

MAKE  
THINGS  
HAPPEN



*NEDBANK GROUP*

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# UNITED NATIONS GLOBAL COMPACT COMMUNICATION OF PROGRESS

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for the year ended 31 December 2013

A Member of the  **OLDMUTUAL** Group

This document is intended to fulfil Nedbank Group's reporting obligation as part of its commitment to the United Nations Global Compact (UNGC). The Nedbank Group 2013 Integrated Report has been aligned with the requirements of the King Code of Governance Principles for SA (King III Code), the International Integrated Reporting Framework and complies with Global Reporting Initiative (GRI) Guidelines (3.1) which inform not only Nedbank Group's annual reporting, but also our ongoing reporting initiatives throughout the year.

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 2013 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.

## Nedbank's sustainability credentials, indices and memberships include:

- **Banker Magazine** – South African Banker of the Year Award.
- **Sunday Times Top 100 Companies** – Corporate Social Investment Leadership Award.
- **African Banker Awards** – Socially Responsible Bank Award.
- **Black Business Quarterly (BBQ) Awards** – 2013 Transformation Champion of the Year.
- **BANKSETA** – Skills@Work Award, Large Company category.
- **46th Annual Chartered Secretaries Southern Africa (CSSA) and Johannesburg Stock Exchange (JSE) Limited Integrated Reporting Awards** – Overall winner.
- **2013 EY Africa Excellence in Integrated Reporting** – Eighth place.
- **2013 Nkonki Integrated Reporting Awards** – Nedbank was placed second in the Finance Sector and joint third overall.
- **MTN App of the Year Awards 2013** – Nedbank App Suite™, Best Android App, Consumer category.
- **Carbon Neutral** – Africa's first carbon neutral financial organisation.
- **Dow Jones World Sustainability Index membership** – The world's premier performance benchmark for companies in terms of corporate sustainability. We were included for the eighth year (2013: 84%; 2012: 82%).
- **JSE SRI Index** – Inclusion since 2004.
- **WWF Water Balance Programme** – Invested R9 million into South Africa's water security.
- **WWF-SA Green Trust partnership.**
- **WWF Sustainable Agriculture Programme** – Official sponsor – invested R8,3 million.
- **Nedbank occupies four Green-star-rated buildings.**
- **Natural Capital Leaders Index** – Natural Capital Decoupling Leader.
- **United Nations Global Compact Advisory Committee**
- **United Nations Global Compact** – 'Caring for Climate' Programme
- **United Nations Global Compact CEO Water Mandate**
- **National Business Initiative Advisory Committee on Climate Change**
- **National Energy Efficiency Accord**
- **Energy Efficiency Leadership Network Pledge**
- **Banking Association of South Africa: Sustainable Finance Committee**
- **Association of Ethics Officers in Africa**
- **OECD Financial Sector Mapping Advisory Group**
- **National Biodiversity Business Network**
- **Network for Business Sustainability South Africa**

### NEDBANK IS REPRESENTED ON:

- **Equator principles** – first African bank to joint in 2005.
- **Principles for Responsible Investment** (through Old Mutual Plc).
- **UNEP FI African Task Force**
- **UNEP FI National Capital Declaration**
- **UNEP FI Social Working Group**

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# A PROFILE OF OUR BUSINESS

Nedbank Group is one of SA's four largest banking groups by assets and deposits, with Nedbank Ltd our principal banking subsidiary. We are a JSE Top 40 company with our ordinary shares listed on the JSE since 1969 and on the Namibian Stock Exchange since 2007. Our market capitalisation was R107bn at 31 December 2013. Old Mutual plc is our majority shareholder, owning 52% of Nedbank Group.

 **R750bn**  
TOTAL ASSETS

 **R8,7bn**  
HEADLINE EARNINGS

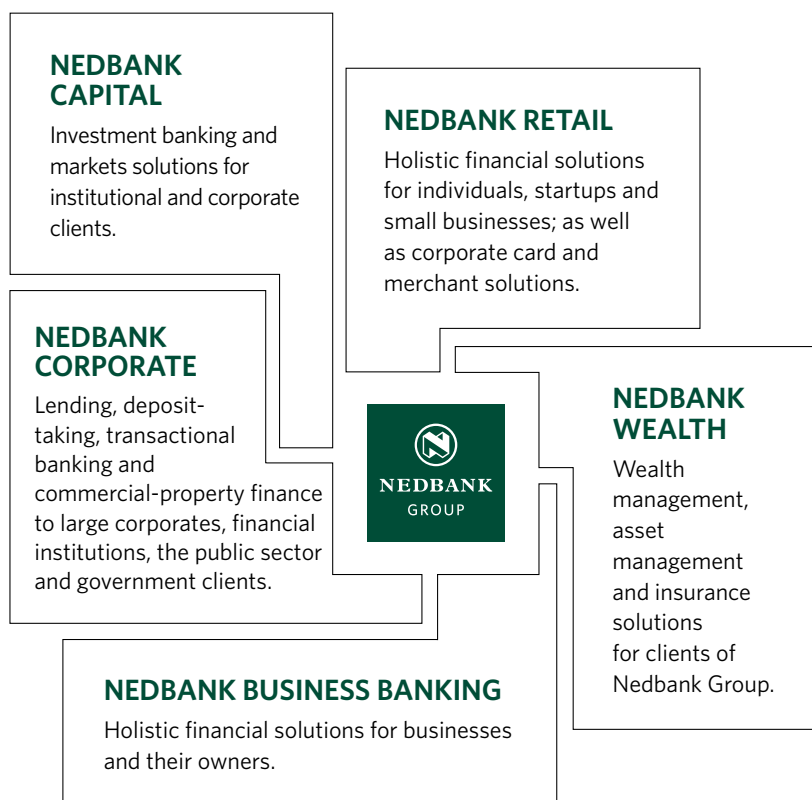
 **6,7m**  
CLIENTS

 **1 050**  
STAFFED OUTLETS

 **3 382**  
ATMs

 **29 513**  
EMPLOYEES

## THE SERVICES AND PRODUCTS WE PROVIDE



## OUR FOCUS AND POSITIONING

- A bank for all, based in Southern Africa, with selected expansion into the rest of Africa.
- Top two wholesale bank and strong market position in commercial-property finance, business banking, investment banking, vehicle finance, card-acquiring, deposit-taking and asset and wealth management.
- Pan-African banking alliance with Ecobank Transnational Incorporated, giving our clients access to 37 countries across Africa.
- Leadership in sustainability, transformation and community development.

## WHERE WE ARE BASED

- Headoffice in Sandown, Sandton, Johannesburg, SA.
- Regional branch network of more than 1 050 staffed outlets across SA.
- Subsidiary banks in Lesotho, Malawi, Namibia, Swaziland, Zimbabwe, Isle of Man, Guernsey and Jersey. Representative offices in other Southern Africa countries, including Angola, Kenya, strategic acquisition of an initial stake of 36,4% in Banco Unico in Mozambique (regulatory approval received, with completion of the transaction targeted for end March 2014) and key global financial centres to provide international banking services for our SA-based multinational and high-net-worth clients, including in London, Toronto and Dubai (UAE).

# LETTER FROM CHIEF EXECUTIVE

**Attention: United Nations Global Compact Office**

April 2014

**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 Officer*

Nedbank Group

*DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS*

# CHIEF EXECUTIVE'S REVIEW

2013 has been a successful year for Nedbank Group – we repositioned Nedbank Retail, exceeded our NIR-to-expenses ratio of greater than 85%, tilted our portfolio away from high-risk, low-EP activities and built on our rest of Africa strategy. These actions position us well for the challenging economic environment we expect in the year ahead.

I am pleased to report to all our stakeholders that 2013 was a successful year for Nedbank Group. It has been four years since I was appointed CEO, and we set out to deliver on four key strategic focus areas that I announced at that time. These were:

## 1

### **Repositioning Nedbank Retail**

Headline earnings have increased from a loss-making position to R2,5bn in 2013 and the return on capital has improved to 11,6%. In the second half of 2013 Nedbank Retail's return on capital exceeded its cost of capital.

**Mike Brown**  
Chief Executive



1 829 cents

DILUTED HEADLINE EARNINGS PER SHARE

▲ 15%

895 cents

DIVIDEND PER SHARE

▲ 19%

12,5%

COMMON-EQUITY TIER 1 RATIO (BASEL III)

(2012: 11,6%)

2

### Growing non-interest revenue (NIR)

Our NIR growth has been ahead of the industry average and our NIR-to-expense ratio increased from 78,8% in 2009 to 86,4%, above our > 85% target for the first time.

3

### Portfolio tilt

We have followed a policy of selective origination in some advances categories and proactively reduced our exposure to higher-risk products in preparation for rising interest rates. Common-equity tier 1 capital increased from 9,9% (Basel II) to 12,5% (Basel III) and non-performing loan coverage levels from 29% to 42,8%. Economic profit (EP) increased from R57m to R2,1bn.

4

### Rest of Africa

We have secured the rights to subscribe for up to 20% in Ecobank Transnational Incorporated (ETI) and made our first foray into Mozambique with approval obtained for an initial stake of 36,4% of Banco Unico, targeting the end of the first quarter of 2014 for completion of the transaction.

During this time, we also acquired the minority interests that we did not own in various Old Mutual joint venture (JV) businesses to expand our economic interests in bancassurance and wealth management and we acquired full ownership of Imperial Bank, increasing our vehicle financing exposure to a market share of 25,2%. We have also increased our cooperation with our parent company, Old Mutual plc, and our sister companies in SA. New-business flows from our financial planners to Old Mutual SA increased 58% in 2013 and we entered the direct-insurance market in partnership with Mutual & Federal.

Today, we are a far stronger bank than we were in 2009; we have added 2,2m retail clients and built the value of our franchise while strengthening our balance sheet for the rising interest rate cycle that lies ahead.

Investors will be pleased to know that since 2009 our net asset value per share has increased by a compound growth rate of 9,6%, our return on equity (ROE) (excluding goodwill) has increased from 13,4% to 17,2%, and we have delivered compound dividend growth of 19,4% per annum. Headline earnings have grown from R4,3bn to R8,7bn.

While our financial performance has been among the best in our peer group, I am particularly pleased that, with our focus on sustainability that is so closely linked to our brand, we delivered value to all our stakeholders.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Our journey to being Africa's most admired bank, by all our stakeholders

Our vision, to be Africa's most admired bank, is underpinned by delivery to all our stakeholders – our staff, clients, shareholders, regulators and communities. In 2013 we continued to make good progress with our vision, as demonstrated by the following achievements:



INVESTING IN OUR PEOPLE

**For our staff.** At a time when jobs are being lost across the economy, we provided employment for more than 550 additional permanent employees in SA, invested significantly in training, progressed well with staff transformation initiatives as reflected in our employment equity statistics and continued the participation of our leaders in our Leading for Deep Green. This programme has not only made a significant difference to team effectiveness across the group, but also provided deep personal insights, for which our staffmembers are extremely grateful. As a result, our culture measurements are healthy – internally we have never been in a better position and our culture continues to attract high-calibre staff.



INNOVATING FOR OUR CLIENTS

**For our clients.** We continued investing in our distribution footprint with 334 additional ATMs and the rollout of 28 of our Branches of the Future. System uptime was at multiyear highs and we accelerated delivery in innovation with the launch of various market-leading products. Taking cognisance of the impact of a tough economic environment on our clients' disposable income, we launched one of the lowest-priced credit life products with increased benefits and saved clients banking fees by proactively moving them to lower-priced bundled products and by keeping general fee increases at 0% for 2014. In 2013 we increased loan payouts by 10% and excelled at managing our clients' money, once again being rated one of SA's top three asset managers in the Raging Bull Awards, with assets under management increasing 26,5% to a record R190bn. As a result of all of this, more people chose to bank with Nedbank and our client numbers increased by 10% to 6,7m.



DELIVERING VALUE TO OUR SHAREHOLDERS

**For our shareholders.** We delivered a strong set of results, achieving earnings growth in excess of our medium-to-long-term target, while investing in the franchise and strengthening our balance sheet provisioning levels. We delivered a total shareholder return of 16% and increased the full-year dividend by 19%. We also positioned the group for long-term shareholder value creation through our Pan-African banking strategy and we were once again voted the *Financial Times* and *The Banker* magazine 2013 SA Bank of the Year.



PARTNERING WITH OUR REGULATORS

**For our regulators.** To the satisfaction of these important institutions that oversee the health of our industry, we implemented Basel III successfully on 1 January 2013, with the group's common-equity tier 1 capital strengthening further to 12,5%, being the top end of our internal target ranges. For our government, we made cash taxation contributions of R8bn relating to direct, indirect, PAYE and other taxation. We maintained our strong, open and transparent relationships with all regulators and continued our commitment to responsible banking practices. We are committed to being worldclass at managing risk and doing appropriate remediation where required.

RELATED MATERIAL MATTERS

- Tough economic conditions
- Scarce skills

- Tough economic conditions
- Banking relevance amid consumerism and increased competition
- Increased demands on governance and risk management
- Growth opportunities in the rest of Africa
- Transformation of society within planetary boundaries

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GREAT PLACE TO WORK

GREAT PLACE TO BANK

GREAT PLACE TO INVEST

WORLDCLASS AT MANAGING RISK





## LEADING IN THE COMMUNITIES WE SERVE

**For our communities.** Since 2009 we have expanded our footprint to service 10 000 more areas and suburbs and contributed significantly to socioeconomic development. We maintained our level 2 broad-based black economic empowerment (BBEE) contributor status for the fifth consecutive year and were ranked first among the top 100 companies in the *Mail & Guardian* dti Code survey, acknowledgement of the lead we are taking in building a more transformed SA. We were recognised as a leader in socially responsible banking at the 2013 African Banker awards and won the *Sunday Times* Top 100 Companies Corporate Social Investment (CSI) awards, illustrative of our green and caring approach, whether it's for the benefit of our communities or our environment.

- Tough economic conditions
- Transformation of society within planetary boundaries
- Scarce skills

HIGHLY INVOLVED IN THE COMMUNITY AND ENVIRONMENT

## A sustainable business model

The world has been a tough place for banks and bankers since the financial crisis began in 2008, with very few macroeconomic tailwinds. In SA our economy has grown slower than expected for the past few years, but given our sound banking system, growth in consumer spending and the commodity demand from China, it has been less affected than many developed economies. However, in 2013 the economy weakened more than expected. Initially forecast to grow at 2,6%, gross domestic product (GDP) growth ended the year at 1,9%, reflecting the continuing tough global environment and slowdowns in the economies of key trading partners together with our country's own challenges, such as widespread labour strikes across export-led industries, high unemployment, infrastructure constraints and high levels of consumer indebtedness despite low levels of interest rates and real wage increases.

Nevertheless, as discussed in greater detail in the Chief Financial Officer (CFO) section of this integrated report, our 2013 financial performance reflects the benefits of continuing to invest for growth and building our franchise, while our cost discipline and risk management capabilities ensured that we remained resilient despite the uncertain and volatile economic environment.

I am convinced that the foundation we have built enables Nedbank to enter what is likely to be a challenging and volatile environment in 2014 in the best shape we have ever been.

Our history also shapes the way we think about the future. It explains the value we place on our people and our unique culture, why we emphasise risk management and manage costs well, and why we invest with a long-term perspective and build diverse earnings streams. As we continue to grow, it will become more difficult to deliver the same rates of growth year after year, but this is the challenge every successful organisation faces and Nedbank is no different. This is where I believe our resilient business model, our people and our organisational culture will stand us in good stead.

## Embedding our values and culture

Nedbank is a vision-led, values-driven organisation. We identified and introduced our values of accountability, integrity, pushing beyond boundaries, respect and being people-centred a decade ago. We have embedded them in our culture and continuously acknowledge our people – not just for what they achieve, but for how they achieve it. We fundamentally believe our culture, which encompasses our values, is our key source of competitive differentiation. Our culture survey, which measures the number of matches between an individual's values and those of the organisation, shows that we have five matches – a worldclass level. It is particularly pleasing for me to see that our top three values – accountability, client satisfaction and being client-driven – are embedded in the organisation. Other values on our top 10, such as teamwork, environmental awareness and employee recognition, also align with our strategic focus areas, which gives me confidence in our future success as our plans and our hearts are aligned.

We have found that there is no magic wand to reinforce culture, and no organisation can ensure that everyone does everything perfectly all the time. But we need to keep working at embedding our culture, because it is our key differentiator.

Collaboration across our business is another area of distinctiveness. We have had good success from our Nedbank @ Work offering, which provides the employees of our wholesale clients with banking services, and which has given us more than 200 000 new clients since 2012. We also gained good traction in winning deals because we combined and co-located our Nedbank Capital and Nedbank Corporate structured-debt finance teams. Our shared services areas continue to be a good example of how to share resources and work together efficiently with a business partnering mindset.

## CHIEF EXECUTIVE'S REVIEW (CONTINUED)

### Refining our strategy

During our strategy development and planning processes in 2013 we identified six material matters that will continue to impact the bank in years to come as we seek to become Africa's most admired bank. These are:

- **Tough economic conditions.** These seem to be the 'new normal' as developments in the external environment impact both our clients and the bank.
- **Banking relevance amid consumerism and increased competition.** We put our clients at the centre of everything we do in a more competitive environment.
- **Increased demands on governance and risk management.** Regulators seek to ensure a strong stable financial system and parity for all stakeholders.

- **Growth opportunities in the rest of Africa.** As our clients expand beyond the borders of SA we seek to unlock growth opportunities in regions of higher GDP growth.
- **The transformation of society within planetary boundaries.** We strive to build a thriving bank in a thriving society.
- **Scarce skills.** We continually seek to keep and attract the best skills in a highly competitive environment.

