 949	1 285	1 913	1 972
	1 130	1 357	3 279	5 199
	16	28	275	505
	78	50	3 243	2 242
	9 812	8 843	21 193	13 243
	960	771	2 846	2 331
	1 320	2 266	10 114	4 410
	15 265	14 600	42 863	29 902
	1 954	1 665	4 724	3 799
	16	20	432	526
	11 341	11 419	19 074	16 642
	654	521	343	318
	3	2		
	1 297	973	18 290	8 617
	15 265	14 600	42 863	29 902
	2	2	7	5
	613	606	340	300
	19	33	112	(217)
	594	573	228	517
	507	461	558	506
	1 101	1 034	786	1 023
	709	657	508	442
	705	654	508	442
	4	3		
	10	12	4	4
	382	365	274	577
		1		
	382	366	274	577
	104	104	31	71
	278	262	243	506
	32	30		
	246	232	243	506
	4	5	4	10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER

1 PRINCIPAL ACCOUNTING POLICIES

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

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 and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the AC 500 standards as issued by the Accounting Practices Board, and the requirements of the Companies Act, 71 of 2008 (as amended).

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

- non-current assets and disposal groups held for sale, which are all stated at the lower of 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.
Investments in subsidiaries, associates and joint ventures	• The group has elected to recognise these investments at cost in the company financial statements.

1.3 GROUP ACCOUNTING

The financial information disclosed in the consolidated financial statements comprises that of the parent company, Nedbank Group Limited, 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 non-current 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.

COMPANY

Investments in group companies are accounted for at cost less impairment losses in the company financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary by applying the impairment methodology described in 1.12.

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.

1 PRINCIPAL ACCOUNTING POLICIES ... CONTINUED

1.3 GROUP ACCOUNTING ... CONTINUED

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, non-controlling 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 non-controlling 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 Group Limited'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 'Valuation of financial instruments'.

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 profittaking 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 fair-value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel, using a fair-value basis; or
  - a contract 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-rate 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-rate method, is reported in profit or loss.

1 PRINCIPAL ACCOUNTING POLICIES ... CONTINUED

1.5 FINANCIAL INSTRUMENTS ... CONTINUED

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-rate method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

  The effective-interest-rate method is a method of calculating the amortised cost of a financial 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 to note 6.1 'Valuation of financial instruments' on pages 224 to 227 of the annual financial statements.

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 46 'Collateral' on page 299 of the annual financial statements.

SALE AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

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

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

ACCEPTANCES

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

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.

1 PRINCIPAL ACCOUNTING POLICIES ... CONTINUED

1.5 FINANCIAL INSTRUMENTS ... CONTINUED

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).

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

DEFERRED TAXATION

Deferred taxation is provided using the balance sheet liability method based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their 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 tax 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES ... CONTINUED

1.9 PROPERTY AND EQUIPMENT ... CONTINUED

DEPRECIATION

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

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 PA Vergeest, 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 balance sheet 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 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.

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 customers.

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-rate method taking into account the expected timing and amount of cashflows. The effective-interest-rate method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing 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.

1 PRINCIPAL ACCOUNTING POLICIES ... CONTINUED

1.23 REVENUE AND EXPENDITURE ... CONTINUED

- 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 197 to 201 of the integrated report.

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

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

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

1.25 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

The International Accounting Standards Board (IASB) is in the process of amending existing standards and issuing new standards. The group is involved in the process of reviewing exposure drafts and providing comments thereon, assessing the impact of standards and interpretations issued by the IASB on the group financial statements.

2.1 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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 2012 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 the requirements previously contained in IAS 27 Consolidated and 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.

REVISED STANDARDS

The following revisions to IFRS have not been early-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. The amendment is effective for the group for the year commencing 1 January 2011 and has been met with past disclosure practises.
- Additional disclosure requirements relating to the transfer of financial assets. This amendment is effective for the group for the year commencing 1 January 2012.

These amendments address disclosure in the annual financial statements and do therefore not affect the financial position of the group.

○ 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).

2 STANDARDS AND INTERPRETATIONS ... CONTINUED

2.1 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE ... CONTINUED

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 2.1.1.

- 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 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.

- IASB annual improvement project
  As part of its fourth 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 project for the current year that will affect the group. The 2011 improvements are effective for the group commencing 1 January 2012.

2.2 STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT YEAR

REVISED STANDARDS

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

- IFRS 3 Business Combinations
  This amendment clarifies the measurement of non-controlling interests and provides additional guidance on unreplaced and voluntarily replaced share-based payment awards.

  The amendment of the standard did not have a material impact on the financial statements of the group.

- IAS 12 Income Taxes
  The amendment provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair-value model in IAS 40 Investment Property.

  The amendment of the standard did not have a material impact on the financial statements of the group.

- IAS 24 Related-party Disclosures
  The amendment provides exemptions from certain disclosure requirements in respect of government-related entities and clarifies the definition of a related party.

  This amendment addresses disclosure in the annual financial statements and will therefore not affect the financial position of the group.

  The amendment of the standard did not have a material impact on the disclosure provided in the financial statements.

- Annual improvement project
  As part of its second annual improvement project the IASB issued its 2010 edition of annual improvements. The aim of

the annual improvement project was to clarify and improve the accounting standards.

These improvements included those involving terminology or editorial changes, with minimal effect on recognition and measurement.

No significant changes were made to the group financial statements in respect of the revisions that were effective for the year commencing 1 January 2011.

INTERPRETATIONS

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

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

  The interpretation addresses divergent accounting by entities issuing equity instruments to extinguish all or part of a financial liability (often referred to as 'debt for equity swaps'). The interpretation concludes that the issue of equity instruments to extinguish an obligation constitutes consideration paid.

  The consideration should be measured at the fair value of the equity instruments issued, unless that fair value is not readily determinable, in which case the equity instruments should be measured at the fair value of the obligation extinguished. Any difference between the fair value of the equity instruments issued and the carrying value of the liability extinguished is recognised in profit or loss.

  If the issue of equity instruments is to settle a portion of a financial liability, the entity should assess whether a part of the consideration relates to a renegotiation of the portion of the liability that remains outstanding.

  The adoption of this standard did not have a material impact on the group's annual financial statements.

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

The group's accounting policies are set out on pages 204 to 216. Certain of these policies, as well as estimates made by management, are considered to be important to an understanding of the group's financial condition since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. The following accounting policies include estimates that are particularly sensitive in terms of judgements and the extent to which estimates are used. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has discussed the accounting policies and critical accounting estimates with the board 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 balance sheet 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 credit-scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on the portfolio, based on historical recovery rates and assumed emergence periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in 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, as set out on pages 224 to 227.

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

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 47 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 Limited. The goodwill impairment testing performed in 2011 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 Limited'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 2011 was a surplus of R902m (2010: R980m). This comprises net recognised assets of R955m (2010: R874m) and unrecognised actuarial losses of R53m (2010: R106m gain). The group's IAS 19 pension asset in respect of its main SA scheme at 31 December 2011 was R952m (2010: R853m surplus).

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 R34m (2010: R44m) 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 R50m (2010: R47m) of the net pension cost.

The group's IAS 19 postretirement medical aid obligation across all schemes at 31 December 2011 was a deficit of R659m (2010: R419m). This comprises recognised liabilities of R403m (2010: R320m) and unrecognised actuarial losses of R256m (2010: R99m).

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 R205m and R170m respectively (2010 an increase/decrease of R176m and R144m respectively) in the net unfunded position of the relevant funds. It would have increased/decreased the postretirement medical aid expense by R28m and R22m respectively (2010 an increase/decrease of R26m and R21m respectively).

Further information on employee benefit obligations, including assumptions, is set out in note 35 to the 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 372 to 423. 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 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 194 and 195 as well as the long-term debt instruments per note 43 on pages 296 and 297.

Further details on the ERMF, capital management and regulatory requirements are disclosed in the Risk and Balance Sheet Management Review on pages 372 to 423, which is unaudited, unless stated otherwise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

5 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS

			At fair value through profit or loss						
2011	Notes	Total Rm	Held for trading Rm	Designated* 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	13 457					13 457		
Other short-term securities	22	35 986	9 099	23 609	3 048	230			
Derivative financial instruments	23	12 840	12 840						
Government and other securities	25	30 176	4 684	12 199	1 503	7 880	3 910		
Loans and advances	26	496 048	19 933	49 871	29		426 215		
Other assets	28	12 051	6 654	894			4 503		
Clients' indebtedness for acceptances		2 975							2 975
Current taxation receivable		698							698
Investment securities	29	14 281	736	13 115	430				
Non-current assets held for sale	31	8							8
Investments in associate companies and joint ventures	30	568		545					23
Deferred taxation asset	32	266							266
Investment property	33	614							614
Property and equipment	34	6 312							6 312
Long-term employee benefit assets	35	2 118							2 118
Mandatory reserve deposits with central banks	21	11 952					11 952		
Intangible assets	36	7 777							7 777
Total assets		648 127	53 946	100 233	5 010	8 110	460 037	–	20 791
EQUITY AND LIABILITIES									
Ordinary share capital	38.1	455							455
Ordinary share premium		15 934							15 934
Reserves		32 557							32 557
Total equity attributable to equity holders of the parent		48 946	–	–	–	–	–	–	48 946
Non-controlling interest attributable to:									
– ordinary shareholders		178							178
– preference shareholders	38.2	3 561							3 561
Total equity		52 685	–	–	–	–	–	–	52 685
Derivative financial instruments	23	13 853	13 853						
Amounts owed to depositors	39	521 155	38 552	86 322				396 281	
Provisions and other liabilities	40	14 751	6 874					7 877	
Liabilities under acceptances		2 975							2 975
Current taxation liabilities		200							200
Deferred taxation liabilities	32	1 345							1 345
Long-term employee benefit liabilities	35	1 479							1 479
Investment contract liabilities	41	8 237		8 237					
Insurance contract liabilities	42	2 005		2 005					
Long-term debt instruments	43	29 442		6 332				23 110	
Total liabilities		595 442	59 279	102 896	–	–	–	427 268	5 999
Total equity and liabilities		648 127	59 279	102 896	–	–	–	427 268	58 684

			At fair value through profit or loss						
2010	Notes	Total Rm	Held for trading Rm	Designated* 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	8 650					8 650		
Other short-term securities	22	27 044	10 316	12 528	3 639	561			
Derivative financial instruments	23	13 882	13 882						
Government and other securities**	25	31 824	3 617	13 976	827	10 113	3 291		
Loans and advances	26	475 273	19 679	43 088			412 506		
Other assets	28	10 014	5 203	902			3 909		
Clients' indebtedness for acceptances		1 953							1 953
Current taxation receivable		483							483
Investment securities	29	11 918	314	11 171	433				
Non-current assets held for sale	31	5							5
Investments in associate companies and joint ventures	30	936		912					24
Deferred taxation asset	32	284							284
Investment property	33	199							199
Property and equipment	34	5 612							5 612
Long-term employee benefit assets	35	2 052							2 052
Mandatory reserve deposits with central banks	21	11 095					11 095		
Intangible assets	36	7 494							7 494
Total assets		608 718	53 011	82 577	4 899	10 674	439 451	–	18 106
EQUITY AND LIABILITIES									
Ordinary share capital	38,1	449							449
Ordinary share premium		15 522							15 522
Reserves		28 130							28 130
Total equity attributable to equity holders of the parent		44 101	–	–	–	–	–	–	44 101
Non-controlling interest attributable to:									
– ordinary shareholders		153							153
– preference shareholders	38.2	3 560							3 560
Total equity		47 814	–	–	–	–	–	–	47 814
Derivative financial instruments	23	12 052	12 052						
Amounts owed to depositors	39	490 440	35 815	90 144				364 481	
Provisions and other liabilities	40	18 245	11 795					6 450	
Liabilities under acceptances		1 953							1 953
Current taxation liabilities		191							191
Deferred taxation liabilities	32	1 804							1 804
Long-term employee benefit liabilities	35	1 414							1 414
Investment contract liabilities	41	7 309		7 309					
Insurance contract liabilities	42	1 392		1 392					
Long-term debt instruments	43	26 104		7 774				18 330	
Total liabilities		560 904	59 662	106 619	–	–	–	389 261	5 362
Total equity and liabilities		608 718	59 662	106 619	–	–	–	389 261	53 176

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

** *The group has made the decision to change the presentation of government securities held internally between the trading and banking books. 2010 comparatives have been restated accordingly.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

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 formalised 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 to note 6.6 of the annual financial statements on page 236.

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: Disclosure.

- 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: Disclosure. 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;
- readilya vailable;
- regularlydi stributed;
- from multiple independent sources;
- transparent;a nd
- notp roprietary.

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.

6 FAIR-VALUE MEASUREMENT ... CONTINUED
6.1 VALUATION OF FINANCIAL INSTRUMENTS ... continued

- Equity prices: Prices (and indices of prices) of traded equity instruments are readily observable on JSE Limited 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.
- 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.
- Investments ecurities
  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.

- Othera ssets
  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 Group Limited-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.

- Complexi nstruments
  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.

- Otherl iabilities
  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 FAIR-VALUE HIERARCHY

6.2.1 FINANCIAL ASSETS

Rm	Note	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value
2011		627 336	468 147	159 189
Cash and cash equivalents	21	25 409	25 409	–
Other short-term securities	22	35 986	230	35 756
Derivative financial instruments	23	12 840		12 840
Government and other securities	25	30 176	11 790	18 386
Loans and advances	26	496 048	426 215	69 833
Other assets	28	12 051	4 503	7 548
Investments in associate companies and joint ventures	30	545		545
Investment securities	29	14 281		14 281
2010		590 612	450 125	140 487
Cash and cash equivalents	21	19 745	19 745	–
Other short-term securities	22	27 044	561	26 483
Derivative financial instruments	23	13 882		13 882
Government and other securities*	25	31 824	13 404	18 420
Loans and advances	26	475 273	412 506	62 767
Other assets	28	10 014	3 909	6 105
Investments in associate companies and joint ventures	30	912		912
Investment securities	29	11 918		11 918

Summary of fair-value hierarchies

Rm	Total financial assets recognised at fair value 2011	2010
Other short-term securities	35 756	26 483
Derivative financial instruments	12 840	13 882
Government and other securities	18 386	18 420
Loans and advances	69 833	62 767
Other assets	7 548	6 105
Investments in associate companies and joint ventures	545	912
Investment securities	14 281	11 918
	159 189	140 487

Reconciliation to categorised statement of financial position

Rm	Held for trading 2011	2010
Level 1	9 589	8 505
Level 2	44 255	44 109
Level 3	102	397
	53 946	53 011

Reconciliation to statement of financial position

Rm	Note	2011	2010
Total financial assets	5	627 336	590 612
Total non-financial assets	5	20 791	18 106
Total assets		648 127	608 718

** 2010 comparative information has been restated. Refer to note 5.*

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
9 589	44 255	102	11 180	87 037	2 016	4 195	815	–
335	8 764		616	22 993		3 048		
4	12 807	29						
2 596	2 088		9 516	2 683		1 092	411	
	19 930	3	22	49 761	88	29		
6 654			257	637				
					545			
	666	70	769	10 963	1 383	26	404	
8 505	44 109	397	12 884	67 496	2 197	4 097	802	–
1 168	9 148		1 506	11 022		3 639		
9	13 873							
2 125	1 445	47	10 585	3 391		432	395	
	19 643	36	23	43 065				
5 203			260	642				
					912			
		314	510	9 376	1 285	26	407	

Total financial assets classified at level 1		Total financial assets classified at level 2		Total financial assets classified at level 3	
2011	2010	2011	2010	2011	2010
3 999	6 313	31 757	20 170		
4	9	12 807	13 873	29	
13 204	13 142	5 182	5 231		47
51	23	69 691	62 708	91	36
6 911	5 463	637	642		
				545	912
795	536	12 033	9 783	1 453	1 599
24 964	25 486	132 107	112 407	2 118	2 594

Designated at fair value through profit or loss		Available for sale	
2011	2010	2011	2010
11 180	12 884	4 195	4 097
87 037	67 496	815	802
2 016	2 197		
100 233	82 577	5 010	4 899

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

6 FAIR-VALUE MEASUREMENT ... CONTINUED
6.2 FAIR-VALUE HIERARCHY ... CONTINUED
6.2.2 FINANCIAL LIABILITIES

Rm	Note	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
2011		**589 443**	**427 268**	**162 175**
Derivative financial instruments	23	**13 853**		**13 853**
Amounts owed to depositors	39	**521 155**	**396 281**	**124 874**
Provisions and other liabilities	40	**14 751**	**7 877**	**6 874**
Investment contract liabilities	41/42	**10 242**		**10 242**
Long-term debt instruments	43	**29 442**	**23 110**	**6 332**
2010		555 542	389 261	166 281
Derivative financial instruments	23	12 052		12 052
Amounts owed to depositors	39	490 440	364 481	125 959
Provisions and other liabilities	40	18 245	6 450	11 795
Investment contract liabilities	41/42	8 701		8 701
Long-term debt instruments	43	26 104	18 330	7 774

Summary of fair-value hierarchies

Rm	Total financial liabilities recognised at fair value 2011	2010
Derivative financial instruments	**13 853**	12 052
Amounts owed to depositors	**124 874**	125 959
Provisions and other liabilities	**6 874**	11 795
Investment contract liabilities	**10 242**	8 701
Long-term debt instruments	**6 332**	7 774
	162 175	166 281

Reconciliation to categorised statement of financial position

Rm	Held for trading 2011	Held for trading 2010	Designated at fair value through profit or loss 2011	Designated at fair value through profit or loss 2010
Level 1	**6 819**	11 564	**6 156**	7 774
Level 2	**52 455**	48 088	**96 740**	98 845
Level 3	**5**	10		
	59 279	59 662	**102 896**	106 619

Reconciliation to statement of financial position

Rm	Note	2011	2010
Total financial liabilities	5	**589 443**	555 542
Total equity and non-financial liabilities	5	**58 684**	53 176
Total equity and liabilities		**648 127**	608 718

The financial instruments recognised at fair value have been categorised under the three levels of the IFRS 7 Financial Instruments: Disclosure 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
	6 819	52 455	5	6 156	96 740	–
	12	13 836	5			
		38 552			86 322	
	6 807	67				
					10 242	
				6 156	176	
	11 564	48 088	10	7 774	98 845	–
	23	12 019	10			
		35 815			90 144	
	11 541	254				
					8 701	
				7 774		

	Total financial liabilities classified at level 1		Total financial liabilities classified at level 2		Total financial liabilities classified at level 3	
	2011	2010	2011	2010	2011	2010
	12	23	13 836	12 019	5	10
			124 874	125 959		
	6 807	11 541	67	254		
			10 242	8 701		
	6 156	7 774	176			
	12 975	19 338	149 195	146 933	5	10

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/(Losses) in other comprehensive income for the year*
2011			
Held for trading	397	46	10
Derivative financial instruments	–	29	
Government and other securities	47		6
Loans and advances	36		3
Investment securities	314	17	1
Designated as at fair value	2 197	(57)	7
Investments in associate companies and joint ventures	912	(150)	
Loans and advances		11	
Investment securities	1 285	82	7
Available-for-sale financial assets	–	–	–
Investment securities	–		
Total financial assets classified at level 3	2 594	(11)	17

* *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 investment securities that have been moved to the level 2 category where more observable and relevant market information became available.*
*** *Transfers in represent financial assets that have been moved to 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/(Losses) in other comprehensive income for the year*
2010			
Held for trading	426	25	–
Derivative financial instruments	16		
Government and other securities	55	(8)	
Loans and advances	82	(7)	
Investment securities	273	40	
Designated as at fair value	2 826	53	–
Investments in associate companies and joint ventures	908	(4)	
Investment securities	1 918	57	
Available-for-sale financial assets	298	–	–
Investment securities	298		
Total financial assets classified at level 3	3 550	78	–

* *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 more observable and relevant market information became available.*

Purchases and issues	Sales and settlements	Transfers in***	Transfers out**	Closing balance at 31 December
52	(89)	–	(314)	102
				29
	(53)			–
	(36)			3
52			(314)	70
279	(487)	77	–	2 016
105	(322)			545
		77		88
174	(165)			1 383
–	–	–	–	–
				–
331	(576)	77	(314)	2 118

Purchases and issues	Sales and settlements	Transfers in	Transfers out**	Closing balance at 31 December
–	(40)	1	(15)	397
	(1)		(15)	–
				47
	(39)			36
		1		314
50	(61)	–	(671)	2 197
8				912
42	(61)		(671)	1 285
–	–	–	(298)	–
			(298)	–
50	(101)	1	(984)	2 594

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)/Losses 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.*

Rm	Opening balance at 1 January	(Gains)/Losses in profit for the year**	(Gains)/Losses in other comprehensive income for the year
2010			
Held for trading	53	(18)	*
Derivative financial instruments	53	(18)	*
Total financial liabilities classified at level 3	53	(18)	*

* *Represents amounts less than R1m.*
** *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.*
*** *Transfers out represent financial liabilities that have been moved to the level 2 category where more observable and relevant market information became available.*

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

Purchases and issues	Sales and settlements	Transfers in	Transfers out***	Closing balance at 31 December
9	–	–	(34)	10
9			(34)	10
9	–	–	(34)	10

6 FAIR-VALUE MEASUREMENT ... CONTINUED

6.6 EFFECT OF CHANGES IN SIGNIFICANT UNOBSERVABLE ASSUMPTIONS TO REASONABLE POSSIBLE ALTERNATIVES

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 reasonable possible alternative assumptions:

	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
2011					
ASSETS					
Government and other securities	Credit spreads	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	Valuation multiples, correlations, volatilities and credit spreads	between (25) and 25	1 453	152	(176)
Total financial assets classified at level 3			2 118	216	(243)
LIABILITIES					
Derivative financial instruments	Correlations, volatilities and credit spreads	between (25) and 25	5	*	*
2010					
ASSETS					
Government and other securities	Credit spreads	between (25) and 25	47	1	(1)
Loans and advances	Credit spreads	between (25) and 25	36	*	*
Investments in associate companies and joint ventures	Valuation multiples	between (10) and 10	912	88	(88)
Investment securities	Valuation multiples, correlations, volatilities and credit spreads	between (20) and 20	1 599	243	(268)
Total financial assets classified at level 3			2 594	332	(357)
LIABILITIES					
Derivative financial instruments	Correlations, volatilities and credit spreads	between (33) and 33	10	3	(3)

* *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 (PD) and loss given defaults (LGDs) for periods 2012 to 2014 (2010 – for periods 2011 to 2013) 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:

	2011	2010
Positive scenario (%)	(0,72)	0,36
Base scenario (%)	(1,14)	0,16
Mild-risk scenario (%)	(1,75)	(0,81)

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 that are still performing were priced at lower contractual interest rates compared with the higher pricing that loans and advances are currently contracted at under current circumstances. The estimated cashflows on the prior-period underlying loans and advances are thus discounted at a higher rate to determine the fair value, compared with 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.

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
2011							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	25 368					41	25 409
Other short-term securities	16 950	8 105	7 424	3 507			35 986
Derivative financial instruments	2 534	889	1 430	3 867	4 120		12 840
Government and other securities	1 320	799	1 022	17 559	9 476		30 176
Loans and advances	86 158	21 849	35 422	180 290	172 329		496 048
Other assets	2 975					44 693	47 668
	135 305	31 642	45 298	205 223	185 925	44 734	648 127
Total equity						52 685	52 685
Derivative financial instruments	1 775	775	1 083	4 200	6 020		13 853
Amounts owed to depositors	382 884	39 642	48 884	46 086	3 659		521 155
Provisions and other liabilities	11 212					19 780	30 992
Long-term debt instruments	671		3 789	18 861	6 121		29 442
	396 542	40 417	53 756	69 147	15 800	72 465	648 127
Net liquidity gap	(261 237)	(8 775)	(8 458)	136 076	170 125	(27 731)	–
2010							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	19 272					473	19 745
Other short-term securities	19 377	2 763	3 128	1 776			27 044
Derivative financial instruments	3 682	1 117	1 361	4 877	2 845		13 882
Government and other securities	352	1 260	5 655	18 335	6 222		31 824
Loans and advances	87 925	18 266	30 134	177 962	160 986		475 273
Other assets*	1 953					38 997	40 950
	132 561	23 406	40 278	202 950	170 053	39 470	608 718
Total equity						47 814	47 814
Derivative financial instruments	1 288	582	1 032	4 886	4 264		12 052
Amounts owed to depositors	342 941	49 403	56 765	39 102	2 229		490 440
Provisions and other liabilities	9 262					23 046	32 308
Long-term debt instruments	289	1 674		18 102	6 039		26 104
	353 780	51 659	57 797	62 090	12 532	70 860	608 718
Net liquidity gap	(221 219)	(28 253)	(17 519)	140 860	157 521	(31 390)	–

** Comparative information has been restated to include certain other asset categories in 'Non-determined'.*

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
2011								
Long-term debt instruments	29 442	1 342	265	4 806	24 262	6 964		37 639
Investment contract liabilities	8 237	8 237						8 237
Amounts owed to depositors	521 155	386 628	41 781	51 547	50 012	3 767	–	533 735
Current accounts	51 734	51 734						51 734
Savings deposits	15 900	15 900						15 900
Other deposits and loan accounts	331 318	262 551	20 896	19 839	29 781	3 753		336 820
Foreign currency liabilities	9 342	9 342						9 342
Negotiable certificates of deposit	97 839	32 076	20 885	31 708	20 231	14		104 914
Deposits received under repurchase agreements	15 022	15 025						15 025
Derivative financial instruments – liabilities	13 853	1 775	775	1 083	4 200	6 020		13 853
Provisions and other liabilities	22 755	2 975					19 781	22 756
	595 442	400 957	42 821	57 436	78 474	16 751	19 781	616 220
Guarantees on behalf of clients	28 288	28 288						28 288
Confirmed letters of credit and discounting transactions	2 426	2 426						2 426
Unutilised facilities and other	77 438	77 438						77 438
	108 152	108 152	–	–	–	–	–	108 152
2010								
Long-term debt instruments	26 104	673	1 883	773	22 332	7 449		33 110
Investment contract liabilities	7 309	7 309						7 309
Amounts owed to depositors	490 440	346 872	51 640	59 497	42 784	2 230	–	503 023
Current accounts	47 672	47 674						47 674
Savings deposits	14 756	14 756						14 756
Other deposits and loan accounts	293 467	234 090	20 320	23 462	18 762	2 217		298 851
Foreign currency liabilities	9 781	9 781						9 781
Negotiable certificates of deposit	110 584	26 390	31 320	36 035	24 022	13		117 780
Deposits received under repurchase agreements	14 180	14 181						14 181
Derivative financial instruments – liabilities	12 052	1 288	582	1 032	4 886	4 264		12 052
Provisions and other liabilities	24 999	1 953					23 046	24 999
	560 904	358 095	54 105	61 302	70 002	13 943	23 046	580 493
Guarantees on behalf of clients	29 614	29 614						29 614
Confirmed letters of credit and discounting transactions	2 126	2 126						2 126
Unutilised facilities and other	77 395	77 395						77 395
	109 135	109 135	–	–	–	–	–	109 135

Derivatives are not profiled on an undiscounted basis.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

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

	2011				2010			
Rm	Average	Minimum	Maximum	Year-end	Average	Minimum	Maximum	Year-end
Foreign exchange	3,5	0,7	13,6	3,9	2,2	0,6	6,7	3,9
Interest rate	8,8	5,1	14,2	5,1	9,0	3,9	14,9	6,2
Equity products	4,0	2,2	10,6	9,2	3,6	1,4	9,3	2,8
Credit	2,7	1,3	4,0	2,3	2,8	0,8	4,0	4,0
Commodity	0,3		1,1	0,8	0,7		1,5	0,2
Diversification	(7,3)			(7,4)	(7,3)			(6,2)
Total VaR exposure	12,0	5,9	21,0	13,9	11,0	6,1	18,3	10,9

See pages 413 to 415 of the 'Risk and balance sheet management review' section 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
2011							
Total assets	480 736	8 841	6 413	34 950	14 637	102 550	648 127
Total equity and liabilities	413 305	29 784	25 389	18 936	1 934	158 779	648 127
Interest rate hedging activities	(2 970)	18 795	13 612	(16 780)	(12 657)		–
Repricing profile	64 461	(2 148)	(5 364)	(766)	46	(56 229)	–
Cumulative repricing profile	64 461	62 313	56 949	56 183	56 229		
Expressed as a percentage of total assets	9,9	9,6	8,8	8,7	8,7		
2010							
Total assets	436 855	11 700	10 619	28 064	20 970	100 510	608 718
Total equity and liabilities	369 654	38 544	30 601	17 194	1 961	150 764	608 718
Interest rate hedging activities	(27 825)	27 590	21 934	(3 420)	(18 279)		–
Repricing profile	39 376	746	1 952	7 450	730	(50 254)	–
Cumulative repricing profile	39 376	40 122	42 074	49 539	50 254		
Expressed as a percentage of total assets	6,5	6,6	6,9	8,1	8,3		

Refer to pages 395 and 396 of the 'Risk and balance sheet management review' section 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	
	2011 Rm	2010 Rm	2011 Rm	2010 Rm	2011 Rm	2010 Rm	2011 Rm	2010 Rm
Other short-term securities	35 506	26 672	358	269	122	103	35 986	27 044
Negotiable certificates of deposit	10 391	12 528					10 391	12 528
Treasury bills and other	25 115	14 144	358	269	122	103	25 595	14 516
Government and other securities	29 477	31 345	697	478	2	1	30 176	31 824
Government and government-guaranteed securities	18 074	20 527	17	1			18 091	20 528
Other dated securities	11 403	10 818	680	477	2	1	12 085	11 296
	64 983	58 017	1 055	747	124	104	66 162	58 868

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 & Poor's credit rating system. According to the NGR scale investment grade can be equated to a Standard & 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

	2011 Rm	2010 Rm
Home loans (including properties in possession)	10 877	11 962
Commercial mortgages	7 493	7 686
Finance lease and instalment debtors	7 077	7 303
Credit cards	1 165	1 106
Bills and acceptances	6	20
Overdrafts	1 224	1 331
Term loans	7 542	7 623
Personal loans	3 172	2 600
Other term loans	4 370	5 023
Government and other securities	3 072	2 929
Short-term funds and securities	1 217	736
Other loans	3 207	3 681
	42 880	44 377
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments not at fair value through profit and loss*	36 729	38 921
– Interest and similar income from financial instruments at fair value through profit or loss*	6 151	5 456
	42 880	44 377

* *2010 comparative information has been restated. Refer to note 5.*

13 INTEREST EXPENSE AND SIMILAR CHARGES

	2011 Rm	2010 Rm
Deposit and loan accounts	12 882	13 955
Current and savings accounts	640	788
Negotiable certificates of deposit	7 153	8 319
Other interest-bearing liabilities	1 739	2 420
Long-term debt instruments	2 432	2 287
	24 846	27 769
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*	19 629	21 709
– Interest expense and similar charges from financial instruments at fair value through profit or loss*	5 217	6 060
	24 846	27 769

* *2010 comparative information has been restated. Refer to note 5.*

An unaudited margin analysis of the interest income and interest expense by asset and liability category is presented as additional financial information on page 165.

14 NON-INTEREST REVENUE

	2011 Rm	2010 Rm
Commission and fee income**	11 335	9 758
Administration fees	585	336
Cash-handling fees	712	630
Insurance commission	712	525
Exchange commission	365	300
Fees	1 395	1 254
Guarantees	135	122
Card income	2 244	2 097
Service charges	3 013	2 680
Other commission	2 174	1 814
Insurance income (note 14.2)	1 053	860
Fair-value adjustments (note 14.1)	(60)	(258)
Fair-value adjustments – own debt	(49)	(213)
Fair-value adjustments	(11)	(45)
Net trading income***	2 168	2 096
Foreign exchange	1 094	1 040
Debt securities	646	774
Equities	395	276
Commodities	33	6
Private equity income****	323	228
Securities dealing – realised	97	5
– unrealised	(176)	(2)
Dividends received	402	225
Investment income	40	40
Long-term asset sales	14	11
Dividends received from unlisted investments	26	29
Sundry income	553	491
Income from non-banking subsidiary	214	185
Rents received	47	49
Rental income from properties in possession	1	2
Other sundry income	291	255
Foreign currency translation movements	*	*
	15 412	13 215

* *Represents amounts less than R1m.*
** *Commission and fee income includes an amount of R976m (2010: R1 213m) 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.*

See note 14.4 for a breakdown of non-interest revenue by operating segment. Disclosure has been expanded in the current reporting period. 2010 comparative information has been reclassified accordingly.

14.1 ANALYSIS OF FAIR-VALUE ADJUSTMENTS

Fair-value adjustments can be analysed as follows:

	2011 Rm	2010 Rm
Held for trading	(475)	(1 092)
Designated as at fair value through profit or loss	415	834
	(60)	(258)

14.2 INSURANCE INCOME

	2011 Rm	2010 Rm
Insurance contract income	1 054	861
Net insurance premium income	2 766	1 920
Gross premiums received	3 018	2 258
Reinsurance premiums	(252)	(338)
Net insurance claims and benefits	(837)	(756)
Gross claims and benefits paid	(977)	(911)
Reinsurance recoveries	140	155
Net commission and administration fees	(417)	(204)
Investment income	155	159
Changes in insurance contracts	(613)	(258)
Investment contract expense	(1)	(1)
Premium income	124	92
Claims and benefits paid	(38)	(25)
Investment income	8	11
Changes in investment contracts	(95)	(79)
	1 053	860

14.3 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 writtenoff advances in respect of qualifying deceased estates. The government grants that are received by the group in respect of affordable housing are recognised when the conditions of the government grant have been fulfilled and the grant is due to the group.

Certain government assistance is directed 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

14 NON-INTEREST REVENUE ... CONTINUED

14.4 SEGMENTAL ANALYSIS

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	2011	2010	2011	2010	2011	2010
Commission and fee income	11 335	9 758	305	246	1 464	1 294
Administration fees	585	336			35	30
Cash-handling fees	712	630			179	172
Insurance commission	712	525			4	3
Exchange commission	365	300			127	99
Fees	1 395	1 254	275	218	300	270
Guarantees	135	122			85	79
Card income	2 244	2 097			13	5
Service charges	3 013	2 680			130	120
Other commission	2 174	1 814	30	28	591	516
Insurance income (note 14.2)	1 053	860				
Fair-value adjustments (note 14.1)	(60)	(258)	7	32	(18)	(56)
Fair-value adjustments – own debt	(49)	(213)				
Fair-value adjustments	(11)	(45)	7	32	(18)	(56)
Net trading income	2 168	2 096	1 962	1 879	59	76
Foreign exchange	1 094	1 040	888	823	59	76
Debt securities	646	774	646	774		
Equities	395	276	395	276		
Commodities	33	6	33	6		
Private equity income	323	228	249	148	74	80
Securities dealing – realised	97	5	133	20	(36)	(15)
– unrealised	(176)	(2)	19	(66)	(195)	64
Dividends received	402	225	97	194	305	31
Investment income	40	40	3	–	14	20
Long-term-asset sales	14	11	3			
Dividends received	26	29			14	20
Sundry income	553	491	(72)	(41)	178	152
Income from non-banking subsidiary	214	185				
Other sundry income	339	306	(72)	(41)	178	152
Foreign currency translation movements	*	*				
Total non-interest revenue	15 412	13 215	2 454	2 264	1 771	1 566

* *Represents amounts less than R1m.*

Nedbank Wealth		Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Shared Services		Central Management and Eliminations	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1 209	1 130	8 338	7 094	6 978	5 862	1 360	1 232	39	18	(20)	(24)
71	52	481	259	465	253	16	6	8	7	(10)	(12)
		533	458	218	164	315	294				
130	115	578	407	574	403	4	4				
42	38	192	160	74	57	118	103	4	3		
772	728	56	52			56	52	2	(2)	(10)	(12)
		50	43	17	10	33	33				
	84	2 231	2 008	2 170	1 954	61	54				
10	8	2 873	2 552	2 405	2 116	468	436				
184	105	1 344	1 155	1 055	905	289	250	25	10		
1 053	860	–	–								
–	–	29	30	33	35	(4)	(5)	–	–	(78)	(264)
		–	–							(49)	(213)
		29	30	33	35	(4)	(5)			(29)	(51)
–	–	147	141	47	50	100	91	–	–	–	–
		147	141	47	50	100	91				
		–	–								
		–	–								
		–	–								
–	–	–	–	–	–	–	–	–	–	–	–
		–	–								
		–	–								
		–	–								
2	–	11	12	1	1	10	11	10	5	–	3
1		10	11			10	11				
1		1	1	1	1			10	5		3
(12)	(32)	13	76	(7)	63	20	13	445	378	1	(42)
		–	–					214	185		
(12)	(32)	13	76	(7)	63	20	13	231	193	1	(42)
		–	–								
2 252	1 958	8 538	7 353	7 052	6 011	1 486	1 342	494	401	(97)	(327)

15 OPERATING EXPENSES

	2011 Rm	2010 Rm
Staff costs	10 243	8 794
Remuneration and other staff costs	8 615	7 735
Short-term incentives	1 332	981
Long-term employee benefits (note 35.2)*	34	(44)
Share-based payments expense – employees**	262	122
Computer processing	2 421	2 135
Depreciation for computer equipment	349	337
Amortisation of computer software	545	496
Operating lease charges for computer equipment	177	167
Other computer processing expenses	1 350	1 135
Communication and travel	771	671
Depreciation for vehicles	5	8
Other communication and travel	766	663
Occupation and accommodation	1 525	1 392
Depreciation for owner-occupied land and buildings	131	106
Operating lease charges for land and buildings	567	526
Other occupation and accommodation expenses	827	760
Marketing and public relations	1 093	1 009
Fees and insurances	1 790	1 592
Auditors' remuneration	110	107
Statutory audit – current year	84	81
– prior year	1	1
Non-audit services – interim reviews	7	6
– other services	18	19
Other fees and insurance costs	1 680	1 485
Furniture, office equipment and consumables	380	357
Depreciation for furniture and other equipment	304	263
Operating lease charge for furniture and other equipment	8	11
Other office equipment and consumables	68	83
Other operating expenses	502	500
Amortisation of intangible assets	64	64
Other sundries	438	436
	18 725	16 450

* *Includes contributions to defined-benefit and defined-contribution 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 note 15.2 for a breakdown of total expenses by operating segment and pages 356 to 358 of the Remuneration Report for a detailed breakdown of directors' and prescribed officers' remuneration.

15.1 BEE TRANSACTION EXPENSES

	2011 Rm	2010 Rm
BEE share-based payments expenses	181	143
Fees	13	5
	194	148

See note 51 for a description of the BEE schemes.

15 OPERATING EXPENSES ... CONTINUED

15.2 SEGMENTAL ANALYSIS

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	2011	2010	2011	2010	2011	2010
Staff costs	10 243	8 794	819	736	1 347	1 263
Computer processing	2 421	2 135	120	98	228	192
Communication and travel	771	671	105	91	128	125
Occupation and accommodation	1 525	1 392	56	52	203	177
Marketing and public relations	1 093	1 009	41	67	53	56
Fees and insurances	1 790	1 592	113	118	463	428
Furniture, office equipment and consumables	380	357	11	6	74	69
Other operating expenses	502	500	19	18	78	52
Indirect transfer pricing	–	–	442	320	18	93
Operating expenses	18 725	16 450	1 726	1 506	2 592	2 455
BEE transaction expenses	194	148	11	55	17	41
Total operating expenses	18 919	16 598	1 737	1 561	2 609	2 496

16 INDIRECT TAXATION

	2011 Rm	2010 Rm
Value-added taxation	430	384
Revenue stamps		1
Other transaction taxes	75	62
	505	447

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

	2011 Rm	2010 Rm
Profit/(Loss) on sale of subsidiaries and investments	40	(21)
Profit on sale of property and equipment		17
Impairment of investments	(6)	(13)
Impairment of property and equipment, and capitalised development costs	(48)	(74)
	(14)	(91)

Nedbank Wealth		Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Shared Services		Central Management and Eliminations	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
837	738	5 291	4 579	4 211	3 628	1 080	951	1 900	1 522	49	(44)
84	71	496	438	417	381	79	57	1 490	1 333	3	3
51	43	371	336	328	299	43	37	112	110	4	(34)
97	81	1 187	1 064	1 070	964	117	100	(25)	14	7	4
98	81	590	487	537	434	53	53	345	350	(34)	(32)
145	115	696	576	618	549	78	27	319	273	54	82
16	18	203	202	192	190	11	12	75	62	1	
84	79	267	320	258	302	9	18	50	35	4	(4)
289	243	3 496	3 088	2 247	2 014	1 249	1 074	(4 119)	(3 626)	(126)	(118)
1 701	1 469	12 597	11 090	9 878	8 761	2 719	2 329	147	73	(38)	(143)
2	2	15	20	11	9	4	11	40	40	109	(10)
1 703	1 471	12 612	11 110	9 889	8 770	2 723	2 340	187	113	71	(153)

18 DIRECT TAXATION

18.1 CHARGE FOR THE YEAR

	2011 Rm	2010 Rm
SA normal taxation:		
– Current charge	2 348	1 547
– Capital gains taxation – deferred	31	23
– Deferred taxation	(476)	(271)
Foreign taxation	145	57
Current and deferred taxation on income	2 048	1 356
Prior-year overprovision/(underprovision) – current taxation	103	(68)
Prior-year (underprovision)/overprovision – deferred taxation	(106)	45
Total taxation on income	2 045	1 333
STC	149	33
Taxation on non-trading and capital items	(20)	(2)
	2 174	1 364

18.2 TAXATION RATE RECONCILIATION

	2011 %	2010 %
Standard rate of SA normal taxation	28,0	28,0
Non-taxable dividend income	(4,4)	(4,9)
Capital items	(0,5)	(1,0)
Structured deals	(0,2)	(0,3)
STC	1,7	0,5
Other	0,6	(1,6)
Effective taxation rate	25,2	20,7

18.3 INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Gross	Taxation	Net of taxation
2011			
Exchange differences on translating foreign operations	469		469
Fair-value adjustments on available-for-sale assets	(34)	13	(21)
Gains on property revaluations	336	(87)	249
2010			
Exchange differences on translating foreign operations	(246)		(246)
Fair-value adjustments on available-for-sale assets	5	(8)	(3)
Gains on property revaluations	220	(48)	172

18.4 FUTURE TAXATION RELIEF

The group has estimated taxation losses of R1 107m (2010: R1 405m) that can be set off against future taxable income, of which R911m (2010: R1 222m) has been applied to the deferred taxation balance. Furthermore, the group has accumulated STC credits amounting to R915m at the year-end (2010: R850m), which have arisen as a result of dividends received exceeding dividends paid. A deferred taxation asset of R91m (2010: R85m) has been raised on these STC credits.

19 EARNINGS

19.1 EARNINGS PER SHARE

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

	Basic		Headline	
	Basic	**Diluted**	**Basic**	**Diluted**
2011				
Profit attributable to equity holders of the parent (Rm)	6 190	6 190	6 190	6 190
Adjusted for:				
– Non-trading and capital items (note 17)			14	14
– Taxation on non-trading and capital items (note 18)			(20)	(20)
Adjusted profit attributable to equity holders of the parent (Rm)	6 190	6 190	6 184	6 184
Weighted average number of ordinary shares	452 928 208	452 928 208	452 928 208	452 928 208
Adjusted for:				
– Share schemes that have a dilutive effect		8 613 557		8 613 557
Adjusted weighted average number of ordinary shares	452 928 208	461 541 765	452 928 208	461 541 765
Earnings per share (cents)	1 367	1 341	1 365	1 340
2010				
Profit attributable to equity holders of the parent (Rm)	4 811	4 811	4 811	4 811
Adjusted for:				
– Non-trading and capital items (note 17)			91	91
– Taxation on non-trading and capital items (note 18)			(2)	(2)
Adjusted profit attributable to equity holders of the parent (Rm)	4 811	4 811	4 900	4 900
Weighted average number of ordinary shares	443 900 061	443 900 061	443 900 061	443 900 061
Adjusted for:				
– Share schemes that have a dilutive effect		14 329 044		14 329 044
Adjusted weighted average number of ordinary shares	443 900 061	458 229 105	443 900 061	458 229 105
Earnings per share (cents)	1 084	1 050	1 104	1 069

The diluted-earnings-per-share calculations are based on the group's daily average share price of 13 892 cents (2010: 13 160 cents) and exclude the effect of certain share options granted under certain share option schemes as they would be anti-dilutive. The number of share options not included in the weighted average number of shares (as they would have been anti-dilutive) is 2 million (2010: 2 million).

19.2 HEADLINE EARNINGS RECONCILIATION

	2011		2010	
Rm	**Gross**	**Net of taxation**	Gross	Net of taxation
Profit attributable to equity holders of the parent		6 190		4 811
Less: non-trading and capital items	(14)	6	(91)	(89)
Profit/(Loss) on sale of subsidiaries, investments and property and equipment	40	60	(4)	(2)
Net impairment of investments, property and equipment and capitalised development costs	(54)	(54)	(87)	(87)
Headline earnings		6 184		4 900

20 DIVIDENDS

20.1 ORDINARY SHARES

	Last date to register	Millions of shares	Cents per share	Rm
2011				
Final declared for 2010 – paid 2011	1 April 2011	467	268	1 251
Interim declared for 2011	2 September 2011	512	265*	1 357
Ordinary dividends paid 2011			533	2 608
Final ordinary dividend declared for 2011	29 March 2012		340*	
2010				
Final declared for 2009 – paid 2010	31 March 2010	458	230	1 054
Interim declared for 2010	3 September 2010	466	212**	988
Ordinary dividends paid 2010			442	2 042
Final ordinary dividend declared for 2010	1 April 2011		268**	

* *Total dividend declared for 2011 was 605 cents per share and the dividend cover ratio equalled 2,26 times.*
** *Total dividend declared for 2010 was 480 cents per share and the dividend cover ratio equalled 2,30 times.*

STC on dividends equals 10% of the amount declared, which will be partially offset by STC credits.

20.2 NON-CONTROLLING INTEREST – PREFERENCE SHAREHOLDERS

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

Dividends declared calculations	Days	Rate	Amount (Rm)
2011			
Nedbank Limited			
1 July 2011 – 31 December 2011	184	6,750%	121,9
Total declared			121,9
2010			
Nedbank Limited – Final declared for 2009 – paid March 2010	358 277 491	40,15068	144
Imperial Bank Limited – Final declared for 2009 – paid March 2010	3 000 000	374,73973	11
Nedbank Limited – Interim declared for 2010 – paid September 2010	358 277 491	38,05479	136
			291

20.2 NON-CONTROLLING INTEREST – PREFERENCE SHAREHOLDERS ... CONTINUED

Dividends paid calculations	Days	Rate	Amount (Rm)
2011 (Paid March 2011)			
Nedbank Limited			
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 Limited			
1 January 2011 – 30 June 2011	181		119,9
1 January 2011 – 30 June 2011	181	6,750%	119,9
2011 Nedbank Limited (Motor Finance Corporation) – Participating preference shares			31,7
Profit attributable to preference shareholders			**281,3**
2010 (Paid March 2010)			
Nedbank Limited			
1 July 2009 – 31 December 2009	184		143,8
1 July 2009 – 13 August 2009	44	8,250%	35,6
14 August 2009 – 31 December 2009	140	7,875%	108,2
Imperial Bank Limited			
1 July 2009 – 31 December 2009	184		11,2
1 July 2009 – 13 August 2009	44	7,700%	2,8
14 August 2009 – 31 December 2009	140	7,350%	8,4
2010 (Paid September 2010)			
Nedbank Limited			
1 January 2010 – 30 June 2010	181		136,3
1 January 2010 – 25 March 2010	84	7,875%	64,9
26 March 2010 – 30 June 2010	97	7,500%	71,4
Total paid			291,3
Less: Cumulative dividend paid			14,2
Dividend paid to group entities			11,2
Profit attributable to preference shareholders			**265,9**

21 CASH AND CASH EQUIVALENTS

	2011 Rm	2010 Rm
Coins and banknotes	4 027	2 455
Money at call and short notice	6 280	3 821
Balances with central banks – other than mandatory reserve deposits	3 150	2 374
Cash and cash equivalents excluding mandatory reserve deposits with central banks	13 457	8 650
Mandatory reserve deposits with central banks	11 952	11 095
	25 409	19 745

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

22 OTHER SHORT-TERM SECURITIES

22.1 ANALYSIS

	2011 Rm	2010 Rm
Negotiable certificates of deposit	10 391	12 528
Treasury bills and other bonds	25 595	14 516
	35 986	27 044

22.2 SECTORAL ANALYSIS*

	2011 Rm	2010 Rm
Banks	11 538	13 167
Government and public sector	23 950	13 741
Other services	498	136
	35 986	27 044

* *The sectoral analysis for other short-term securities has been enhanced to provide a more detailed analysis. 2010 comparative information has been restated accordingly.*

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 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

	2011 Rm	2010 Rm
Gross carrying amount of assets	12 840	13 882
Gross carrying amount of liabilities	(13 853)	(12 052)
Net carrying amount	(1 013)	1 830

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.

23.2 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.

	2011			2010		
Rm	Notional principal	Positive value	Negative value	Notional principal	Positive value	Negative value
Equity derivatives	7 335	2 743	4 592	17 160	5 573	11 587
Options written	2 463		2 463	5 446		5 446
Options purchased	2 176	2 176		4 744	4 744	
Futures*	2 696	567	2 129	6 970	829	6 141
Commodity derivatives	1 271	259	1 012	7 284	3 548	3 736
Caps and floors	55		55	1 142	544	598
Swaps	139	106	33	6 105	3 004	3 101
Futures	1 077	153	924	37		37
Exchange rate derivatives	247 989	127 207	120 782	153 019	78 285	74 734
Forwards	225 779	115 847	109 932	132 844	66 390	66 454
Futures	2		2	6	6	
Currency swaps	14 682	7 873	6 809	13 457	8 457	5 000
Options purchased	3 487	3 487		3 432	3 432	
Options written	4 039		4 039	3 280		3 280
Interest rate derivatives	821 244	381 005	440 239	520 761	273 291	247 470
Interest rate swaps	338 447	161 619	176 828	286 762	152 661	134 101
Forward rate agreements	461 601	210 522	251 079	210 836	112 799	98 037
Options purchased	500	500		1 778	1 778	
Options written	600		600	2 442		2 442
Futures	3 378	1 019	2 359	6 800	2 812	3 988
Caps	298		298	1 039		1 039
Floors	4 200	2 200	2 000	2 200	200	2 000
Credit default swaps	12 220	5 145	7 075	8 904	3 041	5 863
Total notional principal	1 077 839	511 214	566 625	698 224	360 697	337 527

* *Includes contracts for difference with positive notionals of R165m (2010: R133m) and negative notionals of R819m (2010: R474m).*

23 DERIVATIVE FINANCIAL INSTRUMENTS ... CONTINUED

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.

	2011			2010		
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	(81)	350	431	(200)	546	746
Options written	(427)		427	(720)		720
Options purchased	309	309		535	535	
Futures**	37	41	4	(15)	11	26
Commodity derivatives	1	7	6	41	1 110	1 069
Caps and floors				1	90	89
Swaps	1	6	5	44	1 020	976
Futures	*	1	1	(4)		4
Exchange rate derivatives	1 456	5 109	3 653	3 395	6 263	2 868
Forwards	903	3 912	3 009	2 877	4 951	2 074
Futures	(3)		3	*	*	*
Currency swaps	521	1 063	542	467	1 155	688
Options purchased	134	134		157	157	
Options written	(99)		99	(106)		106
Interest rate derivatives	(2 389)	7 374	9 763	(1 406)	5 963	7 369
Interest rate swaps	(2 393)	6 814	9 207	(1 468)	5 722	7 190
Forward rate agreements	4	315	311	27	179	152
Options purchased	9	9		*	*	
Options written	(4)		4	*		*
Futures	(3)	*	3	(2)	*	2
Caps	*		*	*		*
Floors	1	1	*	6	6	
Credit default swaps	(3)	235	238	31	56	25
Total carrying amount	(1 013)	12 840	13 853	1 830	13 882	12 052

* *Represents amounts less than R1m.*
** *Includes contracts for difference and an equity forward agreement for 2011. 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 R29m.*

23.4 ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENTS

Rm	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	Total
Derivative assets					
2011					
Maturity analysis					
Under one year	71	7	4 347	428	4 853
One to five years	279		389	3 199	3 867
Over five years			373	3 747	4 120
	350	7	5 109	7 374	12 840
2010					
Maturity analysis					
Under one year	241	180	5 052	687	6 160
One to five years	305	930	855	2 787	4 877
Over five years			356	2 489	2 845
	546	1 110	6 263	5 963	13 882
Derivative liabilities					
2011					
Maturity analysis					
Under one year	132	6	2 990	505	3 633
One to five years	299		349	3 552	4 200
Over five years			314	5 706	6 020
	431	6	3 653	9 763	13 853
2010					
Maturity analysis					
Under one year	347	178	1 873	504	2 902
One to five years	399	891	702	2 894	4 886
Over five years			293	3 971	4 264
	746	1 069	2 868	7 369	12 052
Notional principal of derivatives					
2011					
Maturity analysis					
Under one year	3 905	1 271	231 563	413 875	650 614
One to five years	3 430		10 951	299 464	313 845
Over five years			5 475	107 905	113 380
	7 335	1 271	247 989	821 244	1 077 839
2010					
Maturity analysis					
Under one year	13 348	1 062	139 137	242 470	396 017
One to five years	3 812	6 222	9 973	198 544	218 551
Over five years			3 909	79 747	83 656
	17 160	7 284	153 019	520 761	698 224

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 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

Nedbank Group 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.

There were no change in fair value due to changes in credit risk in the current reporting period (2010: R1m).

A breakdown of the financial assets that 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.

24.2 FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

Rm	Fair value	Contractually payable at maturity	Change in fair value due to change in credit risk: Current period*	Change in fair value due to change in credit risk: Cumulative
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	5 145	5 145		
Investment contract liabilities	8 237	8 237		
Negotiable certificates of deposit	48 480	48 338	(37)	42
Insurance funds	2 005	2 005		
	102 896	102 533	(83)	80
2010				
Long-term debt instruments	7 774	7 614	(213)	54
Call and term deposits	33 676	33 620	(41)	30
Fixed deposits	112	115		
Promissory notes and other liabilities	7	7		
Foreign currency liabilities	6 447	6 447		
Investment contract liabilities	7 309	7 309		
Negotiable certificates of deposit	49 902	49 595	(69)	79
Insurance funds	1 392	1 392		
	106 619	106 099	(323)	163

* *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 Limited bonds are applied.

25 GOVERNMENT AND OTHER SECURITIES

25.1 ANALYSIS

	2011 Rm	2010 Rm
Government and government-guaranteed securities	18 091	20 528
Other dated securities*	12 085	11 296
	30 176	31 824

25.2 SECTORAL ANALYSIS

	2011 Rm	2010 Rm
Financial services, insurance and real estate	2 484	2 089
Banks	3 120	3 545
Manufacturing	1 915	1 312
Transport, storage and communication	169	171
Government and public sector	21 053	22 989
Other sectors	1 435	1 718
	30 176	31 824

25.3 VALUATION

	2011 Rm	2010 Rm
Listed securities:		
– Carrying amount	28 121	31 757
– Market value	28 959	32 513
Unlisted securities:		
– Carrying amount	2 055	67
– Directors' valuation	2 055	67
Total market/directors' valuation	31 014	32 580

* *Includes securitised assets. See note 46.*

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, and manufacturing, 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

	2011 Rm	2010 Rm
Mortgage loans	232 642	231 995
Home loans	143 154	145 895
Commercial mortgages	89 488	86 100
Net finance lease and instalment debtors (note 26.4)	71 168	67 881
Gross investment	74 353	71 713
Unearned finance charges	(3 185)	(3 832)
Credit cards	8 666	7 910
Other loans and advances	195 069	178 713
Properties in possession	619	662
Overdrafts	13 152	13 307
Term loans	77 980	74 605
Personal loans	17 847	13 001
Other term loans	60 133	61 604
Overnight loans	19 104	12 552
Other loans to clients	49 488	42 897
Foreign client lending	9 364	6 715
Remittances in transit	195	108
Other loans*	39 929	36 074
Preference shares and debentures	17 960	20 499
Factoring accounts	3 822	3 202
Deposits placed under reverse repurchase agreements	12 911	10 849
Trade, other bills and bankers' acceptances	33	140
	507 545	486 499
Impairment of loans and advances (note 27)	(11 497)	(11 226)
	496 048	475 273
Comprises:		
– Loans and advances to customers	487 564	469 021
– Loans and advances to banks	19 981	17 478
	507 545	486 499

* *Represents mainly loans relating to Treasury and Investment Banking within the Nedbank Capital segment and loans within the other operating segments of the group.*

See note 26.8 for a breakdown of loans and advances by operating segment.

