

NEDBANK GROUP

# UNITED NATIONS GLOBAL COMPACT COMMUNICATION OF PROGRESS

2011



MAKE THINGS HAPPEN

**NEDBANK**  
GROUP

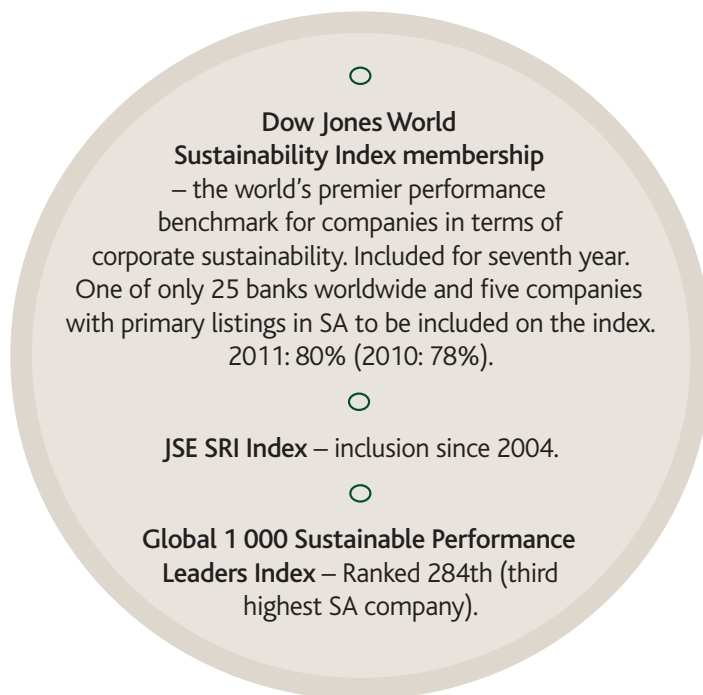
A Member of the  OLD MUTUAL Group

This document is intended to fulfil Nedbank Groups' reporting obligation as part of its commitment to the United Nations Global Compact (UNGC). The format differs from previous years as it is more closely aligned to the group's 2011 Integrated Report. The 2011 Integrated Report adheres to best practice reporting guidelines in terms of both King III and GRI 3.1 (including the Financial Services Sector Guideline). On the understanding that the sustainability imperative forms the foundation of the UNGC Principles Nedbank Group's activities as they relate to the Principles are comprehensively addressed in the Nedbank Group 2011 Integrated Report which is available on line [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za).

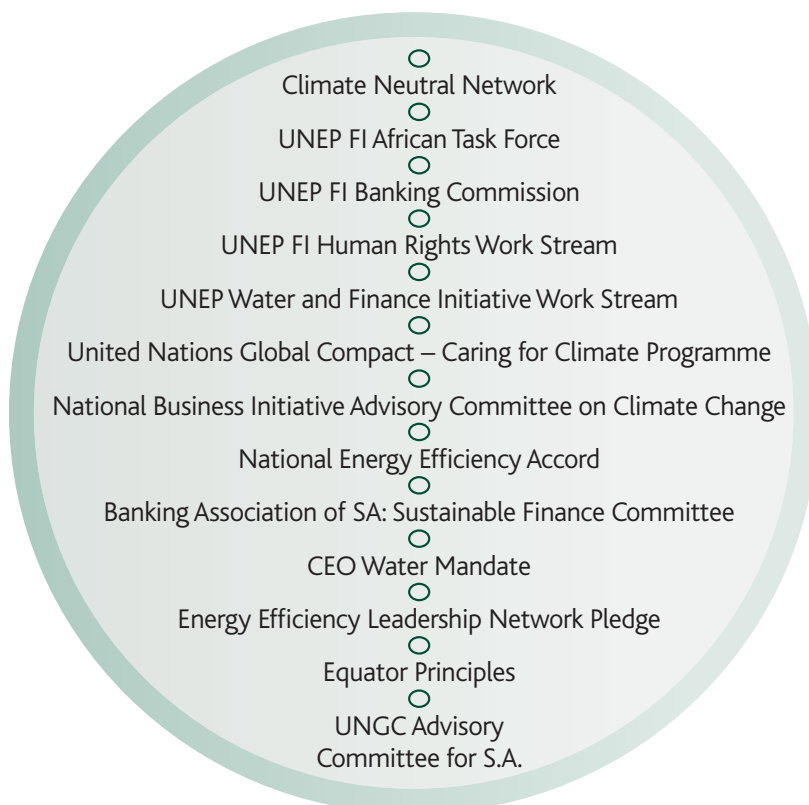
Please note that Nedbank Group has interpreted Principles 1 and 2 to have both an internal and external impact and as such has applied them to its work in relation to cultural sustainability (ie staff) as well as social sustainability as it relates to its clients and the communities within which it operates.

## SUSTAINABILITY CREDENTIALS

### INDICES




### NEDBANK IS REPRESENTED ON/A SIGNATORY TO:




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# 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.

# LETTER FROM CHIEF EXECUTIVE

30 March 2012

Attention: United Nations Global Compact Office

## NEDBANK GROUP – CONTINUED COMMITMENT TO THE UNITED NATIONS GLOBAL COMPACT

As Chief Executive of Nedbank Group, I reaffirm our commitment to the United Nations Global Compact and the 10 principles that underpin it.