During 2013 we took stock of our four key strategic focus areas in relation to these six material matters and refined our statement of strategic intent, sharpened the language and changed the emphasis. The core principles of our successful strategy remain the same, but the context and challenges have evolved, and therefore we felt that our emphasis needed to shift as well.

The first change is that our initiative to reposition Nedbank Retail is no longer highlighted as a separate focus area because the retail bank has been fundamentally repositioned, and it is resilient and ready to grow and improve its returns. Going forward we have five key strategic focus areas that are applicable right across Nedbank Group. All five, together with our stakeholder commitments, represent our strategic response to the material matters.

### 1 Client-centred innovation

Firstly, we are accelerating innovation to make the group more accessible and easier to bank with through digital, integrated banking channels. Our client-centred business model, which was introduced in 2009, has enabled a far deeper understanding of what is important to our clients, and the clients I engage with across all our segments echo this. In the past two years we have brought more digital-banking offerings to our clients than ever before, with offerings such as Approve-it™, MyFinancialLife™, PocketPOS™ and an online home loan application site, to name a few. Since the Nedbank App Suite™ was launched over 340 000 downloads have been done and over R6bn (in over 10,5m transactions) has been transacted over the platform. Winning the MTN Android Consumer App of the Year award in 2013 demonstrates that we are indeed making progress, but we have to get even better and be more relevant and responsive to our clients in an increasingly competitive banking environment.

### 2 Strategic portfolio tilt

Strategic portfolio tilt retains the same focus as portfolio tilt, which has helped us drive an increase in EP from R57m in 2009 to R2,1bn in 2013 as we focus on the optimal allocation of scarce resources such as capital and longer-dated funding. This has been supported by selective advances growth to mitigate against downside risk in products such as personal loans and home loans, while we focused strongly on EP-generative activities such as deposit growth, insurance, asset management, cards, vehicle finance and investment banking.

Strategic portfolio tilt also incorporates Nedbank's Fair Share 2030, which is born of the important role that Nedbank, as one of the 40 largest companies in SA, has to play in the economy and broader society. It involves a carefully calculated flow of money allocated each year for investment in future-proofing the environment, society and our business. In 2013 our Fair Share 2030 initiative made steady progress and early results have been encouraging, with innovative financing solutions emerging in agriculture, energy, housing and transportation. Lessons learned during our proof-of-concept phase will inform the way we scale up to the full Fair Share 2030 commitment – roughly equivalent to R6bn, or 4% to 6% of new lending each year. While it is too early to state precisely the earnings impact of Fair Share 2030, we are convinced it will create significant long-term value as we increase our participation in the green economy and underpin our vision of being Africa's most admired bank.

### 3 Optimise to invest

We want to leverage our strong cost culture and be more adept at extracting efficiencies while investing in our franchise for the longer term. Since 2009 we have achieved a cumulative R1,1bn in efficiencies in Nedbank Retail while investing R1,7bn in new distribution channels, client-value propositions such as Savvy and Ke Yona and system functionalities across the bank. In 2013 we initiated a SAP enterprise resource planning (ERP) system replacement in finance, human resources and procurement functions. Since 2009 we have removed over R500m from the core cost base in technology, and as part of our 'rationalise, standardise and simplify' information technology (IT) strategy we have decommissioned 56 IT systems in our effort to reduce core systems from 220 to 60, while decommissioning a further 21 non-core IT systems.

## 4 Growing our transactional banking franchise

Our strategic initiative to grow NIR has seen us increase our NIR-to-expenses ratio above 85% for the first time. Growing NIR is, however, an outcome of growing our transactional banking franchise and that is why we focus on high-quality, annuity NIR generated through transactional banking volume growth. To achieve this we will further strengthen our franchise by attracting even more transactional banking clients to build our current and savings account market share to levels closer to our asset market share, a challenge not dissimilar to the 85% NIR-to-expenses target we set in 2010. Achieving this will require innovative, client-centred products and value propositions, transparent and competitive pricing, efficient and sales-oriented channels, both physical (through our Branch of the Future) and electronic, as well as collaboration across all our businesses to deepen our share of wallet.

## 5 Pan-African banking network

The 'rest of Africa' strategic focus has been renamed the 'Pan-African banking network' and will continue to incorporate our strategic alliance with Ecobank in West and Central Africa and our own network and expansion activities in the Southern African Development Community (SADC) and East Africa. Nedbank has the right to take up a shareholding of up to 20% in ETI and a formal decision will be made during the rights exercise period in 2014.

Regulatory approval has been received to acquire an initial stake of 36,4% of Banco Unico in Mozambique and completion of the transaction targeted for end March 2014. The presence in Mozambique will contribute to the strengthening of Nedbank's franchise and client proposition in the SADC and East Africa, increasing our presence to six countries.

In 2013 we signed an alliance agreement with the Bank of China and this has already resulted in the conclusion of several transactions for clients.

## Outlook

The economic outlook for 2014 remains volatile and uncertain, both globally and here in SA. There is a growing divergence between anticipated prospects for developed economies and emerging markets. Developed economies are expected to see accelerated momentum while emerging markets wrestle with the effects of the tapering off of quantitative easing as funds are disinvested, currencies depreciate and interest rates increase. This is particularly the case in countries such as SA, which have both current account and fiscal deficits to finance. A further concern is China's economic slowdown, given its importance as a trade partner of SA.

SA's GDP is forecast to grow by 2,6% in 2014 – higher growth than in 2013, but still below potential – with the key drivers likely to be better export performance and an increase in gross fixed-capital formation. However, downside risk to growth has increased as interest rates have started on an upward trajectory with a 50 basis point increase in January 2014 and further potential increases later in the year. At the time of writing, forward rate markets were pricing in further interest rate increases of 150 basis points in 2014. This does not bode well for consumers who are already struggling with high levels of indebtedness.

The economy is also dealing with infrastructural constraints and policy uncertainty, and corporate credit demand will likely remain subdued as corporates delay their commitment to new projects.

In this context we believe Nedbank is well positioned and our strategies are appropriate for the environment. Our business is well diversified, with no cluster contributing more than 29% to headline earnings. NIR today contributes 48% of income, well ahead of the 42% in 2009. Our asset base is approximately 62% in wholesale and 38% in retail. We have positioned our book for a rising interest rate cycle, benefiting net interest income (NII) (including endowment income) by R936m before tax for every 1% increase in interest rates over a 12-month period. Defaulted advances continued to decrease to R17,5bn or 3% of our book (5,9% in 2009). While we cannot avoid the potential negative impact of higher rates on our clients' ability to repay and hence our impairments, especially if rates increase too fast or too much, we have taken proactive steps by increasing our coverage on specific impairments to 42,8% (from 29% in 2009) and retail portfolio impairments to 1,4% of the performing book (from 0,5%). In addition, we have taken early action to reduce our exposure to higher-risk products such as personal loans and home loans, well ahead of the industry – home loans in particular have proved historically to be problematic for the industry if interest rates rise steeply.

In summary, Nedbank enters 2014 with good momentum and a strong balance sheet. We are well positioned to make the most of growth opportunities as they present themselves, and we remain committed to consistent delivery for all our stakeholders.

Given the uncertain economic environment, forecast risk has increased and, in this context in the year ahead, we are currently expecting organic growth in diluted headline earnings per share to be in excess of the growth in nominal GDP.

## Appreciation

Nedbank's journey over the past four years has been one of resilience, growth and consistent delivery. The next four years will undoubtedly be equally exciting. We have a solid foundation on which to continue building our growth, driven by our five key focus areas, and we are investing in our businesses and growing our franchise value. By delivering on our strategy, by staying true to our culture, and by being innovative and client-centred, I am confident that we can continue to go from strength to strength.

I would like to thank our investors for their support throughout this journey. I would also like to express my gratitude to the exceptional and highly experienced group executive team that I am honoured to work with. Thank you for your invaluable contribution to the group, your knowledge, your leadership strength and your willingness to take on tough situations with a smile.

To our board of directors and to our parent company, Old Mutual, thank you. To our Chairman, Reuel Khoza, thank you for your wisdom, guidance and support. Finally and most important of all, I would like to thank our people for their hard work, loyalty and commitment and our clients for trusting us with their banking needs. Together we make Nedbank a great place to work at, a great place to bank with and a great bank to invest in.



**Mike Brown**  
Chief Executive

A SUSTAINABLE FUTURE FOR ALL

# CHAIRMAN'S REVIEW

A strong and sustainable economy with higher levels of employment occurs when private enterprise is strong and works in harmony with government, creating the enabling conditions under which business can flourish. We are committed to playing an active role in facilitating the building of a thriving nation.

## Twenty years of democracy

Reflecting on the first 20 years of democracy in SA provides an opportunity to review the country's achievements and contemplate the next two decades. Change is often incremental, and on a year-by-year basis the cumulative effects are often overlooked. Looking back to 1994 we can see just how deeply our society and our economy have changed. In many areas our country is admired and respected. Even in its remotest areas the great majority of the population now has access to electricity, water and sanitation. Living standards have improved materially and the black middle class has become a significant component of our economy. Expansion of access to the monthly social grant has provided a degree of upliftment for the poor, with more than 16m people benefiting. Our public service and private sector have transformed and great progress has been made relative to the enormity of the challenges inherited in 1994. We score at or near the top of the rankings, including those of the World Economic Forum, for the quality of our corporate governance, the strength of our institutions, such as the stock exchange, and the soundness of our banks.

Because SA has been embraced into the global economy and is able to participate in it fully, the private sector has been given many opportunities to grow and strengthen its abilities. This was enabled by government's market-based approach, disciplined fiscal policies, protection of property rights, the gradual reduction of exchange controls and the lowering of trade barriers that helped attract an investment grade sovereign rating from Moody's as early as 1994.

These achievements have been remarkable given the massive challenges that needed to be addressed at the dawn of our democracy in 1994. Yet much remains to be done in areas where progress has been frustratingly slow. One key area is education, where many children never reach matric, and the majority of those who do, pass at a level that does not position them for growth and readiness for the world of work. Our youth are badly equipped for today's labour market and this has contributed to our recording among the world's highest levels of unemployment over a sustained period. In addition, a heavily regulated labour market keeps many unemployed. In recent years the business and investment environment has also become more uncertain and less supportive of expansion. Infrastructure shortfalls and policy uncertainty have contributed to these challenges. It is imperative that we imbue ourselves with moral leadership and wisdom for the public and private sectors. I strongly believe that leadership in these sectors should work together constructively to make a positive contribution to the creation of a better life for all.

When we reflect on Nedbank Group's journey since 1994, it is clear that we have had our own successes and challenges. We

**Dr Reuel Khoza**  
Non-executive  
Chairman



R107,2bn

MARKETCAPITALISATION  
(2012: R95,4bn)

16%

TOTAL  
SHAREHOLDER  
RETURN

LEVEL 2

BEE RATING  
FIFTH YEAR  
IN A ROW

have grown organically as well as through various mergers and acquisitions. We had a difficult period, just after the start of the new millennium, that culminated in a rights issue in 2003 to strengthen the capital base of the group. Since then we have developed into one of the strongest financial services participants in the SA economy. We are making significant contributions to all our stakeholders, thereby helping to make SA a better place to live in. As an employer we created an additional 13 500 jobs, and we now have over 30 000 employees in total. At the same time, we embrace transformation and we have been one of the top three most transformed large companies on the JSE for the past three years. Since 2004 we have spent R1,5bn (approximately 70% of the group spend) on skills development for our black employees.

Through our banking activities we granted over R570bn in loans to clients. We expanded our presence to service an additional 10 000 new areas and suburbs, particularly in peri-urban areas, and added more than 2 000 new ATMs to make banking more accessible and convenient. Nedbank is a bank for all, with more than 3m new retail and small-and-medium-enterprise (SME) clients having chosen to bank with us since 2004. Many of these clients are new to the formal banking system and we now service over 6,7m clients in total.

In 2005 we embraced broad-based black economic empowerment (BBBEE) and developed a leadership position. Our innovative BEE transaction benefited more than 500 000 black South Africans directly and/or indirectly. The net value of our Eyethu scheme, with more than 47 000 participants, has grown by more than R6,7bn, with R2,3bn having already accrued free of any debt to these shareholders. In addition, over R747m has been paid out in dividends to date.

As an active corporate citizen we have spent in excess of R644m on socioeconomic development projects since 2004. We assisted the communities in which we operate with sustainable and viable projects that focus on education, community development, health, economic development and volunteerism. Since 1994 the Nedbank Affinity Programme has contributed more than R200m to almost 1 000 projects in the areas of arts and culture, sports development, helping underprivileged children and environmental conservation. A total of 1,2m clients support these affinities and our primary beneficiaries have been the Nelson Mandela Children's Fund and the World Wide Fund for Nature (WWF).

We also marked, with great sadness, the passing of the founding father of our democracy, Mr Nelson Rolihlahla Mandela, in 2013. Tata Madiba represented universal virtues that unite us all as human beings the world over: moral authority and probity, resilience, conviction, moderation, compassion, grace, courage, humility and wisdom. At Nedbank we seek to support Madiba's honourable legacy through a shared vision to champion the rights

of children. We will continue our relationship with the Nelson Mandela Children's Fund, spanning more than 15 years thus far, through the Nedbank Children's Affinity. Since the launch of the Children's Affinity, Nedbank has donated more than R50m to the Nelson Mandela Children's Fund.

### Creating a desirable future

The global economic environment over the past 20 years has been very beneficial for SA. It included rising commodity prices, a strong demand for exports and large capital inflows reducing the cost of capital, thereby assisting investment. This was the case especially in the period before the global financial crisis in 2008 and for a short period thereafter as the world began to recover from recession. Globally, financial institutions in particular have focused on addressing their financial strength and a return to traditional banking activities. The global financial system is in a better place today, but with much still to be done.

SA banks are strong and the industry is rated the third most sound in the 2013-2014 World Economic Forum Global Competitiveness Report. Regulatory oversight is worldclass. Nedbank's strategic focus areas of repositioning Nedbank Retail, non-interest revenue growth and portfolio tilt have ensured that we have substantially strengthened our franchise. We also lowered our exposure to the macroeconomic cycle through selected growth in higher-risk products such as unsecured lending, more prudent provisioning, a stronger balance sheet and higher levels of sustainable transactional income.

It is very concerning that the global environment has been under stress for the past five years, which has culminated in significantly intensified pressure on emerging-market currencies as investors struggle to come to terms with changes in US monetary policy. The growth environment that attracted investment interest towards developing economies is still present and will reassert itself as the middle class grows. Africa in particular faces a bright future where better economic policies, greater regional integration, more open economies, reduced debt burdens, increased investor interest and massive resources will keep many economies on a strong growth trajectory. SA companies are already taking advantage of the many opportunities to the north, and our government is encouraging greater regional cooperation to unblock borders and boost infrastructure.

Expansion into the rest of Africa is a great longer-term opportunity. Our vision, to be Africa's most admired bank, reflects our intention to unlock this opportunity while managing the higher risk that typifies earlier-stage economies. Nedbank's vision aligns with the ambition of our parent company, Old Mutual plc, to become Africa's financial services champion.

## CHAIRMAN'S REVIEW (CONTINUED)

We are positioning ourselves to provide a Pan-African banking network supporting our clients' activities on the continent. It is in this context that we established our alliance with Ecobank Transnational Incorporated (ETI) in 2008 for expansion into West and Central Africa, recognising the benefits that flow from deep local knowledge. The year 2014 is an important one for Nedbank as we are in the 12-month period during which we have the opportunity to exercise our rights to acquire 20% in ETI. Regulatory approval for our acquisition of a strategic stake in Banco Unico has been received and completion of the transaction is targeted for end March 2014. This acquisition enhances our plans for expansion into SADC and East Africa.

A strong and sustainable economy with higher levels of employment occurs when private enterprise is strong and works in harmony with government, creating the enabling conditions under which business can flourish. We are committed to playing an active role in facilitating the building of a thriving nation.

We appreciate the fact that our business success is linked to the upliftment of society at large, as well as the fact that we can do much to enable this upliftment through our core business activities. We are committed to playing an active role in building a thriving nation. In 2012 Nedbank developed its long-term vision for SA, describing a country that would be flourishing by 2030 and that would be a vibrant place to live and work, having overcome a series of pressing economic, social and environmental challenges. We worked with many experts, including those linked to the development of the National Planning Commission's Diagnostic Report, to provide a clear understanding of our country's potential. The 2030 goals are aligned with the National Development Plan (NDP): they were developed independently but in parallel and remain firmly aligned with it in spirit and objective, and they are more than just a statement of ambition. They provide a telescope that enhances our ability to identify future business opportunities and risks. We are responding through a strategic initiative called Fair Share 2030, challenging ourselves to capture new business opportunities by taking a non-conventional approach to lending on a scale that is appropriate to our market share.

### Leading by example

This year I share with stakeholders more of the Nedbank board's deliberations and challenges, both in the year gone by and looking forward. In addition I will lead our first board governance roadshow in 2014 to engage proactively with our shareholders and other stakeholders, to share our philosophies and thinking and to receive valuable input from them.

Awareness around governance matters has increased since the global financial crisis, with unsound practices exposed and with regulatory intervention more strict. As a board we take governance, compliance and ethics very seriously – they underpin our deliberations and decisionmaking and align us with the spirit and guidelines of King III. We are continuously learning and challenging ourselves to strengthen our governance capabilities and recognise that, while much has been achieved, we must drive the organisation to raise its standards further in our aspiration to be worldclass at managing risk. Nedbank believes that the development of a unique corporate culture is an enduring competitive advantage. For more than a decade Nedbank has invested in personal-mastery and team-effectiveness programmes.