26 LOANS AND ADVANCES ... CONTINUED

26.2 SECTORAL ANALYSIS

	2011 Rm	2010 Rm
Individuals	199 209	190 283
Financial services, insurance and real estate	120 347	119 298
Banks	19 981	17 478
Manufacturing	35 421	30 875
Building and property development	8 901	11 735
Transport, storage and communication	28 742	30 767
Retailers, catering and accommodation	11 829	7 632
Wholesale and trade	6 903	7 408
Mining and quarrying	19 425	16 839
Agriculture, forestry and fishing	6 392	5 613
Government and public sector	14 747	7 958
Other services	35 648	40 613
	507 545	486 499

26.3 GEOGRAPHICAL ANALYSIS

	2011 Rm	2010 Rm
SA	467 308	456 302
Other African countries	18 722	14 145
Europe	15 125	13 392
Asia	3 101	1 036
US	731	670
Other	2 558	954
	507 545	486 499

26.4 NET FINANCE LEASE AND INSTALMENT DEBTORS

	2011			2010		
Rm	Gross	Unearned finance charges	Net	Gross	Unearned finance charges	Net
No later than one year	10 257	(1 233)	9 024	10 144	(689)	9 455
Later than one year and no later than five years	63 997	(1 941)	62 056	60 757	(2 454)	58 303
Later than five years	99	(11)	88	812	(689)	123
	74 353	(3 185)	71 168	71 713	(3 832)	67 881

26.5 CLASSIFICATION OF LOANS AND ADVANCES

Rm	Total 2011	Total 2010	Neither past due nor impaired 2011	Neither past due nor impaired 2010	Past due but not impaired 2011	Past due but not impaired 2010	Defaulted* 2011	Defaulted* 2010
Mortgage loans	232 642	231 995	200 447	199 182	17 414	14 884	14 781	17 929
Net finance lease and instalment debtors	71 168	67 881	59 152	55 715	9 124	9 098	2 892	3 068
Credit cards	8 666	7 910	7 450	6 819	698	573	518	518
Properties in possession	619	662					619	662
Overdrafts	13 152	13 307	11 838	11 362	518	727	796	1 218
Term loans	77 980	74 605	61 914	63 153	13 968	9 629	2 098	1 823
Overnight loans	19 104	12 552	19 099	12 552	5			
Other loans to clients	49 488	42 897	47 626	40 796	547	664	1 315	1 437
Preference shares and debentures	17 960	20 499	17 923	19 642	4	784	33	73
Factoring accounts	3 822	3 202	3 644	3 165	157		21	37
Deposits placed under reverse repurchase agreements	12 911	10 849	12 911	10 849				
Trade, other bills and bankers' acceptances	33	140	33	140				
	507 545	486 499	442 037	423 375	42 435	36 359	23 073	26 765

	2011	2010
Loans and advances defaulted – not impaired	1 156	1 114
– impaired	21 917	25 651
	23 073	26 765

* *Loans and advances previously termed as 'Impaired' have been disclosed as 'Defaulted' and further classification made of defaulted loans and advances between 'Loans and advances defaulted – not impaired' and 'Loans and advances defaulted – impaired'.*

26 LOANS AND ADVANCES ... CONTINUED

26.6 AGE ANALYSIS OF LOANS AND ADVANCES

	Total		< 1 month	
Rm	2011	2010	2011	2010
Neither past due nor impaired	442 037	423 375	442 037	423 375
Mortgage loans	200 447	199 182	200 447	199 182
Net finance lease and instalment debtors	59 152	55 715	59 152	55 715
Credit cards	7 450	6 819	7 450	6 819
Overdrafts	11 838	11 362	11 838	11 362
Term loans	61 914	63 153	61 914	63 153
Overnight loans	19 099	12 552	19 099	12 552
Other loans to clients	47 626	40 796	47 626	40 796
Preference shares and debentures	17 923	19 642	17 923	19 642
Factoring accounts	3 644	3 165	3 644	3 165
Deposits placed under reverse repurchase agreements	12 911	10 849	12 911	10 849
Trade, other bills and bankers' acceptances	33	140	33	140
Past due but not impaired	42 435	36 359	35 886	30 364
Mortgage loans	17 414	14 884	14 150	11 903
Net finance lease and instalment debtors	9 124	9 098	7 346	8 189
Credit cards	698	573	507	421
Overdrafts	518	727	446	627
Term loans	13 968	9 629	13 012	8 999
Overnight loans	5	–	5	
Other loans to clients	547	664	268	223
Preference shares and debentures	4	784		2
Factoring accounts	157	–	152	
Subtotal	484 472	459 734	477 923	453 739
Defaulted	23 073	26 765		
Mortgage loans	14 781	17 929		
Net finance lease and instalment debtors	2 892	3 068		
Credit cards	518	518		
Properties in possession	619	662		
Overdrafts	796	1 218		
Term loans	2 098	1 823		
Other loans to clients	1 315	1 437		
Preference shares and debentures	33	73		
Factoring accounts	21	37		
Total loans and advances	507 545	486 499		

> 1 month < 3 months		> 3 months < 6 months		> 6 months < 12 months		> 12 months	
2011	2010	2011	2010	2011	2010	2011	2010
–	–	–	–	–	–	–	–
6 187	4 765	23	748	5	228	334	254
3 245	2 948		33			19	
1 729	893	2	16			47	
191	152						
55	50	15	50	2			
942	630	6				8	
16	20		2	3	181	260	238
4	72		647		47		16
5							
6 187	4 765	23	748	5	228	334	254

26 LOANS AND ADVANCES ... CONTINUED

26.7 CREDIT QUALITY OF LOANS AND ADVANCES

	Total		NGR 1 – 12	
Rm	2011	2010	2011	2010
Neither past due nor impaired	442 037	423 375	171 614	159 813
Mortgage loans	200 447	199 182	37 250	31 614
Net finance lease and instalment debtors	59 152	55 715	4 236	7 480
Credit cards	7 450	6 819	1 398	1 248
Overdrafts	11 838	11 362	2 290	3 048
Term loans	61 914	63 153	50 184	53 071
Overnight loans	19 099	12 552	15 009	8 536
Other loans to clients	47 626	40 796	33 157	30 048
Preference shares and debentures	17 923	19 642	15 204	14 149
Factoring accounts	3 644	3 165	(8)	
Deposits placed under reverse repurchase agreements	12 911	10 849	12 870	10 559
Trade, other bills and bankers' acceptances	33	140	24	60
Past due but not impaired	42 435	36 359	922	1 602
Mortgage loans	17 414	14 884	321	285
Net finance lease and instalment debtors	9 124	9 098	599	663
Credit cards	698	573	2	7
Overdrafts	518	727		
Term loans	13 968	9 629		4
Overnight loans	5	–		
Other loans to clients	547	664		
Preference shares and debentures	4	784		643
Factoring accounts	157	–		
Defaulted	23 073	26 765	–	–
Mortgage loans	14 781	17 929		
Net finance lease and instalment debtors	2 892	3 068		
Credit cards	518	518		
Properties in possession	619	662		
Overdrafts	796	1 218		
Term loans	2 098	1 823		
Other loans to clients	1 315	1 437		
Preference shares and debentures	33	73		
Factoring accounts	21	37		
Total loans and advances	507 545	486 499	172 536	161 415

The group uses a master rating scale for measuring credit risk, which measures borrower risk excluding the effect of collateral and any credit mitigation (ie 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		NGR 21 – 25		NP 1 – 3*		Unrated	
	2011	2010	2011	2010	2011	2010	2011	2010
	245 200	239 814	11 971	17 875	–	–	13 252	5 873
	151 854	157 442	4 331	7 881			7 012	2 245
	48 018	42 459	3 804	4 842			3 094	934
	4 557	4 158	1 495	1 413				
	8 077	6 830	353	472			1 118	1 012
	9 884	8 610	1 177	990			669	482
	3 506	2 951	584	1 065				
	13 098	8 512	224	1 177			1 147	1 059
	2 548	5 352					171	141
	3 652	3 136		29				
		290					41	
	6	74	3	6				
	22 517	20 784	18 281	13 100	297	576	418	297
	8 396	6 379	8 601	8 035		138	96	47
	6 658	6 427	1 540	1 680	263	304	64	24
	120	162	576	396		8		
	181	184	332	528	1	12	4	3
	6 995	7 287	6 961	2 305		28	12	5
			5					
	167	204	105	156	33	86	242	218
		141	4					
			157					
	–	3	253	1 221	20 829	24 873	1 991	668
			123	183	13 591	17 746	1 067	
			49	49	2 616	3 017	227	2
					518	518		
							619	662
			55	57	738	1 158	3	3
			26	200	1 998	1 623	74	
				732	1 314	704	1	1
		3			33	70		
					21	37		
	267 717	260 601	30 505	32 196	21 126	25 449	15 661	6 838

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.

* Non-performing (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.

26 LOANS AND ADVANCES ... CONTINUED

26.8 SEGMENTAL ANALYSIS

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	2011	2010	2011	2010	2011	2010
Mortgage loans	232 642	231 995	–	–	78 617	75 115
Home loans	143 154	145 895			2 927	2 654
Commercial mortgages	89 488	86 100			75 690	72 461
Net finance lease and instalment debtors	71 168	67 881		47	4 462	3 957
Credit cards	8 666	7 910				
Other loans and advances	195 069	178 713	69 331	63 204	82 962	80 000
Properties in possession	619	662			186	5
Overdrafts	13 152	13 307	60	12	4 521	4 868
Term loans	77 980	74 605	7 187	4 323	51 302	55 121
Personal loans	17 847	13 001			577	478
Other term loans	60 133	61 604	7 187	4 323	50 725	54 643
Overnight loans	19 104	12 552		1	18 378	11 887
Other loans to clients	49 488	42 897	37 096	33 019	3 483	3 239
Foreign client lending	9 364	6 715	5 523	5 133	1 300	1 619
Remittances in transit	195	108	3	(1)	167	119
Other loans	39 929	36 074	31 570	27 887	2 016	1 501
Preference shares and debentures	17 960	20 499	12 046	14 863	5 092	4 880
Factoring accounts	3 822	3 202				
Deposits placed under reverse repurchase agreements	12 911	10 849	12 911	10 849		
Trade, other bills and bankers' acceptances	33	140	31	137		
Loans and advances before impairments	507 545	486 499	69 331	63 251	166 041	159 072
Impairment of advances	(11 497)	(11 226)	(821)	(923)	(1 287)	(1 369)
Total loans and advances	496 048	475 273	68 510	62 328	164 754	157 703
Comprises:						
– Loans and advances to clients	487 564	469 021	56 497	49 801	163 802	156 461
– Loans and advances to banks	19 981	17 478	12 834	13 450	2 239	2 611
Loans and advances before impairments	507 545	486 499	69 331	63 251	166 041	159 072

Nedbank Wealth		Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Shared Services		Central Management and Eliminations	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
15 645	14 045	139 101	143 218	108 490	117 795	30 611	25 423	–	–	(721)	(383)
15 268	13 733	125 219	129 714	107 849	115 578	17 370	14 136			(260)	(206)
377	312	13 882	13 504	641	2 217	13 241	11 287			(461)	(177)
300	258	66 431	63 642	54 374	53 085	12 057	10 557			(25)	(23)
24	20	8 642	7 890	8 544	7 835	98	55				
3 733	2 653	36 868	32 177	19 854	16 191	17 014	15 986	21	(5)	2 154	684
24	18	409	639	397	631	12	8				
108	93	8 463	8 334	1 868	2 076	6 595	6 258				
634	610	18 861	14 555	17 269	13 109	1 592	1 446	–	–	(4)	(4)
2	1	17 268	12 522	17 267	12 518	1	4				
632	609	1 593	2 033	2	591	1 591	1 442			(4)	(4)
		726	664			726	664				
2 941	1 874	3 935	4 200	320	375	3 615	3 825	(8)	(5)	2 041	570
		318	155	1	1	317	154			2 223	(192)
		33	(5)	31	(9)	2	4	(8)	(5)		
2 941	1 874	3 584	4 050	288	383	3 296	3 667			(182)	762
24	55	652	583			652	583	29		117	118
		3 822	3 202			3 822	3 202				
		–	–								
2	3	–	–								
19 702	16 976	251 042	246 927	191 262	194 906	59 780	52 021	21	(5)	1 408	278
(77)	(107)	(9 107)	(8 828)	(7 599)	(7 572)	(1 508)	(1 256)	(1)	(1)	(204)	2
19 625	16 869	241 935	238 099	183 663	187 334	58 272	50 765	20	(6)	1 204	280
17 140	15 549	251 009	246 932	191 231	194 915	59 778	52 017	28		(912)	278
2 562	1 427	33	(5)	31	(9)	2	4	(7)	(5)	2 320	
19 702	16 976	251 042	246 927	191 262	194 906	59 780	52 021	21	(5)	1 408	278

27 IMPAIRMENT OF LOANS AND ADVANCES

27.1 IMPAIRMENT OF LOANS AND ADVANCES

	Total impairment		Specific impairment		Portfolio impairment	
	2011 Rm	2010 Rm	2011 Rm	2010 Rm	2011 Rm	2010 Rm
Balance at the beginning of the year	11 226	9 798	9 072	7 830	2 154	1 968
Impairments charge/(release)	5 972	6 951	5 394	6 758	578	193
Statement of comprehensive income charge net of recoveries:	5 331	6 188	4 753	5 995	578	193
Loans and advances	5 331	6 187	4 753	5 994	578	193
Advances designated as at fair value through profit or loss (see note 24.1)	–	1		1		
Recoveries	641	763	641	763		
Amounts written off against the impairment/Other transfers	(5 701)	(5 523)	(5 717)	(5 516)	16	(7)
Impairment of loans and advances	11 497	11 226	8 749	9 072	2 748	2 154

27.2 IMPAIRMENTS OF LOANS AND ADVANCES BY CLASSIFICATION

	Balance at the beginning of the year Rm	Impairments charge/ (release) Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Total impairment				
2011				
Home loans	3 871	1 436	(1 478)	3 829
Commercial mortgages	1 178	390	(394)	1 174
Properties in possession	62	18	(52)	28
Credit cards	566	433	(405)	594
Overdrafts	956	228	(524)	660
Other loans to clients	2 207	2 420	(1 832)	2 795
Net finance lease and instalment debtors	2 365	1 048	(1 014)	2 399
Preference shares and debentures	20	(1)	(1)	18
Trade, other bills and bankers' acceptances	1		(1)	–
Impairment of loans and advances	11 226	5 972	(5 701)	11 497
2010				
Home loans	3 726	2 843	(2 698)	3 871
Commercial mortgages	907	384	(113)	1 178
Properties in possession	168	44	(150)	62
Credit cards	565	426	(425)	566
Overdrafts	974	253	(271)	956
Other loans to clients	1 592	1 758	(1 143)	2 207
Net finance lease and instalment debtors	1 819	1 269	(723)	2 365
Preference shares and debentures	45	(25)		20
Trade, other bills and bankers' acceptances	2	(1)		1
Impairment of loans and advances	9 798	6 951	(5 523)	11 226

27.2 IMPAIRMENTS OF LOANS AND ADVANCES BY CLASSIFICATION ... CONTINUED

	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				
2011				
Home loans	3 290	1 327	(1 485)	3 132
Commercial mortgages	929	377	(395)	911
Properties in possession	62	18	(52)	28
Credit cards	502	423	(405)	520
Overdrafts	779	227	(527)	479
Other loans to clients	1 732	2 093	(1 841)	1 984
Net finance lease and instalment debtors	1 760	929	(1 011)	1 678
Preference shares and debentures	18		(1)	17
Specific impairment of loans and advances	9 072	5 394	(5 717)	8 749
2010				
Home loans	3 272	2 706	(2 688)	3 290
Commercial mortgages	588	456	(115)	929
Properties in possession	168	44	(150)	62
Credit cards	501	426	(425)	502
Overdrafts	765	313	(299)	779
Other loans to clients	1 106	1 728	(1 102)	1 732
Net finance lease and instalment debtors	1 386	1 111	(737)	1 760
Preference shares and debentures	44	(26)		18
Specific impairment of loans and advances	7 830	6 758	(5 516)	9 072
Portfolio impairment				
2011				
Home loans	581	109	7	697
Commercial mortgages	249	13	1	263
Credit cards	64	10		74
Overdrafts	177	1	3	181
Other loans to clients	475	327	9	811
Net finance lease and instalment debtors	605	119	(3)	721
Preference shares and debentures	2	(1)		1
Trade, other bills and bankers' acceptances	1		(1)	–
Portfolio impairment of loans and advances	2 154	578	16	2 748
2010				
Home loans	454	137	(10)	581
Commercial mortgages	319	(72)	2	249
Credit cards	64			64
Overdrafts	209	(60)	28	177
Other loans to clients	486	30	(41)	475
Net finance lease and instalment debtors	433	158	14	605
Preference shares and debentures	1	1		2
Trade, other bills and bankers' acceptances	2	(1)		1
Portfolio impairment of loans and advances	1 968	193	(7)	2 154

27 IMPAIRMENT OF LOANS AND ADVANCES ... CONTINUED

27.3 SECTORAL ANALYSIS

	Total impairment		Specific impairment		Portfolio impairment	
	2011 Rm	2010 Rm	2011 Rm	2010 Rm	2011 Rm	2010 Rm
Individuals	7 353	6 757	5 705	5 511	1 648	1 246
Financial services, insurance and real estate	1 346	1 468	1 061	1 194	285	274
Manufacturing	246	261	139	140	107	121
Building and property development	165	151	122	112	43	39
Transport, storage and communication	431	274	349	176	82	98
Retailers, catering and accommodation	53	43	11	11	42	32
Wholesale and trade	596	823	560	773	36	50
Mining and quarrying	180	89	138	39	42	50
Agriculture, forestry and fishing	53	57	32	32	21	25
Government and public sector	59	49	28	27	31	22
Other services	1 015	1 254	604	1 057	411	197
	11 497	11 226	8 749	9 072	2 748	2 154

27.4 GEOGRAPHICAL ANALYSIS

	Total impairment		Specific impairment		Portfolio impairment	
	2011 Rm	2010 Rm	2011 Rm	2010 Rm	2011 Rm	2010 Rm
SA	11 164	11 032	8 483	8 940	2 681	2 092
Other African countries	160	143	115	97	45	46
Europe	96	15	85	3	11	12
Asia	5	1			5	1
US	63	12	62	11	1	1
Other	9	23	4	21	5	2
	11 497	11 226	8 749	9 072	2 748	2 154

27.5 RATIO OF IMPAIRMENTS

	2011 Rm	2010 Rm
Impairment of advances at the end of the year	11 497	11 226
Total advances	507 545	486 499
Ratio (%)	2,27	2,31

See note 27.7 for a breakdown of impairment of advances by operating segment.

	2011 Rm	2010 Rm
27.6 INTEREST ON SPECIFICALLY IMPAIRED LOANS AND ADVANCES	1 404	1 704

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

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

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

27.7 SEGMENTAL ANALYSIS

Rm	Nedbank Group	Nedbank Capital	Nedbank Corporate	Nedbank Wealth	Total Nedbank Retail and Nedbank Business Banking	Nedbank Retail	Nedbank Business Banking	Shared Services and Central Manage-ment
2011								
Opening balance	11 226	923	1 369	107	8 828	7 572	1 256	(1)
Specific impairment	9 072	806	932	82	7 251	6 237	1 014	1
Portfolio impairment	2 154	117	437	25	1 577	1 335	242	(2)
Impairments charge	5 972	549	476	46	4 678	4 328	350	223
Statement of comprehensive income impairments charge net of recoveries	5 331	549	458	45	4 053	3 729	324	226
Specific impairment	4 754	568	519	47	3 617	3 334	283	3
Portfolio impairment	577	(19)	(61)	(2)	436	395	41	223
Recoveries	641		18	1	625	599	26	(3)
Amounts written off/Other transfers	(5 701)	(651)	(559)	(76)	(4 398)	(4 301)	(97)	(17)
Specific impairment	(5 719)	(653)	(566)	(77)	(4 406)	(4 264)	(142)	(17)
Portfolio impairment	18	2	7	1	8	(37)	45	
Total impairments	11 497	821	1 286	77	9 108	7 599	1 509	205
Specific impairment	8 749	722	903	53	7 087	5 906	1 181	(16)
Portfolio impairment	2 748	99	383	24	2 021	1 693	328	221
2010								
Opening balance	9 798	384	1 200	156	8 060	6 840	1 220	(2)
Specific impairment	7 830	310	656	129	6 735	5 921	814	
Portfolio impairment	1 968	74	544	27	1 325	919	406	(2)
Impairments charge	6 951	702	378	60	5 810	5 568	242	1
Statement of comprehensive income impairments charge net of recoveries	6 188	535	307	25	5 320	5 110	210	1
Specific impairment	5 994	491	407	27	5 068	4 694	374	1
Portfolio impairment	194	44	(100)	(2)	252	416	(164)	
Recoveries	763	167	71	35	490	458	32	
Amounts written off/Other transfers	(5 523)	(163)	(209)	(109)	(5 042)	(4 836)	(206)	–
Specific impairment	(5 515)	(162)	(202)	(109)	(5 042)	(4 836)	(206)	
Portfolio impairment	(8)	(1)	(7)					
Total impairments	11 226	923	1 369	107	8 828	7 572	1 256	(1)
Specific impairment	9 072	806	932	82	7 251	6 237	1 014	1
Portfolio impairment	2 154	117	437	25	1 577	1 335	242	(2)

28 OTHER ASSETS

	2011 Rm	2010 Rm
Sundry debtors and other accounts	5 397	4 811
Trading securities and spot positions	6 654	5 203
	12 051	10 014

29 INVESTMENT SECURITIES

	2011 Rm	2010 Rm
Listed investments at market value	796	536
Private equity portfolio	791	532
Other	5	4
Unlisted investments at directors' valuation	3 049	2 475
NES Investments (Pty) Limited	359	354
Morning Tide Investments 168 (Pty) Limited	222	105
Strate Limited	36	36
Private equity portfolio	1 160	1 127
Other*	1 272	853
Total listed and unlisted investments	3 845	3 011
Listed policyholder investments at market value	7 856	7 068
Equities	191	275
Government, public and private sector stock	398	117
Unit trusts	7 267	6 676
Unlisted policyholder investments at directors' valuation	2 624	1 871
Equities		1
Negotiable certificates of deposit, money market and other short-term funds	2 624	1 870
Net policyholder liabilities	(44)	(32)
Total policyholder investments	10 436	8 907
Total investment securities	14 281	11 918

* *Includes Nedbank Group Limited's right to subscribe for 2 478 341 936 ordinary listed shares in Ecobank Transnational Incorporated (ETI), exercisable between November 2013 and November 2014, at an aggregate price of US$285m and to acquire further shares at market-related prices to become a 20% shareholder in ETI.*

30 INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT VENTURES

30.1 MOVEMENT IN CARRYING AMOUNT

	2011 Rm	2010 Rm
Carrying amount at the beginning of the year	936	924
Share of associate companies' and joint ventures' profit after taxation for the current year	*	1
Dividends received	(1)	
Net movement of associate companies and joint ventures at carrying value**	(154)	10
Fair-value movements	(213)	1
Carrying amount at the end of the year	568	936

* *Represents amounts less than R1m.*
** *These amounts include movements due to acquisitions and disposals.*

All investments in associate companies and joint ventures are unlisted.

30.2 ANALYSIS OF CARRYING AMOUNT

	2011 Rm	2010 Rm
Associate investments – on acquisition – net asset value	372	548
Share of retained earnings since acquisition	102	103
Fair-value movements	94	285
	568	936

30.3 VALUATION

	2011 Rm	2010 Rm
Directors' valuation	568	936
	568	936

30.4 SUMMARISED FINANCIAL INFORMATION OF INVESTMENTS IN ASSOCIATE COMPANIES

	2011 Rm	2010 Rm
Total assets	4 123	5 537
Total liabilities	3 594	4 720
Operating results	227	284
Total revenues	1 481	1 538

Information relating to investments in associate companies appears on pages 324 and 325.

31 NON-CURRENT ASSETS HELD FOR SALE

	Previously included in:	2011 Rm	2010 Rm
Properties sold not yet transferred	Property and equipment	8	5
		8	5

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

32 DEFERRED TAXATION

32.1 RECONCILIATION OF DEFERRED TAXATION BALANCE

	2011 Rm	2010 Rm
Deferred taxation asset		
Balance at the beginning of the year	284	282
Current-year temporary differences recognised in the statement of comprehensive income	19	(87)
Impairment of loans and advances	2	(37)
Other income and capital items	98	(287)
Taxation losses recognised	(81)	237
Other movements	(37)	89
Balance at the end of the year	266	284
Deferred taxation liability		
Balance at the beginning of the year	1 804	1 945
Acquisition of businesses		(6)
Disposal of businesses		6
Current-year temporary differences recognised in the statement of comprehensive income	(552)	(292)
Capital gains taxation	(6)	48
Client credit agreements	(99)	
Deferred acquisition costs	(22)	(24)
Deferred fee income	(6)	(9)
Depreciation	(17)	16
Fair-value adjustments of financial instruments	8	(134)
Impairment of loans and advances	(470)	(43)
Other income and expense items	41	(237)
Property revaluations	(4)	(5)
Share-based payments	17	93
Taxation losses recognised	6	3
Other movements	93	151
Balance at the end of the year	1 345	1 804

32.2 ANALYSIS OF DEFERRED TAXATION

	2011 Rm	2010 Rm
Deferred taxation asset		
Impairment of loans and advances	12	13
Other income and capital items	50	(14)
Taxation losses	204	285
	266	284
Deferred taxation liability		
Capital gains taxation	239	306
Client credit agreements	462	542
Deferred acquisition costs	329	351
Deferred fee income	(178)	(172)
Depreciation	277	294
Fair-value adjustments of financial instruments	(33)	
Impairment of loans and advances	(964)	(494)
Other income and expense items	749	631
Property revaluations	403	342
STC	(29)	(61)
Share-based payments	141	122
Taxation losses	(51)	(57)
	1 345	1 804

33 INVESTMENT PROPERTY

33.1 FAIR-VALUE

	2011 Rm	2010 Rm
Fair-value at the beginning of the year	199	211
Acquisitions	414	5
Effect of movements in foreign exchange rates	1	
Net loss from fair-value adjustments		(17)
Fair-value at the end of the year	614	199

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 valuations 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 the 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 between 9,50% and 11,00% (2010: 10,59%) and takes into account the type of property and the location of the property.

	2011 Rm	2010 Rm
Valuations determined by reference to existing market conditions	614	199
	614	199

33.3 RENTAL INCOME AND OPERATING EXPENSES FROM INVESTMENT PROPERTY

	2011 Rm	2010 Rm
Rental income from investment property	171	17
Direct operating expense arising from investment property that generated rental income	77	21

33.4 MINIMUM CONTRACTUAL LEASE RENTAL INCOME FROM INVESTMENT PROPERTY

	2011 Rm	2010 Rm
2011		10
2012	165	10
2013	186	11
	351	31

34 PROPERTY AND EQUIPMENT

	Land		Buildings	
	2011 Rm	2010 Rm	2011 Rm	2010 Rm
Gross carrying amount				
Balance at 1 January	760	653	3 504	3 064
Acquisitions	1	67	267	347
Increases arising from revaluations	42	59	279	161
Transfers to non-current assets held for sale		(1)	(3)	(4)
Impairments		(20)		
Disposals			(224)	(11)
Reclassification		2		(2)
Writeoff of accumulated depreciation on revaluations			(59)	(51)
Effect of movements in foreign exchange rates and other movements	1		1	
Balance at 31 December	804	760	3 765	3 504
Accumulated depreciation and impairment losses				
Balance at 1 January			504	402
Depreciation charge for the year			131	106
Acquisitions			(2)	46
Writeoff of accumulated depreciation on revaluations			(59)	(51)
Disposals			(217)	
Effect of movements in foreign exchange rates and other movements				1
Balance at 31 December	–	–	357	504
Carrying amount				
At 1 January	760	653	3 000	2 662
At 31 December	804	760	3 408	3 000

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 of 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 8,5% and 12,5% (2010: 8,5% and 12,5%) and take into account the type of property and the location of the property.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R2 406m (2010: R2 241m).

Computer equipment		Furniture and other equipment		Vehicles		Total	
2011 Rm	2010 Rm	2011 Rm	2010 Rm	2011 Rm	2010 Rm	2011 Rm	2010 Rm
2 818	2 776	2 449	2 048	34	35	9 565	8 576
416	438	965	486	7	3	1 656	1 341
						321	220
						(3)	(5)
						–	(20)
(715)	(397)	(474)	(80)	(14)	(3)	(1 427)	(491)
						–	–
						(59)	(51)
3	1	7	(5)	1	(1)	13	(5)
2 522	2 818	2 947	2 449	28	34	10 066	9 565
2 076	2 105	1 355	1 085	18	17	3 953	3 609
349	337	304	263	5	8	789	714
	29	56	73	2	(4)	56	144
						(59)	(51)
(587)	(395)	(173)	(64)	(10)	(1)	(987)	(460)
(7)		10	(2)	(1)	(2)	2	(3)
1 831	2 076	1 552	1 355	14	18	3 754	3 953
742	671	1 094	963	16	18	5 612	4 967
691	742	1 395	1 094	14	16	6 312	5 612

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 and the group, and income from the assets of these schemes. The benefits provided by the defined-contribution schemes are determined by the accumulated contributions and investment earnings.

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

The funds that constitute the assets and liabilities that the group has recognised in the statement of financial position in respect of its defined-benefit plans are listed below. The latest actuarial valuations were performed at 31 December 2011.

POSTEMPLOYMENT BENEFITS

DEFINED-BENEFIT PENSION FUNDS

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

DEFINED-CONTRIBUTION PENSION FUNDS

- Fairbairn Funds, consisting of Fairbairn Private Bank Pension Funds.

DEFINED-BENEFIT MEDICAL AID SCHEMES

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

OTHER LONG-TERM EMPLOYEE BENEFITS

DISABILITY FUND

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

INSURANCE POLICIES HELD WITH RELATED PARTIES

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

35.1 ANALYSIS OF LONG-TERM EMPLOYEE BENEFITS ASSETS AND LIABILITIES

Rm	Assets	Liabilities	Net asset
2011			
Postemployment benefits	1 747	(1 195)	552
Other long-term employee benefits – disability fund	371	(284)	87
	2 118	(1 479)	639
2010			
Postemployment benefits	1 679	(1 125)	554
Other long-term employee benefits – disability fund	373	(289)	84
	2 052	(1 414)	638

The group's defined-benefit obligation in terms of the Nedbank Group Disability Fund is recognised together with the fair value of the assets held in OMART. OMART is an SPE controlled by the group and was established to fund this defined-benefit obligation. The value of the OMART asset held by the group is R371m (2010: R373m).

35.2 POSTEMPLOYMENT BENEFITS

ANALYSIS OF POSTEMPLOYMENT BENEFIT ASSETS AND LIABILITIES

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised actuarial (gains)/losses and assets	Net asset/ (liability)
2011					
Pension funds	4 281	5 183	902	53	955
Nedgroup Fund	3 404	4 350	946	6	952
BoE Funds	386	418	32	(32)	–
Nedbank UK Fund	251	214	(37)	43	6
Fairbairn Funds	90	68	(22)	27	5
Other funds	150	133	(17)	9	(8)
Medical aid funds	1 489	830	(659)	256	(403)
Nedgroup scheme for Nedbank employees	1 360	830	(530)	256	(274)
Nedgroup scheme for BoE employees	122		(122)		(122)
Nedbank Namibia scheme (unfunded)	7		(7)		(7)
Total	5 770	6 013	243	309	552
2010					
Pension funds	3 985	4 965	980	(106)	874
Nedgroup Fund	3 276	4 208	932	(79)	853
BoE Funds	316	417	101	(101)	–
Nedbank UK Fund	181	162	(19)	35	16
Fairbairn Funds	68	57	(11)	16	5
Other funds	144	121	(23)	23	–
Medical aid funds	1 229	810	(419)	99	(320)
Nedgroup scheme for Nedbank employees	1 111	810	(301)	105	(196)
Nedgroup scheme for BoE employees	111		(111)	(6)	(117)
Nedbank Namibia scheme (unfunded)	7		(7)		(7)
Total	5 214	5 775	561	(7)	554

35 LONG-TERM EMPLOYEE BENEFITS ... CONTINUED

35.2 POSTEMPLOYMENT BENEFITS ... CONTINUED

	Pension and provident funds	Medical aid funds	Total
Present value of defined-benefit obligation (Rm)			
2011			
Balance at the beginning of the year	3 985	1 229	5 214
Current service cost	27	51	78
Interest cost	325	108	433
Contributions by plan participants	9		9
Actuarial gains	149	153	302
Benefits paid	(272)	(52)	(324)
Impact of foreign currency exchange rate changes	58		58
Balance at the end of the year	4 281	1 489	5 770
2010			
Balance at the beginning of the year	3 510	1 092	4 602
Current service cost	26	44	70
Interest cost	314	102	416
Contributions by plan participants	9		9
Actuarial gains	452	38	490
Benefits paid	(289)	(47)	(336)
Impact of foreign currency exchange rate changes	(37)		(37)
Balance at the end of the year	3 985	1 229	5 214
Fair value of plan assets (Rm)			
2011			
Balance at the beginning of the year	4 965	810	5 775
Expected return on plan assets	444	67	511
Actuarial gains/(losses)	(34)	(2)	(36)
Contributions by the employer	23		23
Contributions by plan participants	9		9
Benefits paid	(273)	(45)	(318)
Impact of foreign currency exchange rate changes	49		49
Balance at the end of the year	5 183	830	6 013
2010			
Balance at the beginning of the year	4 694	790	5 484
Expected return on plan assets	467	71	538
Actuarial gains/(losses)	96	(9)	87
Contributions by the employer	20		20
Contributions by plan participants	9		9
Benefits paid	(289)	(42)	(331)
Impact of foreign currency exchange rate changes	(32)		(32)
Balance at the end of the year	4 965	810	5 775

	Pension and provident funds	Medical aid funds	Total
Net asset/(liability) recognised (Rm)			
2011			
Present value of defined-benefit obligation	(4 281)	(1 489)	(5 770)
Fair value of plan assets	5 183	830	6 013
Funded status	902	(659)	243
Unrecognised net actuarial gains	95		95
Unrecognised asset due to asset ceiling	(39)	253	214
	958	(406)	552
Asset	1 747		1 747
Liability	(789)	(406)	(1 195)
2010			
Present value of defined-benefit obligation	(3 985)	(1 229)	(5 214)
Fair value of plan assets	4 965	810	5 775
Funded status	980	(419)	561
Unrecognised net actuarial (gains)/losses	(1)		(1)
Unrecognised asset due to asset ceiling	(106)	100	(6)
	873	(319)	554
Asset	1 679		1 679
Liability	(806)	(319)	(1 125)
Net (income)/expense recognised (Rm)			
2011			
Current service cost	27	51	78
Interest cost	325	108	433
Expected return on plan assets	(444)	(67)	(511)
Amortisation of unrecognised actuarial gains	34		34
	(58)	92	34
2010			
Current service cost	26	44	70
Interest cost	314	102	416
Expected return on plan assets	(467)	(71)	(538)
Amortisation of unrecognised actuarial gains	6	2	8
	(121)	77	(44)

35 LONG-TERM EMPLOYEE BENEFITS ... CONTINUED

35.2 POSTEMPLOYMENT BENEFITS ... CONTINUED

	Pension and provident funds	Medical aid funds	Total
Movements in net asset/(liability) recognised (Rm)			
2011			
Balance at the beginning of the year	**874**	**(320)**	**554**
Net income/(expense) recognised in the statement of comprehensive income	**58**	**(92)**	**(34)**
Contributions paid by the employer	**23**	**9**	**32**
Balance at the end of the year	**955**	**(403)**	**552**
2010			
Balance at the beginning of the year	733	(250)	483
Net income/(expense) recognised in the statement of comprehensive income	121	(77)	44
Contributions paid by the employer	20	7	27
Balance at the end of the year	874	(320)	554
Distribution of plan assets (%)			
2011			
Equity instruments	**35,30**	**25,00**	**33,88**
Debt instruments	**35,97**	**17,00**	**33,34**
Property	**5,47**		**4,72**
Cash	**2,80**	**43,00**	**8,35**
International	**20,46**	**15,00**	**19,71**
	100,00	**100,00**	**100,00**
2010			
Equity instruments	37,46	27,00	35,98
Debt instruments	40,04	6,00	35,28
Property	5,55		4,77
Cash	1,74	53,00	8,93
International	15,21	14,00	15,04
	100,00	100,00	100,00
Actual return on plan assets (Rm)			
2011	**410**	**65**	**475**
2010	563	62	625

	Pension and provident funds	Medical aid funds
Principal actuarial assumptions (%)		
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 and 63
2010		
Discount rates	5,40 – 8,50	7,3
Expected rates of return on plan assets	5,40 – 10,20	7,3
Inflation rate	3,20 – 6,20	5,3
Expected rates of salary increases	6 – 6,25	5,3
Pension increase allowance	2,20 – 5,25	
Annual increase to medical aid subsidy		5,0
Average expected retirement age (years)	63	60 and 63

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.

	2011 %	2010 %
Weighted average assumptions:		
– Discount rate	8,07	8,37
– Expected return on plan assets	8,94	9,10
– Future salary increases	5,75	4,92
– Future pension increases	5,87	5,08

MEDICAL AID FUNDS

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

35 LONG-TERM EMPLOYEE BENEFITS ... CONTINUED

35.2 POSTEMPLOYMENT BENEFITS ... CONTINUED

Rm	Pension and provident funds	Medical aid funds	Total
Experience adjustments on present value of defined-benefit obligation for past five years			
2011	**(104)**	**(153)**	**(257)**
2010	14	(48)	(34)
2009	190	(98)	92
2008	(82)	33	(49)
2007	(17)	(64)	(81)
2006	105	43	148
Experience adjustments on fair value of plan assets for past five years			
2011	**(34)**	**(2)**	**(36)**
2010	95	(10)	85
2009	188	27	215
2008	(483)	(39)	(522)
2007	433	22	455
2006	448	47	495
Estimate of future contributions			
Contributions expected for ensuing year	29		29

Fund surplus/(deficit) for past five years

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Pension funds			
2011	**4 281**	**5 183**	**902**
2010	3 985	4 965	980
2009	3 510	4 694	1 184
2008	3 315	4 455	1 140
2007	2 963	4 723	1 760
2006	3 000	4 265	1 265
Medical aid funds			
2011	**1 489**	**830**	**(659)**
2010	1 229	810	(419)
2009	1 092	790	(302)
2008	916	743	(173)
2007	811	749	(62)
2006	810	700	(110)

	2011	2010
Effect of 1% change in assumed medical cost trend rates (Rm)		
1% increase – effect on current service cost and interest cost	**28**	26
1% increase – effect on accumulated benefit obligation	**205**	176
1% decrease – effect on current service cost and interest cost	**(22)**	(21)
1% decrease – effect on accumulated benefit obligation	**(170)**	(144)

36 INTANGIBLE ASSETS

Rm	Goodwill	Software	Software development costs	Client relationships, contractual rights and other	Total
2011					
Cost					
Balance at the beginning of the year	6 422	4 794	981	653	12 850
Acquisitions		269	616	84	969
Development costs commissioned to software		792	(792)		–
Impairment losses		(27)	(22)		(49)
Disposals and retirements		(78)			(78)
Foreign currency translation and other movements	50	8	37	(12)	83
Balance at the end of the year	6 472	5 758	820	725	13 775
Accumulated amortisation					
Balance at the beginning of the year	1 477	3 640	137	102	5 356
Amortisation charge		545		64	609
Foreign currency translation and other movements		6	39	(12)	33
Balance at the end of the year	1 477	4 191	176	154	5 998
Carrying amount					
At the beginning of the year	4 945	1 154	844	551	7 494
At the end of the year	4 995	1 567	644	571	7 777
2010					
Cost					
Balance at the beginning of the year	6 458	4 249	973	653	12 333
Acquisitions		154	570		724
Development costs commissioned to software		423	(423)		–
Impairment losses			(54)		(54)
Disposals and retirements		(4)			(4)
Grossdown of carrying value/amortisation		(35)	(85)		(120)
Foreign currency translation and other movements	(36)	7			(29)
Balance at the end of the year	6 422	4 794	981	653	12 850
Accumulated amortisation					
Balance at the beginning of the year	1 477	3 181	222	38	4 918
Amortisation charge		496		64	560
Disposals and retirements		(4)			(4)
Grossdown of carrying value/amortisation		(35)	(85)		(120)
Foreign currency translation and other movements		2			2
Balance at the end of the year	1 477	3 640	137	102	5 356
Carrying amount					
At the beginning of the year	4 981	1 068	751	615	7 415
At the end of the year	4 945	1 154	844	551	7 494

36 INTANGIBLE ASSETS ... CONTINUED

36.1 ANALYSIS OF GOODWILL

Rm	2011 Cost	2011 Accumulated impairment losses	2011 Carrying amount	2010 Cost	2010 Accumulated impairment losses	2010 Carrying amount
Fairbairn Private Bank (Jersey) Limited/ Fairbairn Trust Company Limited (Guernsey)	422	(138)	284	372	(138)	234
Peoples Mortgage Limited	198	(198)	–	198	(198)	–
IBL Asset Finance and Services Limited	285	(25)	260	285	(25)	260
Nedbank Limited	3 938	(1 114)	2 824	3 938	(1 114)	2 824
Old Mutual Bank	206		206	206		206
BoE (Pty) Limited	725		725	725		725
Nedgroup Life Assurance Company Limited	401		401	401		401
Nedbank Namibia Limited	134	(2)	132	134	(2)	132
Capital One	82		82	82		82
American Express	81		81	81		81
	6 472	(1 477)	4 995	6 422	(1 477)	4 945

Goodwill is allocated to individual cash-generating units (CGUs), based on business activity. Impairment testing is done on a regular basis by comparing the net carrying value of the CGUs with 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 Group Limited'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:

	2011	2010
Risk-free rate range (%)	2,57 – 8,47	3,92 – 7,22
Beta range	0,50 – 1,44	0,50 – 1,76
Equity risk premium (%)	6,00	5,00
Terminal growth rate range (%)	0,00 – 5,00	0,00 – 4,00
Cashflow projection (years)	3	3
Discount rate range (%)	9,77 – 13,93	9,23 – 12,72

	2011 Rm	2010 Rm
Geographical split is based on the area in which the CGU operates:		
SA	4 580	4 580
Rest of Africa	131	131
Rest of world	284	234
	4 995	4 945
The value in use is estimated as follows:		
SA	139 719	163 985
Rest of Africa	2 010	1 658
Rest of world	852	618
	142 581	166 261
Net estimated recoverable amounts:		
SA	135 139	159 405
Rest of Africa	1 879	1 527
Rest of world	568	384
	137 586	161 316

37 ACQUISITIONS

The group acquired stakes in the following entities as a result of these entities defaulting on their loan obligations:

Acquiree	Shareholding at the beginning of the year %	Shares acquired %	Shareholding at the end of the year %	Date of control
Capegate Crescent Development (Pty) Limited ('Capegate')	35	65	100	1 January 2011
Chamber Lane Properties 11 (Pty) Ltd ('Chamber Lane')		100	100	1 January 2011
Emergent Investments (Pty) Limited ('Emergent')	48,98	34,15	83,13	30 September 2011

These entities were previously accounted for as associate companies and recognised as at fair value. The carrying value of these entities prior to these acquisitions was R117m. The group had a gross exposure of R170m to these entities, with an impairment provision of R53m recognised against its properties prior to the acquisitions. There were no contingent consideration arrangements and indemnification assets recognised on the acquisition of these entities. No contingent liabilities have been recognised by the group as a result of these acquisitions. The receivables recognised by the group are included in other assets and represent their fair value due to their short-term nature. Management is of the opinion that gross contractual cashflows receivable are not materially different to the fair value of the receivables recognised. The majority of the assets in the acquired entities are properties that are classified as investment properties. The majority of the liabilities are made up of previous funding from the group. The fair value of the investment properties was determined to be final at acquisition.

The acquired entities are involved in property development and the principal reason for the acquisition of these entities was to exercise the group's rights to the underlying assets as a result of the defaults on the mortgage loans. No goodwill was recognised as a result of these transactions as it related to the acquisition of construction development stock. There was no effect on the group's profit for the period as a result of the acquisitions. Legal costs for the execution of the securities are included in operating expenses. Capegate and Chamber Lane contributed a loss of R11m to the group's non-interest revenue and a loss of R17m to the group's profit for the year. The total revenue recognised by Emergent for the year ended 31 December 2011 was R54m, of which R16m was recognised in the group's non-interest revenue. Emergent recognised a profit of R7m for the year ended 31 December 2011, of which R2m was recognised in the group's statement of comprehensive income.

Assets and liabilities acquired:

Rm	Acquirees' carrying amount	Provisional fair value
Other assets	169	169
Deferred taxation asset	21	21
Investment property	403	403
Intangible assets	85	85
Provisions and other liabilities	(42)	(42)
Deferred taxation liabilities	(11)	(11)

38 SHARE CAPITAL

38.1 ORDINARY SHARE CAPITAL

	2011 Rm	2010 Rm
Authorised		
600 000 000 (2010: 600 000 000) ordinary shares of R1 each	600	600
Issued		
507 429 991 (2010:514 891 827) fully paid ordinary shares of R1 each	507	515
Treasury shares arising from share repurchases by subsidiaries of 52 201 857 (2010: 66 327 716) fully paid ordinary shares of R1 each	(52)	(66)
	455	449

Subject to the restrictions imposed by the Companies Act, 71 of 2008 (as amended), the unissued shares are under the control of the directors until the forthcoming annual general meeting.

The treasury shares held are used mainly for the purpose of fulfilling the options and share awards outstanding in terms of the share schemes (for both employees and third parties).

38 SHARE CAPITAL ... CONTINUED

38.2 PREFERENCE SHARE CAPITAL AND PREMIUM

	2011 Rm	2010 Rm
Nedbank Limited preference share capital and premium		
Authorised		
1 000 000 000 (2010: 1 000 000 000) non-redeemable non-cumulative preference shares of R0,001 each	1	1
Issued		
358 277 491 (2010: 358 277 491) non-redeemable non-cumulative preference shares of R0,001 each	*	*
Preference share premium	3 561	3 560
	3 561	3 560
Imperial Bank Limited preference share capital and premium		
Authorised		
0 (2010: 8 000 000) non-redeemable non-cumulative non-participating preference shares of R0,0005 each		*
Issued		
0 (2010: 3 000 000) non-redeemable non-cumulative non-participating preference shares of R0,0005 each		*
Preference share premium		300
Shares held by group entities		(300)
	–	–
Total preference share capital and premium	3 561	3 560

* *Represents amounts less than R1m.*

The preference shares are classified as equity instruments by Nedbank Limited ('the entity') and have therefore been classified as non-controlling interest in the consolidated financial statements.

Each preference share confers on the holder the right to capital of the company in the form of a cash dividend prior to payment of dividends to any other class of shareholder. The rate is limited to 75% of the prevailing prime rate on a deemed value of R10 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 entity, whether in preference to payments to any other class of share or otherwise.

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

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

No shares in the capital of the entity, 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 memorandum of incorporation.

39 AMOUNTS OWED TO DEPOSITORS

39.1 CLASSIFICATIONS

	2011 Rm	2010 Rm
Current accounts	51 733	47 672
Savings deposits	15 900	14 756
Other deposits and loan accounts	331 318	293 467
Call and term deposits	196 889	166 386
Fixed deposits	30 424	27 078
Cash management deposits	52 682	46 151
Other deposits and loan accounts	51 323	53 852
Foreign currency liabilities	9 342	9 781
Negotiable certificates of deposit	97 840	110 584
Deposits received under repurchase agreements*	15 022	14 180
	521 155	490 440
Comprises:		
– Amounts owed to depositors	484 843	454 135
– Amounts owed to banks	36 312	36 305
	521 155	490 440

* *Government and other securities (note 25) and negotiable certificates of deposit (note 22) amounting to R15 022m (2010: R14 180m) 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.

See note 39.4 for a breakdown of amounts owed to depositors by operating segment.

39.2 SECTORAL ANALYSIS

	2011 Rm	2010 Rm
Banks	36 312	36 305
Government and public sector	50 176	20 523
Individuals	128 396	137 527
Business sector	306 271	296 085
	521 155	490 440

39.3 GEOGRAPHICAL ANALYSIS

	2011 Rm	2010 Rm
SA	493 752	465 379
Other African countries	12 079	11 928
Europe	13 010	12 558
Asia	560	416
US	1 754	159
	521 155	490 440

39 AMOUNTS OWED TO DEPOSITORS ... CONTINUED

39.4 SEGMENTAL ANALYSIS

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	**2011**	2010	**2011**	2010	**2011**	2010
Current accounts	**51 733**	47 672	**168**	161	**6 966**	6 383
Savings deposits	**15 900**	14 756			**588**	549
Other deposits and loan accounts	**331 318**	293 467	**58 682**	58 070	**146 190**	118 827
Call and term deposits	**196 889**	166 386	**6 155**	3 579	**96 317**	77 093
Fixed deposits	**30 424**	27 078	**3 364**	2 689	**2 652**	1 568
Cash management deposits	**52 682**	46 151	**234**	239	**46 461**	39 557
Other deposits and loan accounts	**51 323**	53 852	**48 929**	51 563	**760**	609
Foreign currency liabilities	**9 342**	9 781	**4 197**	3 343	**2 541**	3 983
Negotiable certificates of deposit	**97 840**	110 584	**96 381**	108 810	**1 316**	1 452
Deposits received under repurchase agreements	**15 022**	14 180	**14 615**	13 817		
Amounts owed to depositors	**521 155**	490 440	**174 043**	184 201	**157 601**	131 194

	Nedbank Wealth		Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Shared services		Central Management and Eliminations	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	943	674	43 600	40 395	26 420	25 223	17 180	15 172		1	56	58
	6 634	5 758	8 660	8 431	8 459	8 249	201	182			18	18
	6 136	4 924	120 275	111 692	56 257	53 502	64 018	58 190	1	6	34	(52)
	5 837	4 294	88 527	81 307	31 981	30 080	56 546	51 227			53	113
	104	59	24 306	22 765	23 047	22 081	1 259	684			(2)	(3)
	190	571	5 797	5 784	15	18	5 782	5 766				
	5		1 645	1 836	1 214	1 323	431	513	1	6	(17)	(162)
			2 604	2 455	268	230	2 336	2 225				
			–	–							143	322
			–	–					407	363		
	13 713	11 356	175 139	162 973	91 404	87 204	83 735	75 769	408	370	251	346

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

40 PROVISIONS AND OTHER LIABILITIES

	2011 Rm	2010 Rm
Creditors and other accounts	7 171	5 940
Insurance contracts	135	175
Short-trading securities and spot positions	6 807	11 533
Provision for onerous contracts (note 40.1)	12	11
Leave pay accrual (note 40.2)	626	586
	14 751	18 245

40.1 PROVISION FOR ONEROUS CONTRACTS

	2011 Rm	2010 Rm
Balance at the beginning of the year	11	13
Recognised in profit or loss	1	(2)
Balance at the end of the year	12	11

40.2 LEAVE PAY ACCRUAL

	2011 Rm	2010 Rm
Balance at the beginning of the year	586	556
Recognised in profit or loss	385	335
Utilised during the year	(345)	(305)
Balance at the end of the year	626	586

Provisions have been raised in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets, as set out in note 44.

40.3 DAY-ONE GAINS AND LOSSES

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

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

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

	2011 Rm	2010 Rm
Balance at the beginning of the year	23	35
Recognised in the statement of comprehensive income – amortisation	(16)	(12)
Balance at the end of the year	7	23

41 INVESTMENT CONTRACT LIABILITIES

	2011 Rm	2010 Rm
Balance at the beginning of the year	7 309	6 749
Premium income	1 857	1 203
Investment income	511	740
Annuities	(313)	(290)
Death and disability benefits	(216)	(231)
Withdrawals/Surrenders	(855)	(1 288)
Other movements	(56)	426
	8 237	7 309

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

42 INSURANCE CONTRACT LIABILITIES

	2011 Rm	2010 Rm
Balance at the beginning of the year	1 392	1 133
Net premiums	2 074	1 411
Individual – single premiums	481	271
– recurring premiums	1 729	1 248
Group – recurring premiums	2	2
Net reinsurance premiums	(138)	(110)
Investment income	148	142
Dividends	4	2
Interest	114	91
Realised and unrealised gains on investments	30	49
Policyholders' benefits paid	(418)	(401)
Annuities	(65)	(50)
Death and disability benefits	(256)	(227)
Maturities	(47)	(86)
Gross surrenders and withdrawals	(50)	(38)
Total expenses	(500)	(364)
Administration expenses	(117)	(70)
Commission	(328)	(252)
Indirect taxation	(55)	(42)
Transfer to operating profit	(691)	(529)
Balance at the end of the year	2 005	1 392

43 LONG-TERM DEBT INSTRUMENTS

	Nominal value	Instrument terms	2011 Rm	2010 Rm
SUBORDINATED DEBT			9 617	10 937
Rand-denominated	(ZARm)		8 802	10 269
Callable bonds repayable on 4 December 2013 (IPB3) (a)	300	JIBAR + 2,5% per annum**	151	151
Callable notes repayable on 24 April 2016 (NED5) (b) +	1 500	7,85% per annum*		1 525
Callable notes repayable on 20 September 2018 (NED6) (c)	1 800	9,84% per annum*	1 917	1 915
Callable notes repayable on 8 February 2017 (NED7) (b)	650	9,03% per annum*	675	682
Callable notes repayable on 8 February 2019 (NED8) (c)	1 700	8,90% per annum*	1 813	1 759
Callable notes repayable on 6 July 2022 (NED9) (e)	2 000	JIBAR + 0,47% per annum**	2 029	2 031
Callable notes repayable on 15 August 2017 (NED10) (b)	500	JIBAR + 0,45% per annum**	504	504
Callable notes repayable on 17 September 2020 (NED11) (d)	1 000	10,54% per annum*	1 088	1 076
Callable notes repayable on 14 December 2017 (NED12A) (b)	500	JIBAR + 0,70% per annum**	502	502
Callable notes repayable on 14 December 2017 (NED12B) (b)	120	10,38% per annum*	123	124
Namibian dollar-denominated	(NAM$m)		3	2
Long-term debenture repayable on 15 September 2030	40	17% per annum until 15 September 2000 – thereafter zero coupon	3	2
US dollar-denominated	(US$m)		812	666
Callable notes repayable on 3 March 2022 (EMTN01) (h)	100	Three-month US dollar LIBOR**	812	666
HYBRID SUBORDINATED DEBT			1 817	1 808
Rand-denominated	(Rm)		1 817	1 808
Callable notes repayable on 20 November 2018 (NEDH1A) (f)	487	15,05% per annum*	538	529
Callable notes repayable on 20 November 2018 (NEDH1B) (f)	1 265	JIBAR + 4,75% per annum**	1 279	1 279
SECURITISED LIABILITIES			973	1 154
Rand-denominated	(Rm)		973	1 154
Callable notes repayable on 18 November 2039 (GRN1A1) ++	291	JIBAR + 0,25% per annum**		38
Callable notes repayable on 18 November 2039 (GR1A2A) (g)	1 407	JIBAR + 0,60% per annum**	848	991
Callable notes repayable on 18 November 2039 (GRN1B) (g)	98	JIBAR + 0,85% per annum**	74	74
Callable notes repayable on 18 November 2039 (GRN1C) (g)	76	JIBAR + 1,1% per annum**	51	51

	Nominal value	Instrument terms	2011 Rm	2010 Rm
SENIOR UNSECURED DEBT			17 026	12 197
Rand-denominated	(ZARm)		17 026	12 197
Senior unsecured notes repayable on 9 September 2012 (NBK1B)	1 690	JIBAR + 1,50% per annum**	1 500	1 697
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**	1 054	1 054
Senior unsecured notes repayable on 9 September 2019 (NBK3A)	762	11,39% per annum*	788	788
Senior unsecured notes repayable on 31 March 2013 (NBKI1)	1 750	3,9% real-yield base CPI ref 106,70667*	1 980	1 859
Senior unsecured notes repayable on 28 October 2024 (NBK4)	660	Zero coupon	177	164
Senior unsecured notes repayable on 31 March 2013 (NBKI1U)	98	3,8% real-yield base CPI ref 108,68065*	109	102
Senior unsecured notes repayable on 19 April 2013 (NBK5B)	1 552	JIBAR + 1,48% per annum**	1 574	1 575
Senior unsecured notes repayable on 19 April 2015 (NBK6A)	478	R157 + 1,75% per annum*	487	487
Senior unsecured notes repayable on 19 April 2015 (NBK6B)	1 027	JIBAR + 1,75% per annum**	1 042	1 043
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	R206 + 1,28% per annum*	460	
Senior unsecured notes repayable on 24 March 2014 (NBK8B)	988	JIBAR + 1,05% per annum**	989	
Senior unsecured notes repayable on 23 March 2016 (NBK9A)	1 137	R157 + 1,50% per annum*	1 166	
Senior unsecured notes repayable on 23 March 2016 (NBK9B)	677	JIBAR + 1,25% per annum**	678	
Senior unsecured notes repayable on 21 April 2014 (NBK10B)	500	JIBAR + 1,00% per annum**	506	
Senior unsecured notes repayable on 27 October 2014 (NBK11B)	1 075	JIBAR + 0,94% per annum**	1 088	
OTHER			9	8
Rand-denominated	(Rm)		9	8
Unsecured debentures repayable on 30 November 2029	200	Zero coupon	9	8
Total long-term debt instruments in issue			29 442	26 104

* *Interest on these notes is payable biannually.*
** *Interest on these notes is payable quarterly.*
\+ *The debt instrument was redeemed on its call date 24 April 2011.*
++ *The debt instrument was redeemed on 18 February 2011.*
(a) *Callable by Nedbank Limited (previously by IBL Asset Finance and Services Ltd) after five years from the date of issue, being 4 December 2008 (ie 4 December 2013), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 3,75%.*
(b) *Callable by the issuer, Nedbank Limited, after five years from the date of issue, being 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 Limited, after seven years from the date of issue, being 20 September 2006 and 8 February 2007 (ie 20 September 2013 and 8 February 2014), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,05% and 2,17% respectively.*
(d) *Callable by the issuer, Nedbank Limited, after eight years from the date of issue, being 17 September 2007 (ie 17 September 2015), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,85%.*
(e) *Callable by the issuer, Nedbank Limited, after 10 years from the date of issue, being 6 July 2007 (ie 6 July 2017), at which time the interest will step up by 1,00% to a floating three-month JIBAR rate, plus a spread of 1,47%.*
(f) *Callable by the issuer, Nedbank Limited, after 10 and a half years from the date of issue, being 20 May 2008 (ie 20 November 2018), at which time the interest converts to a floating three-month JIBAR rate, plus 712,5 basis points in perpetuity, unless called.*
(g) *Callable by the issuer, GreenHouse Funding (Pty) Limited, after approximately five years from the date of issue, being 10 December 2007 (ie 18 November 2012), at which time the interest rate on the notes (GR1A2A, GRN1B, GRN1C) will step up to a three-month JIBAR rate, plus a spread of 0,80%, 1,10% and 1,35% respectively.*
(h) *Callable by the issuer, Nedbank Limited, after eight years from the date of issue, being 3 March 2009 (ie 3 March 2017), at which time the interest rate converts to a floating three-month US dollar LIBOR rate, plus a spread of 3,00%.*

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

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

44 CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

	2011 Rm	2010 Rm
Guarantees on behalf of clients	**28 288**	29 614
Confirmed letters of credit and discounting transactions	**2 426**	2 126
Irrevocable unutilised facilities and other	**77 438**	77 395
	108 152	109 135

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 Group Limited 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 Limited by certain shareholders in Pinnacle Point Group Limited, alleging that Nedbank Limited had a legal duty of care to them arising from a share swap transaction. During 2011 further actions were instituted against Nedbank Limited by other stakeholders relating to this same issue. Nedbank Limited and its legal advisers remain of the opinion that the claims are ambitious, and that the claimants will have great difficulty succeeding.

