

MAKE
THINGS
HAPPEN



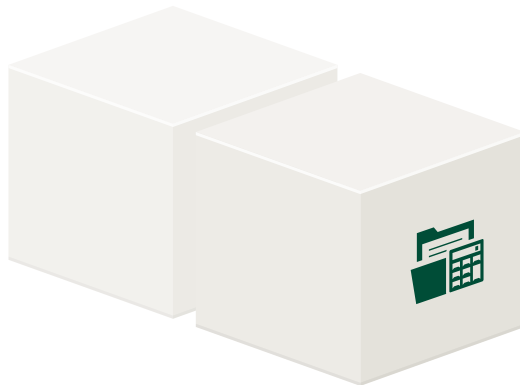
NEDBANK
GROUP

NEDBANK GROUP

UNITED NATIONS
GLOBAL COMPACT
**COMMUNICATION
OF PROGRESS**

for the year ended 31 December 2014

A Member of the  **OLDMUTUAL** Group



CONTENTS

Overview of our group

Letter from our Chief Executive	2
A profile of our business	3
Chief Executive's Review	5
Chairman's Review	11
Our summarised five-year track record	17
Drivers guiding our strategy	19
Material matters	21
Strategic focus areas	28

Stakeholder overview

Engaging with our stakeholders	39
--------------------------------	----

Operational overview

Global Reporting Initiative G4 Index	61
--------------------------------------	----

Our contact details

IBC

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 2014 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 (G4) 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 2014 Integrated Report which is available on line nedbankgroup.co.za.

Please note that Nedbank Group has interpreted Principles 1 and 2 to have both an internal and external impact.

LETTER FROM OUR CHIEF EXECUTIVE

Attention: United Nations Global Compact Office

Nedbank Group – continued commitment to the United Nations Global Compact

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

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

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

Yours sincerely,



Mike Brown
Chief Executive
Nedbank Group

SUSTAINABILITY CREDENTIALS AND INDICES

- 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 ninth year.
- JSE SRI Index – inclusion since 2004.
- WWF Water Balance Programme – invested R9m in SA's water security.
- WWF-SA Green Trust partnership.
- WWF Sustainable Agriculture Programme – official sponsor – invested R8,3m.
- South African Carbon Disclosure Project Index 2014 – 99% Disclosure Score and an 'A minus' for performance.
- Nedbank occupies four Green Star-rated buildings.
- Natural Capital Leaders Index – Natural Capital Decoupling Leader.
- 2014 – highest score in the IRAS Sustainability Data Transparency Index in the Banking and Financial Services Sector.
- Inclusion in RobecoSAM's 2014 yearbook of the most sustainable companies in the world – one of only six SA companies.

We are represented on, or a signatory to, the following:

- Equator Principles.
- Principles for Responsible Investment (through Old Mutual plc).
- UNEP FI African Task Force.
- UNEP FI National Capital Declaration.
- UNEP FI Social Working Group.
- United Nations Global Compact Advisory Committee.
- United Nations Global Compact CEO Water Mandate.
- National Business Initiative Advisory Committee on Climate Change.
- National Energy Efficiency Accord.
- Energy Efficiency Leadership Network Pledge.
- The Banking Association SA: Sustainable Finance Committee.
- Association of Ethics Officers in Africa.
- OECD Financial Sector Mapping Advisory Group.
- National Biodiversity Business Network.
- Network for Business Sustainability SA.

OVERVIEW OF OUR GROUP

PROFILE OF OUR BUSINESS

WHO WE ARE

Nedbank Group is one of SA's four largest banking groups by assets and deposits, with Nedbank Limited being 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 R124bn at 31 December 2014. Old Mutual plc is our majority shareholder, with a 54,0% ownership of the group.

We provide a wide range of wholesale and retail banking services and a growing insurance, asset management and wealth management offering through five main business operations, namely Nedbank Capital, Nedbank Corporate, Nedbank Business Banking, Nedbank Retail and Nedbank Wealth. From 31 December 2014 we simplified these clusters into Nedbank Corporate and Investment Bank, Nedbank Retail and Business Banking, and Nedbank Wealth. Our Rest of Africa Division, which is small but growing in bottomline contribution, is housed within the Chief Operating Officer's portfolio.

Our growth-orientated strategy is underpinned by a strong wholesale business, growing retail franchise as well as our business into the rest of Africa. We are a market-leading wholesale bank and are well positioned in commercial property finance, business banking, investment banking, vehicle finance, card-acquiring, deposit-taking, and asset and wealth management.

WHERE WE OPERATE

Nedbank Group's primary market remains SA, however, we are continuing to expand into the rest of Africa. Outside SA we have a presence in six countries in the Southern African Development Community (SADC) and East Africa region where we own subsidiaries and banks in Namibia, Swaziland, Malawi, Mozambique, Lesotho, Zimbabwe, as well as representative offices in Angola and Kenya.

In West and Central Africa we have a partnership strategy and concluded the acquisition of an approximate 20% shareholding in Ecobank Transnational Incorporated (ETI) in 2014, enabling a unique one-bank experience to our clients across the largest banking network in Africa, comprising more than 2 000 branches in 39 countries.

Outside Africa we have presence in key global financial centres to provide international banking services for SA-based multinational and high-net-worth clients in the Isle of Man, Guernsey, Jersey and London, Toronto and Dubai (UAE).

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



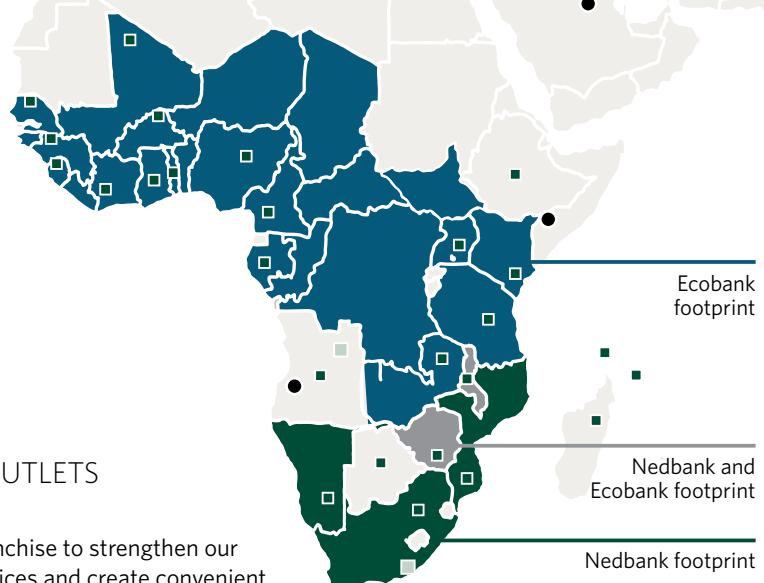
3 711¹
ATMs



1 185¹
STAFFED OUTLETS

We have invested significantly in our franchise to strengthen our brand, offer market-leading banking services and create convenient access for all through our 1 185¹ staffed outlets, 3 711¹ ATMs and electronic channels across SA and the rest of Africa.

¹ Include rest of Africa.



TOTAL
ASSETS

R810bn

HEADLINE
EARNINGS

R9,9bn



CLIENTS

7,1m

TOTAL
PERMANENT
STAFF

30 499

OUR VISION AND VALUES

We have a vision-led, values-driven philosophy to leading and managing our business, because how we achieve our vision is as important to us as what we achieve.

OUR VISION

To be Africa's most admired bank by all our stakeholders - our staff, clients, shareholders, regulators and the communities that we live in.

Our vision statement implies that:

- We will continue to build our franchise in SA, while expanding into the rest of Africa. Our strategic focus areas provide more insight into our progress and outlook.
- We want to be most admired by our stakeholders. Without passionate and motivated staffmembers we won't be able to attract and retain the clients that are key to the delivery of sustainable profits for our shareholders. As a bank we operate in a regulated environment and we aim to be admired by our regulators. Lastly, as a bank we can play a major part in our communities and as 'the green bank', we are a strong advocate and influencer on environmental matters. More on this can be found in our stakeholder section.

Our vision is supported by our Deep Green aspirations. These are: to be a great place to work; a great place to bank; a great place to invest; worldclass at managing risk; and a green and caring bank.

OUR VALUES

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

Integrity - Be honest, trustworthy, truthful, consistent and open in all of our conduct and decisions.

Respect - Recognise the inherent worth of every human being and treat all people accordingly.

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 passion and commitment.

People-centred - We invest in our people and create empowering environments through development, support, mentoring, coaching, valuing diversity, recognition and reward.



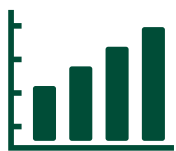
CHIEF EXECUTIVE'S REVIEW

'In 2014 we took an important step towards fulfilling our vision to be Africa's most admired bank by investing R5,9bn to secure a shareholding of approximately 20% in ETI, thereby deepening our long-standing strategic alliance that enables our clients to access the largest Pan-African banking network across 39 countries.'

2014 was a milestone year for the group as we positioned ourselves to continue to grow in a volatile economic environment. We announced various executive leadership changes that have introduced fresh energy into our business. The integration of the Nedbank Corporate and Nedbank Capital Clusters into a corporate and investment bank will enable us to service our wholesale clients better and unlock future income growth opportunities. We gained traction in numerous efficiency and cost optimisation programmes that are important in a slower-growth environment. We took a significant step forward in our Pan-African banking network strategy as we became a 20% shareholder in our alliance partner Ecobank Transnational Incorporated (ETI), offering our shareholders increasing access to higher economic-growth rates in the rest of Africa.

From a financial perspective Nedbank Group produced a strong set of results in 2014 as headline earnings increased 14,0% to R9,9bn, which was supported by good net-interest-income growth and a lower credit loss ratio, despite strengthening central provisioning and increasing coverage levels. Non-interest-revenue (NIR) growth was slower in the first half as a result of a number of deliberate strategic actions, but grew in early double digits in the second half. Diluted headline earnings per share (DHEPS) increased 13,0%, ahead of our expectations communicated to the market at the beginning of the year, and met our medium-to-long-term target of consumer price index (CPI) plus gross domestic product (GDP) plus 5% - estimated at 12,5%.

MIKE BROWN
CHIEF EXECUTIVE



14 395 cents

**NAV
PER SHARE**

(2013: 13 143 cents)

2014 highlights
video from our CE,
Mike Brown.



OUR VALUE-ENHANCING STRATEGY

Our focus on creating shareholder value continued as we increased net asset value by 9,5% and maintained a return on equity (ROE) (excluding goodwill) at 17,2%, well ahead of a higher cost of equity of 13,5% (2013: 13,0%). As a result we delivered R2,1bn of economic profit. Given our sound balance sheet, we were once again able to increase our full-year dividend per share by 14,9% to 1 028 cents, ahead of HEPS growth of 12,9%, as we move towards the mid-point of our dividend cover range of between 1,75 and 2,25 times.

The group's common-equity tier 1 (CET1) ratio at 11,6% is just above the mid-point of our 2019 target range and is where we expected it to be following the regulatory capital impact from our investments in the rest of Africa. We increased our liquidity buffers in anticipation of the liquidity coverage ratio coming into effect on 1 January 2015 to ensure day-one compliance. Strengthening of our provisioning over the past few years may have appeared to some investors to be overly conservative, but today I believe we are far better positioned to weather a difficult environment, with a strong total coverage ratio of 70,0%.

A tough macro environment

In line with much of the global and domestic banking industry, Nedbank faces a difficult macroeconomic environment, an increasing regulatory agenda and strong competition. These are not new to us and are the cornerstones of what we refer to as the material matters that influence our strategy.

I reflect below on these material matters and our strategic responses:

Globally, economic conditions remain challenging and very difficult for anyone to forecast accurately. SA's GDP growth in 2014 was severely impacted by a five-month-long strike in the platinum belt. Early in the year the rand weakened and the resultant worsening of the inflation outlook contributed to interest rates increasing by 75 basis points. Infrastructure limitations, and in particular the worsening electricity supply, constrained growth and reduced business confidence. 2014 GDP growth in SA was 1,5% - the lowest GDP growth rate since the financial crisis and well below SA's potential.

Visibility remains limited, underpinned by global market and economic policy uncertainties, local energy constraints, and volatility, oil price weakness and its impact on inflation, as well as the risk of further credit ratings downgrades in SA. The tough economic environment places pressure on our clients, leading to lower levels of credit demand and transactional banking activity. For banks this has a negative effect on earnings growth potential while increasing the risk of higher levels of bad debts. The quality of our loan origination is vital. Our wholesale clients are impacted by delays in infrastructural investment, particularly electricity constraints. As a result, investment appetite in SA remains muted and the domestic growth outlook appears constrained over the medium term.

Retail clients have remained highly indebted since the financial crisis of 2008. Lower oil prices which feed into lower inflation may prove beneficial to consumers in 2015 if sustained for longer.

Economic growth in the rest of Africa is strong, albeit off a low base, as evidenced by the International Monetary Fund's (IMF's) GDP growth forecast of 4.9% for 2015. In the short term we expect volatility in these frontier markets, particularly those that are over-reliant on oil revenues. Higher returns are not possible without higher risk, but we remain confident that over the longer term growth in the rest of Africa will be sustained, which has led to many SA firms expanding into and investing in the rest of Africa.

Competition is intensifying among banks as both established and new entrants aggressively target the same client base. Changing consumer behaviour, where more consumers are multibanked and are technologically skilled, has increased awareness of the various bank offerings, quality of service and pricing, and has led to higher expectations of banks. We expect this trend to continue.

The global financial crisis brought the onset of increased regulation to ensure the soundness of banks and protect consumers, the most prominent of which are the Basel III regulations on capital adequacy and liquidity and the increase in market conduct legislation. Given trends in international financial markets, the risk of potential penalties and fines due to non-compliance has increased in SA, particularly in the areas of market conduct and anti-money-laundering. SA's implementation of the Twin Peaks regulatory framework and increased focus on consumer protection will continue to place new demands on financial services organisations to ensure outcomes for their clients are fair.

The past two centuries have seen rapid global population growth but even faster economic growth, with average per capita income increasing by a factor of more than 10. Higher living standards have also been coupled with improvements in life expectancy for billions of people. This progress has come at a significant environmental cost and there is mounting evidence that current patterns of human consumption are exceeding the planet's supply limits and is therefore unsustainable. Furthermore, high levels of poverty and inequality remain in many regions, including sub-Saharan Africa. As a bank we can play a major role in making the countries and societies we operate in a better place. Simply put, we have to ensure that our operations of today are not a cost to society in the future.

Skills shortages in SA, attributable to the poor outcomes of the country's educational system, present a serious risk to economic growth and stability for the country. In addition, banking is a large employer in the financial services sector and we require highly-skilled employees to service clients. Increasing competition means we have to work even harder to retain our best people and to mitigate the cost of replacing skilled staff. Our approach to remuneration, in support of these initiatives, is set out in the Remuneration Report.

Transformation remains an imperative and we continue to place this high on our agenda given our goal to stay at the forefront of transformation.

These material matters bring many challenges and risks that have to be managed. There are also opportunities to build on the platform we have created to respond to this environment and to continue to grow our franchise and generate value for our stakeholders.

PROGRESS ON OUR STRATEGIC FOCUS AREAS

2014 marked the fifth year of my tenure as Chief Executive of the Nedbank Group and I am pleased to report that we have made significant progress on our five key strategic focus areas of client-centred innovation, growing our transactional banking franchise, optimise to invest, strategic portfolio tilt and the Pan-African banking network.

STRATEGIC FOCUS AREAS

For more detail on our progress and outlook refer to the 2014 integrated report. I summarise my reflections on our strategic progress below:



CLIENT-CENTRED INNOVATION

remains core to everything we do and I believe Nedbank has made significant strides in its ability to deliver products to our clients that make a real difference to their lives and enable them to achieve their goals. We have delivered more innovation in the past two years than in the previous five combined. In 2014 we continued to introduce innovative products, particularly in the digital and mobile space. This has made banking more convenient, more affordable and safer. We were pleased that our progress in this area was also externally acknowledged by Nedbank receiving the 2014 African Banker Award for Innovation.



OPTIMISE TO INVEST was incorporated in response to a more challenging environment for revenue growth, but also being cognisant that we need to invest for the future. During 2014 we made progress on numerous cost and efficiency optimisation initiatives, ranging from our 'rationalise, standardise and simplify' information technology strategy, through which we are decreasing our core systems from 250 to 60, to implementing our SAP enterprise resource planning (ERP) replacement system for finance, procurement and human resources. The first two components were successfully implemented on 1 January 2015 on time and within scope and budget - with human resources to follow in September 2015. Additionally, we are working on a range of synergies within Old Mutual Group [Old Mutual (South Africa), Nedbank and Mutual & Federal]] in SA and have made substantial progress towards achieving the Old Mutual Group R1bn pretax target for collaborative initiatives by 2017.

Investment in outlets and digital channels, new value propositions and technology is funded as far as possible through cost savings. To date 171 outlets in the 'branch of the future' format have been converted and we plan to convert 75% of all outlets by 2017, investing a further R2,1bn. In addition, we will continue to build our franchise in the rest of Africa for the long term, which will require investment in areas such as IT and our people.



GROWING OUR TRANSACTIONAL BANKING FRANCHISE has been a focus of the group for many years and we have established a proven track record of delivering and, as a result, growing NIR above the SA industry average over an extended period. In 2014 we took the strategic decision to slow down our growth in personal loans and to keep our bank fees at 2013 levels, while reducing pricing in some businesses - a deliberate investment in the future. While this reduced our 2014 NIR growth by approximately 3,5%, we do enter 2015 much better positioned to grow our client numbers. Given our lower share of main-banked clients, we believe we still have significant room for growth, and our medium-to-long-term NIR-to-expenses ratio target of >85% remains a focus.



Turning to the rest of Africa, 2014 was a milestone year for us building our **PAN-AFRICAN BANKING NETWORK**. We embarked on new growth opportunities and significantly increased the level of capital deployed in the rest of Africa, where revenue growth is expected to be faster than in SA.

We concluded the acquisition of an initial 36,6% shareholding (with a pathway to control in 2016) of Banco Único in Mozambique, in our Rest of Africa subsidiaries we have made good progress in implementing a standardised operating model, and our Flexcube core banking IT system is planned to be rolled out in Namibia in the first quarter of 2015. This

has strengthened our franchise and client proposition in the Southern African Development Community (SADC) and East Africa. In this region we plan to increase our west and central presence from six to 10 countries over time.

In West and Central Africa our alliance with Ecobank continues to deliver value for the group and its clients. During October 2014 we exercised our rights to subscribe for a 20% shareholding in ETI. This follows six years of working closely together. Today we can offer our clients unmatched access to banking services across 39 countries, almost double that of our closest competitor. We continue to work closely together in our strategic and technical alliance, cross-selling products, leveraging each other's unique strengths such as our expertise in investment banking and Ecobank's deep in-country knowledge and relationships.

Ecobank was faced with a number of well-publicised governance challenges late in 2013 and early in 2014. We support the steps the Ecobank board has taken to resolve these and strengthen governance. More recently economies that are heavily reliant on oil revenues, such as Nigeria and Ghana, have come under pressure and this has translated into a position at 31 December 2014 where the market price of our 20% investment in ETI was just over 10% lower than the cost (29% lower than the cost at 19 February 2015). Given the long-term nature of our investment we should not be distracted by short-term price movements and look forward to working with Ecobank to generate long-term value for all shareholders.



STRATEGIC PORTFOLIO TILT aims to manage our portfolio of businesses and products proactively to improve our risk-and-return profile and to identify financial services opportunities that maximise economic profit growth while maintaining a strong balance sheet. This is particularly relevant in a tough economic environment with limited forward visibility. The benefits from the early action we took in reducing our home loan and personal-loan portfolios have been evident in our 2014 results. Personal loans in particular have delivered strong profits and returns in a year when African Bank Limited was placed under curatorship and many questions were asked about the health of the consumer. Growing economic-profit-generative activities such as transactional deposits, transactional banking and transactions in the rest of Africa remains high on the agenda. The benefit resulting from all our actions over the past four years has enabled the group to maintain a sound balance sheet and reduce impairments, while delivering dividend growth ahead of HEPS growth.

DELIVERING VALUE TO ALL OUR STAKEHOLDERS

Those of you who have been following Nedbank for a while will know that we see our people as our most important asset and our culture as a key differentiator. Without motivated and empowered staff we will not be able to delight and innovate for the benefit of our clients. More clients doing more business with Nedbank leads to value creation for our stakeholders. As I reflect on our progress in 2014, I have to reiterate that Nedbank Group has committed itself to operating on a sustainable basis and delivering value to all our stakeholders. In line with our vision to be Africa's most admired bank by staff, clients, shareholders, regulators and communities, I am pleased to report as follows:

For staff we created new employment opportunities at a time when unemployment rates in SA remain elevated. We continue to invest in training, leadership development and supporting external bursars. Staff transformation remains important and the shift in our employment equity profile remains positive. Lastly, we continue to invest in building a worldclass corporate culture and embedding our top three cultural values of accountability, client satisfaction and brand reputation to the benefit of all our other stakeholders.

For clients, in line with our strategic focus area of client-centred innovation, we are investing in exciting products – a list of these are contained in the stakeholder section of our report. We continue to make banking more accessible by adding 22 new outlets and 304 self-owned ATMs. We retained our competitive positioning on bank fees, having made some tough choices in 2014, which cost R355m of NIR, but increased our ability to grow into the future. We advanced R167bn of new loans to clients, and assets under management grew by 11% to R212bn. For the sixth consecutive year Nedgroup Investments was placed third overall in the Domestic Management Company category at the annual Raging Bull Awards. All of these have resulted in group client numbers increasing 7% to 7,1m since December 2013.

For shareholders we increased the full-year dividend 14,9%, ahead of 12,9% growth in HEPS, and generated a total shareholder return (TSR) of 23,2% since December 2013. Our investments into the rest of Africa offer our shareholders access to earnings growth from these higher-economic-growth markets, while also providing the diversification benefits of having a presence across 39 countries. For our SA broad-based black economic empowerment (BBBEE) shareholders we realised R5,5bn of value since inception in 2005, and an estimated R8,2bn at today's market prices. We retained our leadership position in transparent reporting and broadened our engagements with shareholders through our first governance roadshow, first non-deal roadshow into Asia and more than 350 investor engagements through the year.

For regulators we remain in compliance with Basel III phase-in requirements, including maintaining sound capital levels with a CET1 ratio of 11,6%. We, along with our peer banks, acknowledge our shortcomings in our anti-money-laundering administration after having been fined R25m in 2014, and remedial action is high on the agenda. We participated in the African Bank resolution and underwriting. We are maintaining strong, transparent relationships with all regulators, while contributing to working groups on new regulation and continuing to support responsible banking practices.

For communities and the environment we continue to make banking more accessible and affordable, having advanced R54bn in new loans to retail clients and R1,2bn to affordable-housing developments. We maintained carbon neutrality for five years and were included in the Dow Jones Sustainability Index for the ninth consecutive year, being only one of six SA companies, and on transformation we maintained our level BBBEE contributor status for the sixth consecutive year. Together with Old Mutual, we pledged a combined US\$1m towards the African Union-Private Sector Ebola Fund.

In our 2013 integrated report we shared our Long-term Goals for a thriving bank in a thriving society and our response to these goals, namely our Fair Share 2030 strategy. Through this strategy a carefully calculated flow of money is committed each year to invest in future-proofing our business, society and the environment. This lending is additional to all the things we already do and we expect to make a decent financial return, while delivering a lasting impact. 2014 was a pilot year. During the pilot we learned that, although structuring and closing these types of business may be harder initially, it is possible to write loans that are good for us and our clients and that drive positive social and environmental impacts. The most notable of the pilot deals was a R500m loan to the Netcare Group, enabling the execution of multiple projects that delivered intentional non-financial impacts.

In conclusion, delivering value to all our stakeholders assisted in Nedbank once again being awarded SA Bank of the Year for 2014 by The Financial Times's, The Banker magazine, matching the achievements of 2011 and 2013.

OUTLOOK

The SA economy is likely to improve modestly off a low base, although growth will be constrained by disruptions to power supply and weaker growth in key export markets, particularly in the Eurozone and China.

CASE STUDY

Nedbank's longstanding 18-year relationship with Netcare continues as we embark on Netcare's energy reduction project. Nedbank provided energy efficiency and renewable-energy funding of R647m for the project in conjunction with the Agence Française de Développement (French Development Agency or AFD) and Nedbank Capital, of which Corporate Banking provided a seven-year R500m facility.