In addition, as a Group we remain a signatory to the Equator Principles and the CEO Water mandate and we continue to actively support the UNEP FI African Task Force. These commitments form an important part of our overall sustainability journey as we aspire to a better future for all.

We consider it a privilege to be a part of such a vital and valuable initiative.

Yours sincerely



Mike Brown  
Chief Executive, Nedbank Group

# CHIEF EXECUTIVE'S REPORT



**MIKE BROWN**

CHIEF EXECUTIVE

## 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 ADMIRABLE 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 934 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.

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.

# CHIEF EXECUTIVE'S REPORT ... CONTINUED

This 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 product 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.

A handwritten signature in black ink, appearing to read 'Mike Brown', with a small horizontal line underneath the name.

Mike Brown

Chief Executive

# CHAIRMAN'S REPORT



## DR REUEL KHOZA

*NON-EXECUTIVE CHAIRMAN*

### 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 III 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.

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.

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 III 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 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 are 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.

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.

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.

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 III. We are currently canvassing potential board candidates with industry and legal expertise.

## 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.

# CHAIRMAN'S REPORT ... CONTINUED

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.

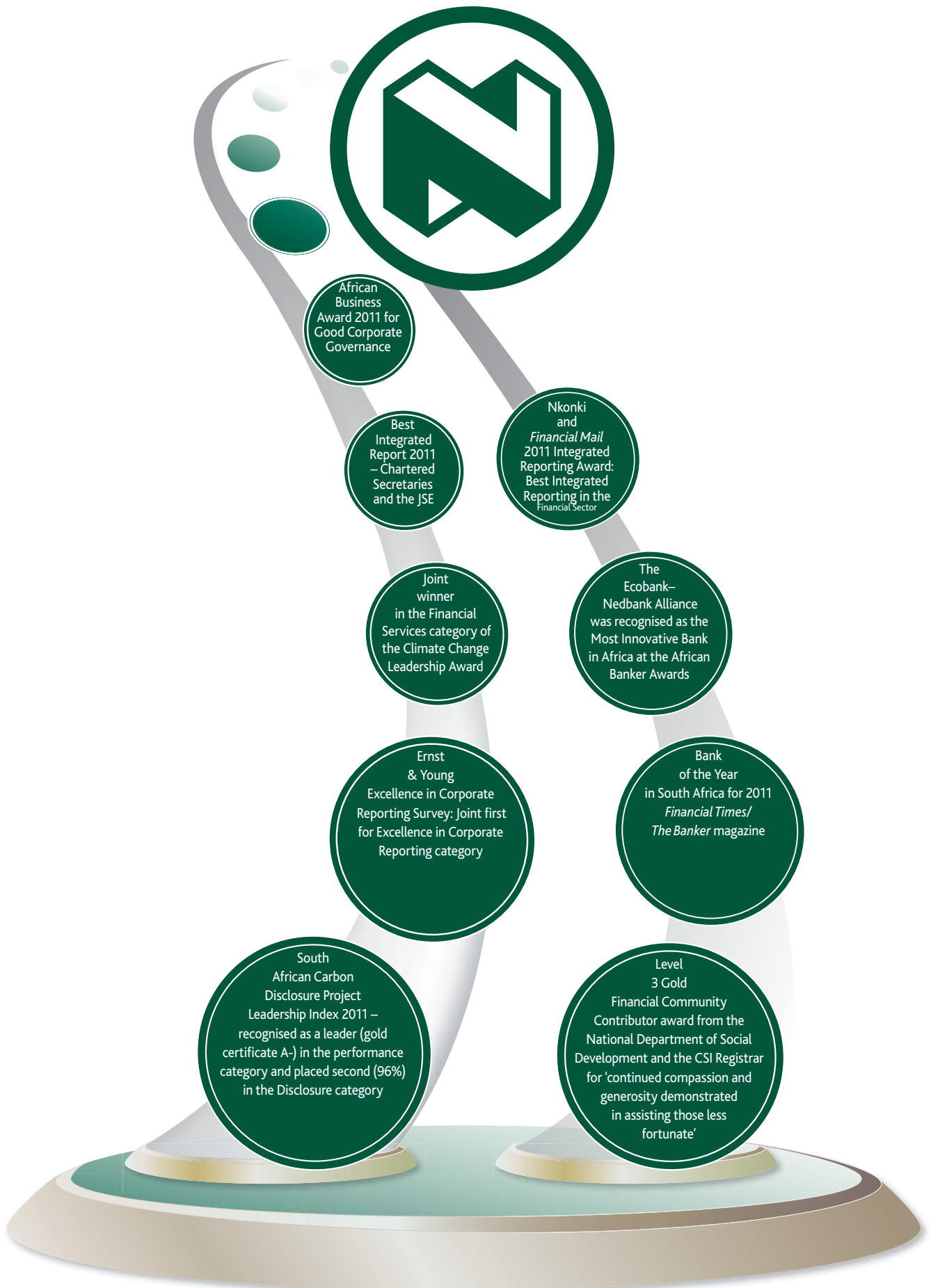
Our staff are continually striving to exceed the expectations of our stakeholders and we thank them for their contribution in making 2011 a year of record earnings for Nedbank Group.