This is underpinned by the recognition that a values-based approach in leading the organisation is imperative if we are to safeguard the integrity of the organisation and position it appropriately in a rapidly transforming environment.

Our board is well diversified and balanced, and we seek to continue building diversity in skills and thinking. We were pleased to welcome David Adomakoh in February 2014 as an independent non-executive director of Nedbank Group and Nedbank Ltd. We announced the departure of two of our directors, Don Hope and Thenjiwe Chikane, during 2013 and express our sincere appreciation to them for the many years of diligent service and insight they provided.

A number of directors will be retiring in 2015 in line with our board continuity programme. In anticipation, the board has instituted a formal succession planning process and identified a broad spectrum of specific skills and experience it must have within its ranks. The process is robust and constructive in identifying the capabilities that potential new boardmembers should possess to complement those of the current members. In line with our strategy we will continue to bolster the skills of the board in areas such as banking, mining and resources, information technology (IT), innovation as well as the rest of Africa.

The integrated report contains detailed reporting on governance in the risk, audit, transformation and remuneration sections. In addition to this, I summarise in the following paragraphs some deliberations of each of the board subcommittees.

In 2013 the Group Transformation, Social and Ethics Committee focused on monitoring regulatory developments relating to the BBBEE Act and the Financial Sector Charter Codes. It also reviewed management's effort to improve BBBEE performance and maintain our carbon neutrality despite increases in the scope of our carbon measurement. Lastly, the committee guided the strategic development of Fair Share 2030 in response to a set of long-term goals for a thriving SA.

The Group Information Technology Committee focused on reviewing and implementing the group's IT strategy, interrogating key technology trends that have a significant impact on banking. These trends will become increasingly prevalent over the next few years and include social media, mobile banking and cybersecurity. Production stability was monitored and it is pleasing that the group recorded the best system uptime levels in recent history. The committee approved Project 4321, which will consolidate the group's finance, human resources and procurement systems and continue to be a focus over the next few years.

The Group Audit Committee was satisfied with the adequacy and efficiency of the internal control systems, accounting practices, information systems and assurance processes applied within the group. We are particularly pleased with the ongoing recognition received for our financial and integrated reporting from independent observers such as the JSE, Chartered Secretaries Southern Africa, Nkonki and EY. We will continue to ensure that the committee is exercising its assurance oversight role effectively in relation to financial reporting, internal controls, internal audit, and our relationship with the external auditors, as well as to oversee the finance transformation project. More detailed reporting can be found on pages 110 to 113 of this integrated report.

Given increased regulatory intervention, our focus on governance and the emergence of risks in a tougher macroeconomic environment, the Group Risk and Capital Management Committee provided oversight on various risks. These included capital and liquidity management, compliance with various frameworks and requirements, regulatory compliance with an increased focus on the prevention of money laundering and financing of terrorist activities, and actions to manage and reduce the onslaught of fraud. Details are discussed on page 134 to 135 of this integrated report. These focus areas along with the group's expansion into the rest of Africa will be closely monitored in the coming year.

The primary focus for the Group Credit Committee was on reducing the group's appetite for unsecured lending in the rapidly deteriorating consumer credit profile. In addition, it monitored stress in the middle-market business banking environment and engaged management on its level of comfort in our mining, automotive and agricultural credit exposures due to protracted strikes in these sectors during the year. Our construction industry exposures were also reviewed. The uncertainty in the global economy and difficult credit environment will be of considerable importance in 2014.

Remuneration, and specifically the remuneration of executives, continues to receive considerable attention from stakeholders. This had led globally to a significant increase in the amount of regulation. In some cases there has been legislation regarding the delivery and disclosure of remuneration. Given this increasingly complex environment, the Group Remuneration Committee carries a key responsibility to ensure that remuneration policies and practices implemented in the group enable the attraction and retention of key talent. It also aims to mitigate against imprudence and inappropriate risk-taking, and to enable sustainability. These remuneration policies and practices must be applied within the context of efforts ensuring that our core reward-for-performance principles are adhered to.

These factors featured prominently in the scope of the Remuneration Committee's work during 2013. The committee reviewed the competitiveness of the Nedbank remuneration suite while remaining attuned and appropriately responsive to the changing governance environment. Where necessary, changes were made to our practices (these changes are set out in detail in the Remuneration Report on pages 138 to 140 of this integrated report). Our remuneration policies and practices foster an appropriately long-term focus, and growth in remuneration should be reflective of the overall performance of the business, resulting in an appropriate sharing of value between the various stakeholders in the group. This work will continue through 2014, with a broader focus on the critical issues of performance management, the competitiveness of our employee benefit suite, and further enhancements in our stakeholder engagement.

### Delivering value to shareholders

In 2013 Nedbank Group again delivered value to our shareholders, with a total shareholder return of 16%. Our share price increased 11,7%, making us the second-best performer among the big four banks. We declared a total dividend of 895 cents, up 19% ahead of headline earnings-per-share growth of 14,9%. Despite a volatile and uncertain environment, we continue to possess qualities that we believe are attractive to investors. These include:

- competitive franchises that create value and enhance brand value because of:
  - our leadership in corporate banking, and the fact that we hold the largest market share in commercial property finance and generate good returns underpinned by an excellent risk profile;
  - integrated, lower-risk investment banking with strong growth prospects resulting from government's infrastructure plans and growth on the continent;
  - strong, differentiated and decentralised business banking;
  - innovative, client-centred retail banking, with more clients choosing to bank with Nedbank; and
  - fast-growing wealth, insurance and asset management business with high return on equity;
- a client-centred, risk-mitigated, capital-efficient strategy in the rest of Africa over the long term, with the largest Pan-African geographical footprint;
- continued delivery on a growth-oriented strategy;
- a strong balance sheet and defensive investment given the stable banking sector in SA; and
- a stable and experienced management team, a differentiated, values-based culture and high levels of staff morale.

### Looking forward

The outlook for the environment remains volatile and uncertain. We, the board, believe that Nedbank is well positioned given its strong balance sheet and higher coverage in 2013. As proved over the past few years, we have a stable management team and a sustainable growth strategy, and this will continue to stand us in good stead as more clients choose to bank with Nedbank.

We have refined our 2014 strategic focus areas (covered in more detail on page 21) to ensure that we build a sustainable franchise. This will help Nedbank remain on a growth path, focus on our clients through innovative solutions and grow in strategically attractive areas, particularly transactional banking, while optimising our spend to invest for the future. The year 2014 is also a key period in which to decide whether or not we will exercise our right to take up a 20% shareholding in ETI.

Lastly, we will be finalising key board appointments in the near future and I look forward to engaging with our major shareholders during our first governance roadshow.

### Appreciation

Thank you to my fellow directors for their contributions, insights and commitment to the affairs of the group. I am pleased that we again delivered strongly to all stakeholders in 2013. We are well prepared for both uncertain times and the unlocking of growth prospects, and I congratulate Mike Brown and the Group Executive Committee.

We thank our staff for their contribution as they continually strive to exceed the expectations of our stakeholders.

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



**Dr Reuel J Khoza**  
Non-executive Chairman

# A STRONG PERFORMANCE IN UNCERTAIN TIMES

## PERFORMANCE HIGHLIGHTS



### ECONOMIC

- Headline earnings
- Income attributable to equity holders of the parent
- Diluted earnings per share:
  - Headline
  - Basic
- Dividend declared per share
- Dividend cover
- Net asset value
- Tangible net asset value per share
- Net interest income to average interest-earning banking assets
- Credit loss ratio - banking advances
- Non-interest revenue (NIR) to total income
- NIR to total operating expenses
- Efficiency ratio
- Group capital adequacy ratios:
  - Common-equity tier 1
  - Tier 1
  - Total
- Total assets under administration
- Total assets
- Assets under management
- Return on total assets
- Return on ordinary shareholders' equity (ROE), excluding goodwill
- ROE

<sup>1</sup> Basel II.      <sup>2</sup> Basel II.5.      <sup>3</sup> Basel III.



### ENVIRONMENTAL

- Green Star-rated buildings
- Carbon footprint per fulltime employee
- Offset through carbon emission reduction projects
- Carbon status



### SOCIAL

- Socioeconomic development spend<sup>2</sup>



### CULTURAL

- Broad-based black economic empowerment credentials
- Barrett entropy

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

<sup>2</sup> Includes Community Trust and Nedbank Private Wealth Foundation, spend impacted by FSC Code changes in 2013.



	% change 2012-2013	2013	2012	2011	2010	2009
Rm	15,9	8 670	7 483	6 184	4 900	4 277
Rm	15,9	8 637	7 449	6 190	4 811	4 826
cents	15,0	1 829	1 590	1 340	1 069	983
cents	15,1	1 822	1 583	1 341	1 050	1 109
cents	19,0	895	752	605	480	440
times		2,11	2,18	2,26	2,30	2,30
Rm	12,1	64 336	57 375	52 685	47 814	44 984
cents	13,6	11 346	9 989	9 044	8 160	7 398
%		3,57	3,53	3,48	3,35	3,39
%		1,06	1,05	1,13	1,36	1,52
%		47,7	46,8	46,1	44,3	42,2
%		86,4	84,4	81,5	79,6	78,8
%		55,2	55,6	56,6	56,7	53,5
%		12,5 <sup>3</sup>	11,4 <sup>2</sup>	11,0 <sup>1</sup>	10,1 <sup>1</sup>	9,9 <sup>1</sup>
%		13,6 <sup>3</sup>	12,9 <sup>2</sup>	12,6 <sup>1</sup>	11,7 <sup>1</sup>	11,5 <sup>1</sup>
%		15,7 <sup>3</sup>	14,9 <sup>2</sup>	15,3 <sup>1</sup>	15,0 <sup>1</sup>	14,9 <sup>1</sup>
Rm	12,8	939 935	833 453	760 358	711 288	657 907
Rm	9,8	749 594	682 958	648 127	608 718	570 703
Rm	26,5	190 341	150 495	112 231	102 570	87 204
%		1,23	1,13	0,99	0,82	0,76
%		17,2	16,4	15,3	13,4	13,4
%		15,6	14,8	13,6	11,8	11,8
tCO <sub>2</sub> e <sup>4</sup>	(3,5)	3 7,61	3 7,89	2 7,74	1 8,25	- 8,77
tCO <sub>2</sub> e <sup>4</sup>	(4,2)	230 000	240 000	240 000	220 000	220 000
tCO <sub>2</sub> e <sup>4</sup>		Neutral	Neutral	Neutral	Neutral	Neutral
Rm	(4,3)	111	116	89	80	73
%		Level 2 <sup>✓</sup> 11 <sup>✓</sup>	Level 2 10	Level 2 11	Level 2 13	Level 2 13

# AN ATTRACTIVE GROWTH STRATEGY

Our vision is to be Africa's most admired bank by our staff, clients, shareholders, regulators and communities supported by our values of accountability, integrity, respect, pushing beyond boundaries and being people-centred.

Our growth-oriented strategy is underpinned by strong franchises each with long-term growth opportunities, growing our share of transactional banking revenues, tilting our portfolio in favour of strategically attractive opportunities while protecting against the downside in higher risk portfolios and expanding into the rest of Africa. This is enabled by our people and our unique culture, which we regard as our primary strategic differentiator.

## BUILDING STRONG FRANCHISES

The historic strength of Nedbank Group has been in our wholesale franchises, which are built on strong client relationships, competitive deposit and lending market shares, quality portfolios with low levels of impairments over an extended period of time in corporate and business banking, expertise in key areas such as commercial property finance, resources, renewable energy, infrastructure and, more recently, oil and gas as well as markets businesses. We are well positioned to leverage off growth in the rest of Africa, support growth in small and medium enterprises and benefit from the participation in the rollout of government's infrastructure programmes.

Repositioning Nedbank Retail has been a large focus of the group for the past few years as we addressed weaknesses in the transactional banking franchise, owing to historic underinvestment and poor strategic choices in relation to clients, distribution and marketing, and a predominantly product-focused approach. This, coupled with inadequate risk management disciplines, led to Retail reporting a loss in 2009. Our actions over the past few years in building a sustainable and profitable retail bank, while recognising the importance of being a bank for all in SA, were to focus on the growth markets of youth and entry-level banking as well as restoring our historic strengths in the middle-market, seniors and small-business segments. As a result, we have made significant investments in footprint, new client value propositions and innovative products. At the same time we embedded worldclass risk practices, significantly strengthened balance sheet provisions and adopted more prudent provisioning methodologies. As a result, financial performance improved substantially and since the start of 2009 we have gained more than 2m clients. Future growth will be driven by SA's banking population, which is forecast to grow by 10m people, and by our capturing an increasing share of these primary clients through innovative, client-centred value propositions.

Nedbank Wealth, the youngest of the group's client facing clusters, was established in 2009 following the buyout of the remaining shares in the former joint ventures with Old Mutual. The cluster has low capital requirements and is a significant economic profit contributor. Growth opportunities in our wealth management, asset management and insurance businesses remain very attractive.

## GROWING OUR TRANSACTIONAL BANKING FRANCHISE

Historically, Nedbank has had a smaller transactional banking franchise than our peers and as a result our earnings have been strongly influenced by macroeconomic changes given the absence of a substantial, stable commission and fee income stream.

Since 2009 we have focused on growing our transactional banking franchise through client gains, improved cross-sell and innovations, with the aim of increasing our non-interest-revenue-to-expense ratio and meeting our medium-to-long-term target of greater than 85%. In 2013 we achieved this target for the first time.

## MANAGING A BANK IN A TIME OF UNCERTAINTY AND REGULATORY CHANGE

The introduction of new capital and liquidity requirements by Basel regulations in recent years has forced banks to rethink their business portfolios as capital and liquidity have become increasingly scarce and expensive resources impacting on overall profitability. In order to optimise returns for shareholders and position the bank in a tougher, uncertain and more volatile environment we have adopted a portfolio approach to managing our different businesses and products. Through our strategic portfolio tilt we choose to grow faster in certain businesses or products such as transactional banking, deposits, investment banking, insurance and asset management, while taking a selective origination approach with others. Home loans and personal loans are products where we have chosen to limit our downside risk and we recognise that we may lose market share during certain times in the economic cycle.

## GEOGRAPHIC EXPANSION

Our largest opportunity is to capture a greater share of the banking profit pool in SA. In the longer term, economic growth in the rest of Africa is expected to be much higher and we will follow our clients who are also expanding beyond the borders of SA. We are building the Nedbank franchise in SADC and East Africa. In Central and West Africa we are following a partnership approach with Ecobank.

## OUR PEOPLE AND CULTURE ARE OUR PRIMARY DIFFERENTIATORS

We believe that our people and our unique culture differentiate us. We are committed to developing and training our staff, and investing significantly in programmes such as Leading for Deep Green to improve our personal and team effectiveness across the group. In addition, we track and monitor our staff satisfaction levels and changes in our corporate culture by identifying areas of dissonance (entropy) and value matches in relation to our ideal corporate culture.

AN ATTRACTIVE GROWTH STRATEGY (CONTINUED)

A VISION-LED,  
VALUES-DRIVEN  
ORGANISATION

VISION:

**TO BE AFRICA'S  
MOST ADMIRABLE BANK**

VALUES:

**INTEGRITY**

be honest, trustworthy, truthful, and consistent and open in all of our conduct and decisions.

**RESPECT**

recognise the inherent worth of every human being and treat all people accordingly.

**ACCOUNTABILITY**

prepared to make commitments and be judged against our commitments, to deliver on those commitments and to be responsible for our actions.

**PUSHING BEYOND  
BOUNDARIES**

recognise our obligation to the entire organisation - to push beyond the limits of what is best for us individually, or as a group or unit and strive to break new ground - fuelled by our passion and commitment.

**PEOPLE-CENTRED**

we invest in our people and create empowering environments through development, support, mentoring, coaching, valuing diversity, recognition and reward.

DELIVERING ON OUR  
2013 STRATEGIC  
FOCUS AREAS

In 2013 we made progress towards achieving our vision through delivery on our strategic growth drivers of repositioning Nedbank Retail, growing NIR, portfolio tilt and rest of Africa. During our strategic planning processes for 2014-16 we refined our strategic focus areas in the context of our material matters - these are discussed in more detail on page 20.

Over the past four years Nedbank's franchise has experienced strong growth as reflected in the increase of our brand value by 38,0% to R10,9bn (2009: R7,9bn), measured by Brand Finance's Brands Survey. We have also made significant progress in delivering on the four key strategic focus areas of repositioning Nedbank Retail, growing NIR, implementing the portfolio tilt strategy and expanding into the rest of Africa.

## REPOSITION NEDBANK RETAIL

From 2009 to 2013 our retail business' headline earnings have increased from a loss of R27m to R2,5bn and ROE from (0,2%) to 11,6% in 2013. We invested R1,7bn in distribution footprint and a further R400m in people, integrated channels and innovations, while extracting R1,1bn in efficiencies and growing clients by 2,2m to 6,4m. With the repositioning complete, the focus now turns to leveraging our strong foundations to accelerate primary banked client gains and capturing a greater share of the market while continuing to be diligent in managing risk.

## GROW NIR

We have made excellent progress in growing our NIR-to-expense ratio from 78,8% in 2009 to 86,4% in 2013, exceeding our medium-to-long-term target of more than 85%. Over this period, our client base has grown across all clusters and transactional banking volumes have increased. As a result, commission and fee income grew at a compound annual growth rate of 13,1% to R14 023m (2009: R8 583m).

## PORTFOLIO TILT

Under the portfolio tilt strategy, economic profit (EP) increased significantly from R57m in 2009 to R2,1bn in 2013, supported by selective advances growth to mitigate against downside risk in personal loans and home loans while we focused strongly on EP-generative activities such as deposit growth, insurance, asset management and investment banking.