The Netcare project is an amalgamation of 52 individual energy-efficient hospital retrofit projects and 36 renewable-energy projects, with rooftop photovoltaic (PV) additions to existing hospital buildings as well as three newly built sites in SA.

From this single financing transaction, 91 projects will provide a cumulative greenhouse gas (GHG) emission saving of 70 000 tonnes of CO₂ per annum (once complete) and reduce the hospital group's annual energy consumption by roughly a third. This will assist Netcare to counter the instability of electricity generation as well as achieve anticipated cumulative savings of R1bn on electricity costs over 10 years.

Netcare is a prime example of how Nedbank, through responsible lending, is making things happen for clients, which highlights our ability to provide sustainable and innovative banking and lending solutions.

Growth in GDP is currently forecast at 2,5% for 2015 as the economy recovers from the effects of strike action and exports are boosted by a weaker rand. Risk to this currently appears to be on the downside. The sharp drop in global fuel prices has improved the inflation outlook, and interest rates are expected to remain unchanged at current levels until late in the year. The softer interest rate outlook and lower borrowing costs should support consumer credit demand and limit credit defaults in 2015, notwithstanding the weak job market and high consumer debt levels.

Retail banking conditions are therefore likely to improve modestly, but growth in wholesale banking may moderate from current levels as fixed-investment plans and credit demand will be limited by the severity and extent of infrastructure constraints, rising production costs, soft global demand and low international commodity prices.

With substantial investment in infrastructure, an established management team and five years of consistent good performance, we are well placed to continue delivering on our strategic focus areas and to create value for all our stakeholders.

The group is a resilient and sustainable business with sound balance sheet metrics, and we are well positioned to grow despite the economic headwinds.

For the year ahead, although forecast risk remains high, we currently expect growth in diluted headline earnings per share above nominal GDP growth.

More detailed guidance on our financial drivers and medium-to-long-term targets are included in our Chief Financial Officer's Review.

MANAGEMENT CHANGES

We announced various executive appointments during the year. All the appointments were internal and evidence of our well-thought-out succession planning processes and the depth of our talent pipelines.

Mfundo Nkuhlu, previously Managing Executive of Nedbank Corporate, succeeded Graham Dempster as Chief Operating Officer and joined the board as executive director with effect from 1 January 2015. In his new role, Mfundo has overall responsibility for the Rest of Africa Division; Balance Sheet Management; Information Technology; Human Resources; Marketing; Communications and Corporate Affairs; and Strategic Planning. Graham will continue to focus on our Rest of Africa Division until his retirement in May 2015.

Philip Wessels was appointed Managing Executive of Retail and Business Banking, following the appointment of Ingrid Johnson as Financial Director of our parent, Old Mutual plc. Trevor Adams succeeded Philip as

Chief Risk Officer with effect from 1 August 2014. Following this, Mike Davis joined the Group Executive Committee as Group Executive of Balance Sheet Management with effect from 1 January 2015 to fill Trevor's previous role.

Following the announcement in November 2014 that Nedbank Capital and Corporate will be integrated into a single client-facing, wholesale business cluster, Brian Kennedy, Managing Executive of Nedbank Capital, will be accountable for the combined corporate and investment bank, including the implementation of the business structure and operating model with effect from 1 January 2015. This newly formed cluster will offer the full spectrum of wholesale products under one brand and one leadership team. Our objective is to create a wholesale business that combines the respective strengths of Nedbank Capital and Corporate to build a market-leading franchise with an even stronger client-centred focus.

Priya Naidoo joined the Group Executive Committee on 1 January 2015 and will succeed John Bestbier, Group Executive for Strategic Planning and Economics, on his scheduled retirement date of 30 June 2015.

APPRECIATION

I would particularly like to pay tribute to our Chairman, Reuel Khoza, for his exemplary leadership of the board over the past nine years. It has been a privilege to work alongside him.

I would also like to thank the board of directors and my colleagues in the Old Mutual Group for their guidance and support during the year.

I work with a talented Group Executive Committee, that always places the interests of Nedbank first. In particular I would like to thank Graham Dempster and John Bestbier for all that they have done for Nedbank over many years, and wish them both well in retirement from June 2015. You can be proud of your contributions to Nedbank's success.

The Executive Management team and I would like to express our gratitude to all our employees for their dedication and hard work during these challenging times, and to our clients for trusting us with their banking needs. Together we make Nedbank a great place to work, a great place to bank and a great bank to invest in.



Mike Brown
Chief Executive



R124,3bn
**MARKET
CAPITALISATION**
(2013: R107,2bn)



23,2%
**TOTAL SHAREHOLDER
RETURN**
(2013: 16%)



CHAIRMAN'S REVIEW

'In 2014 Nedbank Group again delivered value to shareholders, with a total shareholder return of 23,2%. Our share price increased 18,6% and we declared a total dividend of 1 028 cents, up 14,9% and ahead of headline earnings per share growth of 12,9%. Despite a volatile and uncertain environment, the group continues to offer qualities that we believe are attractive to investors.'

An uncertain world

Significant developments over the past year in the international and local environments will make banking more challenging but, as always, will also present opportunities.

In the developed world deflationary forces have become more dominant, hurting efforts to reduce the impact of high public and private debt levels and further reducing potential economic growth. This has prompted ever more expansionary monetary policies in Japan and Europe, while interest rates have been maintained at historically low levels in the US. The US Federal Reserve has ended its quantitative easing programme and indicated that it wants to start moving short-term interest rates to more normal levels given that economy's stronger performance and concerns over unintended consequences for asset prices. However, one consequence of the diverging economic fortunes and monetary policy tendencies has been a strengthening US dollar, which – if it continues – could mute demand for US exports and reduce the US central bank's room for manoeuvre.

Deflationary forces are also affecting the developing world. The promise of the so-called commodity supercycle has faded, with many commodity prices collapsing further during 2014. This was partly due to an overenthusiastic supply response to sharply rising prices in the 2006–2008 period, but is also due to perceptions of slower and different growth patterns in China. With the world's second largest economy becoming more consumer-oriented and increasing fears over the effects of overinvestment in the past, its appetite for commodities will change over time.

DR REUEL KHOZA
NON-EXECUTIVE CHAIRMAN



Level 2[✓]
BEE RATING
SIXTH YEAR IN A ROW

2014 governance highlights video from our Chairman, Dr Reuel Khoza.



VALUE THROUGH GOOD GOVERNANCE

Most spectacular was the 48% fall in the dollar oil price during 2014. This will mostly be growth-supportive, as consumers everywhere will benefit, but for net oil exporters the effects could be severe if the fall is sustained. Several large economies in Africa are overwhelmingly dependent on oil revenues to meet fiscal shortfalls and balance of payments needs. This, together with the challenges such as those presented by religious fundamentalism and the sudden emergence of the Ebola virus, could test the region's attractiveness for investment in the short term. However, Africa's move towards better economic policies and regional integration should remain intact and longer-term economic prospects are still positive.

The prices of other commodities, such as iron and coal, also came under pressure. For a country such as SA the net gains to growth from the fall in energy prices will be partially offset by lower prices for other primary products, but there will likely be a negative impact on the fiscus. This will mean that the policies espoused in the National Development Plan and in last year's Medium Term Budget Policy Statement will have to be adhered to as the threat of further sovereign downgrades remain. In particular, it has become increasingly clear that the private sector will have to be a major contributor in delivering development objectives and that this will have to be guided by market forces. This is clearly the case in electricity security, where unreliable delivery has now become a constraint on the economy and on increased investment, and will offset the benefits to growth from lower oil prices.

While this will not change in the short term, the good news is that, with the right regulatory and institutional changes, the government could unlock significant investment without damaging fiscal and external sustainability.

In the final analysis SA's entire citizenry, and particularly the leadership of the public and private sectors, should serve the national interest, and it behoves us to engage in open discourse with a bias for action. SA's economic challenges will not worsen for lack of intelligent, well-meaning citizens. However, this nation could suffer immeasurably for want of leaders of courage and determination in both the public and private sectors, who in dedicated pursuit of the cause of right and truth prioritise the national interest.

Together we have the responsibility to strictly adhere to the institutional forms that underpin our young democracy. We have to help define and articulate our national vision based on rigorous analysis allied to a compelling sense of destiny that should serve as a national rallying point for our pursuit of excellence and prosperity. We should diligently promote a nation built on moral values. We are duty-bound to guide, develop and imbue our youth with a sound and wholesome value system.

Overcoming poverty is the highest challenge facing all in our nation today and is a challenge across the globe. Youth are marginalised and the unemployed are desperate. Our challenge is to ensure that we have an inclusive society to provide hope and better prospects for the disadvantaged, as this is important to long-term stability. We must pay living wages, curb excess, improve the skills base of the undereducated, seek new ideas and markets, serve our stakeholders honestly and rise to SA's leadership challenge.

Banks reflect the general economic circumstances they operate in, but also act as agents for positive change in society. In 2015 we should see some bounceback from the disruptions caused by the long strikes in 2014, but there will be many challenges due to the ongoing infrastructure deficiencies and a still relatively highly indebted consumer. However,

CHAIRMAN'S REVIEW (continued)

there should be some dividend from lower oil prices, and the resumption of interest rate hikes now looks increasingly further away, given the dramatically improved inflation outlook.

The SA banking system is particularly well placed in this increasingly uncertain world, having faced many challenges and much change in the past, and also being at the forefront of adopting global regulatory requirements that force best-practice risk assessment and mitigation.

It is in this context and in view of the material matters described in the 2014 integrated report that I believe that Nedbank Group's performance in 2014 has been outstanding. Headline earnings increased 14,0% to almost R10bn and we delivered a return on equity (ROE) (excluding goodwill) of 17,2%, well ahead of our cost of capital. Our market capitalisation at the end of 2014 was R124bn and increased 16% during the year. This strong financial performance arose from our continuing to deliver value to all our stakeholders. Today we have highly motivated staff, more clients doing more business with us, more exciting value propositions and innovations, a stronger balance sheet and exciting growth opportunities, particularly in the rest of Africa. Our Chief Executive's and Chief Financial Officer's Reports cover this in more detail.

Nedbank Group very different from the Nedcor of 10 years ago

In my final Nedbank Group Chairman's Review I would like to reflect on the group's journey over the past 10 years.

I joined the board in 2005 and assumed chairmanship in 2006.

In stark contrast to the group's strong performance and positioning in 2014, the Nedbank of the early 2000s was an organisation in distress following poor strategic choices that impacted the financial position and reputation of the company. The group's market capitalisation at 31 December 2003 was a mere R17bn, significantly down from its then peak of R43bn in 2001.

Decisive action was needed. Tom Boardman was appointed Chief Executive in October 2003, and key actions taken under his tenure included the appointment of a new executive team, a strategic review of the business, the successful completion of the merger and recovery programme (which included the sale of non-core assets), improved transparency and reporting, and a clear focus on client service.

The group set itself two key financial targets – to achieve an ROE of 20% and a cost-to-income ratio of 55% by 2007 to convince investors to invest R5bn by way of a rights issue undertaken in 2004. An ROE of 21,4% and cost-to-income ratio of 54,9% were delivered in 2007. These laid the foundations for our relentless focus on our clients, accountability, management information systems, risk management and strategic management.

In delivering on our turnaround strategy, in addition to those items listed above, there was significant focus on two key long-term foundations for sustainability.

The first was culture, with a focus on building a unique and appropriate culture, starting with our executive leadership team and cascading to management across the organisation. This has resulted in staff morale and culture metrics today being close to worldclass levels. The key culture elements of accountability and client-centredness have been embedded over time. Today our culture and our people are key differentiators for the group.

The second focus was on fundamentally transforming the organisation.

In 2005 we proudly landed our trail-blazing broad-based black economic empowerment (BBBEE) transaction, indirectly benefiting more than 500 000 South Africans through our partners, staff, community and client schemes. The net value created for our black economic empowerment (BEE) shareholders to date is approximately R5,5bn, which would be worth an estimated R8,2bn at prevailing market prices.

In addition, we transformed our staff profile, management team and the board. We voluntarily complied with the Financial Sector Charter, then the dti Codes and more recently the Financial Sector Code (FSC). In 2006 Nedbank had recorded a level 5 BBBEE status, but steadily improved, and since 2009 has maintained a level 2✓ rating. Nedbank has

also regularly been rated as one of JSE Limited's (the JSE's) most transformed companies. This is also testament to our view that transformation transcends compliance and is seen as both a moral and business imperative to ensure that we remain relevant in the societies in which we operate.

The global credit crisis of 2008 had a major impact on banks throughout the world. SA banks, however, weathered the crisis well, remaining profitable with headline earnings declining less than 30%. As a result no SA bank had to be bailed out by government using taxpayers' money during the crisis. The global regulatory response, including materially increasing capital holdings through the various Basel regulations, also flowed through to SA, resulting in lower returns on equity after the crisis. We also changed our approach to remuneration in response to changing global governance in this regard.

Mike Brown took over as Chief Executive in early 2010 and the focus broadened to client-centredness and growing the franchise by building on the foundations laid under Tom. We repositioned our retail business and ensured sustained profitability, with Nedbank Retail moving from making a loss in 2009 to R2,9bn headline earnings in 2014. We invested in our transactional banking franchise and increased our retail client base from 4,2m to 6,9m and as a result non-interest revenue, excluding personal loans and the impact of pricing choices in 2014, grew by more than 9% since 2009. From a geographic perspective, and in line with our vision to be Africa's most admired bank, we expanded into the rest of Africa – in West and Central Africa by embedding the strategic alliance with Ecobank and negotiating rights to a 20% shareholding, and in the Southern African Development Community (SADC) and East Africa by expanding and improving the Nedbank presence. The lessons learnt from the global financial crisis also guided our strategic actions – particularly our strategic portfolio tilt strategy, designed to protect the group against downside risk while growing in products and businesses that offered attractive economic returns.

It is remarkable to reflect on the fundamental transformation that Nedbank has undergone since 2005. From a niche elitist bank to a bank for all, providing banking and financial services to all South Africans and expanding off this base into the faster-growing markets in the rest of Africa. Our business model has also progressed substantially. Today we are more diversified and resilient. We have a much higher transactional banking revenue contribution that provides an enhanced ROE and buffer against earnings volatility from external factors and a much stronger balance sheet, particularly with regard to capital ratios and provisioning, while also making extensive progress in unlocking growth opportunity in the rest of Africa. Externally Nedbank was once again rated as SA Bank of the Year in 2014 by Financial Times's esteemed The Banker magazine, matching the achievements of 2011 and 2013.

Nedbank also retained its leadership position in being the green and caring bank throughout our journey. Today we are still Africa's only carbon-neutral bank, having the most 5-Star Green-star-rated buildings in SA, and are making a difference in environmental matters. This has assisted us to become a leader in funding SA's renewable-energy programme.

Through our Fair Share 2030 strategy we aim to continue making a meaningful difference to society and the environment. We will do this through our lending, operations, being an advocate and, most importantly, assisting our clients to make SA a better place for all.

The progress to date has been a function of the close collaboration and teamwork of the Nedbank board and management teams.

Over the years I have deliberated in my various Chairman's Reports on the importance of ethics and governance in both the private and public sectors. I can, with confidence, say that the achievements of Nedbank have been underpinned by strong ethical principles and a commitment to benchmarking ourselves to worldclass governance standards, leading the way as we adopted codes such as King III. This is what I personally stand for, and I am pleased to leave an organisation that has fully embraced this. We are not perfect, but we are continuously striving for the highest level of ethics and governance. Sadly, there are still private sector companies, as well as areas in government and in the public sector that are lacking in their aspirations in this regard.

Key board deliberations in 2014

I would like to reflect on four key areas of deliberation that stand out in 2014. These occupied significant discussion at board and board committee level and are material milestones and developments for the group, which will continue to be of significant importance into the future. These are the management and board changes, working closely with our parent company Old Mutual plc, broadening the group's presence in the rest of Africa and participating in the resolution of African Bank Limited.

In April 2014 I led the group's first governance roadshow to our large SA shareholders together with Malcolm Wyman, our Senior Independent Director. It was pleasing to note the continued high level of support for the group's strategy, management, board and governance practices, including our remuneration schemes. In the following paragraphs I will reflect on the valuable feedback received.

Leadership and board changes

During 2014 and into 2015 Nedbank Group will implement various changes to its board and management teams, all supported by well-thought-through succession planning and recruitment processes.

While Mike Brown covers the various changes to the Group Executive Committee (Exco) team in his Chief Executive Review, I would like to take the opportunity to wish the new Group Exco members success in their new roles.

Mustaq Brey, Gloria Serobe and I, having reached the end of our nine-year term as non-executive directors, will step down from the board in May 2015, in line with the board policy and principles of good governance. I would like to convey my appreciation to these fellow boardmembers and black business partners for the value added to the group.

During the year we had no resignations from the board.

Graham Dempster (executive director) will reach the retirement age of 60 during May and also step down from the board at the close of our annual general meeting on 11 May 2015. Graham had been a Nedbank stalwart over many years and made a huge difference to the group, firstly in managing the group's corporate businesses and later as Chief Operating Officer, and also in developing our alliance with Ecobank, which has resulted in our becoming a 20% strategic shareholder in Ecobank during 2014. We wish him all the best going forward.

In line with these retirements and our board plans to ensure greater diversity, and specifically our desire to add more skills in the areas of banking, rest of Africa, information technology, innovation and resources, and infrastructure, a few new board appointments were made during 2014:

- David Adomakoh (independent non-executive director), who has 25 years' experience executive management and investment banking predominantly in Africa and Europe, and has served on the boards of a number of SA, Nigerian and Ghanaian companies;
- Brian Dames (independent non-executive director), who brings years of experience in energy and infrastructure;
- Mantsika Matookane (independent non-executive director), who has a strong background in financial services and IT systems in particular.
- Paul Hanratty (non-executive director), who is an executive director and the Chief Operating Officer (COO) of Old Mutual plc.
- Mfundo Nkuhlu (executive director) who took up the role of COO from 1 January 2015, succeeding Graham Dempster.

Vassi Naidoo will be appointed non-executive director with effect from 1 May 2015. The boards of Nedbank Group and Nedbank have resolved to elect Vassi as Chairman of the companies immediately following the conclusion of the Nedbank Group annual general meeting (AGM) scheduled to be held on 11 May 2015. Vassi's expertise in banking and financial services and experience in the rest of Africa will benefit Nedbank Group. The timing of this announcement ensures that we will have the benefit of a smooth handover in the Chairman's Office over the next few months.

In line with the recommendations of King III, Malcolm Wyman will continue as the Senior Independent Director of Nedbank Group and Nedbank as a result of the board's view that Vassi is a non-executive, but not independent, chairman, given that he will join the board of Old Mutual plc.

Our board currently consists of 18 members, comprising eight independent non-executive directors, six non-executive directors and four executive directors. Following our AGM in May 2015, taking into account the retirements and the appointment of Vassi Naidoo, our board will continue to have a majority of independent non-executive directors. Transformation remains important - currently the majority of our board is black, at 56%, and 22% are female.

Old Mutual relationship

Nedbank has in recent years been a key contributor to the financial performance of our parent company Old Mutual plc. In reported currency Nedbank Group contributed 35% of Old Mutual's adjusted operating profit (posttax and non-controlling interests) in 2014.

Working closer together across the group has been a key focus of the various boards and management teams, and in 2013 Old Mutual plc communicated its objective to generate R1bn of pretax synergies in the

'We live in a wonderful country with a vibrant democracy.

In a participatory democracy debate and discussion on substantive issues heighten awareness of the many needs we have to address in the socioeconomic, business and political spheres, which are vital for society as a whole. I firmly believe that leadership in the public and private sectors working constructively together can make a positive contribution. Part of my life's mission as a citizen and a business leader is to contribute, in a small way, to the upliftment of SA and help achieve a better life for all.'

Dr Reuel Khoza, April 2012

CHAIRMAN'S REVIEW (continued)

next three years across its key African businesses, being Nedbank, Old Mutual (South Africa) (OMSA) and Mutual & Federal. As a board we are in full support of value that can be unlocked for shareholders while ensuring it makes commercial sense for Nedbank and minority shareholder rights are protected – an issue raised pertinently during our governance roadshow.

We wish Ingrid Johnson the best in her new role as Financial Director of Old Mutual plc after leading the successful repositioning of Retail since 2009.

Broadening our presence in the rest of Africa

While expansion into the rest of Africa has been on the board agenda for the past few years, 2014 was a milestone year.

In line with our strategy of expanding our own presence in SADC and East Africa, we acquired a 36,6% stake in Banco Único in Mozambique, with a pathway to legal control. This is our first expansion into lusophone territories, adding to the existing five countries we are already operating in.

We have adopted a partnership approach in West and Central Africa through the strategic alliance with the Pan-African Ecobank group since 2008, and the board had extensive deliberations in 2014 regarding our subscription right to become a 20% shareholder in the holding company, Ecobank Transnational Incorporated, as part of a longer-term strategy.

During our governance roadshow we took note of investors' feedback and understand the importance of addressing the well-publicised governance and strategic issues at Ecobank, which culminated in the adoption by Ecobank of a comprehensive governance action plan and a change in the profile of the board and management, including the Group Chief Executive. Our decision to exercise our rights to take up the shareholding follows a six-year period of working closely with Ecobank in the alliance and is part of a long-term, risk-mitigated strategy for growing in the rest of Africa.

Impact of the resolution of African Bank Investments Limited

Turning closer to home in SA, while the African Bank collapse was sudden, the signs of distress in the personal-loan consumer segment were clear for some time. Nedbank had taken early action commencing in 2012, and in 2014 was still the only bank to have reduced its advances book in this market segment. This follows the group's decision to hold maximum individual-loan sizes and tenors set in 2009, tighten credit criteria through 2012 and implement more conservative provisioning policies. It was pleasing to hear firsthand from investors that Nedbank is now known for taking early action on key industry issues and is selective in its loan origination practices during times of uncertainty and volatility, and that provisioning is regarded as prudent.

As we look back at the developments in August 2014, we acknowledge the swift and decisive actions of the Reserve Bank in crafting a solution to a potential systemic issue, embracing the principles of future regulation on bank resolution to be introduced this year through the Basel Accord. The collaboration between the Reserve Bank, the major clearing banks in SA and the Public Investment Corporation to support and underwrite the 'good bank' is evidence of our collective vision to retain the status of the

SA banking industry as one of the most sound in the world. We wish Tom Winterboer all the best in his curatorship role and actions to revitalise African Bank Investments Limited (Abil).

A sound investment

In 2014 Nedbank Group again delivered value to shareholders, with a total shareholder return of 23,2%. Our share price increased 18,6% and we declared a total dividend of 1 028 cents, up 14,9% and ahead of headline earnings per share growth of 12,9%. Despite a volatile and uncertain environment, the group continues to offer qualities that we believe are attractive to investors. These include:

- Worldclass governance underpinned by an independent board striving to ensure value creation in a sustainable manner for all stakeholders.
- A wholesale-biased business model that positions us well in a tough macro environment. This is supported by a leadership position in corporate banking, holding the largest market share in commercial property finance and generating good returns with an excellent risk profile, as well as a lower-risk investment bank with strong growth prospects from government's infrastructure plans and growth on the continent. The newly announced integrated corporate and investment bank will aim to take client service to a new level and unlock further revenue growth opportunities.
- A strong, differentiated and decentralised business banking cluster.
- An innovative, client-centred retail banking cluster, with more clients choosing to bank with Nedbank.
- A well-positioned wealth, insurance and asset management business with a 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.
- A strong balance sheet and defensive investment characteristics given the stable banking sector in SA.
- An experienced management team, a differentiated, values-based culture and high levels of staff morale.

Looking forward

Nedbank Group is ably led by Chief Executive, Mike Brown, backed by an experienced management team and staff. The outlook for the environment remains volatile and uncertain. We, the board, believe that Nedbank is well positioned given its strong balance sheet, progress in building the franchise, exciting growth strategies and a highly rated management team. This will continue to stand us in good stead as we retain and attract the best talent and as more clients choose to bank with Nedbank.

I believe that some fundamental challenges still remain. Creating a better life for all will require a greater focus on governance and ethics across all organisations – those in the private, public and government sectors. These organisations need to find ways to work closer together. Education remains the cornerstone of our future – we need to address the limitations that prohibit so many from upskilling themselves and finding jobs, but more importantly from becoming entrepreneurs. Transformation needs to remain high on the agenda to enable us to build an inclusive economy.