Dr Reuel Khoza

Chairman

# 2011 RECOGNITION RECEIVED



## 2011 HIGHLIGHTS



Solid earnings growth in a challenging economic environment.



### 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 <sub>2</sub> e <sup>1</sup>	(6,1)	7,74	8,25	8,77
Offset through carbon emission reduction projects allowing buffer	tCO <sub>2</sub> e <sup>1</sup>		240 000	220 000	220 000
Carbon status	tCO <sub>2</sub> e <sup>1</sup>		neutral	neutral	neutral

### SOCIAL

Socioeconomic development spend <sup>2</sup>	Rm	11,2	89	80	73
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### CULTURAL

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

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

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

# 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.

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.
- Growing NIR.
- 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.

## 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



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



### OUR BRAND EXPRESSION

### OUR EIGHT STRATEGIC FOCUS AREAS



### OUR SCOPE OF THE GAME



### OUR VALUES

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

# INVESTMENT CASE

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.

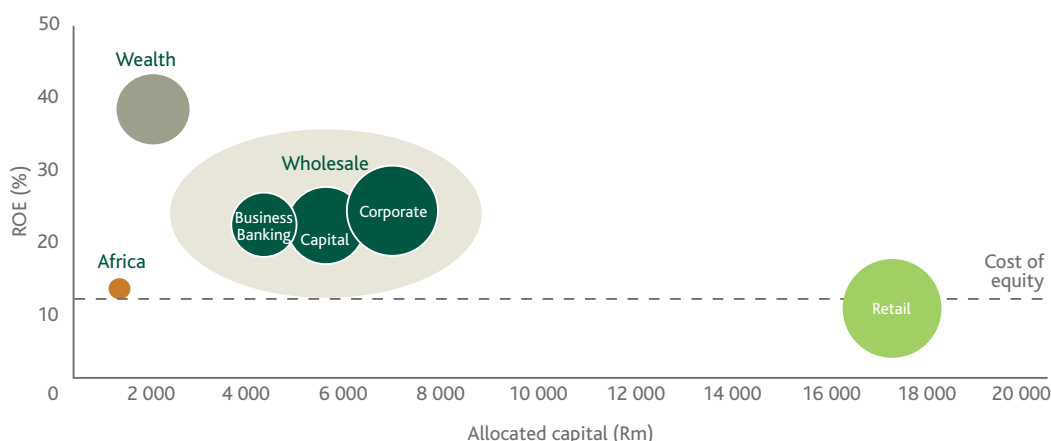
Risk and capital management are embedded in the group's culture, aimed at creating a strong, stable and economically sustainable organisation.

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

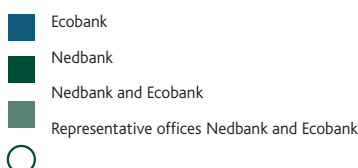
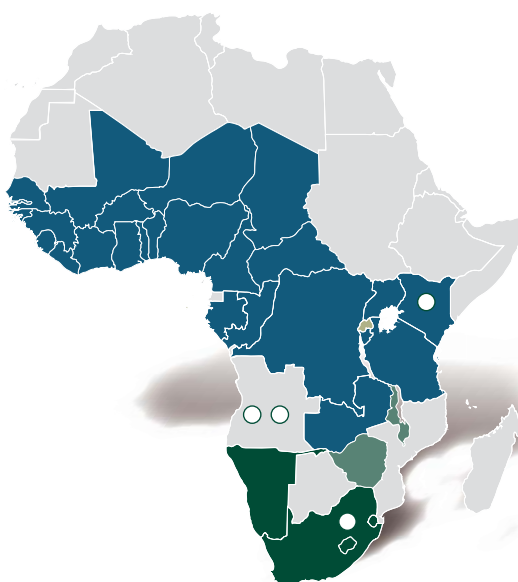
Delivery of quality transactional banking income growth above industry averages is assisting the group in making good progress towards its medium-to-long-term NIR expenses target of 85%. The objective is to achieve this target by continuing to deliver good-quality annuity income through commission and 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.