## REST OF AFRICA

Our rest of Africa strategy incorporates our strategic alliance with Ecobank Transnational Incorporated (ETI) in West and Central Africa and strengthening our existing network and expanding our presence in the Southern African Development

Community (SADC) and East Africa. Nedbank has the right to take up a shareholding of up to 20% in ETI and a formal decision will be made during the rights exercise period in 2014. Regulatory approval has been received for us to acquire an initial stake of 36,4% of Banco Unico in Mozambique, with completion of the transaction targeted for end March 2014. The group has the right to acquire a majority shareholding over time and this will contribute to strengthening Nedbank's franchise and client proposition in the SADC and East Africa, increasing our presence to six countries.

REPOSITION  
NEDBANK  
RETAIL

GROW  
NIR

TO BE  
AFRICA'S  
MOST  
ADMIRED  
BANK

PORTFOLIO  
TILT

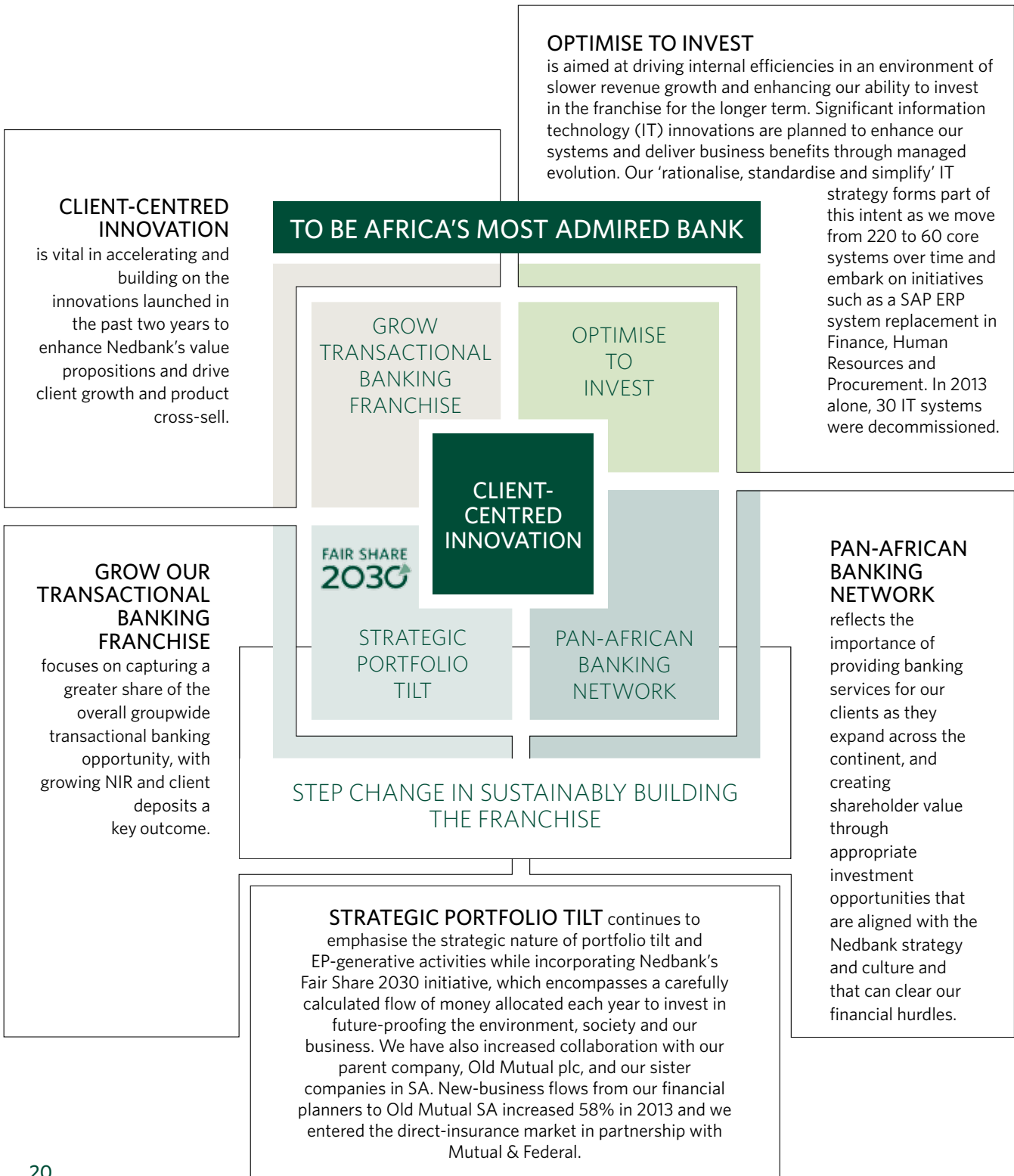
REST OF  
AFRICA

CLIENT-CENTRED APPROACH  
SUSTAINABILITY EMBEDDED IN  
GROUP STRATEGY

AN ATTRACTIVE GROWTH STRATEGY (CONTINUED)

# OUR 2014 STRATEGIC FOCUS AREAS

Following the progress made with regard to our four previous strategic focus areas, the emphasis will now be on client-centred innovation, grow our transactional banking franchise, optimise to invest, our strategic portfolio tilt, and Pan-African banking network.



## MONEY WORKING FOR THE FUTURE WE WANT



Nedbank’s vision is to be Africa’s most admired bank by all our stakeholders. We understand that our success in achieving this vision is greatly dependent on the success of the environment in which we operate – the people and our planet. Therefore, we are deeply committed to ensuring greater and lasting wellbeing for all.

However, we are aware that the prevailing model for socioeconomic development is running into serious challenges as the economy bumps against environmental limits (eg climate change and fresh water), exacerbating inequality, increasing the potential for conflict and creating a real risk of stalled progress. While the private sector definitely plays a positive developmental role by supplying products and services, creating jobs, paying taxes and supporting social investment, the collective business response has not been sufficient to address these challenges.

We cannot afford to be neutral with respect to outcomes for society; neither can we expect different outcomes if we do the same things as before.

Our commitment is therefore to think and act differently, to go beyond usual business to help create the future we all want. We believe this ambition will increase our own chances of success, as well as those of our stakeholders, and help us to grow our franchise sustainably.

### SHAPING THE CONTEXT

We need to get money working for the future we want by doing what we do best: being a successful bank. We are worldclass at managing risk, we facilitate trade, and we enable the deployment of capital into the economy. Through the proper application of these skills we can shape the context in which we operate.

Taking a more deliberate and imaginative approach to creating a better future requires us to extend our aspiration to be the ‘green and caring’ bank into the range of products and services we offer. To this end we have applied a future-back, outside-in process to gain a better understanding of the conditions for long-term success and the needs and aspirations of society.

DRIVING  
TOWARDS  
THE FUTURE  
WE WANT  
THROUGH  
FAIR SHARE  
2030

AN ATTRACTIVE GROWTH STRATEGY (CONTINUED)

## LONG-TERM GOALS AND RESPONSE

Not everything that needs to be done can or should be done by a bank. We have therefore identified a number of long-term societal goals that are relevant for a thriving bank in a thriving society and that we believe we can contribute towards.

These goals are:



Atmospheric greenhouse gases are stabilised at a level that gives a more-than-50% probability of avoiding a 2°C temperature rise above the long-term preindustrial average.



Water resources are not being extracted beyond sustainable levels.



The labour force is employed at percentages comparable with those of other prosperous nations.



All citizens have affordable access to energy services essential for development and prosperity.



All citizens have affordable access to clean water and sanitation services.



Levels of saving and investment are sufficient to support national economic development objectives.



Good health outcomes are consistently being achieved for citizens at a cost that is comparable with that of other nations.



Good educational outcomes are consistently being achieved for citizens at a cost that is comparable with that of other nations.

These goals speak to environmental and social issues as well as the important interplay between these two domains. Achieving them collectively will also ensure other desirable outcomes such as improved food security, a more resource-efficient economy and less divided communities.

We have calculated that, to achieve these goals between now and 2030, capital equal to 2% of the SA gross domestic product will have to be invested and lent differently into the economy annually. We have calculated that our fair share of this equates approximately to our market share of debt provision in the economy. This fair share is additional to all the things we already do in areas such as renewable energy, BEE financing and enterprise development – in most of which Nedbank is already an established leader. To get money working for the future we want needs imaginative solutions from our clients and our staff, coupled with rigorous risk assessment.

Fair Share 2030 is our strategic response to these long-term goals. It is a calculated flow of money, allocated each year to be invested in future-proofing the environment, society and our business. Starting in 2015, Fair Share 2030 represents a constant flow of funding, estimated at R6bn, working for the future we want. Our response to the long-term goals also includes a risk screen to improve the management of our lending exposure to carbon and water risk, both for ourselves and our clients.

Fair Share 2030 forms part of our strategic portfolio tilt, a mechanism through which to shift away from areas that contribute to societal risks, and towards areas that build resilience and wellbeing.

An initial Fair Share 2030 target of R6bn has been set for 2015; 2014 is a pilot year. This represents a lending or investment target, subject to credit granting criteria, not an expense or donation, and we expect to make a decent return on this funding to be deployed into the economy.

We will allocate our fair share every year to make sure money is flowing to activities that contribute to meeting the long-term goals. We will rigorously measure the performance of Fair Share 2030 funds and, in future years, report on indicators and progress towards reaching our targets.

Fair Share 2030 is not designed to replace any aspect of our existing commitment to sustainability. Properly understood, it represents a step change in the way we approach our sustainability efforts through core business and a strategic response to our recognition of the need for all South Africans to work towards creating a better future for our country.

By setting out how we will adapt to a changing environment, develop new competencies, sustainably grow our franchise, and invest our resources with a view to achieving a prosperous future, Fair Share 2030 forms another vital component in Nedbank's realisation of its vision to be Africa's most admired bank.



# A SOUND INVESTMENT

The Nedbank Group investment proposition remains compelling. Our competitive franchises are differentiated in the SA market and continue to create value. Also, we offer an attractive growth strategy and have a strong balance sheet.

## SOUND BANKING SYSTEM IN SA

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

A SOUND INVESTMENT (CONTINUED)

OPTIMISING RETURNS FOR ALL STAKEHOLDERS

Our objective of building an organisation that optimises returns for all stakeholders and creates a sustainable future is enabled by an integrated approach to the economics of the business, environmental preservation, involvement in society and organisational culture.

Incorporating this approach, the investment case for Nedbank Group is built around:

1 COMPETITIVE FRANCHISES CREATING VALUE AND ENHANCING BRAND VALUE

2 CONTINUED DELIVERY ON GROWTH-ORIENTED STRATEGY

3 WELL POSITIONED FOR CURRENT ECONOMIC ENVIRONMENT

4 A STRONG BALANCE SHEET AND DEFENSIVE INVESTMENT GIVEN THE STABLE BANKING SECTOR IN SA

5 A STABLE AND EXPERIENCED MANAGEMENT TEAM AND DIFFERENTIATED VALUES-BASED CULTURE

# 1 COMPETITIVE FRANCHISES CREATING VALUE AND ENHANCING BRAND VALUE

Our historical strength in wholesale banking is evident in the fact that the underlying businesses consistently deliver ROEs – higher than our cost of capital, which is a key driver of value creation, while the high-ROE Nedbank Wealth cluster is growing faster than industry trends and Nedbank Retail is building a sustainable retail banking business.

## Leading position in corporate banking and commercial-property finance

- Excellent client relationships and ratings.
- Strong market shares, particularly in commercial-property finance and public sector loans.
- Excellent risk practices over time.
- Opportunity to increase transactional banking market share.

## Integrated, full-spectrum investment banking

- Leadership and expertise in mining and resources, infrastructure, energy, telecommunications and oil and gas sectors, providing good growth opportunities in SA and the rest of Africa.
- Full-service investment banking model, combined with an ability to leverage client relationships in collaboration with other wholesale clusters.
- Focus on flow and deal facilitation in markets business.

## Strongly differentiated and decentralised business banking

- Globally best-in-class client management practices.
- Holistic relationship-banked offering through localised client service teams.
- Excellent, client-centred risk management capabilities.
- Strong deposit-generating franchise.
- Client and people measurement at multiyear highs.
- Excellent momentum in net new client gains and new business growth.

## Innovative and client-centred retail banking

- Sustainable investment in the franchise, including integrated channels, people effectiveness and brand positioning.
- Compelling, innovative client value propositions and positive shifts in brand perception, fuelling strong client growth momentum and cross-sell.
- A growing client franchise to take advantage of the lower primary banked market share relative to our strong positioning in advances and deposits.
- Judicious advances growth and strengthened balance sheet impairments to protect against downside risk.
- Skilled people committed to collaboration and diligence in execution.

## Fast-growing wealth, insurance and asset management businesses

- Significant opportunity in penetrating the Nedbank client base and benefiting from various new-product launches and recently introduced direct insurance offerings.
- Unique Best of Breed™ asset manager with excellent track record, generating strong growth in assets under management.
- Leveraging of the Nedbank Private Wealth brand as one of SA's leading high-net-worth franchises.

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

- Providing clients with access to 37 countries across Africa.
- Rights to acquire up to 20% in Ecobank Transnational Incorporated.
- Expansion into the Southern African Development Community and East Africa, where gross domestic product is expected to grow much faster than in SA, even though economic returns in financial services are still below cost of capital in the medium term. Approval to acquire an initial 36,4% in Banco Unico in Mozambique has been obtained and completion of transaction targeted for end March 2014.

A SOUND INVESTMENT (CONTINUED)

## 2 CONTINUED DELIVERY ON GROWTH-ORIENTED STRATEGY

Our 2014-2016 strategic focus areas of client-centred innovation, optimising to invest, strategic portfolio tilt, building a Pan-African banking network, growing our transactional banking franchise, and a step change in sustainably building the franchise will continue to drive growth.

## 4 A STRONG BALANCE SHEET AND DEFENSIVE INVESTMENT GIVEN THE STABLE BANKING SECTOR IN SA

- We have a strong, cost management culture, with the existing strategy favouring an investment-for-growth focus in our transactional businesses.
- Risk and capital management is embedded in our culture and aimed at creating a stable and sustainable organisation. Our credit impairment coverage ratios are among the highest in the industry. The prudent and proactive actions taken in unsecured lending and home loans position the group defensively in the event of a further deterioration in the macroeconomic environment.
- We have a common-equity tier 1 capital adequacy ratio at 12,5%, with sound funding and liquidity ratios that are in line with those of domestic peers.
- Earnings streams are well diversified, with no cluster contributing more than 29% of headline earnings to the group.
- A dividend cover range of 1,75 to 2,25 times, aiming to deliver dividend per share growth ahead of headline earnings per share growth.

## 3 WELL POSITIONED FOR CURRENT ECONOMIC ENVIRONMENT

- Operational and financial gearing benefits should enable us to deliver improved profitability ratios over time.
- Endowment income upside will be unlocked when interest rates increase (a 1% yield curve parallel shift in interest rates impacts pretax earnings by approximately R936m).
- Through our strong wholesale banking franchise, we are well positioned to benefit from the rollout of government's infrastructure programme, highlighted in the 2013 SA Budget and the National Development Plan.

## 5 A STABLE AND EXPERIENCED MANAGEMENT TEAM AND DIFFERENTIATED VALUES-BASED CULTURE

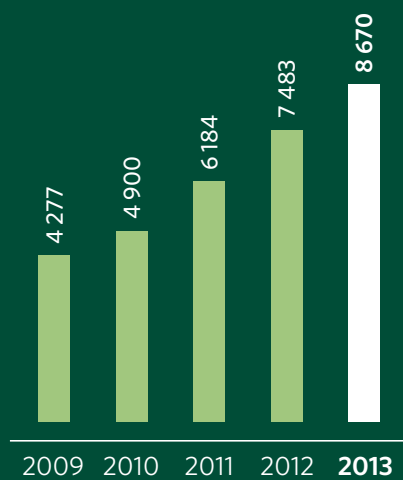
- Our stable and skilled management team is among the most experienced and transformed in the SA banking sector. Group Executive Committee members have an average of 14 years with Nedbank Group and on average more than 23 years of industry and functional experience. The average tenure for cluster managing executives is over 12 years. Importantly, we have experienced limited change in the management team since 2010, and this has enabled strong and well-coordinated execution of the group's strategy.
- Our people and culture give us a sustainable long-term competitive advantage. Internal culture and staff surveys show that we are close to worldclass levels with high levels of consensus on common value.
- Motivated and energised staff enable greater client satisfaction, which leads to higher revenue growth and improved shareholder value creation over the long term.