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

45 COMMITMENTS

45.1 CAPITAL EXPENDITURE APPROVED BY DIRECTORS

	2011 Rm	2010 Rm
Contracted	**314**	524
Not yet contracted	**849**	535
	1 163	1 059

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

45.2 OPERATING LEASE COMMITMENTS

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

45.2 OPERATING LEASE COMMITMENTS

2011	2012 Rm	2012 – 2016 Rm	Beyond 2016 Rm
Land and buildings*	649	1 336	2 396
Furniture and equipment	197	859	241
	846	2 195	2 637

2010	2011 Rm	2011 – 2015 Rm	Beyond 2015 Rm
Land and buildings*	605	1 303	2 442
Furniture and equipment	162	690	195
	767	1 993	2 637

* *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 12% per annum. For all major lease agreements entered into, there is no requirement to pay contingent rent or purchase options.

45.3 COMMITMENTS UNDER DERIVATIVE INSTRUMENTS

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

46 COLLATERAL

46.1 COLLATERAL PLEDGED

The group has pledged government and other securities (note 25) and negotiable certificates of deposit (note 22) amounting to R15 022m (2010: R14 180m) 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.

46.2 COLLATERAL HELD

The group segregates collateral received into the following two types:

- **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.

- **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 soon as the market for the relevant asset permits.

46.3 COLLATERAL TAKEN POSSESSION OF AND RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Included in properties in possession (note 26: loans and advances) is an amount of R593m (2010: R464m), which represents assets the group has acquired during the year by taking possession of collateral held as security.

47 SECURITISATIONS

Nedbank Group Limited 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 Limited (Synthesis), an asset-backed commercial paper (ABCP) programme launched in 2004; and
- GreenHouse Funding (Pty) Limited, Series 1 (GreenHouse), a residential mortgage-backed securitisation programme launched in December 2007.

During October 2011 Octane ABS 1 (Pty) Limited (Octane), a securitisation of motor vehicle loans launched in 2007, exercised its call option. The remaining portfolio of securitised motor vehicle loans were acquired by the group at fair value and the proceeds used by Octane for the full redemption of all outstanding notes.

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 Limited.

Within GreenHouse Series 1, R2bn of residential mortgages originated by Nedbank Retail was securitised. The commercial paper issued by GreenHouse has been assigned credit ratings by both Fitch and Moody's and is listed on JSE Limited. Fitch placed the GreenHouse commercial paper on rating watch negative as a result of changes it is effecting to its rating criteria for SA RMBS transactions and this process is ongoing. As the GreenHouse transaction was undertaken for funding and liquidity purposes, only the senior notes were placed with third-party investors and the junior notes and subordinated loans to an SPE were retained by the group. The assets transferred to the SPE have continued to be recognised as financial assets. GreenHouse continues to direct all capital repayments it receives on the residential mortgage portfolio to noteholders as a result of the stop purchase activated by a breach of the arrear trigger in 2010. The GreenHouse commercial paper is scheduled to be redeemed in November 2012.

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:*

	2011		2010	
Rm	Carrying amount of assets	Associated liabilities	Carrying amount of assets	Associated liabilities
Loans and advances to clients:				
– Residential mortgage loans	1 459	1 517	1 699	1 760
– Motor vehicle financing			607	800
Other financial assets:				
– Corporate and bank paper	1 452		1 596	
– Other securities	2 498		3 358	
– Commercial paper		4 022		4 979
Total	5 409	5 539	7 260	7 539

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

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.

48 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 at 31 December against the following currencies was:

	2011		2010	
	Actual	Average	Actual	Average
US dollar	0,1233	0,1379	0,1503	0,1367
Pound sterling	0,0798	0,0859	0,0969	0,0887
Euro	0,0953	0,0987	0,1125	0,1035

49 CASHFLOW INFORMATION

49.1 RECONCILIATION OF PROFIT FROM OPERATIONS TO CASH GENERATED BY OPERATIONS

	2011 Rm	2010 Rm
Profit from operations	8 677	6 499
Adjusted for:		
– Depreciation (note 15)	789	714
– Amortisation: computer software (note 15)	545	496
– Amortisation: other intangible assets (note 15)	64	64
– Movement in impairment of loans and advances	5 972	6 951
– Profit on disposal of property and equipment (note 17)		(17)
– Net income on investment banking assets	(14)	(11)
– Impairment losses on investments, property and equipment, and capitalised development costs (note 17)	54	87
– (Profit)/Loss on sale of subsidiaries, investments (note 17)	(40)	21
– Indirect taxation (note 16)	505	447
Cash generated by operations	16 552	15 251

49.2 CASH RECEIVED FROM CLIENTS

	2011 Rm	2010 Rm
Interest and similar income (note 12)	42 880	44 377
Commission and fees (note 14)	11 335	9 758
Net trading income (note 14)	2 168	2 096
Other income	1 467	1 096
	57 850	57 327

49.3 CASH PAID TO CLIENTS, EMPLOYEES AND SUPPLIERS

	2011 Rm	2010 Rm
Interest expense and similar charges (note 13)	(24 846)	(27 769)
Staff costs (note 15)	(10 243)	(8 794)
Other operating expenses	(7 278)	(6 530)
	(42 367)	(43 093)

49.4 INCREASE IN OPERATING ASSETS

	2011 Rm	2010 Rm
Other short-term securities	(8 942)	(8 494)
Government and other securities	1 648	4 159
Loans and advances and other operating assets	(27 906)	(37 837)
	(35 200)	(42 172)

49.5 INCREASE IN OPERATING LIABILITIES

	2011 Rm	2010 Rm
Current and savings accounts	5 205	2 595
Other deposits, loan accounts and foreign currency liabilities	37 412	12 392
Negotiable certificates of deposit	(12 744)	6 853
Deposits received under repurchase agreements	842	(755)
Creditors and other liabilities	405	8 196
	31 120	29 281

49 CASHFLOW INFORMATION ... CONTINUED

49.6 TAXATION PAID

	2011 Rm	2010 Rm
Amounts receivable at the beginning of the year	292	288
Statement of comprehensive income charge (excluding deferred taxation)	(2 745)	(1 569)
Total indirect taxation (note 16)	(505)	(447)
Other taxation paid	(153)	(73)
Amounts receivable at the end of the year	(498)	(292)
	(3 609)	(2 093)

49.7 ACQUISITION OF INVESTMENTS IN SUBSIDIARY COMPANIES NET OF CASH

	2011 Rm	2010 Rm
Loans and advances	(475)	
Other assets	92	
Investments in associate companies and joint ventures	(66)	
Deferred taxation asset	21	
Investment property	403	
Intangible assets	85	
Provisions and other liabilities	(42)	
Deferred taxation liabilities	(11)	
Net assets acquired	7	–
Non-controlling interest	(7)	(1 762)
Other reserves		(91)
Consideration paid	–	(1 853)

49.8 DIVIDENDS PAID

	2011 Rm	2010 Rm
Recognised in the group statement of changes in total shareholders' equity	(2 918)	(2 042)

50 MANAGED FUNDS

50.1 FAIR VALUE OF FUNDS UNDER MANAGEMENT – BY TYPE

	2011 Rm	2010 Rm Restated
Unit trusts	68 161	59 354
Third party	822	13
Private clients	43 248	43 203
	112 231	102 570

50.2 FAIR VALUE OF FUNDS UNDER MANAGEMENT – BY GEOGRAPHY

	2011 Rm	2010 Rm Restated
SA**	102 077	96 379
Rest of world	10 154	6 191
	112 231	102 570

50.3 RECONCILIATION OF MOVEMENT IN FUNDS UNDER MANAGEMENT – BY TYPE

	Unit trusts Rm	Third party Rm	Private clients Rm	Total Rm
Balance at 31 December 2009	48 335	1 482	37 388	87 205
Opening balance adjustment*		(1 451)	1 451	–
Group transfers***	(412)		412	–
Inflows	30 205		11 605	41 810
Outflows	(21 972)		(10 081)	(32 053)
Mark-to-market value adjustment	3 808		2 675	6 483
Foreign currency translation differences	(610)	(18)	(247)	(875)
Balance at 31 December 2010	**59 354**	**13**	**43 203**	**102 570**
Inflows	**30 823**	**802**	**7 771**	**39 396**
Outflows	**(24 610)**	**(73)**	**(8 163)**	**(32 846)**
Mark-to-market value adjustment	**1 475**		**39**	**1 514**
Foreign currency translation differences	**1 119**	**80**	**398**	**1 597**
Balance at 31 December 2011	**68 161**	**822**	**43 248**	**112 231**

50.4 RECONCILIATION OF MOVEMENT IN FUNDS UNDER MANAGEMENT – BY GEOGRAPHY

	SA Rm	Rest of world Rm	Total Rm
Balance at 31 December 2009	81 987	5 218	87 205
Group transfers***	(992)	992	–
Inflows	40 142	1 668	41 810
Outflows	(31 144)	(909)	(32 053)
Mark-to-market value adjustment	6 386	97	6 483
Foreign currency translation differences		(875)	(875)
Balance at 31 December 2010	**96 379**	**6 191**	**102 570**
Inflows	**35 027**	**4 369**	**39 396**
Outflows	**(31 156)**	**(1 690)**	**(32 846)**
Mark-to-market value adjustment	**1 827**	**(313)**	**1 514**
Foreign currency translation differences		**1 597**	**1 597**
Balance at 31 December 2011	**102 077**	**10 154**	**112 231**

* *Certain assets under management classifications have been refined, resulting in a reclassification of R1 451m from third party to private clients. 2010 comparative numbers have been restated accordingly.*

** *Certain SA balances amounting to R8m were incorrectly allocated to 'Rest of world' in the 2010 restatement of funds under management. These balances have been reallocated to SA in 2011.*

*** *Nedgroup International Unit Trusts were overstated and Fairbairn Private Clients understated by R412m in the 2010 restatement of funds under management. These balances have now been reallocated to improve disclosure.*

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

51 SHARE-BASED PAYMENTS

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

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

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

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 Limited 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.	5 years
Three years' service and achievement of Nedbank Group Limited performance target. Where this performance targets is not met, 50% will vest, provided that the three years' service has been achieved.	3 years
Completion of three or five years' service.	5,5 years
Completion of three or five years' service, from grant date, subject to corporate performance targets being met.	5 years

51 SHARE-BASED PAYMENTS ... CONTINUED

51.1 DESCRIPTION OF ARRANGEMENTS ... CONTINUED

Scheme	Trust/SPV	Description
NEDBANK EYETHU BEE SCHEMES – EMPLOYEES		
Non-executive Directors' Scheme	Nedbank Eyethu Non-executive Directors' Trust	Certain non-executive directors acquired restricted shares at par value, with notional funding over a period of six years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Black Executive Scheme	Nedbank Eyethu Black Executive Trust	Restricted shares and share options were granted to certain black employees 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.
Broad-based Employee Scheme*	Nedbank Eyethu Broad-based Employee Trust	Restricted shares were granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights. However, the participants are not entitled to deal in the shares for a period of five years.
NEDBANK EYETHU BEE SCHEMES – CLIENTS AND BUSINESS PARTNERS		
Black Business Partner Scheme	Wiphold Financial Services Number Two Trust and Brimstone-Mtha Financial Services Trust	Each trust was issued an equal number of restricted shares at R1,87 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Retail Scheme	Nedbank Eyethu Retail Trust	For every three shares acquired, participants qualify for an additional bonus share after a three-year period. The participants 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) Limited, a key corporate client that has the role of the black development partner in the scheme, at par value, with notional funding over a period of six years. The beneficial ownership of the shares 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.
Community Trust	Nedbank Eyethu Community Trust	The trust has been formed with the specific purpose of providing previously disadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group's Limited BEE compliance.

* *The Eyethu Broad-based Employee Scheme shares vested on 27 July 2010 and the expiry date to elect an option to sell or transfer these shares expired on 27 September 2010. All the shares residing in the trust were sold.*

Scheme	Trust/SPV	Description
NEDBANK NAMIBIA OMUFIMA BEE SCHEMES – EMPLOYEES		
Namibia Black Management Scheme	Nedbank Ofifiya Black Management Trust	Restricted shares and share options were granted to certain black employees at a middle- and senior-management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Namibia Broad-based Employee Scheme	Nedbank Ofifiya Broad-based Employee Trust	Restricted shares were granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.

Vesting requirements	Maximum term
Six years' service and no dealing in the shares during this notional funding period. So as not to compromise the non-executive directors' independence, no specific performance conditions will apply to the directors' participation.	6 years
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
n/a	5 years
No dealing in the shares during the 10-year notional funding period.	10 years
Participants were required to operate and maintain a primary transaction account with Nedbank Limited for three years.	3 years
Participants were required to use Nedbank Limited as their primary banker for six years.	6 years
Shares are not allocated to specific beneficiaries. At the end of the 10 years the net assets of the trust will be allocated to participants as determined by the trustees.	10 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 these shares during the restricted period of five years.	5 years

51 SHARE-BASED PAYMENTS ... CONTINUED

51.1 DESCRIPTION OF ARRANGEMENTS ... CONTINUED

Scheme	Trust/SPV	Description
NEDBANK NAMIBIA OMUFIMA BEE SCHEMES – BUSINESS PARTNERS AND AFFINITY GROUPS AND LONG-TERM INCENTIVE PLANS		
Namibia Black Business Partner Scheme	Central Consortium SPV Three Investments (Pty) Limited, Coastal Consortium SPV Three Investments (Pty) Limited and Northern Empowerment SPV Three Investments (Pty) Limited	Each SPV was issued an equal number of restricted shares at R2,53 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Namibia Affinity Group Scheme	Southern Consortium SPV Three Investments (Pty) Limited and Eastern Consortium SPV Three Investments (Pty) Limited	Each SPV was issued an equal number of restricted shares at R1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Namibia Education Scheme	Nedbank Namibia Education Trust	The SPV was issued an equal number of restricted shares at R1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Nedbank Namibia LTIP Scheme	Nedbank Namibia Holdings Trust	Share options and restricted shares are granted to key personnel to motivate senior employees to remain with the group. The granting of share options is based on job level, merit and performance 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 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	Nedbank Sinakekelwe Trust Long-term Incentive Scheme	Restricted shares and share options are 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 10-year notional funding period.	10 years
No dealing in these shares during the 10-year notional funding period.	10 years
No dealing in these shares during the 10-year notional funding period.	10 years
Completion of three years' service plus predetermined targets for average return on income, average fully dilutive headline earnings per share growth and average cost-to-income ratio.	5 years

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 1/3 of the shares become unrestricted and 1/3 of the options vest.	5 years
Participants must remain in service for three, four and five years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	5 years

51 SHARE-BASED PAYMENTS ... CONTINUED

51.2 EFFECT ON PROFIT AND FINANCIAL POSITION

	Share-based payments expense		Share-based payments reserve/liability	
	2011 Rm	2010 Rm	2011 Rm	2010 Rm
Traditional employee schemes	262	122	455	203
Nedbank Group (1994) Share Option Scheme	*	*		1
Nedbank Group (2005) Share Option and Restricted Share Scheme	251	114	415	166
Nedbank Group (2005) Matched Share Scheme	9	6	24	26
Old Mutual UK Sharesave Scheme	2	2	16	10
Nedbank UK long-term Incentive Plan**	*	*	*	*
Nedbank Eyethu BEE schemes	177	140	500	728
Black Business Partner Scheme***	11	10	274	261
Community Scheme	111		111	
Non-executive Directors' Scheme				21
Retail Scheme	*	*		
Corporate Scheme	17	101		334
Black Executive Scheme	9	7	24	24
Black Management Scheme	29	22	91	88
Nedbank Namibia Omufima BEE and other schemes	4	3	20	18
Namibia Black Business Partner Scheme			9	9
Namibia Affinity Group Scheme			3	3
Namibia Education Scheme			4	4
Namibia Black Management Scheme	3	3	3	2
Namibia LTIP Scheme	1	*	1	*
	443	265	975	949

* *Represents amounts less than R1m.*
** *This scheme is cash-settled and therefore creates a liability.*
*** *The share-based payments expense relating to the Nedbank Eyethu BEE black business partners relates to the annual performance fee paid to them, calculated in terms of the trust deed.*

51.3 MOVEMENTS IN NUMBER OF INSTRUMENTS

	2011		2010	
	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	628 280	62,17
Forfeited	(25 100)	74,40	(550 330)	61,33
Exercised	(18 400)	74,40		
Expired			(34 450)	60,01
Outstanding at the end of the year	–		43 500	74,40
Exercisable at the end of the year	–	–	43 500	74,40
Weighted average share price for options exercised (R)		140,81		132,82
Nedbank Group (2005) Share Option and Restricted Share Scheme				
Outstanding at the beginning of the year	10 977 682	110,79	17 521 060	74,23
Granted	4 405 737	–	4 358 878	
Forfeited	(2 539 595)	–	(6 132 658)	126,06
Exercised	(705 372)	102,28	(4 582 881)	100,69
Expired	(54 375)	117,65	(186 717)	141,19
Outstanding at the end of the year	12 084 077		10 977 682	110,79
Exercisable at the end of the year	–	–	708 979	110,79
Weighted average share price for options exercised (R)		130,55		130,79
Nedbank Group (2005) Matched Share Scheme				
Outstanding at the beginning of the year	649 447		583 048	
Granted	279 831		222 362	
Forfeited	(44 045)		(88 836)	
Exercised	(237 056)		(67 127)	
Outstanding at the end of the year	648 177		649 447	–
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		141,47		138,67
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares – GBP)				
Outstanding at the beginning of the year	770 774	0,55	649 552	0,42
Granted	290 846	1,10	235 920	0,94
Forfeited	(2 126)	1,07	(56 646)	0,35
Exercised	(29 162)	0,91	(13 856)	0,79
Expired	(109 898)	0,66	(44 196)	0,79
Other transfers	(28 593)			
Outstanding at the end of the year	891 841	0,71	770 774	0,55
Exercisable at the end of the year	2 133	0,90	2 163	1,31
Weighted average share price for options exercised (£)		1,26		0,99
Nedbank UK Long-term Incentive Plan				
Outstanding at the beginning of the year	169 292	17,85	124 904	24,19
Granted			44 388	
Forfeited				
Outstanding at the end of the year	169 292	17,85	169 292	17,85
Exercisable at the end of the year	53 274	56,70	–	–
Weighted average share price for options exercised (R)		–		–

51 SHARE-BASED PAYMENTS ... CONTINUED

51.3 MOVEMENTS IN NUMBER OF INSTRUMENTS ... CONTINUED

	2011		2010	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
Black Business Partner Scheme				
Outstanding at the beginning of the year	7 891 300	171,82	7 891 300	171,82
Outstanding at the end of the year	7 891 300	171,82	7 891 300	171,82
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Non-executive Directors' Scheme				
Outstanding at the beginning of the year	621 743	104,04	621 743	104,04
Granted				
Exercised	(621 743)	104,04		
Outstanding at the end of the year	–		621 743	104,04
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		132,00		–
Retail Scheme				
Outstanding at the beginning of the year	27		1 398	
Exercised			(1 298)	
Adjusted for anticipated number of shares to be granted	(27)		(73)	
Outstanding at the end of the year	–		27	–
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		122,65
Corporate Scheme				
Outstanding at the beginning of the year	10 272 919	101,47	9 930 425	108,06
Exercised	(10 272 919)	101,47		
Forfeited			(30 506)	107,12
Other movements			373 000	101,47
Outstanding at the end of the year	–		10 272 919	101,47
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	868 199	74,57	1 037 537	71,44
Granted	269 781	92,84	237 340	83,81
Forfeited	(29 512)	68,71	(145 452)	77,93
Exercised	(181 588)	61,08	(261 226)	68,67
Outstanding at the end of the year	926 880	82,72	868 199	74,57
Exercisable at the end of the year	56 806	118,99	37 200	102,56
Weighted average share price for options exercised (R)		139,75		133,81

51.3 MOVEMENTS IN NUMBER OF INSTRUMENTS ... CONTINUED

	2011		2010	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
Black Management Scheme				
Outstanding at the beginning of the year	5 759 686	95,08	6 495 351	89,69
Granted	868 849	120,63	1 026 544	114,68
Forfeited	(508 336)	105,33	(1 114 938)	93,89
Exercised	(680 712)	69,70	(647 271)	74,15
Expired	(4 746)	108,10		
Outstanding at the end of the year	5 434 741	101,37	5 759 686	95,08
Exercisable at the end of the year	757 623	95,80	470 084	77,25
Weighted average share price for options exercised (R)		136,95		130,94
Namibia Black Business Partner Scheme				
Outstanding at the beginning of the year	199 929	278,98	199 929	278,98
Outstanding at the end of the year	199 929	278,98	199 929	278,98
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Namibia Affinity Group Scheme				
Outstanding at the beginning of the year	74 048	282,47	74 048	282,47
Outstanding at the end of the year	74 048	282,47	74 048	282,47
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Namibia Education Scheme				
Outstanding at the beginning of the year	98 730	282,47	98 730	282,47
Outstanding at the end of the year	98 730	282,47	98 730	282,47
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Namibia Black Management Scheme				
Outstanding at the beginning of the year	50 955	108,00	75 400	77,92
Other movements	1 553	–	18 417	120,62
Forfeited	(1 158)	84,32	(37 308)	101,29
Exercised	(14 056)	78,09	(5 554)	101,29
Outstanding at the end of the year	37 294	85,00	50 955	108,00
Exercisable at the end of the year	5 115	101,29	7 656	101,29
Weighted average share price for options exercised (R)		138,71		129,16
Namibia LTIP Scheme				
Outstanding at the beginning of the year	65 582	47,82	67 562	46,42
Forfeited			(1 980)	
Outstanding at the end of the year	65 582	44,39	65 582	47,82
Exercisable at the end of the year	23 350	134,30	23 350	134,30
Weighted average share price for options exercised (R)		–		–
Community Scheme				
Granted	774 169			
Outstanding at the end of the year	774 169			
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–

51 SHARE-BASED PAYMENTS ... CONTINUED

51.4 INSTRUMENTS OUTSTANDING AT THE END OF THE YEAR BY EXERCISE PRICE

	2011		2010	
	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
Nedbank Group (1994) Share Option Scheme				
74,40			43 500	0,3
	–		43 500	0,3
Nedbank Group (2005) Share Option Scheme				
0,00	12 084 077	1,2	10 268 703	1,4
107,03			137 800	0,6
110,98			556 279	0,2
134,30			8 900	
144,30			6 000	
	12 084 077	1,2	10 977 682	1,6
Nedbank Group (2005) Matched Share Scheme				
0,00	648 177	1,4	649 447	1,2
	648 177	1,4	649 447	1,2
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares – £)				
0,35	416 242	1,7	504 848	2,1
0,90	3 999	(0,7)	32 584	0,3
1,31			2 163	(0,7)
0,94	209 064	1,7	231 179	3,0
1,10	262 536	2,6		
	891 841	1,9	770 774	2,5

51.4 INSTRUMENTS OUTSTANDING AT THE END OF THE YEAR BY EXERCISE PRICE ... CONTINUED

	2011		2010	
	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
Nedbank UK Long-term Incentive Plan				
0,00	146 792	1,61	146 796	2,7
134,30	22 500	1,68	22 500	2,6
	169 292	1,67	169 296	2,7
Black Business Partner Scheme				
171,82	7 891 300	3,6	7 891 300	4,6
	7 891 300	3,6	7 891 300	4,6
Non-executive Directors' Scheme				
78,81			81 815	0,6
105,99			46 722	0,6
108,04			493 206	0,6
	–		621 743	0,6
Retail Scheme				
0,00			27	0,2
	–		27	0,2
Corporate Scheme				
101,47			10 272 919	0,1
	–		10 272 919	0,1

51 SHARE-BASED PAYMENTS ... CONTINUED

51.4 INSTRUMENTS OUTSTANDING AT THE END OF THE YEAR BY EXERCISE PRICE ... CONTINUED

	2011		2010	
	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
Black Executive Scheme				
0,00	277 416	2,6	274 781	2,4
74,75	16 080	0,6	93 600	1,6
75,74	57 715	4,2	57 715	5,2
104,51	89 707	3,6	89 707	4,6
107,03	13 054	1,6	25 724	2,6
110,98	4 427	1,2	8 724	2,2
120,62	49 006	3,2	65 818	4,2
121,08	189 445	5,2	153 445	6,2
128,44	84 182	6,2		
132,18	11 163	5,6		
134,30	48 000	2,6	48 000	3,6
140,00	60 000	4,6		
144,30	26 685	2,2	50 685	3,2
	926 880	3,8	868 199	3,6
Black Management Scheme				
0,00	395 303	2,3	471 636	2,5
74,75	456 706	0,6	925 666	1,6
75,74	1 003 490	4,2	1 048 445	5,2
104,51	574 170	3,6	650 128	4,6
107,03	132 318	1,6	171 398	2,6
108,45	213 399	4,6	262 330	5,6
110,98	98 915	1,2	141 831	2,2
120,62	533 015	3,2	583 125	4,2
134,30	307 857	2,6	369 150	3,6
144,30	278 135	2,2	282 988	3,2
121,08	381 666	5,2	445 395	6,2
132,18	354 596	5,6	407 594	6,6
128,44	461 201	6,2		
139,69	243 970	4,6		
	5 434 741	3,6	5 759 686	4,0

51.4 INSTRUMENTS OUTSTANDING AT THE END OF THE YEAR BY EXERCISE PRICE ... CONTINUED

	2011		2010	
	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
Namibia Black Business Partner Scheme				
278,98	199 929	5,0	199 929	6,0
	199 929	5,0	199 929	6,0
Namibia Affinity Group Scheme				
282,47	74 048	5,0	74 048	6,0
	74 048	5,0	74 048	6,0
Namibia Education Scheme				
282,47	98 730	5,0	98 730	6,0
	98 730	5,0	98 730	6,0
Namibia Black Management Scheme				
0,00	8 703	1,1	10 143	1,8
101,29	14 423	2,0	26 644	3,0
120,62	14 168	3,2	14 168	4,2
	37 294	2,2	50 955	3,1
Namibia LTIP Scheme				
0,00	42 232	0,2	42 232	1,2
134,30	23 350	0,6	23 350	1,6
	65 582	0,3	65 582	1,3
Community Scheme				
0,00	774 169	3,6		
	774 169	3,6	–	

51 SHARE-BASED PAYMENTS ... CONTINUED

51.5 INSTRUMENTS GRANTED DURING THE YEAR

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

	Nedbank Group (2005) Share Option and Restricted Share Scheme	Nedbank Group (2005) Matched Share Scheme	Old Mutual UK Sharesave Scheme (£)
2011			
Number of instruments granted	**4 405 737**	**279 831**	**290 846**
Weighted average fair value per instrument granted (R)***	**127,28**	**121,39**	**0,48**
Weighted average share price (R)	**134,29**	**141,51**	**1,37**
Weighted average exercise price (R)			
Weighted average expected volatility (%)*	**26,4**	**26,0**	**65,2**
Weighted average life (years)	**3,0**	**3,0**	**3,3**
Weighted average expected dividends (%)**		**5,2**	**3,3**
Weighted average risk-free interest rate (%)	**7,2**	**7,3**	**1,9**
Number of participants	**1 319**	**300**	
Weighted average vesting period (years)	**3,0**	**3,0**	**3,3**
Possibility of not vesting (%)	**14**	**7**	**0**
Expectation of meeting performance criteria (%)	**86**	**93**	**100**
2010			
Number of instruments granted	4 358 878	222 362	235 920
Weighted average fair value per instrument granted (R)***	119,28	121,46	0,39
Weighted average share price (R)	125,10	140,00	1,18
Weighted average exercise price (R)			0,99
Weighted average expected volatility (%)*	24,6	24,5	55,8
Weighted average life (years)	3,0	3,0	3,4
Weighted average expected dividends (%)**		4,8	2,1
Weighted average risk-free interest rate (%)	7,7	7,7	2,0
Number of participants	1 109	263	
Weighted average vesting period (years)	3,0	3,0	3,4
Possibility of not vesting (%)	34	7	0
Expectation of meeting performance criteria (%)	66	93	100

* *Expected volatility is determined based on the historical average volatility for shares over their vesting periods. Volatility is determined using expected volatility for all shares listed on 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 Long-term Incentive Plan	Black Executive Scheme	Black Management Scheme
	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
44 388	237 340	1 026 544
108,32	60,05	38,89
124,85	125,00	126,42
	83,81	114,68
24,5	24,5	25,8
3,0	5,7	5,9
4,8	3,4	4,5
7,7	8,4	8,0
10	7	398
3,0	5,0	5,0
10	5	12
90	95	88

52 RELATED PARTIES

52.1 RELATIONSHIP WITH PARENT, ULTIMATE CONTROLLING PARTY AND INVESTEES

The group's parent company is Old Mutual (South Africa) Limited ('OMSA'), which, through its subsidiaries, holds 51,86% (2010: 51,37%) of Nedbank Group Limited's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the UK.

Material subsidiaries of the group are identified on pages 326 to 328 and associates and joint ventures of the group are identified on pages 324 and 325.

52.2 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 356 to 368 and details of their shareholdings in the company are disclosed on pages 368 and 369. 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)			
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
2010			
Directors' fees	11		11
Remuneration – paid by subsidiaries	40	72	112
Short-term employee benefits	28	65	93
Gain on exercise of options	12	7	19
	51	72	123
Number of share options and instruments			
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
2010			
Outstanding at the beginning of the year	1 601 613	2 181 290	3 782 903
Granted	318 648	436 816	755 464
Forfeited	(4 439)	(262 679)	(267 118)
Exercised	(339 439)	(523 939)	(863 378)
Expired	(152 765)	(270 500)	(423 265)
Transferred	313 744	(313 744)	–
Outstanding at the end of the year	1 737 362	1 247 244	2 984 606

52.3 RELATED-PARTY TRANSACTIONS

Transactions between Nedbank Group Limited and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between Nedbank Group Limited 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)	**2011**	2010
Parent/Ultimate controlling party		
Loan due from Old Mutual plc	**1 515**	1 226
Deposits owing to Old Mutual Life Assurance Company (SA) Limited	**(81)**	(13)
Bank balances owing to Old Mutual Life Assurance Company (SA) Limited	**(4 194)**	(3 587)
Account payable owing to Old Mutual plc	**(9)**	(8)
Fellow subsidiaries		
Loan due from Old Mutual Asset Managers (SA) (Pty) Limited	**708**	704
Deposits owing to Old Mutual Asset Managers (Pty) Limited	**(120)**	(77)
Deposits owing to other fellow subsidiaries	**(7 655)**	(7 503)
Bank balances owing to Old Mutual Asset Managers (Pty) Limited	**(8)**	(15)
Bank balances owing to other fellow subsidiaries	**(1 077)**	(670)
Associates		
Loans due from associates	**377**	675
Deposits owing to associates		(57)
Bank balances owing to associates	**(8)**	(7)
Key management personnel		
Mortgage bonds due from key management personnel	**32**	18
Deposits owing to key management personnel	**(32)**	(11)
Deposits owing to entities under the influence of key management personnel	**(560)**	(795)
Bank balances due from key management personnel	**20**	39
Bank balances owing to key management personnel	**(21)**	(6)
Bank balances due from entities under the influence of key management personnel	**2**	20
Bank balances owing to entities under the influence of key management personnel	**(169)**	(110)

52 RELATED PARTIES ... CONTINUED

52.3 RELATED-PARTY TRANSACTIONS ... CONTINUED

The Wiphold and Brimstone consortia and Aka Capital (Pty) Limited are related parties since certain key management personnel of the company have significant influence over these entities. These entities are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these entities and key management personnel is detailed below:

	Due from/(Owing to)	
Outstanding balances (Rm)	**2011**	**2010**
Wiphold consortium	(108)	(108)
Brimstone consortium	(107)	(107)
Aka Capital (Pty) Limited		(51)
Key management personnel – directors	(40)	(51)
– other	(50)	(20)
Share-based payments reserve	(305)	(337)
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme:		
– Wiphold consortium	(6)	(5)
– Brimstone consortium	(5)	(5)
Performance fee liability at year-end	(11)	(10)
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	(7)	(5)
Bank balances owing to Nedgroup Pension Fund	(245)	(86)
Bank balances and deposits owing to other funds	(285)	(41)

	Income/(Expense)	
Transactions (Rm)	**2011**	**2010**
Parent/Ultimate controlling party		
Dividend declared to OMSA via its subsidiaries	(1 397)	(1 155)
Interest income from Old Mutual plc	110	102
Interest expense to Old Mutual Life Assurance Company (SA) Limited	(339)	(247)
Fellow subsidiaries		
Interest income from Old Mutual Asset Managers (Pty) Limited	49	19
Interest expense to other fellow subsidiaries	(343)	(356)
Interest expense to Old Mutual Asset Managers (Pty) Limited	(7)	(8)
Insurance premiums to Mutual & Federal Insurance Company Limited	(146)	(139)
Claims recovered from Mutual & Federal Insurance Company Limited	112	64
Commission income from Mutual & Federal Insurance Company Limited	26	27
Asset management fee to Old Mutual Asset Managers (Pty) Limited	(4)	(6)

52.3 RELATED-PARTY TRANSACTIONS ... CONTINUED

	Income/(Expense) 2011	2010
Associates		
Interest income from associates	2	4
Interest expense to associates	(3)	(4)
Key management personnel		
Interest income from key management personnel	1	1
Interest income from entities under the influence of key management personnel	111	11
Interest expense to key management personnel	(3)	(4)
Interest expense to entities under the influence of key management personnel	(54)	(39)
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
– Aka Capital (Pty) Limited	(2)	(14)
– Key management personnel – other		(1)
Share-based payments expense (included in BEE transaction expenses)	(2)	(15)
Key management personnel – directors	(14)	(24)
– other	(33)	(7)
Share-based payments expense (included in staff costs)	(47)	(31)
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme:		
– Wiphold consortium	(14)	(11)
– Brimstone consortium	(12)	(11)
Performance fee expense	(26)	(22)
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	(5)	(7)
Interest expense to Nedgroup Medical Aid Fund		(1)
Interest expense to other funds	(3)	(3)
The Nedbank Group Pension Fund has an insurance policy (Optiplus policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) Limited, 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	785	806
– OMART policy reimbursement right (note 35.1)	371	373
Included in long-term employee benefit assets	1 156	1 179
Optiplus policy obligation	(785)	(806)
Disability obligation	(284)	(289)
Included in long-term employee benefit liabilities	(1 069)	(1 095)

ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

AT 31 DECEMBER

	Percentage holding 2011 %	2010 %	Acquisition date	Year-end
Unlisted associates				
Ballywood Properties 1 (Pty) Limited**		49	Nov 05	Feb
Bond Choice (Pty) Limited****	29	29	Jun 02	Feb
Capricorn Business and Technology Park (Pty) Limited	41	41	Nov 98	Sep
Century City JV	50	50	Dec 10	Dec
Clidet No 683 (Pty) Limited**		49	Aug 06	Feb
Consep Developments (Pty) Limited	31	31	Dec 07	Feb
Emergent Investments (Pty) Limited***		49	Jul 07	Feb
Erf 7 Sandown (Pty) Limited	35	35	Oct 06	Feb
Falcon Forest Trading 85 (Pty) Limited	30	30	Mar 05	Feb
Firefly Investments 74 (Pty) Limited	35	35	Oct 06	Feb
Friedshelf 113 (Pty) Limited	20	20	Aug 02	Feb
Hazeldean Retreat (Pty) Limited	20	20	Mar 07	Feb
Masingita Property Investment Holdings (Pty) Limited	35	35	Aug 05	Feb
Mooirivier Mall (Pty) Limited**		30	Nov 06	Feb
Namclear (Pty) Limited****	25	25	Nov 03	Dec
Nedglen Property Developments (Pty) Limited	35	35	Nov 04	Jun
Newmarket Property Developments JV	40	40	Aug 06	Dec
Odyssey Developments (Pty) Limited	49	49	Nov 07	Jun
Oukraal Developments (Pty) Limited	30	30	Jan 08	Jun
SafDev Tanganani (Pty) Limited	25	25	Oct 08	Jun
TBA Genomineerdes (Pty) Limited	30	30	Jan 03	Jun
The Waterbuck Trust	40	40	Oct 07	Feb
Visigro Investments (Pty) Limited	30	30	Jun 06	Feb
Whirlprops 33 (Pty) Limited****	49	49	Sep 06	Feb
XDV Investments (Pty) Limited	25	25	Nov 06	Jun
Other				

* *Represents amounts less than R1m.*
** *Disposed of during 2011.*
*** *Associate has been consolidated as a subsidiary from October 2011.*
**** *These associates are equity-accounted.*

These associate companies are all property-related companies. There are no regulatory constraints, apart from the provisions of the Companies Act, 71 of 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	Equity-accounted earnings 2011 Rm	Equity-accounted earnings 2010 Rm	Carrying amount 2011 Rm	Carrying amount 2010 Rm	Market value/ Directors' valuation 2011 Rm	Market value/ Directors' valuation 2010 Rm	Net indebtedness of loans to/(from) associates 2011 Rm	Net indebtedness of loans to/(from) associates 2010 Rm
				14		14		1
Dec 11			25	25	25	25		
			11	11	11	11	9	9
			55	55	55	55		
				303		303		166
			*	16	*	16	17	16
				79		79		66
			38	25	38	25	5	5
			30	23	30	23	1	*
			*	16	*	16	7	7
			58	14	58	14	43	
			13	12	13	12	9	9
			56	40	56	40	24	12
				13		13		83
Dec 11	*	1	3	3	3	3	(3)	(3)
			15	13	15	13		
			*	10	*	10	34	14
			100	105	100	105	34	34
			26	27	26	27	15	15
			12	13	12	13		
			7	8	7	8	3	3
			12	15	12	15	20	18
			78	83	78	83	(22)	(20)
Dec 11			*	*	*	*		
			*	*	*	*		
			29	13	29	13	179	240
	*	1	568	936	568	936	375	675

ANALYSIS OF INVESTMENTS IN SUBSIDIARIES

FOR THE YEAR ENDED 31 DECEMBER

	Group				Company			
	Issued capital		Effective holding		Book value of investments		Net indebtedness	
	2011 Rm	2010 Rm	2011 %	2010 %	2011 Rm	2010 Rm	2011 Rm	2010 Rm
Banking**								
Nedbank Limited	27	27	100	100	17 949	17 949	797	1 839
Nedbank Namibia Limited (Namibia)	17	17	100	100				
Nedbank Malawi Limited (Malawi)	10	9	97,1	97,1				
Nedbank (Lesotho) Limited	20	20	100	100				
Nedbank (Swaziland) Limited	12	13	65,0	60,5				
Fairbairn Private Bank Limited (Jersey)	5	4	100	100				
MBCA Bank Limited (Zimbabwe)	1	1	70,9	70,9				
Trust and securities entities******								
BoE Stockbrokers (Pty) Limited	*	*	100	100				
Fairbairn Trust Company Limited (Guernsey)	1	1	100	100				
Nedgroup Collective Investments Limited	6	6	100	100				
Syfrets Securities Limited	1	1	100	100	353	3		
Other companies******								
Alliance Investments Limited (Mauritius)	*	*	100	100				
BoE (Pty) Limited	*	*	100	100	456	456	80	117
BoE Holdings Limited	2	2	100	100				
BoE Investment Holdings Limited	11	11	100	100	4 325	4 325	(1 070)	(1 070)
BoE Life Limited	1	1	100	100				
BoE Management Limited	*	*	100	100			(3 687)	(3 687)
BoE Private Client Investment Holdings Limited	*	*	100	100				
Depfin Investments (Pty) Limited	*	*	100	100				
Dr Holsboer Benefit Fund	*	*	100	100				
MN Holdings Limited (Mauritius)	*	*	100	100	59	59		
NBG Capital Management Limited	*	*	100	100			1 612	1 612
Nedcor (SA) Insurance Company Limited+	*	*	100	100		5		
Nedcor Group Insurance Company Limited	*	*	100	100	10	10		
Nedcor Investments Limited	28	28	100	100				
Nedcor Trade Services Limited (Mauritius)	2	2	100	100				
NedEurope Limited (Isle of Man)	3 633	2 981	100	100	1 612	1 612		
Nedgroup Insurance Company Limited***	5	5	100	100	49	49		
Nedgroup International Holdings Limited (Isle of Man)	*	*	100	100				
Nedgroup Investment 102 Limited	6	6	100	100				
Nedgroup Investment Holdings 101 Limited	17	17	100	100	196	196		37
Nedgroup Life Assurance Company Limited	15	15	100	100	310	310		
Nedgroup Securities (Pty) Limited	10	10	100	100				

	Group				Company			
	Issued capital		Effective holding		Book value of investments		Net indebtedness	
	2011 Rm	2010 Rm	2011 %	2010 %	2011 Rm	2010 Rm	2011 Rm	2010 Rm
Other companies** ... continued**								
NedInvest Limited	5	5	100	100	5	5		
NedNamibia Holdings Limited (Namibia)	17	18	100	100	429	429		
NIB Blue Capital Investments (Pty) Limited	*	*	100	100				
Peoples Mortgage Limited	45	45	100	100				
Tando AG (Switzerland)	40	33	100	100				
The Board of Executors	*	*	100	100			(45)	(45)
Other companies	*	*					(4)	(4)
					25 753	25 408	(2 317)	(1 201)

* *Represents amounts less than R1m.*

** *The banking subsidiary companies are restricted in terms of Basel regulations and prudential requirements with regard to the distribution of funds to their holding company.*

*** *In terms of a dispensation received from the Financial Services Board this company is not allowed to declare any distributions to its holding company.*

**** *These entities are free of any restrictions imposed on the distribution of funds, save for compliance with any local regulations.*

\+ *In the process of liquidation.*

Unless otherwise stated, all entities are domiciled in SA.

Headline earnings from subsidiaries (after eliminating intercompany transactions):

	2011 Rm	2010 Rm
Aggregate earnings	6 288	5 036
Aggregate losses	104	136

General information required in terms of the Companies Act, 71 of 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 Limited will ensure that, except in the case of political risk, and unless specifically excluded by public notice in a country where a subsidiary is domiciled, its banking subsidiaries, and its principal non-banking subsidiaries, are able to meet their contractual liabilities.

MAJOR SUBSIDIARY COMPANIES

AS AT 31 DECEMBER 2011

NEDBANK GROUP LIMITED

NEDBANK LIMITED 100%

LOCAL SUBSIDIARIES

Peoples Mortgage Limited

Nedcor Investments Limited

Nedgroup Investment 102 Limited

Depfin Investments (Pty) Limited

BoE Holdings Limited

BoE Management Limited

FOREIGN NEDBANK SUBSIDIARIES

Nedbank (Lesotho) Limited

Nedbank (Swaziland) Limited 65%

Nedcor Trade Services Limited

FOREIGN NEDBANK GROUP SUBSIDIARIES

NedEurope Limited

MN Holdings Limited

Nedbank (Malawi) Limited 97,1%

MBCA Bank Limited 70,9%

NedNamibia Holdings Limited

Nedbank Namibia Limited

Nedgroup International Holdings

Fairbairn Private Bank Limited

Fairbairn Trust Company Limited (Guernsey)

Tando AG

Alliance Investments Limited

BoE INVESTMENT HOLDINGS LIMITED 100%

BoE Private Client Investment Holdings Limited

BoE Life Limited

Nedgroup Life Assurance Company Limited

NEDGROUP INVESTMENT HOLDINGS 101 LIMITED 100%

Nedgroup Securities (Pty) Limited

NBG Capital Management Limited

NIB Blue Capital Investments (Pty) Limited

BoE (Pty) Limited

TRUSTS AND SECURITIES ENTITIES

Syfrets Securities Limited

BoE Stockbrokers (Pty) Limited

Nedgroup Collective Investments Limited

Nedinvest Limited

Dr Holsboer Benefit Fund

OTHER INSURANCE ENTITIES

Nedgroup Insurance Company Limited

Nedcor Group Insurance Company Limited

Note: All subsidiaries are wholly owned unless stated otherwise.

Reporting standard

GRI FSSS: FS6, FS10.
GRI G3.1: 2.3, 2.6, 3.8

EMBEDDED-VALUE REPORT OF NEDGROUP LIFE ASSURANCE COMPANY LIMITED ('NEDGROUP LIFE')

AS AT 31 DECEMBER 2011

SCOPE OF THE EMBEDDED-VALUE REPORT

This report deals with the embedded value of Nedgroup Life Assurance Company Limited and the value of new business written during the financial year.

EMBEDDED-VALUE

The embedded-value (EV) and value of new business of the covered business at 31 December are:

	% change	2011 Rm	2010 Rm
Adjusted net worth		332	279
Required capital		259	173
Free surplus		73	106
Value of in-force business		1 190	752
Present value of future profits		1 258	808
Frictional costs		(36)	(37)
Cost of non-hedgeable risk		(32)	(19)
Total EV	47,6	1 522	1 031
Value of new business	38,6	409	295
New business sales (APE*)	26,6	975	770
APE* margin		42,0%	38,3%
PVNBP**	16,7	2 267	1 943
PVNBP** margin		18,0%	15,2%
Analysis of EV earnings:			
EV at the beginning of the year		1 031	795
Total EV earnings		718	390
Operating EV earnings		602	364
Value of new business		409	295
Expected return		63	46
Experience variances		71	32
Non-economic assumption changes		59	(9)
Other non-operating assumption changes – taxation		19	
Economic variances		82	16
Return on adjusted net worth		15	10
Adjustment: dividends paid		(227)	(154)
EV at the end of the year	47,6	1 522	1 031
Return on EV (%)		58,4%	45,8%

* *Annualised premium equivalent.*
** *Present value of new-business premiums.*

Nedgroup Life experienced strong sales growth during 2011, particularly in the credit life and single-premium lines of business, with APE growth of 26,6% (2010: 37,0%). The return on EV of 58,4% (2010: 45,8%) is driven by strong 2011 sales. Nedgroup Life paid dividends totalling R446m (2010: R312m).

A new dividend withholding taxation system, replacing the secondary tax on companies (STC) that approach, will be effective from 1 April 2012. The other non-operating assumption changes reflect the release of the STC provision which has increased the value of in-force business by R82m. A provision of R9m has been held in respect of STC for dividends payable in respect of profits earned for the period 1 January 2012 to 31 March 2012.

EMBEDDED-VALUE REPORT OF NEDGROUP LIFE ASSURANCE COMPANY LIMITED

AS AT 31 DECEMBER 2011 ... CONTINUED

METHODOLOGY

Covered business refers to all long-term life insurance business underwritten by the company.

EMBEDDED VALUE (EV)

The EV of the covered business is the discounted value of the projected future after-tax shareholder earnings arising from covered business in-force at the valuation date, plus the adjusted net worth.

Adjusted net worth represents the excess of the market value of assets over the statutory financial soundness valuation of liabilities.

REQUIRED CAPITAL

Required capital is the market value of assets that is required to support the covered business over and above that required to back the statutory liabilities, the distribution of which to shareholders is restricted. The following capital measures are considered acceptable when determining the required capital:

- economic capital; and
- regulatory capital

Economical capital for the covered business is based on the company's own internal assessment of risk inherent in the business, consistent with a 99,93% confidence interval over a one-year time horizon.

At 31 December 2011 the economic capital measure was used and is the more onerous measure.

FREE SURPLUS

Free surplus is the excess of market value of assets over the statutory liabilities and the required capital. It is the assets that are available for distribution to shareholders.

VALUE OF IN-FORCE BUSINESS

This consists of the following components:

- present value of future profits; less
- frictional costs of required capital; less
- cost of non-hedgeable risks.

Projected liabilities and cashflows are calculated net of outward reinsurance.

PRESENT VALUE OF FUTURE PROFITS (PVFP)

PVFP is calculated as the discounted value of future distributable earnings (taking account of local statutory reserving requirements) that are expected to emerge from the in-force covered business, including the value of contractual renewal of in-force business, on a best-estimate basis where assumed earned rates of return and discount rates are equal to risk-free rates.

FRICTIONAL COSTS

Due to the requirement to hold capital in addition to statutory liabilities (ie required capital), there is a cost to shareholders since this capital is locked in the company. Frictional cost is the cost in respect of the taxation on the investment return on and investment costs of the assets backing the required capital.

COST OF NON-HEDGEABLE RISK (CNHR)

Non-hedgeable risks are those risks that cannot be hedged in deep and liquid markets (eg mortality, morbidity, persistency, expense, reinsurance and operational risk). These risks are managed by holding risk capital. CNHR is calculated using a capital approach, ie it is determined as the present value of capital charges for all future non-hedgeable risk capital requirements until the liabilities have run off. A weighted average cost of capital rate of 2,0% has been applied to residual symmetric and asymmetric non-hedgeable capital.

VALUE OF NEW BUSINESS (VNB)

This is a measure of the value added to a company as a result of writing new business. This is calculated as the discounted value, at the date of sale, of projected after-tax shareholder profit from covered new business written during the reporting period net of frictional costs and the CNHR associated with writing new business, using economic assumptions at the start of the reporting period.

APE AND PVNBP MARGINS

APE is the annual premium for regular premium sales plus 10% of single-premium sales sold during the reporting period. The APE margin is defined as the ratio of VNB to APE.

PVNBP is the present value of future premium and is calculated using a calculation approach that is consistent with calculation of VNB. The PVNBP margin is defined as the ratio of VNB to PVNBP.

ASSUMPTIONS

NON-ECONOMIC ASSUMPTIONS

The EV and VNB were determined using best-estimate assumptions regarding future mortality, persistency rates and expenses. These best-estimate assumptions are determined using past, current and expected future experience.

ECONOMIC ASSUMPTIONS

Economic assumptions are determined such that projected cashflows are valued in line with the prices of similar cashflows that are traded in the capital markets. Investment return and discounting assumptions are based on the SA swap yield curve. The swap curve is sourced from a third-party market-consistent asset model. Expense inflation assumptions are determined considering a spread to the swap yield curve.

The risk-free spot yields and expense inflation at various terms are provided in the tables below:

	2011 %	2010 %
Risk-free yields		
Term (years)		
1	5,7	5,6
5	7,1	7,4
10	8,1	8,2
Expense inflation		
Term (years)		
1	5,5	4,4
5	6,4	5,8
10	7,1	6,6

SENSITIVITIES

The table below shows the sensitivities of VNB, value of in-force business and EV at 31 December to changes in key assumptions.

Rm	VIF	EV	VNB
2011			
Central assumptions	1 190	1522	409
Economic assumptions increase by 1%	1 160	1496	399
Economic assumptions decrease by 1%	1 224	1551	421
Equity and property market value decreasing by 10%	1 181	1506	409
Voluntary discontinuance rates decreasing by 10%	1 265	1589	435
Mortality and morbidity rates decrease by 5%	1 293	1644	420
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	1 202	1543	420
Acquisition expenses increase by 10%	1 190	1522	407
2010			
Central assumptions	752	1 031	295
Economic assumptions increase by 1%	754	1 034	296
Economic assumptions decrease by 1%	794	1 069	315
Equity and property market value decreasing by 10%	793	1 107	290
Voluntary discontinuance rates decreasing by 10%	815	1 091	324
Mortality and morbidity rates decrease by 5%	838	1 129	315
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	785	1 072	318
Acquisition expenses increase by 10%	752	1 031	290

REVIEW BY INDEPENDENT ACTUARIES

Independent consulting actuaries have reviewed the results, methodology and assumptions underlying the calculation of the EV and the VNB. Based on the information supplied to them by Nedgroup Life, they are satisfied that the methodology and assumptions have been determined in accordance with generally accepted actuarial principles and in accordance with guidance note PGN107 – Embedded Value and the Valuation of New Business.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Note	2011 Rm	2010 Rm
Net interest expense		(6)	
Dividends from subsidiaries		1 772	1 930
Operating expenses	1	(131)	(18)
Profit from operations before non-trading capital items		1 635	1 912
Loss on sale of investment			(39)
Foreign translation loss			(13)
Fair-value adjustments		1	
Impairment of investment in subsidiary companies		(5)	1
Impairment of intergroup loans and advances	7	(76)	(10)
Profit before taxation		1 555	1 851
Direct taxation	2	197	29
Profit after taxation		1 358	1 822
Other comprehensive income net of taxation		–	–
Total comprehensive income for the year		1 358	1 822

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

	Note	2011 Rm	2010 Rm
Assets			
Sundry debtors	3		87
Deferred taxation asset			3
Investment securities	4	43	
Current taxation receivable			9
Investment in subsidiary companies		28 242	29 013
Shares at cost – unlisted		25 753	25 408
Owing by subsidiaries		2 489	3 605
Total assets		28 285	29 112
Shareholders' equity and liabilities			
Ordinary share capital	5	507	515
Ordinary share premium		20 989	20 669
Share-based payments reserve		327	237
Other non-distributable reserves		41	41
Distributable reserves		1 413	2 738
Equity attributable to equity holders of the parent		23 277	24 200
Sundry creditors	6	23	23
Current taxation liabilities		20	
Impairment of intergroup loans and advances	7	159	83
Amounts owing to subsidiaries		4 806	4 806
Total liabilities		5 008	4 912
Total shareholders' equity and liabilities		28 285	29 112

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Share-based payments reserve* Rm	Other non-distributable reserves** Rm	Distributable reserves*** Rm	Total ordinary shareholders' equity Rm
Balance at 31 December 2009	498 671 016	499	18 404	237	41	3 160	22 341
Shares issued in terms of employee incentive schemes	5 163 073	5	671				676
Capitalisation award	7 397 653	7	937				944
Shares acquired/cancelled by BEE trusts			217				217
Shares listed under BEE schemes	3 660 085	4	440				444
Total comprehensive income for the year						1 822	1 822
Ordinary dividends						(2 244)	(2 244)
Balance at 31 December 2010	514 891 827	515	20 669	237	41	2 738	24 200
Shares issued in terms of employee incentive schemes	2 397 269	2	308				310
Shares cancelled by BEE trusts	(9 949 367)	(10)					(10)
Shares listed under BEE schemes	90 262		12				12
Share-based payments reserve movements				90		21	111
Total comprehensive income for the year						1 358	1 358
Ordinary dividends						(2 704)	(2 704)
Balance at 31 December 2011	507 429 991	507	20 989	327	41	1 413	23 277

* *All share-based payments expenses are recognised in the statement of comprehensive income, with the corresponding amount recognised in share-based payments 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.*

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

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

COMPANY STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Note	2011 Rm	2010 Rm
Cash generated by operations	8	1 746	1 912
Cash paid to clients, employees and suppliers		(20)	(18)
Cash receipts from clients, interest income and dividends fom finance facilities		(6)	
Dividends received on investments		1 772	1 930
Change in funds for operating activities		1 203	(1 877)
Decrease/(Increase) in operating assets		1 203	(1 890)
Increase in operating liabilities			13
Net cash generated from operating activities before taxation		2 949	35
Taxation paid	9	165	29
Cashflows from operating activities		2 784	6
Cashflows utilised by investing activities		(391)	(43)
Acquisition of call option		(43)	
Acquisition of investments in subsidiary companies		(348)	(43)
Cashflows (utilised by)/from financing activities		(2 393)	37
Proceeds from issue of ordinary shares		311	2 281
Dividends paid to ordinary shareholders		(2 704)	(2 244)
Net increase/(decrease) in cash and cash equivalents for the year		–	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER

1 OPERATING EXPENSES

	2011 Rm	2010 Rm
Audit fees – current year	8	8
Share-based payments expense	111	
Directors' fees	7	7
Other	5	3
	131	18

2 DIRECT TAXATION

2.1 CHARGE FOR THE YEAR

	2011 Rm	2010 Rm
Foreign withholding tax	4	8
Statement of comprehensive income charge – current taxation	14	
– section 9D attribution	22	
Secondary taxation on companies	157	21
	197	29

2.2 TAXATION RATE RECONCILIATION

	%	%
Standard rate of SA normal taxation	28	28
Non-taxable income	(28)	(28)
Secondary taxation on companies	10	1
Other taxation	3	
Effective taxation rate	13	1

3 SUNDRY DEBTORS

	2011 Rm	2010 Rm
Sundry debtors and accrued interest		87

These assets are repayable on demand or at short notice and are all owed within SA.