'Leadership can only succeed over the longer term by sharing the values and aspirations of the followers, and this means being able to distinguish between that which is expedient and populist, and that which is serviceable and honest. It takes insight, empathy and discipline to achieve resonance with followers – and these are the personal and group qualities that we seek to promote.'

Dr Reuel Khoza, March 2011

As risks increase in a volatile and uncertain macro environment, banks would have to remain vigilant and continue the focus on worldclass risk management practices. We need to continue to look after our planet and care for those that are vulnerable. Lastly, I believe that in a vibrant democracy all voices must be heard as we build a successful society. We need to become a principled nation and a principle-centred continent.

Appreciation

Where do I begin to thank all the wonderful colleagues and stakeholders that have been part of my journey over the past 10 years? On a personal note I would like to thank Surina Breedt, my Personal Assistant, for consistently holding the administrative fort and for her professional interface with our various stakeholders.

I had the privilege of leading a diverse board of people, rich in wisdom, and I offer my sincere appreciation to the directors and management for their contributions over the years.

Much reliance is placed on the support of and cooperation with our various regulators and financial authorities governing our businesses. SA benefits greatly from the professional efficiency of these institutions, and I wish to note our appreciation for this cooperation and open relationship that is mutually beneficial in understanding and addressing the major issues affecting our industry.

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.

And, finally, I thank our staff for their commitment, passion and hard work to create value for all our stakeholders.



Dr Reuel J Khoza
Chairman

OUR SUMMARISED FIVE-YEAR TRACK RECORD



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Rm	Four-year CAGR [†] %		2014	2013	2012	2011	2010
Net interest income	8,4		22 961	21 220	19 680	18 034	16 608
Impairments charge on loans and advances	(7,6)		(4 506)	(5 565)	(5 199)	(5 331)	(6 188)
Income from lending activities	15,4		18 455	15 655	14 481	12 703	10 420
Non-interest revenue	11,3		20 312	19 361	17 324	15 412	13 215
Total operating expenses	10,3		(24 534)	(22 419)	(20 563)	(18 919)	(16 598)
Indirect taxation	9,2		(635)	(601)	(561)	(505)	(447)
Share of profits of associate companies and joint arrangements	>100		161	27	1		1
Headline profit before direct taxation	20,2		13 759	12 023	10 682	8 691	6 591
Direct taxation	26,4		(3 487)	(3 033)	(2 861)	(2 194)	(1 366)
Non-controlling interest	4,8		(392)	(320)	(338)	(313)	(325)
Headline earnings	19,2		9 880	8 670	7 483	6 184	4 900
EP		Rm	2 112	2 114	1 521	924	(289)
Share statistics							
Earnings per share:							
- Headline	17,8	cents	2 127	1 884	1 640	1 365	1 104
- Diluted headline	17,9	cents	2 066	1 829	1 590	1 340	1 069
Dividends/Distributions:							
- Declared per share	21,0	cents	1 028	895	752	605	480
- Dividend cover		times	2,07	2,11	2,18	2,26	2,30

[†] CAGR compound annual growth rate.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rm	Four-year CAGR [†] %		2014	2013	2012	2011	2010
Cash and securities	10,9		123 323	108 774	98 467	92 459	81 400
Loans and advances	6,5		613 021	579 372	527 166	499 023	477 226
Other assets	9,9		72 969	61 448	57 325	56 645	50 092
Total assets	7,4		809 313	749 594	682 958	648 127	608 718
Total equity attributable to equity holders of the parent	11,0		67 024	60 617	53 601	48 946	44 101
Non-controlling interest	1,2		3 887	3 719	3 774	3 739	3 713
Amounts owed to depositors	7,3		653 450	602 952	550 878	524 130	492 393
Provisions and other liabilities	3,8		49 314	49 038	44 407	41 870	42 407
Long-term debt instruments	8,1		35 638	33 268	30 298	29 442	26 104
Total equity and liabilities	7,4		809 313	749 594	682 958	648 127	608 718
Assets:							
- Assets under management	19,9	Rm	212 013	190 341	150 495	112 231	102 570
- Total assets administered by the group	9,5	Rm	1 021 326	939 935	833 453	760 358	711 288
Net asset value per share	10,0	cents	14 395	13 143	11 721	10 753	9 831
Tangible net asset value per share	11,4	cents	12 553	11 346	9 989	9 044	8 160
Key ratios							
Return on equity (ROE)		%	15,8	15,6	14,8	13,6	11,8
ROE (excluding goodwill)		%	17,2	17,2	16,4	15,3	13,4
Return on total assets		%	1,27	1,23	1,13	0,99	0,82
Net interest income to interest-earning banking assets		%	3,52	3,57	3,53	3,48	3,36
Credit loss ratio - banking advances		%	0,79	1,06	1,05	1,13	1,36
Non-interest revenue to total operating expenses		%	82,8	86,4	84,2	81,5	79,6
Efficiency ratio (including associate income)		%	56,5	55,2	55,6	56,6	55,7
Effective taxation rate		%	25,3	25,2	26,8	25,2	20,7

[†] CAGR compound annual growth rate.



2,2m
DIGITALLY ENABLED
CLIENTS






30 499
TOTAL STAFF



R8,5bn
EMPOWERMENT
FINANCING LOANS

NON-FINANCIAL KEY PERFORMANCE INDICATORS

			2014	2013	2012	2011	2010
Clients							
	Total clients ²	▲ millions	7,1	6,7	6,1	5,5	5,1
	Main-banked clients	▲ millions	2,49 [✓]	2,33 ¹	2,41	2,24	2,08
	Total digitally-enabled clients	▲ millions	2,22	1,49	1,17	0,89	0,82
	Number staffed outlets ²	▶	1 185	1 185	1 199	1 145	1 098
	Number of ATMs ²	▲	3 711	3 499	3 146	2 663	2 266
Staff							
	Total permanent staff	▲	30 499	29 513	28 748	28 494	27 525
	Staff attrition	▲ %	8,9 [✓]	8,7	8,2	7,6	9,3
	Lost-time injury-frequency rate (LTIFR)	▲	0,17	0,14	0,22	0,06	0,15
	Women as a percentage of total staff complement	▼ %	61,6	62,7	63,0	62,1	62,7
	Women in leadership (Group Exco)	▼ %	6,7 ³	12,5	12,5	11,8	15,3
	Training investment	▲ Rm	491	396	352	301	244
Communities							
Environment							
	Green Star-rated buildings	▲	6	3	3	2	1
	Carbon footprint per fulltime employee	▼ tCO ₂ e	7,08	7,61	7,89	7,74	8,25
	Offset through carbon emission reduction projects	▼ tCO ₂ e	225 000	230 000	240 000	240 000	220 000
	Carbon status	tCO ₂ e	Neutral	Neutral	Neutral	Neutral	Neutral
	Finance assessed under the Equator Principles	▼ US\$	319 ⁴	965	938	172	25
Social							
	Total socioeconomic spend – group	▲ Rm	112	111	116	89	80
	Total socioeconomic spend – as a percentage of NPAT ⁵	▼ %	1,34	1,54	1,94	1,99	1,48
	Client education – group (participants)	▲	400 000 ⁶	54 000	25 000	22 000	18 000
Procurement							
	Total procurement spend	▲ Rbn	10,6	9,6	9,4	8,3	6,7
	Local procurement spend	▲ Rbn	8,5	6,9	6,9	6,4	
	Local procurement spend as a percentage of total spend	▲ %	80	74	74	77	

¹ Decrease in 2013 due to SASSA clients reducing their activity.

² Including rest of Africa.

³ Drop due to timing of female executive appointment.

⁴ Declined in line with industry experience.

⁵ NPAT – net profit after tax.

⁶ Including additional initiatives for youth.

DRIVERS GUIDING OUR STRATEGY

Nedbank acknowledges that, to remain successful in banking over the long term, the socioeconomic context in which we operate matters enormously. We understand that our future business prospects are greatly improved if society is flourishing, the conditions of which require that human needs are being served within the biophysical constraints imposed by our finite planet.

Even after many decades of growth and rising per capita incomes a series of stubborn social, environmental and economic challenges remain. In sub-Saharan Africa particularly, many of these issues are growing in both urgency and consequence. Our recognition of the systematic interdependencies between economic success, societal wellbeing and environmental health led us to develop a set of eight long-term goals for SA to achieve by 2030. Together they describe a prosperous future for our country - the 'future we want' - and serve as a potent framework to inform our strategic decisions. We selected the Long-term Goals on the basis of materiality for SA, coupled with our ability to contribute through being a successful bank.

LONG-TERM GOALS

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 **clean water** and sanitation services.



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



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.



The Nedbank strategy is informed by our vision and values, the Long-term Goals that guide how we create value for all our stakeholders, as well as our material matters.

TO BE AFRICA'S MOST ADMIRABLE BANK

KEY INPUTS

Material matters are derived from major macro (external) trends, our unique strategic context, an analysis of our business risks and opportunities and, most importantly, the needs of our key stakeholders - staff, clients, shareholders, regulators and the communities and environment in which we operate.



MATERIAL MATTERS



TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY



BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION



INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT



GROWTH OPPORTUNITIES IN THE REST OF AFRICA



TRANSFORMATION OF SOCIETY WITHIN PLANETARY BOUNDARIES



SCARCE SKILLS

STRATEGIC FOCUS AREAS



CLIENT-CENTRED INNOVATION



GROW OUR TRANSACTIONAL BANKING FRANCHISE



OPTIMISE TO INVEST



STRATEGIC PORTFOLIO TILT



PAN-AFRICAN BANKING NETWORK



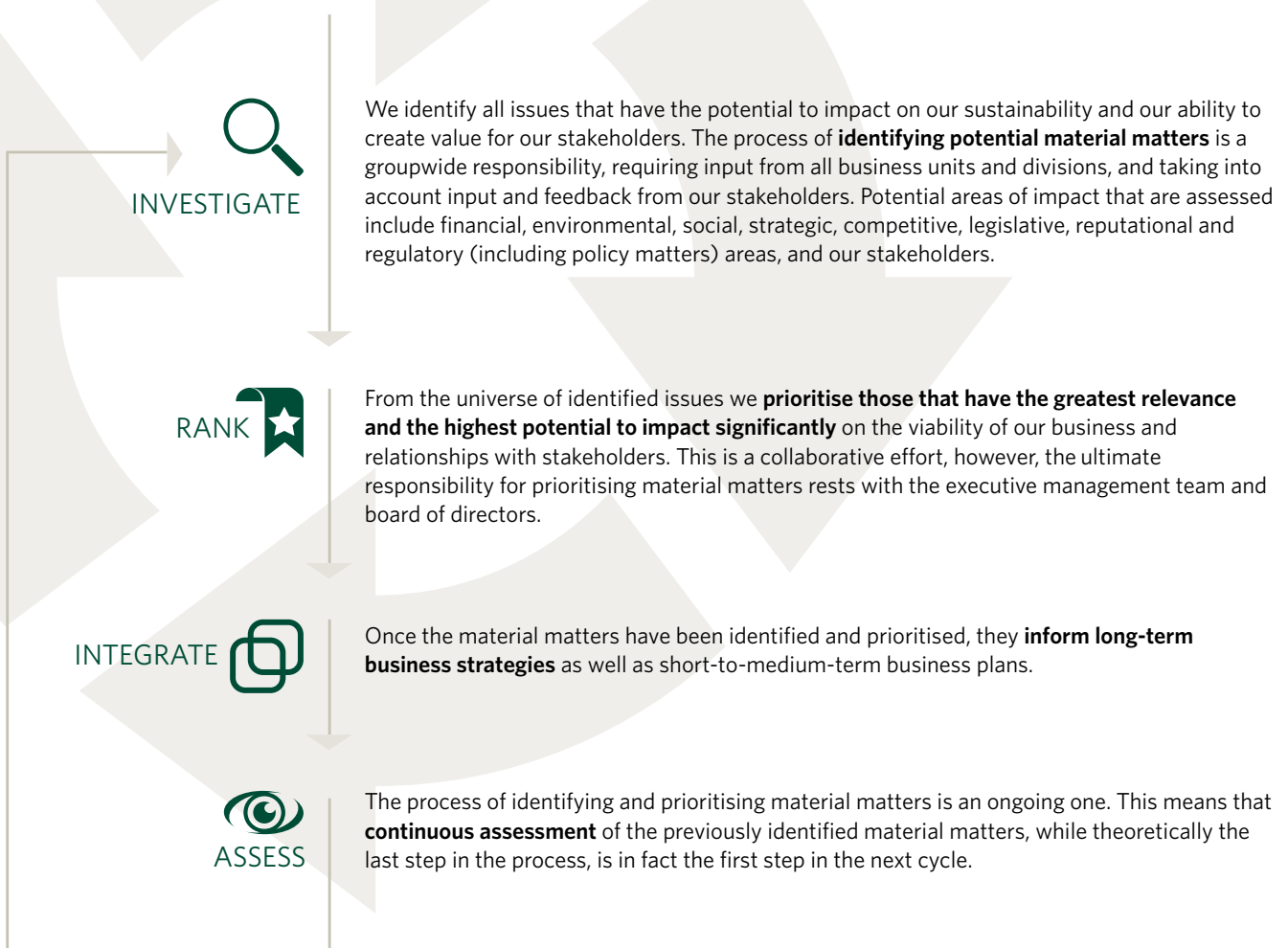
On the following pages we discuss the key components that influence our strategy, followed by our strategic focus areas, the progress made up to and in 2014, and the outlook for the future.

MATERIAL MATTERS

Our material matters, which also represent our primary risks and opportunities, have been selected from a diverse range of key factors that could have a significant impact on our ability to deliver sustainably to our key stakeholders.

Identifying and determining matters that are material to the group and our stakeholders is an ongoing process, involving analysis of the progress made on previous strategic priorities, including the study of all reports submitted for board or executive discussion, key business risk factors and identified opportunities, all formal and informal stakeholder feedback and integrated sustainability imperatives.

OUR APPROACH



The Nedbank Group Executive Committee assumes responsibility for approval of the material matters prior to their endorsement by the Group Transformation, Social and Ethics Committee, a subcommittee of the board, and finally the Nedbank Group Board. Through this process we prioritised six material matters in 2013 that we believe remain relevant for the foreseeable future. All of these material matters are interrelated and together they inform our five strategic focus areas and actions. All six material matters apply across the group. As a financial services organisation our impact on the economy, society and the environment through the finance we provide is material, and is included within the boundary of our reporting.



TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY



MACRO TRENDS

Globally and in SA economic conditions remain challenging. SA's gross domestic product (GDP) in 2014 was again impacted by a five-month strike in the platinum belt while interest rates increased by 75 basis points, contributing to SA's lowest GDP growth rate since the financial crisis. GDP growth below our country's potential is likely to remain for the next few years.

Visibility remains limited, underpinned by global market uncertainties and local energy constraints. Rand volatility, oil price uncertainties and its impact on inflation and the risk of further credit rating downgrades.

Although we expect a 25 basis point increase in SA interest rates for 2015, they may remain lower for longer.



STRATEGIC CONTEXT

The tough economic environment places financial pressure on our clients, leading to lower levels of credit demand and transactional banking activity – this is particularly prominent in the retail and small business segments of the market. For banks this has a negative effect on earnings growth potential, while increasing the risk of higher levels of bad debts. Developments in the personal-loan market have been evidence of this, as seen with African Bank Limited being placed under curatorship.



STAKEHOLDER NEEDS

Our wholesale clients are impacted by delays in infrastructural investment, particularly from electricity constraints. As a result longer-term investment appetite in SA remains muted.

Retail clients have remained highly indebted since the financial crisis of 2008, compounded by the recent increase in interest rates, higher inflation and administrative costs as well as high unemployment levels. Lower oil prices, feeding into lower inflation, may prove beneficial to consumers in 2015 if maintained for longer.

Our response to the material matters is covered in greater detail in our strategic focus areas. In summary, and as a quick reference, we have responded as follows:



STRATEGIC RESPONSE

- Retained sound capital levels and liquidity.
- Maintained a well-diversified business portfolio and risk framework.
- Grew our transactional banking client base and non-interest revenue (NIR).
- Strengthened our provisioning.
- Took early action, adopted selective origination and maintained prudent credit requirements in higher-risk portfolios such as Home Loans and Personal Loans.
- Positioned our book for rising interest rates.
- Implemented a countercyclical strategy to invest for growth while containing costs and driving efficiencies.
- Rationalise, standardise and simplify IT systems and streamline finance, human resources and procurement systems to unlock future cost savings.
- Proactively educate clients and facilitate client financial wellbeing.



BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION



MACRO TRENDS

Competition is intensifying among banks as both established and new entrants target the same client base. Technological advances have enabled the entry of non-traditional players as they aim to cross-sell financial services to their existing client bases. These new entrants include online banks, microloan providers and virtual-payment and mobile-telephony providers, offering an increasing range of financial products and services to the consumer 24/7.



STRATEGIC CONTEXT

Increased competition for transacting clients and share of wallet has meant that banks must invest more in defending their competitive advantages while providing 24/7 client service, innovating more rapidly and pricing more competitively. This has increased the risk of lower revenue growth and a higher expense burden.



STAKEHOLDER NEEDS

Changing consumer behaviour, where consumers are often multibanked and technologically skilled, has increased awareness of the various bank offerings, quality of service and pricing, which has led to higher expectations of banks.

Our response to the material matters is covered in greater detail in our strategic focus areas. In summary, and as a quick reference, we have responded as follows:



STRATEGIC RESPONSE

- Adopted client-centred innovation as a strategic growth driver.
- Fully embraced digital and mobile banking, while embedding an integrated-channel strategy.
- Enabled seamless transactions across numerous channels.
- Expanded our footprint for increased convenience and access.
- Optimised our branch experiences.
- Increased our focus on cross-selling.
- Initiated greater crosscluster collaboration and integration of processes and systems.
- Committed ourselves to affordable and transparent banking – kept fees at the same levels as 2013 and implemented selected fee reductions in some segments.
- Launched various new product and service innovations to meet unmet clients needs.



INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT



MACRO TRENDS

The global financial crisis brought the onset of increased regulation to ensure the soundness of banks and protect consumers, the most prominent of which are the Basel III regulations on capital adequacy and liquidity and the National Credit Act.

Given trends in international financial markets, the risk of potential penalties and fines due to non-compliance has also increased in SA.

SA's implementation of the Twin Peaks regulatory framework and increased focus on consumer protection will continue to place new demands on financial services organisations. Reduced credit life pricing and limiting interchange fees on card transactions are two recent examples.



STRATEGIC CONTEXT

Increased regulation has created greater complexity and higher compliance costs for banks. The cost of funding has increased, impacting the capacity for banks to lend to clients, while spending on staff and IT capability to implement and manage the regulatory requirements has also increased as has the time to deliver innovative and competitive products.



STAKEHOLDER NEEDS

Our regulators are one of our five key stakeholders. We continue to support governance and regulatory frameworks that have made it possible for SA's banking sector to be rated top 10 globally in the latest World Economic Forum Global Competitiveness Survey. Our governance and compliance track record is sound and reasonable, and we fully support sustainable banking practices.

Our response to the material matters is covered in greater detail in our strategic focus areas. In summary, and as a quick reference, we have responded as follows:



STRATEGIC RESPONSE

- Focus on our aspiration to be worldclass at managing risk.
- Ensured closer working relations and partnerships with regulators.
- Implemented the Basel III capital and liquidity requirements.
- Continued full support of sustainable banking practices.
- Guarding the independence and broadened the expertise of the board of directors.
- Through our strategic portfolio tilt strategy, focus not only on returns, but also on the risk and capital requirements for those returns.
- Took a leadership position in cybersecurity.

 <h2 style="margin: 0;">GROWTH OPPORTUNITIES IN THE REST OF AFRICA</h2>	
 MACRO TRENDS	<p>Economic growth in the rest of Africa is surpassing that of many countries including SA, as evidenced by the International Monetary Fund's GDP growth forecast of 4,9% for sub-Saharan Africa and only 2,1% for SA for 2015. This faster economic growth on the back of a rich resource base, improvements in the political environment and governance, trade liberation and extension of trade corridors contribute to the increased need for investment in infrastructure. Banks play a key role in capital-intensive projects. In addition, this has led to SA firms expanding into and investing in the rest of Africa. In the short term we expect volatility in these frontier markets, particularly those that are over-reliant on oil revenues.</p>
 STRATEGIC CONTEXT	<p>The rest of Africa presents growth opportunities for Nedbank, albeit at a higher cost of capital and cost of risk, and require upfront investment. With faster economic growth there is a pressing need for infrastructure and capital-intensive projects, with Nedbank having strong, specialised skills and being in a position to play a key role in funding and structuring. At the same time we are able to leverage our strategic partnership with Ecobank, which has an unmatched presence across the continent.</p>
 STAKEHOLDER NEEDS	<p>Our growing African client base and our SA clients entering the rest of Africa seek to benefit from one-stop banking solutions. Shareholders, on the other hand, seek exposure to this higher-growth region through investment in well-managed SA banks that follow a risk-mitigated approach.</p>
<p><i>Our response to the material matters is covered in greater detail in our strategic focus areas. In summary, and as a quick reference, we have responded as follows:</i></p>	
 STRATEGIC RESPONSE	<ul style="list-style-type: none"> ■ Continued to develop a Pan-African banking network. ■ In West and Central Africa where we are following a partnership approach, we have strengthened our strategic alliance with Ecobank Transnational Incorporated, which is represented in 36 countries, through a shareholding of approximately 20%. ■ In SADC and East Africa where we own, manage and control banks we invested in our existing rest of Africa subsidiaries and acquired an initial 36,6% stake in Banco Único in Mozambique with a pathway to control in 2016. ■ Concluded investment banking deals in 24 countries across Africa.



TRANSFORMATION OF SOCIETY WITHIN PLANETARY BOUNDARIES



MACRO TRENDS

The past two centuries have seen rapid population growth, but even faster economic growth, with an increase in average per capita income by a factor of more than 10. Higher living standards have also been coupled with improvements in life expectancy for billions of people. This progress has come at a significant environmental cost and there is mounting evidence that current patterns of human consumption are exceeding the planet's supply limits, and is therefore unsustainable.

Furthermore, high levels of poverty and inequality remain in many regions, including sub-Saharan Africa. Millions of citizens lack access to formal employment opportunities, sufficient food, clean water and sanitation, safe and affordable transportation, suitable housing, modern healthcare, education and financial services.



STRATEGIC CONTEXT

Environmental, societal and economic sustainability are all inextricably linked. As a bank for all, Nedbank's business success is linked to the sustainability of the environment that we operate in. We understand that our future business prospects are greatly improved if society is flourishing, the conditions of which require that human needs are being served within the biophysical constraints imposed by our finite planet. We are committed to good corporate citizenship and contributing to the building of a strong and thriving nation in SA, entrenching a culture of diversity and transformation, and leading as a green bank.



STAKEHOLDER NEEDS





The economic effects of the unsustainable use of resources would be high and volatile commodity prices and increased risk of natural disasters. In an attempt to respond to these, stricter regulatory standards and prices on externalities could be implemented, which will lead to higher prices for things such as electricity, transport and water, among others.