# 2013 HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

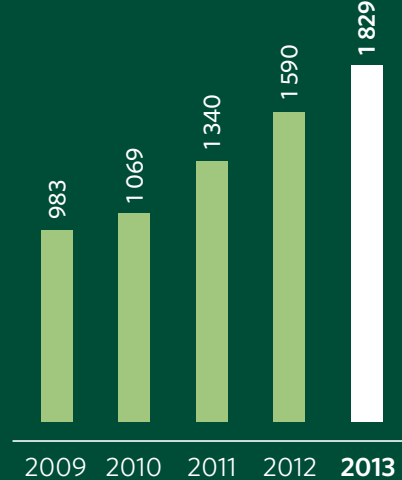
### HEADLINE EARNINGS

Rm



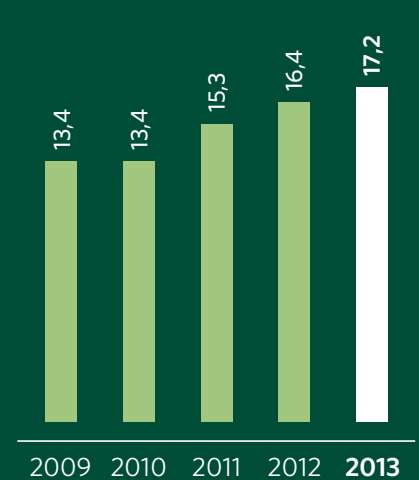
### DILUTED HEADLINE EARNINGS PER SHARE

cents



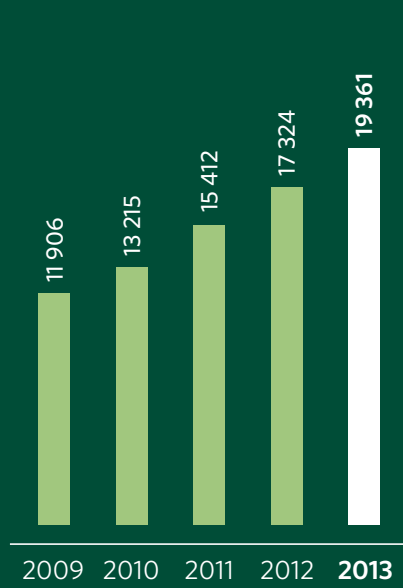
### RETURN ON EQUITY (EXCLUDING GOODWILL)

%



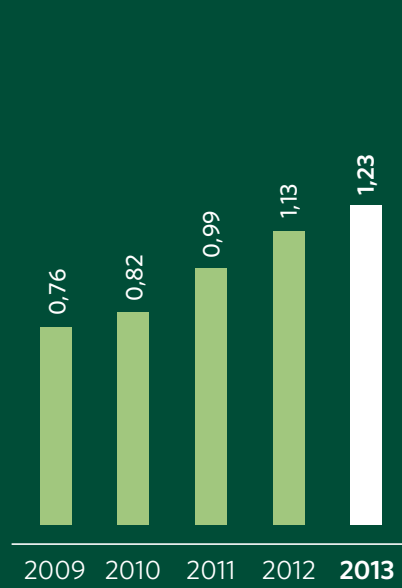
### NON-INTEREST REVENUE

Rm



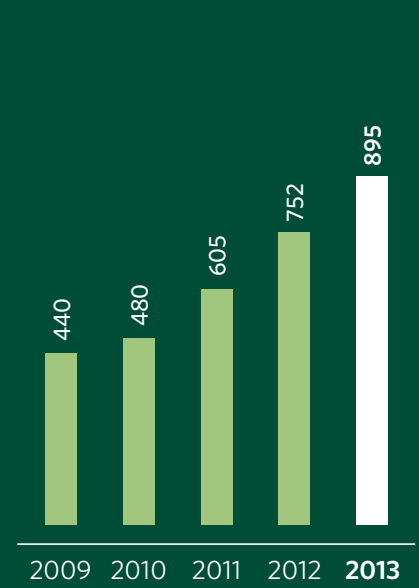
### RETURN ON ASSETS

%



### ORDINARY DIVIDEND PER SHARE

cents



# NON-FINANCIAL HIGHLIGHTS

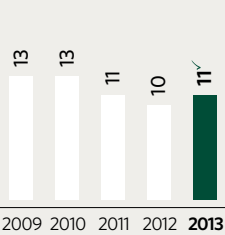


## INVESTING IN OUR PEOPLE

- Providing employment for an additional 588 permanent staff in SA.
- Investing R396m in training our people.
- Participation in our Leading for Deep Green programme by 1 521 of our staffmembers.
- Consistently good staff and culture survey results.
- High staff morale.
- Good progress on staff transformation initiatives.

Staff 32-33

Cultural entropy (%)



GREAT PLACE TO WORK

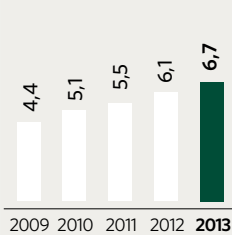


## INNOVATING FOR OUR CLIENTS

- Increase of total group client numbers by 9,8% to 6,7m in 2013 (2012: 6,1m).
- Significantly investing in our distribution footprint to be a bank for all, with five net new outlets and 334 ATMs in 2013.
- Systems uptime at multiyear highs.
- Accelerating delivery in innovation, including the reformatting of 28 Branch of the Future outlets, with more to follow.
- Launching market-leading products such as PocketPOS™, MyFinancialLife™, My eBills™ invoice issuing and payment system. Added further functionality to the award-winning Nedbank App Suite™.
- Offering clients a lower-priced credit life product with increased benefits.
- Increasing loan payouts to R159bn (2012: R144bn) and assets under management by 26,5% to R190bn.

Clients 34-37

Number of clients (millions)



GREAT PLACE TO BANK

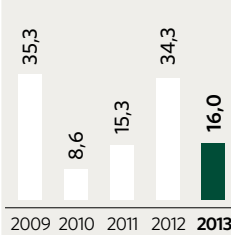


## DELIVERING VALUE TO OUR SHAREHOLDERS

- Delivering economic profit of R2 114m and increasing the return on equity (excluding goodwill) to 17,2%.
- Increasing the full-year dividend by 19,0%, ahead of 14,9% growth in headline earnings per share.
- Delivering total shareholder return for 2013 of 16,0%.
- Positioning the group for future shareholder value creation through our long-term, risk-mitigated and capital-efficient Pan-African banking strategy.
- Voted the *Financial Times* and *The Banker* magazine's 2013 SA Bank of the Year.
- Our 2012 integrated report the overall winner of the 2013 Chartered Secretaries Southern Africa and JSE Annual Report awards.

Shareholders 38-41

Total shareholder return (%)



GREAT PLACE TO INVEST

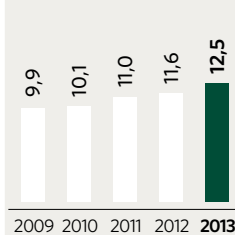


## PARTNERING WITH OUR REGULATORS

- Implementing Basel III successfully on 1 January 2013.
- Strengthening the group's common-equity tier 1 further to 12,5%.
- One of SA's largest tax contributors: with R8,0bn relating to direct, indirect, PAYE and other taxation.
- Strong, open and transparent relationships with all regulators.
- Commitment to responsible banking and insurance practices.
- Strengthening balance sheet impairments and coverage ratios to the highest levels.
- Aspiring to be worldclass at managing risk and having appropriate remediation where required.

Regulators 42-43

Common-equity tier 1 ratio (Basel III) (%)



WORLDCLASS AT MANAGING RISK

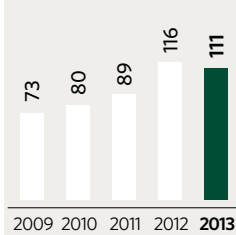


## LEADING IN THE COMMUNITIES WE SERVE

- Expanding our distribution footprint by 29% in urban areas and 71% in non-urban areas since 2009.
- Contributing R413m to socioeconomic development since 2009 (2013: R111m).
- Supporting 163 external bursars across 17 universities.
- Maintaining our level 2 BBBEE FSC contributor status for the fifth consecutive year.
- Sourcing 78,1% of our procurement locally, improving on an already high benchmark.
- Being recognised as a leader in socially responsible banking at the 2013 *African Banker* awards and winning the *Sunday Times* Top 100 Companies CSI awards.

Communities 44-47

Socioeconomic spend (Rm)



HIGHLY INVOLVED IN THE COMMUNITY AND ENVIRONMENT

## STAKEHOLDER OVERVIEW

# BUILDING ENDURING RELATIONSHIPS

Our stakeholders are those individuals, groups of individuals or organisations that affect and/or could be affected by our organisation's activities, products or services and performance. Our primary stakeholders, as outlined in our vision, are our staff, clients, shareholders, regulators and communities and include 'silent' stakeholders such as future generations and the environment.

The Nedbank Group Executive Committee has overall responsibility for the group's stakeholder engagement. The process of engagement is largely decentralised, with the various clusters and business areas empowered to engage directly and transparently with their immediate stakeholders.

We recognise that this presents the organisation with a measure of risk, particularly in terms of managing and maintaining a consistent message across all areas of stakeholder engagements. To mitigate such risk we have a comprehensive stakeholder engagement policy and framework in place, which aligns with the recommendations of King III and identifies material stakeholders for each business area and any potential areas of overlap that need to be monitored and managed.

It is our belief that the benefits of immediate engagement between business areas and their stakeholders far outweigh the risks of such engagement. Direct engagement at a business level not only ensures that every area of Nedbank remains in touch with the needs, wants and expectations of all its stakeholders, but also empowers us to be more responsive and accurate in addressing and managing risks and leveraging potential opportunities because we have access to immediate feedback on these matters. We therefore encourage such decentralised Nedbank representation, but always within the parameters of our stakeholder engagement policy.

The information that follows offers a high-level overview of our main stakeholder engagements and what was accomplished in 2013. Details of our engagement with other stakeholders are available in the online Sustainable Development Review.



### INVESTING IN OUR PEOPLE

#### FEEDBACK RECEIVED

'Nedbank has come a long way in terms of transformation and I believe there are still great things to come. It's a wonderful environment to work in and there are lots of opportunities and programmes through which to improve yourself and your career.'

- Nedbank staffmember

'I believe in Nedbank; they take care of their staff. They encourage staff to get involved in community projects and care about the environment, and they make you feel that you are part of something truly exceptional.'

- Nedbank staffmember

STAKEHOLDER OVERVIEW (CONTINUED)

Nedbank Group views its stakeholders as partners in its business. Our approach to stakeholder communication therefore extends beyond conversation to comprehensive engagement, through which ideas can be shared, input can be provided, and mutual benefit can be unlocked.



INNOVATING  
FOR OUR  
CLIENTS

'Knowledgeable staff and high levels of expertise make business a pleasure.'

- *Nedbank Corporate client in an electronic Business Banking survey*

'Nedbank Private Wealth is the best bank that I have dealt with. You are very professional, fair and clear. I rate Nedbank Private Wealth as a model bank.'

- *Nedbank Wealth client*

'Nedbank's MyFinancialLife™ is the best financial tool with which to keep track of your spending behaviour.'

- *Nedbank Retail client*

'I would criticise the Nedbank Private Wealth logo. The marketing colours are dull.'

- *Nedbank Wealth client*

GREAT PLACE  
TO BANK



DELIVERING  
VALUE TO OUR  
SHAREHOLDERS

'In an environment where pressure on the consumer is building, we prefer banks to focus on clients and deliver conservatively stated results ... We think Nedbank ticked all the boxes in 1H13.'

- *Rated financial analyst*

'Nedbank has a strong management team, I think one of the best in emerging market banks.'

- *International investor*

'We particularly value our strategic partnership on Imbizo and believe that through this and other contributions we continue to add real value to Nedbank'.

- *CEO of Wipcapital Ltd  
Founder and Executive  
Director of WIPHOLD Ltd*

'Key issues are to understand how the credit loss ratio progresses from here and the health of the consumer.'

- *Local investor*

GREAT PLACE  
TO INVEST



PARTNERING  
WITH OUR  
REGULATORS

Our relationships with regulators remain ongoing, proactive and transparent. Over the last year the demands from regulators to comply fully with all legislative and regulatory requirements have increased.

Nedbank has approval from SARB to apply the Advanced Management Approach to calculate exposure to credit, operational and market risk.

We view the professional relationship between Nedbank and our regulators as mutually beneficial.

'SA is rated as a well-regulated financial market.'

- *WEF Competitiveness Report 2013/14*

WORLDCLASS AT  
MANAGING RISK



LEADING IN THE  
COMMUNITIES  
WE SERVE

'In the 30 years that I've been involved in invasive alien clearing, I never thought that I would get on top of this problem, but since receiving this Water Balance assistance, I now do.'

- *Participating farmer,  
WWF Water Balance Programme*

'I have been part of Enactus since 2010, that has helped me to grow professionally and personally. It's the generous sponsorships from corporates such as Nedbank that have helped Enactus SA to get to where it is today.'

- *Zuko Xelelo, Nedbank Business Banking Academy Agriculture trainee*

HIGHLY INVOLVED IN  
THE COMMUNITY  
AND ENVIRONMENT



STAFF



# INVESTING IN OUR PEOPLE

In 2013 we improved our cultural sustainability performance as measured by non-financial key performance indicators.



29 513

NUMBER OF EMPLOYEES



63%

FEMALE EMPLOYEES



37%

MALE EMPLOYEES

## RELATED MATERIAL MATTERS

- Tough economic conditions
- Scarce skills

## PERFORMANCE DURING 2013

Progress with its academies and the external acknowledgement of this innovative work, as we strive for continuous learning. Through the Nedbank academies approach, 1 311 leaders and professionals have been trained (868 in 2013).

The alignment of management processes through the implementation of the integrated talent framework, which included training of the HR community and line managers on the framework.

Good progress made on our journey to achieve a culture of collaboration, innovation and client-centredness through research and planned initiatives.

Nedbank's efforts in creating an inclusive environment where all employees are valued for their diversity.

The People with Disabilities target was exceeded. At 31 December 3,73% of employees had declared disabilities.

High level of staff satisfaction in Nedbank Staff Survey with a 76,7%✓ rating.

A total of 1 521 employees benefitted from the Leading for Deep Green Programme and over 100 employees were included in the Nedbank Leader/Manager Academy.

Approximately 400 employees attended Planning for Retirement workshops.

Good progress has been made with the implementation of the transformation strategy.

Altogether 588 additional jobs were created in SA.

On average 85% black representation on Nedbank learning programmes, with 30% of them black female.

Retention of 95,9% of individuals identified in the talent pool for cluster executive roles during the 2012/13 talent review period.

We continue to work on building our black talent pipeline and 78,9% of the long-term pipeline for cluster executive roles are black candidates.

Positive review of overall competitiveness of our total remuneration and benefit offering relative to the markets in which we compete, while we remained appropriately commercial and agile in response to changes in market conditions.

Ongoing monitoring of and adaptation to the evolving HR governance requirements applicable to organisations in financial services.

## HOT TOPICS IN 2013

Hot topics	Our response/resulting developments
Development and growth opportunities	<ul style="list-style-type: none"> <li>■ We offer our employees and managers numerous development opportunities (see page 94). In 2013, the Integrated Talent Framework was implemented. It includes talent conversations between managers and employees about performance, personal aspirations and holistic development.</li> </ul>
Management capability	<ul style="list-style-type: none"> <li>■ Our Leading for Deep Green Programme and Leader/Manager Academy aim to better equip our managers and leaders. A total of 1 521 managers participated in the Leading for Deep Green Programme in 2013 and more than 100 managers went through the Nedbank Leader/Manager Academy.</li> </ul>
Work/Home life balance	<ul style="list-style-type: none"> <li>■ Wellness Days were implemented to raise awareness of the importance of a healthy lifestyle. In 2014 a stress management programme will be piloted.</li> </ul>
Performance management process	<ul style="list-style-type: none"> <li>■ Ongoing engagement with employees led to an understanding of how they experience the performance management process. Feedback has been consolidated with a focus on continuous improvement.</li> </ul>
Employment equity progress	<ul style="list-style-type: none"> <li>■ We achieved five out of our nine employment equity targets. We are determined to understand the barriers and challenges involved so that we can address these proactively.</li> <li>■ Countrywide transformation dialogues provided insights that were used to refine our employment equity plan and promoted a common understanding of diversity issues.</li> </ul>

## ACCOLADES IN 2013

- Skills @ Work award in the Large Company category: BANKSETA
- Highest Contributor award in the Financial Services Sector by the Thuthuka Bursary Fund
- Nedbank Group monthly staff TV broadcast awarded a gold award for video excellence at the 2013 International Academy of the Visual Arts
- Knowledge Resources Chief Learning Officer of the Year award

## FOCUS AREAS FOR 2014

- Driving transformation in order to create a diverse workforce in an inclusive environment.
- Enabling a unique, collaborative, innovative and client-centred culture.
- Acquiring and optimising talent.
- Repositioning rewards to create differentiation.
- Creating a learning organisation that supports employee development and achievement of business objectives.

## TARGETS FOR 2014

- Senior management 37,6% black, with 15% being black females.
- Middle management 57,2% black, with 30% of those being black females.
- Junior management 83,1% black, with 55,1% being black females.
- Maintaining a score of 9,2 for FSC skills.
- Over 170 Leading for Deep Green workshops with the aim of reaching about 2 500 employees.

CLIENTS



# INNOVATING FOR OUR CLIENTS

‘Being great at listening, understanding our clients’ needs and delivering’ remains at the heart of Nedbank’s strategy and we therefore remain committed to providing a choice of distinctive client-centred banking experiences as a bank for all through excellent service, innovative offerings and competitive pricing.