4 INVESTMENT SECURITIES

	2011 Rm	2010 Rm
Carrying amount of call option	43	

Nedbank Group Limited has secured rights to subscribe for 2 478 341 936 ordinary listed shares in Ecobank Transnational Incorporated (ETI) exercisable between November 2013 and November 2014 at an aggregate price of USD285m and to acquire further shares at market related prices to become a 20% shareholder in ETI.

5 SHARE CAPITAL

ORDINARY SHARE CAPITAL

	2011 Rm	2010 Rm
Authorised		
600 000 000 (2010: 600 000 000) ordinary shares of R1 each	600	600
Issued ordinary share capital		
507 429 991 (2010: 514 891 827) fully paid ordinary shares of R1 each	507	515

Subject to the restrictions imposed by the Companies Act, 71 of 2008 (as amended), the unissued shares are under the control of the directors until the forthcoming annual general meeting.

6 SUNDRY CREDITORS

	2011 Rm	2010 Rm
Creditors and other accounts	23	23

7 IMPAIRMENT OF INTERGROUP LOANS AND ADVANCES

A specific impairment has been raised on intergroup loans and advances made by Nedbank Limited to fellow subsidiary companies. Nedbank Group Limited has guaranteed these intergroup loans and advances, for which an impairment has been recognised.

	2011 Rm	2010 Rm
Balance at the beginning of the year	83	73
Statement of comprehensive income release/(charge)	76	10
Balance at the end of the year	159	83

8 CASH GENERATED BY OPERATIONS

Reconciliation of profit before taxation to cash generated by operations

	2011 Rm	2010 Rm
Profit before taxation	1 555	1 851
Adjusted for:		
– Foreign exchange translation loss		13
– Impairment of advances	76	10
– Impairment of investments	5	(1)
– Fair-value option	(1)	
– Share-based payments expense	111	
– Capital profit on sale of investment		39
Cash generated by operations	1 746	1 912

9 TAXATION PAID

	2011 Rm	2010 Rm
Amounts prepaid at the beginning of the year	(9)	(9)
Deferred taxation	(3)	
Statement of comprehensive income charge – current taxation	14	
– section 9D attribution	22	
– foreign withholding tax	4	8
– STC	157	21
Amounts (payable)/prepaid at the end of the year	(20)	9
	165	29

10 SHARE-BASED PAYMENTS

Equity instruments are granted to business partners and non-executive directors as an incentive to retain business and develop growth within the group. The share-based payments expenses and reserve balances in respect of the Black Business Partner Scheme and the Non-executive Directors' Scheme, implemented in 2005, were accounted for in the Nedbank Group Limited consolidated financial statements and in the Nedbank Group Limited standalone financial statements. Both of these schemes will be equity-settled.

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

10.1 DESCRIPTION OF ARRANGEMENTS

Scheme	Trust/SPV	Description	Vesting requirements	Maximum term
NEDBANK EYETHU BEE SCHEMES				
Black Business Partner Scheme	Wiphold Financial Services Number Two Trust and Brimstone-Mtha Financial Services Trust	Each trust was issued an equal number of restricted shares at R1,87 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	No dealing in the shares during the 10-year notional funding period.	10 years
Non-executive Directors' Scheme	Nedbank Eyethu Non-executive Directors' Trust	Certain non-executive directors acquired restricted shares at par value, with notional funding over a period of six years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Six years' service and no dealing in the shares during this notional funding period. So as not to compromise the non-executive directors' independence, no specific performance conditions will apply to the directors' participation.	6 years
Community Trust	Nedbank Eyethu Community Trust	The trust has been formed with the specific purpose of providing previously disadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group Limited's BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 10 years the net assets of the trust will be allocated to participants as determined by the trustees.	10 years

10.2 EFFECT ON PROFIT AND FINANCIAL POSITION

	Share-based payments expense		Share-based payments reserve	
	2011 Rm	2010 Rm	2011 Rm	2010 Rm
Black Business Partner Scheme			216	215
Non-executive Directors' Scheme				22
Community Scheme	111		111	
	111	–	327	237

10.3 MOVEMENTS IN NUMBER OF INSTRUMENTS

	2011		2010	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
Black Business Partner Scheme				
Outstanding at the beginning of the year	7 891 300	171,82	7 891 300	171,82
Outstanding at the end of the year	7 891 300	171,82	7 891 300	171,82
Exercisable at the end of the year	–	–	–	–
Non-executive Directors' Scheme				
Outstanding at the beginning of the year	621 743	104,04	621 743	104,04
Exercised	(621 743)	104,04		
Granted				
Outstanding at the end of the year	–	104,04	621 743	104,04
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised		132,00		–
Community Scheme				
Granted	774 169			
Outstanding at the end of the year	774 169			
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised		–		–

	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
Black Business Partner Scheme				
171,82	7 891 300	3,6	7 891 300	4,6
	7 891 300	3,6	7 891 300	4,6
Non-executive Directors' Scheme				
78,81			81 815	0,6
105,99			46 722	0,6
108,04			493 206	0,6
	–	–	621 743	0,6

11 RELATED PARTIES

11.1 RELATIONSHIP WITH PARENT, ULTIMATE CONTROLLING PARTY AND INVESTEES

The company's parent company is Old Mutual (South Africa) Limited ('OMSA'), which, through its subsidiaries, holds 51,86% (2010: 51,37%) of Nedbank Group Limited's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the UK.

Material subsidiaries of the company are identified on pages 326 to 328 and associates and joint ventures of the company are identified on pages 324 and 325.

11.2 KEY MANAGEMENT PERSONNEL COMPENSATION

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

Details of the compensation paid to the board of directors and prescribed officers are disclosed in the Remuneration Report on pages 356 to 368 and details of their shareholdings in the company are disclosed on pages 368 and 369. Compensation paid to the board of directors is aggregated below, together with the aggregate compensation paid to the executive directors, as well as the number of share options and instruments held.

	Directors	Key management personnel	Total
Compensation (Rm)			
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
2010			
Directors' fees	11		11
Remuneration – paid by subsidiaries	40	72	112
Short-term employee benefits	28	65	93
Gain on exercise of options	12	7	19
	51	72	123
Number of share options and instruments			
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
2010			
Outstanding at the beginning of the year	1 601 613	2 181 290	3 782 903
Granted	318 648	436 816	755 464
Forfeited	(4 439)	(262 679)	(267 118)
Exercised	(339 439)	(523 939)	(863 378)
Expired	(152 765)	(270 500)	(423 265)
Transferred	313 744	(313 744)	–
Outstanding at the end of the year	1 737 362	1 247 244	2 984 606

11.3 RELATED-PARTY TRANSACTIONS

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

Outstanding balances (Rm)	Due from/(Owing to) 2011	2010
Subsidiaries		
Loan from BoE Management Limited – interest-free	(3 687)	(3 687)
Loan from BoE Investment Holdings Limited – interest-free	(1 070)	(1 070)
Loan from Nedbank Nominees (Pty) Limited – interest-free	(4)	(4)
Advance to NBG Capital Management Ltd	1 612	1 612
Loan from The Board of Executors 1838	(45)	(45)
Bank accounts with Nedbank Limited – interest-free	798	1 673
Advance to NEST		139
Advance to BoE (Pty) Limited	80	117
Advance to Nedgroup Investment Holdings 101 Limited		37
Due from Nedbank Limited on exercise of share options during the year – interest free		27
Impairment provision in respect of amounts due to Nedbank Limited by its subsidiaries	(177)	(64)
Impairment provision in respect of amounts due to Nedgroup Investments Limited by its subsidiaries		(1)
Impairment provision in respect of amounts due by BoE Limited	(18)	(18)
Key management personnel		
The Wiphold and Brimstone consortiums are related parties since certain key management personnel of the group have significant influence over these entities. These consortiums are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these consortiums and key management personnel is detailed below:		
– Wiphold consortium	(108)	(108)
– Brimstone consortium	(107)	(107)
– Non-executive directors	(110)	(22)
Share-based payments reserve	(325)	(237)

Transactions (Rm)	Income/(Expense) 2011	2010
Parent		
Dividend declared to OMSA via its subsidiaries		(1 155)
Subsidiaries		
BoE (Pty) Limited	20	37
BoE Limited	174	156
Mutual & Federal (Pty) Limited	25	30
Nedbank Limited	1 025	995
NedEurope Limited	85	98
Nedgroup Insurance Company Limited		140
Nedcor (SA) Insurance Company Limited	10	
NedGroup Investment Holdings 101 Limited	99	102
Nedgroup Investments (Pty) Limited	29	158
Nedgroup Life Assurance Company Limited	223	156
Tando AG	82	58
Dividends declared by subsidiaries	1 772	1 930
Key management personnel		
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
Non-executive directors		
Share-based payments expense	–	–

12 LIQUIDITY, CREDIT RISK AND MARKET RISK INFORMATION

Assets and liabilities consist of primarily non-financial assets and liabilities. These are not subject to liquidity, credit risk and market risk for disclosure purposes, except as disclosed in note 4.

DISCLOSURE REQUIREMENTS IN TERMS OF HOME LOAN AND MORTGAGE DISCLOSURE ACT

	Number of applications					
	Received	Pending credit decision	Declined	Approved – not taken up	Approved – in progress	Approved – disbursed
2011						
Total	98 811	2 359	42 279	32 325	9 360	12 488
By province						
Gauteng	51 752	1 141	22 780	17 425	4 352	6 054
Western Cape	14 810	459	5 418	4 757	1 924	2 252
KwaZulu-Natal	11 745	359	4 645	3 763	1 252	1 726
Mpumalanga	6 953	119	3 392	2 156	550	736
Eastern Cape	5 170	122	2 061	1 514	649	824
Free State	3 434	63	1 564	1 121	266	420
Limpopo	1 824	30	901	600	139	154
North West	2 296	42	1 157	766	135	196
Northern Cape	827	24	361	223	93	126
By race group						
African	39 771	580	21 285	11 979	2 810	3 117
White	37 818	1 047	12 988	13 672	4 068	6 043
Coloured	8 911	315	3 949	2 537	972	1 138
Asian	7 726	234	2 830	2 555	858	1 249
Legal entities	4 285	168	1 091	1 512	610	904
Not known/Other	300	15	136	70	42	37
2010						
Total	182 871	984	102 560	50 997	10 260	18 070
By province						
Gauteng	90 615	558	50 371	25 611	5 299	8 776
Western Cape	28 668	143	14 872	8 517	1 873	3 263
KwaZulu-Natal	23 021	145	12 655	6 556	1 206	2 459
Mpumalanga	13 750	54	8 188	3 785	599	1 124
Eastern Cape	9 850	34	5 475	2 527	644	1 170
Free State	7 057	22	4 447	1 710	270	608
Limpopo	3 363	13	2 070	846	164	270
North West	4 617	8	3 261	977	118	253
Northern Cape	1 930	7	1 221	468	87	147
By race group						
African	80 179	263	54 282	17 425	3 207	5 002
White	64 224	457	29 139	21 633	4 424	8 571
Coloured	16 845	99	10 044	4 259	891	1 552
Asian	12 544	106	5 918	4 024	833	1 663
Legal entities	4 850	27	1 758	1 463	731	871
Not known/Other	4 229	32	1 419	2 193	174	411

Notes to preparation of Home Loan and Mortgage Disclosure Act disclosures

1 The group does not use race group or provincial information in its credit granting decisions. Any variation between race groups or provinces is solely attributable to other characteristics which form part of the credit granting process (eg income, credit history, affordability and other debt). The group's credit granting policies are designed to ensure that credit is granted responsibly in full compliance with the provisions of the National Credit Act.

2 Provincial and racial splits are based upon the provincial and racial information of the main applicant in the case of joint bonds.

3 Race group information is as supplied to the group at time of application, and has not been subjected to verification.

4 Applicants provide race group information on a voluntary basis. Where this information is not provided at time of application, the client has been allocated to the 'Not known/Other' category.

5 Provincial information is based upon the province in which the property financed is located.

6 The 'Approved – disbursed' category indicates that the bond has been registered. In the case of building loans, disbursements occur progressively based on progress in completing the building.

Value of applications (Rm)					
Received	Pending credit decision	Declined	Approved – not taken up	Approved – in progress	Approved – disbursed
52 797	948	18 986	19 932	4 398	8 533
28 993	555	10 667	10 954	2 444	4 373
8 370	157	2 497	3 288	714	1 714
5 634	107	1 923	2 138	469	997
3 508	48	1 509	1 236	260	455
2 228	28	739	817	210	434
1 667	22	648	632	110	255
834	6	396	307	48	77
1 118	19	485	403	97	114
445	6	122	158	46	113
15 779	177	7 832	5 349	1 092	1 329
24 059	479	7 351	9 782	1 942	4 505
3 299	75	1 378	1 162	237	447
4 357	91	1 471	1 626	413	756
5 173	123	892	1 975	706	1 477
130	3	62	38	8	19
99 535	609	49 812	32 272	5 358	11 484
53 293	367	26 556	17 129	3 138	6 103
15 961	94	7 108	5 661	891	2 207
11 164	76	5 523	3 765	523	1 277
6 911	31	3 761	2 182	296	641
4 379	18	2 191	1 362	235	573
3 295	8	1 900	947	115	325
1 489	7	865	420	67	130
2 183	4	1 424	565	59	131
858	5	483	240	34	96
31 826	130	20 377	7 826	1 375	2 118
45 494	344	19 701	16 720	2 500	6 229
6 643	46	3 610	2 040	314	633
7 590	57	3 330	2 816	448	939
5 016	16	1 604	1 519	644	1 233
2 966	16	1 190	1 351	77	332

NEDBANK GROUP LIMITED COMPLIANCE WITH IFRS[1] – ANNUAL FINANCIAL STATEMENT NOTES

Note number	Note description	IFRS required
1	Principal accounting policies	IAS[2] 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 analysis 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 4, IFRS 7 and IFRS 8
15	Operating expenses	IAS 1, IFRS 2, 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 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[3] 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	Investment contract liabilities	IAS 1, IFRS 4 and IFRS 7
42	Insurance contract liabilities	IAS 1 and IFRS 4
43	Long-term debt instruments	IAS 32, IAS 39 and IFRS 7
44	Contingent liabilities and undrawn facilities	IAS 37 and IAS 10
45	Commitments	IAS 37, IAS 10, IAS 17 and IFRS 7
46	Collateral	IFRS 7
47	Securitisations	IFRS 3 and IFRS 7
48	Foreign currency conversion guide	IAS 21
49	Cashflow information	IAS 7
50	Managed funds	IFRS 7
51	Share-based payments	IFRS 2
52	Related parties	IAS 24
Pages 324 to 325	Analysis of investments in associates and joint ventures	IAS 28 and IAS 31
Pages 326 to 328	Analysis of investments in subsidiaries	IAS 27
Pages 329 to 331	Embedded-value Report of Nedgroup Life Assurance Company Limited	IFRS 4
Pages 372 to 423	Risk and balance sheet management review	IFRS 7

[1] *International Financial Reporting Standards (IFRS).*
[2] *International Accounting Standards (IAS).*
[3] *International Financial Reporting Interpretations Committee.*

REMUNERATION REPORT

Reporting standard

GRI G3.1: 4.5, EC3

STATEMENT FROM THE CHAIRMAN OF THE GROUP REMUNERATION COMMITTEE

It gives me pleasure to report on the Nedbank Group Limited ('the group') performance and related remuneration matters in the 2011 financial year. During 2011 remuneration practices in financial services remained in the global spotlight with ongoing comments and input from shareholders, regulators, governments, organised labour, staff and industry commentators. The Group Remuneration Committee (Group Remco) dealt with a number of remuneration issues, including a thorough review of remuneration policies and practices measured against the Financial Stability Board (FSB) principles, Basel Pillar 3 remuneration disclosure requirements and a review of long-term incentive arrangements.

The overall performance of the group is described in the annual financial statements. A summary of certain key financial and non-financial inputs that are relevant in the context of the group's variable remuneration schemes is provided below:

		2011	2010	Year-on-year change
Headline earnings	(Rm)	6 184	4 900	26,2%
Economic profit/(loss)	(Rm)	924	(289)	Improvement of R1,2bn
Return on equity (excluding goodwill)	(%)	15,3	13,4	Improvement of 190 percentage points
Year-end share price	(cents)	14 500	13 035	11,2%
Fini 15 Index		8 363	8 171	2,4%
Nedbank staff survey	(%)	74,4	75,9	Reduction of 150 percentage points
Barrett staff survey	(%)	11,0	13,0	Improvement of 200 percentage points

The Nedbank Group Remuneration Policy aims to ensure that total remuneration is appropriately conservative, structured to attract and retain staff, and aligned with the interests of all our stakeholders in a manner that does not encourage excessive risk-taking.

The group has kept its remuneration policy and principles virtually unchanged since 2007, with additional criteria introduced in 2009 that provided for a significant portion of larger short-term incentive (STI) awards to be deferred and released over time and which include forfeiture rights. Practical implementation of the remuneration policy has led to appropriate reductions in STI pool awards in the group in 2008 and 2009 when the performance of the group deteriorated. This also resulted in zero vesting for all participants of both the 2008 and 2009 performance-based share allocations with corporate performance targets (CPTs). Early indications are that only a partial vesting of the 2010 allocations will occur in 2013.

The performance of the group has improved significantly in both 2010 and 2011 and this is reflected in the increased STI pool awards in both years and an improvement in the anticipated vesting of 2010 and 2011 performance-based share allocations. Careful consideration, detailed evaluation and challenging discussions at Group Remco meetings have contributed to a consistent implementation of a largely unchanged policy. The consistent implementation of the remuneration policy, since 2007, through both good and bad times has resulted in all forms of variable pay decreasing or increasing in a manner that is appropriate for, and aligned with, the changing performance of the group since 2007.

In my 2010 statement I highlighted certain key matters to be considered in 2011. The following table lists the group's actions on these matters during 2011:

Matter for consideration in 2011	Action taken during 2011
In the context of evolving best practice, ensuring that the quantum and construct of total remuneration remains market-related and enables the group to attract key staff in the industry.	Group Remco assessed the current status of all elements of remuneration for the group in relation to market benchmarks at every meeting. Group Remco is satisfied that the group is able to attract and retain key staff.
Ensuring that the demand for remuneration adjustments is realistically related to the SA inflation environment.	During the 2011 annual remuneration review process the group ensured that it maintained a prudent approach to remuneration increases relative to the financial services peer group. Group Remco is satisfied that the group's approach, as a responsible employer, is sufficiently prudent given the nature of labour negotiations in SA.
Continuously assessing the Nedbank Performance Management Framework to ensure that targets set are relevant, appropriate and are driving the desired behaviour within an acceptable risk framework.	The process of formulating performance scorecards for the Group Executive Committee (Group Exco) members was streamlined by reducing the number of elements and focusing more on the risk-related metrics. Group Remco is satisfied that the scorecards appropriately capture the mix of desired performance metrics applicable to Nedbank Group.
Ensuring that the implementation of total remuneration within the group is based on an approach that incorporates a formulaic approach as well as a measure of discretion in an open and transparent process.	The group continued to use a combination of a formulaic and discretionary approach, where all elements of remuneration across the group are open and transparent at the appropriate levels in the organisation. Group Remco is satisfied that this combination approach is appropriate and contains the correct checks and balances.
Conducting a total review of all the employee long-term incentive (LTI) schemes.	Shareholders voted in favour of a revised 2005 Nedbank Employee Share Scheme in May 2011 and Group Remco approved changes to the cash-based scheme for international employees to align with the approved 2005 scheme.

Some of the key challenges Group Remco will be required to consider in 2012 are:

- Ensuring that the group remains compliant with the latest principles of good remuneration governance and practice, including the FSB principles and Basel Pillar 3 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 the GRCMC.
- Reevaluating the group's approach to variable remuneration within the context of prudent risk-taking and evolving best practice.
- Managing the demand for remuneration adjustments while maintaining job security within a tough economic outlook for 2012.
- Arranging for an independent review of the implementation of the Group Remuneration Policy.

I wish to express my most sincere thanks to my fellow Group Remco members during my tenure as Group Remco Chairman and congratulate them on their efforts to ensure that sound and principled remuneration practices are adhered to in the group. Ms TCP Chikane joined the Group Remco on 24 February 2012 as Chairman designate and will work alongside me until my retirement on 4 May 2012. We were honoured to receive the SA Reward Association Award for the best remuneration report in SA in 2011.

Prof Brian de Lacy Figaji
28 February 2012

REMUNERATION POLICY

Shareholders are requested to vote on the following remuneration policy by means of a non-binding advisory resolution.

There are no material changes to the remuneration policy approved in May 2011, other than certain linguistic and grammatical adjustments.

The Nedbank Group Remuneration Policy for 2012 is quoted 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 takes cognisance of best practice, the applicable statutory legislation as well as adherence to codes of good remuneration and governance practices.

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 excludes companies in which the group 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 Limited;
- 'board' means the boards of Nedbank Group Limited and Nedbank Limited;
- '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 targets;
- 'STI' means short-term incentive, being all bonuses, annual incentive awards and other cash incentive arrangements; 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 that stimulates 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 legislation.
- 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 rewarded fairly and consistently according to their roles, individual worth and experience, taking cognisance of the group, business unit and individual performance.
- To achieve external equity the group must monitor the relevant job markets continuously 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, 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 earning 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 fulltime 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 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 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 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 long-term incentive 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 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 by shareholders at the annual general meeting (AGM) in advance of 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 a generic policy that is supported by specific Group Remco decisions as well as internal rules, procedures and processes. This report sets out the consistent implementation of the Nedbank Group Remuneration Policy within the group during 2011, as well as subsequent events in 2012 where applicable.

GROUP REMUNERATION COMMITTEE MEMBERSHIP AND CHARTER

In 2011 Group Remco initially comprised four independent non-executive directors, namely Prof B de L Figaji (Chairman), Mr CJW Ball, Mr MI Wyman and Ms NP Mnxasana and one non-independent non-executive director, namely Mr DI Hope. On 6 May 2011, following the retirement from the board of Mr CJW Ball, Mr MA Enus-Brey was appointed as a non-independent non-executive member of Group Remco. Group Remco met five times during 2011.

On 30 January 2012 Mr PM Makwana was appointed as an independent non-executive member of Group Remco.

Prof B de L Figaji will retire from the board on 4 May 2012 and the board has appointed Ms TCP Chikane to succeed him as Chairman of Group Remco when he retires.

The 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.

All members of Group Remco act as trustees of the Nedcor Group (1994) Employee Share Purchase Trust and Nedbank Group (2005) Employee Share Trust, and two members of Group Remco act as trustees of the Nedcor Investment Bank Holdings Trust. Trustee meetings for these schemes were held on 29 November 2011.

The trustees of the Nedcor Investment Bank Holdings Trust resolved that all obligations under the trust had been discharged and that the trust will now be deregistered.

Group Remco functions according to a charter approved by the board of directors of the group. 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, as defined in the Group Remco charter, are to:

- evaluate remuneration proposals and practices for the group to ensure alignment with best practice and the latest governance principles;
- manage the overall financial liability related to all elements of remuneration for the entire group;
- 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 approve the above for the Company Secretary;
- review and approve the annual performance scorecards of the CE, executive directors and other members of the Group Exco;
- approve the CPTs related to the vesting of performance-based LTI allocations and matched shares;
- approve overall remuneration increases for all staff;
- approve proposed STI awards to individuals in excess of a defined limit;
- approve, on an individual basis, all share-based LTI allocations in excess of a defined limit;
- review the material terms and conditions of service of all staff of the group (where appropriate) to ensure that they are fair and competitive;
- make recommendations to the board on the remuneration of the Chairman of the board;
- review and comment on proposals for non-executive directors' fees and to submit comments to an independent committee for consideration;
- define the appropriate peer group against which the group remuneration will be evaluated;
- review any issues raised by the GRCMC that are related to remuneration;
- make use of independent external advice when necessary;
- prepare an annual remuneration report for the board for publication in the group's integrated report; and
- report back 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 both the board and Group Remco retain the right to use their discretion to deviate from this policy in exceptional circumstances.

As in previous years, a self-assessment of Group Remco was conducted in July 2011 to evaluate Group Remco's effectiveness against the objectives of Group Remco's charter. High-level feedback confirmed the following:

- Group Remco performs its responsibilities according to its charter and has met all of the objectives that have been set.
- There is good interaction between the board and Group Remco.
- Group Remco meetings are productive and well facilitated, with appropriately robust discussions and debate.
- The remuneration of executives is well researched, with good benchmark information against industry standards.

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 2011.

The Old Mutual plc Remuneration Unit also provided Group Remco with advice, specifically around international remuneration practices and trends and the remuneration of the CE.

Group Remco is informed of market-related remuneration information based on a number of independent remuneration surveys in which the group participates. 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. Specialists within the Group Rewards Department collate and analyse the information sourced from external service providers.

EDUCATION OF GROUP REMCO MEMBERS

As part of the ongoing education of directors, Vasdex Associates conducted a training session for all boardmembers regarding the latest principles of good remuneration governance in financial services in July 2011.

REMUNERATION GOVERNANCE

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 risk, capital and liquidity;
- independently engaged by the 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
- continuously evolving in terms of risk-adjusted remuneration practices.

In terms of remuneration governance the key roles of Group Remco are:

- actively to oversee the remuneration policy and practices, independently from the Group Exco;
- to ensure that the remuneration policy and practices operate as agreed;
- regularly to review remuneration outcomes, risk and performance measurements and risk outcomes to ensure consistency with intentions;
- actively to oversee all components of remuneration on an individual basis for executive directors and members of the Group Exco; and
- to approve the group's overall STI and LTI pools.

During 2011 the group, along with all other major banking institutions in SA, was requested by the South African Reserve Bank (SARB) to respond to the second FSB thematic peer review of compensation practices questionnaire. During this process the group compiled a self-assessment against the FSB principles and the results of this self-assessment are indicated in the table below.

Item	Weighted average %
Overview of the compensation policies	100
Effective governance of compensation	88
Pay structure and effective alignment of compensation with prudent risk-taking	98
Disclosure	88
Other features of compensation systems	100
Overall result of self-assessment	96

These results were presented to the SARB during an annual visit during September 2011 and the presentation was well received by the SARB. The process further identified areas where some improvement is required and the group undertook to address these issues by April 2012. The following are the four areas identified where the group's self-assessment delivered a 'partial compliance' result.

FSB question/statement	Action to be taken
2.6 What is the role of the risk and compliance functions in setting out compensations policies, and in their implementation? Are the employees of risk and compliance functions compensated in a manner that is independent of the business areas they oversee? Are their performance measures based principally on the achievement of the objectives of their function?	• Both the Group Exco and Group Remco have satisfied themselves that sufficient checks and balances are in place to ensure appropriate STI awards to risk and compliance function employees at senior levels. Group Remco will continue to enhance the independent management of risk and compliance remuneration at all levels.
2.8 Who conducts the annual review of your firm's implementation of the compensations policy, including financial outcomes (eg compensation governing body, internal audit, externally contracted)? What is the role of the firm's governing body in overseeing this review process?	• Group Remco takes independent advice in terms of its remuneration policy and has agreed to an independent review of the implementation of the remuneration policy in 2012.
3.12 How is the group of material risk takers, as defined above, divided into subgroups or categories (eg members of the executive board, other senior executives, the most highly paid employees)?	• Group Remco already approves all STI awards in excess of 200% of the guaranteed package (GP). The group is seeking to refine the definition of material risk-takers into appropriate subgroups or categories.
4.4 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; amount and form of variable compensation; amount of deferred compensation; new sign-on and severance payments made during the financial year; and the amount of severance payments awarded during the financial year?	• The group does not disclose any remuneration for the category of employee classed as 'employees whose actions have a material impact on the risk exposure of the firm', as this is not currently a disclosure requirement in SA. Group Remco and the Nedbank Group Limited Board reevaluated the disclosure applicable, particularly in the light of the recent changes to the Companies Act, 71 of 2008 (as amended), and will extend the disclosure of remuneration to include both directors and prescribed officers.

The submission further required a pro forma Pillar 3 remuneration disclosure based on the 'Pillar 3 disclosure requirements for remuneration' issued by the Basel committee in July 2011. The group is confident that it will fully comply with all the Pillar 3 remuneration disclosure requirements, as implemented from 1 January 2012.

REMUNERATION ELEMENTS

The group defines total reward as a combination of all types of rewards, including financial and non-financial, indirect and direct, and intrinsic and extrinsic rewards, and its total remuneration policy forms part of total reward and supports the group's EVP.

GUARANTEED PACKAGE

All staffmembers in the group are remunerated on a total-cost-to-company basis or GP, which includes a basic salary, a 13th cheque (if selected), allowances and contributions to benefit funds, except for staffmembers employed in some non-SA countries where the practice is still to pay a basic salary plus benefits.

Contributions from GP can be made to the Nedgroup Medical Aid Scheme, a postretirement medical aid fund, a retirement fund (compulsory), a disability fund and a death benefit scheme. A car allowance/company car contribution may be structured into the package if the employee is required to travel on group business, subject to the requirements of the relevant tax authorities.

Annual increases in guaranteed remuneration are performance- and market-related, based on the local rate of inflation, increases awarded by the relevant peer group, individual performance and affordability. To maintain appropriate remuneration competitiveness relative to the labour market individual remuneration is reviewed regularly and annual increases take effect on 1 April.

For SA, certain staffmembers are covered under a collective bargaining agreement with the South African Society for Banking Officials (SASBO) and the Insurance Banking Staff Association (IBSA) respectively. A total of 16 808 (69,1%) staffmembers constituted the bargaining unit at 31 March 2011. In April 2011 the bargaining unit remuneration bill was increased by 6,5% and non-bargaining unit and executive remuneration bill by 5,5%. In 2010 the bargaining unit remuneration bill was increased by 8,5% and the non-bargaining unit and executive remuneration bill by 6,5% and 5% respectively.

RETIREMENT SCHEMES

The majority of staffmembers as well as all appointees since 1 January 1994 are members of the Nedgroup Defined-contribution Pension or Provident Fund, with a flexible contribution and investment choice. At 31 December 2011 a total of 7 670 staffmembers were members of the Defined-contribution Pension Fund and 17 490 staffmembers were members of the Defined-contribution Provident Fund.

The group also has the closed defined-benefit Nedgroup Pension Fund with 338 active members and 2 898 pensioners at 31 December 2011. The Nedgroup Pension Fund is fully funded with an actuarial surplus.

SIGNON BONUSES

In February 2011 Group Remco approved a signon bonus pool from which the CE could allocate bonuses, at his discretion and on recommendation of the responsible Group Exco member, to prospective staffmembers who meet specific eligibility criteria. The intention of a signon bonus is to act as a recruitment incentive to aid in talent attraction and compensate for potential loss of benefits from the previous employer. For the financial year ended 31 December 2011 R6,8m was allocated to 14 employees, with such allocations having been reviewed and ratified by Group Remco. In 2010 an amount of R5,4m was allocated to 10 employees.

SHORT-TERM INCENTIVE SCHEMES

STIs are intended to encourage particular behaviours and obtain desired results within the agreed risk appetite framework. In the group's environment the STI scheme is also referred to as the annual performance bonus. The group's 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 agreed targets after the finalisation of the audited year-end results. The incentive pools for all central clusters are based on a combination of performance relative to the targets in respect of economic profit (EP), headline earnings and cluster-specific non-financial performance scorecards.

In the line 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 EP, headline earnings and non-financial targets. 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.

Distribution of these STI pools is on a discretionary basis, is aligned with market practice and utilises individual performance relative to the agreed deliverables in the performance management process. To take full cognisance of long-term sustainability of performance a portion of the STI earned above a threshold is deferred and remains at risk over a future settlement period.

REMUNERATION REPORT ... CONTINUED

The overall STI process is illustrated as follows:

Group Remco approves the overall target STI pool, based on criteria to be achieved over the financial year.

Group Remco approves the final STI pool following the audited financial results and assessment of non-financial metrics.

The distribution of the final STI pool to each cluster is approved by the Group Exco and is determined by the overall group, cluster financial and non-financial performance.

Cluster pools are distributed to business units and individual employees based on individual performance.

Final approval and payout is subject to:

- board approval for CE, executive directors and Group Exco payments; and
- individual approval of all STIs in excess of 200% of GP by Group Remco.

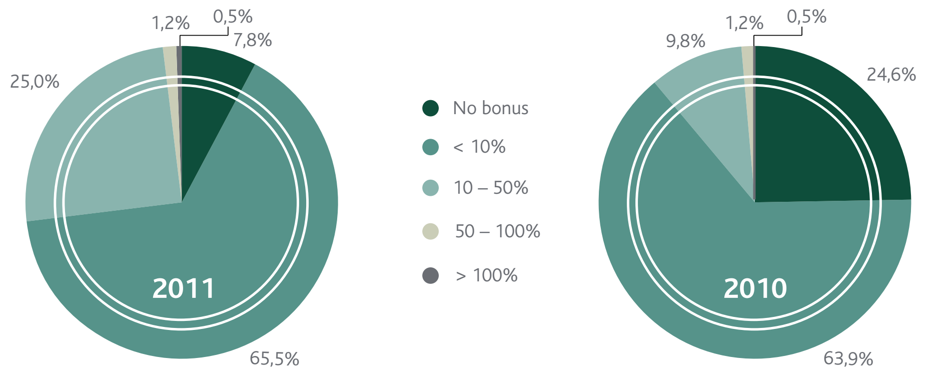
The change in the STI pool is broadly aligned with the change in headline earnings. The scheme incorporates non-financial metrics and thus the 2011 pool has an element of additional reward as a result of the outperformance of the group relative to its non-financial targets.

		2011	2010	Year-on-year change
Headline earnings	(Rm)	**6 184**	4 900	Improvement of 26,2%
Economic profit/(loss)	(Rm)	**924**	(289)	Improvement of R1,2bn
STI	(Rm)	**1 332**	981	Improvement of 35,8%

All individual STI payments in excess of 200% of GP are individually motivated by the respective Group Exco members and individually signed off by Group Remco. For the 2011 financial year Group Remco approved six STI payments in excess of 200% of GP (payable March 2012). In 2010 Group Remco approved 11 STI payments in excess of 200% of GP.

The graphs below illustrate the distribution of the STI/GP ratio for all permanent SA staffmembers for the financial years 2010 and 2011.

NEDBANK GROUP 2010/2011 DISTRIBUTION OF THE STI/GP RATIO



SHORT-TERM INCENTIVE DEFERRAL SCHEME

From financial year 2010 the group implemented a scheme for the compulsory deferral of STIs earned in excess of R1m. In 2010 employees were offered a choice of a share-based or a cash deferral scheme. From 2011 onwards (applicable to STIs paid in March 2012) only a share-based deferral is applicable, which will be determined as 50% of any STI award in excess of R1m.

The release from potential forfeiture of the amount deferred occurs equally in trances after 6, 18 and 30 months. The release is subject to board approval and to no material irregularities having come to light during the period.

A cash-settled compulsory STI deferral is used for all staffmembers employed in the UK who earned an STI in excess of £150 000. No UK staffmembers earned STIs in excess of the threshold for financial year 2011 (payable in 2012).

The deferred amount will be forfeited should the employee resign before the end of the release of outstanding forfeiture obligations as well as in cases where, in the sole opinion of the board, material irregularities in or misrepresentation of financial results come to light during the deferral period. The board will have absolute discretion as to the nature of any action to be taken against the individual, or group of individuals, who may be affected by the transgression. The deferral policy will be reviewed annually.

DEFERRED SHORT-TERM INCENTIVE

The CE is granted a pool by Group Remco for the financial year, within which he may make discretionary deferred short-term incentives (DSTI) allocations to specific individuals. All DSTI payments are individually motivated by the responsible Group Exco member and individually approved by the CE. All allocations are ratified by Group Remco.

The CE and members of the Group Exco are excluded from participating in the scheme, except in circumstances where they received an allocation prior to their appointment as a Group Exco committee member.

During 2011 a total of R27m was allocated and partially paid to 41 staffmembers. In 2010 an amount of R23,7m was allocated and partially paid to 23 staffmembers.

Participants leaving the service of the group before the termination date of the agreed deferral period are required to reimburse the gross initial amount awarded and will forfeit any outstanding balance.

LONG-TERM INCENTIVES

LTIs are awarded with the primary aim of retaining key staffmembers and aligning performance with the interests of shareholders. Criteria and the quantum of allocations are benchmarked annually against market practices. 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 based on the following key eligibility criteria:

All LTI allocations are motivated by the Group Exco and approved by Group Remco as trustees of the 2005 Nedbank Employee Share Scheme.

The various LTI schemes are indicated below. The rules of the international Long-term Incentive Plan (LTIP) have been brought in line with the Nedbank SA LTIP, but on a phantom basis.

Name of scheme	Participants and parameters	2011 allocations
1994 Nedcor Group Employee Incentive Scheme	The scheme is closed for new participants and will be terminated when all outstanding options have been exercised.	At 31 December 2011 there were no participants and nil Nedbank Group share options were outstanding. The group is in the process of deregistering the scheme.
2005 Nedbank Employee Share Scheme		
The Option Scheme	At 31 December 2011 there were no participants and nil Nedbank Group share options outstanding.	No allocations were made since 2007.
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	Annual allocations were made to 1 275 staffmembers on 7 and 8 March 2011. During 2010 annual allocations were made to 1 625 staffmembers. All restricted shares are issued in terms of the approved rules of the scheme at no cost and participants are entitled to receive dividends. In 2011 a total of 3 895 462 restricted shares were issued.
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 staffmembers 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 and interim financial results. Allocations were made on the following basis: • 50% performance shares: restricted shares with CPTs • 50% retention shares: restricted shares without CPTs	On-appointment allocations were made to a total of 42 staffmembers on 7 and 8 March 2011, 65 staffmembers on 4 and 5 August 2011 and one staffmember on 17 and 18 October 2011. During 2010 on-appointment allocations were made to a total of 114 staffmembers. All restricted shares are issued in terms of the approved rules of the scheme at no cost and participants are entitled to receive dividends. In 2011 a total of 564 102 restricted shares were issued.
Matched Share Scheme	The Matched Share Scheme is used both for the compulsory deferral of certain STI payments as well as the voluntary deferral of a certain amount of the STI granted. Staffmembers have an opportunity to allocate up to 50% of their after-tax STI towards the acquisition of Nedbank Group shares or to deposit 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 the equivalent value on a one-for-one basis. The scheme's obligation to deliver or procure the delivery of the matched shares rests on two conditions, namely that: • staffmembers 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.	During 2011 a total of 118 604 shares were allocated to participants of the Matched Share Scheme as only the time-based vesting criteria in respect of participations made in 2008 had been met. During 2010 a total of 67 127 shares were allocated to participants in the Matched Share Scheme.
Phantom Cash-settled Restricted Share Plan	During 2007 Group Remco approved the Phantom Cash-settled Restricted Share Plan for key staffmembers in the UK. The design principles and rules mirror the 2005 Nedbank Employee Share Scheme.	A total of 22 UK staffmembers participated in the scheme during 2011 and 72 608 phantom shares were allocated during this period. During 2010 altogether 19 UK staffmembers participated in the scheme and 67 076 phantom shares were allocated.
Nedbank Africa subsidiary schemes	Approved schemes in Nedbank Namibia and Nedbank Swaziland.	No allocations were made in 2010 and 2011.

The vesting profiles are indicated as follows:

	Issue date	Vesting 2008 2009 2010 2011 2012 2013 2014	Applicable CPTs	Status
2005 Nedbank Employee Share Scheme: – Restricted Share Scheme	04/03/2008		2008 matrix	Zero vesting
	10/08/2008		2008 matrix	Zero vesting
	03/03/2009		2009 matrix	Zero vesting
	04/03/2009		None	Vested
	11/08/2009		None	–
	02/03/2010		ROE and Fini 15	–
	03/03/2010		None	–
	05/08/2010		ROE and Fini 15	–
	06/08/2010		None	–
	07/03/2011		ROE and Fini 15	–
	08/03/2011		None	–
	04/08/2011		ROE and Fini 15	–
	05/08/2011		None	–
2005 Nedbank Employee Share Scheme:	01/04/2010	1/3 @6 months, 1/3 @18 months, 1/3 @30 months	Return on equity (ROE) (excluding goodwill) of Nedbank Group Limited of greater than or equal to the cost of equity (COE) (to be determined annually) + 2% over three financial years.	–
– Matched Share Scheme: Compulsory Bonus Share Scheme	01/04/2011	1/3 @6 months, 1/3 @18 months, 1/3 @30 months		–
– Matched Share Scheme: Voluntary Bonus Share Scheme	01/04/2008			0,5 to 1 share match (Only time-based vesting criteria have been met).
	01/04/2009			
	01/04/2010			–
	01/04/2011			–

Issue Vested Released from forfeiture

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 2011, which were unchanged from the targets set in 2010. The details of these targets are as follows:

RETURN ON EQUITY RELATIVE TO COST OF EQUITY

Return on equity (ROE) is measured as the simple-average published ROE (excluding goodwill) over a three-year period compared with the simple-average cost of equity (COE) over the same period. Vesting occurs according to the following sliding 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%

The target of COE + 5% is aligned to the published group medium-to-long-term performance targets.

SHARE PRICE RELATIVE TO FINI 15

The three-year performance of relative share price movement against movement in the Fini 15 is used as the relative external measure. The Fini 15 calculation is based on a 30-day volume-weighted average price (VWAP) approach for the Nedbank Group closing price and a 30-day simple average for the Fini 15 index. Vesting occurs according to the following sliding scale:

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%

Current best practice regarding good governance of remuneration indicates that CPTs may not be altered once they have been set.

NEDBANK EYETHU EMPLOYEE SCHEMES

The group implemented its black economic empowerment (BEE) staff schemes in August 2005. The following schemes were approved at the time:

- the Black Executive Trust;
- the Black Management Scheme;
- the Broad-based Scheme (fully vested on 27 July 2010); and
- theE vergreen Trust.

Share and share option allocations have been made to new and internally appointed staffmembers since the inception of the schemes, in accordance with the scheme rules and the respective trust deeds.

In 2011 five black staffmembers, compared with two in 2010, 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 2011 the scheme had a total of 43 black participants.

In 2011 altogether 238 black staffmembers in management positions were identified by the Group Exco and approved by Group Remco as participants of the Black Management Scheme. At 31 December 2011 the scheme had a total of 1 455 participants.

The Evergreen Trust was created with the specific purpose of improving the living standards and personal circumstances of black permanent staffmembers at the lower income levels by providing grants and/or benefits to qualifying employees. During 2011 altogether 15 staffmembers benefited from the trust.

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 2011.

EMPLOYEE DIRECTORSHIPS

In all instances where employees are members of external boards all fees earned accrue to the group.

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

PRESCRIBED OFFICERS

The board, as part of evolving best practice, has considered the definition of prescribed officers and resolved that the managing executives of the four line income-generating clusters will be identified as prescribed officers.

INCREASES IN GUARANTEED PACKAGE

The remuneration for the Chief Executive, executive directors and the prescribed officers were adjusted with effect from 1 April 2011. Increases for executive directors and prescribed officers took into account an annual increase in line with the consumer price index (cpi), as well as a market adjustment based on performance and remuneration levels relative to peers, and also considered remuneration data obtained from a number of surveys. The GPs of the CE and other executive directors were considered and recommended by Group Remco, with a further ratification required by Old Mutual plc for the CE.

	GP at April 2012 (R000)	GP at April 2011 (R000)	2011 – 2012 % change	GP at April 2010 (R000)	2010 – 2011 % change
Executive directors					
MWT Brown	6 330	6 000	5,5	5 750	4,3
GW Dempster	4 225	4 000	5,6	3 675	8,8
RK Morathi	3 400	3 150	7,9	2 850	10,5
Prescribed officers					
IG Johnson	4 000	3 600	11,1	3 150	14,3
B Kennedy	3 600	3 400	5,9	3 250	4,6
D Macready	3 000	2 800	7,1	2 400	16,7
MC Nkuhlu	3 325	3 150	5,6	3 000	5,0

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 are aligned with the general conditions of service applicable to all group staffmembers, except for specific termination provisions.

Service contracts are subject to the following conditions:

	Termination clause	Retirement age
Chief Executive	12 months	60
Executive directors	six months	60
Prescribed officers	one to three months	60

TERMINATION ARRANGEMENTS

In the event of their services being terminated as a no-fault termination, executive directors and prescribed officers will be entitled to a severance pay equal to two weeks' GP per completed year of service.

No executive director, prescribed officer or staffmember has any additional severance agreements in place. Entitlements for previous LTI grants on termination are dealt with under the relevant scheme rules.

SHORT-TERM INCENTIVE SCHEMES TARGETS

For all executive directors and prescribed officers the STI amounts paid for 2011 were based on a combination of performance against target in respect of the level of group EP, group headline earnings and performance against their individual balanced scorecards.

The dimensions used to measure individual performance are financial, clients, internal processes, transformation and organisational learning.

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 four-tiered African strategy; improving the group's client relations by empowering its 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 the group's 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 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	145	17	162	108
GW Dempster	150	250	145	30	175	117
RK Morathi	150	250	145	7	152	102
Prescribed officers						
IG Johnson	150	250	167	27	194	130
B Kennedy	250	400	135	5	140	56
D Macready	150	250	143	27	170	113
MC Nkuhlu	150	250	141	18	159	106

REMUNERATION REPORT ... CONTINUED

Group Remco is pleased with the performance levels achieved during a challenging year.

TOTAL REMUNERATION

The remuneration of executive directors and prescribed officers for the year ended 31 December 2011 was as follows:

	Basic salary and other benefits[1] (R000)	Defined-contribution Retirement Fund (R000)	Guaranteed remuner-ation (R000)	STI for FY2011[2] (R000)	Total (R000)	2011 – 2010 % change
Executive directors						
MWT Brown	5 256	727	5 983	9 700	15 683	26
GW Dempster	3 376	590	3 966	7 000	10 966	35
RK Morathi	2 653	377	3 030	4 800	7 830	25
Prescribed officers						
IG Johnson	2 985	525	3 510	7 000	10 510	38
B Kennedy	3 148	235	3 383	4 750	8 133	15
D Macready	2 357	406	2 763	4 750	7 513	23
MC Nkuhlu	2 778	381	3 159	5 000	8 159	18

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

[2] STI relates to performance in 2011, where 50% of STIs earned in excess of R1m will be deferred in terms of the STI deferral scheme.

The King III Code requires that the remuneration of the top three earners who are not executive directors be disclosed. The disclosed prescribed officers include the top three earners, and therefore no further disclosure is required.

The remuneration of executive directors and prescribed officers for the year ended 31 December 2010 was as follows:

	Basic salary and other benefits[1] (R000)	Defined-contribution Retirement Fund (R000)	Guaranteed remune-ration (R000)	STI for FY2010[5] (R000)	Total (R000)	2010 – 2009 % change[4]
Executive directors						
TA Boardman[2]	1 267	61	1 328		1 328	(91)
MWT Brown	4 790	669	5 459	7 000	12 459	63
GW Dempster[3]	3 090	547	3 637	4 500	8 137	160
RK Morathi	2 446	341	2 787	3 500	6 287	237
Prescribed officers						
IG Johnson	2 644	468	3 112	4 500	7 612	20
B Kennedy	2 964	223	3 187	3 900	7 087	(23)
D Macready	2 003	356	2 359	3 750	6 109	14
MC Nkuhlu	2 545	355	2 900	4 000	6 900	40

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

[2] Retired on 28 February 2010, as part of the retirement policy, TA Boardman encashed all available leave.

[3] A dependent family member of GW Dempster received a study grant of R8 000.

[4] The year-on-year % increases reflect the appointment of MWT Brown as Chief Executive designate in July 2009 as well as his appointment as CE on 1 March 2010. GW Dempster was appointed as Chief Operating Officer in September 2009 and RK Morathi as Chief Financial Officer in September 2009. Their respective bonuses reflect a full 12-month performance in 2010 and for 2009 a pro rata period from their dates for appointment as executive directors.

[5] STI relates to performance in 2010, where 25% of STIs earned between R1m and R3m and 50% of STIs earned above R3m were deferred in terms of the STI deferral scheme.

SHARE-BASED ALLOCATIONS

The table below indicates the share-based allocations awarded in March 2012 to the executive directors and prescribed officers:

	LTI allocation with CPTs (number of shares)	LTI allocation without CPTs (number of shares)	Total value at 2012 allocation date (R000)	Total value at 2011 allocation date (R000)	2012 – 2011 % change
Executive directors					
MWT Brown	32 431	32 431	10 500	6 000	75,0
GW Dempster	27 798	27 798	9 000	4 000	125,0
RK Morathi	13 899	13 899	4 500	4 000	12,5
Prescribed officers					
IG Johnson	24 709	24 709	8 000	5 000	60,0
B Kennedy	18 532	18 532	6 000	4 000	50,0
D Macready	15 443	15 443	5 000	4 000	25,0
MC Nkuhlu	15 443	15 443	5 000	5 000	

The table below indicates the share-based allocations awarded in April 2011 to the executive directors and prescribed officers:

	LTI allocation with CPTs (number of shares)	LTI allocation without CPTs (number of shares)	Total value at 2011 allocation date (R000)	Total value at 2010 allocation date (R000)	2011 – 2010 % change
Executive directors					
MWT Brown	23 357	23 357	6 000	10 500	(42,9)
GW Dempster	15 571	15 571	4 000	5 000	(20,0)
RK Morathi	15 571	15 571	4 000	8 600	(53,5)
Prescribed officers					
IG Johnson	19 464	19 464	5 000	6 000	(16,7)
B Kennedy	15 571	15 571	4 000	6 000	(33,3)
D Macready	15 571	15 571	4 000	4 000	
MC Nkuhlu	19 464	19 464	5 000	6 000	(16,7)

RESTRICTED SHAREHOLDING

Nedbank Group issued restricted shares in 2009, with vesting thereof linked to the group meeting certain performance conditions. The SENS announcement of 3 March 2012 relating to executive directors and the Company Secretary confirmed that these conditions were not met and in terms of the rules of the scheme the restricted shares issued by the group lapsed, including those issued to prescribed officers, who are not executive directors.