Our response to the material matters is covered in greater detail in our strategic focus areas. In summary, and as a quick reference, we have responded as follows:



STRATEGIC RESPONSE

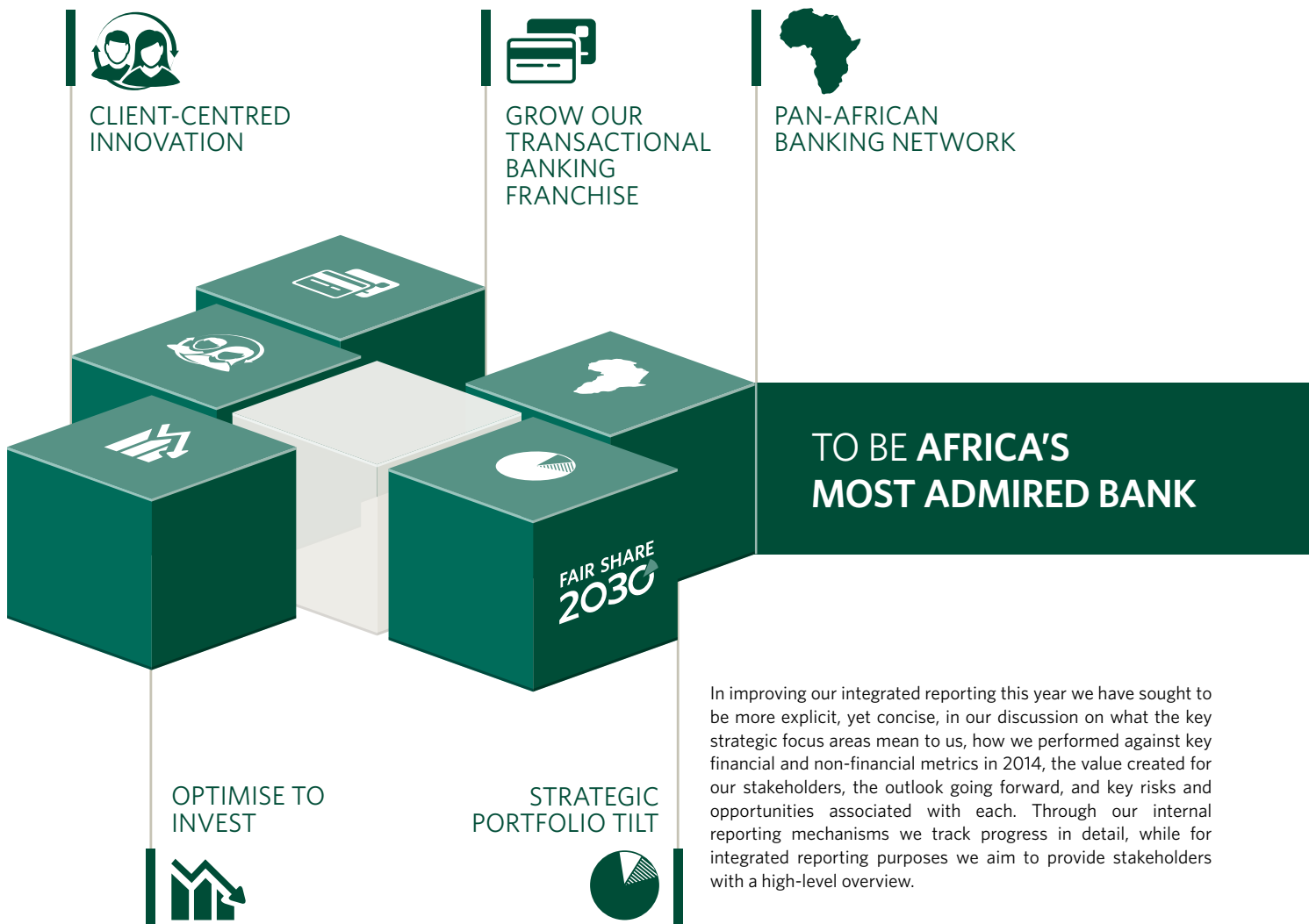
- Since 2009 we have maintained our BBBEE level 2✓ rating and we are rated as one of the JSE's most transformed companies.
- Developed Long-term Goals to guide our business strategy. Fair Share 2030, our strategic business response, aims to address societal needs within critical environmental thresholds.
- Continued contribution through our own operations and corporate social investment (CSI).
- Strong sustainability leadership and advocacy.
- Took a leading position in funding SA renewable-energy programmes, with an estimated participation in more than 54% of megawatt capacity.
- Build on solid empowerment credentials in the interests of transformation.
- Carbon neutral for six consecutive years.
- Support the Financial Sector Code.
- On the back of the winding up of our Black Business Partner BEE schemes we have now unlocked an estimated R8,2bn of value through our SA BBBEE schemes since inception.

 <h2>SCARCE SKILLS</h2>	
 <p>MACRO TRENDS</p>	<p>Skills shortages in SA, attributable to the poor outcomes of the country’s educational system, are a serious risk to economic growth for the country. In the higher-education and training pillar of the 2014–2015 World Economic Forum Competitiveness Report, SA was ranked last of 144 countries in ‘Quality of math and science education’ and 140th in ‘Quality of the educational system’. These education challenges place a greater emphasis on skills retention and development in order to improve our global competitiveness. As a result, SA continues to have high levels of unemployment.</p> <p>The transformation imperative remains top of the agenda for all stakeholders and continued progress to a more equitable representation of the SA workforce.</p>
 <p>STRATEGIC CONTEXT</p>	<p>Banking is a large employer in the financial services sector and we require highly-skilled employees to service our clients. We are therefore investing in attracting, retaining and developing the skills we need to grow our businesses, because the right people with the right skills are essential for the delivery of our strategy. However, increasing competition means we have to work even harder to retain our best people and to mitigate the cost of replacing skilled staff. Nedbank’s leaders are among the most highly skilled in the industry and we have succession plans in place for all key positions.</p> <p>Nedbank has taken a leadership position in transformation and we continue to place this high on our agenda, given our goal to stay at the forefront of transformation.</p>
 <p>STAKEHOLDER NEEDS</p>	<p>Our staff and corporate culture is a key competitive advantage and differentiator in attracting and retaining staff. We measure staff entropy to understand the level of dissonance within the group, while seeking to create a closer fit between the existing and ideal culture.</p>
 <p>STRATEGIC RESPONSE</p>	<p><i>Our response to the material matters is covered in greater detail in our strategic focus areas. In summary, and as a quick reference, we have responded as follows:</i></p> <ul style="list-style-type: none"> ■ Continued to emphasise our strong employee value proposition – being a great place to work. ■ Appropriately competitive remuneration. ■ Spent R491m on training and development. ■ Optimise personal and team effectiveness through the Leading for Deep Green programme. ■ Continue to transform our business to reflect the profile of society. ■ Focus on improving educational outcomes in SA, with 50% of Nedbank Foundation’s CSI geared towards this. ■ Launched Nedbank Academies – focused on developing scarce skills for Nedbank and SA. ■ Developed and launched our flagship Nedbank Graduate Development Programme in 2010, with a specific aim of providing graduates with a worldclass development experience, addressing both personal leadership and functional specialised competency requirements, thereby creating a talent pipeline for us and the industry as a whole. ■ Focus on educational outcomes through Long-term Goals of Fair Share 2030.

STRATEGIC FOCUS AREAS

Our strategy is primarily aimed at creating value for our shareholders (long-term capital providers) and is defined by our five key strategic focus areas in the context of the material matters as described in our integrated report. In delivering sustainable results for the long term, we also aim to create value for our key stakeholders.

Our five strategic focus areas depicted below are discussed in more detail on the following pages.



In the Remuneration Report in the 2014 integrated report we illustrate how our financial performance and delivery on the strategic focus areas inform remuneration and incentives.

CLIENT-CENTRED INNOVATION

Client-centred innovation is about developing solutions (products, services or processes) to address specific client needs, create value for our clients (by lowering their banking costs for example) or to enable a better overall client experience.

This strategic focus area is primarily in response to the material matter of banking relevance amid consumerism and increased competition. It is central to all of our other strategic focus areas, because innovation, whether technology-driven or not, is key to our success.



HOW DOES IT SET US APART?

RELEVANCE TO OUR BUSINESS MODEL

Through client-centred innovation we develop new innovative income streams and protect existing ones, while growing and retaining clients.

RELEVANT STAKEHOLDERS

Innovation is driven by our people and culture (human capital) to enhance our client value propositions and competitiveness in the market. We also innovate around the demands placed on us by our regulators and making a difference in our communities. We believe that by focusing on the major unmet needs in society, we can create value through innovation, benefiting our clients and thereby increasing shareholder value.

HOW DID WE CREATE VALUE?

Since 2013 we introduced various market-leading value-adding solutions such as **Send-iMali™** (our cardless cash withdrawal capability), **MyFinancialLife™** (a comprehensive personal financial management tool that provides account aggregation, net-worth tracking, spend analysis, budgeting and retirement planning functionality), **PocketPOS™** (secure acceptance of 'CHIP and PIN' card transactions via mobile phones), the **Nedbank App Suite™** (our mobile award-winning banking app), **ApproveIT™** security (making our electronic platforms more secure) and Intelligent Depositor devices (allowing for self-service-rich functionality, including cash deposits). For our wholesale clients the **Plug and Transact™** token has enhanced security on the NetBank Business electronic banking platform, providing greater flexibility and enhanced ease of use, while the recently launched **Market Edge™** merchant analytics tool provides retailers with detailed analytics on their customer base and store performance.

These solutions are examples of innovations that have made banking more efficient, more secure and more affordable for our clients. Innovation successes have additionally resulted in increased staff morale, pride and loyalty. In 2014 we invested approximately R1,1bn in innovation and related development.

Our client-centred approach has resulted in Nedbank delivering more innovations in the past two years than in the previous five years combined. Internally, innovation has increased the efficiency and cost-effectiveness of our structures, systems and processes, and this ultimately benefits our clients. Nedbank's reputation as an innovative bank is evident in us receiving the 2014 African Banker Award for Innovation.

AFRICAN BANKER AWARDS 2014



MyFinancialLife™



WHAT IS OUR OUTLOOK?

- We will continue to implement our integrated-channels strategy, emphasising innovation on mobile and digital capabilities as well as digital security. By providing convenient self-service capabilities both in our physical points of presence and on mobile and digital channels, we seek to provide clients with easier access and a better overall banking experience, while reducing our cost to serve.
- We aim to convert 75% of our outlets to the 'branch of the future' format by 2017.
- Nedbank will continue to explore opportunities for growth in the card and payment value chain, albeit in a highly competitive and regulated environment. The effective commercialisation of selective innovation opportunities leveraged off the new Postilion switch and the American Express® relationship as a differentiator will form the basis for continued success.
- Continue to extract value through Fair Share 2030 initiatives, servicing client needs using innovative financing with intentional non-financial benefits.

HOW DID WE MEASURE UP?

- Increased digitally-enabled clients 48% in 2014.
- Converted 171 outlets to our 'branch of the future' format, which equates to 22% of the total footprint.
- Increased the Nedbank brand value 15% to R12,6bn in 2014, as reported by Brand Finance SA's Top 50 Most Valuable Brands Survey.
- Continued to entrench innovation in our culture, with staff survey feedback having shown continuous improvement for statements relating to innovation and over 1 500 ideas logged by staffmembers in 2014.
- Significantly enhanced internal processes and organisation to support innovation from idea generation and development to commercialisation, with faster delivery and more effective go-to-market strategies evidenced. However, this is an area that will require ongoing focus.

WHAT ARE THE RISKS AND OPPORTUNITIES OF DELIVERING ON THIS STRATEGIC FOCUS AREA?

- Ongoing investment is required over the next few years in an environment where the economy remains weak, growth in transaction volumes remains low and competition is increasing. Responsiveness to client needs and delivery remain important.
- Our biggest opportunities lie in establishing Nedbank as a leader in true client-centred innovation, enabling clients to direct and control much of their banking requirements, unlocking new revenue streams and reducing the cost of providing banking services, while creating resource efficiencies so that we can innovate and bring to market new offerings, more quickly and cost-effectively. This should enhance Nedbank's ability to continue growing our share of clients.
- Embracing Fair Share 2030 is required as a business opportunity and differentiator that simultaneously delivers on unmet client needs and human welfare imperatives within environmental considerations.

GROW OUR TRANSACTIONAL BANKING FRANCHISE

To mitigate the material effects of the economic cycle in the form of interest rate and credit risk it is important to build a sustainable buffer by increasing the contribution from non-interest revenue (NIR) to group revenue.

The main driver of NIR is gaining transactional banking clients and increasing volumes, which in turn supports growth in attractive household and commercial deposit categories, both of these attractive economic profit drivers. This is particularly relevant for Nedbank as we estimate that our main-banked market share in retail and corporate is only about 10% and about 15% respectively, well below our share of advances and deposits, which is above 18%.

Our focus is to grow across all segments of the markets we serve and to increase the depth of client relationships through compelling client value propositions.



RELEVANCE TO OUR BUSINESS MODEL

By growing our transactional banking franchise we increase our return on equity (ROE), as deposits and transactional revenue consume less capital. At the same time our earnings volatility is reduced as the contribution to more stable sources of income is increased.

RELEVANT STAKEHOLDERS

This strategic focus area is closely linked to client-centred innovation. It is therefore directly related to our clients' needs and the capabilities of our staff or human and intellectual capital and our social and relationship capital, which ultimately benefit our shareholders.

HOW DID WE CREATE VALUE?

Through a focus on growing our transactional banking franchise we have been able to increase NIR by a compound 11,3% between 2009 and 2014.

We created value for our clients in 2014 by keeping fees at or below 2013 levels in our retail, small business and business banking segments. Along with our planned strategic slowdown of personal loans, this had a short-term impact on NIR growth in 2014, but positions Nedbank favourably for the future.

In the past two years we have educated clients on transactional behaviour changes and moved clients to relevant lower-priced transacting bundles.

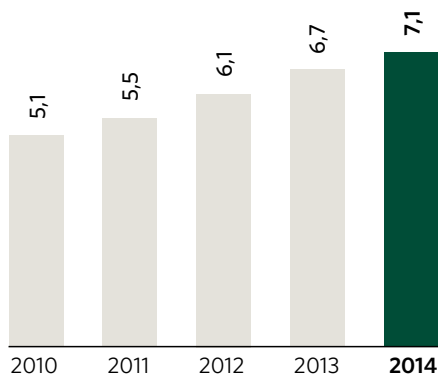
HOW DID WE MEASURE UP?

- Total clients increased 7,1% to 7,1m.
- Main-banked retail clients increased 7,0% to 2,5m✓, with cross-sell continuing to increase.
- Business Banking increased its primary client base by 752 and Nedbank Corporate added 20 new transactional clients.
- Given our deliberate strategic decisions to keep bank fees at or below 2013 levels and slow down personal- loan growth, our NIR-to-expenses ratio decreased to 82,8% (2013: 86,4%).
- For a more detailed analysis of the financial impact refer to the Chief Financial Officer's Report, in the 2014 integrated report.

We have a proven track record of delivering on this strategic focus area, growing NIR above the SA industry average over an extended period. While growing pleasingly and given our lower share of main-banked clients (2013: 2,3m, 2014: 2,5m✓), we believe we still have significant room for growth. Our bank fees remain competitive and innovations have been leading the market. Our historical focus of growing youth and entry-level clients will benefit us in the future as some of them enter the middle-market segment over time. Our sustained investment in new branches and ATMs has resulted in a competitive footprint, with coverage of 82% of the bankable SA population.

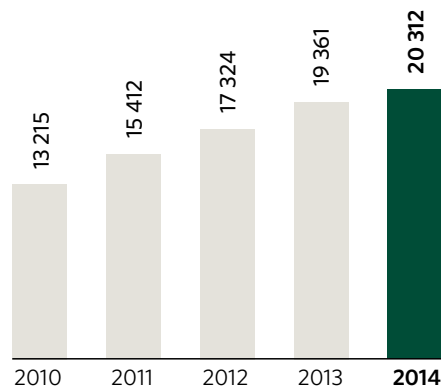
NUMBER OF CLIENTS (m)

Total clients grew 7,1% to 7,1m (retail clients: 7,2% to 6,9m).



NON-INTEREST REVENUE (Rm)

NIR increased 11,3% compound since 2009 and 4,9% in 2014.



WHAT IS OUR OUTLOOK?

- We will continue to focus on strongly growing revenue generated from transactional banking, targeting an NIR-to-expenses ratio of 85% in the medium to long term.
- We expect continued growth in client numbers, aiming to increase our main-banked market share over time and deepen cross-sell, while bank fees will increase at levels well below inflation.
- In 2015 we will bed down our new integrated client-centred wholesale banking structure announced in 2014, which should position us well for revenue growth over the medium to long term.
- We will continue to drive transactional client growth further through 'simplified client onboarding'. This will improve processes at the moment of application, resulting in a faster and simpler client experience.

WHAT ARE THE RISKS AND OPPORTUNITIES OF DELIVERING ON THIS STRATEGIC FOCUS AREA?

- Increased competition and regulation, particularly the impact of lower interchange fees in 2015, could mute NIR growth.
- Failure to innovate in areas that are critical to the client experience at a pace that is on par or ahead of competitors will over time limit our ability to gain and retain clients. Continued investments in marketing and distribution are required to keep Nedbank top of mind and accessible.
- Deeper client relationships can be forged through better engagement and retention.
- Increasing our NIR contribution will create a buffer against volatile external factors.

OPTIMISE TO INVEST

The strategic focus area 'Optimise to invest' aims to fund our investment in our franchise to sustain future growth. We fundamentally believe in investing through cycles – the impact on staff morale and client service of cutting costs too aggressively is a hard lesson Nedbank learnt in the early 2000s.

Investment in outlets, digital channels, new value propositions and technology is funded through cost savings from optimisation, simplification and rationalisation processes – a key factor in tough times, as described in the material matter 'Tough economic environment conditions with limited forward visibility'.



HOW DOES IT SET US APART?

RELEVANCE TO OUR BUSINESS MODEL

Through 'Optimise to invest' we ensure that we invest sustainably in the franchise to unlock future growth opportunities, while managing our cost base by unlocking synergies and efficiencies.

RELEVANT STAKEHOLDERS

Our staff are key in identifying and implementing initiatives that simplify our processes, making the bank more cost-efficient. This impacts our manufactured capital (eg physical and digital infrastructure and IT systems) as we invest for the future. Our clients or social and relationship capital benefit from enhanced client experiences due to greater access to Nedbank channels and simplified processes. Shareholders benefit to the extent that cost savings are realised for reinvestment in areas of sustainable future growth.

HOW DID WE CREATE VALUE?

Through significant investment in outlets (+41%) and ATMs (+104%) since 2009, we have made banking more convenient for our clients. Our integrated-channel strategy enabled clients to transact seamlessly across their channels of choice, while the rollout of our 'branch of the future' resulted in a reduction of floor space, increase in sales volumes and reduced account opening times.

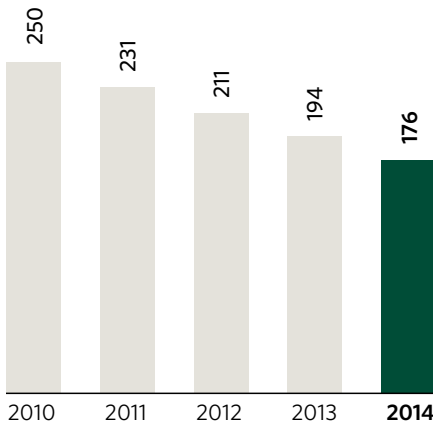
Our managed-evolution approach to technology aims deliberately to enhance our IT systems over time and deliver business benefits. In line with our 'rationalise, standardise and simplify' IT strategy, we set a target in 2010 to decrease our core systems from 250 to 60, of which 74 have been decommissioned to date. This is laying the foundation for future cost savings and vast efficiencies. We progressed well with our SAP enterprise resource planning (ERP) replacement system for finance and procurement (implemented 1 January 2015) with the remaining human resources modules to be implemented during 2015.

Nedbank, in contrast with most of its peer group, has been investing consistently in our franchise over the past five years, unlocking new growth opportunities. Our ability to manage our cost base through the years has been an outstanding feature and is acknowledged by the investment community.

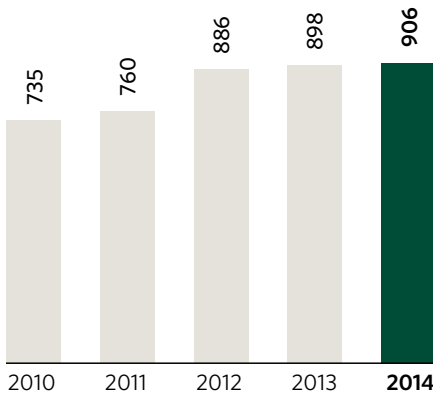
HOW DID WE MEASURE UP?

- Cost growth of 9,4% in 2014 includes continued investment in the franchise.

CORE SYSTEMS FROM 2010 TO 2014

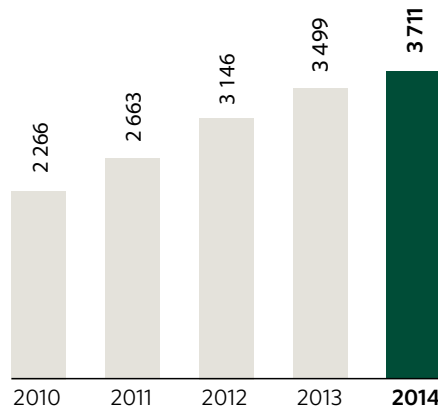


STAFFED OUTLETS¹ (EXCLUDING PERSONAL-LOANS KIOSKS)



¹ Including rest of Africa.

ATMs¹



WHAT IS OUR OUTLOOK?

- Invest a further R2,1bn by 2017 in refurbishing our outlets, additional ATMs and the rollout of our 'branch of the future' format.
- Investment in the rest of Africa.
- We have embarked upon a number of crosscluster initiatives to rationalise, standardise and simplify systems and processes. Our frontline clusters will continue to focus on product simplification by rationalising the number of products in the market; simplifying credit, compliance and legal processes as well as leaner standard documentation, among others.
- We have identified areas in the group's support clusters where significant cost savings can be realised through our cost-reduction programmes.
- Together with the greater Old Mutual Group in SA, identifying and collectively unlocking R1bn of synergies, on a pretax basis, across Nedbank, Old Mutual (South Africa) and Mutual & Federal by 2017. Just under 30% of the synergies are estimated to accrue to Nedbank.
- In an environment of low interest rates, reaching our medium-to-long-term cost-to-income ratio target of 50% to 53% is challenging, but remains a focus.

WHAT ARE THE RISKS AND OPPORTUNITIES OF DELIVERING ON THIS STRATEGIC FOCUS AREA?

- The risks of not achieving our optimisation and investment targets are cost overruns or delays in project implementation and not extracting the expected benefits.
- The optimisation and cost savings we realise will create the opportunity to invest in other areas of strategic priority.
- Cost optimisation initiatives will enable investment in our people and the retention of scarce skills as well as support transformation at Nedbank.

STRATEGIC PORTFOLIO TILT

Strategic portfolio tilt aims to manage our portfolio of businesses and products proactively to improve our risk-and-return profile and to identify financial services opportunities that maximise economic profit (EP) growth while maintaining a fortress balance sheet. This is particularly relevant in a tough economic environment with limited forward visibility.

This focus area seeks to respond to the material matters of increased demands on governance, regulation and risk management as well as transforming within planetary boundaries. The Basel III regulatory requirements for capital, funding and liquidity resulted in lower returns and EP from secured-lending products such as home loans, given the higher levels of capital and funding required and increase in associated costs. While client deposits become attractive, the competition among banks increases.

RELEVANCE TO OUR BUSINESS MODEL

Through strategic portfolio tilt we aim to leverage our strong wholesale banking position, while reducing downside risk in higher-risk products or businesses. We aim to maintain a strong balance sheet in tough and uncertain times to provide protection against unforeseen events.

Nedbank's Long-term Goals serve to guide strategic portfolio tilt in terms of direction and speed, ensuring the inclusion of non-financial considerations.

RELEVANT STAKEHOLDERS

Our staff, clients, shareholders, regulators and the relevant capitals – human and intellectual, manufactured and financial, natural, and social, and relationship capital – are all impacted by strategic portfolio tilt.

Staff are educated to understand and adapt to the change in the risk-and-return profile of products or even redeployed to business areas that we seek to grow more rapidly. Staff roles and processes change according to increased regulatory reporting and risk management requirements.

The change in the risk-and-return profile of various products has resulted in Nedbank adopting selective deposit and advances growth as well as risk-adjusted pricing strategies, which impact our clients.

The bank's social and relationship capital in relation to regulators is more important than ever, as systemic risk remains high on the agenda.

Shareholder returns are impacted by the increase in capital required. This results in lower ROE performance for the banking industry as well as the increased cost of funding, which reduce net interest margins. More importantly, shareholders are increasingly valuing investments that show lower propensity for downside risk.

The building or depleting of social and natural capitals is fundamental to our decisionmaking processes.

HOW DID WE CREATE VALUE?

We continue to benefit from the early action taken in reducing our home loan and personal-loan portfolios, while strengthening our focus on growing EP-generative activities such as transactional deposits and transactional banking, and in the rest of Africa.