# INVESTMENT CASE ... CONTINUED

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

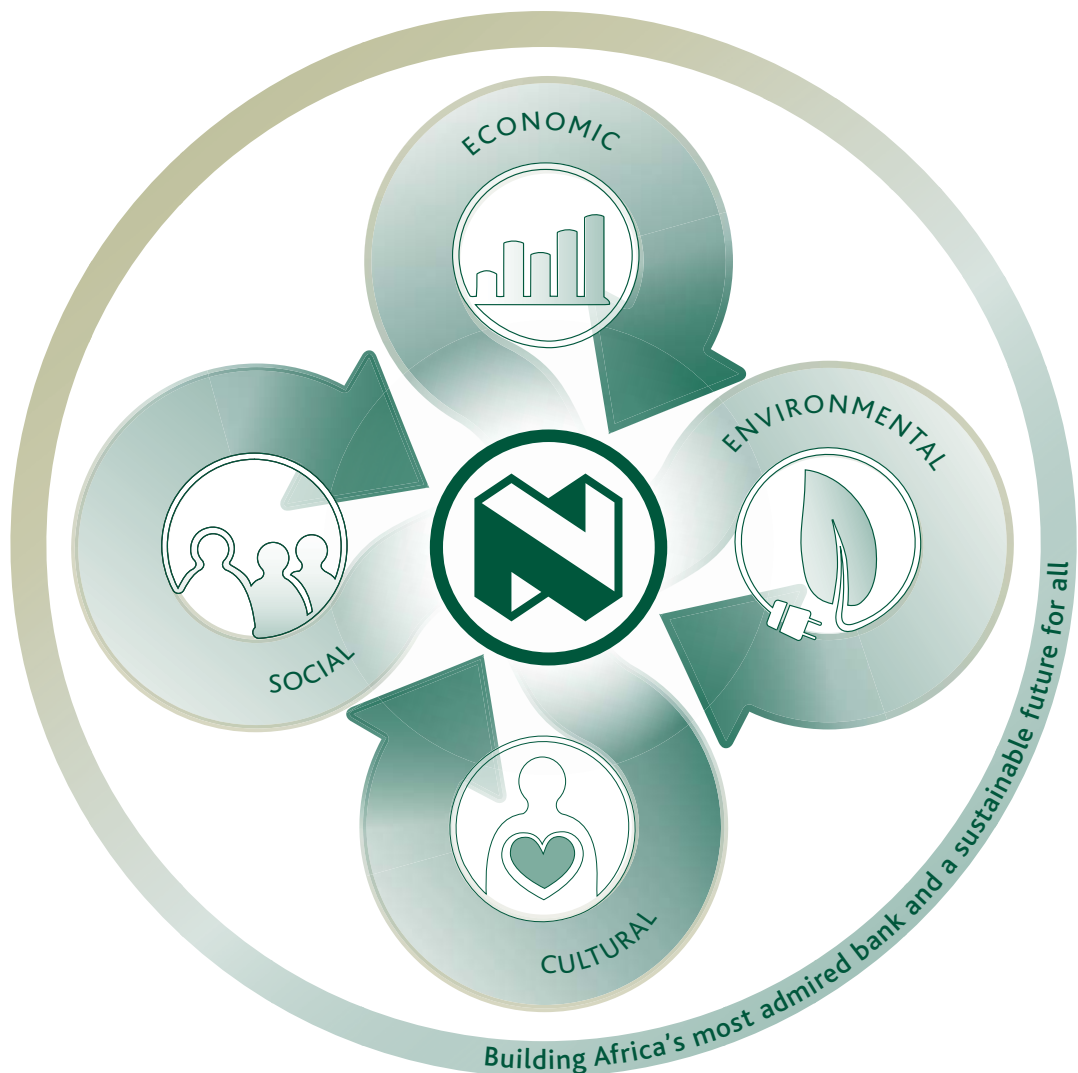
**Good growth in profits** along with operational and financial gearing benefits should enable Nedbank Group to deliver higher profitability ratios and narrow the gaps that exist between its return on assets and ROE and that of its peers.

**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.

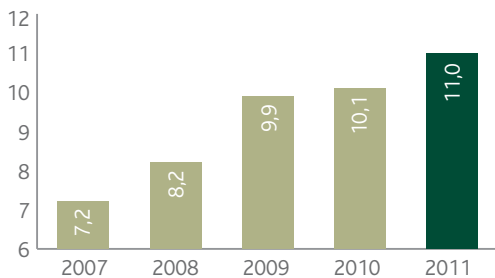




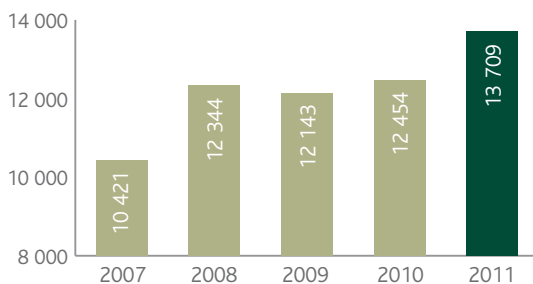
## ECONOMIC SUSTAINABILITY

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.

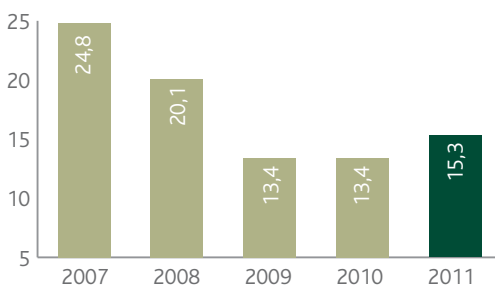
### CORE TIER 1 CAPITAL (%)