	Opening balance at 2010				Restricted shares issued during 2011			
	Number of restricted shares	Date of issue	Issue price (R)	Vesting date	Number of restricted shares	Date of issue	Issue price (R)	Vesting date
Executive directors								
MWT Brown	38 613	03/03/2008	120,62	04/03/2011				
	52 812	03/03/2009	75,74	04/03/2012				
	66 015[1]	04/03/2009	75,74	05/03/2012				
	73 766[1]	11/08/2009	108,45	12/08/2012				
	43 360	02/03/2010	121,08	03/03/2013				
	43 360[1]	03/03/2010	121,08	04/03/2013				
					23 357[2]	07/03/2011	128,44	08/03/2014
					23 357[3]	08/03/2011	128,44	09/03/2014
	317 926				46 714			
GW Dempster	33 577	03/03/2008	120,62	04/03/2011				
	52 812	03/03/2009	75,74	04/03/2012				
	52 812[1]	04/03/2009	75,74	05/03/2012				
	27 662[1]	11/08/2009	108,45	12/08/2012				
	20 647	02/03/2010	121,08	03/03/2013				
	20 647[1]	03/03/2010	121,08	04/03/2013				
					15 571[2]	07/03/2011	128,44	08/03/2014
					15 571[3]	08/03/2011	128,44	09/03/2014
	208 157				31 142			
RK Morathi	35 736	02/03/2010	121,08	03/03/2013				
	35 736[1]	03/03/2010	121,08	04/03/2013				
					15 571[2]	07/03/2011	128,44	08/03/2014
					15 571[3]	08/03/2011	128,44	09/03/2014
	71 472				31 142			
Prescribed officers								
IG Johnson	20 146	03/03/2008	120,62	04/03/2011				
	68 115	03/03/2009	75,74	04/03/2012				
	25 357[1]	11/08/2009	108,45	12/08/2012				
	24 777	02/03/2010	121,08	03/03/2013				
	24 777[1]	03/03/2010	121,08	04/03/2013				
					19 464[2]	07/03/2011	128,44	08/03/2014
					19 464[3]	08/03/2011	128,44	09/03/2014
	163 172				38 928			
B Kennedy	33 577	03/03/2008	120,62	04/03/2011				
	52 812	03/03/2009	75,74	04/03/2012				
	52 812[1]	04/03/2009	75,74	05/03/2012				
	24 777	02/03/2010	121,08	03/03/2013				
	24 777[1]	03/03/2010	121,08	04/03/2013				
					15 571[2]	07/03/2011	128,44	08/03/2014
					15 571[3]	08/03/2011	128,44	09/03/2014
	188 755				31 142			
D Macready	8 954	03/03/2008	120,62	04/03/2011				
	19 805	03/03/2009	75,74	04/03/2012				
	20 747[1]	11/08/2009	108,45	12/08/2012				
	16 518	02/03/2010	121,08	03/03/2013				
	16 518[1]	03/03/2010	121,08	04/03/2013				
					15 571[2]	07/03/2011	128,44	08/03/2014
					15 571[3]	08/03/2011	128,44	09/03/2014
	82 542				31 142			
MC Nkuhlu	20 146	03/03/2008	120,62	04/03/2011				
	53 142	03/03/2009	75,74	04/03/2012				
	23 974[1]	11/08/2009	108,45	12/08/2012				
	24 777	02/03/2010	121,08	03/03/2013				
	24 777[1]	03/03/2010	121,08	04/03/2013				
					19 464[2]	07/03/2011	128,44	08/03/2014
					19 464[3]	08/03/2011	128,44	09/03/2014
	146 816				38 928			

[1] *Restricted shares issued with time-based vesting criteria only.*
[2] *Restricted shares were issued on 7 March 2011 with CPTs in terms of the Nedbank Group (2005) Share Option, Matched and Restricted Share Scheme.*
[3] *Restricted shares were issued on 8 March 2011 without CPTs in terms of the Nedbank Group (2005) Share Option, Matched and Restricted Share Scheme.*
[4] *Lapsed on 4 March 2012 due to non-achievement of CPTs.*

Restricted shares vested/lapsed during 2011				Closing balance at December 2011			
Number of restricted shares	Date of issue	Issue price (R)	Vesting date	Number of restricted shares	Date of issue	Issue price (R)	Vesting date
38 613	03/03/2008	120,62	Lapsed				
				52 812[4]	03/03/2009	75,74	04/03/2012
				66 015[1]	04/03/2009	75,74	05/03/2012
				73 766[1]	11/08/2009	108,45	12/08/2012
				43 360	02/03/2010	121,08	03/03/2013
				43 360[1]	03/03/2010	121,08	04/03/2013
				23 357[2]	07/03/2011	128,44	08/03/2014
				23 357[3]	08/03/2011	128,44	09/03/2014
38 613				326 027			
33 577	03/03/2008	120,62	Lapsed				
				52 812[4]	03/03/2009	75,74	04/03/2012
				52 812[1]	04/03/2009	75,74	05/03/2012
				27 662[1]	11/08/2009	108,45	12/08/2012
				20 647	02/03/2010	121,08	03/03/2013
				20 647[1]	03/03/2010	121,08	04/03/2013
				15 571[2]	07/03/2011	128,44	08/03/2014
				15 571[3]	08/03/2011	128,44	09/03/2014
33 577				205 722			
				35 736	02/03/2010	121,08	03/03/2013
				35 736[1]	03/03/2010	121,08	04/03/2013
				15 571[2]	07/03/2011	128,44	08/03/2014
				15 571[3]	08/03/2011	128,44	09/03/2014
				102 614			
20 146	03/03/2008	120,62	Lapsed				
				68 115[4]	03/03/2009	75,74	04/03/2012
				25 357[1]	11/08/2009	108,45	12/08/2012
				24 777	02/03/2010	121,08	03/03/2013
				24 777[1]	03/03/2010	121,08	04/03/2013
				19 464[2]	07/03/2011	128,44	08/03/2014
				19 464[3]	08/03/2011	128,44	09/03/2014
20 146				181 954			
33 577	03/03/2008	120,62	Lapsed				
				52 812[4]	03/03/2009	75,74	04/03/2012
				52 812[1]	04/03/2009	75,74	05/03/2012
				24 777	02/03/2010	121,08	03/03/2013
				24 777[1]	03/03/2010	121,08	04/03/2013
				15 571[2]	07/03/2011	128,44	08/03/2014
				15 571[3]	08/03/2011	128,44	09/03/2014
33 577				186 320			
8 954	03/03/2008	120,62	Lapsed				
				19 805[4]	03/03/2009	75,74	04/03/2012
				20 747[1]	11/08/2009	108,45	12/08/2012
				16 518	02/03/2010	121,08	03/03/2013
				16 518[1]	03/03/2010	121,08	04/03/2013
				15 571[2]	07/03/2011	128,44	08/03/2014
				15 571[3]	08/03/2011	128,44	09/03/2014
8 954				104 730			
20 146	03/03/2008	120,62	Lapsed				
				53 142[4]	03/03/2009	75,74	04/03/2012
				23 974[1]	11/08/2009	108,45	12/08/2012
				24 777	02/03/2010	121,08	03/03/2013
				24 777[1]	03/03/2010	121,08	04/03/2013
				19 464[2]	07/03/2011	128,44	08/03/2014
				19 464[3]	08/03/2011	128,44	09/03/2014
20 146				165 598			

REMUNERATION REPORT ... CONTINUED

EYETHU RESTRICTED SHAREHOLDING

	Opening balance at 2010				Restricted shares issued during 2011			
	Number of restricted shares	Date of issue	Issue price (R)	Vesting date	Number of restricted shares	Date of issue	Issue price (R)	Vesting date
Executive director								
RK Morathi	6 600	03/03/2010	121,08	04/03/2017				
	6 600	03/03/2010	121,08	04/03/2017				
	6 800	03/03/2010	121,08	04/03/2017				
	20 000							
Prescribed officer								
MC Nkuhlu	2 720	08/08/2005	74,75	09/08/2011				
	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				
	14 720							

EYETHU RESTRICTED OPTION HOLDING

	Opening balance at January 2011				Restricted options issued during 2011			
	Number of options	Date of issue	Issue price (R)	Expiry date	Number of options	Date of issue	Issue price (R)	Expiry date
Executive director								
RK Morathi	19 800	03/03/2010	121,08	04/03/2017				
	19 800	03/03/2010	121,08	04/03/2017				
	20 400	03/03/2010	121,08	04/03/2017				
	60 000							
Prescribed officer								
MC Nkuhlu	8 160	08/08/2005	74,75	09/08/2011				
	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				
	44 160							

Restricted shares vested/lapsed during 2011				Closing balance at December 2011			
Number of restricted shares	Date of issue	Issue price (R)	Vesting date	Number of restricted shares	Date of issue	Issue price (R)	Vesting date
				6 600	03/03/2010	121,08	04/03/2017
				6 600	03/03/2010	121,08	04/03/2017
				6 800	03/03/2010	121,08	04/03/2017
				20 000			
2 720	08/08/2005	74,75	09/08/2011				
				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
2 720				12 000			

Exercised during 2011				Closing balance at December 2011			
Number of options	Date of exercise/ cancellation	Exercise price (R)	Gain on options exercised (R)	Number of options	Date of issue	Issue price (R)	Expiry date
				19 800	03/03/2010	121,08	04/03/2017
				19 800	03/03/2010	121,08	04/03/2017
				20 400	03/03/2010	121,08	04/03/2017
				60 000			
8 160	25/10/2011	141,93	548 190,43				
				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
8 160				36 000			

DSTI AWARDS

In 2008, prior to their appointment to Group Exco, certain prescribed officers received a DSTI award. The table below reflects the final 60% payment made in November 2011.

	DSTI (R000)
Prescribed officers	
IG Johnson	1 500
B Kennedy	
D Macready	750
MC Nkuhlu	1 200

SHARES PURCHASED/COMMITTED UNDER THE MATCHED SHARE SCHEME 2009 – 2011

	Number of shares	Date of inception	Issue price (R)
Executive directors			
MWT Brown	6 578[1]	31/03/2008	117,83
	11 051	31/03/2009	85,28
	4 351[3]	31/03/2010	137,88
	4 895[2]	31/03/2010	137,88
	4 233[3]	31/03/2011	141,72
	10 584[2]	31/03/2011	141,72
	41 692		
GW Dempster	5 941[1]	31/03/2008	117,83
	2 721[3]	31/03/2010	137,88
	4 351[2]	31/03/2010	137,88
	4 233[3]	31/03/2011	141,72
	5 292[2]	31/03/2011	141,72
	22 538		
RK Morathi	2 175[3]	31/03/2010	137,88
	4 233[3]	31/03/2011	141,72
	3 175[2]	31/03/2011	141,72
	9 583		

SHARES PURCHASED/COMMITTED UNDER THE MATCHED SHARE SCHEME 2009 – 2011 CONTINUED

	Number of shares	Date of inception	Issue price (R)
Prescribed officers			
IG Johnson	3 713[1]	31/03/2008	117,83
	3 807[2]	31/03/2010	137,88
	4 233[3]	31/03/2011	141,72
	5 292[2]	31/03/2011	141,72
	17 045		
B Kennedy	2 122[1]	31/03/2008	117,83
	2 931	31/03/2009	85,28
	4 786[2]	31/03/2010	137,88
	4 233[3]	31/03/2011	141,72
	4 022[2]	31/03/2011	141,72
	18 094		
D Macready	1 485[1]	31/03/2008	117,83
	1 172	31/03/2009	85,28
	1 218[2]	31/03/2010	137,88
	3 704[2]	31/03/2011	141,72
	7 579		
MC Nkuhlu	3 807[2]	31/03/2010	137,88
	3 807		

[1] *50% of the ordinary shares was matched on 31 March 2011 in terms of the rules of the Nedbank Group (2005) Matched Share Scheme.*
[2] *Participated in the Compulsory Bonus Share Scheme.*
[3] *Participated in the Voluntary Bonus Share Scheme.*

NON-EXECUTIVE DIRECTORS

The terms of engagement of the non-executive directors (excluding the Chairman) cover a period of three years, as determined by the rotation requirements of the group's 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.

The Chairman's appointment was effective from 4 May 2006. In terms of the memorandum of incorporation the chairman is reelected annually by the board.

Following Mr CJW Ball's retirement from the board, Mr MI Wyman was appointed as the senior independent director on 6 May 2011. Mr PM Makwana was appointed as an independent non-executive director on 17 November 2011.

REMUNERATION

Group Remco and the board debated the King III principle of splitting non-executive director fees to reflect a retention and attendance fee. The board is of the view that, irrespective of the attendance of meetings, directors are accountable for decisions taken and would do the necessary board preparation. As a result the board agreed to retain a single fee for non-executive directors.

Board and board committee meeting attendance is recorded in the Enterprise Governance and Compliance Report on pages 430 and 431.

Non-executive directors' remuneration for the years ended 31 December 2011 and 31 December 2010 was as follows:

	Appointment date	Termination date	Note	Board meeting fees (R000)	Committee meeting fees (R000)	2011 (R000)	2010 (R000)
CJW Ball		May 2011	1, a	137	245	382	1 222
TA Boardman	March 2010		2, c	430	369	799	519
TCP Chikane			d	288	430	718	616
A de VC Knott-Craig		February 2012		288	281	569	528
MA Enus-Brey			1, e	288	476	764	687
B de L Figaji			f	288	471	759	595
RM Head		February 2010	3	–	–	–	58
DI Hope			3, g	288	207	495	475
RJ Khoza			4			3 677	3 439
WE Lucas-Bull			h	288	466	754	740
PM Makwana	November 2011			11	–	11	–
PJ Moleketi		March 2010		–	–	–	81
NP Mnxasana			1	288	308	596	643
JK Netshitenzhe	August 2010		i	288	108	396	151
JVF Roberts			3	288	51	339	344
GT Serobe			2, j	288	159	447	785
MI Wyman			b	358	348	706	448
Total				3 816	3 919	11 412	11 331

1 Includes fees for board, subsidiary board and committee memberships (including Imperial Bank) for the year 2010.
2 Includes fees for board and committee memberships (including Mutual & Federal) for the years 2010 and 2011.
3 Fees for RM Head, JVF Roberts and DI Hope are paid to Old Mutual (SA) Limited for 2010 and 2011.
4 Excludes £66 000 as fees earned for board and committee memberships for Old Mutual for 2011.
a CJW Ball retired from the board on 6 May 2011.
b MI Wyman was appointed as the senior independent director on 6 May 2011, and appointed as a member of the GRCMC on 14 November 2011.
c TA Boardman was appointed as a member of the Group Transformation and Sustainability Committee on 6 May 2011 and appointed as Chairman of the Group IT Committee and a member of the Group Finance and Oversight Committee on 24 February 2012.
d TCP Chikane was appointed as a member of the Group Credit Committee on 6 May 2011, and appointed as Chairman designate of Group Remco on 24 February 2012. TCP Chikane resigned as Chairman of the Group Transformation, Social and Ethics Committee, but remained a member from 24 February 2012.
e MA Enus-Brey was appointed as a member of Group Remco on 6 May 2011.
f Prof B de L Figaji was appointed as a member of the Audit Committee on 18 February 2011.
g DI Hope was appointed as a member of the Group Finance and Oversight Committee as well as Group Remco on 19 February 2010.
h WE Lucas-Bull was appointed as a member of the Group IT Committee on 6 May 2011, as Chairman of the Group Credit Committee on 1 July 2011 and as a member of the Group Audit Committee on 24 February 2012.
i JK Netshitenzhe was appointed as a non-executive director to Nedbank Limited and Nedbank Group on 5 August 2011.
j GT Serobe was appointed as Chairman of the Group Transformation, Social and Ethics Committee on 24 February 2012.

NON-EXECUTIVE DIRECTORS' FEES

The group has consolidated the previous Executive Credit Committee and Group Credit Committee into a newly constituted Group Credit Committee, which includes the Large-exposures Approval Committee. This consolidation represents an overall saving in cost on a like-for-like basis.

An independent subcommittee, consisting of Messrs MWT Brown, GW Dempster and DI Hope, has evaluated the respective committee fees from a number of perspectives, including peer group comparisons, effective rates per committee and year-on-year increases. They have proposed increases to certain committees where these committee fees are either lagging market comparisons or where the growing importance and responsibility of the committee were deemed to warrant a larger increase.

The board and committee fees for non-executive directors for committee membership are as follows:

	2011 (R)	2012[3] (R)	% change[2]
Boards			
Chairman of the board[1]	**3 775 000**	4 000 000	6,0
Senior independent director[4]	**118 400**	126 000	6,4
Nedbank Group Limited	**161 000**	171 500	6,5
Nedbank Limited	**135 000**	143 500	6,3
Committees			
Group Audit Committee	**126 000**	145 000	15,1
Group Finance and Oversight Committee	**22 000**	23 500	6,8
Group Remco	**80 000**	85 000	6,3
Group Risk Capital Management Committee	**110 000**	122 000	10,9
Group Credit Committee[5]	**178 000**	145 000	(18,5)
Group Directors' Affairs Committee	**52 000**	55 000	5,8
Group IT Committee	**52 000**	75 000	44,2
Group Transformation, Social and Ethics Committee	**73 000**	75 000	2,7

1 *The Nedbank Group Chairman's fees include his fees for board, subsidiary board and committee memberships.*
2 *Based on 2011 fees, the increase (%) is applied to align the board fees with local market practices.*
3 *Subject to shareholders' approval at the AGM on 4 May 2012.*
4 *An additional fee of 40% of the Nedbank Group and Nedbank Limited Board member fees is paid to the senior independent director.*
5 *The Group Credit Committee and Executive Credit Committee were combined into one committee with effect from 1 July 2011. The annual fee for 2011 illustrates the combined fee for both committees, while the 2012 fee illustrates the fee for the combined committee.*

The overall increase on a like-for-like basis has been determined as 6,1%.

Committee chairmen (other than the Chairman of the Nedbank Group Directors' Affairs Committee) receive double the member fees. Fees payable to the non-executive directors and the Nedbank Group Chairman are reviewed annually and adjustments are considered by an independent subcommittee of Group Remco.

The Group Chairman's fees are reviewed annually and adjustments are considered by an independent subcommittee appointed by Group Remco. The above increases are effective from 1 July 2012, subject to shareholders' approval at the 4 May 2012 AGM. As the proposed fees will be applicable from 1 July 2012 to 30 June 2013, the committee members will be paid the 2011 fees from 1 January 2012 to 30 June 2012, until the increase is approved by the shareholders.

NEDBANK EYETHU SCHEMES FOR NON-EXECUTIVE DIRECTORS

In 2005 shareholders approved the Nedbank Eyethu schemes, which included two trusts in which non-executive directors were direct or indirect beneficiaries. A feature of the trusts was that the Nedbank Group ordinary shares held by the trusts were locked in until 1 January 2011. The schemes included a right by Nedbank Group to repurchase shares from the trusts at a nominal value within a short period from the expiry of the lock-in dates. Nedbank Group exercised its rights and repurchased the shares on 6 January 2011.

THE AKA–NEDBANK EYETHU TRUST

The trust held 2 130 822 Nedbank Group ordinary shares at 31 December 2010. It was announced on 6 January 2011 that Nedbank Group had exercised its call option and repurchased 1 321 260 shares held by the trust. Further announcements were made on 15 April 2011 and 18 April 2011 advising that the remaining 809 562 shares had been sold by the trust and that the trust no longer holds any Nedbank Group shares. Aka Capital (Pty) Ltd is the sole beneficiary of the trust and Dr RJ Khoza, non-executive Chairman of Nedbank Group Ltd, has an indirect beneficial interest in the Aka-Nedbank Eyethu Trust as he is a director and 27% shareholder of Aka Capital (Pty) Ltd.

THE NEDBANK EYETHU NON-EXECUTIVE DIRECTORS' TRUST

The trust held 984 640 Nedbank Group ordinary shares at 31 December 2010. It was announced on 6 January 2011 that Nedbank Group had exercised its call option and repurchased 621 898 shares held by the trust.

A reconciliation of the movement of shares held by the trust is shown below:

	Shares held at 31 Dec 2010	Shares repurchased	Net shares vested in terms of the scheme
Previous non-executive directors			
ML Ndlovu	248 806	(158 120)	90 686
ME Mkwanazi	124 403	(79 060)	45 343
JB Magwaza	124 403	(79 060)	45 343
Current non-executive directors			
B de L Figaji	124 403	(79 060)	45 343
TCP Chikane	95 319	(57 711)	37 608
NP Mnxasana	51 242	(29 765)	21 477
	768 576	(482 776)	285 800
Unallocated	216 064	(139 122)	76 942
	984 640	(621 898)	362 742

During the year the trust has sold shares on behalf of the beneficiaries to satisfy the related income tax liabilities of the participants and has sold further shares on behalf of, or distributed shares to, some of the beneficiaries. The trust is in the process of being dissolved.

DIRECTORS' INTERESTS

At 31 December 2011 the directors' interests in ordinary shares in the group were as follows:

	Beneficial direct		Beneficial indirect	
Number of shares	**2011**	2010	**2011**	2010
TA Boardman	**55 662**	65 662	**191 548**	251 715
MWT Brown	**65 190**	54 379	**346 115**	327 430
TCP Chikane			**24 326**	95 319
A de VC Knott-Craig				
GW Dempster	**17 822**	11 881	**218 086**	215 229
MA Enus-Brey[5]			**2 113**	2 113
B de L Figaji			**30 278**	125 933
DI Hope				
RJ Khoza[3]	**1 800**		**1 374**	1 374
WE Lucas-Bull				
PM Makwana[1]				
NP Mnxasana			**11 620**	51 242
RK Morathi	**4 233**		**127 964**	93 647[2]
JK Netshitenzhe				
JVF Roberts				
GT Serobe[4]				1 296
MI Wyman				
Total	**144 707**	131 922	**953 424**	1 165 298

[1] Appointed to the board during 2011.
[2] Correction relating to SENS announcement of 12.04.2010: 2 175 shares allocated to Matched Share Scheme were a new issue, not allocation of existing shares.
[3] Excludes 2 130 822 and nil shares held by the Aka–Nedbank Eyethu Trust in 2010 and 2011 respectively.
[4] Excludes 5 233 594 and 5 475 322 shares held by the Wiphold Financial Services Number Two Trust in 2010 and 2011 respectively.
[5] Excludes 5 202 795 and 5 443 324 shares held by the Brimstone-Mtha Financial Services Trust in 2010 and 2011 respectively.

At 31 December 2011 the directors' interests in the non-redeemable non-cumulative preference shares of R0,001 each in Nedbank Limited were as follows:

	Beneficial direct		Beneficial indirect	
Number of shares	**2011**	2010	**2011**	2010
TA Boardman			**85 000**	85 000
MWT Brown				
TCP Chikane				
A de VC Knott-Craig				
GW Dempster				
MA Enus-Brey				
B de L Figaji				
DI Hope				
RJ Khoza				
WE Lucas-Bull				
PM Makwana				
NP Mnxasana				
RK Morathi				
JK Netshitenzhe				
JVF Roberts				
GT Serobe				
MI Wyman				
Total			**85 000**	85 000

NEDBANK GROUP EMPLOYEE INCENTIVE SCHEMES

FOR THE YEAR ENDED 31 DECEMBER

	2011	2010
Movements		
Instruments outstanding at the beginning of the year	11 670 629	18 732 388
Granted	4 685 568	4 581 240
Exercised	(960 828)	(5 200 338)
Expired	(54 375)	(5 328 228)
Surrendered	(2 608 740)	(1 114 433)
Instruments outstanding at the of year	12 732 254	11 670 629
Analysis		
Non-performance-based options (1994 Scheme)		43 500
Performance-based restricted shares	7 437 026[P]	7 547 282[P]
Non-performance-based restricted shares	4 647 051	3 430 400
Performance-based matched shares	324 089[P]	324 724
Non-performance-based matched shares	324 089	324 723
Instruments outstanding at the end of the year	12 732 254	11 670 629
Summary by scheme		
Nedcor Group Employee Incentive Scheme (1994)		43 500
Nedbank Group Share Options and Restricted Share Scheme (2005)	12 084 077	10 977 682
Nedbank Group Matched Share Scheme (2005)	648 177	649 447
Instruments outstanding at the end of the year	12 732 254	11 670 629

[P] *Performance-based instruments.*

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 the 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 2011:

Instrument expiry date	Number of shares
04/03/2012	3 416 962[P]
12/08/2012	626 987
03/03/2013	1 841 935[P]
04/03/2013	1 841 935
06/08/2013	90 345[P]
07/08/2013	90 345
08/03/2014	1 921 063
09/03/2014	1 921 063[P]
05/08/2014	154 182[P]
06/08/2014	154 182
18/10/2014	12 539
18/10/2014	12 539[P]
Total	12 084 077

[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 2011:

Instrument expiry date	Number of shares
01/04/2012	171 189
01/04/2013	210 831
01/04/2014	266 157
Total	648 177

RISK AND BALANCE SHEET MANAGEMENT REVIEW

Nedbank Group has a strong risk culture and follows worldclass enterprisewide risk management, which aligns strategy, policies, people, processes, technology and business intelligence in order to evaluate, manage and optimise the opportunities, threats and uncertainties the group may face in its ongoing efforts to maximise sustainable shareholder value. Nedbank Group's vision of building Africa's most admired bank by staff, clients, shareholders, regulators and communities continues to be supported by its long-term objectives, which are referred to internally as Deep Green aspirations.

Reporting standard

GRI FSSS: FS1, FS2
GRI G3.1: 1.2, EC1, EC2

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.

NEDBANK GROUP'S RISK UNIVERSE

NEDBANK GROUP'S RISK TYPES

Accounting and taxation risks	Capital risk	Compliance risk	Credit risk
Information technology risk	Insurance and assurance risk (Underwriting insurance risk; Insurance risk)	Investment risk	Liquidity risk
Market risk (Trading book; Banking book)	New-business risk	Operational risk	People risk
Reputational risk	Social and environmental risk	Strategic risk	Transformation 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.

2011 Nedbank Group Pillar 3 Basel II Public Disclosure Report

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* *Audited.*

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 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 and 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 or business and central functions across Nedbank Group, is supplemented by individual frameworks such as those for risk appetite, credit risk, market risks, liquidity risk, operational risk and capital risk, as well as a comprehensive set of risk policies and limits. These also include 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 11 subcommittees.

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 2012

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 2012 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 2012 to 2014 business plan. The salient features include evolving the strong risk culture and a particular focus on:

- deposits;
- Basel III and Solvency II implementation;
- strategic response of clusters to the Basel III impacts, especially on return on equity and deposits;
- strategic portfolio management via portfolio tilt;
- managing for value, not volume, and delta economic profit growth;
- client value management and exploiting value skews within credit portfolios;
- judicious use, optimisation and allocation of capital, funding and liquidity, information technology spend and expenses;
- credit loss ratios, especially collections and recoveries in home loans and Nedbank Capital;
- risk appetite;
- superior business intelligence and data quality;
- maintaining strong relationships with regulators and other stakeholders; and
- sustainability.

COMPREHENSIVE BASEL II PUBLIC DISCLOSURE REPORT (PILLAR 3)*

The review in this integrated 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 based on Basel II, 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 1 April 2012.

HIGHLIGHTS

BALANCE SHEET

- **CAPITAL ADEQUACY** (*Strengthened further due to ongoing risk and capital optimisation, strong earnings and strategic portfolio management.*)

		2011			2010
Regulatory capital (RegCap)[1]*		Actual	Pro forma Basel II.5[4]	Pro forma Basel III[5]	Actual
Core Tier 1 capital ratio	(%)	11,0	10,5	10,5	10,1
Total capital ratio[2]	(%)	15,3	14,6	15,0	15,0
Surplus capital over regulatory minimum[3]	(Rm)	19 356			17 662
Dividend cover (2,25 – 2,75 times target range)		2,26x			2,30x

[1] *Including unappropriated profits.*
[2] *R1,5bn of Tier 2 debt capital redeemed and was not replaced in 2011.*
[3] *Based on the South African Reserve Bank (SARB) total minimum required capital ratio (9,5%).*
[4] *Basel II.5 is effective from 1 January 2012.*
[5] *Basel III is effective from 1 January 2013 but the new requirements are phased in over several years.*

Economic capital (ECap)*		2011	2010[7]
Available financial resources (AFR): ECap[6] ratio	(%)	141	147
Surplus AFR over minimum ECap[6] requirements	(Rm)	13 705	13 901

[6] *Includes a 10% capital buffer, based on the group's comprehensive stress testing framework. In line with Basel III investment in insurance entities is no longer deducted from AFR.*
[7] *Restated.*

Internal Capital Adequacy Assessment Process (ICAAP)

- ECap is the group's comprehensive internal measurement of risk and related capital requirements, and forms the basis of the annual ICAAP, signed off by the board. The SARB's Supervisory Review and Evaluation Process (SREP) of Nedbank Group's ICAAP was concluded favourably in Q4 2011 with no issues raised.
- A best-practice stress and scenario testing framework and governance processes are followed to confirm the robustness of the group's capital adequacy position.

* *Audited.*

Risk-weighted assets (RWA)*		2011	2010
Total RWA	(Rm)	331 980	323 681
RWA: Total assets	(%)	51	53

The integrity and conservatism inherent in the measurement of the group's RWA are confirmed by:

- backtesting of the Basel II risk parameters that determine RWA;
- comprehensive internal governance processes, including independent validation by the Group Risk function;
- regular independent onsite reviews by the SARB and long-form audits by the external auditors; and
- comprehensive use of the Basel risk parameters in running the business of the bank.

The SARB is highly rated internationally as a regulator, especially following SA's successful navigation through the global financial crisis. The World Economic Forum's competitiveness report of 2011 ranked SA as number two in the world in the category Soundness of Banks, and number one in Strength of Auditing and Reporting Standards.

Leverage ratio

- This remains at an appropriate level of 13,7 times (2010: 14,3 times).
- Under Basel III, which includes off-balance-sheet exposure, the ratio would increase to 18,0 times against a group target < 20 times. The Basel III limit is 33,3 times.

LIQUIDITY AND FUNDING (*Strengthened and lengthened further in preparation for Basel III.*)

		2011	2010
Total sources of quick liquidity	(Rm)	103 571	78 656
Surplus liquid assets	(Rm)	23 736	6 300
Statutory liquid assets and cash reserves (prudential minimum)	(Rm)	37 751	35 154
Other sources of quick liquidity	(Rm)	42 084	37 202
As a % of total assets	(%)	16,0	12,9
Long-term funding ratio (Q4 average)	(%)	25	24
Senior unsecured debt	(Rm)	17 026	12 197
Retail savings bond	(Rm)	3 994	–
Loan: Deposit ratio	(%)	95,2	96,9
Reliance on negotiable certificates of deposit (original maturity < 12 months)[8]	(%)	13	16
Reliance on interbank funding and foreign markets[8]	(%)	5	4

[8] *As a % of total funding.*

The 2011 Internal Liquidity Adequacy Assessment Process (ILAAP) was successfully completed with the ICAAP, also without any concerns raised by the SARB.

ASSET QUALITY AND BALANCE SHEET IMPAIRMENTS (*Strengthened, increased portfolio impairments and reduced defaulted advances.*)

The asset quality of the group has been enhanced through portfolio tilt, selective origination, proper risk-based pricing, the group's 'manage for value' strategic focus and effective risk management.

		2011	2010
Portfolio impairments (strengthened)	(Rm)	2 748	2 154
As % of performing advances	(%)	0,6	0,5
Specific impairments (improved)*	(Rm)	8 749	9 072
Defaulted advances	(Rm)	23 073	26 765
Coverage ratio	(%)	37,9	33,9
Defaulted advances to gross loans and advances	(%)	4,5	5,5

The increased level of portfolio impairments includes R159m relating to lengthened emergence-period assumptions and R200m in the centre for unknown events that may have already occurred, but which will only be evident in the future.

* *Audited.*

NET INTEREST MARGIN (*Improved on the back of strong margin management by 11 basis points (bps) in a tough economic environment.*)

	Change in NIM on prior period (bps)	
Net interest margin (NIM) improved from 3,35% to 3,46%	**2011**	2010
Total year-on-year change	**11**	(4)
Pricing assets fully to reflect risk (including both credit and liquidity risks, enhanced funds transfer pricing, risk-based capital allocation and charging liquidity premiums)	4	5
Benefit in asset mix changes, in line with the portfolio tilt strategy	4	7
Liability pricing and mix change – change in marginal cost of funds	9	2
Prime/Johannesburg Interbank Agreed Rate (JIBAR) reset risk	2	5
Other	2	2
In 2011 the above more than offset the negative effect of:		
• Neten dowment	(3)	(19)
• In preparation for Basel III the cost of lengthening the bank's funding profile and carrying higher levels of lower-yielding liquid assets	(7)	(6)

CREDIT RISK (*Sound profile, strong credit risk management and conservative risk appetite.*)

SUMMARY OF CREDIT PROFILE

		2011	2010
New loans advanced to clients[9]	(Rm)	116 156	111 631
Gross loans and advances*	(Rm)	507 545	486 499
Net loans and advances (closing year-end balance)*	(Rm)	496 048	475 273

[9] *Substantially offset by early repayments as clients continue to deleverage and the writeoff of defaulted advances.*

		2011	2010
Credit loss ratio (improved 22 bps while strengthening portfolio impairments)	(%)	1,14	1,36
Portfolio	(%)	0,12	0,04
Specific	(%)	1,02	1,32

- Total credit loss ratio (CLR) improved to 1,14%, but remains above the group's 0,6% – 1,0% through-the-cycle (TTC) target range.
- CLR relating to specific impairments improved substantially as defaulted advances decreased by 13,8%, reflecting writeoffs, improved collections processes, ongoing restructuring and other initiatives in home loans.
- Nedbank Retail's CLR of 1,98% (2010: 2,67%) is now within the cluster's TTC target range of 1,5% – 2,2%. Nedbank Capital's CLR of 1,23% remained elevated at levels similar to those of 2010, mainly due to impairment charges on increased non-performing loans.
- CLRs in all other clusters remained within or better than the respective clusters' TTC target ranges.

* *Audited.*

SOVEREIGN EXPOSURE (*The sovereign debt crisis in the Eurozone remains unresolved, but Nedbank Group's exposure remains very low.*)

	2011		2010	
	Rm	%	Rm	%
Exposure to banks in the Eurozone[10]	9 737	100,0	10 006	100,0
Exposure to banks in the PIIGS[11]	261	2,7	2 487	24,9
Other Eurozone countries	9 476	97,3	7 519	75,1
As a % of balance sheet credit exposure		1,6		1,8

[10] *Includes the 17 European union member states that have adopted the euro as their common currency.*
[11] *PIIGS = Portugal, Ireland, Italy, Greece, Spain.*

	2011		2010	
	Rm	%	Rm	%
Sovereign exposure	49 613	100,0	34 543	100,0
SA government[12]	47 685	96,1	31 754	91,9
Other countries	1 928	3,9	2 789	8,1
Non-SA government exposure as a % of balance sheet credit exposure		0,3		0,5

[12] *Predominantly comprising statutory liquid asset requirements.*

MARKET RISKS (*Sound profile, strong market risk management and a low risk appetite.*)

SUMMARY OF MARKET RISKS PROFILE

		2011	2010
Trading (proprietary) market risk (very low)			
% of total group ECap	(%)	1,5	1,6
Total value at risk (VaR) (99%, one-day VaR) exposure (average)*	(Rm)	12	11
Total stressed VaR exposure (year-end) as per Basel II.5	(Rm)	33	22
Equity risk in the banking book (very low)			
Total equity portfolio	(Rm)	4 385	3 919
% of total assets	(%)	0,7	0,6
% of total group ECap	(%)	5,1	5,3
Exposure to hedge funds (zero)	(Rm)	–	–
Interest rate risk in the banking book (positioned for forecast interest rate cycle)			
Net interest income (NII) sensitivity to 1% decline in interest rates (equal and opposite positive NII impact for an increase in interest rates)	(Rm)	(843)	(660)
% of ordinary shareholders' equity (board limit: 2,5%)	(%)	1,7	1,5
Foreign currency translation risk (very low)			
Impact on group's total regulatory capital ratio for 10% change in the value of the rand[13]	(%)	0,07	0,06

[13] *Due to foreign currency translation reserves being currently excluded from qualifying regulatory capital.*

* *Audited.*

Reporting standard

GRI G3.1: SO7

OPERATIONAL RISK (*Sound profile, strong operational risk management and low risk tolerance.*)

		2011	2010
Total operational risk losses	(Rm)	238[14]	240[14]
% change year-on-year	(%)	(0,01)	(0,28)
As a % of gross operating income	(%)	0,73	0,80

[14] *The majority of losses relate to credit card fraud.*

A low level of operational risk loss experience to gross operating income was maintained. Material events were limited. The group managed all losses within the board-approved group operational risk appetite.

SECURITISATION RISK (*Plain vanilla and low risk.*)

		2011	2010
Total assets securitised	(Rm)	2 000[15]	4 000
Total assets outstanding (all performing)	(Rm)	1 462	2 306
As % of total assets	(%)	0,23	0,38
Liquidity facilities provided	(Rm)	4 047	5 009

[15] *Octane ABS 1 (Pty) Limited, a securitisation of motor vehicle loans launched in July 2007, successfully repaid all investors in October 2011.*

INSURANCE RISK (*Sound, low risk appetite.*)

		2011	2010
As % of total group ECap	(%)	0,6	0,7

RISK AND BALANCE SHEET MANAGEMENT

(*A strong risk culture prevails throughout the group.*)

ENTERPRISEWIDE RISK MANAGEMENT FRAMEWORK

The group's worldclass ERMF is embedded groupwide and continued to be resilient in 2011, encompassing strong and effective risk management, governance and compliance, fully aligned with the latest international Basel requirements.

Some 2011 salient features include:

- Approval of using the Advanced Measurement Approach (AMA) for operational risk and Internal Model Approach (IMA) for market trading risk was attained from the SARB, effective December 2010 and January 2011 respectively.
- Comprehensive risk appetite framework maintained, with group metrics cascaded down to all business units.
- Risk-based remuneration practices applied since 2008, aligning in all material respects with best practice.
- Significant steps taken to enhance risk management in Nedbank Retail.
- Successful Imperial Bank integration into Nedbank Limited.
- Effective operational and security risk management, containing impact of crime.
- Risks to sustainability, such as environmental and transformation risks, continued to be well managed.
- In respect of the Acc-Ross/Pinnacle Point matter Nedbank Group confirms it has received a summons that alleges that the group, as a marketmaker participant in the single-stock futures (SSF) market, owed the clearing member bearing the risk a legal duty of care to ensure that he/she does not unnecessarily suffer a loss.
  - Nedbank Group does not believe that the claim has merit. On 17 August 2010 the Securities Regulation Panel (SRP) ruled that Nedbank Group's SSF activity in Acc-Ross was not for the purposes of acquiring control.
  - The full details of the ruling and the reasons thereof can be obtained from the SRP website at www.srpanel.co.za, under Publications.
  - The group remains of the view that it cannot be held responsible for any alleged loss suffered that is based on a sharp decline in the Pinnacle Point Group share price either directly or indirectly. Nedbank Group will continue to take all the necessary steps to defend the actions instituted.

BALANCE SHEET MANAGEMENT

Over the past five years or so, and after the global financial crisis, the landscape of banking has changed fundamentally, together with very significant regulatory developments (eg Basel II and now Basel III).

Accordingly, Nedbank Group has embedded worldclass balance sheet management (BSM), fully integrated within the BSM Cluster across the following five core functions:

- Riskm anagement.
- Funding and liquidity management.
- Capitalm anagement.
- Marginm anagement.
- Strategic portfolio management (eg portfolio tilt).

REGULATORY UPDATE

(*Significant developments and strategic impact.)*

BASEL III

The majority of the Basel III proposals were finalised by the Financial Stability Board of the Bank of International Settlements in December 2010, although some significant aspects remain outstanding, namely:

- once the observation periods are completed, finalisation of the two new liquidity ratios [ie liquidity coverage ratio (LCR) and net stable funding ratio (NSFR)];
- surcharges for systematically important financial institutions (SIFIs);
- recovery and resolution plans;
- counterparty credit risk capital requirements;
- review of the trading book;
- role of rating agencies;
- largee xposures;
- shadow banking;
- principles of banking supervision;
- expectations for capital planning;
- over-the-counter derivatives; and
- review of banks' RWA calculations.

In SA the details of exactly how Basel III will be adopted will be determined by the SARB and, according to their circular 2/2012, draft one of the proposed amended regulations will be issued for comment by the end of March 2012. Draft one is expected to deal with the minimum requirements contained in the Basel III framework, which will be phased in from 1 January 2013. The SARB will continue to issue circulars, directives and guidance notices as and when further decisions are taken.

The strategic impact of Basel III internationally is very significant, changing business models and potentially reducing return on equity (ROE) extensively. SA is well placed, but there is much to do, and the strategic impact will also be significant locally, especially driven by the new liquidity requirements and higher capital levels.

For Nedbank Group the impact of the new capital requirements is expected to be easily manageable, given existing strong capital ratios and the high quality of core Tier 1 equity.

On a Basel III pro forma basis for 31 December 2011 the group is well positioned to absorb the capital implications, with all capital ratios remaining well above the top end of current internal target ranges and the core Tier 1 ratio currently estimated to be unchanged after the Basel II.5 impact mentioned below, mainly due to certain reserves and the portion of investment in insurance entities, which now qualify as regulatory capital, largely offsetting the new capital deductions and risk coverage. This is illustrative of the group's existing high-quality core Tier 1 capital.

- Once Basel III has been finalised by the SARB, Nedbank Group will review and advise of any revisions to its target capital ratios. For now the group continues to operate well above its current Basel II target capital ratios.
- The new Basel II.5 requirements, effective 1 January 2012, have been successfully implemented by Nedbank Group, with a 50 bps decline in the core Tier 1 ratio, mainly due to the additional 6% Advanced Internal Ratings-based (AIRB) credit RWA scaling factor introduced and the switch to stress VaR for market trading risk.
- The main capital-related work relates to the conversion or replacement of the existing non-core Tier 1 and Tier 2 capital instruments in line with the new Basel III full loss absorbency and other requirements (eg no 'stepups' or incentives to redeem), as existing instruments will be phased out over 10 years from 1 January 2013.
- Additional RWA optimisation opportunities still remain (eg full benefit of AMA for operational risk and AIRB credit approach for the MFC book) and are excluded from the 2011 pro forma Basel II.5 and Basel III capital ratios disclosed in this report.

The main challenge of Basel III is in respect of the two proposed liquidity ratios, namely the LCR for implementation in 2015 and the NSFR for implementation in 2018.

- The group together with the industry has remained focused on how best to comply with the LCR, given that banks would need to be compliant ahead of 2015. The building of surplus liquid buffers is an initial, proactive response.
- 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 in a negative way on economic growth and job creation.

- The structural constraints within the SA financial markets add to the local challenge of complying with the LCR and NSFR ratios. However, this is being proactively tackled by the SARB and National Treasury in conjunction with the financial services industry.
- The group anticipates that, following the observation period that commences in 2012, the NSFR requirement will be appropriately adjusted and a pragmatic approach to this issue resolved prior to the implementation in 2018.

SOLVENCY II/SOLVENCY ASSESSMENT AND MEASUREMENT)

Solvency Assessment and Measurement (SAM) is the local Financial Services Board's (FSB's) new economic risk-based solvency regime for SA insurers, which closely follows international regulatory trends, in particular Solvency II. SAM affects the Nedbank Wealth Cluster and implementation, which is set for 1 January 2014, is on track, with an immaterial impact on existing solvency or capital levels.

PORTFOLIO TILT

Portfolio tilt and maximising economic profit (EP) form part of the four key strategic focus areas of Nedbank Group, a carefully structured, integral and holistic component of the group's 'manage for value' emphasis, involving strategic portfolio management and client value management. In the group's three-year business plan granular targets have been formalised across the balance sheet and income statement, and cascaded down to each business unit.

The targets are for the medium to long term and have to be achieved over the next three to five years, depending on macroeconomic factors. They are intended to be somewhat aspirational and directional, aligned with the agreed portfolio tilts. Clearly to the extent that the market is not growing and/or is behaving irrationally, this will impact the timing by when the targeted tilts, and optional balance sheet shape and mix, are achieved.

KEY OBJECTIVES OF PORTFOLIO TILT

- Target an optimal balance sheet and income statement shape and mix.
- Maximise EP and ROE via optimising EP-rich activities.
- Optimise the strategic impact of Basel III.
- Further strengthen the group's balance sheet and long-term sustainability.
- Reduce TTC earnings volatility.
- Optimise the risk profile versus return of the group, aligned with the approved risk appetite.
- Embed a culture of client value management in all businesses (and exploit the value skews within portfolios, pursuing selective origination where appropriate).
- Optimise to invest [capital, liquidity, information technology (IT) innovation spend and expenses reallocated to strategic priorities].

KEY CONSIDERATIONS WHEN SETTING PORTFOLIO TILT

- Delta EP growth, being the primary driver of shareholder value-add.
- Growth of market share by economic value or EP more important than volume or asset size.
- Strategic impact of Basel III on the various businesses, portfolios, products and transactions across the group.
- Emphasising capital and liquidity 'light' areas, and being judicious in the allocation of capital and funding.
- Differentiated, selective growth strategies within portfolios and products, eg home loans.
- Differentiation between frontbook versus back-book economics within portfolios.
- Client and transactional emphasis over a product-based approach.
- Cross-sell opportunity between businesses and products.
- Risk appetite, including concentration risk.
- Overlay of current and forecast economic cycles.
- Non-financial strategic considerations, eg 'green advances' and sustainability.
- Investing for the future to grow the franchise.

UNDERLYING BASIS OF TARGETED TILT

DEPOSITS

- Focus on transactional (primary clients) deposits, linking with NIR growth strategy.
- Enhance the deposits mix and reduce wholesale funding reliance.
- Increase corporate and business bank deposits to relative market share.
- Retain strong retail household deposit market share position.

LOANS AND ADVANCES

Differentiated origination by growing higher/in line/below (ie selectively) versus market, by credit portfolio.

Revised if risk versus return profile changes, and with consideration of the forecast economic cycle.

NON-BANKING

Targeting high growth in Nedbank Wealth, especially insurance and asset management.

NIR TO NII MIX

- Significant NIR growth in all businesses.
- Positive shift overall in the group's NII/NIR mix and NIR/expenses ratio.
- 'Manage for value', properly pricing for risk (eg credit and liquidity), funds transfer pricing and risk-based ECap allocation to optimise NII.

CAPITAL AND LIQUIDITY ALLOCATION

- Proactive preparation for and strategic optimisation of Basel III.

- Risk versus return enhancement – generally a shift to higher-EP-generating businesses.
- Nedbank Retail from negative to positive EP, on a sustainable basis.
- Shift towards lower capital/liquidity-demanding businesses, eg Nedbank Wealth and Nedbank Capital.
- Reduce earnings volatility risk, balance sheet duration and areas of undue concentration risk.
- Grow core Tier 1 capital ratio, reduce Tier 2 capital ratio.
- Lengthen funding profile.

PRIORITISATION AND EFFICIENCY

- IT simplification, rationalisation and innovation spend prioritisation.
- Cost optimisation for reinvestment in strategic priorities.

SEVERAL PORTFOLIO TILT SUCCESSES TO DATE

Achieving portfolio tilt in the current economic environment is challenging and likely to take three to five years to attain the desired balance sheet mix, while awaiting Basel III finalisation.

However, several successes have been achieved to date, since the group's focus on portfolio tilt began two years ago:

	CAGR[1] %	2011 Rm	2010 Rm	2009 Rm
Examples of high-growth areas				
NIR	13,8	15 412*	13 215*	11 906
Wealth				
Value of new business (insurance)	47,9	409	295	187
Embedded value[2] (insurance)	38,4	1 522	1 031	795
Assets under management (asset management)	13,4	112 231	102 570	87 204
Assets				
Leases and instalment debtors[3,4]	5,3	71 168	67 881	64 128
Personal loans	37,0	17 847	13 001	9 508
Card	8,7	8 666	7 910	7 334
Surplus liquid assets		23 736	6 300	7 556
Deposits				
Retail Savings Bond		3 945		
Long-term funding ratio		25%	24%	21%
Retail cluster delta EP	>100	1 380	634	(1 925)
Core Tier 1 capital ratio		11,0	10,1	9,9
Examples of selective origination				
Advances				
Home loans (in Retail)	(1,1)	91 018	92 009	93 052
Pre-2009	(13,2)	64 606	73 947	85 662
2009 – 2011	89,1	26 412	18 062	7 390
Commercial mortgages[5]	5,3	89 488	86 100	80 672

[1] *Capital adequacy growth rate.*
[2] *After dividends paid out.*
[3] *31% market share.*
[4] *Assets of Imperial Bank fully consolidated historically, but 100% of the earnings only since 2010 upon acquisition of remaining 50% of the business.*
[5] *37% market share.*

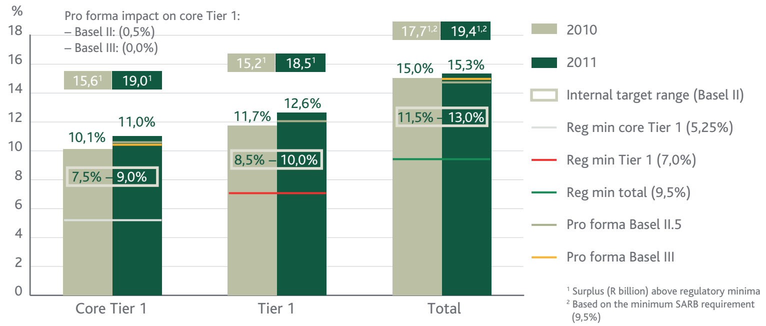
Additionally, the portfolio tilt success to date has further strengthened Nedbank Group's balance sheet, risk profile, preparation for Basel III and long-term sustainability.

* *Audited.*

CAPITAL ADEQUACY

REGULATORY CAPITAL ADEQUACY

NEDBANK GROUP REGULATORY CAPITAL ADEQUACY



Capital adequacy ratios	Current SARB minimum	Current target ranges	Nedbank Group actual		Nedbank Group Pro forma Basel II.5	Nedbank Group Pro forma Basel III	Nedbank Limited actual	
%			2011	2010	2011	2011	2011	2010
Including unappropriated profits								
Core Tier 1		7,5 – 9,0	11,0	10,1	10,5	10,5	10,7	9,3
Tier 1		8,5 – 10,0	12,6	11,7	12,0	12,0	12,5	11,1
Total		11,5 – 13,0	15,3	15,0	14,6	15,0	15,8	14,9
Excluding unappropriated profits								
Core Tier 1	5,25		10,3	9,8			10,1	9,0
Tier 1	7,00		11,9	11,4			11,9	10,8
Total	9,50		14,7	14,6			15,1	14,6

Nedbank Group's capital adequacy ratios (CARs) strengthened again in 2011, mainly due to a R418m increase in ordinary share capital from the vesting of shares under the black economic empowerment (BEE) and management share schemes, and additional capital supply of R4,5bn following further strong organic earnings, risk and capital optimisation, including a R3,6bn reduction in market risk RWA with the adoption from January 2011 of the IMA approved by the SARB and the strategic focus on 'managing for value' and portfolio tilt strategies. Total CARs were, however, impacted by the redemption of the Nedbank Limited Tier 2 bond (Ned 5) of R1,5bn.

The group's CARs remain well above the regulator's minimum Basel II requirements and group's internal targets in preparation for Basel III.

Given the predominant focus on the core Tier 1 ratio by Basel III and new requirements to ensure all classes of capital instruments fully absorb losses, all of which will be phased in from January 2013 onwards, as well as in consideration of Nedbank Group's high total CAR of 15,3%, the Ned 5 was called in April 2011 without being replaced.

Nedbank Limited's CARs have also strengthened consistent with those of the group.

The group has successfully implemented Basel II.5, effective 1 January 2012. The impact of the new Basel III capital requirements is expected to be easily manageable, given existing strong capital ratios and the high quality of core Tier 1 equity. On a Basel II.5 (50 bps negative impact) and Basel III (neutral impact after Basel II.5 impact) pro forma basis for 31 December 2011 the group is in a position to absorb the Basel II.5 and III capital implications comfortably, with all capital ratios remaining well above the top end of current internal target ranges, as illustrated above.

By the end of 2013 the CARs should improve further from projected earnings and be well positioned within the anticipated revised Basel III target ranges, even before considering the effects of the group's portfolio tilt strategy and further RWA optimisation opportunities.

Once Basel III has been finalised by the SARB Nedbank Group will finalise and communicate its revised target capital ratios. For now Nedbank continues to operate well above its current Basel II target CARs.

Consolidation of entities for regulatory purposes is performed in accordance with the requirements of Basel II, 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 [eg the foreign currency translation (FCT) reserve, share-based payments (SBP) reserve and available-for-sale (AFS) reserve], the deduction of the investment in insurance entities and the exclusion of trusts that are consolidated in terms of International Financial Reporting Standards (IFRS) but are not currently subject to regulatory consolidation. However, in accordance with the SARB circular 2/2012 these reserves will qualify as regulatory capital under Basel III from 1 January 2013.

The FCT, SBP and AFS reserves that arise in the consolidation of entities in terms of IFRS amounted to R1,5bn (2010: R1,0bn) and are currently excluded from qualifying regulatory capital.

Restrictions on the transfer of funds and regulatory capital within the group are not a material factor. These restrictions mainly relate to those entities that operate in countries other than SA where there are exchange control restrictions in place.

SUMMARY OF RWA, MINIMUM REQUIRED CAPITAL AND SURPLUS CAPITAL ADEQUACY POSITION

Risk type	Nedbank Group		
	2011		
Rm	RWA	Mix (%)	MRC[1]
Credit risk	249 960	75	23 746
Advanced Internal Ratings-based (AIRB) Approach	192 167	58	18 256
Corporate, sovereign, bank, SME[4]	107 379	32	10 201
Residential mortgages	41 618	13	3 954
Qualifying revolving retail	8 957	3	851
Other retail	34 213	10	3 250
Standardised Approach	57 793	17	5 490
Corporate, sovereign, bank, SME[4]	17 061	5	1 621
Retail exposures	40 732	12	3 870
Counterparty credit risk	2 352	1	223
Current exposure method			
Securitisation risk	800	<1	76
AIRB Approach			
Equity risk	14 451	5	1 373
Market-based Simple Risk Weight Approach			
Listed (300% risk weighting)	2 387	1	227
Unlisted (400% risk weighting)	12 064	4	1 146
Market risk	3 775	1	359
Internal Model Approach			
Operational risk	46 251	14	4 394
Advanced Measurement Approach			
Other assets	14 391	4	1 367
100% risk weighting			
Total RWA	331 980	100	
Total MRC (9,5%)			31 538
Pillar 1 MRC (8,0%)			26 558
Pillar 2a MRC (1,5%)			4 980
Total qualifying capital and reserves[2]			50 894
Total surplus capital over MRC			19 356
Analysis of total surplus capital[2]			
Core Tier 1			18 975
Tier 1			18 478
Total			19 356

[1] *Minimum required capital (MRC) is measured at 9,5% in line with SARB regulations and circular 5/2011. 2010 numbers have been restated by R7m.*
[2] *Includes unappropriated profits.*
[3] *Nedbank Limited refers to the SA reporting entity in terms of Regulation 38 (BA700) of the SA banking regulations.*
[4] *SME = small and medium-sized enterprises.*

Credit RWA increased in line with the loans and advances growth, offset to a limited degree by the impact of RWA optimisation.

Counterparty credit risk RWA decreased primarily due to additional netting benefits derived from International Swaps and Derivatives Association (ISDA) agreements and collateral taken in terms of margining agreements.

Market risk RWA decreased following the adoption of the IMA from January 2011.

Operational RWA increased in line with the AMA gross operating income threshold as approved by the SARB.

Nedbank Group			Nedbank Limited[3]					
2010			2011			2010		
RWA	Mix (%)	MRC[1]	RWA	Mix (%)	MRC[1]	RWA	Mix (%)	MRC[1]
241 381	76	22 931	224 822	77	21 358	220 374	76	20 936
188 610	59	17 918	179 023	61	17 007	176 680	61	16 785
106 312	33	10 100	95 019	32	9 027	95 545	33	9 077
46 305	14	4 399	40 833	14	3 879	45 141	16	4 288
8 489	3	806	8 957	3	851	8 490	3	807
27 504	9	2 613	34 214	12	3 250	27 504	9	2 613
52 771	17	5 013	45 799	16	4 351	43 694	15	4 151
17 645	6	1 676	9 339	3	887	12 111	4	1 151
35 126	11	3 337	36 460	13	3 464	31 583	11	3 000
4 543	1	432	2 282	1	217	4 476	2	425
869	< 1	83	800	< 1	76	869	< 1	83
13 273	4	1 261	12 886	4	1 224	10 829	4	1 029
1 605		152	2 373	1	225	1 596	1	152
11 668	4	1 108	10 513	3	999	9 233	3	877
7 339	2	697	2 458	1	234	6 373	2	605
43 415	13	4 124	38 567	13	3 664	35 693	12	3 391
12 861	4	1 222	10 804	4	1 026	9 721	4	923
323 681	100		292 619	100		288 335	100	
		30 750			27 799			27 392
		25 894			23 410			23 067
		4 855			4 389			4 325
		48 412			46 233			42 860
		17 662			18 434			15 468
		15 596			16 018			11 571
		15 243			16 210			11 838
		17 662			18 434			15 468

Governance

SUMMARY OF QUALIFYING CAPITAL AND RESERVES

Including unappropriated profits	Nedbank Group		Nedbank Limited	
Rm	2011	2010[1]	2011	2010
Total Tier 1 capital (primary)	41 717	37 901	36 693	32 021
Core Tier 1 capital	36 404	32 589	31 380	26 709
Ordinary share capital and premium*	16 389	15 971	14 461	14 461
Minority interest: ordinary shareholders*	178	153		
Reserves*	32 558	28 130	21 913	17 605
Deductions	(12 721)	(11 665)	(4 994)	(5 357)
Impairments	(263)	(10)	(444)	(720)
Goodwill*	(4 996)	(4 945)	(1 410)	(1 410)
Capitalised software development costs*	(2 211)	(1 998)	(2 157)	(1 936)
Other intangibles*	(571)	(551)[1]		
Excess of downturn expected loss over eligible provisions (50%)	(729)	(866)	(802)	(869)
Available-for-sale reserves*	(77)	(98)	(9)	(9)
Foreign currency translation reserves*	(441)	20	(9)	(9)
Share-based payments reserves*	(975)	(949)	823	557
Property revaluation reserves*	(1 370)	(1 146)	(969)	(747)
Capital held in insurance entities (50%)	(669)	(562)		
Other regulatory differences	(419)	(560)	(17)	(214)
Non-core Tier 1 capital	5 313	5 312	5 313	5 312
Preference share capital and premium*	3 561	3 560	3 561	3 560
Hybrid debt capital instruments	1 752	1 752	1 752	1 752
Tier 2 capital (secondary)	9 177	10 511	9 540	10 839
Long-term debt instruments	9 502	11 000	9 500	10 998
Property revaluation reserves (50%)	685	573	485	374
Deductions	(1 010)	(1 062)	(445)	(533)
Capital held in insurance entities (50%)	(669)	(562)		
Excess of downturn expected loss over eligible provisions (50%)	(729)	(866)	(802)	(869)
General allowance for credit impairments	401	410	370	380
Other regulatory differences	(13)	(44)	(13)	(44)
Total qualifying capital and reserves	50 894	48 412	46 233	42 860
Excluding unappropriated profits				
Core Tier 1 capital	34 206	31 542	29 440	25 937
Total Tier 1 capital (primary)	39 519	36 854	34 753	31 249
Total qualifying capital and reserves	48 696	47 365	44 293	42 088

[1] *2010 has been restated by R7m.*

The Nedbank Group total qualifying capital and reserves increased by R2,5bn due to strong organic earnings for 2011 and after profit distributions (ordinary and preference dividend payments), an increase in regulatory deductions such as the FCT reserve and higher capitalised software development costs, and the redemption of the Nedbank Limited Ned 5 (R1,5bn) on 27 April 2011 without being replaced.

The group has a dividend cover policy range of 2,25 to 2,75 times cover by headline earnings per share, with an average dividend cover of 2,26 times for 2011.

* *Audited.*

SUMMARY OF REGULATORY CAPITAL ADEQUACY OF ALL BANKING SUBSIDIARIES

A summary of all other banking subsidiaries' regulatory capital positions is provided below, reported based on their host country requirements.

Excluding unappropriated profits*	2011[3]			2010[3]		
Bank[1]	RWA Rm	Core Tier 1 ratio %	Total capital ratio %	RWA Rm	Core Tier 1 ratio %	Total capital ratio %
Nedbank Namibia Limited	5 590	11,4	14,3	5 067	10,4	13,5
Fairbairn Private Bank (IOM) Limited	2 451	15,1	15,4	1 729	17,6	18,2
Fairbairn Private Bank Limited	1 484	16,7	17,3	1 400	13,6	14,7
Nedbank (Swaziland) Limited[2]	1 907		16,3	1 290		20,2
MBCA Bank Limited[2]	1 076		15,5	761		15,3
Nedbank (Lesotho) Limited[2]	961		24,2	984		20,6
Nedbank (Malawi) Limited[2]	212		31,8	232		22,8

[1] *Nedbank Limited has been separately disclosed on previous pages.*
[2] *Core Tier 1 ratios are not calculated/included in the host country capital adequacy returns being submitted in the respective jurisdictions.*
[3] *2011 capital adequacy positions are based on host countries capital requirements, while 2010 capital positions are based on Basel II requirements.*

The capitalisation of all above banking entities is deemed adequate, all have conservative risk profiles and risk appetites, and are managed, monitored and integrated within the group's ERMF and ICAAP.

SUMMARY OF SOLVENCY OF INSURANCE SUBSIDIARIES

Solvency ratios	Regulatory minimum	Target range[1]	2011	2010
Long-term insurance (Nedgroup Life)	1,00x	> 1,50x	4,10x	4,00x
Short-term insurance (Nedgroup Insurance Company)	1,25x	> 1,50x	1,41x	1,38x

[1] *Management target range is based on the greater of regulatory and economic capital.*

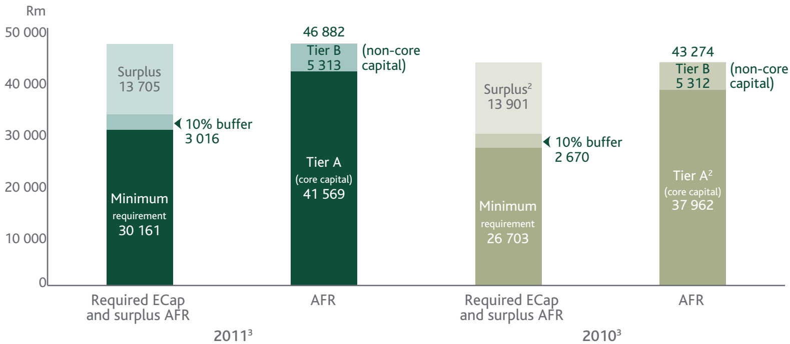
The long-term insurance ratio is well above the regulatory minimum limit and management target ratio. It is higher due to higher shareholder assets being retained within the company. This is because of strong profit flows during the last quarter of 2011 and because of management's requirement to hold economic capital, which is higher than the regulatory capital requirement.

The short-term insurance ratio improved from 1,38 times to 1,41 times. However, the ratio is below the group target ratio of 1,5 times. In terms of the current FSB solvency and the proposed interim measures effective from 1 January 2012, the company is well capitalised and exceeds the minimum requirements under both methodologies. Management's mitigating plan of action to achieve the target of 1,5 times is to not declare dividends and to continue accumulating surpluses until the desired level is achieved.

* *Audited.*

ECONOMIC CAPITAL ADEQUACY AND ICAAP

NEDBANK GROUP ECONOMIC CAPITAL ADEQUACY



[1] Including unappropriated profits.
[2] Restated Tier A after a R7m correction of 'other intangibles" in 2010.
[3] Tier A capital no longer includes as a deduction of capital held in insurance entities in line with Basel III.

Nedbank Group's ICAAP confirms that the group and Nedbank Limited are capitalised above its current 'A' or 99,93% target debt rating (solvency standard) in terms of its proprietary economic capital methodology. This includes a 10% capital buffer.

The annual group ICAAP review was completed and signed off by the board on 27 July 2011. Best-practice stress and scenario testing was performed to confirm the robustness of the group's capital adequacy and appropriateness of the 10% capital buffer, details of which are set out in the group's Pillar 3 Report.

The board's conclusion on the ICAAP submitted to the SARB is that it remains satisfied that the capital (both regulatory capital and economic capital) and liquidity levels are appropriate, and that both Nedbank Group and Nedbank Limited are strongly capitalised relative to their business activities, strategy, risk appetite, risk profile and the external environment in which the group operates, and that their liquidity profile is sound (a separate ILAAP Report supports this view).

The SARB's SREP of the ICAAP and ILAAP during the fourth quarter of 2011 was favourable and no concerns were raised.

Enhancements made to the group's economic capital methodology in 2011, which impact the capital allocated to the business clusters, include:

- Full tail risk' allocation for credit risk economic capital, which aligns with the Basel III developments. The group previously applied a '1/3 body and 2/3 tail' weighting.
- Credit portfolio modelling correlations update, which is done annually.
- Instead of applying a flat average loss given default (LGD) for all home loans, using LGD parameters depending on the respective loan-to-value bands (significantly more conservative, with the home loans cap rate increasing from 3,1% to 5,2%).
- Using simpler capital buffer allocation methodology directly related to the clusters' minimum economic capital requirements.
- Refining and updating parameters used in the business risk methodology using more recent data.

In line with Basel III capital held in insurance entities is no longer deducted from AFR.

Definitions and details of Nedbank Group's risk types and economic capital methodology are contained in the group's Pillar 3 Report.

NEDBANK GROUP ECap REQUIREMENTS AND AFR

	2011		2010	
	Rm	Mix (%)	Rm	Mix (%)
Credit risk	19 031	63	15 396	58
Counterparty credit risk	55	0	92	0
Securitisation risk	13	0	18	0
Transfer risk	118	0	89	0
Market risk	3 499	12	3 340	12
Trading risk	447	2	424	2
Interest rate risk in the banking book (IRRBB)	22	0	27	0
Property risk	1 430	5	1 436	5
Equity investment risk	1 533	5	1 421	5
Foreign currency translation (FCT) risk	67	0	32	0
Business risk	4 664	15	4 715	18
Operational risk	1 966	7	1 997	8
Insurance risk	188	1	192	1
Other assets risk	627	2	864	3
Minimum ECap requirement	30 161	100	26 703	100
Capital buffer (10%)	3 016		2 670	
Total ECap requirement	33 177		29 373	
AFR	46 882	100	43 274	100
Tier A capital (core Tier 1-type capital)	41 569	88	37 962[1]	87
Tier B capital (non-core Tier 1-type capital; excludes Tier 2 capital)	5 313	12	5 312	13
Total surplus AFR	13 705		13 901	

[1] *2010 has been restated by R7m.*

Total ECap requirements (including a 10% buffer) increased by R3,8bn in 2011, largely due to the impact of the more conservative credit risk methodology change applied to the Home Loans portfolio within the Retail Cluster.

AFR increased by R3,6bn due to similar reasons as for regulatory qualifying capital and reserves discussed earlier.

NEDBANK GROUP AFR ANALYSIS

Rm	2011	2010
Tier A capital	41 569	37 962[1]
Ordinary share capital and premium*	16 389	15 971
Minority interest: ordinary shareholders*	178	153
Reserves*	32 548	28 130
Retained income*	29 559	25 833
Non-distributable reserves*	126	124
AFS reserves*	77	98
FCT reserves*	441	(20)
SBP reserves*	975	949
Property revaluation reserves*	1 370	1 146
Deductions	(8 463)	(8 108)
Impairments	(263)	(10)
Goodwill*	(4 996)	(4 945)
Capitalised software development costs*	(2 211)	(1 998)
Other intangibles*	(571)	(551)[1]
Capital held in insurance entities[2]*		
Other adjustments	(422)	(604)
Excess of IFRS provisions over TTC expected loss	927	1 816
Tier B capital	5 313	5 312
Preference shares*	3 561	3 560
Hybrid debt capital instruments	1 752	1 752
Total AFR	46 882	43 274

[1] *2010 has been restated by R7m.*
[2] *In line with Basel III capital held in insurance entities is no longer deducted from AFR.*

The R889m decrease in 'Excess of IFRS provisions over TTC expected loss' is due to the more conservative credit risk economic capital methodology introduced in 2011, especially in home loans.

STRESS TESTING

Nedbank Group has a comprehensive stress and scenario testing framework which is used, inter alia, to stress its base case projections in order to assess the adequacy of Nedbank Group's capital levels, buffers and target ratios. The framework has been in place since 2006 and is an integral part of the group's ICAAP.

The group's stress and scenario testing recognises and estimates the potential volatility of the capital requirements and base case (expected) three-year business plan projections, including the key assumptions and sensitivities contained therein, which themselves are subject to fluctuation. Stress and scenario testing is performed and reported quarterly or more regularly if called upon.

The process includes benchmarking to the international stress testing exercises that have been conducted post the global financial crisis as part of the group's stress and scenario testing framework. In the European Banking Association stress testing exercise Nedbank Group compared favourably by being in the top 10% of the European banks that participated. The results of the Irish Central Bank and the recent US Federal Reserve stress testing exercise also show that Nedbank Group's stressed capital ratios are far above regulatory minima. These stress testing scenarios, together with Nedbank Group's comprehensive internal stress testing scenarios, support and confirm Nedbank Group's strong capital adequacy.

This is further supported by the SARB's recent onsite review of Nedbank Group's ICAAP in Q4 2011, which was concluded favourably with no issues raised.

* *Audited.*

RISK-BASED CAPITAL ALLOCATION TO BUSINESS CLUSTERS

Summary of ECap allocation and economic profit (by business cluster)[1]

Rm	Nedbank Capital	Nedbank Corporate	Nedbank Business Banking	Nedbank Retail	Nedbank Wealth	Central Management	Nedbank Group
2011							
Credit risk	1 579	3 405	2 000	10 427	641	65	18 117
Counterparty credit risk	41	16	10				67
Securitisation risk	13						13
Transfer risk	66	28				14	108
Market risk	1 243	542	5	168	138	1 379	3 475
Trading risk	423	23			2		448
IRRBB risk	2	4	2	13	1		22
Property risk		41	3	150	6	1 232	1 432
Investment risk	790	466		5	111	141	1 513
FCT risk	28	8			18	6	60
Business risk	713	702	483	2 278	293	1	4 470
Operational risk	530	515	419	407	50	61	1 982
Insurance risk					201		201
Other assets risk	37	89	7	150	43	267	593
Minimum ECap requirement	4 222	5 297	2 924	13 430	1 366	1 787	29 026
Capital buffer[2]	1 113	1 399	772	3 533	248	12 856	19 921
Total capital allocated	5 335	6 696	3 696	16 963	1 614	14 643	48 947
Economic profit	531	801	372	(203)	415	(992)	924
2010							
Credit risk	1 113	3 486	1 635	8 657	547	14	15 452
Counterparty credit risk	43	28	3				74
Securitisation risk	13						13
Transfer risk	86	34					120
Market risk	1 262	579	6	262	75	1 114	3 298
Trading risk	426						426
IRRBB risk	2	7	3	16	1		29
Property risk		38	3	241	9	1 011	1 302
Investment risk	819	529		5	50	101	1 504
FCT risk	15	5			15	2	37
Business risk	726	806	469	1 999	213		4 213
Operational risk	540	499	200	595	85	63	1 982
Insurance risk					178		178
Other assets risk	34	83	6	173	63	389	748
Minimum ECap requirement	3 817	5 515	2 319	11 686	1 161	1 580	26 078
Capital buffer[2]	1 299	2 088	804	4 874	284	8 674	18 023
Total capital allocated	5 116	7 603	3 123	16 560	1 445	10 254	44 101
Economic profit	477	421	382	(1 583)	388	(374)	(289)

[1] *Economic capital allocated is based on average year-to-date numbers.*
[2] *The unallocated capital buffer included in Central Management comprises of capital held against goodwill, intangibles and excess capital over and above the 2011 10% core Tier 1 capital allocation cap.*

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 EP, return on risk-adjusted capital (RORAC) and risk-adjusted return on capital (RAROC). The difference between RORAC and RAROC is simply that the former uses IFRS impairments and the latter TTC expected loss.

As discussed earlier, enhancements have been made in 2011 to the group's ECap methodology and to allocating capital to it businesses. The impact of the methodology changes on the capital allocated to the business clusters was not material expect in the Retail Cluster due to the significant increased economic capital allocation to the Home Loans portfolio.

Changes in total year-on-year average capital allocated to each cluster are as follows:

- Nedbank Capital: increase of R219m mainly due to increases in credit exposures for Investment Banking and the new full-tail credit allocation that resulted in more capital being allocated to lumpier portfolios.
- Nedbank Corporate: decrease of R907m mainly due to low growth, enhanced asset quality and RWA optimisation.
- Nedbank Business Banking: increase of R573m mainly due to the migration of ex-Imperial Bank portfolios, Supplier Asset Finance and Professional Finance from Nedbank Retail.
- Nedbank Retail: increase of R403m mainly due to the more conservative credit risk LGD parameters applied to the Home Loans portfolio.
- Nedbank Wealth: increase of R169m mainly due to an increase in the credit and investment exposures.
- Central Management: increase of R4,4bn mainly due to increases in the value of the group's owned buildings (R207m) and ordinary shareholders equity (R4,2bn).

COST OF EQUITY

NEDBANK GROUP

Year	Cost of equity
2010	14,15%
2011	**13,00%**
2012	13,10%

Nedbank Group has applied a cost of equity (COE) of 13,00% in 2011 (2010: 14,15%) and revised its COE for 2012 to 13,10% following a review of the components (risk-free rate, beta, and equity risk premium), calculated based on the Capital Asset Pricing Model and management judgement, applied in conjunction with the group's parent company, Old Mutual plc.

The risk-free rate has declined as a result of an expectation of lower growth and lower levels of inflation as a result of the ongoing slower global recovery.

EXTERNAL CREDIT RATINGS

In January 2012 Fitch revised SA's outlook on the long-term issuer default ratings from stable to negative. As a result local banks' outlooks have been similarly revised from stable to negative.

Fitch ratings	NEDBANK GROUP	NEDBANK LIMITED
Foreign currency		
Short-term	F2	F2
Long-term	BBB	BBB
Long-term rating outlook	Negative	Negative
Local currency		
Long-term senior	BBB	BBB
Long-term rating outlook	Negative	Negative

Moody's investors service	Nedbank Limited
Bank financial-strength rating	C-
Outlook – financial-strength rating	Stable
Global local currency – long-term deposits	A3
Global local currency – short-term deposits	Prime-2
Foreign currency – long-term bank deposits	A3
Foreign currency – short-term bank deposits	Prime-2
Outlook – foreign currency deposit rating	Stable

LIQUIDITY RISK

Nedbank Group's liquidity position was further strengthened with the **long-term funding ratio** increasing from 22,6% to 24,2% at 31 December 2011 (the Q4 average of 25% also strengthened when compared with 24% in 2010). The successful issuance of R4,8bn **senior unsecured debt** in the capital markets and the launch of SA's first bank-originated **retail savings bond** (R4,0bn issued) contributed positively to lengthening the funding profile.

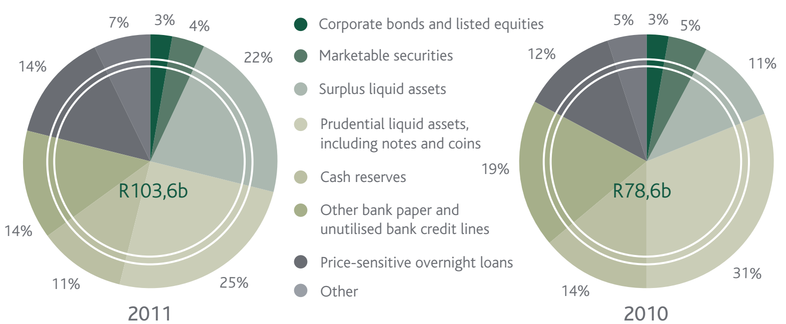
The **surplus liquidity buffer** (a ringfenced pool of government bonds, treasury bills, highly rated public sector bonds and other parked liquidity in excess of prudential liquid asset requirements) was significantly further strengthened from R6bn to R24bn as part of positioning Nedbank Group to meet the anticipated Basel III LCR by January 2015. This contributed positively to the increase in the group's total sources of quick liquidity available for stress funding requirements, which amounted to R103,6bn at 2011 (2010: R78,6bn). The graph below reflects the composition of this portfolio in 2011.

The funding and liquidity position is further supported by Nedbank Group's strong household and commercial deposit franchise, low reliance on interbank and foreign markets and an improved loan-to-deposit ratio of 95,2% in 2011 (2010: 96,9%).

In terms of the Basel III liquidity standards many of the key principles are already encapsulated in Nedbank Group's Liquidity Risk Management Framework and ILAAP. From the perspective of meeting the LCR requirements at an industry level, building significant surplus liquidity buffers may adversely impact credit extension with unintended economic consequences, meaning that national discretions, permissible under the Basel III liquidity framework, need to be carefully considered in terms of finalising local regulations.

Based on industry estimates compliance with the NSFR appears to be structurally challenging and consequently SA banks are working closely with the SARB and National Treasury, while being mindful of the fact that the Basel Committee will most likely change the specifications in the NSFR ahead of its targeted implementation date of January 2018.

NEDBANK GROUP'S SOURCES OF QUICK LIQUIDITY



The contractual and business-as-usual liquidity mismatches of the group are presented below. Based on client behavioural attributes, it is estimated that 81% of the amounts owed to depositors are stable.

NEDBANK GROUP CONTRACTUAL LIQUIDITY GAP

2011 Rm	Next day	2 – 7 days	8 days – 1 month	1 – 2 months	2 – 3 months	3 – 6 months*	6 – 12 months*	> 12 months*	Total*
Cash and cash equivalents	24 950	39	379					41	25 409
Other short-term securities	18	933	5 199	6 112	4 688	8 105	7 424	3 507	35 986
Derivative financial instruments	30	169	647	844	844	889	1 430	7 987	12 840
Government and other securities	852	27	151	63	227	799	1 022	27 035	30 176
Loans and advances	33 760	4 116	28 051	11 764	8 467	21 849	35 422	352 619	496 048
Other assets	2 975							44 693	47 668
Total assets	62 585	5 284	34 427	18 783	14 226	31 642	45 298	435 882	648 127
Total equity								52 685	52 685
Derivative financial instruments	22	118	453	591	591	775	1 083	10 220	13 853
Amounts owed to depositors	242 163	18 077	52 819	49 113	20 712	39 642	48 884	49 745	521 155
Provisions and other liabilities	11 212							19 780	30 992
Long-term debt instruments				671			3 789	24 982	29 442
Total equity and liabilities	253 397	18 195	53 272	50 375	21 303	40 417	53 756	157 412	648 127
Net liquidity gap	(190 812)	(12 911)	(18 845)	(31 592)	(7 077)	(8 775)	(8 458)	278 470	

NEDBANK GROUP BUSINESS-AS-USUAL LIQUIDITY GAP

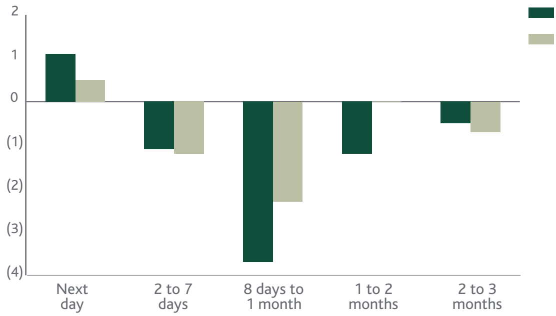
2011 Rm	Next day	2 – 7 days	8 days – 1 month	1 – 2 months	2 – 3 months	3 – 6 months	6 – 12 months	> 12 months	Total*
Cash and cash equivalents								25 409	25 409
Other short-term securities	18	933	5 199	6 112	4 688	8 105	7 424	3 507	35 986
Derivative financial instruments	30	169	647	844	844	889	1 430	7 987	12 840
Government and other securities								30 176	30 176
Loans and advances	8 578	2 091	17 522	9 962	11 204	26 147	53 087	367 457	496 048
Other assets								47 668	47 668
Total assets	8 626	3 193	23 368	16 918	16 736	35 141	61 941	482 204	648 127
Total equity								52 685	52 685
Derivative financial instruments	22	118	453	591	591	775	1 083	10 220	13 853
Amounts owed to depositors	1 423	9 984	47 013	23 298	19 677	51 273	74 499	293 988	521 155
Provisions and other liabilities								30 992	30 992
Long-term debt instruments				671			3 789	24 982	29 442
Total equity and liabilities	1 445	10 102	47 466	24 560	20 268	52 048	79 371	412 867	648 127
Net liquidity gap	7 181	(6 909)	(24 098)	(7 642)	(3 532)	(16 907)	(17 430)	69 337	

The business-as-usual 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 business-as-usual management actions. The next-day cumulative business-as-usual liquidity mismatch is positive with cash inflows exceeding outflows.

* *Audited.*

As illustrated below, Nedbank Group's overnight to one-week liquidity position improved in 2011, compared with 2010 based, on the business-as-usual liquidity mismatch. This has been achieved through a strategy of lengthening the funding profile and managing the asset/liability composition from a behavioural perspective.

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 IN THE BANKING BOOK

Nedbank Group is exposed to 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.

IRRBBc 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.

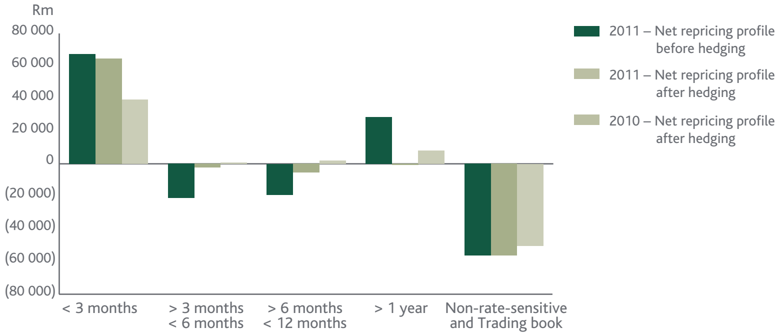
NEDBANK GROUP – INTEREST RATE REPRICING GAP

Rm	< 3 months	> 3 months < 6 months	> 6 months < 12 months	> 1 year	Non-rate-sensitive and trading book
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**	**–**
2010					
Net repricing profile before hedging	67 201	(26 844)	(19 982)	29 879	(50 254)
Net repricing profile after hedging*	39 376	746	1 952	8 180	(50 254)
Cumulative repricing profile after hedging*	39 376	40 122	42 074	50 254	–

* *Audited.*

Governance

NEDBANK GROUP – INTEREST RATE REPRICING PROFILE



NEDBANK GROUP – EXPOSURE TO IRRBB RISK

	Nedbank Limited		Other companies		Nedbank Group	
Rm	**2011**	2010	**2011**	2010	**2011**	2010
NII sensitivity						
1% instantaneous decline in interest rates	**(715)**	(562)	**(128)**	(98)	**(843)**	(660)
2% instantaneous decline in interest rates	**(1 419)**	(1 119)	**(257)**	(200)	**(1 676)**	(1 319)

At year-end the NII sensitivity of the group's banking book for a 1% parallel reduction in interest rates was 1,72% of total group ordinary shareholders' equity (2010: 1,50%), which is well within the board's approved risk limit of 2,5%. This exposes the group to a decrease in NII of approximately R843m 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 pretax NII of approximately the same quantum should rates increase by 1%.

During 2011 the group's NII sensitivity has been increased through higher levels of endowment, as a result of strong earnings, and the strategic positioning of the asset and liability sensitivities to position the group better for the forecast interest rate cycle.

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 TCC 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 Limited's economic value of equity, measured for a 1% parallel decrease in interest rates, is a reduction in value of R325m at 2011 (2010: R441m).

FOREIGN CURRENCY TRANSLATION RISK IN THE BANKING BOOK

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

NEDBANK GROUP – OFFSHORE CAPITAL SPLIT BY FUNCTIONAL CURRENCY

$m (US dollar equivalent)	2011 Equity	2010 Equity	2011 Forex-sensitive	2011 Non-forex-sensitive	2011 Total	2010 Total
US dollar	138	121	138		138	121
Pound sterling	130	122	130		130	122
Swiss franc	17	16	17		17	16
Malawi kwacha	8	8	8		8	8
Other				539	539	543
Total	293	267	293	539	832	810
Limit	350	325				

FCT risk remains relatively low and is aligned with the appropriate offshore capital structure of the group.

- The total RWA for the group's foreign entities of R9,8bn is very low at 3% of the group.
- The average capitalisation rate of the group's foreign denominated business is 24%.

Any foreign exchange rate movement will therefore have a small effect on Nedbank Group's capital adequacy.

CREDIT RISK

SUMMARY OF LOANS AND ADVANCES BY BUSINESS CLUSTER

2011 Rm	Gross	Mix %	Total impairments	Net	Mix %
Nedbank Capital*	69 331	14	(821)	68 510	14
Trading book	19 952	4		19 952	4
Banking book	49 379	10	(821)	48 558	10
Nedbank Corporate*	166 041	33	(1 287)	164 754	33
Total Nedbank RBB[1]*	251 042	49	(9 107)	241 935	49
Nedbank Retail	191 262	37	(7 599)	183 663	37
Nedbank Business Banking	59 780	12	(1 508)	58 272	12
Nedbank Wealth*	19 702	4	(77)	19 625	4
Other*	1 429		(205)	1 224	
Total	507 545	100	(11 497)	496 048	100

2010 Rm	Gross	Mix %	Total impairments	Net	Mix %
Nedbank Capital*	63 251	13	(923)	62 328	13
Trading book	19 679	4		19 679	4
Banking book	43 572	9	(923)	42 649	9
Nedbank Corporate*	159 072	33	(1 369)	157 703	33
Total Nedbank RBB[1]*	246 927	51	(8 828)	238 099	50
Nedbank Retail	194 906	40	(7 572)	187 334	39
Nedbank Business Banking	52 021	11	(1 256)	50 765	11
Nedbank Wealth*	16 976	3	(107)	16 869	4
Other*	273		1	274	
Total	486 499	100	(11 226)	475 273	100

[1] *RBB = Retail and Business Banking.*

* *Audited.*

Gross loans and advances grew 4,3% to R508bn (2010: R487bn) with growth increasing, particularly in the wholesale portfolios, during the fourth quarter.

Advances totalling R9bn were transferred from Nedbank Retail to Nedbank Business Banking in 2011 to leverage its strong client and risk practices. On a like-for-like basis the growth in Nedbank Retail was 2,7%, while Nedbank Business Banking's advances, excluding the full impact of the Imperial Bank transfer and other client moves, remained flat.

The global economic environment deteriorated in 2011 as the European sovereign-debt crisis continued to unfold, leading to a loss of economic growth momentum in both developed and emerging markets. For SA GDP growth is expected to end at 3,2% for the 2011 year and interest rates remained unchanged at 37-year lows.

Household demand for credit remained stable and transactional demand continued to strengthen, supported by real wage increases. Business confidence remained at low levels for most of 2011, with corporate credit demand gaining some traction towards the end of the year as both private and public sector fixed-investment activity increased off a low base.

SA's GDP is currently forecast to grow by 2,7% in 2012, but remains dependent on international developments, particularly in Europe. Given that confidence is anticipated to remain fragile, private sector fixed-investment activity is expected to remain modest. However, government and public corporations are forecast to escalate infrastructure spending, which should contribute to improved wholesale advances growth.

Consumer spending is anticipated to moderate as concerns on inflation, house prices and job security prevail. Transactional demand should remain robust, while credit demand is likely to improve slowly off a low base as consumer balance sheets strengthen and debt levels decline.

SUMMARY OF LOANS AND ADVANCES BY PRODUCT*

Rm	Annual change %	2011 Rm	Mix %	2010 Rm	Mix %
Home loans	(1,9)	143 154	28,2	145 895	30,0
Commercial mortgages	3,9	89 488	17,6	86 100	17,7
Leases and instalment debtors	4,8	71 168	14,0	67 881	14,0
Credit cards	9,6	8 666	1,7	7 910	1,6
Overdrafts	(1,2)	13 152	2,6	13 307	2,7
Personal loans	37,3	17 847	3,5	13 001	2,7
Properties in possession	(6,5)	619	0,1	662	0,1
Other term loans	(2,4)	60 133	11,9	61 604	12,7
Overnight loans	52,2	19 104	3,8	12 552	2,6
Other loans to clients	15,4	49 488	9,8	42 897	8,8
Preference shares and debentures	(12,4)	17 960	3,5	20 499	4,2
Factoring accounts	19,4	3 822	0,8	3 202	0,7
Deposits placed under reverse repurchase agreements	19,0	12 911	2,5	10 849	2,2
Trade, other bills and bankers' acceptances	(76,4)	33	<0,01	140	<0,01
Gross loans and advances	4,3	507 545	100,0	486 499	100,0
Total impairments	2,4	(11 497)		(11 226)	
Net loans and advances	4,4	496 048		475 273	

The group advanced R116bn of new loans during the period. However, this was largely offset by early repayments as clients continued to deleverage.

* *Audited.*

In view of the ongoing uncertainty and concerns in the Eurozone, a summary of Nedbank Group's exposure to that region, and specifically to banks in PIIGS, is provided below.

SUMMARY OF EXPOSURE TO BANKS IN THE EUROZONE

Country (Rm)[1]	2011	Exposure as a % of balance sheet credit exposure	2010	Exposure as a % of balance sheet credit exposure
Total exposure to banks in PIIGS	261	0,04	2 487	0,44
Portugal	14	<0,01	21	<0,01
Italy	201	0,03	2 437	0,43
Ireland			21	<0,01
Greece				
Spain	46	0,01	8	<0,01
France	4 813	0,81	1 316	0,23
Other	4 663	0,79	6 203	1,09
Total	9 737	1,63	10 006	1,76

[1] *Includes the 17 European union member states that have adopted the Euro as their common currency.*

The sovereign-debt crisis in the Eurozone remains unresolved. Nedbank Group has significantly reduced its exposure to banks in the PIIGS countries to R261m (2010: R2 487m) and the extent of the total Eurozone exposure is low, being only 1,63% of balance sheet credit exposure.

BALANCE SHEET CREDIT EXPOSURE ANALYSIS

SUMMARY OF TOTAL BALANCE SHEET CREDIT EXPOSURE[2] BY BASEL II ASSET CLASS AND BUSINESS CLUSTER, RECONCILED TO GROSS LOANS AND ADVANCES

Rm	Nedbank Capital[1]	Nedbank Corporate[1]	Nedbank Wealth
Advanced Internal Rating-based Approach	110 247	148 752	12 938
Corporate	26 420	76 433	
Specialised lending – high-volatility commercial real estate (HVCRE)		6 123	
Specialised lending – income-producing real estate (IPRE)	8	45 014	
Specialised lending – commodities finance	143		
Specialised lending – project finance	2 270		
SME – corporate	383	4 354	
Public sector entities	6 212	10 132	
Local governments and municipalities	513	5 631	
Sovereign	34 384	132	
Banks	39 223	931	
Securities firms	36		
Retail mortgages			9 159
Retail revolving credit			64
Retail – other	1		717
SME – retail	61	2	2 998
Securitisation exposure	593		
The Standardised Approach (TSA)[3]		19 336	9 879
Corporate		3 485	1
SME – corporate		8 419	
Public sector entities		48	
Local government and municipalities		32	
Sovereign		925	479
Banks		1 332	5 711
Securities firms			
Retail mortgages		3 220	2 777
Retail – other		1 660	911
SME – retail		215	
Securitisation exposure			
Properties in possession		186	23
Non-regulated entities	19 803	11 636	380
Total Basel II balance sheet exposure[2]	130 050	179 910	23 220
Less assets included in Basel II asset classes	(60 702)	(10 750)	(3 518)
Derivatives	(13 106)	(74)	(2)
Government stock and other dated securities	(10 905)	(4 572)	
Short-term securities	(29 874)	(1 130)	(3 279)
Call money	(3 020)	(127)	(603)
Deposits with monetary institutions	(1 442)	(1 090)	(10)
Remittances in transit	3	167	
Fair-value adjustments	(515)	(1 795)	
Other assets net of fair-value adjustments on assets	(1 843)	(2 129)	376
Setoff of accounts within IFRS total gross loans and advances	(17)	(3 119)	
Total gross loans and advances	69 331	166 041	19 702

[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 next page for details).*
[3] *The legacy Imperial Bank book, Fairbairn Private Bank (UK) and the non-SA banking entities in Africa are covered by TSA.*

Total Nedbank RBB	Nedbank Retail	Nedbank Business Banking	Central Manage-ment	2011 Total	2011 Mix (%)	Annual change (%)	2010 Total	2010 Mix (%)
194 807	141 724	53 083	16 034	482 778	80,7	6,9	451 766	79,4
8 439		8 439	17	111 309	18,6	9,5	101 652	17,9
				6 123	1,0	(9,2)	6 740	1,2
2 933		2 933		47 955	8,1	9,2	43 936	7,7
				143	0,0	113,4	67	0,0
				2 270	0,4	8,3	2 097	0,4
15 103		15 103	1	19 841	3,3	(28,0)	27 576	4,8
14		14		16 358	2,7	(4,7)	17 158	3,0
1 105		1 105		7 249	1,2	(1,3)	7 343	1,3
			13 693	48 209	8,1	51,3	31 854	5,6
			2 323	42 477	7,1	13,2	37 515	6,6
				36	0,0	(68,4)	114	0,0
110 026	105 307	4 719		119 185	19,9	(4,6)	124 883	22,0
9 391	9 391			9 455	1,6	6,6	8 866	1,6
24 800	24 508	292		25 518	4,3	2,9	24 803	4,4
22 768	2 290	20 478		25 829	4,3	57,7	16 376	2,9
228	228			821	0,1	4,5	786	0,1
52 923	46 115	6 808	117	82 255	13,8	3,3	79 623	14,0
36	2	34	117	3 639	0,6	13,0	3 220	0,6
2 150	310	1 840		10 569	1,8	(19,0)	13 054	2,3
				48	0,0	50,0	32	0,0
1		1		33	0,0	57,1	21	0,0
				1 404	0,2	(47,8)	2 689	0,5
				7 043	1,2	(13,4)	8 132	1,4
						(100,0)	313	0,1
3 548		3 548		9 545	1,6	13,3	8 424	1,5
43 985	43 284	701		46 556	7,8	16,5	39 971	7,0
3 203	2 519	684		3 418	0,6	(0,8)	3 446	0,6
						(100,0)	321	0,1
410	398	12		619	0,1	(6,5)	662	0,1
2 478	1 832	646	(1 865)	32 432	5,4	(11,7)	36 735	6,5
250 618	190 069	60 549	14 286	598 084	100,0	5,2	568 786	100,0
881	1 193	(312)	(12 857)	(86 946)		10,0	(79 033)	
			(156)	(13 338)		(8,2)	(14 526)	
(9)	(9)		(13 447)	(28 933)		0,4	(28 818)	
			(247)	(34 530)		34,0	(25 764)	
155	155		3	(3 592)		184,4	(1 263)	
			12	(2 530)		62,6	(1 556)	
33	31	2		203		78,1	114	
(133)	(43)	(90)		(2 443)		6,0	(2 305)	
835	1 059	(224)	978	(1 783)		(63,7)	(4 915)	
(457)		(457)		(3 593)		10,4	(3 254)	
251 042	191 262	59 780	1 429	507 545		4,3	486 499	

Nedbank Limited and the Nedbank London Branch make up 88% of the total credit extended by Nedbank Group and are covered by the Basel II AIRB approach, with the legacy Imperial Bank, Fairbairn Private Bank (UK) and the non-SA Nedbank African subsidiaries' credit portfolios covered by TSA. Nedbank intends to apply to the SARB in 2012 for approval to use the AIRB approach for the legacy Imperial Bank book.

SUMMARY OF THE COMPONENTS OF THE TOTAL BASEL II BALANCE SHEET CREDIT EXPOSURE BY BUSINESS CLUSTER AND ASSET CLASS

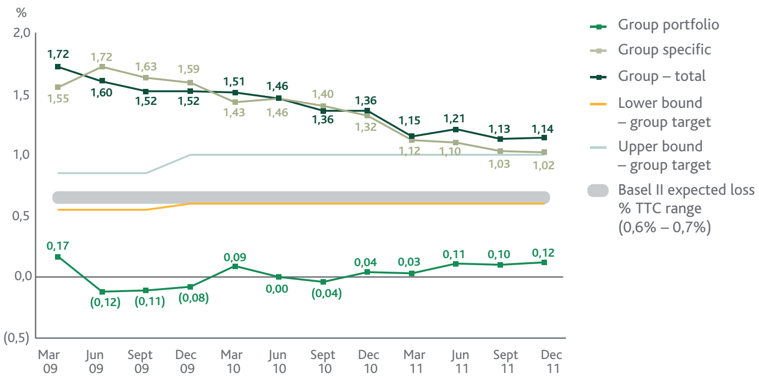
	2011	On-balance-sheet exposure		Off-balance-sheet exposure		Repurchase and resale exposure
	Rm	AIRB	TSA	AIRB	TSA	AIRB
BY CLUSTER	Nedbank Capital	84 505		10 985		12 910
	Nedbank Corporate	148 752	19 320	56 624	99	
	Total Nedbank RBB	194 807	52 923	58 086	717	
	Nedbank Retail	141 724	46 115	37 887	259	
	Nedbank Business Banking	53 083	6 808	20 199	458	
	Nedbank Wealth	12 938	9 879	3 329		
	Central Management	16 032	117			
	Nedbank Group[4]	457 034	82 239	129 024	816	12 910
BY BASEL II ASSET CLASS	Corporate	108 629	3 623	55 858	5	928
	Specialised lending – HVCRE	6 123		394		
	Specialised lending – IPRE	47 947		1 491		
	Specialised lending – commodities finance	143				
	Specialised lending – project finance	2 270		25		
	SME – corporate	19 505	10 569	8 128	211	
	Public sector entities	15 429	48	2 275		24
	Local governments and municipalities	6 932	33	57		
	Sovereign	42 232	1 404	12		5 973
	Banks	27 077	7 043	4 664		5 949
	Securities firms			1 048		36
	Retail revolving credit	9 455		16 459		
	Retail mortgages	119 185	9 545	22 559	363	
	Retail – other	25 518	46 556	2 143	195	
	SME – retail	25 768	3 418	8 793	42	
	Securitisation exposure	821		5 118		
	Downturn expected loss (AIRB Approach)					
	IFRS impairments on AIRB loans and advances					
	Excess of downturn expected loss over eligible impairments					

[1] *Total credit extended includes on-balance-sheet, off-balance-sheet, repurchase and resale agreements and derivative exposures (includes unutilised facilities).*
[2] *Downturn expected loss is in relation to performing loans and advances.*
[3] *Best estimate of expected loss (BEEL) is in relation to non-performing loans and advances.*
[4] *Total Nedbank Group excluding intercompany, PiPs and non-regulated entities.*

	Derivative exposure		Total credit extended[1]		Nedbank Group[4]		Exposure at default (EAD)	Downturn expected loss[2]	BEEL[3]
	AIRB	TSA	AIRB	TSA	AIRB	TSA	AIRB	AIRB	AIRB
	12 832		121 232		110 247		100 831	116	557
		16	205 376	19 435	148 752	19 336	188 579	345	572
			252 893	53 640	194 807	52 923	244 252	3 063	6 013
			179 611	46 374	141 724	46 115	172 423	2 610	5 083
			73 282	7 266	53 083	6 808	71 829	453	930
			16 267	9 879	12 938	9 879	17 826	40	51
	2		16 034	117	16 034	117	16 311	59	46
	12 834	16	611 802	83 071	482 778	82 255	567 799	3 623	7 239
	1 752	16	167 167	3 644	111 309	3 639	150 431	337	751
			6 517		6 123		6 517	42	380
	8		49 446		47 955		50 854	108	88
			143		143		148	1	
			2 295		2 270		2 362	13	
	336		27 969	10 780	19 841	10 569	27 763	145	212
	905		18 633	48	16 358	48	18 137	1	42
	317		7 306	33	7 249	33	7 252	2	
	4		48 221	1 404	48 209	1 404	42 663	1	
	9 451		47 141	7 043	42 477	7 043	32 683	68	
			1 084		36		177		
			25 914		9 455		18 204	560	667
			141 744	9 908	119 185	9 545	144 264	710	2 922
			27 661	46 751	25 518	46 556	26 145	1 340	1 463
	61		34 622	3 460	25 829	3 418	35 131	295	714
			5 939		821		5 068		
									10 862
									9 404
									1 458

SUMMARY OF CREDIT LOSS RATIO, IMPAIRMENTS AND DEFAULTED ADVANCES

NEDBANK GROUP – TREND OF CREDIT LOSS RATIO VERSUS TARGET RANGE



%	Nedbank Capital	Nedbank Corporate	Nedbank Wealth	Total Nedbank RBB	Nedbank Retail	Nedbank Business Banking	Total
2011							
Impairments to gross loans and advances*	1,18	0,77	0,39	3,63	3,98	2,53	2,27
Specific impairments*	1,04	0,54	0,27	2,82	3,09	1,98	1,73
Portfolio impairments*	0,14	0,23	0,12	0,81	0,89	0,55	0,54
Impairments charge as a % of NII	46,53	12,83	10,20	32,51	38,62	11,52	29,56
Credit loss ratio	1,23	0,29	0,25	1,63	1,98	0,54	1,14
Specific	1,27	0,33	0,26	1,45	1,77	0,47	1,02
Portfolio	(0,04)	(0,04)	(0,01)	0,18	0,21	0,07	0,12
Credit loss ratio target range	0,10 – 0,35	0,20 – 0,35	0,20 – 0,40		1,50 – 2,20	0,55 – 0,75	0,60 – 1,00
Defaulted advances to gross loans and advances	2,10	2,34	2,25	6,89	7,43	5,15	4,55
Properties in possession to gross loans and advances	–	0,11	0,12	0,16	0,21	0,02	0,12
2010							
Impairments to gross loans and advances*	1,45	0,86	0,63	3,58	3,88	2,42	2,30
Specific impairments*	1,27	0,59	0,48	2,94	3,20	1,95	1,86
Portfolio impairments*	0,18	0,27	0,15	0,64	0,68	0,47	0,44
Impairments charge as a % of NII	44,55	9,29	6,17	45,82	55,66	8,64	37,26
Credit loss ratio	1,27	0,20	0,15	2,18	2,67	0,40	1,36
Specific	1,17	0,27	0,16	2,08	2,46	0,71	1,32
Portfolio	0,10	(0,07)	(0,01)	0,10	0,21	(0,31)	0,04
Defaulted loans and advances to gross loans and advances	2,03	2,58	2,16	8,51	9,09	6,31	5,50
Properties in possession to gross loans and advances	–	–	0,11	0,26	0,32	0,02	0,14

* *Audited.*

The CLR improved to 1,14% for the year (2010: 1,36%), while further strengthening the portfolio impairment provision.

The CLR relating to specific impairments improved substantially to 1,02% for the year (2010: 1,32%) as defaulted advances continued tracking downwards to R23 073m (2010: R26 765m).

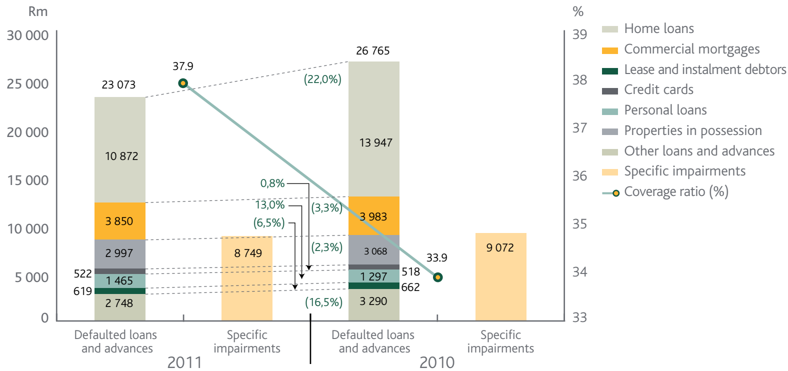
Nedbank Retail's CLR of 1,98% (2010: 2,67%) is now within the cluster's TTC target range of 1,50% to 2,20%. Nedbank Capital's CLR remained elevated at levels similar to those of 2010, mainly due to impairment charges on increased non-performing loans. CLRs in Nedbank Corporate, Nedbank Business Banking and Nedbank Wealth remained within or better than the respective clusters' TTC target ranges.

The increased level of portfolio impairments includes R159m relating to lengthened emergence-period assumptions and R200m in the centre for unknown events that may have already occurred, but which will only be evident in the future.

RECONCILIATION OF IMPAIRMENTS BY BUSINESS CLUSTER*

Rm	Nedbank Capital	Nedbank Corporate	Nedbank Wealth
Opening balance	923	1 369	107
Specific impairments	806	932	82
Specific impairments, excluding discounts	782	555	17
Specific impairments for discounted cashflow losses	24	377	65
Portfolio impairments	117	437	25
Income statement impairments charge (net of recoveries)	549	458	45
Specific impairments	545	636	61
Net increase/decrease in impairments for discounted cashflow losses	23	(117)	(15)
Portfolio impairments	(19)	(61)	(1)
Recoveries	1	18	1
Amounts written off/other transfers	(652)	(558)	(76)
Specific impairments	(653)	(566)	(76)
Portfolio impairments	1	8	
Closing balance	821	1 287	77
Specific impairments	722	903	53
Specific impairments, excluding discounts	675	643	3
Specific impairments for discounted cashflow losses	47	260	50
Portfolio impairments	99	384	24
Total gross loans and advances	69 331	166 041	19 702
Total average gross banking book loans and advances	44 835	158 396	18 155
Total average gross loans and advances	67 088	158 396	18 155

DEFAULTED LOANS AND ADVANCES, SPECIFIC IMPAIRMENTS AND COVERAGE RATIO



* *Audited.*

Total Nedbank RBB	Nedbank Retail	Nedbank Business Banking	Central Manage-ment	2011	Annual change (%)	2010
8 828	7 572	1 256	(1)	11 226	14,6	9 798
7 251	6 237	1 014	1	9 072	15,9	7 830
6 385	5 588	797	1	7 740	15,7	6 690
866	649	217		1 332	16,8	1 140
1 577	1 335	242	(2)	2 154	9,5	1 968
4 053	3 729	324	226	5 331	(13,8)	6 188
3 559	3 254	305	3	4 804	(17,2)	5 802
58	80	(22)		(51)	(>100)	192
436	395	41	223	578	>100	194
624	598	26	(3)	641	(16,0)	763
(4 398)	(4 300)	(98)	(17)	(5 701)	3,2	(5 523)
(4 405)	(4 263)	(142)	(17)	(5 717)	3,7	(5 515)
7	(37)	44		16	>100	(8)
9 107	7 599	1 508	205	11 497	2,4	11 226
7 087	5 906	1 181	(16)	8 749	(3,6)	9 072
6 163	5 177	986	(16)	7 468	(3,5)	7 740
924	729	195		1 281	(3,8)	1 332
2 020	1 693	327	221	2 748	27,6	2 154
251 042	191 262	59 780	1 429	507 545	4,3	486 499
248 880	188 473	60 407	(2 350)	467 916	3,0	454 105
248 880	188 473	60 407	(479)	494 041	3,4	477 767

Asset quality trends improved for the sixth consecutive quarter.

- Defaulted advances decreased by 13,8% to R23 073m (2010: R26 765m).
- Residential mortgages were the main contributor, with defaulted advances dropping significantly by 22,0%. Improved client affordability, stabilising house prices and restructure initiatives contributed largely to the improvement.
- Restructure initiatives have kept over 13 900 families in their homes since 2009.
- Credit card default percentage reduced slightly year-on-year from 6,5% in 2010 to 6,0% in 2011.

The coverage ratio is the amount of specific impairments that have been raised for the total defaulted loans and advances. This is effectively the inverse of the expected recoveries ratio. The expected recoveries are equal to the defaulted loans and advances less the specific impairments, as specific impairments are raised for any shortfall that would arise after all recoveries are taken into account.

The expected recoveries of defaulted loans and advances include recoveries as a result of 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 of defaulted accounts (which includes security values) will increase as the number of defaults increase. The expected recovery amount will in most instances be less than the total defaulted exposure, as it is seldom the case that 100% of the defaulted loan would be written off.

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 higher recoveries being realised in the LGD calculation.
- A change in 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 collateral value, which 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 writeoff policy, such as extending the period prior to writing off a deal that will result in a longer period in which recoveries can be realised.

SUMMARY OF DEFAULTED LOANS AND ADVANCES, SPECIFIC IMPAIRMENTS AND COVERAGE RATIO BY BUSINESS CLUSTER

Rm	Defaulted loans and advances	Defaulted loans and advances as % of total	Expected recoveries	Net uncovered position after discounting
2011				
Nedbank Capital	1 454	6,3	732	722
Other loans and advances	1 454	6,3	732	722
Nedbank Corporate	3 882	16,9	2 979	903
Home loans	93	0,4	67	26
Commercial mortgages	3 347	14,5	2 590	757
Leases and instalment debtors	39	0,2	24	15
Personal loans	17	0,1	7	10
Properties in possession	186	0,8	183	3
Other loans and advances	200	0,9	108	92
Nedbank Retail	14 213	61,6	8 307	5 906
Home loans	9 201	39,8	6 465	2 736
Commercial mortgages	34	0,1	15	19
Leases and instalment debtors	2 252	9,8	977	1 275
Credit cards	519	2,3		519
Personal loans	1 448	6,3	471	977
Properties in possession	398	1,7	354	44
Other loans and advances	361	1,6	25	336
Nedbank Business Banking	3 081	13,3	1 900	1 181
Home loans	1 232	5,3	945	287
Commercial mortgages	412	1,8	329	83
Leases and instalment debtors	701	3,0	264	437
Credit cards	3	0,0	3	
Personal loans				
Properties in possession	12	0,1	12	
Other loans and advances	721	3,1	347	374
Nedbank Wealth	443	1,9	390	53
Home loans	346	1,5	304	42
Commercial mortgages	57	0,2	57	
Leases and instalment debtors	5	0,0	2	3
Properties in possession	23	0,1	22	1
Other loans and advances	12	0,1	5	7
Central Management	–	–	16	(16)
Other loans and advances			16	(16)
Group	23 073	100,0	14 324	8 749
Home loans	10 872	47,1	7 781	3 091
Commercial mortgages	3 850	16,7	2 991	859
Leases and instalment debtors	2 997	13,0	1 267	1 730
Credit cards	522	2,3	3	519
Personal loans	1 465	6,3	478	987
Properties in possession	619	2,7	571	48
Other loans and advances	2 748	11,9	1 233	1 515
2010				
Group	26 765	100,0	17 693	9 072
Home loans	13 947	52,1	10 834	3 113
Commercial mortgages	3 983	14,9	3 120	863
Leases and instalment debtors	3 068	11,5	1 209	1 859
Credit cards	518	1,9	16	502
Personal loans	1 297	4,8	498	799
Properties in possession	662	2,5	598	64
Other loans and advances	3 290	12,3	1 418	1 872

Specific impairments	Specific impairments on defaulted loans and advances	Specific impairments for discounted cashflow losses	Coverage ratio (%) 2011	Coverage ratio (%) 2010	Expected recovery ratio (%) 2011	Expected recovery ratio (%) 2010
722	675	47	49,7	62,6	50,3	37,4
722	675	47	49,7	62,6	50,3	37,4
903	643	260	23,3	22,7	76,7	77,3
26	21	5	28,0	28,9	72,0	71,1
757	532	225	22,6	21,5	77,4	78,5
15	11	4	38,5	48,3	61,5	51,7
10	8	2	58,8	57,9	41,2	42,1
3	2	1	1,6		98,4	100,0
92	69	23	46,0	27,1	54,0	72,9
5 906	5 177	729	41,6	35,2	58,4	64,8
2 736	2 520	216	29,7	22,8	70,3	77,2
19	17	2	55,9	46,0	44,1	54,0
1 275	1 103	172	56,6	64,8	43,4	35,2
519	516	3	100,0	97,3	0,0	2,7
977	643	334	67,5	61,7	32,5	38,3
44	44		11,1	9,4	88,9	90,6
336	334	2	93,1	88,5	6,9	11,5
1 181	986	195	38,3	30,9	61,7	69,1
287	213	74	23,3	18,2	76,7	81,8
83	19	64	20,1	16,0	79,9	84,0
437	415	22	62,3	46,4	37,7	53,6
			0,0	50,0	100,0	50,0
			0,0		100,0	100,0
374	339	35	51,9	46,1	48,1	53,9
53	3	50	12,0	22,3	88,0	77,7
42	(8)	50	12,1	21,4	87,9	78,6
			0,0		100,0	
3	3		60,0		40,0	100,0
1	1		4,3	27,8	95,7	72,2
7	7		58,3	100,0	41,7	
(16)	(16)	–	–	–	100,0	100,0
(16)	(16)				100,0	100,0
8 749	7 468	1 281	37,9	33,9	62,1	66,1
3 091	2 746	345	28,4	22,3	71,6	77,7
859	568	291	22,3	21,7	77,7	78,3
1 730	1 532	198	57,7	60,6	42,3	39,4
519	516	3	99,4	96,9	0,6	3,1
987	651	336	67,4	61,6	32,6	38,4
48	47	1	7,8	9,7	92,2	90,3
1 515	1 408	107	55,1	56,9	44,9	43,1

9 072	7 740	1 332
3 113	2 684	429
863	467	396
1 859	1 758	101
502	500	2
799	505	294
64	64	
1 872	1 762	110

PROPERTIES IN POSSESSION

Rm	Nedbank Capital	Nedbank Corporate	Nedbank Wealth	Total Nedbank RBB	Nedbank Retail	Nedbank Business Banking	Central Management	2011	2010
Opening balance		5	18	639	631	8		662	887
Disposal/Writedowns/ Revaluations		(125)	(8)	(503)	(495)	(8)		(636)	(627)
Property in possession acquired		306	13	274	262	12		593	402
Closing balance		186	23	410	398	12		619	662
Unsold		48	5	318	309	9		371	490
Sold awaiting transfer		138	18	92	89	3		248	172

Properties in possession have decreased from R662m in 2010 to R619m in 2011, driven largely by both reduced buy-ins and increased sales in the Nedbank Retail portfolio, where properties in possession decreased by 37%.

DEBT COUNSELLING

The analysis below is Nedbank Group's debt counselling book within the Retail Cluster, which shows both new applications in the year and the portfolio balance.

	New applications				Portfolio balance			
	2011		2010		2011		2010	
Product	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm
Card	9 584	102	12 458	127	16 118	173	16 280	175
Personal loans	12 643	363	14 673	369	18 273	531	15 591	397
Mortgages	1 825	822	3 665	1 760	4 222	1 762	5 759	2 672
Overdrafts	4 406	21	5 003	41	5 359	39	5 867	46
Vehicle and asset finance	5 230	485	9 614	607	11 948	1 151	13 621	1 286
Total	33 688	1 793	45 413	2 904	55 920	3 656	57 118	4 576

The total portfolio in terms of rand value showed a positive decline over the last year in line with what is being experienced in the industry.

Nedbank Group's total exposure is now under R4bn, with the rand value decline trend seen in the secured portfolios, while the unsecured portfolio remained relatively stable.

CREDIT CONCENTRATION RISK

Within Nedbank Group the credit concentration risk is actively managed, measured and ultimately provided for in the group's economic capital and ICAAP.

SINGLE-NAME EXPOSURE

Of total group credit economic capital, only 2,9% is attributable to the top 20 largest exposures, excluding bank and government exposure, and 3,7% to the top 20 banks' largest exposures, highlighting that Nedbank Group does not have undue single-name credit concentration risk.

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 ERMF, which includes the applicable regulatory and economic capital per exposure.

INDUSTRY EXPOSURE

Given that total mortgages comprise 46% of total gross loans and advances, total real estate exposure is high, but in line with the peer group.

While commercial mortgage lending comprises only 18% of the gross loans and advances, Nedbank Group currently has a dominant market share position in this area of lending. This risk is mitigated by high levels of collateral, low average loan to values (approximately 50%) across the portfolio and the existence of an experienced management team. This portfolio has performed very well TTC.

Although residential mortgage exposure comprises 28% of gross loans and advances, Nedbank Group has the smallest portfolio when compared with its peers. This portfolio is a focus area of a differentiated, selective origination growth strategy within portfolio tilt.

Retail motor vehicle finance exposure within Nedbank Group is only 11,3% of gross loans and advances, while market share is dominant at approximately 31%. This portfolio has been built by an experienced management team and their application of sound 'manage for value' principles and risk-based pricing generating in excess of R1bn in headline earnings during 2011.

GEOGRAPHIC

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 area of core competence.

The direct exposure of Nedbank Group to the banking sectors of PIIGS is R261m, while total euro exposure is R9 476m, is being monitored on an ongoing basis and is not material, as highlighted earlier. The group holds no sovereign bonds issued by these countries. Direct lines to banks in Italy and Spain are restricted to systemically important banks.

COUNTERPARTY CREDIT RISK

Nedbank Group sets counterparty limits at a counterparty level, utilising margining agreements for risk mitigation. The transaction approval process considers the underlying products, together with Nedbank Group's ability to value the transaction and manage the associated risk.

Nedbank Group applies the Current Exposure Method (CEM) for Basel II counterparty credit risk and in the determination of credit economic capital.

OVER-THE-COUNTER DERIVATIVES

Over-the-counter derivative products

Rm	2011 Notional value	2011 Gross positive fair value	2010 Notional value	2010 Gross positive fair value
Credit default swaps	12 220	248	8 338	56
Embedded derivatives	2 308[1]	2	3 720	2
Proprietary trading	9 912[2]	246	4 618	54
Equities	1 305	1 976	11 740	569
Foreign exchange and gold	241 164	4 356	346 824	6 212
Interest rates	628 780	8 735	419 210	7 234
Other commodities	147	19	4 172	147
Precious metals except gold			6 487	105
Total	883 616	15 334	796 771	14 323

[1] *Credit default swaps embedded in credit-linked notes (CLNs) issued by Nedbank Group, whereby credit protection of R2 260m is purchased on CLNs and credit protection of R48m is sold.*

[2] *Proprietary trading positions at the end of the respective period where Nedbank Group is the purchaser (R5 295m) and seller (R4 617m) of credit protection.*

Over-the-counter derivative netting Rm	Gross positive fair value	Current netting benefits	Netted exposure (before mitigation)	Collateral	Netted exposure (after mitigation)	Exposure at default	RWA
2011	15 335	8 806	6 299	900	5 542	9 437	2 353
2010	14 323	6 983	9 052	368	8 766	11 718	4 428

SECURITIES FINANCING TRANSACTIONS

Securities financing transactions Rm	Gross positive fair value	Collateral value after haircut	Netted current credit exposure (after mitigation)	Exposure at default	RWA
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
2010					
Repurchase agreements	10 849	10 343	506	506	26
Securities lending	8 738	9 715	1 237	1 237	89
Total	19 587	20 058	1 743	1 743	115

SECURITISATION RISK

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 (Pty) Limited, Series 1 (GreenHouse), a residential mortgage-backed securitisation programme launched in December 2007.
- Synthesis Funding Limited (Synthesis), an asset-backed commercial paper (ABCP) programme launched during 2004.

Octane ABS 1 (Pty) Limited, a securitisation of motor vehicle loans launched in July 2007, successfully repaid all investors in October 2011.

ASSETS SECURITISED AND RETAINED SECURITISATION EXPOSURE

Transaction					Assets securitised		Assets outstanding		Amount retained/ purchased[1]	
Rm	Year initiated	Rating agency	Transaction type	Asset type	**2011**	2010	**2011**	2010	**2011**	2010
GreenHouse	2007	Moody's and Fitch	Traditional securitisation	Retail mortgages	2 000	2 000	1 462	1 699	218	226
Octane	2007	Fitch	Traditional securitisation	Auto loans		2 00	0	607		312
Total					2 000	4 000	1 462	2 306	218	538

[1] *This is the nominal amount of exposure and excludes accrued interest.*

LIQUIDITY FACILITIES PROVIDED TO NEDBANK GROUP'S ASSET-BACKED COMMERCIAL PAPER PROGRAMME

Transaction						Assets outstanding		Liquidity facilities	
Rm	Year initiated	Rating agency	Transaction type	Asset type	Programme size	**2011**	2010	**2011**	2010
Synthesis	2004	Fitch	ABCP programme	Asset-backed securities, corporate term loans and bonds	15 000	4 044*	5 006	4 047	5 009

* *Audited.*

Nedbank Group has not engaged in any new securitisation transactions of its own assets in the period under review. 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, swap provider 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 IFRS 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). The assets are sold to the special-purpose vehicles at carrying value and no gains or losses are recognised.

TRADING MARKET RISK

Most of Nedbank Group's trading activity is executed in Nedbank Capital. This includes marketmaking and the facilitation of client business and proprietary trading in the foreign exchange, interest rate, equity, credit, and commodity markets. Nedbank Capital primarily focuses on client activities in these markets.

NEDBANK GROUP TRADING BOOK VALUE AT RISK*

	2011				2010			
Risk type	**Historical VaR (99%, one-day VaR)**				Historical VaR (99%, one-day VaR)			
Rm	**Average**	**Minimum[1]**	**Maximum[1]**	**Year-end**	Average	Minimum[1]	Maximum[1]	Year-end
Foreign exchange	**3,5**	**0,7**	**13,6**	**3,9**	2,2	0,6	6,7	3,9
Interest rate	**8,8**	**5,1**	**14,2**	**5,1**	9,0	3,9	14,9	6,2
Equity	**4,0**	**2,2**	**10,6**	**9,2**	3,6	1,4	9,3	2,8
Credit	**2,7**	**1,3**	**4,0**	**2,3**	2,8	0,8	4,0	4,0
Commodity	**0,3**	**0,0**	**1,1**	**0,8**	0,7	0,0	1,5	0,2
Diversification[2]	**(7,3)**			**(7,4)**	(7,3)			(6,2)
Total VaR exposure	**12,0**	**5,9**	**21,0**	**13,9**	11,0	6,1	18,3	10,9

[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 to manage the exposure to trading market risk. These measures include:

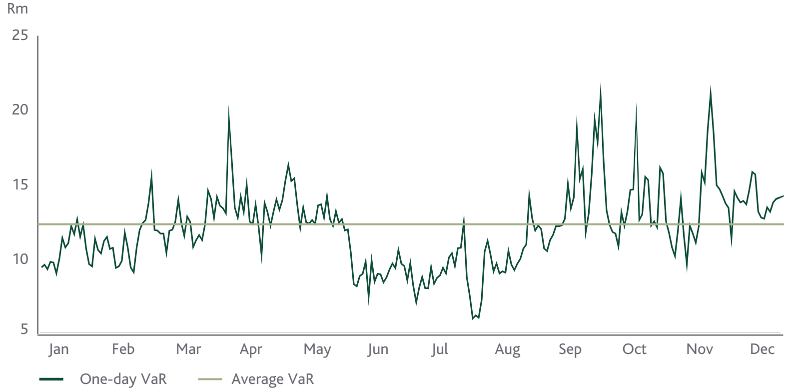
- Risk limits based on a portfolio measure of market risk exposures referred to as VaR, including expected tail loss.
- Scenario analysis, stress tests and other analytical tools that measure the potential effects on the trading revenue arising in the event of various unexpected market events.

While VaR captures Nedbank Group's exposure under normal market conditions, sensitivity and stress and scenario analysis (and in particular stress testing) are used to add insight into the possible outcomes under abnormal market conditions.

Nedbank Group's trading market risk exposure expressed as average daily VaR increased in 2011 by 9% from R11m to R12m. The economic and financial outlook in 2011 was uncertain against the backdrop of a fragile global economy and the threat of sovereign default in the Eurozone. This negatively impacted the risk appetite in all the market risk categories.

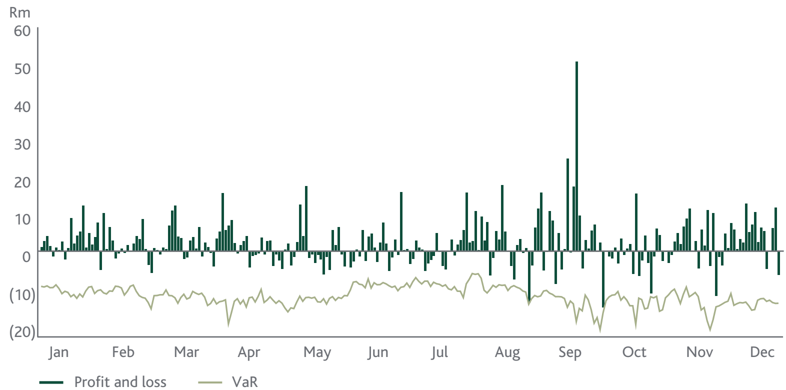
* *Audited.*

VALUE-AT-RISK UTILISATION FOR 2011 (99%, ONE-DAY VaR)



The graph above illustrates the daily VaR for the 12-month period from 1 January to 31 December 2011. Nedbank Group remained within the approved risk appetite and the VaR limits allocated by the board, which remain low, with market trading risk consuming only 1,6% and 1,2% of group economic capital and regulatory capital respectively.

VALUE-AT-RISK PROFIT AND LOSS FOR 2011



VaR is an important measurement tool and the performance of the model is regularly assessed. The approach for assessing whether the model is performing adequately is known as backtesting, which is simply a historical test of the accuracy of the VaR model. To conduct a backtest the bank reviews the actual daily VaR over a one-year period (on average 250 trading days) and compares the actual and hypothetical daily trading revenue (including net interest but excluding commissions and primary revenue) with the VaR estimate and counts the number of times the trading loss exceeds the VaR estimate.

Nedbank Group used a holding period of one day with a confidence level of 99%, and had no backtesting exceptions for the 12-month period from 1 January to 31 December 2011.

Nedbank Group's trading businesses (including net interest, 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 209 days out of a total of 249 days in the period. The average daily trading revenue generated for the period, excluding that related to investment banking, was R6,02m (2010: R6,03m).

As part of the Basel II.5 update to the Banks Act regulations, implemented in SA on 1 January 2012, the RWA for market risk will require an add-on for stressed VaR as opposed to being based purely on normal VaR as required by Basel II. This will result in an approximate doubling of the RWA required for market risk, but will have a small impact on normal capital adequacy ratios due to Nedbank Group's risk profile having a very low market trading risk component. This is incorporated in the pro forma Basel II.5 ratios at 31 December 2011 shown elsewhere in this report.

EQUITY RISK (INVESTMENT RISK) IN THE BANKING BOOK

The total equity portfolio for investment risk is R4 385m (2010: R3 919m). R3 240m (2010: R2 897m) is held for capital gain, while the rest is mainly strategic investments.

INVESTMENTS*

	Publicly listed		Privately held		Total	
Rm	**2011**	2010	**2011**	2010	**2011**	2010
Fair value disclosed in balance sheet (excluding associates and joint ventures)	**796**	536	**3 049**	2 475	**3 845**	3 011
Fair value disclosed in balance sheet (including associates and joint ventures)	**796**	536	**3 589**	3 383	**4 385**	3 919

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, 5,1% of the group's total economic capital requirement and 4,4% of the group's regulatory risk capital.

EQUITY INVESTMENTS HELD FOR CAPITAL GAIN (PRIVATE EQUITY) REPORTED IN NIR

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	**2011**	2010	**2011**	2010	**2011**	2010
Securities dealing	**(79)**	3	**152**	(46)	**(231)**	49
Investment income – dividends received	**402**	225	**97**	194	**305**	31
Total	**323**	228	**249**	148	**74**	80
Realised	**499**	230	**230**	214	**269**	16
Unrealised	**(176)**	(2)	**19**	(66)	**(195)**	64
Total	**323**	228	**249**	148	**74**	80

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.

INSURANCE RISK

Insurance risk arises in the Nedbank Wealth Cluster and is covered by Nedgroup Life Assurance Company Limited (Nedgroup Life) and Nedgroup Insurance Company Limited (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 limited vehicle-related value-add products for the retail market.

The Nedbank Wealth Cluster, which also provides wealth management and asset management services, is a capital and liquidity 'light' business that generates high returns off a low risk profile. Accordingly, it is a 'high growth' area in the group's portfolio tilt strategy and insurance risk consumes only 0,6% of total group economic capital. The solvency ratios are set out earlier in this report.

* *Audited.*

Reporting standard

GRI G3.1: SO2, SO3, SO4, PR3, PR6

Cross-referencing

Environmental sustainability Pages 96 – 211

The FSB is introducing a revised prudential regime for insurance, the SAM regime, to ensure that regulation of the SA 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 2013. SAM, like Basel II, is based on three pillars and is intended to be implemented in 2014.

The group is on track to implement the regulatory requirements of SAM proactively, with a focus on the strategic intent to optimise the new regime. During 2011 the first Quantitative Impact Study was submitted to the FSB. This study was done to determine the likely capital levels, analyse the work required to ensure compliance and to design a solution in respect of the three pillars of SAM. SAM will not have a material impact on the group's capital adequacy position and the interim requirements ahead of full implementation are being met.

OPERATIONAL RISK*

In December 2010 Nedbank Group was granted approval by the SARB to use the AMA with diversification. Consequently, the group now calculates its operational risk regulatory capital requirements using partial and hybrid AMA.

This approval by the SARB confirms the existence, across the group, of sound operational risk governance practices aimed at identifying, measuring and mitigating operational risks. The group continued investing in the improvement of its operational risk measurement and management approaches in 2011.

The AMA Operational Risk Management Framework as approved by the board's Group Risk and Capital Management Committee and any subsequent amendments are tabled on an annual basis for consideration. The AMA methodologies contained therein have already been rolled out and embedded in the businesses, including those for the purposes of economic capital and the ICAAP.

OPERATIONAL RISK STRATEGY, GOVERNANCE AND POLICY

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. The main sources of operational risk include:

* *Audited.*

LEGAL RISK

Legal risk arises from the necessity that the group conducts its activities in conformity with the business and contractual legal principles applicable in each of the jurisdictions where the group conducts its business. The possibility of a failure to meet these legal requirements may result in unenforceable contract disputes, litigation, fines, penalties or claims for damages or other adverse consequences.

COMPLIANCE AND REGULATORY RISK

Compliance and regulatory risk has become increasingly significant and there continues to be considerable demand for compliance with various new and amended regulatory requirements. Nedbank Group remains committed to the highest regulatory and compliance standards, especially due to the increasing scale and complexity of laws and regulations.

INFORMATION TECHNOLOGY RISK

Technology risk stems from risks associated with misalignment with business strategy; an uncoordinated or inefficient IT strategy; failure of projects to deliver desired change, data protection and information privacy; effects of physical disasters on information systems; IT outsourcing, IT performance and information systems governance. The Group Technology Cluster manages information and technology risk through the Technology Management Policy.

PEOPLE RISK

People risk is the risk associated with inadequacies in human capital and the management of human resources, policies and processes resulting in the inability to attract, manage, motivate, develop and retain competent resources, with concomitant negative impact on the achievement of strategic group objectives. The group vigorously manages people risk through Group Human Resources.

PERSONNEL INTEGRITY MANAGEMENT

Nedbank Group expects all its staffmembers to maintain standards of honesty, integrity and fair dealing and to act with due skill, care and diligence. Nedbank Group minimises people risk by ensuring that controls are incorporated into the recruitment and selection processes of all employees, including contractors, temporary employees and consultants. This process aims to minimise the group's vulnerability to fraud, embezzlement, theft, corruption and mismanagement of job responsibilities. It also cultivates a culture of business ethics and integrity in keeping with Nedbank Group's values, and endorses the Code of Good Banking Practice that states that 'Banks will conduct their business with uncompromising integrity and fairness so as to promote complete trust and confidence in the banking industry'.

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.

Nedbank Group ensures screening of these persons every 24 months to ensure the highest level of honesty and integrity. All new appointments of directors or executive directors, as required by the Banks Act, 94 of 1990, are screened to comply with the requirements of honesty and integrity. This also reduces the potential for conflicts of interest.

FINANCIAL CRIME

Nedbank Group considers financial crime to be a major operational risk that leads to significant losses, and it is for this reason that the group pursues a vigorous policy of mitigating the risk through active risk management.

FRAUD RISK MANAGEMENT

Crime not only causes financial losses, but also undermines the very fabric of society. Nedbank Group combats fraud and dishonesty in its own ranks and strives to protect its shareholders, clients and stakeholders 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

Nedbank Group maintains a policy of zero tolerance towards any dishonesty among staffmembers. In 2011 a total of 194 staffmembers were dismissed as a result of internal investigations. This is a decrease of 19,5% compared with 2010.

ASSESSMENT OF FRAUD RISK

The risk of internal and external fraud is evaluated on several levels:

- Risk control self-assessments are conducted on an ongoing basis to ensure that the appropriate controls are in place and monitored effectively.
- Fraud key risk and control indicators have been developed and are monitored, tracked and reported on in accordance with the Operational Risk Management Framework (ORMF).
- Facilitated fraud risk assessments are undertaken as outlined in the International Standards for 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.

DUE-DILIGENCE INVESTIGATIONS

Due-diligence investigations are performed at the start of any prospective relationship with clients, partners, vendors, agents, intermediaries or joint venture partners. In addition, ongoing assessment is performed on the commercial, political, social and security environment where such business is undertaken, or 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 2011 a total of 1 020 due-diligence investigations were performed in 50 countries.

INTERNAL AND EXTERNAL WHISTLEBLOWING REPORTING LINES

Nedbank Group strives to create a safe and enabling environment where concerns, irregularities and anonymous reports of unethical conduct, including theft, fraud and corruption can be reported safely and without fear of retribution and victimisation. Various reporting channels are available to employees, vendors, service providers and clients and a new reporting website will be launched during 2012.

Security- and fraud-related incidents can be reported, around the clock, through an internal reporting line, which is supported by an external, independently managed whistleblowing hotline, available to staff and clients. The facility also extends to Nedbank Africa subsidiaries in Namibia, Swaziland, Lesotho, Malawi and Zimbabwe. An ethics panel has been established for the appropriate handling of reports of a sensitive or serious nature.

Efforts are made to educate staff around the group about the existence of the whistleblowing facility and to help them detect the signs of possible fraudulent or improper activity. In 2011 a total of 1 606 anonymous tipoffs were received (2010: 1 497).

ONLINE FRAUD

The increasing effectiveness of worldwide internal measures to mitigate fraud risk in financial institutions has led organised crime groupings to shift their attention to those environments over which financial roleplayers have less control, specifically the clients of banks. In addition to its ongoing efforts to increase public awareness of cybersafety, Nedbank Group has developed measures to prevent and detect possible online fraud attempts against its clients. This has led to a year-on-year decrease of 52% in the average loss sustained by clients who had compromised their online banking credentials through non-adherence to elementary online safety principles.

CORRUPTION

Corruption is a key cause of unsustainable businesses. As a responsible lender and corporate citizen, Nedbank Group is opposed to corruption in all its manifestations. In the fourth quarter of 2011 66% of Nedbank Group staff, including Mike Brown and the group Exco, signed an anti-corruption pledge committing themselves to take a stand against corruption and to uphold ethical and transparent business practices. In addition, Nedbank Group embarked on a programme to ensure compliance with the new UK Bribery Act. Fraud and corruption risk assessments were conducted in all subsidiaries of the group.

Reporting standard

GRI FSSS: FS4, FS15

WHISTLEBLOWING

The Whistleblowing Policy guarantees an environment free of victimisation, in which staff can report suspected dishonest or criminal behaviour. An independently run hotline guarantees absolute anonymity of any such whistleblowers. In 2011 a total of 895 whistleblowing reports were referred for investigation to Group Forensic Services. A total of 47 of these investigations led to disciplinary action against staffmembers.

CYBERCRIME RISK

Nedbank Group has taken note of the increasing impact of cybercrime on the banking industry and its clients and has established extensive internal digital forensic and e-discovery capabilities to deal with this risk effectively. The group also provides training and awareness in digital forensics at tertiary institutions and to the law enforcement community in SA.

The group is working with other financial institutions through the South African Bank Risk Information Centre (SABRIC) to establish a financial sector cyber-security incident response team (CSIRT). This will be aligned with the envisaged national CSIRT in the Draft Cybersecurity Policy of SA issued by the Department of Communication to implement proactive measures to reduce the risks of cybercrime and cybersecurity incidents as well as to respond to such incidents when they occur.

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. In 2011 all information security responsibilities for the group were consolidated under a Chief Information Security Officer. Nedbank Limited 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.

As a result of the effective cooperation in the financial sector CSIRT, the SA financial sector will be viewed as a less attractive target for both local and international fraudsters, thereby reducing security costs and contributing to a safer and more clientfriendly electronic banking environment.

PHYSICAL SECURITY RISK

The focus for security in 2011 was to maintain and improve the outstanding results achieved in 2010. This objective was achieved, however, in comparison with the financial services industry as a whole, Nedbank Limited experienced a slight increase in armed robberies. However, ATM attacks were reduced.

Focal points for 2012 will include the rollout of additional security measures for branches and ATMs and strengthening of relationships with the South African Police Service (SAPS), and National Prosecuting Authority for the banking sector through the facilitation of SABRIC.

COOPERATION WITH THE CRIMINAL JUSTICE SYSTEM

In 2011 Nedbank Group reported 497 suspicions of corruption and/or fraud in excess of R100 000 to the SAPS in terms of section 34 of the Prevention and Combating of Corrupt Activity Act. The group was also able to assist the SAPS in its investigations by responding to 3 697 subpoenas.

MONEY-LAUNDERING, TERRORIST FINANCING AND SANCTIONS RISK MANAGEMENT

Nedbank Group does not associate, in any way, with money-laundering activities or terrorist financing. Clearly defined policies and procedures ensure compliance with all statutory requirements and regulatory obligations or, in the absence of these, that agreed security standards are met. The group takes a proactive approach by endeavouring to identify any business relationships or applications for business relationships or transactions with individuals, entities and countries targeted in financial sanctions legislation.

The Business Risk Management Forum (BRMF), a Group Executive subcommittee chaired by the Chief Risk Officer, is mandated to provide strategic direction for, and monitor the effective implementation of, anti-money-laundering (AML), combating the financing of terrorists (CFT) and sanctions compliance initiatives throughout the group. The Money-laundering Control Programme (MLCP) Executive Steering Committee, a subcommittee of the BRMF, ensures the internationalisation and operational implementation of AML, CFT and sanctions compliance.

Nedbank Group Risk maintains a close and transparent working relationship with the Financial Intelligence Centre (FIC), and attends bimonthly meetings with the FIC and SARB Bank Supervision Department to ensure compliance with their requirements and obtain clarification where necessary.

2011 KEY PERFORMANCE INDICATORS

At end 2011 a total of 4 745 528 client records were reflected on Nedbank Group's Client Information System as having been verified. Of the 119 797 non-verified client records 95 464 have been restricted, with 24 333 records in the process of being restricted. The number of non-verified, not yet restricted records equates to 0,42% of the total number of records, which is below the BRMF-approved risk threshold of 0,5%. Training for AML and CFT remains a high priority. For the 24 months to 31 December 2011 a total of 85% of employees completed the awareness training for AML and CFT.

The Awareness Training for AML/CFT was updated to align with the FIC Amendment Act, which became effective 1 December 2011.

Annual directors' training programmes for money-laundering, terrorist financing and sanctions risk management were presented to the Group Risk and Capital Management Committee on 12 October 2011 in compliance with SARB, FIC and international requirements.

LOOKING FORWARD

Group Regulatory Risk Programmes continue to enjoy the full support of group, cluster, and business line executives. All key decisionmakers are active members of the MLCP 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.

Given the challenging economic climate and pressures on already scarce knowledgeable resources, Nedbank Group will continue to focus on the implementation of innovative initiatives that limit money laundering and terrorist financing and to promote sanctions compliance in the months and years ahead.

BUSINESS CONTINUITY MANAGEMENT

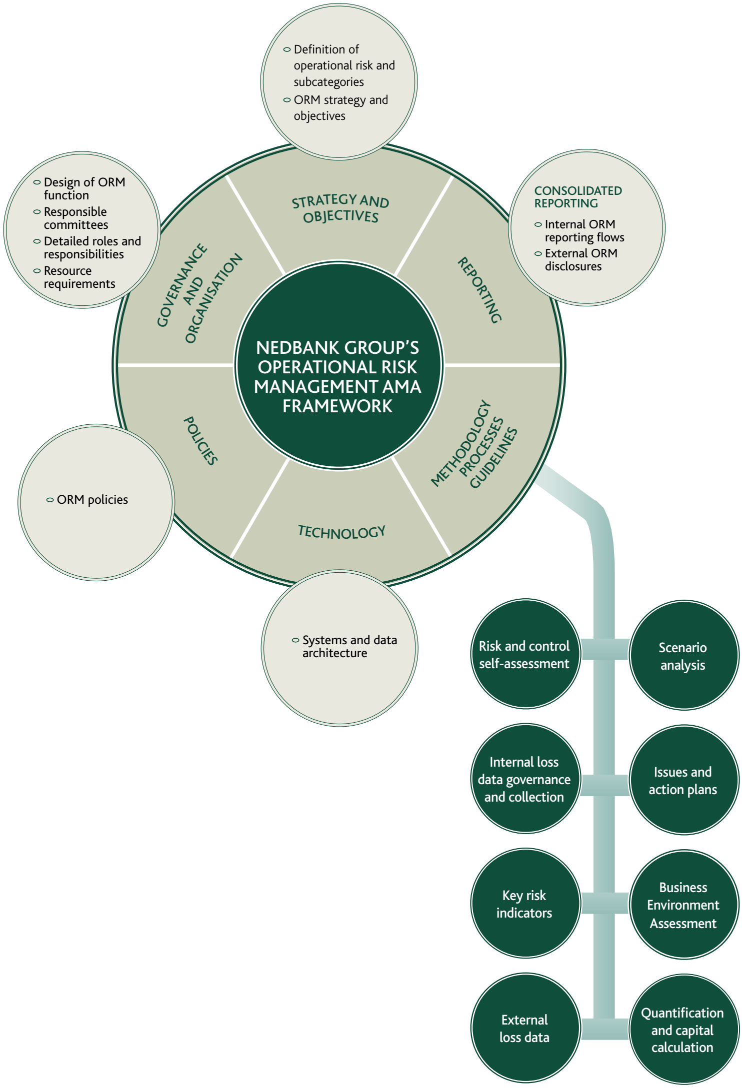
Business continuity management (BCM) is aimed at ensuring resilient group business activities in emergencies and disasters. The BCM function provides overall guidance and direction, monitors compliance with regulatory and best-practice requirements and facilitates regular review of BCM practices. Identified critical business units conduct annual business recovery tests from three regional business resumption areas, while all Payments Association of SA (PASA)-related recovery is tested in conjunction with the quarterly disaster recovery tests at the group's disaster recovery site. Business recovery tests and disaster recovery tests conducted during the course of 2011 were successful.

MANAGEMENT OF OPERATIONAL RISK

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 ERMF.

The primary responsibilities of GORM are to develop, maintain and champion the Group Operational Risk Management Framework, policies and enablers to support Operational Risk Management (ORM) in the business as well as the implementation of the Basel II and regulatory requirements and international best practice for ORM.

The diagram below depicts the Nedbank Group AMA ORMF elements



Specialist functions in Group Risk, for example Forensic Services, Business Continuity Planning, Group Legal and Corporate Insurance, also assist 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 Risk and Capital Management Committee. Group Internal Audit, being the third line of defence, provides assurance to GORC.

OPERATIONAL RISK MEASUREMENT, PROCESSES AND REPORTING SYSTEMS

The primary operational risk measurement processes in the group are 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.

INTERNAL LOSS DATA COLLECTION AND KEY RISK INDICATOR TRACKING

The internal loss data collection process and KRI tracking are backward-looking and enable the monitoring of trends and the analysing of the root causes of loss events. Operational risk losses are reported on in the Nedbank Internal Loss Data Collection System. 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.

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, 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

The purpose of using external data is to incorporate infrequent, yet relevant and potentially severe, operational risk exposures into 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.

The group joined the Operational Riskdata eXchange Association (ORX) in January 2011 to improve the accuracy and relevancy of external loss data used in the model. In addition, the group subscribes to the SAS® OpRisk Global Database.

SCENARIO ANALYSIS

Scenario analysis is also 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 unexpected loss 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.

CAPITAL MODELLING AND CAPITAL ALLOCATION

An AMA capital model is applied to determine the group's operational risk capital requirements. The model goes through review, validation and approval in accordance with group's operational risk governance processes. Operational risk capital is allocated to clusters in the form of economic capital on a risk-sensitive basis. This allocation provides an incentive to improve controls and to manage these risks within established operational risk appetite levels.

BUSINESS ENVIRONMENT AND INTERNAL CONTROL FACTORS

The group takes into account business environment and internal control factors during the conduct of risk and control self-assessments. Consideration of internal control and business environment factors enables the group to take into account any changes in the external and internal business environment, consider inherent risks as a result of any changes in the business environment and design appropriate controls.

REPORTING

A well-defined and embedded reporting process is in place. Risk profiles, loss trends and risk mitigation actions are reported to and monitored by the risk governance structures of the group.

INSURANCE OBTAINED TO MITIGATE THE BANK'S EXPOSURE TO OPERATIONAL RISK

The group has a well-structured insurance programme for its financial and non-financial risks to mitigate its operational and fraud exposures. The group has an insurance operation that reports to the Group Chief Risk Officer and is responsible for the design and management of the principle insurance programmes addressing the group 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 operating environment.

Cross-referencing
Stakeholder overview: Clients
Pages 20 – 22

Cover is reviewed annually and, wherever possible, cover is extended to align with Nedbank Group's strategy and aspirations. A recent example of this was the inclusion of a 'green clause' in the group's asset insurance, allowing additional cost cover to ensure that any buildings that are damaged or destroyed can be replaced with structures that meet the group's green standards .

The Group Insurance 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 comprehensive crime and professional indemnity.

Insurance programme highlights in 2011 included:

- A three-year reduction in premium.
- Maintenance of form in challenging market conditions.
- Maintenance of deductible levels where markets were looking to increase client retention.
- Broadening of market relationships.
- Increased participation (Lloyds syndicates, London company markets and SA markets).
- Strong lead markets representation.
- Avoidance of concentration risk by preventing an overreliance on any one specific market.
- Development of additional market capacity.
- Achievement of full retroactive cover for higher limit.
- The introduction of a green clause in assets insurance coverage – a first in SA.

COMPLIANCE RISK MANAGEMENT

The fact that Nedbank Group operates globally means it is subject to a variety of complex local and international laws, regulations and supervisory requirements. The group therefore has board-approved policies, procedures and governance structures that direct compliance risk management and associated activities and the board 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.

The following were some of the key regulatory developments in 2011:

COMPANIES ACT

The Companies Act, 71 of 2008 (as amended), came into effect on 1 May 2011. Nedbank Group completed an assessment of the full effect of the act on its business, and continues to monitor compliance with the act across the group, and how the courts will interpret the provisions of this new legislation. Processes have been put in place to meet the compliance requirements and to mitigate credit risks.

THE CONSUMER PROTECTION ACT

The act and regulations came into effect on 31 March 2011. Nedbank Group's processes and documentation have been amended to align with the provisions of the act.

PROTECTION OF PERSONAL INFORMATION BILL

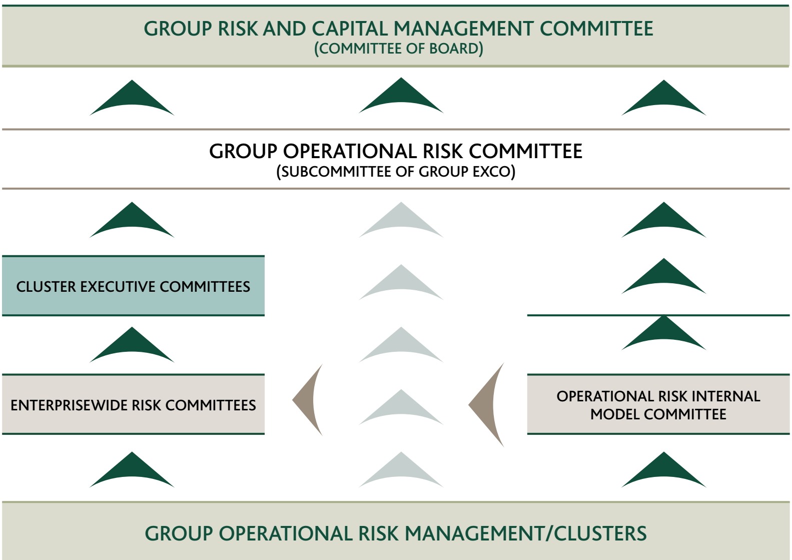
Nedbank Group is reviewing current systems and processes to ensure compliance with this anticipated legislation. The Minister of Justice announced in Parliament that the legislation is expected to be passed in 2012.

The Protection of Personal Information Bill was tabled before Parliament in August 2009 and governs all aspects of processing of the personal information of individuals and juristic persons. Nedbank Group has been highly proactive in respect of this bill and implemented a programme that included:

- An extensive staff awareness campaign.
- Enhanced reporting processes in respect of loss of information.
- Appropriate encryption and controls on all Nedbank Group computers.
- The appointment of the Information Protection Officer.
- Introduction of a regulatory programme to address the principles of privacy embodied in the bill.

OPERATIONAL RISK GOVERNANCE STRUCTURE

The diagram below depicts the operational risk governance structure within Nedbank Group.



ENTERPRISE GOVERNANCE AND COMPLIANCE REVIEW

Integral to Nedbank Group's commitment to good governance is compliance with recognised best practice codes. The organisation believes that sound corporate governance ensures that the business operations and conduct of the company are transparent and makes the company accountable to all stakeholders referred to, including employees, clients and shareholders.

Reporting standard

GRI G3.1: 4.1, 4.2, 4.3, 4.6, 4.7, 4.8, 4.9, 4.10

Cross-referencing

Chairman's Report Pages 34 – 36

Nedbank Group operates within a clearly defined governing framework that sets out all governance and compliance aspects of the organisation. Involving far more than mere compliance with legislation, this governing framework enables Nedbank Group to focus on a number of areas, including:

- Efficiency and profitability within acceptable risk parameters.
- Implementation of the group's strategy within defined compliance requirements.
- Adherence to ethical and proper corporate behaviours.
- Balancing, within a framework of accountability, the interests of shareholders and other stakeholders who may be affected by the conduct of directors or executives of the group.
- Prevention of conflicts of interest between the business interests of the group and personal interests of directors or executives.
- Timeous and accurate disclosure of matters that are material to the business or the interests of stakeholders.
- Balance between conformance with governance constraints and an entrepreneurial spirit.
- Achievement of balanced and integrated economic, social, environmental and cultural performance (integrated sustainability) across the business.
- Efficient and effective functioning of the Enterprisewide Risk Management Framework.
- Compliance with the provisions of the Code of Conduct of the King III Report on Corporate Governance 2009, all acts and regulations affecting the financial services industry, and the UK Code of Corporate Governance.

ALIGNMENT TO KING III

Integral to Nedbank Group's commitment to good governance is compliance with recognised best practice codes. The organisation believes that sound corporate governance ensures that the business operations and conduct of the company are transparent and makes the company accountable to all stakeholders referred to, including employees, clients and shareholders.

King III, to which Nedbank Group subscribes, is recognised as the definitive code for listed and unlisted companies in SA.

Since the effective date of King III in March 2010 Nedbank Group has endeavoured to apply the principles of King III in a practical manner, and in 2011 the group continued to review its practices based on these principles. Where King III practices or principles are not applied in the business, this is clearly explained to stakeholders and, where necessary, other controls are put in place to ensure sound governance.

The board was satisfied with the way the group applied many of the recommendations of King III and with the alternative measures put in place. The group has made further improvements that include the following:

- The Enterprise Governance and Compliance Cluster has strengthened the ethical foundation across the group, including the revision of the Nedbank Board Ethics Statement, the creating of a userfriendly Nedbank Code of Business Ethics and Code of Conduct, and the development of a Nedbank pledge for agreement by all staffmembers and directors. Considerable work has also gone into mentoring and guiding more than 15 000 employees in the adoption and application of ethical business practices, as well as the development of dedicated channels to reinforce positive, values-driven behaviour. Projects that have been rolled out in 2011 include full King III implementation within the group, and the streamlining of governance processes in Namibia, Malawi, Lesotho, Zimbabwe and Swaziland.
- Nedbank Group Technology enhanced the controls implemented with the aim of embedding the information technology (IT) governance recommendations of King III. The relevant sections of King III were analysed, focusing on the details of the governance requirements, the characteristics of the controls needed to address the requirements, and the inherent risk posed by the governance requirements. The controls put in place by Nedbank Group Technology to address the identified governance risks were assessed, and the process and findings thereof documented in a governance risk and controls assessment.

Some of the group's sound governance practices are:

- The business has continued to sensitise all staffmembers to governance, compliance and risk documentation, including the Environmental Policy, the Corporate and Social Responsibility Policy, the Carbon Footprint Survey, Risk Committee assessments, the Code of Business Ethics and the Vendor Management Policy. Compliance with these policies is tracked and assessed regularly.

- Chris Ball, who was previously the lead independent director, has retired from the Nedbank Group board on 6 May 2011 and Malcolm Wyman has been fulfilling the function.
- At 31 December 2011 altogether 14 of the 17 board members were non-executives, eight of which were independent (47%).
- Boards from Nedbank Group's subsidiary companies have been aligned with Nedbank Group's board in terms of skill, diversity, composition and experience.
- Board evaluations are completed annually and every two years an external vendor is appointed to do an evaluation of the board, chairman and directors.
- Board and committee charters are reviewed annually. In 2012 the Executive Committee (Exco) subcommittees will also be reviewed. For a detailed explanation of the committee functions refer to pages 428 and 429.

NEDBANK GROUP'S APPROACH TO COMPLIANCE RISK

The Nedbank Risk Appetite Policy follows a zero-tolerance approach to compliance risk. The board-approved Compliance Policy takes this stance even further by mandating compliance with all regulatory requirements. Compliance is monitored via the Group Directors' Affairs Committee, a board committee established in terms of the Banks Act, 94 of 1990. For further details on how Nedbank Group manages compliance risk refer to pages 422 and 423.

DETAILS OF THE ALTERNATIVE PRACTICES APPLIED WHERE KING III IS NOT APPLIED

The current Chairman is not independent as defined by the governance codes as he also serves on the board of the group's parent company, Old Mutual plc. Recognising this, the position of Lead Independent Director was created in 2007 and is currently held by Malcolm Wyman.

The board of directors has deliberated over the King III recommendations that non-executive remuneration should comprise a base fee and an attendance fee per meeting. The board is of the view that this requirement is less pertinent to non-executive directors of Nedbank Group due to the greater responsibilities associated with being a director of a bank and the requirement for board members to provide input on an ongoing basis, over and above attendance of board meetings.

The manner in which directors are selected, the internal discipline and regular independent evaluation continue to engender high levels of commitment among board members, and their attendance of and participation at scheduled meetings attest to this. Accordingly, the directors are paid an annual fee for their services as directors, as proposed by the Remuneration Committee and in line with legislative requirements.

UK CODE OF CORPORATE GOVERNANCE

Nedbank Group is listed on JSE Limited. However, the group also complies with codes and practices applicable to its parent company, Old Mutual plc, which subscribes to the UK Code of Corporate Governance. Current areas of non-compliance with this code are outlined as follows:

- As stated previously the group's Chairman, Reuel Khoza, is a non-executive director, but not independent. Recognising that the Chairman is not an independent director, and in line with the recommendations of the UK Code, the position of Lead Independent Director was created in 2007.

INDEPENDENCE OF DIRECTORS

The board provides for independent and objective input into the decisionmaking process, thereby ensuring that no one director holds unfettered decisionmaking powers.

During 2011 the board internally assessed the status of the Nedbank Group independent non-executive directors and satisfied itself that these board members met the criteria of independent directors in terms of King III. Independence is debated by the Group Directors' Affairs Committee following detailed analysis of the circumstances of all the independent non-executive directors.

BOARD APPOINTMENTS AND EVALUATIONS

Board appointments and evaluations are conducted in a formal and transparent manner, in line with the board appointment policy. This process is undertaken by the board as a whole, assisted by the Group Directors' Affairs Committee. Any appointments to the Nedbank Group board are made with due cognisance of the need to ensure that the board comprises a diverse range of skills, knowledge and expertise, the requisite independence, appropriate demographic representation, and a relevant balance between skills and expertise and the professional and industry knowledge necessary to meet the group's strategic objectives. Directors are given no fixed term of appointment, while executive directors are subject to 12 months notice periods. An executive director is required to retire from the board at age 60, while a non-executive director is required to retire at age 70.

In terms of Nedbank Group policy, non-executive directors and independent non-executive directors of

Cross-referencing

Sustainability, governance structure and policy framework
Page 83

Cross-referencing

Board of directors
Pages 38 – 41

Nedbank Group who have served on the board for a period longer than nine years are required to retire from the board. Prof B de L Figaji reached the nine-year limit on 25 November 2011 and retires as a director at the close of the Nedbank Group annual general meeting on 4 May 2012.

Reappointment of non-executive directors is not automatic. Executive directors are discouraged from holding directorships outside the group. Independent appraisal of the boards of Nedbank Group Limited and Nedbank Limited are undertaken and include an evaluation of the effectiveness of the board committees, the chairman and other board members individually. This is done every second year.

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

THE BOARD OF DIRECTORS

ROLE AND COMPOSITION

In line with the recommendations of King III Nedbank Group has a unitary board structure. At 31 December 2011 the Nedbank Group board comprised the following 17 directors:

INDEPENDENT NON-EXECUTIVE DIRECTORS (8)

- Mpho Makwana
- Thenjiwe Chikane
- Prof Brian Figaji
- Alan Knott-Craig[1]
- Wendy Lucas-Bull
- Nomavuso Mnxasana
- Joel Netshitenzhe
- Malcolm Wyman

NON-EXECUTIVE DIRECTORS (6)

- Tom Boardman
- Mustaq Enus-Brey
- Don Hope
- Dr Reuel Khoza (Chairman)
- Julian Roberts
- Gloria Serobe

EXECUTIVE DIRECTORS (3)

- Mike Brown (Chief Executive)
- Graham Dempster (Chief Operating Officer)
- Raisibe Morathi (Chief Financial Officer)

[1] *After the year-end Alan Knott-Craig resigned as a director on 24 February 2012.*

CHAIRMAN AND CHIEF EXECUTIVE

There is no overlap between the roles of the Chairman and the Chief Executive. The Chairman, Reuel Khoza, leads the board, while the executive management of the group is the responsibility of the Chief Executive, Mike Brown. This ensures a balance of authority and power, so that no one individual has unrestricted decisionmaking powers. At the same time the board and executive management work closely together in determining the strategic objectives of the group.

COMPANY SECRETARY AND DIRECTOR DEVELOPMENT

All directors have access to the advice and services of the Company Secretary, the Chief Governance and Compliance Officer and the Chief Risk Officer, who are responsible (inter alia) for ensuring that board procedures and applicable rules and regulations are fully observed.

The Company Secretary is responsible for all the board packs and ensuring good information flow between the board and executive management. The Company Secretary ensures that sound governance is maintained at all times.

The board also has an established procedure in the furtherance of its duties, whereby directors may obtain independent professional advice at the group's cost. New directors are informed of their duties and responsibilities by way of induction courses, which are presented by the Company Secretary and other experts on board effectiveness, corporate governance, risk management, integrated sustainability and banking and technical information.

A formal, ongoing director development programme focuses on keeping all members of the board and board committees up to date with local and international industry developments, technology issues, risk management and corporate governance best practice. All business cluster heads also undertake regular presentations to update the board on progress and key issues in their businesses. In accordance with board policy, as well as the SARB requirement that all directors should continue with formal and informal development, the directors have undergone various training initiatives, internally and externally at the Gordon Institute of Business.

SUCCESSION PLANNING

Succession planning is an important focus area at board, executive and senior management level. Detailed and intensive planning is conducted through the Chairman's Office in consultation with the Group Directors' Affairs and Group Remuneration Committees. The Chief Executive is required to report regularly to the board on the group's management development and employment equity programmes. This is discussed in more detail on pages 143 to 145.

BOARD AND COMMITTEE MEETINGS

The Nedbank Group board met eight times in 2011. The record of attendance at all 2011 board and board committee meetings for Nedbank Group and Nedbank Limited is included at the end of this Enterprise Governance and Compliance Report on pages 430 and 431. Board members who do not attend meetings would only do so if there are exceptional circumstances, and with the approval of the Chairman.

BOARD CHARTER

The board has a formal charter that is reviewed by the directors annually. It currently sets out the main functions of the board as:

- determining the overall objectives for the group;
- reviewing and accepting management strategies to meet those objectives;
- formulating company policies;
- evaluating management performance on the basis of the group's results;
- assuming overall responsibility for risk management; and
- evaluating the performance of the group's directors in order to self-correct.

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

BOARD COMMITTEES

The board committee structure is designed to assist the board in the discharge of its duties and responsibilities. Each board committee has formal written terms of reference that are reviewed on an annual basis and effectively delegated in respect of certain of the board's responsibilities. The board monitors these responsibilities to ensure effective coverage of, and control over, the operations of the group.

During 2011 the following board committees operated within Nedbank Group:

- **Group Audit Committee (GAC)** assists the board in its evaluation and review of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within Nedbank Group, and highlights measures to enhance the credibility and objectivity of financial statements and reports prepared.
- **Group Risk and Capital Management Committee (GRCMC)** assists the board of directors in:
  - evaluating the adequacy and efficiency of risk policies, procedures, practices and controls;
  - identifying the buildup and concentration of risk;
  - developing risk mitigation techniques;
  - ensuring formal risk assessment;
  - identifying and monitoring key risks;
  - facilitating and promoting communication through reporting structures; and
  - ensuring the establishment of an independent risk management function and other related functions.
- **Group Remuneration Committee (GRC)** is authorised to approve aggregate adjustments to remuneration of employees below executive director and managing executive levels. The committee also recommends adjustments to the total remuneration of members of Group Exco. The board, following recommendations made by the Group Remuneration Committee, approves each of the Group Exco member's total remuneration. This committee is also charged with the supervision of the Nedbank Group Employee Incentive Scheme.
- **Group Credit Committee (GCC)** approves the group's credit philosophy and policies, sets credit limits and guidelines, confirms procedures to manage, control and price credit risk, approves the adequacy of interim and year-end provisions impairments and monitors credit risk information, processes and disclosure. Apart from the GCC, the Large Exposure Approval Committee also approves large credit exposures as required by banking legislation.
- **Group Directors' Affairs Committee (DAC)** considers, monitors and reports to the board on reputational and compliance risk, compliance with King III and the corporate governance provisions of the Banks Act. It also acts as the nominations committee for board appointments.
- **The Group Information Technology Committee (GITCO)** has the broad responsibility to monitor all issues pertaining to information technology (IT), both operational and strategic, and aims to ensure alignment of IT development spend and investment with overall group strategy and direction and ensures the IT systems are efficient and effective.
- **Group Finance and Oversight Committee (GFOC)** has the primary function of providing a board discussion forum for the consideration of risks within the bank, and of ensuring that the board and the various board committees address those risks effectively.

Cross-referencing
Attendance register
Pages 430 – 431

- **Group Transformation, Social and Ethics Committee (GTSEC)** previously existed as the Transformation and Sustainability Committee and has now been re-formed to ensure compliance with the requirements of the Companies Act. Four non-executive directors are members of the committee. The Chairman is an independent non-executive director and attends the annual general meeting. The committee focuses on the monitoring of the imperative of integrated sustainability within the group with specific focus on social and economic development; good corporate citizenship; environmental concerns; health and public safety; stakeholder engagement labour and employment.

Cross-referencing
Sustainable development performance review
Pages 82 – 151

There will be a minimum of four meetings a year and such further meetings as are considered necessary to enable the committee to discharge its responsibilities. Committee meetings are attended by experts in the various fields referred to above.

The Chairman will be required to report at the annual general meeting. The first report-back will be at the 2012 annual general meeting.

Other executive committees vital to the application of sound governance principles within Nedbank Group are:

- **The Executive Information Technology Committee** assists Group Exco in ensuring that Nedbank Group has a well coordinated, efficient, effective and properly resourced IT strategy that enables the organisation to remain highly competitive.
- **The Group Asset and Liability and Executive Risk Committee** is responsible for ensuring effective management of the following:
  - Liquidity risk.
  - Capital management risk.
  - Interest rate risk, both local and foreign.
  - Investment risk.
  - Market risk, including
    - currency translation risk; and
    - trading market risk and financial instruments used for purposes other than trading (eg balance sheet hedges and investments).
- **The Mergers and Acquisitions (M&A) Steering Committee** ensures proper corporate governance oversight and control of corporate actions taken by the group.
- **The Executive Transformation and Human Resources Committee** is tasked with:
  - statutory compliance in respect of labour legislation;
  - monitoring transformation progress and the implementing of the Financial Sector Charter and meeting dti requirements; and
  - Nedbank Group employee recruitment, selection, remuneration, performance management, maintenance, training, development and, where necessary, termination.
- **The Executive Taxation Committee** monitors tax compliance and tax policy and ensures that the management of tax risk throughout the group is in accordance with Nedbank Group's tax policy.
- **The Nedbank Capital Investment Committee** considers private equity and mezzanine equity investments and the underwriting of share issues, including initial approval, periodic reviews and any material changes.
- **The Nedbank Corporate Property Investment Committee** considers private equity investments

in client-driven property ventures, and strategic investments in the listed-property sector and allied service companies, including initial approval, periodic reviews and any material changes.

- **The Business Risk Management Forum** provides leadership in assessing the impact of any new regulatory requirements and legislation across Nedbank Group and promoting, directing and overseeing the successful implementation thereof.
- **The Nedbank Brand Committee** assists Group Exco in:
  - monitoring and reporting on brand health and repositioning the Nedbank brand;
  - revising and amending the master brand repositioning plan in the context of group strategy;
  - approving strategies for key brand-building campaigns, programmes or initiatives;
  - performing strategic reviews of competitor positioning and marketing initiatives;
  - ensuring alignment and coordination of groupwide marketing activities in respect of business and brand strategy;
  - optimising groupwide marketing spend, including monitoring and reporting on investment and making strategic recommendations on optimal investment; and
  - ensuring consistency in the application of marketing policies and processes.
- **Group Operational Risk Committee** has as its main aims:
  - to provide a group executive governance structure for the oversight of the implementation of the Operational Risk Management Framework (ORMF) and to recommend any changes for approval to the Group Risk and Capital Management Committee (GRCMC); and
  - to ensure senior management oversight for any changes to operational risk capital requirements and recommend any changes to Group Exco and to GRCMC for approval.

Nedbank Group subscribes to the Code of Banking Practice of The Banking Association South Africa, which governs all relationships with authorities, clients, competitors, employees, shareholders, local communities and other primary stakeholders. Appropriate procedures and mechanisms are in place to ensure full adherence to the code and the group works with the Banking Ombudsman's Office to ensure that client complaints are resolved appropriately and timeously.

INTERNAL AUDIT

This is a centralised independent assurance function, the purpose, authority and responsibility of which are formally defined in a charter approved by the board.

Group Internal Audit (GIA) reports on its assessment of the adequacy and effectiveness of the group's risk management, internal controls and governance processes at meetings of GAC and other board committees charged with risk monitoring. The chief internal auditor reports functionally to the Chairman of the Audit Committee and administratively to the Chief Executive. GIA also works closely with Group Risk and EGC to ensure that audit issues of a risk management, ethical or governance nature are made known and appropriately resolved.

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

Cross-referencing

Risk and balance sheet management
Pages 372 – 423

Cross-referencing
Board of directors
Pages 38 – 41

ATTENDANCE REGISTER

		Nedbank Group Limited Board	Nedbank Limited Board	Nedbank Group Directors' Affairs Committee	Group Remuneration Committee
Number of meetings		8	8	4	5
Directors					
CJW Ball	6	2/2	2/2	2/2	2/3
TA Boardman	2	7/8	7/8		
MWT Brown	1	8/8	8/8		
TCP Chikane	3	7/8	7/8	3/4	
GW Dempster	1	8/8	8/8		
MA Enus-Brey	2	8/8	8/8	4/4	2/2
B de L Figaji	3	8/8	8/8	4/4	5/5
DI Hope	2	8/8	8/8		5/5
RJ Khoza	2	8/8	8/8	4/4	
A de VC Knott-Craig	3, 8	7/8	7/8	4/4	
WE Lucas-Bull	3	7/8	7/8	3/4	
PM Makwana	3, 7	N/a	N/a		
NP Mnxasana	3	8/8	8/8		5/5
RK Morathi	1	8/8	8/8		
JK Netshitenzhe	3	7/7[5]	7/7[5]		
JVF Roberts	2	7/8	7/8	2/4	
GT Serobe	2	6/8	6/8		
MI Wyman	4	8/8	8/8	2/2	5/5

N/a = not a director or committee member at the time of the meeting.
1 *Executive.*
2 *Non-executive.*
3 *Independent non-executive.*
4 *Appointed as senior independent director with effect from 6 May 2011.*
5 *Recused from the meeting due to conflict of interest.*
6 *Retired as director with effect from 6 May 2011.*
7 *Appointed as director with effect from 17 November 2011.*
8 *Resigned post-year end on 24 February 2012.*

Group Audit Committee	Group IT Committee	Group Credit Committee	Large Exposure Approval Committee	Nedbank Group Risk and Capital Management Committee	Group Transformation, Social and Ethics Committee	Group Finance and Oversight Committee
5	4	6	7	6	5	3
3/3	2/2	2/2	1/1	2/2	2/2	1/1
	3/4	4/6	5/7		3/3	
		4/4	7/7			
4/5	3/4	3/4	4/6		4/5	
		2/4				
		6/6	5/7	5/6		3/3
3/3		6/6	6/7		4/5	
				6/6		3/3
	4/4			4/6		3/3
	2/2	6/6	4/7	6/6		3/3
5/5				4/6		
		4/4	7/7			
				5/6		
		5/6	4/7		4/5	
5/5						2/2

Reporting standard

GRI FSSS: FS1, FS2, FS4, FS15
GRI G3.1: 4.11, HR1, HR2, HR3, HR10, HR11

Cross-referencing

Operational risk
Pages 416 – 423

ETHICS AND CORPORATE ACCOUNTABILITY

In line with Nedbank Group's Deep Green aspirations to be a great place to work and live its values, a key strategic focus area is to develop a unique and innovative culture. Ethical business conduct means doing the right thing regardless of the consequences for business, while taking into consideration the interests of all the group's stakeholders. The organisation believes that ethical behaviour lies at the heart of such a culture and has an Ethics and Corporate Accountability Framework in place as a guide. During 2011 the framework was updated to reflect the mandate of the group's Ethics Office.

In addition, the following functions and roles were clarified:

- The Ethics Office Charter
- The Ethics Office structure
- Ethics officer roles and responsibilities
- Ethics Panel roles and responsibilities
- Reporting and tracking system
- Monitoring and reporting

In adherence of the Companies Act 2008 and recommendations by King III, Nedbank Group has integrated the functions/objectives of a Social and Ethics Committee into the current Transformation and Sustainability Committee. This board committee is now called the Group Transformation, Social and Ethics Committee (TSEC).

The Ethics Panel, which deals with all tipoffs regarding unethical issues, will in future report into GTSEC. The Ethics Panel ensures that an independent, objective and fair course of action is taken in all instances.

BOARD ETHICS STATEMENT

The King Code of Governance Principle 1.1 states that the board should provide effective leadership based on an ethical foundation. It is therefore required of the Nedbank Group boardmembers to acknowledge and sign the Board Ethics Statement on an annual basis to demonstrate their continued commitment to values and ethical conduct.

CODE OF BUSINESS ETHICS AND EMPLOYEE PLEDGE

The Code of Business Ethics is a high-level aspirational document published on the Nedbank Group website. The Employee Pledge contained in the Code of Business Ethics is a summary of the Code of Conduct and defines the 10 principles of good behaviour for Nedbank Group employees.

CODE OF BUSINESS ETHICS
EMPLOYEE CONDUCT PLEDGE

I will:

- treat others as I want to be treated by them – the golden rule;
- always strive to do what is best for my bank, my country and my planet;
- abide by the values, policies and procedures of the bank, the laws of my country and the universal human principles of all that is good and just;
- be honest, reliable, fair and open in everything I say, write and do and accept responsibility for the consequences;
- protect the bank's assets, information and reputation;
- value and respect the diversity of beliefs, cultures, convictions and habits of the people of our bank and the countries in which we operate;
- disclose to the bank any real or perceived situation where my private interests or the interests of a member of my immediate or extended family or other person close to me may interfere with the interests of the bank;
- not give or receive gifts or benefits in contravention of the Nedbank Group Code of Conduct and no gift, irrespective of value, should influence me to change a business decision;
- seek new, better and more innovative ways to do my work and do it to the utmost of my abilities; and
- not remain silent in the face of dishonesty, malice, disrespect, intolerance or injustice. This principle is included in the Code of Conduct as a rule for all employees.

CODE OF CONDUCT

The Nedbank Group Code of Conduct is an expansion and clarification of the Code of Business Ethics. It is an operational document with specific examples to assist employees in making ethical decisions.

The Code of Conduct has also been updated to reflect the requirements of the UK Bribery Act of 2010.

Aligned to this business code, is the Nedbank Group's Supplier Code of Conduct which is applicable to all the Group's suppliers, consultants and contractors. This Supplier Code of Conduct supports the protection of human rights in the supply chain.

SA ETHICS OFFICER ASSOCIATION

Nedbank Group is a founding member of the new Ethics Officer Association that was established in 2010.