The benefit resulting from our actions over the past four years has enabled the group to maintain a sound balance sheet, improve coverage ratios and reduce impairments, while delivering dividend-per-share growth ahead of headline earnings per share (HEPS) growth.

HOW DOES IT SET US APART?

Nedbank is widely acknowledged for taking early action in anticipating industry issues – this was evident particularly in home loans and personal loans.

The group's business model bias towards the wholesale market segments (60% of advances) positions us well in the current economic environment.

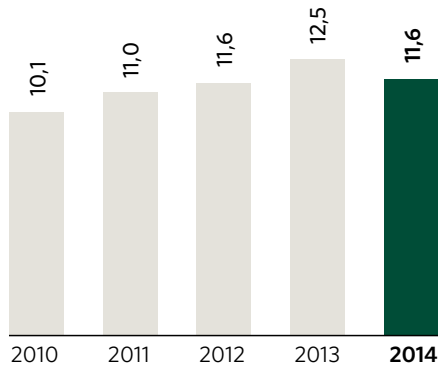
Our ability to generate economic profit has been beneficial to our shareholders, as is evident in our strong share price performance over one, three and five years.

It sees us taking a longer-term view on opportunities as opposed to being too reactive in the short term, while preparing and building the markets of the future.

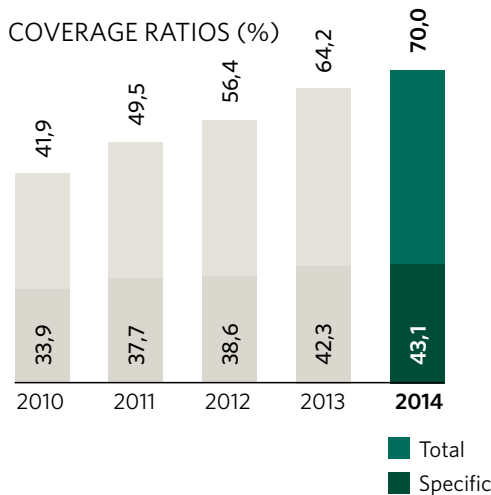
HOW DID WE MEASURE UP?

- Economic profit at R2,1bn.
- CET1 capital ratio at 11,6%, above mid-point of our medium-to-long-term target of 10,5% to 12,5%.
- Total specific coverage ratio at 43% and total coverage ratio at 70%.
- In 2014 Nedbank concluded a proof-of-concept phase of Fair Share 2030, a small-scale pilot through which we generated important insights that served to inform our business planning process and will prove invaluable as we scale up through 2015 and beyond.

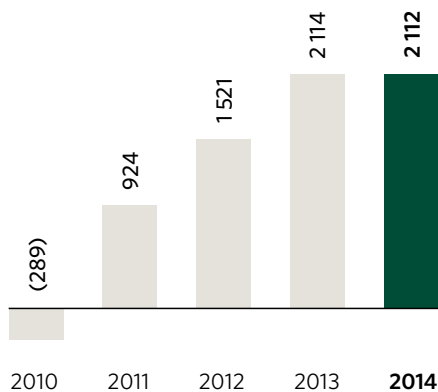
CET1 RATIO (%)



COVERAGE RATIOS (%)



ECONOMIC PROFIT (Rm)



WHAT ARE THE RISKS AND OPPORTUNITIES OF DELIVERING ON THIS STRATEGIC FOCUS AREA?

- Unemployment and an increase in consumer indebtedness could increase the risk of lending to the retail market and impact returns. Home loans remain the product that shows the biggest potential for downside risk in an environment of rising interest rates and higher unemployment - to this end Nedbank has been very conservative in its lending practices over time.
- The key considerations impacting delivery of Fair Share 2030 is the limited risk appetite for new, untested business opportunities that may require a comparatively greater time investment.
- Sustained lower oil prices could relieve the pressure on consumers through lower inflation, while interest rates could stay lower for longer.
- Broadening the bank's risk management perspective and diversification of credit risk of the lending book, while enhancing client-centredness and unlocking innovative solutions remain a focus.
- Fair Share 2030 encourages collaboration between Nedbank's businesses and builds a differentiated market position.

WHAT IS OUR OUTLOOK?

- We continue to be cautious in higher-risk portfolios, but are likely selectively to grow home loans and rightsize personal loans in the medium term. We expect continued strong advances growth across most of our wholesale portfolios, credit cards and vehicle finance.
- Deepening Fair Share 2030 through a vertical, crosscluster centre of excellence to help identify and realise new business opportunities that intentionally provide additional financial and non-financial benefits to stakeholders.
- Through Fair Share 2030 we have set ourselves a challenge to seek qualifying lending of no less than R6bn during 2015 (to be reviewed in future years). Fair Share 2030 also provides for a screening mechanism that will serve to reshape the carbon and water intensity of Nedbank's lending book over time.

PAN-AFRICAN BANKING NETWORK

Our Pan-African banking network strategy represents a client-focused, risk-mitigated, capital-efficient growth lever for the medium to long term and primarily addresses the material matter of growth opportunities in the rest of Africa.

Together with Ecobank, a key player in West and Central Africa in which we acquired a shareholding of approximately 20% in 2014, we provide our clients with access to the largest Pan-African banking network of 39 countries. Investing in Ecobank – the number one bank in Ghana, a systemically important bank in Nigeria and ranked a top-three bank by assets in 14 countries in Africa – ensures diversification of country-specific risk while giving our shareholders access to the faster gross domestic product growth rates in the rest of Africa.

In the Southern African Development Community (SADC) and East Africa we have increased our presence with an initial acquisition of 36,6% in Banco Único, Mozambique, which was concluded in 2014. Our network presence in SADC and East Africa now comprises six countries, namely Lesotho, Swaziland, Namibia, Malawi, Mozambique and Zimbabwe. In addition, we have representative offices in Kenya and Angola.

HOW DOES IT SET US APART?

RELEVANCE TO OUR BUSINESS MODEL

The strategic focus area of the Pan-African banking network aims to drive greater earnings contribution from faster growth in the economies of the rest of Africa, while also providing geographic diversification benefit.

RELEVANT STAKEHOLDERS

By increasing our footprint in Africa and creating a Pan-African banking network we are able to provide our clients with a broad range of banking solutions and banking services in the growing economies of Africa. In addition, expanding into the rest of Africa allows our shareholders the opportunity to benefit in the growth-earning potential of the African economies. Our Pan-African network also enables our staff to gain Pan-African exposure and share skills, knowledge and experience across the different regions.

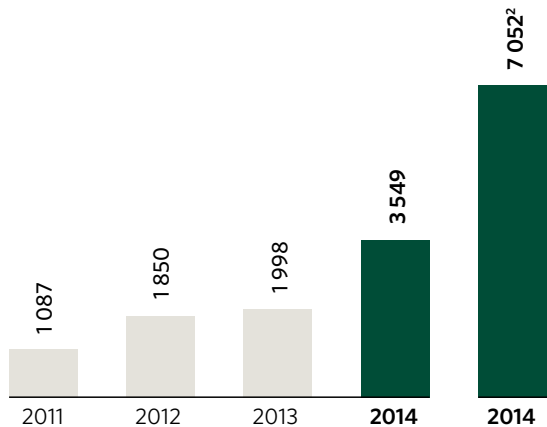
HOW DID WE CREATE VALUE?

- Within SADC and East Africa, we have increased the momentum in positioning the business for growth by:
 - Investing in expanding our distribution channels
 - Laying the foundation for implementing a single integrated and cost efficient IT platform to enable innovation, optimisation of operations and better risk management.
 - Leveraging off our South African skills and capabilities in retail and business banking, corporate, capital and wealth.
 - Our acquisition of shareholding in Banco Único in Mozambique has strengthened the Nedbank franchise and client proposition in the SADC.
- In West and Central Africa, our investment in a 20% shareholding in Ecobank in early October has generated an estimated R146m of associate income, but more importantly provides our shareholders and clients access to the higher growth markets outside of SA. The strategic and technical alliance with Ecobank continues to deliver value for our clients and Nedbank. Approximately 70 Nedbank wholesale banking clients now bank with our alliance partner through collaboration efforts.
- We continue to identify investment opportunities for our clients expanding their operations into the rest of the continent through our wholesale banking franchise.

Our strategy for the rest of Africa is anchored by Nedbank's vision to build Africa's most admired bank through strong organic growth, prudent acquisitions and an alliance underpinned by a one-bank operating model across the continent. Our clients benefit from a bank with the largest banking network in SADC, East Africa and West Africa, which is intended to provide our clients with a seamless banking experience.

In addition, our clients are able to leverage off Ecobank's deep incountry knowledge. We have approached our expansion in a risk-mitigated manner as evidenced in the portfolio effect of spreading risk across various countries and following our rights after carefully assessing the investment case over a three-year period. We are cognisant of creating shareholder value and as such we see our strategy as capital-efficient and evidenced by acquiring our shareholding in Ecobank.

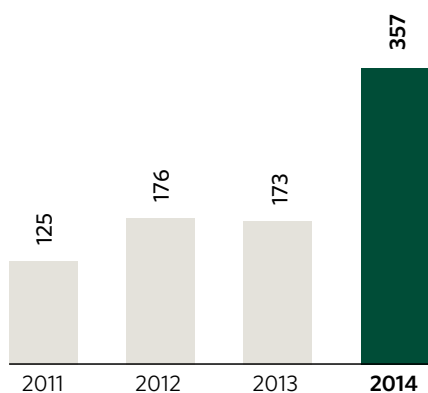
REST OF AFRICA DIVISION
CAPITAL DEPLOYED¹ (Rm)



¹ Year-to-date averages.

² Year-end capital deployed into the Rest of Africa Division and to deals written on the continent by Nedbank Capital and Nedbank Corporate.

REST OF AFRICA DIVISION
HEADLINE EARNINGS (Rm)



HOW DID WE MEASURE UP?

- Expanded our own presence in SADC and East Africa from five to six countries.
- Laid the foundation to implement a standardised one-bank business operating model across our subsidiaries.
- Invested R6,3bn to become a strategic shareholder in Ecobank Transnational Incorporated (ETI) with a shareholding of about 20%, and in Banco Único, with a shareholding of 36,6%.

WHAT IS OUR OUTLOOK?

- In SADC and East Africa:
 - We aim to capture a growing share of the market in the rest of Africa where we have existing presence.
 - We will continue to invest in distribution channels, enhancing and adding new products.
 - We will continue to identify acquisition opportunities in SADC and East Africa to increase our presence from six to 10 countries over time.
- In West and Central Africa:
 - We will continue to strengthen our relationship with Ecobank, building on the strategic alliance we created in 2008 and benefiting from deepening our relationship as a shareholder and strategic and technical partner.

Across our franchise we will continue to align governance structures in the different regions with best international practice.

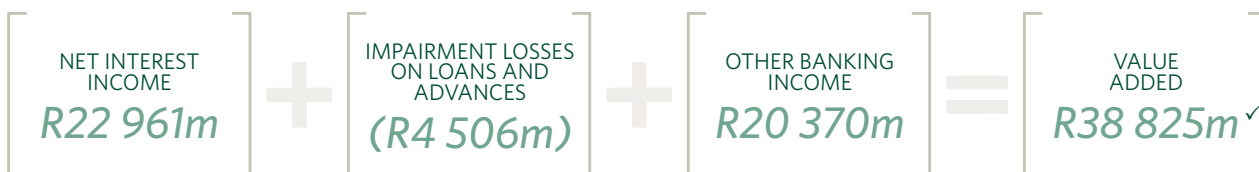
WHAT ARE THE RISKS AND OPPORTUNITIES OF DELIVERING ON THIS STRATEGIC FOCUS AREA?

- The associated risks of investing in the rest of Africa are higher and evolving, given less political, social and economic stability as well as regulation and governance regime when compared with developed markets and SA. In particular, this has a bearing on capital, investment and operational risk. The market value of ETI is less than the carrying value of the investment at 31 December 2014.
- A lower oil price could negatively impact the prospects of oil-exporting countries such as Nigeria, Angola and Ghana. Here Ecobank's diversified business model across 36 countries provides some buffer against excessive downside risk, compared with peers operating primarily in one of these countries.
- Skills shortages in the rest of Africa, similar to SA, could add to the risk of our strategy not being delivered on, targets missed, fraud and IT, systems and other risk-related operational activities.
- Overpaying for new acquisitions as we pursue inorganic growth opportunities is a risk.
- There is an opportunity to collaborate with our majority shareholder, Old Mutual plc, in respect of both the organic and acquisition scenarios.

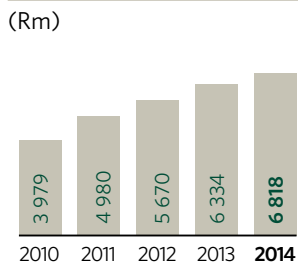
ENGAGING WITH OUR STAKEHOLDERS

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 (human and environmental capitals).

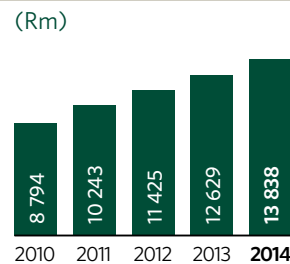
VALUE-ADDED STATEMENT



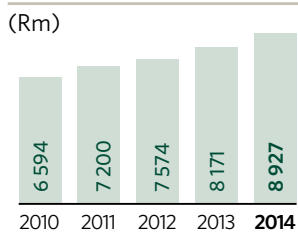
RETENTIONS FOR GROWTH



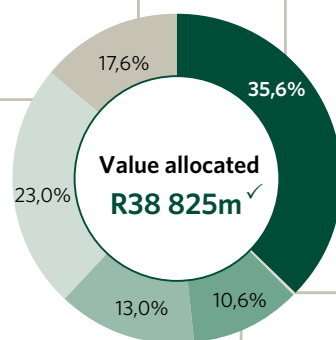
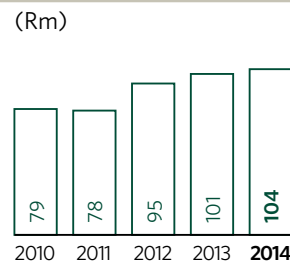
STAFF EXPENSES



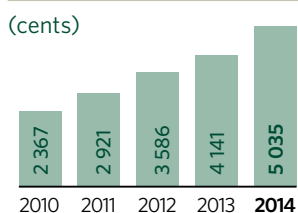
OTHER EXPENDITURE¹



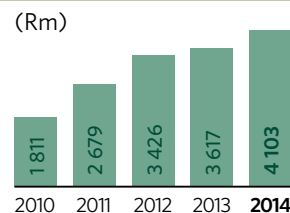
SOCIOECONOMIC DEVELOPMENT SPEND⁴



DIVIDENDS PAID TO SHAREHOLDERS²



GOVERNMENT (TAXES)³



¹ Includes expenses relating to computer processing, communication and travel, occupation and accommodation, marketing and public relations as well as fees and insurance.

² Value is allocated to shareholders in respect of cash dividends (but does not include the underlying value of capitalisation shares awarded).

³ Includes direct and indirect taxation.

⁴ Financial Services Code qualifying spend.

DELIVERING CONSISTENTLY TO OUR SHAREHOLDERS

'Time to shift the emphasis to costs, we were heartened to hear, though, that Nedbank will not abandon or slow its drive to gain greater scale in retail banking in the interest of short-term earnings growth.' - Rated financial analyst

'We see management as a strength and the depth at Nedbank as a positive' - Shareholder

'Ecobank is emerging a potential differentiator for Nedbank. Looks like they have dealt with their governance issues.' - Investor

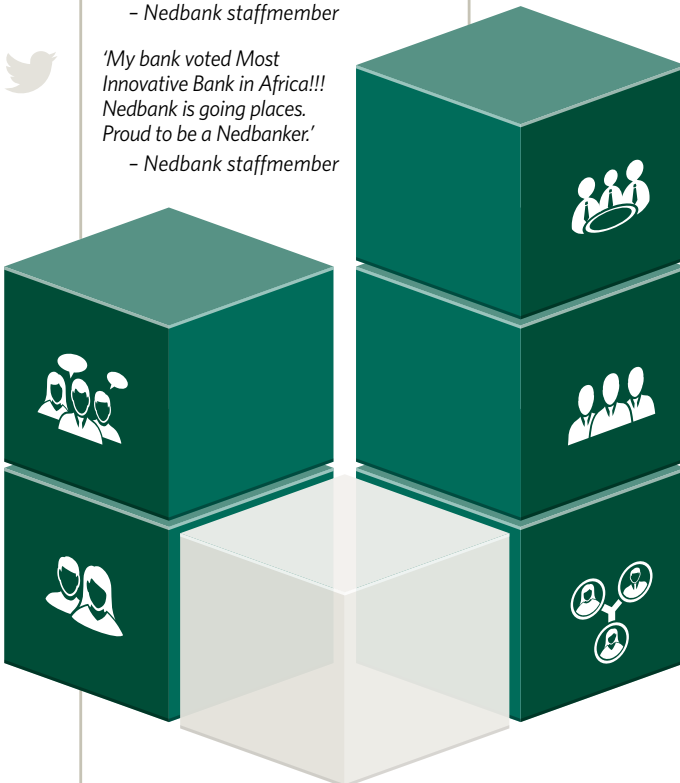
'The stable outlook on Nedbank Limited reflects that of South Africa and our expectation that the bank's asset quality, profitability, and capitalisation will remain broadly stable over the next two years.' - S&P credit ratings

INVESTING IN OUR STAFF

'Nedbank is a caring bank and great for personal development and career growth.'
- Nedbank staffmember

'Nedbank is an equal-opportunity bank, regardless of race, gender or religion.'
- Nedbank staffmember

'My bank voted Most Innovative Bank in Africa!!! Nedbank is going places. Proud to be a Nedbanker.'
- Nedbank staffmember



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.

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

LEADING IN THE COMMUNITIES WE SERVE

'Thanks to Nedbank I was given a wonderful opportunity to train in the hospitality industry at the Ray Mhlaba Skills Training Centre, as I could not afford to study after school.'

- Nokulunga Tatayi,
a beneficiary of the training programme, who is now permanently employed at the Paxton Hotel in Port Elizabeth

'The partnership between Nedbank and WIPHOLD was pioneering in so many ways. When the deal was announced, it was the first transaction to include women as primary beneficiaries, signalling major progress towards increased involvement of women in the economy. The relationship has matured and has been rich with challenge, debate and shared values.'

- Gloria Serobe,
founder of WIPHOLD and CEO of Wipcapital

'Africa's first 100% renewable-energy-powered bank branch.'
- GreenAfrica, Director



INNOVATING FOR OUR CLIENTS

'It makes us feel so secure and a little less stressed to know our bank is there and behind us farmers all the way! Thank you for all that you do to help us farmers keep the wheels turning and thank you Nedbank for all the support!' - Client

'Love MyFinancialLife™. It's a great tool. Please consider an Android version.' - Client

'Nedbank have stepped up their game, which should keep FNB on their toes.' - Client

'Card collection done within 10 mins tops! Including queuing! Happy SAVVY customer! Thank you Nedbank Menlyn.' - Client



2014 Nedbank highlights video.

'At Nedbank, we not only aspire to be an employer of choice; we are absolutely committed to investing in all our people to ensure that they have the skills required to perform at their peak, thereby delivering tangible benefits for themselves and their futures, while contributing to the growth and success of the business and the achievement of its vision.'

INVESTING IN OUR STAFF



WHO ARE OUR STAFF?

- 61,2% female staffmembers, 37,3% male staffmembers.
- 9,9% of our staff are younger than 26 years and 4,3% over 55 years.
- 25,3% of our staff have a tenure of more than 10 years.
- 3,8% of our staff have disabilities.
- 59,7% of our staff are employed in Gauteng.
- 4,8% of our staff are employed in the rest of Africa.
- High level of engagement among Nedbank staff at 72%.
- High level of staff morale, with staff satisfaction at 76,4%✓.
- Low levels of staff attrition at 8,9%✓

WHAT ARE THEIR NEEDS AND EXPECTATIONS OF US?

A central component of the achievement of our vision to be Africa's most admired bank is delivery on our own sustainability objectives and commitments. Our staff play a key role in this, so we strive to create and maintain a positive and productive working environment that embraces and respects diversity and enables the personal and professional goals of all our employees.

In achieving this, we engage constantly with our workforce to establish their priorities, needs and expectations. In 2014 the following were identified as our employees' most significant needs and expectations:

- Career development opportunities.
- Effective performance management and recognition.
- A collaborative, innovative and client-centred culture.
- Promoting and enabling diversity and inclusion.
- Effective employee relations.
- Employee wellbeing.
- A healthy and safe work environment.



TOTAL
PERMANENT
STAFF

30 499



SPENT ON
TRAINING

R491m



STAFF WITH
DISABILITIES

3,8%



STAFF
ATTRITION

8,9%[✓]

HOW DID WE DELIVER VALUE TO OUR STAFF IN 2014?

- **Career development opportunities** – During 2014 we embarked on a project to reprofile all jobs across our organisation according to defined Job Family Frameworks. These included clear career streams that ensure alignment of all jobs to our strategic objectives, while fully articulating job responsibilities and requirements. These revised job profiles will help to improve career mobility for Nedbank employees across clusters and will result in clear career paths made available per job family.
- **People development** – We comply with all training and skills development legislation, but go beyond this in our efforts to drive high-quality education as a means of transforming our bank, industry and country. In 2014 we recorded an average of 51 hours of training per employee, with an average of 57,8 hours for females. This is higher than the industry average of 31 hours per employee, as stated in the 2012 State of the Industry Report. Our total investment in training in 2014 amounted to R491m.
- **Managing for performance** – Performance management is a key instrument used to establish and reinforce employee outputs and behaviours, through which our strategic business objectives and results can be achieved. A focus on constant performance improvement facilitates our business transformation and motivates our employees to focus on both business and personal objectives, deliver and sustain outstanding performance and consistently behave in accordance with our values. Our remuneration policy supports our performance-driven culture and our total remuneration is commercially competitive in the relevant markets within which we operate.
- **Recognising excellence** – Employees who demonstrate consistent performance, and exhibit our behaviours and values, are recognised through the Nedbank Achiever Recognition process, which comprises formal and ongoing recognition. During 2014 over 700 top performers were formally recognised as Nedbank Achievers.
- **Enhancing our employee value proposition (EVP)** – We have evolved our EVP to align better with our changing business context. Our approach to the EVP is that it is both a promise (what we offer employees) and an agreement (what employees contribute). The EVP was formally launched to employees at the staff roadshow in August 2014, and is currently being socialised through internal communications platforms. It is made up of five dimensions, namely: forefront of leadership and transformation; people-centred culture; excellence in execution; leader in sustainability; and client-centred collaboration.
- **Enabling a collaborative, innovative and client-centred culture** – In 2014 we continued to focus on building a collaborative and innovative culture and adopted an 'inside-out' approach to client service, which matches our employees' expectations with their actual experiences. This means making sure that whatever we promise externally (in public) we also deliver internally (in the business). The results of our employee surveys are analysed and used to inform our efforts. This year's results were:
 - Barrett Survey: Entropy levels of dysfunction in the system: 12%[✓] (2013:11%). This result is slightly higher than the level displayed in worldclass organisations and therefore needs to be monitored. Pleasingly, however, the level of values alignment increased from five value matches to six[✓].
 - The Nedbank Staff Survey (NSS) results stayed constant at 76%[✓]. Positive shifts were found in Change and Transformation, Ethics, Organisational Culture and Values, Rewards, Recognition and Performance Management, and Training and Development. This reveals wide agreement among our employees on the practices and policies that govern Nedbank and the consistent strength of our organisational climate – a good foundation for growth of the organisation.
 - The Hewitt Engagement Survey forms part of the NSS and assists us in understanding what proportion of our employees are saying positive things about working for Nedbank Group. The overall Nedbank engagement score remained at 72%, showing that Nedbank remains in the high-performance range of employers (66% to 100%).
- **Promoting and enabling diversity and inclusion** – We recognise the importance of creating an environment that promotes diversity and inclusion among our employees. To drive this we have operated, since 2008, a comprehensive diversity programme called Botho Pele. During 2014 a total of 3 396 employees attended the workshops (5 027 in 2013), which have a particular focus on engaging employees and encouraging them to embrace diversity fully.
- **Advancing women and people with disabilities (PWD)** – The advancement of disadvantaged groups such as women and PWD remains a key focus. In recent years we have maintained a female representation of over 62%, while our PWD representation has increased steadily, reaching 3,8% at the end of 2014. This is higher than the 1,6% average among SA government entities and ahead of the private sector average of 2%. We continue to create awareness through declaration campaigns, sensitisation workshops for line managers and HR managers and other communication channels.
- **Employment equity (EE)** – By the end of 2014 we had met and exceeded our numerical targets at junior management level, with the exception of targets for white males and females. Due to the low employee turnover at middle and senior management level and no growth in headcount at the senior management level, the targets for some of the designated groups at these levels were not met. At middle management level, although there has been a slight growth in headcount, we have been challenged in finding staff for these specialised positions. We continue to engage with our staff to gain a better understanding of the barriers and challenges involved in attaining all these targets.
- **Enabling our staff to be highly involved in communities** – We believe that social upliftment is everyone's responsibility. We therefore do everything we can to enable our employees and clients to be highly involved in giving back to communities. Volunteerism is promoted as a channel to support our corporate social investment (CSI) agenda and our efforts at facilitating and growing volunteerism are logical extensions of our vision-led, values-driven ethos, as well as our Deep Green aspiration of being highly involved in the community. Over the past 12 years we have invested more than R30m into our individual and team volunteerism programmes (2014: R5,5m), with approximately 28% of our workforce participating in programmes each year. This is far above the national

HOW DID WE DELIVER VALUE TO OUR STAFF IN 2014? (continued)

average of 3,5%. These volunteerism programmes include the following:

- Local Hero Programme - Staffmembers who do volunteer work can apply to receive a R15 000 donation towards their cause.
- Team Challenge - In 2014 we invested R500 000 through Team Challenge, which saw 256 staffmembers assisting 45 community and environment projects across SA.
- Saturday School - A team of Nedbank volunteers provides maths lessons for Zenzeleni Primary School learners in our offices.
- Payroll Giving - Offers employees a means of contributing monthly to several established charities from their monthly salaries. The Nedbank Foundation then matches all the funds donated by staffmembers up to R1,5m.
- Mandela Day - Our theme for this year's event was '67 to the power of 10' and it encouraged staffmembers to get involved in 67 projects with a minimum of 10 volunteers per project.
- **Effective employee relations** - Our approach to employee relations ensures that we recognise our employees' rights to fair and equitable employment practices and to freedom of association. The South African Society of Banking Officials (SASBO) and the Insurance and Banking Staff Association (IBSA) are the recognised collective bargaining agents at Nedbank, with a combined representation of 54,8% of employees in the bargaining unit. The bargaining unit comprises 18 308 employees. As in previous years, Nedbank did not experience any industrial action.
- **Employee wellbeing** - The Nedbank Employee Wellbeing Programme (EWP) provides our staffmembers with professional support and resources in their professional and personal lives. Our wellness strategy aims to create a 'culture of health', premised on the belief that healthy employees tend to be happier and more productive. EWP support covers a range of issues, including emotional and personal difficulties, family and relationship concerns, alcohol or drug abuse, stress and change management, financial matters, legal concerns, HIV/Aids, violence, bereavement and loss. Services are provided by the Independent Counselling and Advisory Services (ICAS).
- **A healthy and safe work environment** - The occupational health and safety of our employees, clients and contractors is a top priority as health and safety is ingrained in our corporate culture. All our SA businesses comply fully with the Occupational Health and Safety Act, 85 of 1993 (including all regulations), as well as the Compensation for Occupational Injuries and Diseases Act, 130 of 1993. Our subsidiaries have to comply with all relevant occupational health and safety laws and regulations in the countries in which they are located, as well as with the Occupational Health and Safety Policy of Nedbank Group.