## 6,7m

TOTAL CLIENTS

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## 210 000

SMALL-AND-MEDIUM-ENTERPRISE (SME) CLIENTS

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## 25 000

BUSINESSBANKING CLIENTS

## RELATED MATERIAL MATTERS

- Tough economic conditions
- Banking relevance amid consumerism and increased competition
- Increased demands on governance and risk management
- Growth opportunities in the rest of Africa
- Transformation of society within planetary boundaries

## PERFORMANCE DURING 2013

<b>Grow clients and transactional income streams</b>	Nedbank Retail grew its client total by 529 000, with primary-client gain remaining stable✓ and improved the quality of revenue per client. Nedbank Business Banking delivered strong net primary-banked- client gains of 965✓ clients. In addition Nedbank Corporate and Nedbank Wealth grew primary clients, continuing the momentum gained.
<b>Differentiated and relevant value offering</b>	A focus on product and process innovation yielded a number of market firsts and enhanced the client experience through simplified onboarding, more relevant offerings and automated fulfilment. Nedbank’s progress on conceptualising and operationalising the integrated-channels strategy and leveraging digital, was acknowledged when Nedbank received the Bank of the Year 2013 award from the <i>Financial Times</i> and <i>The Banker</i> magazine.
<b>Delivering strong performance for clients</b>	Accelerated innovation resulted in the launch of a number of new solutions over the period, including enhancing the Approve-it™ internet security feature, the PocketPOS™ mobile chip and PIN card acceptance device and the MyFinancialLife™ personal financial management tool, many of which are unique in the market and contribute to the distinctiveness of Nedbank’s overall value proposition.  Nedbank Private Wealth clients experienced top quartile investment performance as measured over periods of 1, 3, 5, 7 and 9 year(s), and since fund inception.  For the fifth consecutive year Nedgroup Investments was voted one of the Top 3 domestic asset management companies at the 2013 Raging Bull Awards.
<b>Wholesale banking proposition</b>	We enhanced our position in the global trade market through client enablement and new-product development. Transactional Banking continued to innovate while still focusing on compliance projects related to product enhancements.  We continued to focus on maintaining a high-performance culture across the businesses with ongoing investment in people development and skills enhancement.
<b>Demonstrating relevance</b>	Holding or reducing transactional prices in 2014 to ensure all elements of the value proposition remain compelling for our clients, and encourage product cross-sell while also supporting the accelerating drive in new-client acquisition. Two of Nedbank’s Savvy adverts ranked among the top five best-liked adverts in Q3 2013, only the third time this has happened in 29 years. Nedbank was also acknowledged as the bank of choice for small business and rated second Business Bank overall in the first business banking survey by Intellidex for <i>Business Day Investors Monthly</i> .

## PERFORMANCE DURING 2013 (CONTINUED)

### Accessibility to our financial services

Making Nedbank more accessible through the R1,7bn investment in distribution since 2009. Branches have increased by 41% to 763, with 76% growth in the non-urban areas, and ATMs have increased by 83% to 3 382. An accelerated rollout plan has been chosen for the purpose of investing R2,1bn over the next five years, to enable 75% of our clients to experience the new Branch of the Future design within three years.

In addition we are driving innovation across multiple distribution channels, including mobile and digital, allowing our clients to choose how they want to interact with us.

### Worldclass client service

The main service metric common to the majority of the bank is the Net Promoter Score (NPS)<sup>✓</sup>, which is used both as a lead measure of the overall health of client relationships and as a behavioural driver seeking to enhance client loyalty and organic growth. Business Banking, Property Finance and Retail experienced improvements in their NPS for 2013 (Business Banking reached a new historic high). Corporate Banking saw a slight year-on-year decline in NPS, but off a high base in 2012. Nedbank Private Wealth conducted their first NPS survey since 2009, with good scores following the rebranding of the old BoE Private Client business.

Nedbank Retail's recent CMAT<sup>™</sup> results have shown a substantial improvement in the overall score, with Retail's client management intentions benchmarked as worldclass in 2012. On the recent very rigorous SCHEMA<sup>™</sup> measure, Retail was ranked in the top five of 92 companies surveyed globally.

Business Banking's client management capabilities are worldclass as confirmed by an independent assessment conducted globally, which ranked the business first in 92 global SCHEMA<sup>™</sup> assessments and second in some 900 global CMAT<sup>™</sup> assessments.

The Treating Customers Fairly programme remained a prominent focus for Nedbank during 2013. The programme aims to improve client confidence through the supply of appropriate products and services and to enhance transparency and discipline in the industry. The programme also aligns with our current client-centred ethos and code of conduct. We anticipate that the additional focus this programme brings to client imperatives will further enhance client trust and service levels.

In the spirit of ensuring accurate and relevant client advice, Nedbank rescreened more than 6 380 FAIS key individuals and representatives to ensure that they all comply with the prescribed 'fit and proper' requirements.

Overall, 2013 was a pleasing year from a systems availability perspective. We measure the overall uptime of our major infrastructural platforms as well as our most critical application systems, and the blended uptime score for both infrastructure and applications was 99,89%<sup>✓</sup> (2012: 99,88%) against a target of 99,70%. It is important to note that this was achieved against a record number of complex changes deployed in the information technology (IT) environment.

While we are fully committed to meeting our clients' needs, they are able to approach the Ombudsman for Banking Services in cases where we are unable to resolve an issue to their satisfaction. The number of cases opened against us has remained relatively stable since 2012, with 688<sup>✓</sup> (2012: 648) Nedbank Group-related cases being opened and 753<sup>✓</sup> closed (2012: 659). Of the cases closed, 65% were resolved in favour of the bank. This result demonstrates that our internal processes are robust and address clients' needs.

## ACCOLADES IN 2013

- Nedbank voted SA 2013 Bank of the Year by the *Financial Times* and *The Banker* magazine.
- Nedbank App Suite<sup>™</sup> awarded the Best Android App in the consumer category at the MTN App of the Year awards 2013.
- The bank recognised as Best Subcustodian in SA at the Global Finance World's Best Subcustodian Banks awards 2013.
- Nedbank voted Best Property Finance Bank in SA by the 2013 SA PwC banking survey.
- Nedbank Private Wealth voted Best International Private Wealth Manager and received the prestigious Euromoney Best Private Bank for High-net-worth Clients award in the UK offshore category.
- Nedbank awarded Power Deal of the Year by *Euromoney Project Finance Africa*.
- Nedbank achieved first position by volume and third by value in 2013 *Dealmakers M&A* league tables.

## PERFORMANCE DURING 2013 (CONTINUED)

<p>Selectively expanding into Africa and leveraging the Ecobank-Nedbank Alliance</p>	<p>The group continued to build on the foundations of the Ecobank-Nedbank Alliance. Various banking initiatives were implemented to align with the vision of providing clients with a one-bank experience across the African continent. 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 2013 and this is reflected in the increased pipeline, transactional revenue and account openings that have been recorded across the business clusters.</p>
<p>Improving the group's positioning in the public sector</p>	<p>Nedbank Capital and Corporate made strides into Africa by leveraging the Ecobank alliance to provide Africa-destined clients with banking on the ground and participated in various lending opportunities.</p> <p>Nedbank Group participated in the majority of public sector business tenders during 2013. The business retained its share of public sector liabilities. Feedback from various levels of government has indicated that we are well recognised as a reliable partner to the public sector.</p>

### DATA PROTECTION AND PRIVACY

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

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

### RESPONSIBLE PRODUCT/ INFORMATION LABELLING

Detailed product brochures that comply with all relevant legislation, such as the National Credit Act, are available to the group's clients. 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 in place.

### RESPONSIBLE LENDING TO PROTECT CLIENTS, INVESTORS AND THE BANK FROM THE PRESSURES OF THE NEXT CREDIT CYCLE

A number of concerning industry dynamics over the past three years have made it easier for consumers to access personal loans:

- Many new entrants driving supply.
- Inconsistency in the criteria and calculations applied, especially using 40-year-low interest rates and above-inflation wage increases (especially in the public sector) to determine affordability.
- Ability to increase debt by extending tenor for similar or lower monthly instalments.

This fuelled strong personal-loans industry growth before 2013 in an economy with weak fundamentals, while consumer indebtedness has materially increased over the past two years. At the same time distressed consumers have been able to keep current for longer, as they can access more credit to delay going into default. There is also a knockon effect to other asset classes as consumers are able to take out additional personal loans to sustain their lifestyles, including the ability to meet their home loans or vehicle finance obligations.

As a result, actual loan origination vintages look more benign than the underlying factors suggest, and as macro factors change (higher inflation especially due to administered prices, below-inflation salary increases, higher risk of job losses and prime interest rate increases), the true quality of the assets and level of consumer stress emerge.

Nedbank highlighted these concerns in 2011 and took early action to redesign the personal loans business fundamentally and reduce risk appetite, while increasing conservatism in impairment methodologies (away from the recency-based industry approach). This resulted in a slowing of advances growth well ahead of the market. In the 2013 financial year we reduced our book by 9,4% (R2,1bn) while the rest of the industry continued to grow strongly at 8,3% (R12,3bn).

By applying more stringent affordability criteria and selective advances origination policies across all asset classes, Nedbank sought to improve the underlying asset quality and, importantly, protect our clients against overindebtedness ahead of the next rising interest rate cycle. This is in line with Nedbank's principles of acting as a responsible lender, ensuring sustainable growth and enabling our clients' financial fitness.

INNOVATING FOR OUR CLIENTS (CONTINUED)

HOT TOPICS IN 2013

Hot topics	Our response/resulting developments
Pricing	<ul style="list-style-type: none"> <li>■ We have moved towards more transparent and simplified pricing structures.</li> <li>■ Credit life protection and pricing have become much debated topics in SA and are under increasing regulatory scrutiny. In 2013 we took a leadership position in proactively launching a differentiated credit life proposition that offers a sustainable insurance solution to the entry level market and provides top quartile and differentiated benefits at highly competitive rates.</li> <li>■ We made a decision not to increase transactional prices in 2014 for the majority of our clients.</li> </ul>
Greater accessibility to banking services and increased channel choice	<ul style="list-style-type: none"> <li>■ We invested R1,7bn in our distribution footprint, which resulted in 41% more branches and alternate outlets (a total of 763 excluding personal-loan kiosks) and 83% more ATMs.</li> <li>■ The rollout of our Branch of the Future formats has been well received.</li> <li>■ Video banking facilities in branches allow easy access to specialist advice.</li> <li>■ Additional functionality was deployed for the Nedbank App Suite™. This included banking functionality for business and corporate clients.</li> <li>■ Online channels were launched for business clients wishing to apply for products or provide feedback.</li> <li>■ Our digital home loans Apply Online channel is the first on the market to offer approval within hours. The channel has already processed over 10 000 applications, granted loans worth R1,5bn and registered 1 548 properties.</li> </ul>
Responsiveness – social media	<ul style="list-style-type: none"> <li>■ Our listening centre is now fully established and facilitates engagements with clients and staff through social media and digital channels.</li> </ul>
The impact of spiralling energy costs on corporate building stock	<ul style="list-style-type: none"> <li>■ We funded a Green Star SA performance rating tool produced by the Green Building Council of South Africa. The tool helps existing building owners and/or portfolio managers to gain a better understanding of the environmental impact and related costs of their buildings, improving efficiencies and reducing costs.</li> </ul>
Integrated cashflow management	<ul style="list-style-type: none"> <li>■ We implemented and improved our cash management system, which maximises interest income and minimises the cost of borrowed funds for clients.</li> </ul>
Financial literacy and overindebtedness	<ul style="list-style-type: none"> <li>■ We have increased the functionality of our free, holistic personal financial management tool, My<b>Financial</b>Life™, through the addition of a simplified, fun budgeting tool called MyMoneyMap™.</li> <li>■ We proactively educate our clients about their pricing options and help them to switch to the lowest-cost options for their needs.</li> <li>■ A unique no-funds-alert function notifies clients when there are insufficient funds in their account ahead of a pending debit order and delays the processing of the debit order.</li> </ul>
Holistic understanding of clients' businesses	<ul style="list-style-type: none"> <li>■ Our business clients now have a single point of entry through our wholesale banking client solution. This has resulted in a better understanding of our clients and improved communication and client service levels.</li> <li>■ We proactively match the skills of our bankers to identified client needs.</li> <li>■ We ensure that our clients have access to specialists when these are needed.</li> </ul>

ACCOLADES  
IN 2013

- Voted the *Financial Times* and *The Banker* magazine's 2013 SA Bank of the Year
- Our 2012 integrated report was awarded as follows:
  - Overall winner: 2013 Chartered Secretaries Southern Africa and JSE Integrated Reporting awards
  - Eighth place: 2013 EY Africa Excellence in Integrated Reporting
  - Second in the Finance Sector and joint third overall: 2013 Nkonki Integrated Reporting Awards

## SHAREHOLDERS



# DELIVERING VALUE TO OUR SHAREHOLDERS

A great place to invest.

### WHY DO WE ENGAGE WITH OUR SHAREHOLDERS AND THE INVESTMENT COMMUNITY?

To provide relevant and timeous information on our strategy, prospects and financial performance so that shareholders and the investment community can fairly value Nedbank Group, and rating agencies can assign appropriate bank credit ratings to Nedbank, and so that we can manage the group's reputational risk.

### RELATED MATERIAL MATTERS

- Tough economic conditions
- Banking relevance amid consumerism and increased competition
- Increased demands on governance and risk management
- Growth opportunities in the rest of Africa
- Transformation of society within planetary boundaries
- Scarce skills

Types of engagement	Engagements held	Feedback from the investment community
<ul style="list-style-type: none"> <li>■ JSE SENS announcements</li> <li>■ Financial results and integrated report</li> <li>■ Roadshows and conferences</li> <li>■ Management meetings and calls</li> <li>■ Investor days</li> <li>■ Annual general meeting</li> <li>■ Media releases</li> <li>■ Group website</li> </ul>	<p>During the year, 344 individual meetings were held, including the following events:</p> <ul style="list-style-type: none"> <li>■ Annual and interim results announcements, presentations and roadshows.</li> <li>■ First- and third-quarter trading results.</li> <li>■ Broker-hosted conferences, lunches and non-deal roadshows.</li> <li>■ Nedbank Wealth and Nedbank Retail investor days.</li> <li>■ Ad hoc meetings with shareholders, potential investors, analysts, credit rating agencies and financial media during non-closed periods.</li> <li>■ Engagement with our holding company, Old Mutual Group, to ensure alignment of financial reporting and communication, to provide a holistic group view of which, the Old Mutual plc Africa Showcase held in the fourth quarter of 2013, is a good example.</li> </ul>	<p>'In an environment where pressure on the consumer is building, we prefer banks to focus on clients and deliver conservatively stated results ... We think Nedbank ticked all the boxes in 1H13.'</p> <p>- <i>Rated financial analyst</i></p> <p>'Consistent strategy; gradual gains. There is an indication yet again of a clear, all-encompassing and consistent strategy for the retail business, focused on building a solid, loyal client base. We heard more of what we have heard before, which is comforting to us.'</p> <p>- <i>Rated analyst</i></p> <p>'Your rest of Africa strategy is sensible - I like the approach.'</p> <p>- <i>International investor</i></p> <p>'Strong management team, I think one of the best in emerging-market banks.'</p> <p>- <i>International investor</i></p> <p>'Easily one of the best discussions of banking culture I've had. Professional and realistic management. One we watch closely.'</p> <p>- <i>International investor</i></p> <p>'Key issues are to understand how the credit loss ratio progresses from here and the health of the consumer.'</p> <p>- <i>Local investor</i></p>

DELIVERING VALUE TO OUR SHAREHOLDERS (CONTINUED)

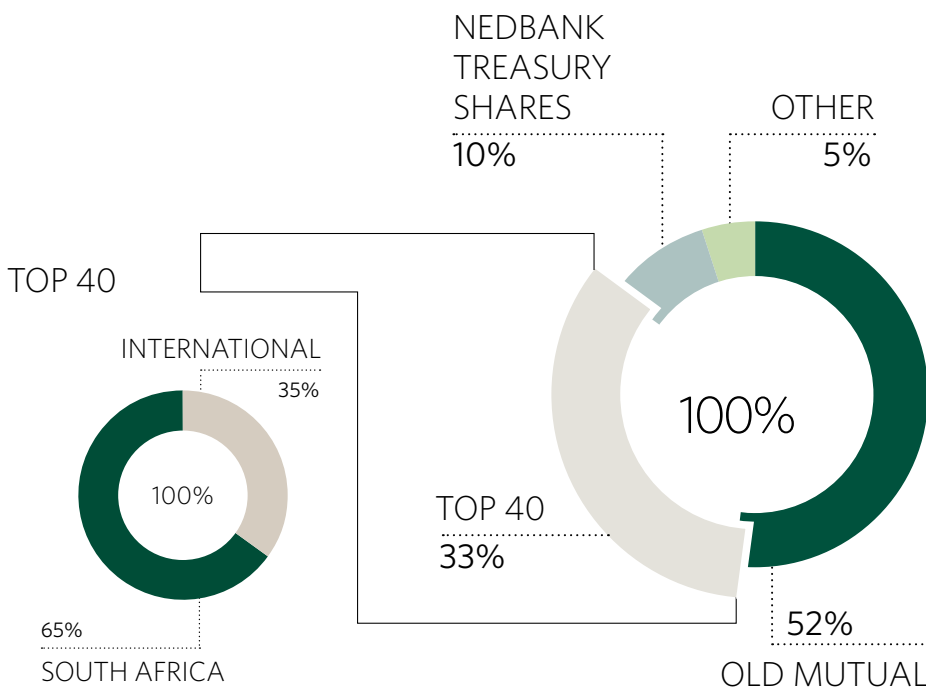
DELIVERING VALUE TO OUR SHAREHOLDERS

WHO ARE OUR SHAREHOLDERS?

Our stakeholders include the local and international investment community and comprise:

- 19 832 shareholders
- Investment funds and potential retail investors
- 19 sellside analysts
- Three credit rating agencies
- Financial media

NEDBANK SHAREHOLDING



Consistent strategy; gradual gains. There is an indication yet again of a clear, all-encompassing and consistent strategy for the retail business, focused on building a solid, loyal client base. We heard more of what we have heard before, which is comforting to us.

- Rated financial analyst

DELIVERING TO SHAREHOLDERS IN 2013

- Economic profit R2,1bn, up 39% driven by solid NIR growth, despite challenging economic environment and prudent provisioning.
- Total shareholder return of 16%.
- Total dividend of 895 cents, up 19,0%.
- Price to net asset value 1,6 times.
- Rights to 20% in Ecobank Transnational Incorporated.
- Maintained leadership in transparent reporting.