### 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.

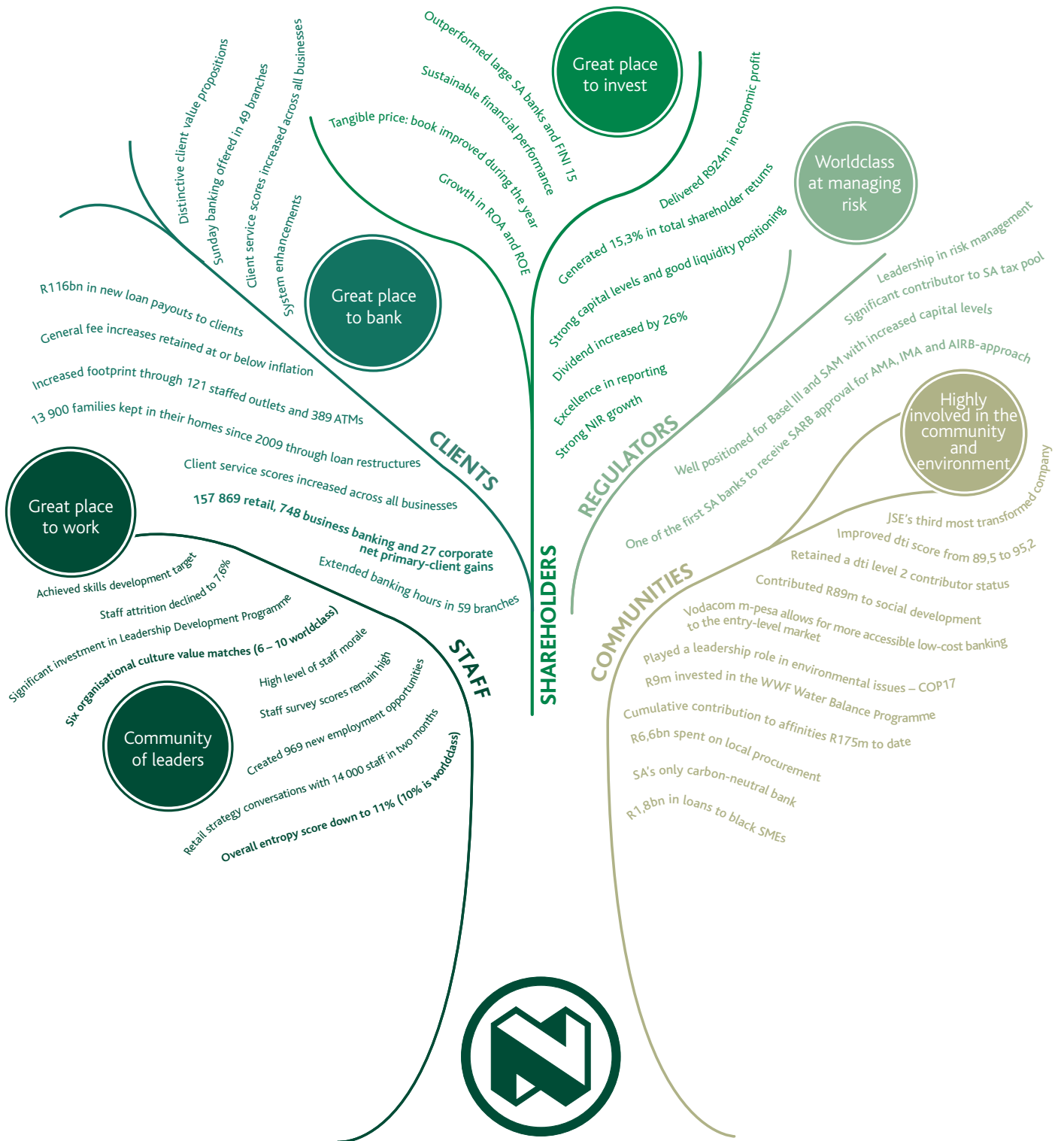
Cultural entropy, which measures the amount of dissonance in the group, continued to improve in 2011. At 11% it is now close to the international benchmark of 10%, with six current values matching the desired culture values (6 – 10 worldclass).

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.