WHAT ARE THE GREATEST RISKS AND OPPORTUNITIES?

In 2014 the main risks and opportunities in terms of our ability to deliver value to our employees, and equip and enable them to realise their full potential, were identified as follows:

- **The ability to manage organisational change** - To manage the rapid rate of change in our industry and country we sought to evolve our strategic change capability with a view to supporting planned changes while developing long-term change management agility. A Change Capability Workshop was designed and implemented with the purpose of instilling a core level of consistency in the way change projects are approached across Nedbank.
- **Potential disruption and employee insecurity caused by organisational restructuring** - The restructuring of Nedbank Retail and Business Banking, as well as our Corporate and Capital business, has impacted on staff at a change management level. However, we do not anticipate large numbers of retrenchments as internal redeployment remains the first course of action. All restructuring initiatives are undertaken with a focus on transparency, employee engagement and ongoing change management.
- **The acquisition and retention of staff in a skills-constrained environment** - We have recently optimised our talent attraction and sourcing strategies by including social media as one of our recruitment platforms. This has given us access to top candidates who are both passive and active in the job market, across different regions, skills levels and career disciplines. Social media also offers the benefits of lower cost, quicker turnaround times and higher accuracy when matching candidates to available jobs.

RELATED MATERIAL MATTERS



TOUGH ECONOMIC
CONDITIONS WITH
LIMITED FORWARD
VISIBILITY



SCARCE SKILLS

- **The possible impact of lifestyle diseases, including HIV/Aids on our staff and our productivity levels** – Our holistic and inclusive wellness strategy covers chronic lifestyle diseases, including HIV/Aids. In the past year we deliberately moved away from focusing exclusively on HIV education and testing, and instead adopted a holistic lifestyle disease management approach. We believe this will go a long way towards destigmatising HIV. In 2014 a total of 3 176 employees underwent testing on selected wellness days. Of these, 1 366 elected to include HIV testing.
- **Ongoing skills shortages in the financial services industry** – Skills shortages continue to present a significant risk to our bank, and our entire industry. In line with our belief that it is required of all financial services stakeholders to contribute to a solution to these shortages, we remain committed to developing and upskilling our own employees to ensure they have the capacity to make a sustainable contribution to the growth of the industry in which they work.
 - Learnerships – We use learnerships as vehicles to address scarce skills in accordance with our Workplace Skills Plan. We have designed the programmes to allow participating employees to achieve South African Qualifications Authority (SAQA)-accredited qualifications. In 2014 eight learnerships were added to our portfolio, bringing the total number offered to 24, including our Advanced Certificate in Banking (NQF level 6) and the Eyethu Trust learnerships (NQF level 4).
 - The Nedbank Corporate University – This is progressing well, with eight active academies now in operation, covering leadership, human resources, risk, compliance, retail banking, business banking, marketing and property finance.

ACCOLADES IN 2014

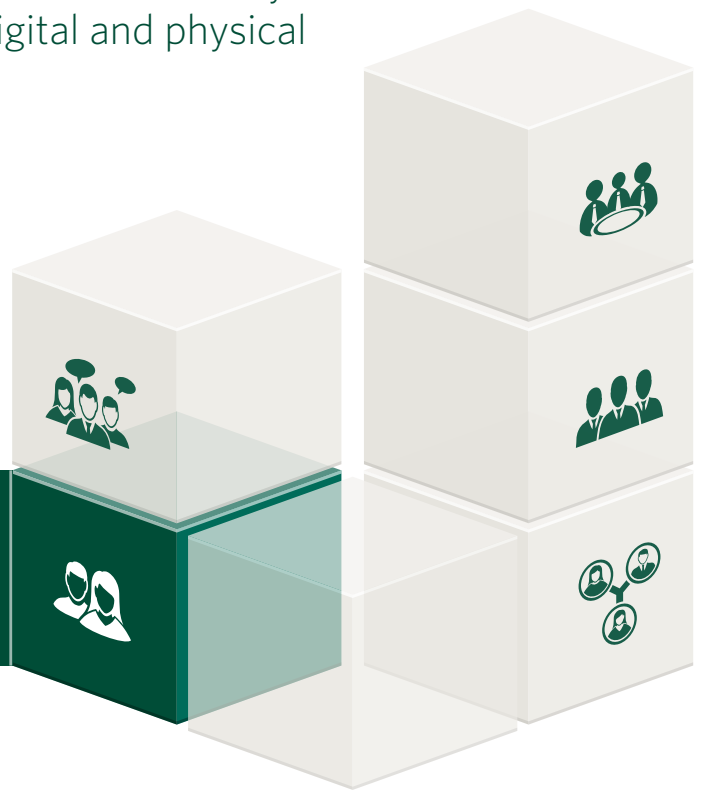
- The Nedbank People Development Technology team was voted the best showcase of the use of Questionmark in SA.
- Duke University invited the Nedbank HR Executive: Organisational Effectiveness to be part of the Global Chief Learning Officer Round Table.
- Receive the 2014 South African Reward Association (SARA) Remuneration Report of the Year award.

2015 FOCUS AREAS

- Review and enhancement of culture initiatives to enable 'Winning in 2020', including the piloting of a culture of inclusion.
- Review of performance management practices and supporting processes.
- Review of organisation design, grading and job evaluation principles, practices and processes.
- Review of talent and career management and succession processes to identify, develop and retain top talent.
- Full implementation of SAP human capital management (HCM) and technology and operations management (TOM) initiatives, and supporting HR practice changes.
- Targets for 2015:
 - EE – senior management black 38%, black females 15,4%; middle management black 58,5%, black female 30,4%, junior management black 85,3%, black female 56,7%
 - To support the changes that will continue to take place in the organisation, 1 000 change facilitators will be trained.
 - Entropy of 11%.
 - Six value matches.
 - NSS score \geq 75%.

'Nedbank remains committed to offering relevant, quality and competitively priced banking solutions to all our clients across the continent, delivered seamlessly through a wide range of innovative digital and physical channels.'

INNOVATING FOR OUR CLIENTS



WHO ARE OUR CLIENTS?

- The full spectrum of individual demographics in SA – from children to seniors and from entry-level to high-net-worth individuals.
- Various legal entities from trusts, non-governmental organisations and associations, to small business up to the largest corporates and the public sector.
- Those who are fully banked or engage with us on single product classes, such as insurance, asset management, investment or finance solutions.
- Clients in SA, across the rest of Africa and selected international markets.

WHAT ARE THEIR NEEDS AND EXPECTATIONS OF US?

- Providing sound financial advice and financial education.
- Offering worldclass innovative solutions and services.
- Growing and protecting client investments and wealth.
- Financing the aspirations of clients, while protecting against overindebtedness.
- Providing convenient access to banking, less complexity and improved flexibility (channel of choice).
- Protecting clients and their assets through secure IT systems and infrastructure.
- Providing value banking that is competitive and transparent in pricing.



TOTAL CLIENTS
(MAIN-BANKED: 2,5m[✓])

7,1m



SMALL-AND-MEDIUM-
ENTERPRISE (SME)
CLIENTS

224 000



BUSINESS BANKING
CLIENT GROUPS

25 100

HOW DID WE DELIVER VALUE TO OUR CLIENTS IN 2014?

■ Providing sound financial advice and financial education

- Wholesale and small-business clients benefit from Nedbank Business Banking's specialisation in, among other things, the franchising, medical and agriculture sectors, and that of Nedbank Corporate and Nedbank Capital in the mining, infrastructure and renewable-energy industries.
- Specific educational initiatives include entrepreneurial days at 150 schools, sponsorship of television programmes and movies (eg Heartline's production of Nothing for Mahala and the 702 Business Accelerator programme), various financial-fitness workshops and seminars attended by over 1 400 seniors, 1 600 entry-level banking clients, 10 000 learners at school, 3 800 university students and 500 small-business owners.
- Nedbank fully embraces the Treating Customers Fairly (TCF) principles and is making necessary changes across the group.
- Detailed product brochures that comply with all relevant legislation, such as the National Credit Act, are available for the group's clients. Relationship managers are also responsible for explaining the characteristics, benefits and implications of products to clients in accordance with the Financial Advisory and Intermediary Services (FAIS) Act. Product policies and procedures and product review committees are in place.

■ Offering worldclass innovative solutions and services

- New products were launched in 2014, including:
 - For retail clients - Send-iMali, prepaid airtime and electricity, MyFinancialLife™ retirement calculator and Greenbacks SHOP Card.
 - For wholesale clients - Plug and Transact™ token, integrated DocuSafe solution, Payroll Lite, dynamic notifications, Market Edge™ (merchant analytics).
 - While we are fully committed to meeting our clients' needs, they are able to approach the Ombudsman for Banking Services, the FAIS Ombudsman or the National Credit Regulator in cases where we are unable to resolve an issue to their satisfaction. The number of cases referred to the industry ombud, the Ombudsman for Banking Services, during the period remained relatively stable (2014: 635[✓]; 2013: 688), with an average of 74% of all cases referred to the Ombudsman for Banking Services found in Nedbank's favour. An amount of R13,8m[✓] (2013: R10,9m) was claimed from Nedbank in 2014, with R2,2m[✓] awarded (2013: R2,3m). This result demonstrates that our internal processes are robust and address clients' needs. The majority of the

referrals to the FAIS Ombudsman, of which there were 51[✓] cases in 2014, and to the National Credit Regulator of which there were 200[✓], have been closed and corrective measures applied where required.

■ Growing and protecting client investments and wealth:

- Nedbank Wealth's Best of Breed (BoB™) funds continue to show stellar performance for our clients across our broad offering, and we were ranked third for the sixth consecutive year at the annual Raging Bull Awards.
- Retail savings bond increased to R11,85bn.

■ Financing the aspirations and dreams of clients, while protecting against overindebtedness

- Altogether 17 000 new (first) home loans and 186 000 cars were financed and we supported many of our business clients in their endeavours to start and grow sustainable business.
- Where income levels cannot support the desired level of debt, consumers are protected against overindebtedness as demonstrated in our proactive risk management in Personal Loans.

■ Providing convenient access to banking, less complexity and improved flexibility (channel of choice)

- Nedbank continued to invest in its physical distribution, expanding its footprint and ATM network from 3 4991 to 3 7111. A total of 65 branches and 54 inretailer outlets have also been converted to the new 'branch of the future' design in 2014, many of these featuring state-of-the art queuing systems, video-banking facilities, cash deposit devices, bulk tellers as well as free internet banking and Wi-Fi access. Retail is on track to convert 75% of its branches to the new format by 2017.
- Investments and partnerships across Africa are enabling us to offer our clients a uniquely 'one bank' experience across the continent in 39 countries.
- Ongoing enhancements to our existing processes, products and channels included fewer, simpler products, a rapid online application process for personal loans, and investment functionality on mobile channels.
- Delivery of service excellence with good progress was recorded on all metrics:
 - HelloPeter metrics tracking was the lowest among the big four banks.
 - Complaints, response and resolution times were well maintained within or below our benchmarks.

¹ Including rest of Africa.

HOW DID WE DELIVER VALUE TO OUR CLIENTS IN 2014? (continued)

- Net Promoter Score (NPS) – Nedbank Private Wealth, Retail✓, Corporate and Business Banking✓ experienced a marked increase in their NPS scores, with Retail, Corporate and Business Banking reaching historic high scores. Property finance saw a slight year-on-year decline in NPS, but off a record high base in 2013.
- Corporate Startrack rated Nedbank Corporate Banking number one in client service and superior banking systems that integrate well with clients.
- A client-centred cultural change programme with our staff has commenced and we are continuing with its rollout.
- We established a bankwide Service Resolution Board for the sustainable addressing of root causes of service disruptions.
- **Protecting our clients and their assets, through secure IT systems and infrastructure**
 - Our internet banking platform and Nedbank App Suite™ remain highly secure, with approximately 960 unsuccessful attempts at online banking fraud.
 - As regards systems availability, the blended uptime score for both infrastructure and applications was 99,95%✓ (2013: 99,89%) against a target of 99,83%. It is important to note that this was achieved against a high number of complex changes deployed in the IT environment.
 - **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, which require that all personal client information be treated as private and confidential. During 2014 we did not receive any substantiated complaints regarding breaches of client privacy from any outside parties or from our regulators. Although various assets in the form of computers and cellphones were lost or stolen, most were encrypted and there were no breaches of client privacy that we have been alerted to. We are proactively working on our processes to track and identify losses of such data to ensure more detailed reporting in this regard.
- **Providing competitive and transparent pricing and giving value back to clients**
 - Our choice to maintain bank fees at 2013 levels for all clients, as well as reducing and simplifying certain fee items for business clients, has ensured that we remain competitive and transparent in our pricing approach.
 - Bundled offerings at fixed monthly fees are available for individual client segments, and are currently under development for small-business clients. Nedbank is positioned as one of the most affordable in the industry.
 - Our Greenbacks Rewards Programme continues to deliver a high earn rate, and has been enhanced with the introduction of the SHOP Card, allowing hassle-free redemption of points at American Express merchants and ATMs.

RELATED MATERIAL MATTERS



TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY



BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION



INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT



GROWTH OPPORTUNITIES IN THE REST OF AFRICA

WHAT ARE THE GREATEST RISKS AND OPPORTUNITIES?

Risks

- Increasing consumer indebtedness - mitigated by discerning origination strategies, especially in Personal Loans, applying affordability criteria to protect our clients against overindebtedness.
- Greater competition from new and existing players.
- Spiralling input costs for businesses, low local growth and continued shortages of electricity, weaker European Union and Chinese prospects as well as outflows due to rising interest rates in advanced markets, could jeopardise any possible recovery and pose greater credit risk for the wholesale portfolio, with a lag impact in Property Finance.

Opportunities

- Extracting benefits for our clients from the integration of Nedbank Corporate and Nedbank Capital.
- Leverage advantage through greater Old Mutual Group collaboration.
- Clients seeking convenience and increasing importance of digital channels:
 - Ongoing innovation and investment in digital channels.
 - Digital enablement as part of the onboarding process for all clients.
 - Client education at branches and through other channels to guide usage of self-service channels.
- Further opportunities exist for simplification and internal alignment to improve our client experience and business efficiency.
- Fair Share 2030 aims to develop products that respond to unmet client needs.

ACCOLADES IN 2014

- Best Improved Retail Bank in Africa - The Asian Banker
- Best Customer Relationship Management and Brand Building Initiative - The Asian Banker
- Award for Innovation in Banking - African Banker magazine
- Nedbank Savvy campaign voted by consumers third and seventh overall in SA - Millward Brown best-liked ad survey for 2013
- Retail Customer Management capabilities ranked among top five, and Business Banking ranked first globally - SCHEMA™
- South Africa 2014 Bank of the Year - Financial Times's The Banker magazine

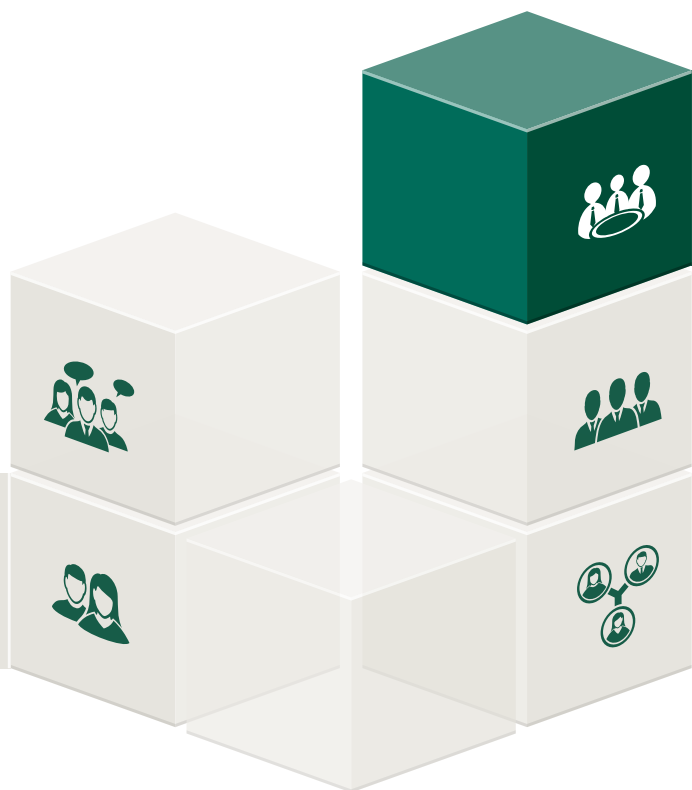
2015 FOCUS AREAS

The notion of 'more clients doing more with us' is at the heart of Nedbank's strategy, and we continue to evolve the organisation to become more client-centred and integrated. Providing distinctive and relevant banking experiences for all in SA remains the core focus, which is underpinned by:

- A R2,1bn investment in physical distribution to rollout the 'branch of the future' format of branches and expand footprint by 7% to expose 75% of our clients to the new format by 2017.
- A client-centred innovation across process, product and channels to deliver seamlessly integrated digital solutions, effortless sales and service, and convenient 24/7 access.
- Competitive pricing - transparent, simplified and providing value for money, supported by below-inflation increases and moving clients proactively to lower priced products that suit their needs.
- Marketing that engages and resonates with all in SA, leveraging social media and digital communication channels.
- Leveraging scarce skills and the cost base through group collaboration.
- Continued pursuance of opportunities within Africa by working closely with and leveraging the Ecobank and Bank of China strategic alliances.
- We will drive transactional client growth further through 'simplified client on-boarding'. This will improve processes at the moment of application resulting in a faster and simpler client experience.



TRANSFORMATION
OF SOCIETY WITHIN
PLANETARY
BOUNDARIES



DELIVERING CONSISTENTLY TO OUR SHAREHOLDERS

‘We strive to be a great place to invest – providing attractive and sustainable financial returns, protecting against downside risks and unlocking growth opportunities. At the same time we will remain fully transparent in our communication and disclosure with the investment community.’

WHO ARE OUR SHAREHOLDERS AND RELEVANT STAKEHOLDERS?

Stakeholders referred to in this section include not only our shareholders, but also the local and international investment community and comprise:

- 21 362 shareholders (86% domestic, 14% foreign);
- investment funds and retail investors;
- 18 sell-side analysts;
- three contracted credit ratings agencies, namely Fitch, Moody’s and Standard & Poors; and
- financial media.

WHAT ARE THEIR NEEDS AND EXPECTATIONS OF US?

The core needs of our shareholders are as follows:

- Relevant timeous information on our strategy, prospects and financial and non-financial performance so that the Nedbank Group can be fairly valued and appropriate credit ratings assigned.
- Consistent financial performance, delivering attractive returns (increasing ROEs) and solid dividend income, underpinned by a sound balance sheet.
- Good and experienced management.
- An attractive and sustainable growth strategy.

See our investment case as part of the Chairman’s Review in the 2014 integrated report for more information on the attractiveness of Nedbank as an investment.

RELATED MATERIAL MATTERS



TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY



BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION



INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT



GROWTH OPPORTUNITIES IN THE REST OF AFRICA



TOTAL SHAREHOLDER
RETURN

23,2%



INCREASE IN
FULL-YEAR DIVIDEND

14,9%



RETURN ON EQUITY
(ROE) (EXCLUDING GOODWILL)

17,2%

HOW DID WE DELIVER VALUE TO OUR SHAREHOLDERS IN 2014?

- Achieved economic profit of R2,1bn despite cost of equity increasing from 13,0% to 13,5% and the impact of a challenging environment.
- Total shareholder return stood at 23,2%.
- Paid a full-year dividend of 1 028 cents, up 14,9%.
- Acquired an initial 36,6% stake (with pathway to control in 2016) of Banco Único in Mozambique and a shareholding of approximately 20% in ETI, providing Nedbank investors with access to markets with higher economic growth rates.
- Maintained worldclass transparent reporting and increased our disclosure around rest of Africa.
- Increased engagement with shareholders through our first governance roadshow, while sourcing feedback through our first investor perception survey and our 360 investor meetings.
- Experienced smooth leadership transitions, with one of the most experienced management teams in the SA banking industry.
- On the back of the winding up of our Black Business Partner BEE schemes we have now unlocked an estimated R8,2bn of value through our SA BBBEE schemes since inception.

WHAT ARE THE GREATEST RISKS AND OPPORTUNITIES?

Risks

- Impact of a tougher macro environment, particularly low GDP growth.
- Dealing with the complexity and challenges of increased regulation.
- Greater competition from new and existing players in financial services.
- Volatility and uncertainty in the rest of Africa.

Opportunities

- Capital-efficient, risk-mitigated expansion into the rest of Africa.
- Nedbank gaining share of main-banked clients and transactional revenues.
- Impairments staying lower for longer.

ACCOLADES IN 2014

- Voted 2014 SA Bank of the Year by Financial Times's *The Banker* magazine.