UNITED NATIONS GLOBAL COMPACT/ NEDBANK GROUP HUMAN RIGHTS STATEMENT

As an organisation Nedbank Group upholds the protection of human rights as enshrined in the SA Constitution and Bill of Rights. The group has been a member of the United Nations Global Compact Advisory Committee (UNGC) for SA since 2009. Using the UNGC 10 Principles and the findings of the John Ruggie Report that was commissioned by the UNGC, the group developed its own Human Rights Statement, which:

- provides guidelines for the management of human rights in all aspects of the business;

- provides proper guidance to business clusters and employees regarding their responsibilities as they relate to human rights;
- contributes to international best practice;
- links to Nedbank Group's aspiration to become Africa's most admired bank; and
- demonstrates to key stakeholders that the group manages its human rights impact, risks and opportunities effectively.

The statement is in the process of being approved by the board, after which it will be made publicly available allowing all stakeholders the opportunity to provide input and report any human rights transgressions via the email address TalkToTheEthics@Nedbank.co.za.

Nedbank performs a Human Rights Compliance Assessment (HRCA) every three years as a benchmark exercise to ensure that all Nedbank Group operations adhere to the requirements of the SA Human Rights Compliance Assessment, as has been developed jointly by the Human Rights and Business SA Project (of which Nedbank Group was a member), Aim for Human Rights and the Danish Institute of Human Rights. The HRCA, due next in 2012, focuses on the following four dimensions across all operations:

- employment practices;
- communityim pact;
- providing utilities and services; and
- supply chain management.

In 2011 there were seven human-rights related incidents of misconduct that were raised by management and resolved. In addition, 63 human-rights-related grievances were raised by staff. Of these 18 were withdrawn, 23 were resolved and 21 are still in the process of resolution.

THE NEDBANK ETHICS INDICATOR

The purpose of the Nedbank Ethics Indicator (NEI) is to assess the cumulative effect of individual actions in creating the desired ethics culture in the group. In compliance with King III, this scientific assessment allows independent verification of conformance to established principles and standards of ethical behaviour. The indicator measures the influence of individuals on others in the organisational context and allows this degree of positive or negative influence to be benchmarked against organisational standards.

The NEI offers a measure of organisational ethics at cluster and group levels and can be used to set improvement objectives within the overall performance management system. The latest NEI was finalised in 2011 and in 2009 it was conducted by the Ethics Institute of South Africa (EthicSA).

Where appropriate, the 20 highest risk indicators for the 2011 NEI were included in improvement targets for participating business clusters and will be monitored for improvement. **From 2009 to 2011 a total of 12 of these indicators have improved and eight deteriorated. The overall score increased by 0,9%. Management was encouraged by this improvement, which is significant within the NEI context.**

NEDBANK STAFF SURVEY

Since inception of the Nedbank Staff Survey in 2005 the highest ratings have been achieved in the ethics dimension. Analysis shows that employees are aware of the Code of Ethics and know that they must declare outside interests and gifts received and given. From 2012 questions measuring the qualitative aspects of ethical behaviour will be added to the survey and the results will be taken into consideration in assessing the group's overall ethics dimension.

POLICY ACKNOWLEDGEMENTS AND DECLARATIONS

Nedbank Group uses its electronic Enterprise Governance and Compliance Management System in its ongoing ethics awareness creation efforts among staffmembers. The system is used to send out policies for staff to read and acknowledge, and includes a survey to measure if employees understand the principles of the policy. Declarations of outside interest and gifts received or given are also captured on the system. The declarations and acknowledgements are monitored by governance and compliance officers.

The following is a comparison between management system statistics taken at 21 November 2011 and 17 November 2010:

- 90,8% of employees have acknowledged the Code of Business Ethics Policy, compared with 68% in 2010;
- 89,2% of employees have acknowledged the Nedbank Group Code of Conduct, compared with 67% in 2010; and
- 94,8% of employees have made a declaration of outside interest or declared a nil return, compared with 92% in 2010.

MISCONDUCT

As a result of extensive ethics awareness creation and training, as well as good risk management principles, the group is experiencing a substantial decline in instances of staff misconduct, with a resultant cost saving. Incidents of misconduct have declined by 4,6% compared with 2010, while grievances lodged and resolved through the formal grievance process declined by 16,3% and dismissals by 19,5% in 2011.

TRAINING AND AWARENESS

During 2011 some 2 370 (8,3%) employees attended the awareness training (6 540 hours). 60 sessions were offered.

Cross-referencing
Cultural sustainability
Pages 136 – 151

LETTER FROM THE CHAIRMAN

I extend a warm invitation to you to attend the 45th annual general meeting of Nedbank Group Limited to be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Friday, 4 May 2012, at 09:00.

Included in this document are the following:

- The notice of the annual general meeting setting out the resolutions to be proposed.
- Annexure 1 to the notice of the annual general meeting setting out explanatory notes regarding proxies and resolutions as well as important notes about the annual general meeting.
- A form of proxy.

The resolutions as set out in the notice will be put to shareholders to vote by way of a poll. This is to ensure an exact reflection of the views of the shareholders. An interactive electronic voting system will be used, which will reflect both proxy votes submitted prior to the meeting and the votes by shareholders present at the meeting.

I would like to remind shareholders of their right to raise questions, at the appropriate time, at the annual general meeting. As it is not always possible to answer every question raised at the annual general meeting, and to ensure that all matters of particular interest to shareholders are covered, shareholders may use the attached question form to raise any questions in advance. From these question forms the most popular topics will be assessed and I will endeavour to address these at the annual general meeting. This advance notice of relevant questions will, of course, not prevent any shareholder from raising questions, at the appropriate time, during the meeting.

The question form can be forwarded to the Company Secretary, Gawie Nienaber, Ground Floor, Block A, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, 2196 (PO Box 1144, Johannesburg, 2000), to be received no later than 09:00 on Thursday, 3 May 2012, or handed in at the time of registering attendance at the annual general meeting, should the first option not have been chosen.

Should you require an interpreter (sign language or a translator from English to any of the other official languages of SA) to be in attendance at the annual general meeting, please advise the Company Secretary's office of this requirement on +27 (0)11 294 9105/6/7, or send an email to GawieN@nedbank.co.za by no later than Thursday, 26 April 2012.

Shareholders wishing to participate in the meeting through electronic facilities are also requested to contact the Company Secretary by 26 April 2012 for access to be arranged.

Yours faithfully

Dr RJ Khoza
Chairman

Sandown
28 February 2012

HEADOFFICE

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Nedbank Group Limited Reg No 1966/010630/06

Directors: Dr RJ Khoza (Chairman) MWT Brown (Chief Executive) TA Boardman TCP Chikane GW Dempster (Chief Operating Officer) MA Enus-Brey Prof B de L Figaji DI Hope** WE Lucas-Bull PM Makwana NP Mnxasana RK Morathi (Chief Financial Officer) JK Ntshitenzhe JVF Roberts* GT Serobe MI Wyman* *(*British) (**New Zealand)*
Company Secretary: GS Nienaber

QUESTION FORM FOR ANNUAL GENERAL MEETING

Name of shareholder

Address

Contact details

Telephone

Fax

Email

Questions

NOTICE OF ANNUAL GENERAL MEETING

Reporting standard

GRI G3.1: 4.4

Nedbank Group Limited
(Incorporated in the Republic of South Africa)
Reg No 1966/010630/06
JSE share code: NED; NSX share code: NBK
ISIN: ZAE000004875
('Nedbank Group' or 'the company')

Notice is hereby given to shareholders recorded in the securities register of Nedbank Group on Thursday, 29 March 2012, that the 45th annual general meeting of shareholders will be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Friday, 4 May 2012, at 09:00 to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), as read with the Listings Requirements of JSE Limited ('JSE Listings Requirements'), which meeting is to be participated in and voted at by shareholders recorded in the company's securities register on the record date of Thursday, 26 April 2012.

The quorum requirement for the ordinary and special resolutions set out below is sufficient persons being present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the resolutions, provided that at least three shareholders of the company are present at the annual general meeting. The percentage of voting rights required to pass the ordinary resolutions is 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.

When reading the resolutions below, please refer to the explanatory notes for the resolutions on pages 442 to 443.

AGENDA

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The annual financial statements of the company, incorporating inter alia the Directors' Report, Auditors' Report and Report of the Audit Committee, for the financial year ended 31 December 2011, 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 integrated report.

2 ORDINARY DIVIDENDS

To note the interim dividend of 265 cents per ordinary share declared by the board of directors on 1 August 2011, and the final dividend of 340 cents per ordinary share declared by the board of directors on 28 February 2012.

RESOLUTIONS

3 ORDINARY RESOLUTION 1
REELECTION OF DIRECTORS OF THE COMPANY

The following directors retire by rotation in terms of the company's memorandum of incorporation and, being eligible, make themselves available for reelection, each by way of a separate vote. Biographical details of the directors to be reelected are set out on pages 38 to 41 of the integrated report.

1.1 'Resolved that Ms TCP Chikane be and is hereby reelected as a director of the company.'
Independent non-executive director; Initial date of appointment: 1 November 2006; Educational qualifications: Chartered Accountant; Board committees: Group Transformation, Social and Ethics Committee, Group Audit Committee, Group Information Technology Committee, Group Directors' Affairs Committee, Group Credit Committee, Group Remuneration Committee (Chairman designate), Large-exposure Approval Committee.

1.2 'Resolved that Mr DI Hope be and is hereby reelected as a director of the company.'
Non-executive director; Date of appointment: 1 December 2009; Educational qualifications: Member of the Association of Corporate Treasurers 1989; Board committees: Group Risk and Capital Management Committee, Group Remuneration Committee, Group Finance and Oversight Committee.

1.3 'Resolved that Dr RJ Khoza be and is hereby reelected as a director of the company.'
Chairman and non-executive director; Date of appointment: 16 August 2005; Educational 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); Board committees: Group Directors' Affairs Committee (Chairman).

1.4 'Resolved that Ms NP Mnxasana be and is hereby reelected as a director of the company.'
Non-executive director; Date of appointment: 1 October 2008; Educational qualifications: BCompt(Hons), CA(SA); Board committees: Group Audit Committee, Group Remuneration Committee, Group Risk and Capital Management Committee.

1.5 'Resolved that Ms GT Serobe be and is hereby reelected as a director of the company.'
Non-executive director; Date of appointment: 16 August 2005; Educational qualifications: BCom (Unitra), MBA (Rutgers, USA); Board committees: Group Transformation, Social and Ethics Committee (Chairman), Group Credit Committee, Large-exposure Approval Committee.

4 ORDINARY RESOLUTION 2
ELECTION OF DIRECTORS OF THE COMPANY

During the year the Board appointed Mr PM Makwana as a director of the company. Mr Makwana retires in terms of the company's memorandum of incorporation and, being eligible, makes himself available for election. His biographical details are set out on page 40 of the integrated report.

'Resolved that Mr PM Makwana be and is hereby elected as a director of the company.'
Independent non-executive director; Date of appointment: 17 November 2011; Educational qualifications: B Admin(Hons); Board committees: Group Transformation, Social and Ethics Committee, Group Remuneration Committee.

5 ORDINARY RESOLUTION 3
REAPPOINTMENT OF EXTERNAL AUDITORS

'Resolved, on recommendation of the Nedbank Group Audit Committee, to reappoint Deloitte & Touche and KPMG Inc as joint auditors to hold office from the conclusion of the 45th annual general meeting until the conclusion of the next annual general meeting of Nedbank Group.'

6 ORDINARY RESOLUTION 4
EXTERNAL AUDITORS' REMUNERATION

'Resolved that the Nedbank Group Audit Committee be and is hereby authorised to determine the remuneration of the company's auditors and the auditors' terms of engagement.'

7 ORDINARY RESOLUTION 5
CONTROL OF AUTHORISED, BUT UNISSUED, SHARES

'Resolved that the board is hereby authorised, as it in its discretion thinks fit, to issue ordinary shares of R1,00 each in the share capital of the company, subject to the provisions of the Companies Act, 71 of 2008 (as amended), the Banks Act, 94 of 1990 (as amended), and the JSE Limited Listings Requirements. The issuing of shares granted under this authority will be limited to Nedbank Group's existing contractual obligations to issue shares, including for purposes of Nedbank Group's BEE transaction approved in 2005 and the NedNamibia BEE transaction approved in 2006, any scrip dividend and/or capitalisation share award, shares required to be issued for the purpose of carrying out the terms of the Nedbank Group share incentive schemes, as well as any alternative coupon settlement mechanism relating to issues, from time to time, of the Nedbank Limited Tier 1 hybrid debt capital instruments, and to support the conversion of all non-common Tier 1 and Tier 2 capital into common equity upon the occurrence of a trigger event as determined by the relevant authority, which means the SA Reserve Bank or the equivalent governmental authority.

Such authority will endure until the forthcoming annual general meeting of the company (whereupon this authority will lapse, unless it is renewed at the aforementioned annual general meeting), provided that it will not extend beyond 15 months from the date of this meeting.'

8 ADVISORY ENDORSEMENT OF REMUNERATION POLICY

'To endorse through a non-binding advisory vote, the company's remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of the board committees), as set out in the Remuneration Report contained in the annual financial statements.'

9 SPECIAL RESOLUTION 1
REMUNERATION OF NON-EXECUTIVE DIRECTORS

'Resolved that the non-executive directors' fees for their services as directors are hereby approved as follows:

Committee	Current annual fee (1/7/2011 to 30/6/2012) (R)	Proposed annual fee*** (1/7/2012 to 30/6/2013) (R)
Chairman*	3 775 000	4 000 000
Senior independent director premium (40%)	118 400	126 000
Nedbank Group boardmember	161 000	171 500
Nedbank Limited boardmember	135 000	143 500
Committees**		
• Group Audit	126 000	145 000
• Group Risk and Capital Management	110 000	122 000
• Group Credit (incorporating Executive Credit Committee)	105 000	145 000
• Group Remuneration	80 000	85 000
• Group Transformation, Social and Ethics	73 000	75 000
• Group Directors' Affairs	52 000	55 000
• Group Information Technology	52 000	75 000
• Group Finance and Oversight	22 000	23 500

* *The chairman will be paid a single fee, inclusive of committee chairmanship and membership fees.*

** *The committee chairman will be paid double the member fees.*

*** *Subject to shareholders' approval at the May 2012 annual general meeting. On a like-for-like basis the proposed increase represents a 6,1% increase overall.'*

10 SPECIAL RESOLUTION 2
GENERAL AUTHORITY TO REPURCHASE SHARES
PREAMBLE

The board of directors of the company has considered the impact of a repurchase or purchase, as the case may be, of up to 10% of the company's shares, which falls within the amount permissible under a general authority in terms of the JSE Listings Requirements and, in respect of acquisitions by a subsidiary of the company, the Companies Act.

Should the opportunity arise and should the directors deem it to be advantageous to the company, or any of its subsidiaries, to repurchase or purchase, as the case may be, such shares, it is considered appropriate that the directors (and relevant subsidiaries) be authorised to repurchase or purchase, as the case may be, the company's shares.

'Resolved that the company and/or its subsidiaries are authorised by way of a general authority to repurchase or purchase, as the case may be, shares issued by the company, from any person, on such terms and conditions and in such numbers as the directors of the company or the subsidiary may from time to time determine, subject to the applicable requirements of the company's memorandum of incorporation, to the approval, to the extent required, of the Registrar of Banks, the provisions of the Companies Act, 2008 (as amended), the Banks Act, 94 of 1990 (as amended), and the JSE Limited ('the JSE') Listings Requirements, and subject further to the restriction that the repurchase or purchase, as the case may be, by the company and/or any of its subsidiaries of shares in the company under this authority will not, in aggregate in any one financial year, exceed 10% of the shares in issue at the commencement of such financial year.

It is recorded that the JSE Listings Requirements provide, inter alia, that the company or any subsidiary of the company may only make a general repurchase of the shares of the company subject to the following limitations:

(a) the repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;

(b) authorisation thereto must be given by the company's and its subsidiaries' memorandum of incorporation;

(c) this general authority will be valid only until the company's next annual general meeting, provided that it does not extend beyond 15 months from the date of the passing of this special resolution;

(d) in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the five trading days immediately preceding the date of the repurchase of such ordinary shares by the company;

(e) the acquisitions of ordinary shares in the aggregate in any one financial year will not exceed 10% of the company's issued ordinary share capital of that class in any one financial year;

(f) the board will have acknowledged by resolution that the company will satisfy the solvency and liquidity test immediately after the acquisition and that since the test was done there have been no material changes to the financial position of the group;

(g) neither the company nor its subsidiaries will repurchase securities during a prohibited period, as defined in paragraph 3.67 of the JSE Listings Requirements, unless a repurchase programme is in place in terms of which the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation), full details of which programme have been disclosed in an announcement on the Securities Exchange News Service (SENS) prior to the commencement of the prohibited period;

(h) when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be published on SENS and in the financial press; and

(i) at any point in time the company will appoint only one agent to effect any repurchase(s) on its behalf.'

In terms of the proposed special resolution 2 the maximum number of Nedbank Group shares that may be repurchased during the term of this authority, subject to (b) above, is 50 742 999 shares (10% of 507 429 991 shares in issue at 1 January 2012).

This resolution is required to be passed on a show of hands by not less than 75% of the number of shareholders of the company who are entitled to vote on a show of hands and who are present at the meeting in person or by proxy or, where a poll has been demanded, by not less than 75% of the total votes to which the shareholders present in person or by proxy are entitled.

The directors of the company undertake that they will not effect a general repurchase of shares as contemplated above, unless the following conditions are met:

1) the company and the group are in a position to repay their debt in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting;
2) the company's and the group's assets will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements, which comply with the Companies Act;
3) the share capital and reserves of the company and the group are adequate for a period of 12 months following the date of the notice of the annual general meeting;
4) the available working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
5) on entering the market to proceed with the repurchase, the sponsor has confirmed the adequacy of the company's working capital for purposes of undertaking a repurchase of shares in writing to the JSE.'

Disclosure in terms of section 11.26 of the JSE Limited Listings Requirements

The JSE Listings Requirements require the following disclosures, which are disclosed in the Nedbank Group Limited Integrated Report 2011, as set out below:

Management and directors pages 46 to 49 and 38 to 41.
Major shareholders of Nedbank Group pages 447 and 448.
Directors' interests in securities page 368.
Share capital of Nedbank Group pages 289 and 290.

MATERIAL CHANGE

Other than the facts and developments, reported on in the integrated report there have been no material changes in the affairs or financial position of Nedbank Group and its subsidiaries from 31 December 2011 to the date of the audit report forming part of the annual financial statements.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 38 to 41 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 2 and certify that, to the best of their knowledge and belief, no facts have been omitted that would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution and additional disclosure in terms of section 11.26 of the JSE Listings Requirements pertaining thereto contain all such information required by law and the JSE Listings Requirements.

LITIGATION STATEMENT

In terms of section 11.26 of the JSE Listings Requirements and other than as set out in note 44 (contingent liabilities and undrawn facilities) on page 298 of the integrated report, the directors, whose names are given on pages 38 to 41 of the integrated report, are not aware of any legal or arbitration proceedings, including proceedings pending or threatened, that may have or may have had in the recent past, being at least the previous 12 months, a material effect on Nedbank Group's financial position.

11 SPECIAL RESOLUTION 3
GENERAL AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE TO RELATED AND INTERRELATED COMPANIES

'Resolved that, subject to the provisions of the Companies Act, 71 of 2008 (as amended), (the 'Companies Act'), the shareholders of the company hereby approve, as a general approval, the company providing direct or indirect financial assistance ('financial assistance') as contemplated in sections 44 and 45 of the Companies Act, whether in the form of advances for expenses, assisting with administration of transactions, loans, loan facilities, extending credit, discharging debts, performing obligations, contractual undertakings, sureties, guarantees, guarantee facilities, mortgages, pledges, cessions, bonds, charges or otherwise, on such terms as may be authorised by the board of directors of the company having regard to the funding and commercial requirements of the Nedbank group of companies (the 'Group') as contemplated in the Companies Act from time to time and in accordance with the following:

1 the financial assistance can be provided to any company that is currently, or in the future, 'related' to or 'interrelated' with the company (and any person 'related' to any of such companies) as contemplated by the Companies Act or any other person (a 'Recipient') (which, for the avoidance of doubt, excludes Financial Assistance provided to any directors or prescribed officers of the company or of any such Recipients);

2 the financial assistance may be provided for the purpose of, or in connection with, the subscription to any option, or any securities, issued or to be issued by the company or a company related to or interrelated with the company or for the purchase of any securities of the company or a company or corporation that is related to or interrelated with the company as contemplated in section 44 of the Companies Act or any other purpose regulated by section 45 of the Companies Act;

3 authorisation by the board of any financial assistance pursuant to this resolution must be provided within a period of two years following the date of the adoption of this special resolution;

4 any related corporate action must be duly authorised in compliance with the JSE Listings Requirements and the Companies Act, and the Banks Act where applicable;

5 this approval is subject to the board complying with sections 44 and 45 of the Companies Act; and

6 nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and 45 of the Companies Act or falls within any exemption provided in these sections.'

Notice to shareholders of Nedbank Group in terms of section 45(5) of the Companies Act of a resolution adopted by the Nedbank Group board authorising the company to provide direct or indirect financial assistance:

By the time this notice of the annual general meeting is delivered to shareholders, the board will have adopted resolutions ('the financial assistance resolutions') authorising the company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 3 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or interrelated companies or corporations of the company and/or to any one or more persons related to any such company or corporation.

The financial assistance resolution will be effective only if and to the extent that special resolution number 3 is adopted by the shareholders of the company.

In as much as the financial assistance resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the company's net worth at the date of adoption of such resolution, the company hereby provides notice of the section 45 board resolution to shareholders of the company.

VOTING BY PROXY

A shareholder entitled to attend and vote at the annual general meeting may appoint a proxy or proxies to attend, speak and vote or abstain from voting in his/her/its/their stead. A proxy need not be a shareholder of the company. Completed proxy forms are requested to be received at the office of the transfer secretaries no later than 24 hours before the time appointed for the holding of the annual general meeting.

By order of the board

GS Nienaber
Company Secretary

Sandown
28 February 2012

REGISTERED OFFICE

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Reg No 1966/010630/06
Nedbank Sandton
135 Rivonia Road
Sandown, Sandton, 2196

PO Box 1144
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Tel: +27 (0)11 294 4444
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TRANSFER SECRETARIES IN SA

Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg, 2001

PO Box 61051
Marshalltown, 2107
Tel: +27 (0)11 370 5000
Fax: +27 (0)11 688 5238

TRANSFER SECRETARIES IN NAMIBIA

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

PO Box 2401
Windhoek, Namibia
Tel: +264 (0)61 227 647
Fax: +264 (0)61 248 531

ANNEXURE 1

EXPLANATORY NOTES TO RESOLUTIONS FOR THE ANNUAL GENERAL MEETING

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

In terms of the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), the directors are required to present to shareholders at the annual general meeting the annual financial statements, incorporating the Directors' Report, Auditors' Report, and report of the Audit Committee, for the year ended 31 December 2011.

2 PAYMENT OF DIVIDENDS

An interim dividend of 265 cents per share was declared by the board of directors on 1 August 2011 and paid on 12 September 2011. A final dividend of 340 cents per ordinary share was declared by the board of directors on 28 February 2012. Shareholders are asked to note the dividends paid/payable.

3 ELECTION OF DIRECTORS WHO RETIRE BY ROTATION OR RETIRE AS A RESULT OF FILLING A CASUAL VACANCY

In terms of the company's memorandum of incorporation not less than one-third of the directors are required to retire at each annual general meeting and may make themselves available for reelection. In addition, any person appointed to fill a casual vacancy on the board, or as an addition thereto, since the last annual general meeting is similarly required to retire and is eligible for election at the annual general meeting. Biographical details of the directors of the company retiring by rotation, or as a result of an appointment during the year, are set out on pages 38 to 41 of the Nedbank Group Limited Integrated Report 2011.

An assessment of each of the retiring directors was performed by the Nedbank Group Directors' Affairs Committee and reported to the Nedbank Group Board, who recommends that shareholders approve the election and/or reelection of the retiring directors.

4 REAPPOINTMENT OF EXTERNAL AUDITORS

This resolution proposes the reappointment of the company's existing joint auditors, Deloitte & Touche (the designated auditor currently being Mr D Shipp) and KPMG Inc (the designated auditor currently being Ms H Berrange), until the next annual general meeting. The appointments are recommended by the directors of the company following the review and recommendation thereof by the Group Audit Committee.

5 REMUNERATION OF EXTERNAL AUDITORS

This resolution gives authority to the Nedbank Group Audit Committee to fix the remuneration and the terms of engagement of the auditors (proposed to be reappointed in terms of the above resolution). The aggregate auditors' remuneration for audit and other services paid to the auditors for the financial year ended 31 December 2011 amounted to R110m (2010: R107m). Particulars of the auditors' remuneration can be found in note 15 on page 246 of the Nedbank Group Limited Integrated Report 2011.

6 PLACING OF UNISSUED ORDINARY SHARES UNDER THE CONTROL OF THE DIRECTORS

The shareholders of the company are requested to approve the placement of unissued shares under the control of the directors. The authority is limited to shares being issued for purposes of Nedbank Group's existing contractual obligations, including Nedbank Group's black economic empowerment (BEE) transaction approved in 2005 and the NedNamibia BEE transaction approved in 2006, for the issue of shares for capitalisation share awards and scrip dividends and for the various Nedbank Group share incentive schemes as well as any alternative coupon settlement mechanism relating to issues, from time to time, of the Nedbank Limited Tier 1 hybrid debt capital instruments, and to support the conversion of all non-common Tier 1 and Tier 2 capital into common equity upon the occurrence of a trigger event as determined by the relevant authority, which means the SA Reserve Bank or the equivalent governmental authority. A trigger event is the earlier of:

- a decision that a writeoff of the instrument, without which the bank would become non-viable, is necessary, as determined by the relevant authority; or
- the decision to make a public sector injection of capital, or equivalent support, without which the bank would become non-viable, as determined by the relevant authority.

7 REMUNERATION POLICY

In accordance with the principles of King III an advisory vote is being put to shareholders for the endorsement of Nedbank Group's Remuneration Policy. As the votes on this resolution are non-binding, the results would not be binding on the board. However, the board will take cognisance of the outcome of the vote when considering its Remuneration Policy in future.

8 NON-EXECUTIVE DIRECTORS' REMUNERATION

In terms of article 17.7 of the company's memorandum of incorporation, remuneration will be payable to the directors as determined by the company in general meeting. Full particulars of all fees and remuneration are contained on pages 366 to 368 of the Nedbank Group Integrated Report 2011. The Nedbank Group Limited Board has recommended the non-executive directors' fees as set out in special resolution 1 of the notice of the annual general meeting. The board deliberated on the requirement of King III that non-executive fees should comprise a base fee and an attendance fee per meeting. The board is of the view that this requirement is less pertinent to directors of Nedbank Group due to the practicalities and responsibilities of being a director of a bank, and the need for the board to provide inputs on an ongoing basis, even when they are not able to attend a board meeting in person.

9 REPURCHASE OF SHARES

The company's memorandum of incorporation contains a provision allowing the company or any of its subsidiaries to repurchase (acquire) the company's issued shares. This is subject to the approval of shareholders in terms of the company's memorandum of incorporation, the Companies Act, the Banks Act, 94 of 1990 (as amended), and the JSE Listings Requirements. In terms of sections 46 and 48 of the Companies Act, the company or its subsidiaries are allowed to repurchase or acquire the company's shares. The existing general authority, granted by shareholders at the last annual general meeting on 6 May 2011, is due to expire, unless renewed.

The reason for and effect of special resolution 2 is to authorise the company and/or its subsidiaries by way of a general authority to acquire its/their own issued shares on such terms and conditions and in such numbers as determined from time to time by the directors of the company, subject to the limitations set out above. Should the general authority for the acquisition of shares be granted at Nedbank Group's annual general meeting, it will provide the board with the flexibility to repurchase such shares as and when the best interests of the company require it to do so.

The directors are of the opinion that it would be in the best interests of the company to extend such general authority and thereby allow the company to be in a position to purchase its own shares on the open market, should market conditions and price justify such action. The proposed authority would enable the company to purchase up to a maximum of 50 742 999 ordinary shares in the capital of the company, with a stated upper limit on the price payable, in terms of the JSE Listings Requirements. The board manages the company's equity on a proactive and dynamic basis, and purchases would be made, only after the most careful consideration, in cases where the directors believe that such purchases were in the best interests of the company and its shareholders.

10 GENERAL AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE

Section 44 of the Companies Act essentially requires, subject to limited exceptions, approval by way of special resolution for the provision of financial assistance for the purpose of, or in connection with, the subscription to any option, or any securities, issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company. Section 45 of the Companies Act essentially requires, subject to limited exceptions, approval by way of special resolution for the provision of financial assistance, among others, to companies 'related' and 'interrelated' to the company. Both sections 44 and 45 provide, among others, that the regulated financial assistance may only be provided pursuant to a special resolution passed by shareholders within the previous two years.

The provision of any direct or indirect financial assistance by the company will always be subject to the board being satisfied that, immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3 (b)(i) of the Companies Act, and that the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act.

The directors would like the authority to be able to provide financial assistance to companies 'related' to and 'interrelated' with the company and persons related to such companies, including for the acquisition of securities issued by the company and related companies, where they regard it as desirable. For example, such authorisation is generally required for providing loans and guarantees and other financial assistance to subsidiaries and group companies that is often necessary or desirable for the conduct of Nedbank Group's business.

IMPORTANT NOTES ABOUT THE ANNUAL GENERAL MEETING

Venue: The Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton.

Date: Friday, 4 May 2012, at 09:00.

Time: The annual general meeting will start promptly at 09:00. Shareholders wishing to attend are advised to be in the auditorium no later than 08:45. The reception area will be open from 08:30, from which time refreshments will be served.

Travel information: The map on page 456 indicates the location of Nedbank Sandton.

Proof of identity and admission: Shareholders and others attending the annual general meeting are asked to register at the registration desk in the auditorium reception area. For purposes of section 63(1) of the Companies Act, 2008 (as amended), any person attending or participating at the annual general meeting is required to present reasonably satisfactory identification to the satisfaction of the presiding chairman. Forms of identification include valid identity documents, driving licences and passports.

Housekeeping: Cellphones should be switched off for the duration of the proceedings.

Parking: Secure parking is provided at Nedbank Sandton, Entrance 4, off Fredman Drive.

Questions: Shareholders who wish to ask questions relating to the business of the annual general meeting or on other related matters, but have not lodged their question forms with or faxed them to the Company Secretary, are requested to register their names and addresses and hand in their question forms at the registration desk. A question form is enclosed on page 435 for this purpose. Staff will be on hand to provide any advice and assistance required.

Electronic voting: Nedbank Group will once again be taking advantage of the benefits that electronic meeting management can offer. On arrival you will be registered, be linked to your profile on the share register and be given an electronic keypad with which to cast your vote. As your vote is received, a message will be displayed on the keypad screen, confirming that your vote has been registered. Results of votes cast on each resolution will be displayed on an overhead screen within minutes of voting.

Interpreter: Should you require an interpreter (for sign language or translation from English into any of the other official languages of SA) to be in attendance at the annual general meeting, please do not hesitate to advise the Company Secretary's office on +27 (0)11 294 9105/6/7 or at GawieN@nedbank.co.za no later than Thursday, 26 April 2012, for this facility to be arranged.

Shareholders wishing to participate in the meeting through electronic facilities are also requested to contact the Company Secretary's office no later than Thursday, 26 April 2012, in order for reasonable access to be arranged.

CERTIFICATED SHAREHOLDERS AND OWN-NAME DEMATERIALISED REGISTRATION

Holders of certificated Nedbank Group ordinary shares wishing to attend the annual general meeting should verify beforehand with the transfer secretaries of the company that their shares are in fact registered in their name and check the number of shares so registered. Should their shares not be registered in their own name, but in any other name or form, shareholders wishing to attend and/or vote at the annual general meeting should follow the instructions and explanatory notes that accompany the notice of the annual general meeting. Similarly, shareholders who are holding dematerialised Nedbank Group ordinary shares and believe these to be held in their own name should check with the transfer secretaries and take the appropriate action in accordance with the instructions and guidance contained herein or obtain assistance from the transfer secretaries, if necessary.

PARTICIPANT (PREVIOUSLY KNOWN AS CENTRAL SECURITIES DEPOSITORY PARTICIPANT) OR NOMINEE HOLDINGS

Holders of Nedbank Group ordinary shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, participant or broker to furnish such nominee, participant or broker with the necessary authority to attend and vote at the annual general meeting or they should instruct their nominee, participant or broker (as the case may be) on how they wish their votes to be cast on their behalf at the annual general meeting. As far as holdings in a participant are concerned, these will be guided by the terms of the agreement entered into between shareholders and their participant or broker.

PROXIES

Shareholders completing a form of proxy (see note 1 on page 446) should ensure that their form of proxy reaches the address indicated in note 10 on page 446 no later than 09:00 on Thursday, 3 May 2012.

ENQUIRIES

Any shareholders experiencing difficulties or having questions pertaining to the annual general meeting or the above are invited to contact the Company Secretary's office on +27 (0)11 294 9105/6/7.

RESULTS OF THE ANNUAL GENERAL MEETING

The results of the annual general meeting will be posted on the Securities Exchange News Service (SENS) as soon as is practicable after the annual general meeting.

FORM OF PROXY

NEDBANK GROUP

Reporting standard

GRI G3.1: 4.4

Nedbank Group Limited
(Incorporated in the Republic of South Africa)
Reg No 1966/010630/06
JSE share code: NED; NSX share code: NBK
ISIN: ZAE000004875
('Nedbank Group' or 'the company')

For use by registered holders of certificated Nedbank Group securities and holders of dematerialised Nedbank Group securities registered in their own name ('shareholders') and any persons who are not shareholders but who, on the record date of 26 April 2012, are entitled to exercise any voting rights (irrespective of the form, title or nature of the securities to which those voting rights are attached) (collectively 'holders') in relation to the resolutions to be proposed at the annual general meeting to be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Friday, 4 May 2012, at 09:00 and at any adjournment thereof.

Holders of dematerialised securities who wish to attend the annual general meeting must inform their nominee, participant (previously referred to as central securities depository participant) or broker (as the case may be) of their intention and the nominee, participant or broker will furnish such holder with the necessary authority to attend and vote at the annual general meeting. Alternately, should a holder not wish to attend the annual general meeting in person, such holder may provide his/her nominee, participant or broker (as the case may be) with his/her voting instruction and such nominee, participant or broker (as the case may be) will complete all necessary documentation and action same in order for the holder's vote(s) to be taken into account at the annual general meeting.

I/We ____

of (address) ____

____

being the holder(s) of ______________________ordinary shares in the company, appoint (see notes 1 and 4):

1 ____ or failing him/her

2 ____ or failing him/her

3 the chairman of the annual general meeting

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting that will be held for the purpose of considering and, if deemed fit, passing with or without modification ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against such resolutions and/or to abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions (see note 5):

		Number of votes (one vote per ordinary share)		
Resolutions		For	Against	Abstain
1.1	Reelection as a director of TCP Chikane, who is retiring by rotation			
1.2	Reelection as a director of DI Hope, who is retiring by rotation			
1.3	Reelection as a director of RJ Khoza, who is retiring by rotation			
1.4	Reelection as a director of NP Mnxasana, who is retiring by rotation			
1.5	Reelection as a director of GT Serobe, who is retiring by rotation			
2	Election of PM Makwana, who was appointed as a director during the year			
3	Reappointment of the external auditors			
4	Determination of the remuneration of the external auditors			
5	Placing of unissued ordinary shares under the control of the directors			
6	Advisory endorsement on a non-binding basis of the company's remuneration policy			
7	Approval of the non-executive directors' fees			
8	General authority to repurchase shares			
9	General authority to provide financial assistance to related and interrelated companies			

A proxy or proxies may not delegate his/her/their authority in terms of this proxy to any other person(s). This form of proxy will lapse and cease to be of force and effect immediately after the annual general meeting of the company to be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Friday, 4 May 2012, at 09:00 or at any adjournment thereof, unless it is revoked earlier.

Signed at (place)______________________________ on (date) ______________________ 2012

Signature ____

Assisted by me ____
(where applicable)

Please read the notes on the reverse side hereof.

NOTES TO FORM OF PROXY

SUMMARY OF RIGHTS OF A HOLDER TO BE REPRESENTED BY PROXY AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT AND NOTES TO FORM OF PROXY

1 Each holder entitled to attend and vote at the annual general meeting is entitled to appoint one or more individuals as proxy/proxies [who need not be person(s) entitled to vote at the annual general meeting] to attend, participate in, speak and vote or abstain from voting in place of that holder at the annual general meeting.

2 The proxy/proxies may delegate the authority received from the holder to a further person(s), subject to any restriction set out in this form of proxy.

3 A proxy appointment must be in writing, dated and signed by the holder appointing the proxy/proxies.

4 A holder may insert the name of a proxy or the names of two alternative proxies of the holder's choice in the space provided, with or without deleting 'the chairman of the annual general meeting'. The person whose name appears first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of the persons whose names follow. Further, a holder may appoint more than one proxy to exercise voting rights attached to different securities held by that holder.

5 A holder's instructions to the proxy/proxies have to be indicated by the insertion of the relevant number of votes exercisable by that holder in the appropriate box provided. Failure to comply with this will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the annual general meeting, or the appointed proxy/proxies to vote or to abstain from voting at the annual general meeting without direction, as he/she/they deem(s) fit, in respect of all the holder's votes exercisable thereat.

6 A holder or his/her proxy/proxies is/are not obliged to vote in respect of all the ordinary shares held by such holder or represented by such proxy/proxies, but the total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the holder or his/her proxy/proxies is/are entitled.

7 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity has to be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting. Examples of satisfactory identification include a valid identity document, a valid driving licence or a valid passport.

8 Any alterations or corrections to this form of proxy must be initialled by the signatory/signatories.

9 The completion and lodging of this form of proxy will not preclude the relevant holder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such holder wish to do so, in which case this proxy will be suspended accordingly.

10 Forms of proxy have to be lodged with or posted to the Company Secretary, namely Mr GS Nienaber, Block A, Ground Floor, 135 Rivonia Road, Sandown, Sandton, 2196 (PO Box 1144, Johannesburg, 2000) or the company's transfer secretaries in SA, namely Computershare Investor Services (Pty) Limited ('Computershare'), 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), or in Namibia, namely Transfer Secretaries (Pty) Limited, Shop 8, Kaiserkrone Centre, Post Street Mall, Windhoek, Namibia (PO Box 2401, Windhoek, Namibia) before a proxy may exercise any voting rights of a holder at the annual general meeting. The form of proxy is requested to be received no later than 09:00 on Thursday, 3 May 2012. Forms of proxy can also be submitted by fax to Computershare [fax number +27 (0)11 688 5228], subject to the proxy instructions meeting all other criteria. Any form of proxy not received by the company or the company's transfer secretaries in accordance with the above must be handed to the Company Secretary at the annual general meeting before a proxy may exercise any voting rights of a holder at the annual general meeting.

11 This form of proxy may be completed by:
- those holders who are holding Nedbank Group shares in a certificated form; or
- those holders who are recorded in the subregister as holding Nedbank Group shares in dematerialised electronic form in their own name; or
- persons who are not shareholders, but who are entitled to exercise any voting rights (irrespective of the form, title or nature of the securities to which those voting rights are attached) on the record date at this annual general meeting.

12 Holders of Nedbank Group ordinary shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, participant (previously referred to as central securities depository participant) or broker (as the case may be) on how they wish their votes to be cast on their behalf at the annual general meeting. As far as holdings in a participant are concerned, these will be guided by the terms of the agreement entered into between shareholders and their participant or broker (as the case may be).

13 Holders attending the annual general meeting will be afforded the opportunity of putting questions to the directors and management. A perforated question form has been included for this purpose.

14 If this form of proxy has been delivered to the company in accordance with paragraph 10, then, for as long as that appointment remains in effect, any notice that is required in terms of the Companies Act or the company's memorandum of incorporation to be delivered by the company to a holder, must be delivered by the company to the holder or alternatively, if a holder has directed the company to do so in writing and has paid any reasonable fees charged by the company for doing so, to such holder's proxy/proxies.

15 Except if a holder provides in this form of proxy that a proxy appointment is irrevocable, a holder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy/proxies and to the company at 135 Rivonia Road, Sandown, Sandton, 2196, for the attention of the Company Secretary, Mr GS Nienaber, to be received before the replacement proxy/proxies exercise(s) any rights of the holder at the annual general meeting of the company or any adjournment thereof.

16 The revocation of a proxy appointment constitutes a complete and final cancellation of the authority of the proxy/proxies to act on behalf of the holder as of the later of: (i) the date stated in the revocation instrument, if any; or (ii) the date on which the revocation instrument was delivered as required in paragraph 15 above.

SHAREHOLDERS' ANALYSIS
FOR THE YEAR ENDED 31 DECEMBER

Register date:	30 December 2011
Authorised share capital:	600 000 000 shares
Issued share capital:	507 429 991 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	13 784	79,94	2 940 582	0,58
1 001 – 10 000 shares	2 554	14,81	6 917 769	1,36
10 001 – 100 000 shares	694	4,02	22 619 034	4,46
100 001 – 1 000 000 shares	172	1,00	46 277 793	9,12
1 000 001 shares and over	39	0,23	428 674 813	84,48
Total	17 243	100,00	507 429 991	100,00

Distribution of shareholders				
Banks	172	1,00	55 548 979	10,95
Close corporations	92	0,53	136 499	0,03
Empowerment	34	0,20	25 825 970	5,09
Endowment funds	77	0,45	623 187	0,12
Individuals	13 947	80,89	8 099 784	1,60
Insurance companies	93	0,54	11 725 837	2,31
Investment companies	52	0,30	4 328 413	0,85
Medical aid schemes	27	0,16	403 716	0,08
Mutual funds	340	1,97	34 622 911	6,82
Nominees and trusts	1 667	9,67	2 899 085	0,57
Old Mutual Life Assurance Company (SA) Limited and associates	37	0,21	263 139 972	51,86
Other corporations	53	0,31	162 780	0,03
Private companies	219	1,27	1 889 165	0,37
Public companies	18	0,10	62 698	0,01
Retirement funds	403	2,33	70 162 192	13,83
Share trusts*	11	0,06	13 083 754	2,58
Treasury shares	1	0,01	14 715 049	2,90
Total	17 243	10,00	507 429 991	100,00

Public/non-public shareholders				
Non-public shareholders	108	0,62	318 449 782	62,77
Directors and associates of the company**	11	0,06	1 101 307	0,22
Old Mutual Life Assurance Company (SA) Limited and associates	37	0,21	263 139 972	51,86
Treasury shares	1	0,01	14 715 049	2,90
Nedbank/Nedbank Group pension funds	6	0,03	114 862	0,02
Nedbank Group Limited and associates (share trusts)*	11	0,06	13 083 754	2,58
Nedbank Group Limited and associates (mutual funds)	10	0,06	608 588	0,12
Nedbank Group BEE Trusts – SA*	13	0,08	24 891 693	4,91
– Namibia	19	0,11	794 557	0,16
Public shareholders	17 135	99,38	188 980 209	37,24
Total	17 243	100,00	507 429 991	100,00

* *Excludes shares held by directors in share trusts (executive directors only) and Eyethu schemes. Refer to page 368.*
** *Includes shares held by directors in share trusts (executive directors only) and Eyethu schemes.*

SHAREHOLDERS' ANALYSIS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

Major shareholders/managers	Number of shares	2011 % holding	2010 % holding
Old Mutual Life Assurance Company (SA) Limited and associates (SA)	263 139 972	51,86	51,37
Nedbank Group treasury shares (SA)	52 201 857	10,29	12,89
Black economic empowerment trusts:			
– Eyethu scheme – Nedbank SouthAfrica	24 238 338	4,78	7,69
– Omufima scheme – Nedbank Namibia	734 102	0,14	0,14
Nedbank Group (2005) Share Option, Matched and Restricted Share Scheme	12 466 856	2,46	2,14
Nedbank Group Limited and associates (Capital Management)	14 715 049	2,90	2,86
Nedbank Namibia	47 512	0,01	0,01
NES Investments (Pty) Limited			0,05
Public Investment Corporation (SA)	35 727 203	7,04	6,45
Coronation Fund Managers (SA)	15 806 968	3,12	2,74
Lazard Asset Management (US)	14 523 870	2,86	2,96
Sanlam Investment Management (SA)	11 581 490	2,28	2,18
Government Institutions Pension Fund (NA)	7 095 417	1,40	1,36
BlackRock Inc (US and UK)	6 547 433	1,29	1,38
	42 822 620		
Beneficial shareholders holding 5% or more			
Old Mutual Life Assurance Company (SA) Limited and associates (SA)	263 139 972	51,86	51,37
Government Employees Pension Fund (SA)	43 209 840	8,52	7,63
Geographical distribution of shareholders			
Domestic	443 000 844	87,30	87,04
SA	430 468 923	84,83	84,91
Namibia	8 596 601	1,69	1,61
Swaziland			0,03
Unclassified	3 935 320	0,78	0,49
Foreign	64 429 147	12,70	12,96
United States of America	40 576 149	8,00	8,67
United Kingdom and Ireland	6 391 279	1,26	1,50
Europe	5 163 078	1,02	1,14
Other countries	12 298 641	2,42	1,65
	507 429 991	100,00	100,00

DEFINITIONS

ADVANCED INTERNAL RATINGS-BASED APPROACH
Advanced Internal Ratings-based Approach (AIRB), 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 and mines..

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 that 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.

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 trading in securities.

RETAIL EXPOSURES
RETAIL MORTGAGES (INCLUDING HOME EQUITY LINES OF CREDIT)
This asset class covers all mortgage advances or credit lines to individuals that are fully secured by a mortgage over residential property.

RETAIL REVOLVING CREDIT
Exposures to individuals that are 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 that 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 SA 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 in accordance with 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.

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 carrying 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, 53 of 2003, establish the rules, targets and stipulations for the measurement of broad-based black economic empowerment (BBBEE) within SA based on three scorecard classifications for organisations: emerging microenterprise (EME), qualifying small enterprise (QSE) and 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.

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 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 SA 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.

KING III

The revised King Code and Report on Corporate Governance for SA 2009, which sets out revised principles of good corporate governance for SA companies.

LONDON INTERBANK OFFERED RATE

The 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.

DEFINITIONS ... CONTINUED

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.

SA 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. 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, that is subject to risks and returns that are different from those of other operating segments.

GEOGRAPHICAL SEGMENT
A distinguishable component of the group that is engaged in providing services within a particular economic environment and 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
ACT	Arts & Culture Trust
AFR	available financial resources
AFS	available for sale
AGM	annual general meeting
AIRB	Advanced Internal Ratings-based
AMA	Advanced Measurement Approach
AML	anti-money-laundering
ANC	African National Congress
APB	Accounting Practices Board
APE	annualised premium equivalent
ATF	African Task Force
ATM	automated teller machine
AWCA	African Women Chartered Accountants
BASA	The Banking Association South Africa
BBBEE	broad-based black economic empowerment
BCM	business continuity management
BEE	black economic empowerment
BEEL	best estimate of expected loss
BEP	business education programme
BIS	Bank for International Settlements
BO	black-owned
BPs	basis points
BRIC	Brazil, Russia, India and China
BRMF	Business Risk Management Forum
BSM	balance sheet management
BWA	Businesswomen's Association
BWI	Biodiversity and Wine Initiative
BWO	black-women-owned
CAGR	capital adequacy growth rate
CAR	capital adequacy ratio
CCMA	Commission for Conciliation, Mediation and Arbitration
CCR	Climate Change Response
CDM	clean development mechanism
CDP	Carbon Disclosure Project
CE	chief executive
CEM	Current Exposure Method
CFT	combating the financing of terrorism
CGU	cash-generating unit
CHOC	Childhood Cancer Foundation South Africa
CLN	credit-linked note
CLR	credit loss ratio
CMAT™	Customer Management Assessment Tool™
CNHR	cost of non-hedgeable risk
COE	cost of equity
COO	chief operating officer
COP	Conference of the Parties
CPI	consumer price index
Cpix	consumer price index excluding mortgage bond interest cost
CPSL	Cambridge Programme for Sustainability Leadership
CPT	corporate performance target
CRO	chief risk officer
CSI	corporate social investment
CSIRT	cybersecurity incident response team
CTR	cash threshold reporting
CVP	client value proposition
CWG	Cape Winemakers Guild
DALRO	Dramatic, Artistic and Literary Rights Organisation
DoL	Department of Labour
DSTI	deferred short-term incentive
dti	Department of Trade and Industry
EAD	exposure at default
ECap	economic capital
ECD	early-childhood development
ECPO	Eastern Cape Philharmonic Orchestra
ED	enterprise development
EDP	Executive Development Programme
EE	employment equity
EGC	enterprise governance and compliance
ELB	entry-level banking
EME	exempted microenterprise
EP	economic profit
EPS	earnings per share
ERM	enterprisewide risk management
ERMF	Enterprisewide Risk Management Framework
ETF	exchange-traded fund
EthicSA	Ethics Institute of South Africa
ETI	Ecobank Transnational Incorporated
EV	embedded value
EVP	employee value proposition
Exco	Executive Committee
FAIS Act	Financial Advisory and Intermediary Services Act
FCT	foreign currency translation
FIC	Financial Intelligence Centre
FPB	Fairbairn Private Bank
FSB	Financial Services Board
FSC	Financial Sector Charter
FSSS	Financial Services Sector Supplement
FTE	fulltime employee
FVTPL	fair value through profit and loss
FWP	flexible work practices
GAC	Group Audit Committee
GCC	Group Credit Committee
GDP	gross domestic product
GFOC	Group Finance and Oversight Committee
GHG	greenhouse gas(es)
GIA	Group Internal Audit
GORC	Group Operational Risk Committee
GP	guaranteed package
GRC	Group Remuneration Committee
GRCMC	Group Risk and Capital Management Committee
GRI	Global Reporting Initiative
GSC	Group Sustainability Committee
GT	Group Technology
GTSEC	Group Transformation, Social and Ethics Committee
HCT	HIV Counselling and Testing
HNW	high net worth
HR	human resources
HVCRE	high-volatility commercial real estate
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
IBSA	Insurance and Banking Staff Association
ICAAP	Internal Capital Adequacy Assessment Process
ICAS	Independent Counselling and Advisory Services
ICF	International Coaching Federation
IEP	Integrated Energy Plan

ABBREVIATIONS, ACRONYMS AND INITIALISMS ... CONTINUED

IFAC	International Federation of Accountants
IFC	International Finance Corporation
IFRS	International Financial Reporting Standard(s)
ILAAP	Internal Liquidity Adequacy Assessment Process
IMA	Internal Model Approach
IPP	independent power producer
IPRE	income-producing real estate
IRP	Integrated Resource Plan
IRRBB	interest rate risk in the banking book
ISA	International Standards on Auditing
ISDA	International Swaps and Derivatives Association
ISF	Information Security Forum
IT	information technology
JIBAR	Johannesburg Interbank Agreed Rate
JSE, the	JSE Limited
KCST	Kids Care and Support Trust
KPI	key performance indicator
KRI	key risk indicator
LCA	life cycle analysis
LCR	liquidity coverage ratio
LFDG	Leading for Deep Green
LGD	loss given default
LIBOR	London Interbank Offered Rate
LTI	long-term incentive
LTIP	Long-term Incentive Plan
MFC	Motor Finance Corporation
MIS	management information systems
MLCP	Money-laundering Control Programme
MRC	minimum required capital
MST	mobile sales team
NAF	National Arts Festival
NBI	National Business Initiative
NCD	negotiable certificate of deposit
NCR	National Credit Regulator
NEEF	Nedbank Employment Equity Forum
NEI	Nedbank ethics indicator
NEPAD	New Partnership for Africa's Development
NGO	non-government organisation
NGR	Nedbank Group Rating
NICRO	National Institute for Crime Prevention and the Reintegration of Offenders
NII	net interest income
NIM	net interest margin
NIR	non-interest revenue
NIS	Nedbank Investor Services (department name)
NMCF	Nelson Mandela Children's Fund
NP	non-performing
NPAT	net profit after tax
NPO	non-profit organisation
NPS	Net Promoter Score
NSFAS	National Student Financial Aid Scheme
NSFR	net stable funding ratio
NSS	Nedbank Staff Survey
OCI	other comprehensive income
OMSA	Old Mutual (South Africa) Limited
ORM	operational risk management
ORMF	Operational Risk Management Framework
ORX	Operational Riskdata eXchange Association
OTC	over the counter
PASA	Payments Association of South Africa
PD	probability of default
PGN	Professional Guidance Note
PIIGS	Portugal, Ireland, Italy, Greece and Spain
POP	Path out of Poverty
POS	point of sale
PPASA	Planned Parenthood Association of South Africa
PVFP	present value of future profits
PVNBP	present value of new-business premiums
PWD	people with disabilities
QASA	QuadPara Association of South Africa
QROPS	Qualifying Recognised Overseas Pension Scheme
QSE	qualifying small enterprise/entity
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)
REFIT	Renewable-energy Feed-in Tariff
RegCap	regulatory capital
REIPPP	Renewable-energy Independent Power Producer Programme
Remco	Remuneration Committee
ROA	return on (total) assets/return on assets
ROE	return on (ordinary shareholders') equity
RORAC	return on risk-adjusted capital
RWA	risk-weighed asset(s)
saar	seasonally adjusted annual rate
SABRIC	South African Banking Risk Information Centre
SACEI	South African Corporate Ethics Indicator
SADC	Southern African Development Community
SAM	Solvency Assessment and Management
SAPS	South African Police Service
SAR	share appreciation right
SARB	South African Reserve Bank
SARS	South African Revenue Service
SAWEF	South African Water and Energy Forum
SBP	share-based payments
SED	socioeconomic development
SEMS	Social and Environmental Management System
SENS	Securities Exchange News Service
SIFI	systematically important financial institution
SME	small and medium enterprise(s)
SMME	small, medium and microenterprises
SPE	special-purpose entity
SPV	special-purpose vehicle
SREP	Supervisory Review and Evaluation Process
SRP	Securities Regulation Panel
SSD	self-service device
SSF	single-stock futures
SST	self-service terminal
STC	secondary tax on companies
STI	short-term incentive
STR	suspicious-transaction reporting
STT	securities transfer tax
TNAV	tangible net asset value
TRAHRCO	Transformation and Human Resources Committee
TSA	The Standardised Approach
TTC	through the cycle
UNEP	United Nations Environment Programme
UNEP FI	United Nations Environment Programme Finance Initiative
UNGC	United Nations Global Compact
VAP	Vocabulary Assistance Programme
VaR	value at risk
VCU	voluntary carbon unit
VNB	value of new business
VWAP	volume-weighted average price
WATTF	Women at the Threshing Floor
WESSA	Wildlife Environment Society of South Africa
WWF-SA	World Wide Fund for Nature South Africa

INSTRUMENT CODES

INSTRUMENT CODES

Nedbank Group ordinary shares	
JSE share code:	NED
NSX share code:	NBK
ISIN code:	ZAE000004875
ADR code:	NDBKY
ADR CUSIP:	63975K104

NEDBANK LIMITED NON-REDEEMABLE NON-CUMULATIVE PREFERENCE SHARES

JSE share code:	NBKP
ISIN code:	ZAE000043667

NEDBANK LIMITED SENIOR UNSECURED DEBT

Listed on the Bond Exchange of SA	ISIN code:
NBK1B	ZAG000071366
NBK2A	ZAG000071341
NBK2B	ZAG000071358
NBK3A	ZAG000071408
NBKI1	ZAG000071374
NBK4	ZAG000072729
NBKI1U	ZAG000073792
NBK5B	ZAG000076613
NBK6A	ZAG000076639
NBK6B	ZAG000076621
NBK7B	ZAG000076647

NEDBANK LIMITED SUBORDINATED DEBT

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

LISTED ON THE LONDON STOCK EXCHANGE

USD100m 13 NC 8 (EMTN01)	XS0415508307
IPB3	ZAG000062605

NEDBANK LIMITED SECURITISATION ISSUE

Listed on the Bond Exchange of SA	ISIN code:
GR1A2A	ZAG000047218
GRN1A1	ZAG000047192
GRN1B	ZAG000047234
GRN1C	ZAG000047176
GRN1D	ZAG000047184
OCT1A1	ZAG000040361
OCT1A4	ZAG000040395
OCT1B1	ZAG000040403
OCT1C1	ZAG000040411
OCT1D1	ZAG000040429
OCT1E1	ZAG000040437

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Reporting standard

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NEDBANK GROUP INTEGRATED REPORT 2011

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Bank of the Year in South Africa for 2011
Financial Times/ The Banker magazine