 **16,0%**  
TOTAL  
SHAREHOLDER  
RETURN

 **19,0%**  
FULL YEAR  
DIVIDEND  
INCREASE

 **17,2%**  
ROE  
(EXCLUDING  
GOODWILL)

## PERFORMANCE DURING 2013

Metric	2013 Performance	Medium-to-long-term targets	2014 Outlook
Return on equity (ROE) (excluding goodwill)	17,2%	5% above cost of ordinary shareholders' equity	Below target
Growth in diluted headline earnings per share (HEPS)	15,0%	≥ consumer price index + growth domestic product (GDP) growth + 5%	≥ consumer price index + GDP growth
Credit loss ratio (CLR)	1,06%	Between 0,8% and 1,2% of average banking advances	Meet target, improving slightly on 2013
Non-interest-revenue (NIR)-to-expense ratio	86,4%	> 85%	At target
Efficiency ratio	55,2%	50,0% to 53,0%	Above target
Common-equity tier 1 capital adequacy ratio (Basel III)	12,5%	10,5% to 12,5%	At or above the top end of target
Economic capital	Internal Capital Adequacy Assessment Process (ICAAP): A debt rating (including 10% capital buffer)		
Dividend cover	2,11 times	1,75 to 2,25 times	1,75 to 2,25 times

Shareholders are advised that this guidance is based on organic earnings and our latest macroeconomic outlook, and has not been reviewed or reported on by the group's independent auditors.

## CHALLENGES DURING 2013

- Weak global and local economic environment leading to muted advances growth and higher defaults in certain product categories, most notably unsecured lending and small businesses.
- Once-off impairment in business banking and unsecured lending environment impacting impairments in the first half of 2013.
- Dealing with the complexity and challenges of increased regulation.
- Strong competition from existing and non-traditional players.

DELIVERING VALUE TO OUR SHAREHOLDERS (CONTINUED)

HOT TOPICS IN 2013

Hot topics	Our response/resulting developments
Impact of a tougher-than-anticipated economic environment	<ul style="list-style-type: none"> <li>■ We strengthened our balance sheet (capital ratios, liquidity and provisioning).</li> <li>■ Our focused collection processes generated solid post-writeoff recoveries.</li> <li>■ We concentrated on selected advances growth to protect downside risk in line with our portfolio tilt strategy.</li> <li>■ We are gaining new clients and improving cross-sell to grow NIR.</li> <li>■ We are ensuring disciplined expense growth at 9% (2012: 8%), while continuing to invest for the future.</li> </ul>
Health of the consumer and developments in the personal-loans industry	<ul style="list-style-type: none"> <li>■ We proactively slowed our advances book growth in certain higher risk areas from H2 2012 and throughout 2013 through initiatives such as the tightening of affordability criteria.</li> <li>■ We have kept our maximum loan size and tenor the same since 2009.</li> <li>■ We released a new credit life product, priced competitively in the market, with increased benefits.</li> </ul>
Reaching into the rest of Africa in a value-creating, risk-mitigating manner	<ul style="list-style-type: none"> <li>■ We have the rights to acquire a shareholding of up to 20% in Ecobank Transnational Incorporated. This alliance provides network coverage for Nedbank in Central and West Africa.</li> <li>■ In addition to our existing presence in five Southern African Development Community (SADC) countries, the agreement to acquire an initial stake of 36,4% of Banco Unico in Mozambique - with the right to a majority shareholding over time - will strengthen our position in SADC and East Africa.</li> </ul>
Progress in Nedbank Retail's positioning	<ul style="list-style-type: none"> <li>■ We gained 529 000 new clients, achieved higher cross-sell ratios, increased the number of our ATMs by 323 and our outlets by five, launched various innovative client value propositions and products, and continued proactive risk management while strengthening balance sheet provisioning (see the Supplementary Operational Overview information online for more details on Nedbank Retail).</li> </ul>

ACCOLADES  
IN 2013

- Voted the *Financial Times* and *The Banker* magazine's 2013 SA Bank of the Year
- Our 2012 integrated report was awarded as follows:
  - Overall winner: 2013 Chartered Secretaries Southern Africa and JSE Integrated Reporting awards
  - Eighth place: 2013 EY Africa Excellence in Integrated Reporting
  - Second in the Finance Sector and joint third overall: 2013 Nkonki Integrated Reporting Awards

FOCUS AREAS  
FOR 2014

- Deliver on our strategic focus areas (see page 20) and make progress towards medium-to-long-term financial targets.
- Ongoing improvement in quality of investor engagements and financial reporting disclosure.
- Introduction of a corporate governance roadshow to deepen stakeholder engagement.

REGULATORS



# PARTNERING WITH OUR REGULATORS

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



## BASEL III

IMPLEMENTED  
1 JANUARY 2013



## 12,5%

COMMON-EQUITY  
TIER 1 ACHIEVED  
31 DECEMBER 2013

## RELATED MATERIAL MATTERS

- Tough economic conditions
- Banking relevance amid consumerism and increased competition
- Increased demands on governance and risk management
- Growth opportunities in the rest of Africa
- Transformation of society within planetary boundaries
- Scarce skills

## PERFORMANCE DURING 2013

The Enterprisewide Risk Management Framework (ERMF), which is fully aligned with regulatory developments, was maintained.

Following industry concerns of regulators about SA banks' exposure to unsecured lending, our credit loss ratio of 1,06% was in line with that of 2012 and represented an improvement on the 1,31% reported in June 2013. Defaulted advances decreased by 9,4%.

Regulatory compliance ensured strong capital adequacy levels supported by internal stress-testing results.

Sound implementation and ongoing enhancement of the Advance Measurement Approach (AMA) for operational risk management were maintained and similarly the Internal Model Approach (IMA) for market risk continued to meet the regulators' requirements.

In line with international and local trends, Nedbank observed an increase in regulatory scrutiny and inspections, which highlighted areas where administrative regulatory controls can be strengthened.

All regulatory reviews were attended to with significant attention to detail, professionalism and prompt reaction to matters raised.

Compliance and regulatory risk has become increasingly significant given the more stringent regulatory environment in which Nedbank operates. The group sought to achieve compliance with applicable local and international laws, regulations and supervisory requirements, guided by an established comprehensive set of board-approved policies, procedures and governance structures.

We engaged proactively with the South African Police Service and other crime prevention initiatives. The redesigning of our physical security systems at our branches and offices allowed us to save an amount of R36,5m in operational costs.

Although we have experienced a decrease in the number of fraud cases (6 026 in 2013, down from 8 139 in 2012), the overall value of these cases has increased. The number of internal fraud cases has also decreased, evidence that preventing fraud rather than dealing with the consequences is a more effective strategy. As part of Nedbank's recruitment process, integrity checks are conducted on all potential staffmembers.

With regard to industry requirements by the regulators, we have commenced benchmarking our risk management performance against that of other banks and against feedback from the South African Reserve Bank (SARB). No issues were raised on our Internal Capital Adequacy Assessment Process (ICAAP) by SARB.

Given the high levels of corruption currently experienced in SA we added our anti-corruption interventions as a key performance indicator that is externally assured. This was done to give an extra level of assurance to our stakeholders that our actions in this regard are robust and that we do not contribute to this negative cycle. In 2013 all (100%✓) of our operations underwent corruption screening without any material concerns/issues being raised.

## CHALLENGES DURING 2013

Industry concerns that resulted in our reducing our exposure to unsecured lending.

Continued changes to regulations, which involve updating of our systems and processes to meet these requirements.

The growing need for effective controls and procedures to enhance all aspects of regulatory compliance, especially as far as combating money laundering and the financing of terrorist activities is concerned.

Increased oversight of all aspects of regulatory compliance.

## HOT TOPICS IN 2013

Hot topics	Our response/Resulting developments
Implementation and impact of Basel III regulations relating to banks	<ul style="list-style-type: none"> <li>■ We achieved compliance with Basel III on 1 January 2013.</li> <li>■ We are well placed to comply with increased capital and liquidity requirements when these are required in future years. Net stable funding ratio compliance remains a challenge in SA.</li> </ul>
Increased focus on consumer protection, such as Twin Peaks regulation, the Consumer Protection Act and the Protection of Personal Information Act	<ul style="list-style-type: none"> <li>■ We are well on track with our preparation for the new regulatory regime of Twin Peaks, the Consumer Protection Act and the Protection of Personal Information Act.</li> </ul>
Solvency Assessment and Management (SAM) regime for the SA insurance sector	<ul style="list-style-type: none"> <li>■ Nedgroup Insurance remains well capitalised and is on track to implement SAM.</li> </ul>
Unsecured lending	<ul style="list-style-type: none"> <li>■ We continued to implement our policy of responsible lending and reduced our market share proactively.</li> </ul>
Rest of Africa strategy	<ul style="list-style-type: none"> <li>■ We have adopted a risk-mitigated, client-centred, capital-efficient, longer-term strategic approach that has started to demonstrate benefits (see the information on our Africa operations on page 69).</li> </ul>
Money-laundering, terrorist-financing and sanctions risk management	<ul style="list-style-type: none"> <li>■ We have invested significantly in IT and people resourcing to comply with the more stringent anti-money-laundering regulation and to combat terrorist-financing activities, with more to be done.</li> </ul>
Resolution and recovery planning	<ul style="list-style-type: none"> <li>■ We maintain resilient business continuity management processes.</li> </ul>

## FOCUS AREAS FOR 2014


International and local regulatory reform (in particular Basel III and Twin Peaks) has materially increased capital levels and liquidity costs, and is changing business models internationally. Regulatory risk remains high, but there is now less uncertainty because Basel III is substantially finalised by Bank for International Settlements and SARB, while Twin Peaks is expected to be finalised in 2014 with an ongoing emphasis on consumer protection. To meet the stringent requirements of all regulators in full, Nedbank Group will:

- maintain good, regular and transparent relationships with all regulators; and
- ensure compliance with all legal and regulatory requirements.

A comprehensive risk strategy is in place and forms an integrated component of the group's business plan. The salient features include continuing to evolve the strong risk culture, the ERMF, risk and balance sheet management and the building of worldclass risk management.


# COMMUNITIES

# LEADING IN THE COMMUNITIES WE SERVE




## LEVEL 2<sup>✓</sup>

BBBEE RATING



## 38%

RENEWABLE-ENERGY FUNDING FOR REIPPPP



## 100%

DISCLOSURE: SA CARBON PROJECT

## RELATED MATERIAL MATTERS

- Tough economic conditions
- Transformation of society within planetary boundaries
- Scarce skills

PERFORMANCE DURING 2013	
2013 objective	Making things happen in 2013
<b>LEADING AS A 'CARING BANK'</b>	
<p>Be a truly SA bank:</p> <ul style="list-style-type: none"> <li>■ Socioeconomic development</li> <li>■ Access to finance</li> <li>■ Lending to enable healthcare, housing and education, enterprise development (ED) and community upliftment</li> <li>■ Economic empowerment</li> <li>■ Preferential procurement</li> </ul>	<ul style="list-style-type: none"> <li>■ Our 2013 socioeconomic development spend was R89m, in excess of the 0,7% of the SA NPAT FSC requirement (2012: R95m). This supported 585 development projects and initiatives, with more than 135 000 beneficiaries.</li> <li>■ Altogether 82% of the total cost of external bursaries we awarded went to 132 black students (2012: 203), of which 68 (51%) were women.</li> <li>■ More than 54 000 clients and other stakeholders were directly impacted by our consumer education programmes.</li> <li>■ In 2013 Nedbank Business Banking granted R1,3bn in black small-and-medium-enterprise (SME) loans to 2 972 beneficiaries.</li> <li>■ Nedbank extended more than R7,3bn in funding for transformational infrastructure, black SME financing, black agriculture financing and affordable housing in 2013.</li> <li>■ 78% of our 2013 procurement spend was on locally sourced products and services (2012: 73%).</li> <li>■ Black-owned supplier spend increased by 4% year on year.</li> </ul>
<p>Delivering on transformation commitment</p>	<ul style="list-style-type: none"> <li>■ Nedbank was recognised as the most transformed of the JSE Top 100 listed companies in the 2013 <i>Mail &amp; Guardian</i> Most Empowered Companies survey done in partnership with Empowerdex.</li> <li>■ Our progressive transformation initiatives have ensured that we maintained our level 2 broad-based black economic empowerment (BBBEE) rating for the fifth consecutive year. Our BBBEE rating for the past four years was calculated under the Codes of Good Practice (dti Codes) and for the first time this year was calculated in accordance with the Financial Sector Code (FSC).</li> </ul>

## LEADING IN THE COMMUNITIES WE SERVE (CONTINUED)

## PERFORMANCE DURING 2013

2013 objective	Making things happen in 2013
<b>LEADING AS A 'GREEN BANK'</b>	
Manage social and environmental impacts of our lending	<ul style="list-style-type: none"> <li>■ We continued to refine and implement our Social and Environmental Management System (SEMS). Credit policies within our Business Banking, Wealth, Corporate and Capital clusters were enhanced to include a focused approach to high-impact industries to ensure that the related social and environment risks are mitigated.</li> <li>■ Altogether 15 (2012:15) Nedbank Capital transactions that comply with the Equator Principles (per risk category) had additional drawdowns in 2013.</li> </ul>
Accelerate relevant product and service offering	<ul style="list-style-type: none"> <li>■ We developed Fair Share 2030, a business strategy that provides a longer-term perspective and a wider lens to identify client needs and develop appropriate business solutions. We developed a number of pilot products and projects that will form the foundation of this work and these will be further refined and evolved in 2014 for rollout in 2015.</li> <li>■ We were involved in all three rounds of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), effectively funding and supporting projects that will deliver 1,486 MW or 38% of the total renewable-energy capacity allocated by REIPPPP since inception.</li> <li>■ Since the inception of the Nedbank Green Savings Bond R3,6bn has been invested in it. Altogether R2,7bn of this flowed in during 2013 (see page 84 of the Sustainability Development Performance Review).</li> <li>■ Nedbank Affinity donations grew from R20,9m in 2012 to R27,8m in 2013, with support given to nearly 1 000 social and environmental projects across SA (excluding the projects supported by the Nelson Mandela Children's Fund). Since the inception of the four Nedbank affinities, donations of more than R225m have been made to the respective trusts supported by them.</li> </ul>
Manage our carbon emissions	<ul style="list-style-type: none"> <li>■ We maintained our carbon-neutral status for the fifth consecutive year.</li> <li>■ We decreased our total greenhouse gas (GHG) emissions by 2,18% in 2013.</li> <li>■ We again participated in the SA Carbon Disclosure Project Index and were one of only two participants to achieve a disclosure score of 100%.</li> <li>■ Nedbank occupies three Green Star SA-rated buildings with another two planned for 2014. To date, Nedbank Corporate Property Finance has financed eight Green Star SA-rated buildings, making Nedbank the leader in green building finance.</li> </ul>
Contribute to resource conservation	<ul style="list-style-type: none"> <li>■ Electricity usage declined by 2,63% per fulltime employee (FTE) and by 1,44% based on total floor space.</li> <li>■ Overall water consumption on our campus sites increased marginally as a result of the consolidation of employees and organic growth. However, we continued our investment in water security through the WWF Water Balance programme. The year 2013 was the third in our five-year R9m pledge to support this vital water conservation programme (see page 90 of this report).</li> <li>■ Our support of the WWF-SA Sustainable Agriculture programme encourages reduction of energy, water and other resource-intensive inputs in the SA agriculture sector.</li> <li>■ We launched our <i>Green Living Guide</i>, which is aimed at encouraging all South Africans to adopt more sustainable lifestyles and enjoy the associated economic, social and environmental benefits.</li> </ul>

## ALIGNING WITH FINANCIAL SECTOR CODE-BASED REPORTING

Our progressive transformation initiatives have ensured that we maintained our level 2 broad-based black economic empowerment (BBBEE) rating for the fifth consecutive year.

For the past four years our broad-based black economic empowerment (BBBEE) rating was calculated under the Codes of Good Practice (dti Codes) and for the first time it was calculated in accordance with the Financial Sector Code (FSC). Because of the unique position that financial institutions hold in the development of SA, two new elements have been introduced into the FSC, which had been promulgated in November 2012. These include empowerment financing and access to financial services.

The year 2013 brought with it the latest phase of the BBBEE framework in the form of the revised Codes of Good Practice, which prescribe goals of a transformational environment that is progressively more demanding.

These changes symbolise a new beginning in the reorientation of the Transformation Policy to address the issue of fronting and focus more on productive BBBEE and the growth of black entrepreneurs through enterprise and supplier development elements.

We seek to ensure that existing and new initiatives build on our current successes to advance our transformation journey.