# STAKEHOLDER OVERVIEW



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

## 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.

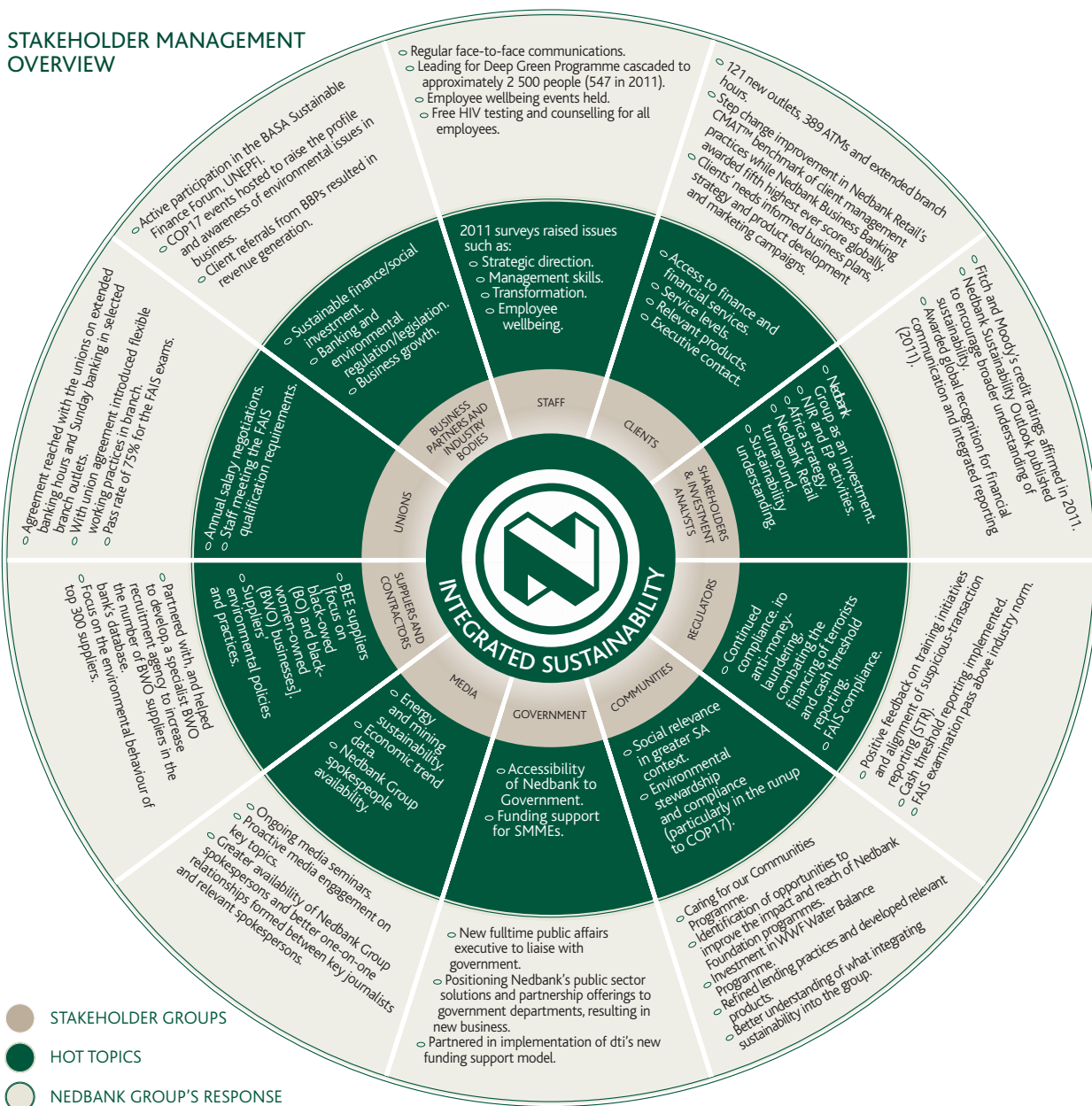
Stakeholder engagement is undertaken with a far broader aim than merely communicating 'to' the group's various stakeholder groups. Rather, Nedbank Group considers its various stakeholders as key partners in its endeavours and, as such, dedicated and proactive stakeholder engagement is aimed at identifying 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 are detailed online and 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. A summary of some of the 'hot topics' raised by stakeholders and Nedbank Group's response can be found online at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za).

## STAKEHOLDER MANAGEMENT OVERVIEW



# GLOBAL REPORTING INITIATIVE

## FINANCIAL SERVICES SECTOR SUPPLEMENT

GRI <sup>1</sup> FSSS <sup>2</sup>	Topic	Page	Description	UNGC <sup>3</sup> Principles
FS1	Description of policies with specific environmental and social components applied to business lines	58 60 – 65 66 – 73 74 – 79 144 – 155 162 – 163	<b>Sustainability development performance review:</b> • Responsible lending for sustainable success. • Environmental sustainability. • Social sustainability. • Cultural sustainability. <b>Risk and balance sheet management review</b> <b>Enterprise governance and compliance review:</b> • Ethics and corporate accountability.	7 – 9 7 – 9 1 1 – 6 1 – 6
FS2	Description of procedures for assessing and screening environmental and social risks in business lines	58 60 – 65 66 – 73 74 – 79 144 – 155 162 – 163	<b>Sustainability development performance review:</b> • Responsible lending for sustainable success. • Environmental sustainability. • Social sustainability. • Cultural sustainability. <b>Risk and balance sheet management review</b> <b>Enterprise governance and compliance review:</b> • Ethics and corporate accountability.	7 – 9 7 – 9 1 1 – 6 1 – 6
FS3	Description of processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	58 63 63 – 64 64 64 – 65 72	<b>Sustainability development performance review:</b> • Social and environmental risk management. <b>Environmental sustainability:</b> • Carbon footprint measurement • Leading through collaboration. • Greening the group's supply chain. • Facilitating sustainability through products and services. <b>Social sustainability:</b> • Preferential procurement.	1, 2 7 – 9 7 – 9 7 – 9 1, 2, 7 – 9 1, 2
FS4	Description of processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	63 63 63 Online GRI G3.1 index 162 – 163	<b>Environmental sustainability:</b> • Carbon footprint measurement • Staff communication, training and engagement. • Training and related policy acknowledgements. <b>Risk and balance sheet management review:</b> • Money-laundering, terrorist-financing and sanctions risk management, and fraud risk management. <b>Enterprise governance and compliance review:</b> • Ethics and corporate accountability.	7 – 9 3 – 6, 10 10 10 1 – 6, 10
FS5	Interactions with clients/investors/business partners regarding environmental and social risk and opportunities	14 – 28 59 63 63 – 64 69	<b>Stakeholder overview</b> <b>Sustainability development performance review:</b> • Stakeholder engagement. <b>Environmental sustainability:</b> • Carbon footprint measurement • Leading through collaboration. <b>Social sustainability:</b> • Consumer education.	1, 2, 7 – 10 7 – 9 1, 2, 7 – 9 10
FS6	Percentage of the portfolio for business lines by specific region, size and sector	1 Online GRI G3.1 index 48 – 53 92 – 95	<b>Group profile</b> <b>Company structure</b> <b>Operational footprint</b> <b>Business profile</b> <b>Nedbank Group Limited eight-year review – statistics and ratios</b>	
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business	62 – 63 64 – 65 70 71 – 73	<b>Environmental sustainability:</b> • Managing Nedbank Group's impact. • Facilitating sustainability through products and services. <b>Social sustainability:</b> • The Nedbank Affinities. • Transforming financial services. <b>2011 Transformation Report<sup>4</sup></b>	7 – 9 1, 2, 7 – 9 7 – 9 10 1 – 6

<sup>1</sup> Global Reporting Initiative.

<sup>2</sup> Financial Services Sector Supplement.

<sup>3</sup> United Nations Global Compact

<sup>4</sup> Available on [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za)

GRI FSSS	Topic	Page	Description	UNGC Principles
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose	62 – 63 63 – 64 63 – 64 64 – 65	<b>Environmental sustainability:</b> • Managing Nedbank Group's impact. • Leading through collaboration – The Nedbank Green Affinity. • Facilitating environmental sustainability through products and services.	7 – 9 1, 2, 7 – 9 7 – 9 7 – 9
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	80 – 81	Assurance statement to the directors of Nedbank Group Limited.  Group Internal Audit: 2011 Sustainability review – report issued to management.	1 – 10
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental and social issues	Online GRI G3.1 index	<b>Company structure</b> <b>Operational footprint</b>	
FS11	Percentage of assets subject to positive and negative environmental and social screening	58  63 64  72	<b>Sustainability development performance review:</b> • Social and environmental risk management. <b>Environmental sustainability:</b> • Carbon footprint measurement. • Greening the group's supply chain. <b>Social sustainability:</b> • Preferential procurement.	7 – 9  7 – 9 7 – 9  1, 2
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	20 51 – 52  71 – 73	<b>Stakeholder overview: Clients:</b> • Responsible product/information labelling. <b>Business profile: Nedbank Retail</b> <b>Social sustainability:</b> • Transforming financial services. <b>2011 Transformation Report<sup>4</sup></b>	1, 2   1, 2 1 – 6
FS14	Initiatives to improve access to financial services for disadvantaged people	20  63 64 64 – 65  71 – 73	<b>Stakeholder overview: Clients:</b> • Responsible product/information labelling. <b>Environment sustainability:</b> • Carbon footprint measurement • Leading through collaboration – external engagements and environmental sustainability initiatives. • Facilitating sustainability through products and services. <b>Social sustainability:</b> • Transforming financial services. <b>2011 Transformation Report</b>	1, 2  7 – 9 7 – 9 7 – 9  1 – 6 1 – 6
FS15	Policies for the fair design and the sale of financial products and services	20 Online GRI G3.1 index   162 – 163	<b>Stakeholder overview: Clients:</b> • Responsible product/information labelling. <b>Risk and balance sheet management review:</b> • Information and technology risk. • People risk. • Financial crime. • Money-laundering, terrorist-financing and sanctions risk management. • Compliance risk management. <b>Enterprise governance and compliance review:</b> • Ethics and corporate accountability.	1, 2  1, 2 1 – 6 10  10 1 – 10 1 – 6, 10
FS16	Initiatives to enhance financial literacy by type of beneficiary	69	<b>Social sustainability:</b> • Consumer education. <b>2011 Transformation Report<sup>4</sup></b>	10 1 – 6

# 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](http://www.nedbankgroup.co.za).

No	Profile disclosure	Printed report page ref	Description online reference	UNGC Principles
<b>1</b>	<b>Strategy and analysis</b>			
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	1 – 10     1 – 10 7 – 9
<b>2</b>	<b>Organisational profile</b>			
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	7 – 9
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.		Operational footprint Company structure	7 – 9
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	7 – 9
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	3 – 6
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	
<b>3</b>	<b>Report parameters</b>			
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 <a href="http://www.nedbankgroup.co.za">www.nedbankgroup.co.za</a>	
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	1 – 10



No	Profile disclosure	Printed report page ref	Description online reference	UNGC Principles
<b>4</b>	<b>Governance, commitments and engagement</b>			
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	1, 2, 7 – 10 1, 2, 7 – 10
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	156 – 163	Enterprise governance and compliance review	1, 2, 7 – 10
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	1, 2, 7 – 10
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	3 – 6 3 – 6
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	1, 2, 3 – 6 3 – 6
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	156 – 163	Enterprise governance and compliance review	3 – 6
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	1, 2, 7 – 10
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	3 – 6 1, 2
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	7 – 9 7 – 9 1, 2 3 – 6 1 – 10
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	1, 2, 7 – 10
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	7 – 9 1 – 10
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	7 – 9
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	1 – 10
4.15	Basis for identification and selection of stakeholders with whom to engage.	15, 59	Sustainable development performance review: Stakeholder engagement	1 – 10
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	15, 59	Sustainable development performance review: Stakeholder engagement	1 – 10
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	1 – 10
<b>Environmental – Management approach</b>				
EN1	Materials used by weight or volume.	92 – 95	Nedbank Group Limited eight-year review Environmental sustainability: Carbon footprint measurement	7 – 9
EN2	Percentage of materials used that are recycled input materials.		Not material for Nedbank	7 – 9
EN3	Direct energy consumption by primary energy source.	92 – 95	Nedbank Group Limited eight-year review Environmental sustainability: Carbon footprint measurement	7 – 9
EN4	Indirect energy consumption by primary source.	92 – 95	Nedbank Group Limited eight-year review Environmental sustainability: Carbon footprint measurement	7 – 9
EN8	Total water withdrawal by source.		Nedbank's participation in the WWF Water Balance Programme addresses water consumption regardless of source	7 – 9
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	7 – 9
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	7 – 9

# GRI 3.1 INDEX ... CONTINUED

No	Profile disclosure	Printed report page ref	Description online reference	UNGC Principles
<b>Environmental – Management approach ... continued</b>				
EN16	Total direct and indirect greenhouse gas emissions by mass.	63	Environmental sustainability: Carbon footprint measurement	7 – 9
EN17	Other relevant indirect greenhouse gas emissions by mass.	63	Environmental sustainability: Carbon footprint measurement	7 – 9
EN19	Emissions of ozone-depleting substances by mass.		Environmental sustainability: Carbon footprint measurement	7 – 9
EN20	NOx, SOx, and other significant air emissions by type and mass.	60 – 65	Environmental sustainability Carbon footprint measurement	7 – 9
EN21	Total water discharge by quality and destination.		Not material for Nedbank	7 – 9
EN22	Total mass of waste by type and disposal method.	60 – 65 63	Environmental sustainability Environmental sustainability: Carbon footprint measurement	7 – 9
EN23	Total number and volume of significant spills.		N/a due to nature of financial services	7 – 9
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	7 – 9
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		N/a due to nature of financial services	7 – 9
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	7 – 9
<b>Human rights – Management approach</b>				
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	1, 2, 7 – 9 1, 2
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	1, 2
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	1, 2
HR4	Total number of incidents of discrimination and corrective actions taken.	78	Cultural sustainability: Collective bargaining	1, 2
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	1, 2
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	1, 2
<b>Labour practices and decent work – Management approach</b>				
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	3 – 6
LA2	Total number and rate of new employee hires, employee turnover by age group, gender and region.	75	Cultural sustainability: Employee profile	3 – 6
LA4	Percentage of employees covered by collective bargaining agreements.	78	Cultural sustainability: Collective bargaining	3 – 6
LA5	Minimum notice periods regarding significant operational changes, including whether it is specified in collective agreements.	78	Cultural sustainability: Collective bargaining	3 – 6
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	3 – 6
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	3 – 6
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	3 – 6
LA10	Average hours of training per year per employee by gender and employee category.	76	Cultural sustainability: Developing employees	3 – 6
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	UNGC Principles
<b>Labour practices and decent work – Management approach ... continued</b>				
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	3 – 6
LA14	Ratio of basic salary of men to women by employee category by significant locations of operation.	77	Cultural sustainability: Remuneration	6
LA15	Return to work and retention rates after parental leave, by gender.	76	Other 2011 initiatives	6
<b>Society – Management approach</b>				
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	67 – 68	Social sustainability: The Nedbank Foundation	1, 2
SO2	Percentage and total number of business units analysed for risks related to corruption.		Risk and balance sheet management review: Operational risk	10
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.		Risk and balance sheet management review: Operational risk	10
SO4	Actions taken in response to incidents of corruption.		Risk and balance sheet management review: Operational risk	10
SO5	Public policy positions and participation in public policy development and lobbying.	59	Sustainable development performance review: Stakeholder engagement	1 – 10
		64	Environmental sustainability: Legislation and regulation	7 – 9
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	10
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	7 – 9
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		Not applicable to Nedbank	7 – 9
<b>Product responsibility – Management approach</b>				
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	1, 2 1, 2
PR5	Practices related to client satisfaction, including results of surveys measuring client satisfaction.	18 – 20	Stakeholder overview: Client	1, 2
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	1, 2
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	
<b>Economic – Management approach</b>				
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	1 – 10
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	7 – 9
EC3	Coverage of the organisation's defined-benefit plan obligations.	116 – 143	Remuneration Report	1 – 6
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	1 – 10 1, 2
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	1, 2, 3 – 6
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	1, 2

## **CONTACT DETAILS**

### **KERRI SAVIN**

Stakeholder Engagement Manager

Tel: +27 11 295 5672

Email: [kerris@nedbank.co.za](mailto:kerris@nedbank.co.za)

### **DRIEKIE HAVENGA**

Ethics Officer

Tel: +27 11 295 6944

Email: [driekieh@nedbank.co.za](mailto:driekieh@nedbank.co.za)