2015 FOCUS AREAS

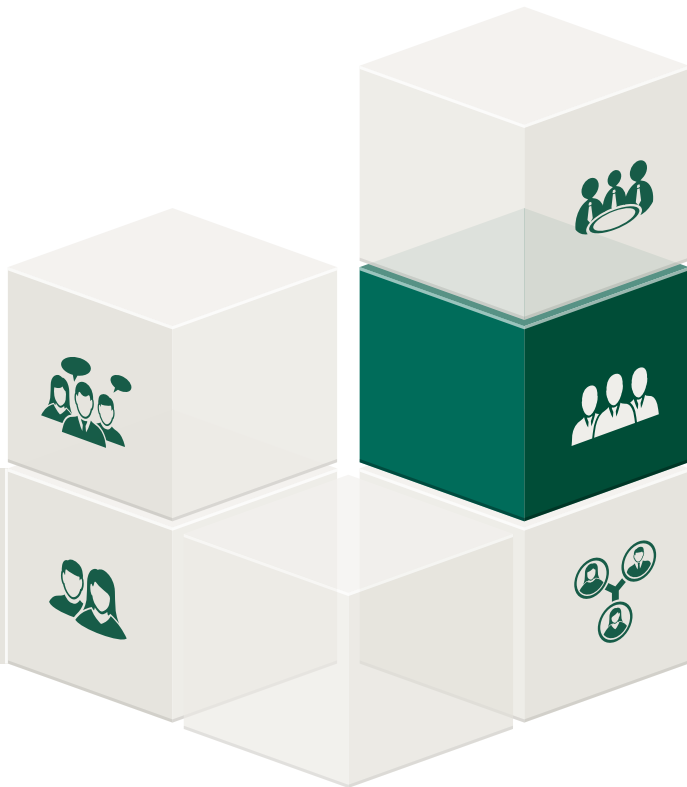
- Deliver on our strategic focus areas and make progress towards our medium-to-long-term financial targets shown in the CFO's Review in the 2014 integrated report.
- Ongoing improvement in quality investor engagements and financial reporting disclosure.
- Launch new Nedbank website.



TRANSFORMATION
OF SOCIETY WITHIN
PLANETARY
BOUNDARIES



SCARCE SKILLS



'Compliance and regulatory risk has become increasingly significant given the more stringent regulatory environment in which Nedbank operates.'

PARTNERING WITH OUR REGULATORS

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.'

WHO ARE OUR REGULATORS?

The South African Reserve Bank (SARB) is responsible for bank regulation and supervision in SA. The purpose is to achieve a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole. This function is performed by issuing banking licences to banking institutions, and monitoring their activities in terms of the Banks Act and the regulations.

Other primary regulators include:

- Financial Services Board (FSB)
- National Credit Regulator (NCR)
- JSE Limited (the JSE)
- Financial Intelligence Centre (FIC)
- South African Revenue Services (SARS)
- National Treasury
- Department of Labour

Outside SA:

- Central banks of countries in which we have representation/ operations
- Prudential Regulatory Authority (PRA) in London
- Jersey Financial Services Commission (JFSC)
- Isle of Man Financial Supervision Commission (IOMFSC)
- Financial Conduct Authority (FCA)

RELATED MATERIAL MATTERS



TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY



BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION



INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT



GROWTH OPPORTUNITIES IN THE REST OF AFRICA



IMPLEMENTED
1 JULY 2014

FATCA



FRAUD CASES
(2013: 6 026)

4 890



CREDIT LOSS RATIO
(2013: 1,06%)

0,79%

WHAT ARE THEIR NEEDS AND EXPECTATIONS OF US?

Due to the reliance of local (and global) economies on the banking industry, regulatory bodies have been established. They ensure that these institutions comply with certain standardised practices to control systemic risk, especially in terms of the 'too big to fail' notion, which holds that many financial institutions hold too much control over the economy to fail without enormous consequences.

Our regulators also ensure that we're cognisant of and take suitable measures to control our direct and indirect impact on our stakeholders and on the environment.

It is therefore crucial for us to:

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

HOW DID WE DELIVER VALUE TO OUR REGULATORS IN 2014?

- In line with international and local trends, Nedbank observed an increase in regulatory scrutiny and inspections. All regulatory reviews were attended to with significant attention to detail, professionalism and prompt reaction to matters raised.
- We maintained the alignment of our Enterprisewide Risk Management Framework (ERMF) with regulatory developments.
- 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.
- Nedbank's economic capital and Internal Capital Adequacy Assessment Process (ICAAP) methodology is constantly reviewed and updated, taking cognisance of regulatory developments such as Basel III from 1 January 2013 and Solvency 2/SAM in 2016. Nedgroup Insurance remains well capitalised and is on track to meet Solvency 2 parallel-run requirements during 2015.
- With regard to new legislative developments, Nedbank has been involved in engaging with regulators through various industry associations.
- We implemented manual solutions for the Foreign Account Tax Compliance Act (FATCA) (US legislation) on 1 July 2014 and are well placed to comply with FATCA requirements.



TRANSFORMATION
OF SOCIETY WITHIN
PLANETARY
BOUNDARIES



SCARCE SKILLS

HOW DID WE DELIVER VALUE TO OUR REGULATORS IN 2014? (continued)

- Nedbank maintains an up-to-date and relevant Recovery Plan (RP):
 - We maintain resilient business continuity management processes.
 - We have dynamic liquidity and capital management processes, including advanced stress testing.
 - We maintain robust contingency processes and plans that are regularly tested, facilitating an appropriate response to significant stress events.
- Increased focus on consumer protection:
 - We are well on track with our preparation for the new regulatory regime of Twin Peaks, and the Protection of Personal Information Act.
 - We had an onsite meeting with SARB to discuss market conduct risk.
 - We had meetings with the International Monetary Fund (IMF) and National Treasury regarding prudential and market regulation.
- With regard to industry requirements by the regulators, we benchmark our risk management performance against that of other banks and against feedback from SARB. No issues were raised on our ICAAP by SARB.
- We have invested significantly in IT, processes, procedures and resourcing in ongoing efforts to remedy administrative deficiencies noted by SARB during their anti-money-laundering and sanction regulatory reviews conducted on SA's big banks.
- National Credit Regulator – We invested time in managing our clients and any potential reputational risk associated with the R699 scheme.
- We participated in the scenario testing of the Financial Services Authority's Financial Stability Unit;
- We contributed to industry responses on the Fundamental Review of the Trading Book proposals and other Bank for International Settlement papers.
- We continued to implement our policy of responsible lending and reduced our market share proactively.
- In order to continue to strengthen confidence and trust in the banking system banks are urged to place a greater emphasis on the comprehensive public disclosure of their risk and capital position and risk management processes in relation to key business activities. The FSB established the Enhanced Disclosure Task Force (EDTF) to develop principles for enhanced disclosures by institutions. Nedbank has implemented the EDTF recommendations, where appropriate, in our quest continuously to enhance and drive improvement in the quality, clarity, consistency and comparability of risk disclosures, thereby allowing stakeholders to draw increased value, understanding and insight from the reports. The refinement of our Pillar 3 Report is an ongoing process to keep up with changing regulation and leading practice.

VALUE CREATED THROUGH REGULATORY COMPLIANCE

- Following industry concerns of regulators about SA banks' exposure to unsecured lending, our credit loss ratio for the year ended 31 December 2014 was 0,79%, which is below the target range of 0,8% to 1,2% and an improvement on the 1,06% achieved in 2013. Defaulted advances decreased by 11,2% (9,4% 2013).
- Regulatory compliance ensured strong capital adequacy levels supported by internal stress-testing results.
- Close cooperation with the SA Police Service and other law enforcement agencies continues. We have experienced a decrease in the number of fraud cases (4 890 in 2014, down from 6 026 in 2013), as well as a decrease in the overall value of these cases. 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. Fraud awareness material for clients has been translated into five of the official languages, making the material accessible to a larger client base.
- 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 2014 all (100%✓) of our operations underwent corruption screening without any material concerns/issues being raised.

2015

FOCUS AREAS

WHAT ARE THE GREATEST RISKS AND OPPORTUNITIES?

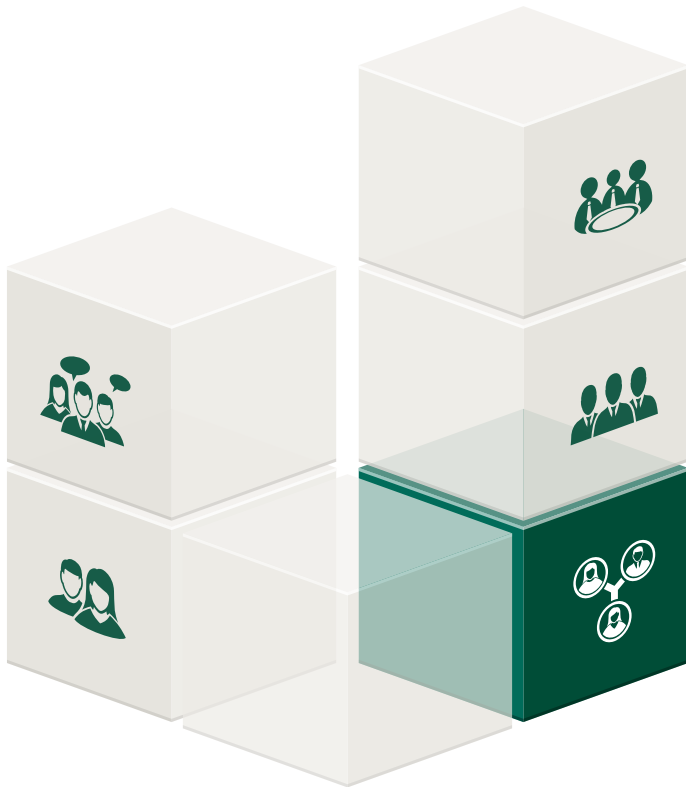
Risks

- 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 the Bank for International Settlements and SARB.
- Litigation activity in the US and Europe and fines on major banking institutions are likely to increase cautious lending practices and encourage shadow banking activity even further. Indications in SA are that regulators will take their lead from offshore regulators, and the risk of large fines for non-compliance, particularly in the conduct space, has escalated considerably.

Opportunities

- A continued integrated approach to governance, compliance, risk management, capital management, liquidity and financial control.
- Possible increase of Fair Share 2030 lending opportunities arising from continued publication of extensive new requirements dealing with waste, water, air, dangerous substances and land rehabilitation.

- Although Basel III went live on 1 January 2013, the transitional capital and liquidity requirements/ratios will still be significant for Nedbank up to 2019 and 2022, and these receive management focus.
- Focus will be given to the Twin Peaks system of regulation, which places emphasis on a more harmonised system of licensing, supervision, enforcement, client complaints (including ombuds), appeal mechanisms (tribunal), consumer advice and education, as well as ensuring that clients are treated fairly.
- Regulatory non-compliance relating to anti-money-laundering continues to receive focus with a view to addressing the weaknesses identified.
- Much attention will be given to the Retail Distribution paper in terms of how financial products are distributed to consumers in SA.
- We are currently aligning to International Financial Reporting Standard 9 as the standard becomes mandatory from 1 January 2018.
- Nedbank will also be embracing a forward-looking approach to conducting risk and embracing client-centredness. The group has embarked on a programme to ensure that industry guidelines and best practice are embedded within its business and have already achieved certain milestones.
- There will be continued commitment to the development of legislation through regulatory advocacy and interaction with regulators and industry stakeholders to ensure a sound regulatory framework that adds economic and sustainable value to our clients, shareholders and stakeholders.
- We will invest further in IT, processes, procedures and resourcing to complete the Nedbank remedial plan agreed with SARB and to ensure efficient and effective compliance with the anti-money-laundering and sanction requirements.
- We will continue to meet the stringent requirements of all regulators in full.



‘Our commitment to ongoing stakeholder engagement affords us insights into the needs and expectations of the communities in which we operate. Through this engagement we are able to position our business to respond appropriately.’

LEADING IN THE COMMUNITIES WE SERVE

WHAT ARE THE NEEDS AND EXPECTATIONS OF THE COMMUNITIES WE SERVE?

WHO ARE THE COMMUNITIES WE SERVE?

- Society at large, including the environment.

- Access to financial products and services
- Advice and guidance on how to achieve desired outcomes for themselves, their families and their businesses
- Socioeconomic development that delivers community growth and empowerment
- Two-way discourse that results in mutual benefits
- Collaboration that furthers social, environmental and other common agendas for the greater good

In 2014 our engagement with communities resulted in the identification of a number of key needs, requirements and pressing issues, including the following:

Strengthening the social fabric of our country - We promote a culture of active citizenship. In 2014 28% of staffmembers participated in our volunteerism programmes, delivering immediate positive impacts to communities across the country.

Trust in the financial sector - Our ongoing research indicates that trust in the financial sector is gradually being rebuilt. During 2014 we paid special attention to driving ethical behaviour of staff, appropriate financial advice for clients, excellent client service and stringently protecting client information. In 2014 97% of staffmembers acknowledged our Code of Ethics policy and our Code of Conduct policy.

Playing a meaningful role in society - We advanced R54bn to retail clients, lent R1,5bn into affordable-housing projects and R113m to enterprise development. From an operational perspective we ensured that 80% of our procurement spend was spent locally and helped to meet our transformation targets. We also continued our commitment to managing our operational impact and maintained our carbon-neutral status, as well as attracting shareholder funds by remaining on the Dow Jones Sustainability Index - one of only six SA companies.

Access to CSI funding - We continue to make a sizeable contribution towards many issues facing SA. In 2014 our total CSI spend across our entire group amounted to R151m (2013: R117,9m). Despite this increase in our CSI commitment, we are not able to support all the applications we receive. The Nedbank Foundation therefore follows a stringent funding process to ensure the prudent and equitable allocation of our CSI investment across all our community support focus areas.

Non-traditional finance solutions (for projects that drive significant long-term societal impact and are currently excluded by traditional funding models) - Through our Fair Share 2030 strategy we have adopted a R6bn lending target in 2015, to enable new businesses and innovations that deliver intentional non-financial results.

Combating the Ebola outbreak - Together with Old Mutual, we donated US\$1m towards the African Union's newly launched Ebola emergency response fund.



TOTAL CSI SPEND

R151m

(2013: R117,9M)

BBBEE PROCUREMENT
VALUE**R9,8bn**EMPOWERMENT
FINANCING LOANS**R8,5bn**

HOW DID WE DELIVER VALUE TO COMMUNITIES IN 2014?

In line with our integrated sustainability strategy and approach, we strive to deliver value, across our business, through a three-pronged sustainability approach, comprising:

1 Enabling sustainability through our products and services

We see responsible banking as offering products and services that enable our clients to achieve their desired outcomes and objectives, while respecting environmental limits and broader societal needs. Nedbank has, over the years, expanded its range of products and services that reduces environmental footprint and/or grows the green economy. Over and above these products we set a lending target of R6bn per annum in 2014 for new products and offerings that intentionally focus on the socioeconomic and environmental problems addressed by our long-term goals. This is our Fair Share 2030 strategy.

- **Fair Share 2030** - This initiative gets money working for the future. It provides an annual flow of funding - starting with a target of R6bn in 2015 - to be channelled through new products, services, and projects that promise to deliver intentional non-financial impact towards meeting the Long-term Goals.
- **The Nedbank Green Savings Bond** - This is SA's first and only green bond offered to retail clients. It allows regular members of society to contribute to environmental sustainability simply by investing, because the funds invested are earmarked for the support of renewable-energy projects in SA. Since its inception, R7,8bn has been invested in the Nedbank Green Savings Bond, of which R4,2bn flowed in during 2014 (2013: R2,7bn).
- **The Nedbank Affinity Accounts** - In the 24 years since its inception, the Nedbank Affinities programme has contributed more than R260m in support of more than 1 000 projects, ranging from arts and culture and sports development, to helping needy children and environmental conservation. For the 2014 financial year, the total donations grew by 17% to R32,9m (2013: R28,1m) as the use of affinity products grew well.
- **Empowerment financing** - Comprising the two main components of targeted investments and black economic empowerment (BEE) financing, we have invested R44,5bn into empowerment financing since 2009 (2014: R8,5bn).
- **Enterprise development** - We strive to create a balance between the provision of funding and access to support in the form of training, capacity building, mentorship and specialist support. In

2014 we invested R113m that directly impacted 694 small and medium enterprises in SA.

■ Financial inclusion:

- **Infrastructure:** We continue to grow our national presence both through traditional branch and ATM rollouts, as well as through various innovative banking offerings. The Imbizo Programme aims to ignite rural economic activity and build sustainable communities by facilitating the startup of job-creating microenterprises. The number of Imbizo branches has been steadily growing since inception and, at the end of 2014, stood at six.
- **Education:** The Nedbank Consumer Education Programme was launched in 2004, and in the past 10 years it has provided invaluable information and insights to hundreds of thousands of South Africans, helping them to make informed decisions that contribute to their financial wellbeing. In 2014 we invested a further R10,9m (2013: R8,1m) into the programme, directly benefiting 120 000 consumers across all nine SA provinces.
- **Product offering:** Driven by a number of innovative product solutions such as our Savvy Banking offering and our Nedbank Ke Yona suite, we are realising our strategic objective of making banking a reality for all South Africans. In 2014, through these products and services, we brought the benefits of transacting, saving, borrowing and insuring to many more individuals across SA, many of whom had previously not been banking consumers.

2 Delivering value through collaboration and partnership

We recognise that the value of any person's or organisation's contribution to the community in which they exist or operate can be massively compounded if they are willing to partner with others who share their vision and commitment. As such, we proactively seek to unlock maximum sustainability value through effective partnerships that deliver long-term mutual benefits.

Education support - Approximately 50% of our socioeconomic investment goes into various education initiatives. In addition, we embrace our role as a strategic partner with government and education bodies in helping to address the challenges of education and skills development in SA. We deliver on this responsibility by various means, including our Nedbank Graduate Development Programme, Enactus SA, The Nedbank External Bursary Fund (144 bursaries granted and R13,8m

HOW DID WE DELIVER VALUE TO COMMUNITIES IN 2014? (continued)

invested in 2014), Investing in Accounting Excellence initiative (R7m invested since 2008), and numerous other programmes and initiatives.

Partnering with NGOs - Since 1990 we have partnered with the World Wide Fund for Nature SA (WWF-SA). Over the past three years, this partnership has prioritised food and water security programmes, including:

- **The WWF Nedbank Green Trust** - Now celebrating 25 years of existence, the WWF Nedbank Green Trust has proven that a strong people focus is imperative to achieve environmental sustainability and the protection of the planet's natural heritage. Since inception, we have donated more than R175m in support of over 200 environmental projects throughout SA.
- **The WWF Water Balance Programme** - Aimed at clearing alien vegetation at key water catchment areas around the country, it helps to promote maximum water catchment and delivers job creation. Our investment is taking place over a five-year period and, since inception in 2011, has resulted in 283 ha (2014: 90 ha) of alien vegetation being cleared, thereby releasing over 587 000 kl of water into the country's ecosystem. This water released helps to replace the water consumed through our operations. The labour-intensive process has also delivered more than 15 000 (2014: 7 258) workdays for members of communities in and around the targeted areas.
- **WWF-SA Sustainable Agriculture Programme** - Promotes innovative solutions to the resource challenges facing agriculture, while at the same time minimising the impact of agriculture on a finite resource base and within our landscapes. The programme focuses on the five key commodity sectors of fruit, wine, dairy, beef and sugar. We have committed ourselves to investing R8,3m in support of the programme over a three-year period.

Partnering with communities - Our partnerships with communities are aimed primarily at enabling them to derive maximum benefit from a greater understanding of sustainability principles and their application as a means of improving their lives and futures. Some of the community partnership programmes include:

- **Caring for Communities** - The Nedbank Caring for Communities Programme was established in 2010 and has grown steadily over the past four years. Using interactive workshops, the initiative successfully demystifies sustainability for these communities and guides them on how to put sustainable behaviours and practices to work to improve their own lives. Hundreds of Nedbank staffmembers are actively involved in educating learners, teachers and communities on all aspects of sustainable living.
- **Community support through volunteerism** - We believe that social responsibility is everyone's responsibility, so we therefore do everything we can to enable our employees and clients to be highly involved in giving back to communities. Over the past 12 years we have invested more than R30m into our individual and team volunteerism programmes (2014: R5,5m), with approximately 28% of our workforce participating in volunteerism programmes each year.
- **Effective sustainability education** - We believe that leadership in sustainability requires a willingness to collaborate and share opportunities in order to compound the positive impact we are able to have on communities. In 2014 this philosophy continued to deliver a number of valuable outcomes, most notably:
 - **The Nedbank Green Living Guide** - Produced in collaboration with the Sustainability Institute and endorsed by the Green Building Council South Africa, it encourages and equips all South Africans to adopt a more sustainable lifestyle. It was downloaded more than 20 000 times in 2014 and approximately 2 500 hard copies were distributed.

RELATED MATERIAL MATTERS



TOUGH ECONOMIC
CONDITIONS WITH
LIMITED FORWARD
VISIBILITY



TRANSFORMATION
OF SOCIETY WITHIN
PLANETARY
BOUNDARIES

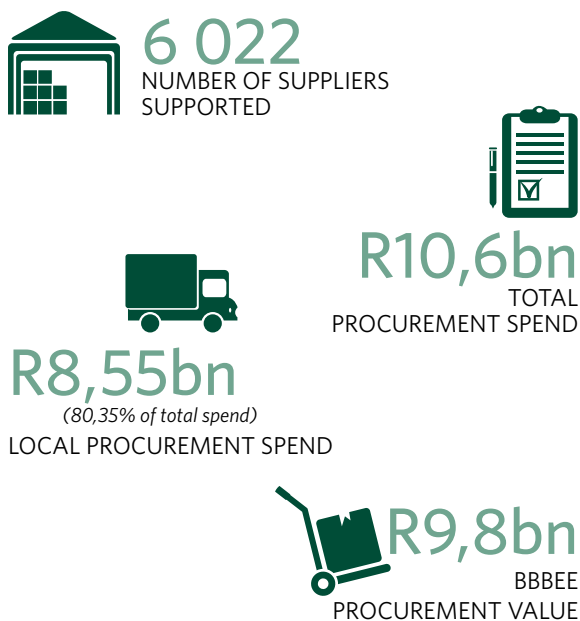


SCARCE SKILLS

- **Carbon Footprinting Guide** - Africa's first carbon calculation guide, it focuses on demystifying carbon footprinting with the aim of assisting small, medium and large enterprises to calculate their greenhouse gas impact. Since its launch in February 2014, the free guide has been downloaded more than 54 000 times.

Partnering with our suppliers for a sustainable supply chain - Our procurement philosophy sees our suppliers as far more than providers of goods and services, but rather as enablers of our own business strategies and we see procurement as a key means of enabling transformation.

Details of our investment into SA's enterprise development through procurement in 2014 are as follows:



In addition to investing into businesses across the country through procurement, we engage with our suppliers to guide them in terms of their incorporation of governance, environmental, social and economic sustainability considerations into their operations to drive their own sustainability journeys.

3 Managing and optimising our own impact

A central component of the achievement of our vision to be Africa's most admired bank is delivery on our own sustainability objectives and commitments. This extends across all aspects of sustainability leadership, from effectively limiting the impacts of our operations - primarily through effective carbon emissions management, to maximising our positive impact by creating a great place to work and enabling our employees to participate in our integrated sustainability efforts.

Creating a healthy, effective work environment - We aspire to be an employee of choice, and see our employees as one of the most important communities to which we have a sustainability responsibility. We are, therefore, committed to investing in our people to ensure that they are empowered to perform optimally, to further their own development, and equipped to contribute to the long-term sustainability of our bank. Details of the impact of this can be found in the 2014 integrated report, as well as in our online 2014 Sustainability Review.

Our commitment to responsible finance

- Overseen by our sustainability governance process, our Social and Environmental Management System (SEMS) assessment tool provides an independent review of risk and compliance, thereby enabling sustainable lending decisions while helping clients refine their plans or projects to meet higher sustainability standards.
- Without compromising the ability of our qualifying clients to access the credit they need, our retail credit policies and scorecards allow for a fair, comprehensive and robust credit assessment in compliance with the standards set by both SARB and the National Credit Regulator (NCR).
- In all our lending transactions, we take a highly integrated and proactive approach to ensuring compliance. Key to this is compliance with the Equator Principles (EP), which ensures consistency in our environmental and social risk assessment and management within our project finance business. In 2014 a total of 22 new EP-relevant deals were screened, of which six reached financial close and four drew down.
- We are committed to the United Nations-supported Principles for Responsible Investment (UNPRI) and the Code of Responsible Investing in South Africa (CRISA). In 2014 our efforts in this area focused on integrating environment, social and governance (ESG) factors into investment and ownership practices across all investment-oriented areas of our business, as well as meeting various ESG compliance requirements.

HOW DID WE DELIVER VALUE TO COMMUNITIES IN 2014? (continued)

Carbon measurement and management

Our achievement of carbon neutrality in 2010 not only evidenced our commitment to being an African sustainability leader, but also impressed on us the responsibility we have to leverage our position as Africa's first carbon-neutral bank.

In the years since then, we have made it a strategic priority to harness our carbon-neutral position to contribute to the development of SA's green economy, unlock and leverage synergies, partnerships and collaborations with like-minded organisations, and enhance our client value proposition.

We have also continued to extend the scope and positive impact of our carbon-neutral position through our established approach of reducing our own impact as much as possible by employing internal initiatives and behavioural change, before offsetting any remaining emissions through carbon credits. Targets are in place for carbon emissions, electricity, travel, paper and water.

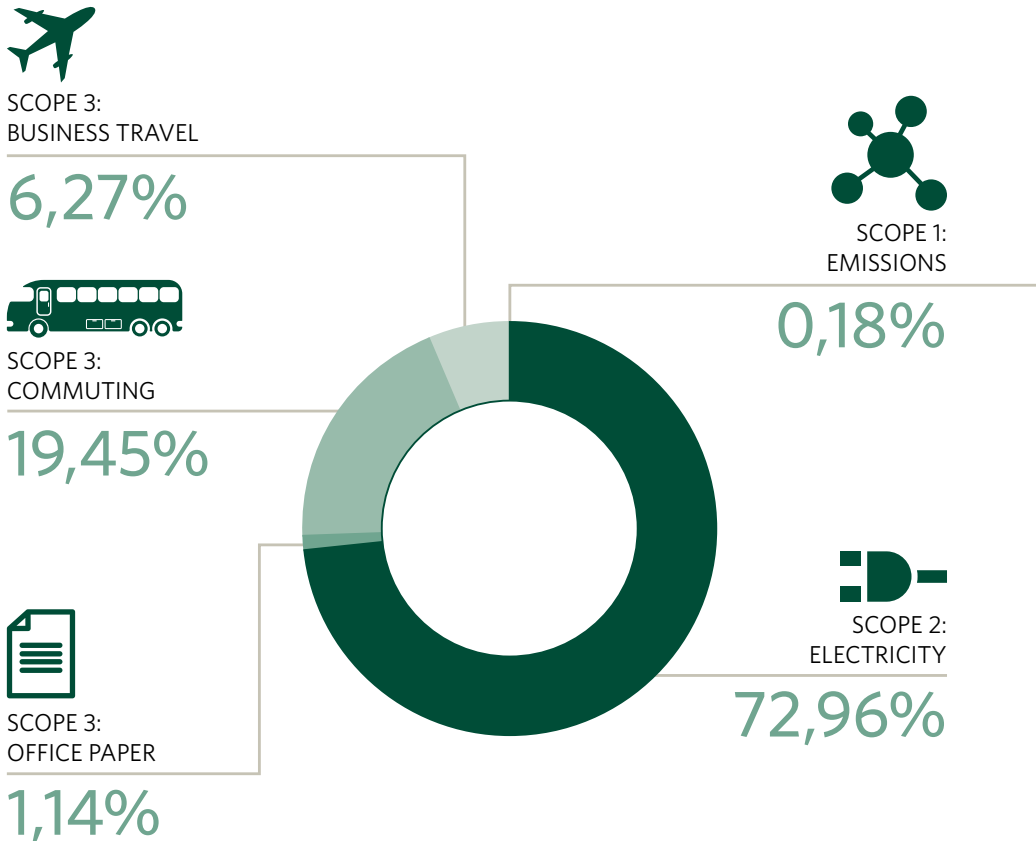
In line with our understanding of the need for strong social and environmental sustainability interconnectedness, we continue to acquire the carbon credits we need from projects that benefit the natural heritage and social structure of Africa.

Our carbon footprint

Our 2014 carbon footprint decreased by 3,72% from 2013 to 2014 (2014: 213 133 tCO₂e✓; 2013: 221 379 tCO₂e). In addition, the emission rate per fulltime employee (FTE) decreased by 7,06% year on year and was calculated as 7,08 tCO₂e per FTE (2013: 7,61 tCO₂e per FTE). Based on floor space, the GHG intensity rate also decreased by 9,75% to 0,30 tCO₂e/m² (2013: 0,33 tCO₂e/m²).

This overall emissions decrease can primarily be attributed to various initiatives that led to a decrease in electricity used in our operations.

NEDBANK GROUP 2014 CARBON FOOTPRINT¹



¹ Resources consumption not reflected includes water consumption of 294 873kl✓ (2013: 299 694 kl), 324 tonnes✓ (2013: 355 tonnes) of waste sent to landfill and 574 tonnes✓ (2013: 565 tonnes) of waste recycled.

WHAT ARE THE GREATEST RISKS AND OPPORTUNITIES?

We recognise that we have a responsibility to limit our impact on our communities, while at the same time maximising our positive sustainability contribution. This means that, in many cases, what might initially be perceived as a sustainability risk can, and should, be transformed into an opportunity.

- **Compliance with social and environmental sustainability factors** – Our application of EP III continues to ensure greater consistency in the environmental and social risk management within our project finance and related advisory business. Our SEMS is one of the key processes we use to achieve sustainability collaboration with our clients and other stakeholders. During 2014 all credit risk reviews and new applications included the screening of high-risk clients and EP-relevant deals through the SEMS. Application of this was externally assured in 2014 for the first time.
- **Energy security in SA** – Energy constraints in SA not only have the potential to negatively influence the country's overall economic development but they can also impact negatively on our ability to deliver value to our clients over time. While we are absolutely committed to investing in SA's sustainable energy, the need to grow sustainable electricity supply while decarbonising the economy means we are sometimes unable to meet the immediate demands of some of our stakeholders. That said, we fully support government's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) and our investment bank, Nedbank Capital, has enabled the delivery of 54% of the total renewable-energy capacity awarded by the Department of Energy thus far.
- **Financing of fossil fuels** – SA's reliance on fossil fuels cannot be reduced overnight. Our approach to fossil fuel funding is therefore informed by our Long-term Goals for 2030. Going forward we will be adopting a Natural Resource Utilisation Screen that will guide the tilt of our lending book in line with the trajectory of the country's commitments to climate change mitigation and adaptation.
- **Scarce skills** – We have comprehensive training and development programmes to increase the employability and skills of our staffmembers. We also invest in graduate and bursary programmes as well as learnerships – all with the purpose of developing a talent pipeline for our own business as well as contributing to the overall African talent, leadership and skills pool.

ACCOLADES IN 2014

- 2014 African Banker Awards – Socially Responsible Bank of the Year award.
- 2014 African Banker Awards – Innovation in Banking award.
- 2014 ABSIP Company with Most Developmental Impact.
- 2014 Highest score in the IRAS Sustainability Data Transparency Index in Banking and Financial Services Sector.
- 2014 Inclusion in Robeco SAM's Yearbook of the most sustainable companies in the world – one of only six SA companies.

2015 FOCUS AREAS

- Embed strong sustainability into all aspects of the group's operations and approach to business:
 - Continue the integration of strong sustainability considerations into business activities and initiatives.
 - Continue with carbon measurement and reduction through the pursuit of electricity, paper, waste and business travel reduction targets and ongoing recycling initiatives.
 - Continue to maintain carbon neutral status while exploring off-grid opportunities for our operations.
- Identify and develop new markets and opportunities as well as key risks by applying the Long-term Goals as the guiding strategic lens:
 - Fair Share 2030 scaleup: R6bn lending target for 2015.
- Catalyse broader socioeconomic transformation by working with critical internal and external stakeholders:
 - 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.
 - Continue with staff engagement, training and leadership interventions.
- Enhance external stakeholder engagement, management and reporting.

OPERATIONAL OVERVIEW

GLOBAL REPORTING INITIATIVE G4 INDEX

For the 2014 year we have used the new Global Reporting Initiative (GRI) G4 guidelines for the first time. Our report is in accordance with the core requirements of GRI G4 and meets some of the requirements of the comprehensive level where we believe that this matter is material to Nedbank. We will continue to improve our reporting against the G4 guidelines as our business matures on its integrated sustainability journey.

External assurance is the responsibility of a combined financial and non-financial team from Deloitte & Touche and KPMG Inc. Internal audit also

forms part of our third line of defence, enhancing the credibility of our information. Financial information included in the integrated report has been extracted from the consolidated financial statements, over which the auditors expressed an unmodified opinion. Specific key performance indicators were included as part of the sustainability assurance engagement, details of which are included in the assurance opinion.

G4	Indicator		Description	UNGC principles
Strategy and analysis				
G4-1	Statement from the most senior decisionmaker of the organisation (such as chief executive officer, chair or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	Core	Chief Executive's Review Chairman's Review	1-10
G4-2	Provide a description of key impacts, risks and opportunities		Material matters Strategic focus areas Engaging with our stakeholders Sustainability governance structures and guiding principles Managing social and environmental risk Pillar 3 Risk and Capital Management Disclosure Report	1-10 1-10 1-2,7-9
Organisational profile				
G4-3	Name of the organisation	Core	Nedbank Group Limited	
G4-4	Primary brands, products and/or services	Core	Overview of our group Value-creating business model Delivering value through our business Enabling sustainability through products and services	7-9
G4-5	Location of organisation's headquarters	Core	Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, Gauteng, SA	
G4-6	Number of countries of operation and most significant operations	Core	Overview of our group Company structure Chief Financial Officer's Review	7-9
G4-7	Nature of ownership and legal form	Core	Overview of our group Company structure	
G4-8	Markets served (including geographical breakdown, sectors served, and types of customers and beneficiaries)	Core	Overview of our group Value-creating business model Delivering value through our business	
G4-9	Scale of the organisation	Core	Overview of our group Value-creating business model Delivering value through our business Chief Financial Officer's Review Our summarised five-year track record Enabling sustainability through our products and services Employee profile	3-6
G4-10	(a) Total number of employees by employment contract and gender (b) Total number of permanent employees by employment type and gender (c) Total workforce by employees and supervised workers and by gender (d) Total workforce by region and gender (e) Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors (f) Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	Core	Employee profile Points (e) and (f) not applicable	1-2,3-6

G4	Indicator		Description	UNGC principles
G4-11	Percentage of total employees covered by collective-bargaining agreements	Core	Employee relations management	3-6
G4-12	Nedbank Group's supply chain	Core	Adding value through a sustainable supply chain Governance and Ethics Review	1-10
G4-13	Significant changes during the reporting period regarding Nedbank's size, structure, ownership or supply chain	Core	No significant changes during the reporting period	
G4-14	Precautionary approach or principle	Core	Social and environmental risk management Governance and Ethics Review	7-9 1-10 1-6,10
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives, which Nedbank subscribes to or endorses	Core	Sustainability credentials and indices Governance and Ethics Review	7-9 1-6,10
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations	Core	Sustainability credentials and indices Governance and Ethics Review	1-10

Identified material aspects and boundaries

G4-17	<ul style="list-style-type: none"> ■ Entities included in the organisation's consolidated financial statements or equivalent documents ■ Entities included in the organisation's consolidated financial statements or equivalent documents not covered by the report 	Core	Committed to transparent reporting Company structure	7-9
G4-18	<ul style="list-style-type: none"> ■ Process for defining the report content and the aspect boundaries 	Core	Committed to transparent reporting	
G4-19	List all the material aspects identified in the process for defining report content	Core	Economic performance, compliance (environmental, social, product responsibility), employment, training and education, diversity and equal opportunity, human rights investment, non-discrimination, local communities, anti-corruption, product and service labelling, client privacy, product portfolio and active ownership.	
G4-20 -21	For each material aspect report the aspect boundary within and outside the organisation	Core	Aspect boundaries are as per the financial boundaries defined in the 2014 Nedbank Group Integrated Report. Committed to transparent reporting material matters.	
G4-22	Restatements of information	Core	No reclassifications and restatements were made to the group's statement of financial position and the statement of comprehensive income.	
G4-23	Significant changes from previous reporting	Core	None	

Stakeholder engagement

G4-24-27	List stakeholder groups engaged, the basis for selection of stakeholders with whom to engage, Nedbank's approach to stakeholder engagement and key topics and concerns raised through stakeholder engagement, as well as Nedbank's response	Core	Engaging with our stakeholders Stakeholder engagement Governance and Ethics Review	1-10 1-10
----------	---	------	--	--------------

Report profile

G4-28	Reporting period	Core	Committed to transparent reporting	
G4-29	Date of most recent previous report (if any)	Core	Committed to transparent reporting	
G4-30	Reporting cycle	Core	Committed to transparent reporting	
G4-31	Contact point for questions regarding the report or its contents	Core	Contacts	
G4-32	GRI content index External assurance	Core	Our report is in accordance with the core requirements of G4. Committed to transparent reporting	
G4-33	Assurance Report	Core	Committed to transparent reporting Validating our sustainability journey Report from our independent auditors	1-10

G4	Indicator		Description	UNGC principles
Governance				
G4-34	Nedbank's governance structure including committees responsible for decisionmaking on economic, environmental and social impacts	Core	Chairman's Review Report from Group Transformation, Social and Ethics Committee Chairman Sustainability governance structures and guiding principles Governance and Ethics Review	1, 2,7-10 1, 2,7-10 1-10
G4-35	Process for delegating authority for economic, environmental and social topics		Sustainability governance Governance and Ethics Review	
G4-36	Executive-level position responsible for economic, environmental and social topics		Sustainability governance Governance and Ethics Review	1-10
G4-37	Consultation between stakeholders, board and relevant governance committees on economic, environmental and social topics		Chairman's Review Report from Group Transformation, Social and Ethics Committee Chairman Sustainability governance structures and guiding principles Governance and Ethics Review	1-10
G4-38	Composition of the board and its committees		Board of directors Governance and Ethics Review	1-10
G4-39	Chair and executive officer positions		Governance and Ethics Review	1-10
G4-40	Nomination and selection processes for the board and its committees		Sustainability Review Governance and Ethics Review	1, 2,7-10 1-10
G4-41	Processes for the Nedbank board to ensure conflicts of interest are avoided and managed		Governance and Ethics Review	10
G4-42	The board's role in setting strategy, values, policies and goals related to economic, environmental and social impacts		Governance and Ethics Review	1-10
G4-43	Measures to develop and enhance the board's collective knowledge of economic, environmental and social topics		Report from Group Transformation, Social and Ethics Committee Chairman Governance and Ethics Review	1-10
G4-44-47	Process for evaluating the board's performance with respect to governance of economic, environmental and social topics and actions taken in response to the evaluation		Governance and Ethics Review	1-10
G4-45-47	The board's role in: <ul style="list-style-type: none"> ■ identifying and managing economic, environmental and social impacts, risks and opportunities ■ using stakeholder consultation to support the identification and management of economic, environmental and social impacts, risks and opportunities ■ reviewing the effectiveness of Nedbank's risk management processes for economic, environmental and social topics ■ review of economic, environmental and social impacts, risks and opportunities 		Chairman's Review Report from Group Transformation, Social and Ethics Committee Chairman Material matters Sustainability governance structures and guiding principles Stakeholder engagement Pillar 3 Risk and Capital Management Disclosure Report Governance and Ethics Review	7-9 7-9 1,2 3-6 1-10
G4-48	Committee that reviews and approves Nedbank's integrated report and supplementary sustainability information and ensures that all material aspects are covered		Group Transformation, Social and Ethics Committee	
G4-49	Process for communicating critical concerns to the board		Governance and Ethics Review	1-10
G4-50	Nature and number of critical concerns that were communicated to the board and the mechanism(s) used to address and resolve them		Pace of transformation; culture, employee wellbeing; food security; learnerships; preferential procurement; ethics; environmental compliance; tax; audit: fees and findings; funding and liquidity; risk appetite; new products; regulatory change. Number of issues not disclosed	1-10
G4-51	<ul style="list-style-type: none"> ■ Remuneration policies for the board and senior executives ■ Performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives 		Reporting back on remuneration	1,2,3-6 3-6

G4	Indicator		Description	UNGC principles
G4-52	<ul style="list-style-type: none"> ■ Process for determining remuneration ■ Report any other relationships which the remuneration consultants have with the organisation 		Reporting back on remuneration We use consultants to advise our Group Remuneration Committee	3,6 3,6 3,6
G4-53	Stakeholders' views on remuneration, including the results of votes on remuneration policies and proposals		Reporting back on remuneration Statement from the Chairman of the Group Remuneration Committee Notice of annual general meeting Form of proxy	3-6 ¹
G4-54	Ratio of the annual total compensation for the organisation's highest-paid individual to the median annual total compensation for all employees		Tracked and monitored internally, but not reported publicly Reporting back on remuneration	3,6
G4-55	Ratio of percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in annual total compensation for all employees		Tracked and monitored internally, but not reported publicly Reporting back on remuneration	3,6
Ethics and integrity				
G4-56	Nedbank's values, principles, standards and norms of behaviour, such as codes of conduct and codes of ethics	Core	Our vision and values Governance and Ethics Review	3-6,1-10 1,2,1-10
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to Nedbank's integrity, such as escalation through line management, whistleblowing mechanisms or hotlines		Governance and Ethics Review Pillar 3 Risk and Capital Management Disclosure Report	1,2,10
Economic performance				
G4-EC1	Direct economic value generated and distributed		Value-creating business model Chief Financial Officer's Review Our summarised five-year review Delivering sustained value to all of our stakeholders Pillar 3 Risk and Capital Management Disclosure Report	
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change		Material matters Nedbank's strategic approach to climate change	
G4-EC3	Coverage of the organisation's defined-benefit-plan obligations		Reporting back on remuneration	
G4-EC4	Financial assistance received from government		No financial assistance received from government	
G4-EC7	Development and impact of infrastructure investments and services supported		Enabling sustainability through our products and services 2014 Transformation Report	
G4-EC8	Significant indirect economic impacts		2014 Transformation Report Sustainability Review Investing in our people	
G4-EC9	Proportion of spending on locally based suppliers		Local procurement	
Energy				
G4-EN3	Energy consumption within the organisation		Carbon footprint measurement	
G4-EN5	Energy intensity		Carbon footprint measurement	
G4-EN6	Reduction of energy consumption		Carbon footprint measurement	
Emissions				
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)		Carbon footprint measurement	
G4-EN16	Energy indirect GHG emissions (Scope 2)		Carbon footprint measurement	
G4-EN17	Other indirect GHG emissions (Scope 3)		Carbon footprint measurement	
G4-EN18	GHG emissions intensity		Carbon footprint measurement	
G4-EN19	Reduction of GHG emissions		Carbon footprint measurement	
G4-EN20	Emissions of ozone-depleting substances		Carbon footprint measurement	

G4	Indicator		Description	UNGC principles
Compliance (environmental)				
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		None for the period	
G4-FS1	Policies with specific environmental and social components applied to business lines	Core	Sustainability governance structures and guiding principles Our commitment to responsible finance Managing social and environmental risk Approach to lending in our retail Bank Governance and Ethics Review	3-9 1-10
G4-FS2	Procedures for assessing and screening environmental and social risks in business lines	Core	Sustainability governance structures and guiding principles Our commitment to responsible finance Managing social and environmental risk Approach to lending in our retail Bank Governance and Ethics Review	3-9 3-9 7-9 1-6,10
G4-FS3	Processes for monitoring clients' implementation of, and compliance with, environmental and social requirements included in agreements or transactions	Core	Sustainability governance structures and guiding principles Our commitment to responsible finance Managing social and environmental risk Approach to lending in our retail Bank	3-9 7-9 3-9
G4-FS4	Processes for improving staff competence to implement the environmental and social policies and procedures as applied to business lines	Core	Entrenching sustainable thinking among our staff Our environmental footprint Pillar 3 Risk and Capital Management Disclosure Report Governance and Ethics Review	3-9 1,2,10
G4-FS5	Interactions with clients/investors/business partners regarding environmental and social risks and opportunities	Core	Building enduring relationships Stakeholder engagement Carbon reduction and management Towards more sustainable thinking among learners and communities	
G4-FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Core	Assurance statement in the 2014 Nedbank Group Integrated Report	
G4-FS15	Policies for the fair design and sale of financial products and services	Core	Innovating for our clients Pillar 3 Risk and Capital Management Disclosure Report	
Employment				
G4-LA1	New employee hires and employee turnover		Employee profile	1,2,3-6
G4-LA2	Benefits provided to fulltime employees that are not provided to temporary or parttime employees		Employee profile	1,2,3-6
Training and education				
G4-LA9	Average hours of training per year per employee by gender and by employee category		Investing in our people	1,2,3-6
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		Investing in our people	1,6
G4-LA11	Percentage of employees receiving regular performance and career development review		Investment in training	1,6

G4	Indicator	Description	UNGC principles
Diversity and equal opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Board of directors Employee profile Governance and Ethics Review	1,2,3-6
Human rights investment			
G4-HR1	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Applying Equator Principles Governance and Ethics Review	1,2,3-6
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Governance and Ethics Review	1,2,3-6
Non-discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Governance and Ethics Review	1,2,3-6
Local communities			
G4-SO1	Operations with implemented local community engagement, impact assessments and development programmes	Applying Equator Principles Leading through collaboration and partnership Stakeholder engagement 2014 Transformation Report	7-9
G4-FS13	Access points in low-populated or economically disadvantaged areas by type	Financial inclusion Enterprise development 2014 Transformation Report	7-9
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	Products aimed at socioeconomic transformation Consumer education for economic sustainability 2014 Transformation Report	1,2,3,6
Anti-corruption			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Pillar 3 Risk and Capital Management Disclosure Report Governance and Ethics Review	10
G4-SO4	Communication and training on anti-corruption policies and procedures	Pillar 3 Risk and Capital Management Disclosure Report	10
G4-SO5	Confirmed incidents of corruption and actions taken	Pillar 3 Risk and Capital Management Disclosure Report None for the period	10
Compliance (society)			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Pillar 3 Risk and Capital Management Disclosure Report R35m was paid in fines/penalties and settlements for non-compliance, largely due to anti-money-laundering transgressions and tax penalties.	
Product, service and labelling			
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant products and service categories subject to such information requirements	Innovating for our clients	
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Approximately 61 incidents of non-compliance, the majority of which relate to anti-money-laundering	
G4-PR5	Results of surveys measuring customer satisfaction	Innovating for our clients	

G4	Indicator	Description	UNGC principles
Customer privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	We did not receive any substantiated complaints regarding breaches of client privacy from any outside party or from our regulators. Various assets in the form of computers and cellphones were lost or stolen; however, the majority were encrypted and there were no breaches of client privacy that we have been alerted to. We are proactively working on our processes to track and identify losses of such data to ensure more detailed reporting in this regard Pillar 3 Risk and Capital Management Disclosure Report	
Compliance (product and service)			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No significant amounts paid for the period	
Product portfolio			
G4-FS6	Percentage of the portfolio for business lines by specific region, size (eg micro/SME/large) and by sector	Overview of our group Value-creating business model Delivering value through our business Our summarised five-year track record	
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose	Applying Equator Principles Enabling sustainability through our products and services 2014 Transformation Report	
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose	Applying Equator Principles Enabling sustainability through our products and services	
Active ownership			
G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental and social issues	During 2014 all credit risk reviews and new applications included the screening of high-risk clients and Equator Principles-relevant deals through the Social Environmental Management System (SEMS). This equated to more than 450 clients and/or deals in the period under review.	
G4-FS12	Voting policies applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting	Nedgroup Investments voting policy - http://www.nedgroupinvestments.co.za/Content/Files/Documents/Nedgroup%20Investments%20Proxy%20Voting%20Guidelines.pdf	
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening	Implementing principles for responsible investment Our summarised five-year track record	

OUR CONTACT DETAILS

Driekie Havenga

Nedbank Ethics Officer
Enterprise Governance and Compliance
011 295 6944
driekieh@nedbank.co.za

Kerri Savin

Stakeholder Engagement Manager
Enterprise Governance and Compliance
011 295 5672
kerris@nedbank.co.za