Element	Financial Sector Code	
	Possible points	December 2013
Ownership	14 + 3 bonus	16,92
Management control	8 + 1 bonus	6,91
Employment equity	15 + 3 bonus	11,29
Skills development	10	9,21
Procurement	16	14,56
Empowerment financing	15	13,86
Enterprise development	5	5,00
Socioeconomic development	3	3,00
Access to financial services	14	10,47
Total	100 + 7 bonus	91,21
BBBEE level		2 <sup>✓</sup>

LEADING IN THE COMMUNITIES WE SERVE (CONTINUED)

HOT TOPICS IN 2013

Hot topics	Our response/resulting developments
Scarce skills	<ul style="list-style-type: none"> <li>■ We have implemented diverse training and development programmes to give our employees the skills necessary for them to meet client needs.</li> <li>■ We further invested in graduate and bursary programmes as well as learnerships – all for the purpose of developing a talent pipeline for our own business as well as contributing to the overall SA skills pool.</li> </ul>
Funding of energy-related projects	<ul style="list-style-type: none"> <li>■ Nedbank proactively responding to the regulatory and policy developments with regard to the SA energy mix. These developments will include the Integrated Energy Plan and the Integrated Resource Plan. We are committed to providing funding to ensure a secure energy future for SA, with cognisance given to the need for reducing carbon-intensive energy generation.</li> </ul>
Trust in the financial sector	<p>During 2013 we paid special attention to:</p> <ul style="list-style-type: none"> <li>■ Driving ethical behaviour through enhanced ethical awareness training for staff.</li> <li>■ Ensuring correct financial advice for clients through well-qualified staff who comply with the Financial Advisory and Intermediary Services Act.</li> <li>■ Protecting client information through stringent application of the Protection of Personal Information Act and worldclass online security.</li> </ul>
Access to corporate social investment (CSI) funding	<ul style="list-style-type: none"> <li>■ We acknowledge that the number of applications we receive far outweigh the available funds. The Nedbank Foundation follows a stringent funding process to ensure the prudent allocation of our CSI investment.</li> </ul>
Funding of green innovations/companies	<ul style="list-style-type: none"> <li>■ Guided by our long-term goals and Fair Share 2030 response, we are committed to collaborating with businesses that innovate in the environmental and social spheres. The economic sustainability of these businesses is equally important and remains key to our investment and partnering decisions.</li> </ul>

ACCOLADES  
IN 2013

In 2013 we received a number of awards that recognised our efforts in leading at sustainability in the communities we serve and impact. While we do not approach sustainability for the purpose of receiving accolades, recognition serves as external affirmation of the validity and effectiveness of the work we are doing. We are therefore proud of having been awarded the following:

- Corporate Social Investment Leadership Award: *Sunday Times* Top 100 Companies
- Socially Responsible Bank Award: *African Banker Awards*
- 2013 Transformation Champion of the Year: *Black Business Quarterly* (BBQ) Awards
- 100% disclosure score: SA Carbon Disclosure Project Index 2013
- Natural Capital Decoupling Leader on the Natural Capital Leaders Index 2013

FOCUS AREAS FOR 2014

Objective	Target
Integrate sustainability initiatives and considerations into all business activities.	<p>Continue the integration of sustainability into a long-term strategy and implementation of Fair Share 2030 (see page 21-22).</p> <p>Accelerate development of sustainable products and services.</p> <p>Enhance and expand responsible lending and investment practices.</p>
Pursue carbon awareness, measurement and reduction and maintain our carbon-neutral status.	<p>Reduce carbon footprint through the pursuit of clearly defined electricity, paper, waste and business travel reduction targets and ongoing recycling initiatives in support of our journey to combat climate change.</p> <p>Maintain carbon neutrality despite tough economic conditions, with a simultaneous increase in the scope of our carbon measurements.</p>
Continue to deliver on transformation as a vital component of realising one of our aspirations, which is to be a bank for all South Africans.	<p>Maintain level 2 BBBEE rating as measured under the FSC, including the two additional sector-specific elements, which are empowerment financing and access to financial services.</p> <p>Participate in an industry realignment process through Banking Association of South Africa (BASA) and the FSC Council.</p> <p>Continue to focus on enhancing and extending access to financial services for all.</p> <p>Maintain growth in the representation of black women at Nedbank, especially at senior management level.</p> <p>Achieve a greater impact from our socioeconomic development spend and build stronger partnerships in this area.</p>



# GLOBAL REPORTING INITIATIVE FSSS<sup>1</sup>

GRI <sup>2</sup> FSSS <sup>1</sup>	Topic	Description
FS1	Description of policies with specific environmental and social components applied to business lines	<p><b>Sustainable development review</b> Sustainability governance structures and policy framework. Social and environmental sustainability management. Responsible lending. Responsible investment.</p> <p><b>Risk and balance sheet management review</b></p> <p><b>Governance and ethics review</b> Code of Ethics. Code of Conduct. Human rights.</p>
FS2	Description of procedures for assessing and screening environmental and social risks in business lines	<p><b>Sustainable development review</b> Social and environmental sustainability management. Responsible lending. Responsible investment.</p> <p><b>Risk and balance sheet management review</b></p> <p><b>Governance and ethics review</b> Human rights.</p>
FS3	Description of processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	<p><b>Sustainable development review</b> Social and environmental sustainability management.</p>
FS4	Description of processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	<p><b>Sustainable development review</b> Entrenching sustainable thinking with our staff.</p> <p><b>Managing and optimising our own impact</b> Carbon reduction.</p> <p><b>Risk and balance sheet management review</b> Money-laundering, terrorist-financing and sanctions risk management, and fraud risk management.</p> <p><b>Governance and ethics review</b> Driving ethical awareness.</p>
FS5	Interactions with clients/investors/business partners regarding environmental and social risk and opportunities	<p><b>Building enduring relationships</b></p> <p><b>Sustainable development review</b> Stakeholder engagement.</p> <p><b>Managing and optimising our own impact</b> Carbon reduction. Carbon neutrality.</p> <p><b>Leading through collaboration and partnership</b> The Nedbank Consumer Programme. Partnerships for effective sustainability education.</p>
FS6	Percentage of the portfolio for business lines by specific region, size and sector	<p><b>Profile of our business</b> Company structure. Increasing our footprint. Growing our franchises. Nedbank Group Ltd 10-year review – statistics and ratios.</p>

<sup>1</sup> Financial Services Sector Supplement.

<sup>2</sup> Global Reporting Initiative.

## GLOBAL REPORTING INITIATIVE FSSS1 (CONTINUED)

GRI <sup>2</sup> FSSS <sup>1</sup>	Topic	Description
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business	<b>Managing and optimising our own impact</b> Enabling sustainability through products and services. Empowerment financing. Targeted investment. BBEEE transaction financing. Enterprise development. Nedbank Affinities. <b>2013 Transformation Report</b>
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose	<b>Managing and optimising our own impact</b> Enabling sustainability through products and services. The Nedbank Green Affinity. The Nedbank Green Savings Bond.
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	<b>Assurance statement in the 2013 Nedbank Group Integrated Report</b>
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental and social issues	<b>Company structure</b> <b>Increasing our footprint</b>
FS11	Percentage of assets subject to positive and negative environmental and social screening	<b>Sustainable development review</b> Enabling sustainability through products and services. <b>Managing and optimising our own impact</b> Carbon neutrality. Leading through collaboration and partnership. Greening the group's supply chain. 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	<b>Sustainable development review</b> Responsible lending.
FS13	Access points in the low-populated or economically disadvantaged areas by type	<b>Clients</b> Responsible product/information labelling. <b>Operational: Nedbank Retail</b> Overview sustainable development review. Enabling access to financial services for all. <b>2013 Transformation Report</b>
FS14	Initiatives to improve access to financial services for disadvantaged people	<b>Building enduring relationships: Clients</b> Responsible product/information labelling. <b>Enabling sustainability through products and services</b> Enabling access to financial services for all. Empowerment finance. Targeted investment. BBBEE transaction financing. Enterprise development. <b>2013 Transformation Report</b>

GRI <sup>2</sup> FSSS <sup>1</sup>	Topic	Description
FS15	Policies for the fair design and sale of financial products and services	<p><b>Building enduring relationships: Clients</b> Responsible product/information labelling.</p> <p><b>Worldclass at managing risk</b></p> <p><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.</p> <p><b>Governance and ethics review</b> Code of Ethics. Code of Conduct. Human rights.</p>
FS16	Initiatives to enhance financial literacy by type of beneficiary	<p><b>Leading through collaboration and partnership</b> The Nedbank Consumer Education Programme. <b>2013 Transformation Report</b></p>

# GLOBAL REPORTING INITIATIVE

## GRI<sup>1</sup> 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 supplementary information available online at [nedbankgroup.co.za](http://nedbankgroup.co.za).

No	Profile disclosure	Description online reference	UNGC <sup>2</sup> Principles
<b>1</b>	<b>Strategy and analysis</b>		
1.1	Statement from the most senior decisionmaker of the organisation.	Chairman's Review Chief Executive's Review	
1.2	Description of key impacts, risks and opportunities.	Committed to transparent reporting  An attractive growth strategy Material matters A sound investment Building enduring relationships Sustainability governance structures and policies framework Social and environmental risk management 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 Ltd	
2.2	Primary brands, products and/or services.	A profile of our business Value-creating business model Operational overview Enabling sustainability through products and services	7-9
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.	Increasing our footprint Company structure	7-9
2.4	Location of organisation's headquarters.	A profile of our business	
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.	A profile of our business Company structure Increasing our footprint	7-9
2.6	Nature of ownership and legal form.	A profile of our business Company structure	
2.7	Markets served (including geographic breakdown, sectors served and types of client/beneficiary).	Company structure Increasing our footprint Growing our franchises	
2.8	Scale of the reporting organisation.	Increasing our footprint Chief Financial Officer's Review Nedbank Group Ltd five-year review Managing and optimising our own impact: Employee profile	3-6
2.9	Significant changes during the reporting period regarding size, structure or ownership.	No significant changes during the reporting period	

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

<sup>2</sup> United Nations Global Compact.

No	Profile disclosure	Description online reference	UNGC <sup>2</sup> Principles
2.10	Awards received in the reporting period.	Leading through collaboration and partnership	
<b>3</b>	<b>Report parameters</b>		
3.1	Reporting period (eg fiscal/calendar year) for information provided.	Committed to transparent reporting	
3.2	Date of most recent previous report (if any).	Committed to transparent reporting	
3.3	Reporting cycle (annual, biennial, etc).	Committed to transparent reporting	
3.4	Contact point for questions regarding the report or its contents.	Contacts	
3.5	Process for defining report content.	Committed to transparent reporting	
3.6	Boundary of the report (eg countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Committed to transparent reporting	
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.	Committed to transparent reporting  Company structure Financial notes 53 and 54	
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.	Committed to transparent reporting  Basis of preparation is available at <b>nedbankgroup.co.za</b> .	
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement.	Certain reclassifications and restatements were made to the group's statement of financial position and the statement of comprehensive income, as well as reclassifications and restatements in the notes to the financial statements, none of which were material. Refer to note 8 in the Summarised annual financial statements in the group's integrated report for further detail.	
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.	GRI FSSS Full GRI G3.1	
3.13	Policy and current practice with regard to seeking external assurance for the report.	Committed to transparent reporting  Validating our sustainability journey	1-10
<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.	Committed to good governance Sustainability governance structures and policy framework Governance and ethics 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.	Governance and ethics 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.	Board of directors  Governance and ethics review	  1, 2, 7-10

GLOBAL REPORTING INITIATIVE (CONTINUED)

No	Profile disclosure	Description online reference	UNGC <sup>2</sup> Principles
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Building enduring relationships: Investing in our people Building enduring relationships: Delivering value to our shareholders 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).	Rewarding for performance  Reporting back on remuneration	1, 2, 3-6  3-6
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Governance and ethics 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.	Sustainable development review  Governance and ethics 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.	Sustainable development review  Governance and ethics 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.	Sustainable development review Enabling sustainability through products and services Leading through collaboration and partnership Managing and optimising our own impact Governance and ethics 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.	Sustainable development review Governance and ethics review	1, 2, 7-10
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Sustainable development review: Social and environmental risk management  Governance and ethics 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.	Sustainable development review	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.	Sustainable development review: Sustainability credentials and indices	
4.14	List of stakeholder groups engaged by the organisation.	Sustainable development review: Stakeholder engagement	1-10
4.15	Basis for identification and selection of stakeholders with whom to engage.	Sustainable development review: Stakeholder engagement	1-10
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Sustainable development review: Stakeholder engagement	1-10

No	Profile disclosure	Description online reference	UNGC <sup>2</sup> Principles
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.	Sustainable development review: Stakeholder engagement	

## ENVIRONMENTAL - MANAGEMENT APPROACH

No	Profile disclosure	Description online reference	UNGC Principles
EN1	Materials used by weight or volume.	Nedbank Group Ltd five-year review Managing and optimising our own impact: Carbon footprint measurement	7-9
EN2	Percentage of materials used that are recycled input materials.	Based on our materiality review process, this indicator has been deemed 'not material' and therefore we do not attempt to report on it.	7-9
EN3	Direct energy consumption by primary energy source.	Nedbank Group Ltd five-year review Managing and optimising our own impact: Carbon footprint measurement	7-9
EN4	Indirect energy consumption by primary source.	Nedbank Group Ltd five-year review Managing and optimising our own impact: Carbon footprint measurement	
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
EN16	Total direct and indirect greenhouse gas emissions by mass.	Managing and optimising our own impact: Carbon footprint measurement	7-9

## ENVIRONMENTAL - MANAGEMENT APPROACH (CONTINUED)

No	Profile disclosure	Description online reference	UNGC Principles
EN17	Other relevant indirect greenhouse gas emissions by mass.	Managing and optimising our own impact: Carbon footprint measurement	7-9
EN19	Emissions of ozone-depleting substances by mass.	Managing and optimising our own impact: Carbon footprint measurement	7-9
EN20	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and mass.	Not a material emission. If emitted and a greenhouse gas, then is included in the carbon footprint.	7-9
EN21	Total water discharge by quality and destination.	Based on our materiality review process, this indicator has been deemed 'not material' and therefore we do not attempt to report on it.	
EN22	Total mass of waste by type and disposal method.	Managing and optimising our own impact	7-9
EN23	Total number and volume of significant spills.	Based on our materiality review process, this indicator has been deemed 'not material' and therefore we do not attempt to report on it.	7-9
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Building a sustainable bank: Social and environmental risk management Managing and optimising our own impact	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Based on our materiality review process, this indicator has been deemed 'not material' and therefore we do not attempt to report on it.	

GLOBAL REPORTING INITIATIVE (CONTINUED)

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
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**HUMAN RIGHTS - MANAGEMENT APPROACH**

No	Profile disclosure	Description online reference	UNGC Principles
HR1	Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening.	Leading through collaboration and partnership: Social and environmental risk management Governance and ethics review: Human rights	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.	Governance and ethics review: Human rights 2013 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.	Governance and ethics review  2013 Transformation Report	1, 2
HR4	Total number of incidents of discrimination and corrective actions taken.	Governance and ethics review	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.	

**HUMAN RIGHTS - MANAGEMENT APPROACH (CONTINUED)**

No	Profile disclosure	Description online reference	UNGC Principles
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.	Governance and ethics review: Human rights	1, 2
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Governance and ethics review: Human rights	

**LABOUR PRACTICES AND DECENT WORK - MANAGEMENT APPROACH**

No	Profile disclosure	Description online reference	UNGC Principles
LA1	Total workforce by employment type, employment contract, and region broken down by gender.	Managing and optimising our own impact: Employee profile	3-6
LA2	Total number and rate of new employee hires, employee turnover by age group, gender and region.	Managing and optimising our own impact: Employee profile	3-6
LA4	Percentage of employees covered by collective bargaining agreements.	Managing and optimising our own impact: Collective bargaining	3-6
LA5	Minimum notice periods regarding significant operational changes, including whether it is specified in collective agreements.	Managing and optimising our own impact: Ensuring harmonious employee relationships	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.	Managing and optimising our own impact: 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.	Managing and optimising our own impact: 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.	Managing and optimising our own impact: The Nedbank Employee Wellbeing Programme	3-6
LA10	Average hours of training per year per employee by gender and employee category.	Managing and optimising our own impact: Developing, empowering and equipping our people	3-6
LA12	Percentage of employees receiving regular performance and career development reviews.	Managing and optimising our own impact: Performance management	3-6
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.	Managing and optimising our own impact: Employee profile A progressive and empowering employment equity plan.	3-6
LA14	Ratio of basic salary of men to women by employee category by significant locations of operation.	Managing and optimising our own impact: Reporting back on remuneration	6
LA15	Return to work and retention rates after parental leave, by gender.	Managing and optimising our own impact: Gender advancement	6

### SOCIETY - MANAGEMENT APPROACH

No	Profile disclosure	Description online reference	UNGC Principles
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	Sustainable development review stakeholder engagement	3-6
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.	Risk and balance sheet management review: Operational risk	1-10
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.	None for the reporting period.	
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.	Based on our materiality review process, this indicator has been deemed 'not material' and therefore we do not attempt to report on it.	7-9

### PRODUCT RESPONSIBILITY - MANAGEMENT APPROACH

No	Profile disclosure	Description online reference	UNGC Principles
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.	Based on our materiality review process, this indicator has been deemed 'not material' and therefore we do not attempt to report on it.	
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	Building enduring relationships: Innovation for our clients Client data protection and privacy Responsible product/labelling Risk and balance sheet management review: Operational risk	1,2
PR5	Practices related to client satisfaction, including results of surveys measuring client satisfaction.	Building enduring relationships: Clients	

PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	Building enduring relationships: Innovating for our clients 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.	1,2

## ECONOMIC - MANAGEMENT APPROACH

No	Profile disclosure	Description online reference	UNGC Principles
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.	Strong performance in uncertain times Value-creating business model Chief Financial Officer's review Nedbank Group Ltd 10-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.	Sound investment case Operational review Risk and balance sheet management review	7-9
EC3	Coverage of the organisation's defined-benefit plan obligations.	Reporting back on 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.	Sustainable development review: Suppliers  Leading through collaboration and partnership	1-10  1,2
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Managing and optimising our own impact: Employee profile 2013 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 <i>pro bono</i> engagement.	Leading through collaboration and partnership: Empowerment financing 2013 Transformation Report	

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NEDBANK

## A Tribute to Nelson Rolihlahla Mandela The Children's Champion

To a man who made our land his life  
And forgiveness his focus  
Who turned hatred into humility  
And made peace with the past  
Who made his captors his comrades  
And his prison cell his podium  
Who turned imprisonment into freedom  
And a divided people into a nation  
Who made children his cause  
And love his legacy.

Nedbank is a proud partner of:

