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NEDBANK

NEDBANK GROUP

UNITED NATIONS GLOBAL COMPACT COMMUNICATION OF PROGRESS

for the year ended 31 December 2012

This document is intended to fulfil Nedbank Groups' reporting obligation as part of its commitment to the United Nations Global Compact (UNGC), The format is closely aligned to the group's 2012 Integrated Report. The 2012 Integrated Report adheres to best practice reporting guidelines in terms of both King III and GRI 3.1 (including the Financial Services Sector Guideline). On the understanding that the sustainability imperative forms the foundation of the UNGC Principles Nedbank Group's activities as they relate to the Principles are comprehensively addressed in the Nedbank Group 2012 Integrated Report which is available on line www.nedbankgroup.co.za

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

SUSTAINABILITY CREDENTIALS INDICES

- ☐ **Dow Jones World Sustainability Index** - This index is the world's premier performance benchmark for companies in terms of corporate sustainability. Nedbank is included for the eighth year and is one of only 25 banks worldwide and five companies with primary listings in SA to be included on the index 2012: 82% (2011: 80%);
- ☐ **The JSE Socially Responsible Index** - included since 2004;
- ☐ **The Global 1 000 Sustainable Performance Leaders Index** - ranked 284th (third highest SA company);
- ☐ **The South African Carbon Disclosure Project**; and
- ☐ **The Nedbank Green Index.**

NEDBANK IS REPRESENTED ON/A SIGNATORY TO:

- ☐ The UNEP FI African Task Force;
- ☐ The UNEP FI Banking Commission;
- ☐ The UNEP FI Social Issues Advisory Group;
- ☐ The UNEP Biodiversity and Ecosystem Workstream;
- ☐ The United Nations Global Compact Advisory Committee;
- ☐ The United Nations Global Compact - CEO Water Mandate;
- ☐ The National Business Initiative Advisory Committee on Climate Change;
- ☐ The National Energy Efficiency Accord and Leadership Network Pledge;
- ☐ The Banking Association SA: Sustainable Finance Committee;
- ☐ The Equator Principles;
- ☐ Association of Ethics Officers in Africa; and
- ☐ OECD Financial Sector Mapping Advisory Group.

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STAKEHOLDER OVERVIEW

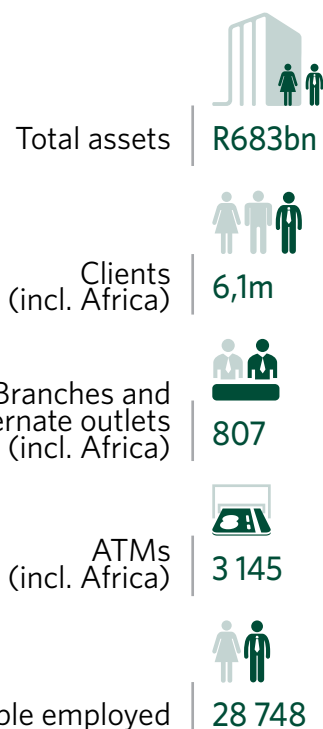
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Group Profile



Nedbank Group Ltd is a bank holding company and one of the four largest banking groups in SA measured by assets, with a strong deposit franchise and over six million clients.

Our principal banking subsidiary is Nedbank Ltd. Our ordinary shares have been listed on JSE Ltd since 1969 and on the Namibian Stock Exchange since 2007 and we have a market capitalisation of R95,4bn at 31 December 2012. Old Mutual plc is the majority shareholder, owning 52% of the group.

THE SERVICES AND PRODUCTS WE PROVIDE

- Wholesale and retail banking services¹
- Insurance
- Asset management
- Wealth management



OUR FOCUS AND POSITIONING

- Southern Africa with selected African expansion.
- Positioned as a bank for all.
- Top two wholesale bank and strong market positioning in commercial property finance, business banking, vehicle finance, card acquiring, deposit taking, asset management and high-net-worth banking services.
- Pan-African banking alliance with Ecobank Transnational Inc for West and Central Africa, providing clients with access to 36 countries across Africa.
- Leadership in sustainability, transformation and community involvement.

HOW WE ARE STRUCTURED

- Nedbank Capital
- Nedbank Corporate
- Nedbank Business Banking
- Nedbank Retail
- Nedbank Wealth
- Central management functions in support of frontline businesses (incorporating Rest of Africa)

WHERE WE ARE BASED

- Headoffice in Sandown, Sandton, Johannesburg, SA.
- Large operational centres in Durban and Cape Town.
- Regional branch network throughout SA – more than 750 staffed outlets.
- Branches and representative offices in other Southern African countries and certain key global financial centres². These meet the international banking requirements of our SA-based multinational and high-net-worth clients.

¹ Including lending, deposit-taking, transactional banking and advisory services.

² Refer to operational footprint and company structure on www.nedbankgroup.co.za for further details.

Letter from Chief Executive

2nd April 2013

Attention: United Nations Global Compact Office

NEDBANK GROUP – CONTINUED COMMITMENT TO THE UNITED NATIONS GLOBAL COMPACT

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

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

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

Yours sincerely



Mike Brown

Chief Executive, Nedbank Group Ltd

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Directors: Dr RJ Khoza (Chairman) MWT Brown (Chief Executive) TA Boardman JCP Chikane GW Dempster (Chief Operating Officer) MA Enus-Brey ID Gladman* DI Hope** PM Makwana NP Mnxasana RK Morathi (Chief Financial Officer) JK Netshitenzhe JVF Roberts* GT Serobe MI Wyman* (*British) (**New Zealand)

Company Secretary: TSB Jati 05.11.2012

A Member of the  **OLDMUTUAL** Group

Chief Executive's Report

Mike Brown
Chief Executive



Building Africa's most admired bank

INTRODUCTION

It is pleasing to report to shareholders on the group's 2012 performance across a broad front.

Nedbank Group's strong franchise and growth orientation together with the momentum built in the first half of the year resulted in the group's delivering headline earnings growth of 21% to R7,5bn and the return on equity (ROE) (excluding goodwill) increasing from 15,3% to 16,4%, underpinned by improvements in the return on assets. All key performance indicators improved and all business clusters showed growth in earnings. This performance was achieved through strong revenue growth, an improved credit loss ratio and responsible expense management while strengthening the balance sheet and investing for growth.

We have continued to deliver on the four key strategic focus areas that we announced at the time of my appointment as Chief Executive three years ago, which demonstrates that disciplined execution of our strategy is producing sustainable growth.

My report covers the key highlights for the year in the context of the macro environment as well as progress made against our key strategic focus areas and our medium-to-long-term financial targets.

The Chairman's Report covers broader sociopolitical and sustainability issues, while the report of the Chief Financial Officer provides a detailed analysis of our financial performance in 2012 and provides guidance for 2013.

BANKING AND ECONOMIC ENVIRONMENT

The global economic slowdown continued for most of 2012, with recessionary conditions in many advanced economies negatively affecting growth in leading emerging economies such as China, India and Brazil. Signs of improvement in various geographies emerged in the fourth quarter of the year, giving rise to cautious optimism that global economic conditions may stabilise and potentially start to improve in 2013.

SA's gross domestic product (GDP) is expected to have grown at around 2,5% in 2012 after expanding 3,5% in 2011. Concerns around the operating environment and infrastructure constraints, the widening current account deficit, rising national debt, higher inflation, high levels of unemployment, declining trends in competitiveness and wage settlements outpacing productivity were included in the rationale by international rating agencies Moody's, Standard and Poor's and Fitch Ratings for the downgrade of SA's sovereign-debt rating, which in turn placed pressure on the rand. Domestic bond yields have, however, remained stable.

Households remained the primary driver of private sector credit demand, with the unexpected 50 basis points (bps) reduction in interest rates in July 2012 providing some relief for highly indebted consumers against rising electricity, food and fuel costs. Growth rates in unsecured lending are slowing as expected.

Corporate credit demand improved towards the end of the year as the recovery in public sector infrastructure spending supported industries producing capital goods and other inputs for local projects, although corporates on the whole remained cautious, constrained by a weak Eurozone and a relatively sluggish domestic economic environment.

BUILDING AFRICA'S MOST ADMIRABLE BANK BY DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS

During the year we developed a strategic framework that will enable delivery of our vision of building Africa's most admired bank by all our stakeholders and assist in creating a vibrant and flourishing SA through appropriate alignment of our activities with the National Development Plan. This is underpinned by a firm belief that our long-term success is inextricably linked to our ability to fulfil our social purpose.

In 2012 we continued to deliver to all our stakeholders and a few of our achievements are listed below to highlight our progress in realising our vision:



Clients

More people in SA chose to bank with Nedbank as we gained new clients across Nedbank Retail, Nedbank Wealth and our wholesale businesses, taking overall client numbers above 6m for the first time. We paid out R144bn in new loans, an increase of 24,1% on the previous year. We launched a number of market-leading innovations such as the Nedbank App Suite™, MyFinancialLife™ and Small Business Friday™ in association with the National Small Business Chamber. With pricing uppermost in the minds of our clients, we strive to provide great-value banking and have saved clients R163m through promoting the use of bundled products. We continued to increase our footprint and added 80 new staffed outlets and 476 new ATMs, making banking more convenient for our clients. Client satisfaction metrics measured by Net Promoter Scores across the group are at multiyear highs. It was therefore pleasing to see Nedbank being externally recognised by *Euromoney* as the best bank in SA in 2012, following on from our winning the prestigious *FT/The Banker* award as Bank of the Year in SA for 2011.



Regulators

We remain aware of the importance of all regulators to our industry, especially in view of the regulatory issues many global banks are still dealing with. To be admired by our regulators has now been part of our vision for nearly a decade, and we continue to work well with all of them. We are glad to report that our capital levels are robust and that we were well positioned for the implementation of Basel III on 1 January 2013, with a pro forma common equity Tier 1 (CET1) ratio of 11,6% under Basel III. We are also on track for the Solvency Assessment and Management regime on 1 January 2015. Cash taxation contributions of R6,2bn relating to direct, indirect and other taxation, including PAYE on behalf of staff, were made. The strength of our balance sheet and franchise was recognised, with Fitch upgrading our credit rating in July 2012, although the five largest SA banks were downgraded in January 2013 following the downgrade of the SA sovereign rating.



Staff

We created over 450 new permanent jobs in SA as we expanded our reach at a time that many businesses locally and internationally were looking at large-scale retrenchments. We invested R352m in the development of our staff and more than 1 300 managers attended our personal mastery and team effectiveness Leading for Deep Green Programme in the period under review. Our multiyear focus on values-based behaviour has led to higher levels of staff morale and an ongoing positive shift in corporate culture, which now are at worldclass levels as measured by our Barrett Survey. We continued to focus on diversity at all levels in the organisation and in the review period 8 500 staffmembers participated in our Batho Pele Diversity Programme.



Shareholders

In 2012 the Nedbank Group share was the second best performer among the shares of the big four banks, having generated a 34,3% total shareholder return and a total dividend of 752 cents, which is up 24,3%. We have the exciting opportunity for shareholders to participate in the Africa growth story through our rights to acquire 20% in Ecobank Transnational Incorporated (ETI), with our combined operations creating the largest Pan-African banking footprint.



Communities

We continue to make banking more accessible and affordable for the entry-level market and rural communities, having identified numerous growth nodes in non-urban areas for expansion. We have invested R1,4bn to increase our staffed outlets and ATMs by over 44% and 75% respectively since 2009. From inception we have donated more than R200m to charities through our innovative card affinity programmes and in 2012 we contributed R116m to socioeconomic development. On the transformation side we achieved a Department of Trade and Industry (dti) code level 2 for the fourth consecutive year and were ranked first overall out of the top 50 JSE-listed companies in the *Financial Mail*/Empowerdex Top Empowered Companies survey. Our leadership role in environmental sustainability was demonstrated by initiatives such as the funding of a large percentage of SA's renewable-energy programme and the introduction of the Nedbank Green Savings Bond. We maintained our carbon-neutral status and received the *Financial Times* 2012 Sustainable Bank of the Year for Africa and the Middle East as well as African Business Environmental Sustainability in Africa 2012 award.

Chief Executive's Report (CONTINUED)

GROUP STRATEGIC FOCUS

Our strategic focus areas remain relevant and outward-looking, with a focus on growing the franchise and delivering on its key strategic initiatives of repositioning Nedbank Retail, growing non-interest revenue (NIR), implementing the portfolio tilt strategy and expanding into the rest of Africa.

Nedbank Retail is allocated 39,1% of the group's capital and its strategic repositioning will contribute significantly to the ongoing improvements in the group's performance. While endeavouring to leverage the early turnaround gains to achieve an ROE at or above the cost of equity (COE) of 13% by the end of 2013, a year ahead of the original 2014 target, the deteriorating credit health of consumers noted in the last quarter of 2012 could make this challenging to deliver. Continued excellent progress was made in positioning Nedbank Retail as a more client-centred and integrated business while maintaining growth momentum in the underlying businesses, growing the number and quality of clients, embedding effective risk management practices and strengthening balance sheet impairments.

Our NIR-to-expenses ratio target of > 85% is a key focus area as we continue to deliver good-quality annuity income through commission and fee growth from primary-client gains, volume growth, new innovative products and cross-sell. This should reduce the volatility of future earnings. We are also focused on disciplined expense management and resource optimisation, and in our Technology Division we enabled greater efficiencies, including the rationalisation of 20 banking systems and the reduction of our servers from 3 500 to 1 139 since 2009.

The portfolio tilt strategy continued to gain traction, enabling economic profit (EP) growth from R57m in 2009 to R1 511m in 2012. Excellent growth in commission and fee income of 13,7%, insurance income of 24,9%, assets under management of 34,1%, and deposits of 5,1%, while emphasising profitable secured lending, demonstrates the benefit of focusing on these strategically important EP-rich, lower-capital and liquidity-consuming activities.

In the short to medium term the group's primary focus on SA and the Southern African Development Community (SADC) area continues to benefit the group, as this region has the largest EP pool for financial services in sub-Saharan Africa. The rights to acquire a shareholding of up to 20% in ETI in less than two years create a path to provide a significant benefit for Nedbank clients in the rest of Africa and the opportunity for shareholders to gain access to the higher economic growth in the rest of Africa in a prudent yet substantive manner.

STRATEGIC DEVELOPMENTS

The consolidation of the high-net-worth offerings of BoE Private Clients and Fairbairn Private Bank under the new brand of Nedbank Private Wealth was completed and the newly constituted Nedbank Private Wealth launched in 2012. This signifies a step change in strategic direction for the high-net-worth segment through the consolidation of the various value propositions and brands into a single distinctive international high-net-worth business. This move eliminates previous confusion linked to multiple brands and enables Nedbank Private Wealth to leverage Nedbank's strong brand equity. Nedbank Private Wealth's existing and prospective clients, both in SA and internationally, now have access to an integrated wealth management solution that includes investments, banking, fiduciary services, insurance and philanthropy.

In 2011 we highlighted that early warning signals indicated a decline in the health of consumer credit. Our observations revealed an increased consumer demand for larger and longer unsecured loans, a deterioration in the number of clients in good credit standing and a steady increase in debt counselling applications. Through our risk management practices and wish to see increased consumer financial fitness, we continue to monitor these macro and micro indicators. We are of the view that the high industry growth rates in personal loans are masking the underlying level of distress in this market, as clients close to default can be 'cured' through debt consolidation mechanisms provided by the many players offering larger loan sizes and longer tenors. For this reason we have not changed the loan size and tenor maxima since 2009 and have increased conservatism in our impairment policies. We remain vigilant in respect of our risk appetite, ensuring quality granting of credit in line with a client's overall affordability and as part of a holistic value proposition that aims to improve overall financial fitness. The Nedbank Ke Yona banking offering is a good example of this.

In that spirit Nedbank launched the Ke Yona TV advert in mid-2011 that was broadcast in three languages and warned consumers 'not to take expensive loans that take forever to pay back'. We have formulated and implemented various initiatives to improve our debt review processes and practices. This forms part of our commitment to working with all our regulators, including the National Credit Regulator (NCR), to ensure a stable and sustainable credit industry in SA. We continue to support debt review dispute resolution forums such as the National Debt Mediation Association (NDMA) and Credit Ombud. As referred to in the Chairman's Report, Nedbank and other banks reached an agreement with various industry bodies to improve responsible lending and prevent households from being caught in a debt spiral. Together with members of The Banking Association SA (BASA), we are actively engaged in workstreams covering six key initiatives to refine lending practices and formulate appropriate debt relief measures for distressed borrowers.

BASEL III

Unlike delays experienced in Europe and the USA, Basel III has been successfully implemented in SA from 1 January 2013, and Nedbank is extremely well positioned, particularly with regard to the key capital, liquidity and leverage components. Our group CET1 capital adequacy ratio strengthened in 2012 under Basel II.5 from 10,5% to 11,4% and to 11,6% on a pro forma Basel III basis.

We reset our target capital adequacy ratio (CAR) range for CET1 under Basel III to 10,5% – 12,5% (Basel II: 7,5% – 9,0%) based on the final, fully phased-in 2019 Basel III set of minimum regulatory requirements, which constitutes a full through-the-cycle target range and includes a conservative management buffer and allowance for any potential Pillar 2B bank-specific South African Reserve Bank (SARB) add-on. Under Basel III we are already in the middle of our new target range, and approximately at the planned operating level, excluding any countercyclical capital buffer (CCB) add-on that may be introduced from 2016. The CCB is unlikely to be required in the foreseeable future, as we do not anticipate excess aggregate credit growth over the medium term.

In May 2012 the SARB announced that banks would be able to include cash reserves in the calculation of the liquidity coverage ratio (LCR) and that it would make available a committed liquidity facility (CLF) of up to 40% of the LCR requirements – on this basis we would be compliant with the Basel III LCR on a pro forma

basis at 31 December 2012. Amendments to the LCR announced by the Basel Committee on Banking Supervision on 6 January 2013 are likely to be adopted by the SA regulator. The revisions to the LCR will be beneficial for banks, with associated cost savings and more time to implement the LCR.

The Basel Committee also announced that work to revise the net stable funding ratio (NSFR) will commence in 2013 and span 12 to 24 months. The impact of NSFR compliance by SA and most banking industries worldwide would be punitive if the NSFR is implemented as currently set out in the draft requirements, significantly impacting both global and domestic economic growth and job creation. Structural constraints within SA financial markets will add further challenges to domestic compliance with the NSFR. The SARB and National Treasury, in conjunction with the financial services industry, are engaging proactively during the observation period prior to implementation in order to address any unintended consequences for SA and we expect that a fundamental revision and a pragmatic approach will be applied to the NSFR well in advance of its proposed implementation in 2018.

SA's banking system as a whole is less risky than many banking sectors elsewhere and has much lower leverage, and deleveraging is not a factor in SA.

MACROECONOMIC OUTLOOK

Despite a more promising start to many financial markets in 2013, there appears to be downside risk in most developed and many emerging-market economies, and forward visibility is limited.

SA's GDP is forecast to grow by 2,6% in 2013. Interest rates are likely to remain lower for longer and are expected to be unchanged through most of 2013.

Consumer indebtedness is anticipated to ease gradually, but still remains high in comparison with historical levels, particularly with 39-year-low interest rates and the changing mix, with the proportion of unsecured lending increasing. Combined with uncertainties around job security, this is expected to limit the growth in demand for housing and other secured loans. Industry growth rates in unsecured lending are unsustainable and are expected to continue to moderate. General uncertainty is likely to continue to affect the level of business confidence and contain capital expenditure and growth in wholesale assets in the private sector. Government and public corporations are forecast to escalate their infrastructure spending, which should contribute to improved wholesale advances growth.

MAKING PROGRESS TOWARDS OUR MEDIUM-TO-LONG-TERM TARGETS

The group's medium-to-long-term targets remain unchanged. Refer to regulators section on www.nedbankgroup.co.za with the exception of revised targets relating to capital adequacy and dividend cover following finalisation of the SARB guidelines on Basel III capital levels and the new dividend tax regime in SA announced during the year.

We have strongly growing and diverse annuity income streams, a long-term record of disciplined expense management, a sound funding base, improving asset quality trends, strong capital levels and stable management teams. These attributes, together with a multiyear focus on the importance of culture and values, position us well to continue to deliver to all our stakeholders in 2013 and to adapt to a volatile and challenging economic environment.

APPRECIATION

In this challenging operating environment from both a macroeconomic and regulatory perspective the leadership and guidance afforded to me by our Chairman, Reuel Khoza, are highly valued. I would like to thank him and my board colleagues for the guidance, oversight and governance provided. Your commitment and active participation in the group are invaluable.

It is a privilege to work with a high-performing and talented executive team that is aligned behind the vision and values of Nedbank. Together we have achieved a significant amount in the past three years and I thank you for your support and commitment in ensuring that the group continues to deliver across the social, economic, environmental and cultural pillars of sustainability as we build Africa's most admired bank.

Finally, thank you to all our clients for choosing to bank with Nedbank and to all our 28 000 people across the group in and outside SA for your hard work and loyalty. I look forward to your continued support in 2013 and beyond.



Mike Brown
Chief Executive

Chairman's Report

Dr Reuel J Khoza
Non-executive Chairman



Creating an enabling environment for our country to thrive

SA IS A YOUNG VIBRANT DEMOCRACY

As a country we have progressed in many areas since 1994. Gross domestic product per capita (in constant prices) has increased 31% to R36 908 and domestic fixed-capital formation from 16% to 19,3% of GDP, after reaching 24,5% just before the advent of the global economic recession. Access to services has improved, with 75,8% (1994: 58,2%) of the population having access to electricity, 94,5% (1994: 62%) to water and 82% (1994: 51%) to sanitation, while 11m people have been accommodated in formal housing.

We are blessed with a wealth of natural resources and have the most developed infrastructure and economy in the whole of Africa.

SA has good prospects for strong economic growth. It is important to have an environment enabling large and small business to flourish, to leverage our positioning in Africa to the full and to benefit further from a global economic upturn given our positioning in the agriculture, mining and manufacturing spheres.

Across the world 2012 was yet another difficult year for the global economy. Eurozone woes continued well into the year, with the region slipping back into recession, China's economy slowing and the US's fiscal problems hitting the headlines once again with the approaching 'fiscal cliff'. However, the year ended on a better note as some calm returned to bond markets in peripheral Europe, the US housing and labour markets showed promising signs of recovery and Chinese indicators started improving.

The SA economy grew slowly partly due to the subdued climate for exports but also due to various domestic constraints, including the infrastructure deficit, worsening labour relations, policy uncertainty and weak business confidence.

The recent sovereign bond rating downgrade by three of the international rating agencies – attributed to deteriorating global and local economic growth prospects and sociopolitical

stresses leading to a weaker business and investment climate – is a stark reminder of the importance of sound, consistent policies to address the challenges within our economy and society.

It is in this context that we welcome the formal endorsement of the National Development Plan (NDP) as the key platform from which to tackle unemployment, eradicate poverty and reduce inequality, and to provide the policy certainty that is so important. The NDP provides a powerful beckoning vision and a compelling blueprint for national action. In the NDP the nation has a rallying point, an impeccable forward driving force around which to align.

We fully embrace the NDP and encourage all stakeholders, and particularly business and labour, to work constructively with government in support of the NDP's objectives in our collective drive to deliver a better life for all, especially for the poor, youth and working class in our country.

The NDP must be undergirded by the public and private sector driving implementation in a manner that is imbued with compunction and probity and with an unrelenting bias for action and dedication to serve the national interest.

I strongly believe that, if leadership in the public and private sectors work together constructively, it can make a positive contribution towards creating a better life for all.

THE ROLE OF BANKS IN SOCIETY

The significant impact of unsound banking practices on the economic health of many countries around the world is a salutary reminder of the profound responsibilities banks have as custodians of nations' savings and as enablers of the efficient deployment of capital to lay the foundation for economic growth and job creation.

Our group has been growing the strength of its banking franchise by investing significantly in our own infrastructure, and by increasing the number of people we employ and the amounts we lend to our clients to better their lives at a personal and business level.

Since 2009, the pinnacle of the global crisis, we have increased the number of our staffed outlets by 48% to 1 071 and ATMs by 74% to 3 048, creating 1 700 new jobs in the process. We disbursed R144bn in additional loans in 2012 and the entry-level banking and youth markets gained 1,1m net new clients in the past three years, most of them new to formal banking.

We assist our clients in growing their businesses and create jobs through initiatives such as Small Business Friday™, in association with the National Small Business Chamber, through which we promote doing business with SMEs, while sponsoring entrepreneur market days and learner materials at schools, which in 2012 involved 29 000 learners in 44 junior schools.

Our commitment to substantive transformation is inextricably linked to our desire to be a bank for all, serving all communities, as demonstrated by our having been acknowledged independently as the third most transformed company on the JSE and the most transformed large company measured on all seven elements of the dti scorecard.

We continued to invest in our people through our management development programmes, skills training, mentoring and coaching. Since 2009 close to 6 500 staff have enhanced their leadership and business skills by participating in our various development programmes.

We are advocates of responsible banking and lending practices in the unsecured lending market, where our focus is on ensuring that credit is made available to enable people to improve their circumstances. In November 2012 the banking industry developed a policy framework, together with the National Treasury, The Banking Association SA (BASA), the South African Reserve Bank (SARB) and the Financial Services Board (FSB), to ensure responsible lending practices and prevent households from being caught in a debt spiral. We call on all participants in the financial services sector to join the banking industry in adopting these practices.

We have been reducing our own carbon footprint consistently over time and we were Africa's first and only carbon-neutral bank – we had to walk the road ourselves, at the same time helping our clients to fund a large share of SA's renewable-energy programme.

Nedbank is committed to contributing proactively to shaping a sustainable future for SA for the benefit of all its citizens through our growth strategies, and we have adopted a concept called the Fair Share 2030 initiatives. These initiatives align closely with the NDP, which describes a prosperous SA that has successfully addressed a series of critical socioeconomic challenges by 2030, having attained an optimal level of employment and savings and investment rates sufficient to meet its development objectives and having met a range of vitally important social and environmental objectives.

STRONG FOUNDATIONS IN PLACE

The World Economic Forum 2012/13 Competitiveness Report has once again confirmed the high standards that SA firms demonstrate in the efficacy of corporate boards and the strength of auditing and reporting standards (rated first in the world) as well as the protection of minority shareholders' interests and the soundness of banks (rated second).

The SA banking industry has further enhanced its historically strong reputation by weathering the global credit crisis, which can be attributed to the long-established sound and traditional banking practices adopted within a well-managed and well-regulated environment.

Strong governance and ethics are at the heart of our organisation and whose 'Vision led Values based' approach is fundamental to our strategy, as reflected in our vision to build Africa's most admired bank by our staff, clients, shareholders, regulators and communities. A commitment to sound governance and ethical behaviour behove our strategy and our business's leadership actions to be predicated on principles of morality.

It is incumbent on leadership to behave in a manner that is beyond reproach and to hold itself accountable to stakeholders.

Our Nedbank Group Ethics and Corporate Accountability Framework shapes our board's and management's approach to business in line with best-practice levels of governance. I refer you to our Governance and Ethics Review on page 140 of the 2012 Nedbank Group Integrated Report.

BOARD CHANGES

Alan Knott-Craig resigned as a non-executive director with effect from 24 February 2012. Professor Brian Figaji retired as a non-executive director of Nedbank Group and Nedbank Ltd during May 2012, following many years of playing a valuable role on the board and its various subcommittees. Wendy Lucas-Bull resigned as a non-executive director with effect from 5 November 2012.

I wish to express my and the board of directors' appreciation for the dedication, passion and expertise of Alan, Brian and Wendy in their directorship roles.

Ian Gladman, Strategy Director at our parent company Old Mutual plc, was appointed a non-executive director of Nedbank Group and Nedbank Ltd with effect from June 2012.

Gawie Nienaber retired as Group Company Secretary on 30 June 2012 on reaching the mandatory retirement age in terms of our normal retirement policy after a very distinguished career in the group. We wish Gawie well in the future and thank him for his outstanding contribution in this important role in the organisation. Thabani Jali was appointed to succeed Gawie as Group Company Secretary and Jackie Katzin was appointed Deputy Group Company Secretary of Nedbank Group and Nedbank Ltd.

Following these changes, the board comprises 15 directors - 12 of them non-executive and five of these classified as independent in terms of King III.

We have a rigorous succession process in place for boardmember appointments to ensure that the group is well positioned as regards the capacity of the board to be equipped with the necessary range of leadership and technical skills that are essential for them to lead our organisation.

OLD MUTUAL RELATIONSHIP

Nedbank Group is a material part of the Old Mutual Group and works constructively with all parts of the group to create value and unlock synergies.

AN ATTRACTIVE INVESTMENT CASE

The year 2012 has been a rewarding one for shareholders, with Nedbank Group delivering a total shareholder return of 34,3%. In a challenging environment we continue to offer qualities that we believe are attractive to investors and should support continued earnings growth. Key considerations include:

- ☐ continued delivery of our long-term growth-oriented strategy by expanding our footprint, growing our client base, launching innovative products and exploring growth opportunities in the rest of Africa;
- ☐ competitive franchises creating value and enhancing brand value:
 - a strong wholesale banking franchise generating high returns on equity
 - strong differentiated and decentralised business banking
 - innovative client-centred retail banking
 - a fast-growing wealth business with high returns on equity;

- a longer-term, risk-mitigated, capital-efficient strategy in the rest of Africa, with an unmatched Pan-African geographic footprint;
- a growth investment with protection on the downside, given the stable, sound banking sector in SA, the sustained cost-management culture, the sound risk management practices, a strong, well-capitalised balance sheet with a prudent funding structure, sound liquidity and well-diversified income streams;
- leadership in integrated sustainability, as companies that have integrated sustainability built into their strategies and operations have been proved to yield superior returns over the longer term;
- a stable and experienced management team; and
- high levels of staff morale and a values-based culture.

APPRECIATION

Thank you to my fellow directors for their contributions, insights and commitment to the affairs of the group. I am extremely pleased that we delivered strongly to all stakeholders in 2012 and congratulate Mike Brown and the Group Executive Committee.

We thank our staff for their contribution towards making 2012 a year of record earnings for Nedbank Group as they continually strive to exceed the expectations of our stakeholders.

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



Dr Reuel J Khoza
Chairman

2012 Recognition Received



BEST BANK IN SA 2012

Euromoney Awards for Excellence 2012

CMAT™ Assessment 2012



**SECOND HIGHEST CMAT™
SCORE OUT OF 900
COMPANIES GLOBALLY**

Nedbank Business Banking



SUSTAINABLE BANK OF THE YEAR FOR MIDDLE EAST AND AFRICA 2011

*Financial Times and International Finance
Corporation Awards 2012*



*Nkonki and Financial Mail 2012
Integrated Reporting Awards*

BEST INTEGRATED REPORT 2010 IN THE FINANCIAL SECTOR

*Mail & Guardian and
Southern African
Trust Investing in the
Future and Drivers of
Change Awards 2012*



CIVIL SOCIETY AWARD

*Nedbank-backed programme,
enke: Make Your Mark*



*Sake24
Economist of the
Year 2011*

**CHIEF
ECONOMIST,
DENNIS DYKES**



BEST SOUTH AFRICAN TRADE BANK

Nedbank Capital

Trade Finance Magazine's Global/EMEA
Awards for Excellence 2012



BEST CUSTODIAN IN AFRICA

Nedbank Corporate

Global Finance Award 2012



African Business Awards 2012

ENVIRONMENTAL SUSTAINABILITY IN AFRICA 2011



Chartered Secretaries and
JSE Awards 2012

MERIT AWARD BEST INTEGRATED REPORT 2011

2012 Morningstar
SA Fund Awards



THIRD OVERALL IN THE DOMESTIC FUND MANAGER CATEGORY

Nedgroup Investments

Plexcrowd Fund
Ratings 2012

NOMINATED AMONG THE TOP 3 LARGE FUND HOUSES IN SA

Nedgroup Investments

Professional Adviser
International Fund and
Product Awards 2012

BEST INTERNATIONAL WEALTH PROVIDER IN THE OFFSHORE FINANCIAL SERVICES INDUSTRY

Nedbank Private Wealth

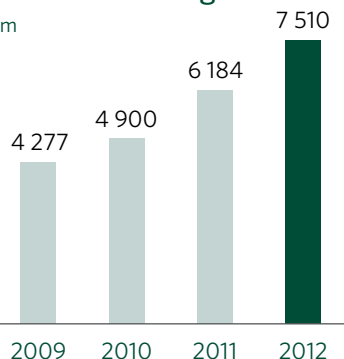
2012 Highlights

Making things happen for all stakeholders in a challenging economic environment.

Financial highlights

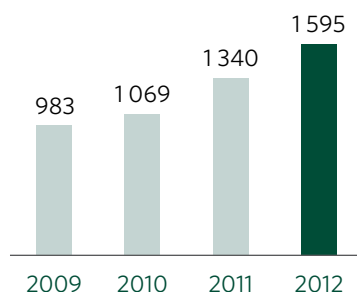
Headline earnings

Rm



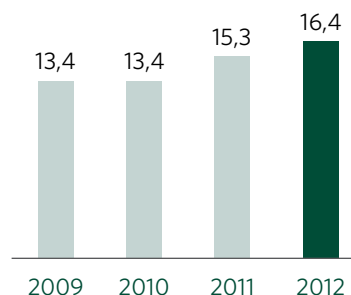
Diluted headline earnings per share

cents



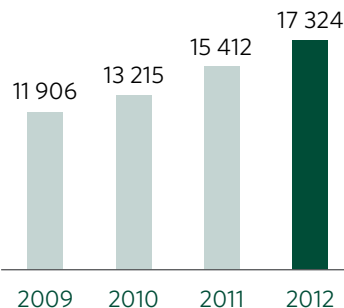
Return on equity (excluding goodwill)

%



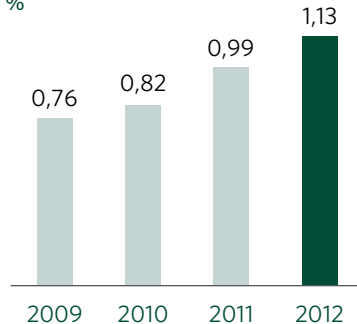
Non-interest revenue

Rm



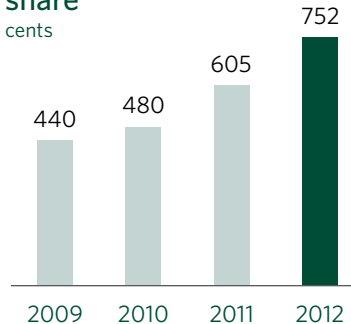
Return on assets

%



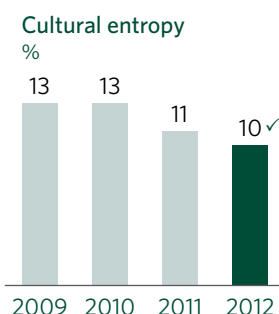
Ordinary dividend per share

cents



Non-financial highlights

Staff



Appointed 452 additional permanent employees

Cultural entropy level of 10% at worldclass levels

Continued high levels of staff morale

609 managers through business education and executive education training programmes

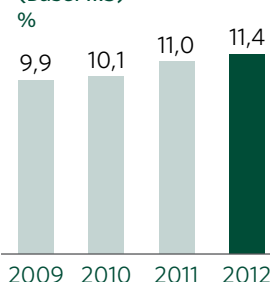
1 312 employees through Leading for Deep Green training programme

8 500 staff through diversity training programme

Regulators



Common equity tier 1 ratio (Basel II.5)



Clients



Grew total retail individual and small business clients by 655 841

R144bn new loans extended

80 new staffed outlets

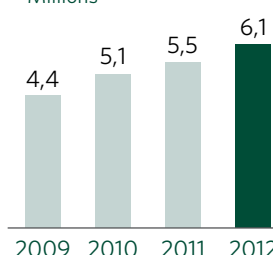
476 more ATMs

Client satisfaction scores at multiyear highs

Exciting innovations launched such as Nedbank App Suite™, Approve-it™, MyFinancialLife™, Small Business Friday and the home loan online application process

Euromoney's best bank in SA in 2012

Number of clients Millions



11,6% pro forma Basel III common equity ratio (CER) (or 11,4% Basel II.5)

Contributing to working groups on new regulation

Worldclass Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process maintained

Nedbank debt rating upgraded in July in line with peers by Fitch

R6,2bn total tax paid to SA government in direct, indirect and payroll taxes

Shareholders



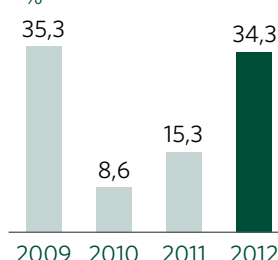
34,3% total shareholder return

Delivered R1 511m economic profit

Participate in Africa growth opportunity through rights to acquire 20% in Ecobank Transnational Incorporated

Continued recognition for leadership in transparent reporting

Total shareholder return %



Communities

Most transformed JSE Top 50 company under dti Codes

Achieved dti Code level 2 for fourth consecutive year

Contributed R116m to socioeconomic development

73% local procurement spend

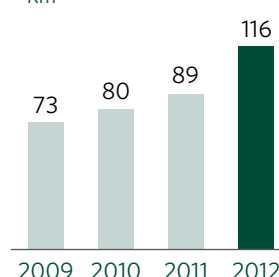
Maintained position as Africa's only carbon-neutral bank

Operational water consumption addressed through support of the WWF-SA Water Balance Programme

Financial Times 2012 Sustainable Bank of the Year Middle East and Africa

Official sponsor of the WWF Sustainable Agriculture Programme

Socioeconomic spend Rm



Performance highlights

		% change 2011 - 2012	2012
ECONOMIC			
Headline earnings	Rm	21,4	7 510
Income attributable to shareholders	Rm	20,8	7 476
Diluted earnings per share:			
- Headline	cents	19,0	1 595
- Basic	cents	18,4	1 588
Dividend declared per share	cents	24,3	752
Dividend cover	times		2,19
Net asset value	Rm	9,6	57 730
Tangible net asset value per share	cents	11,3	10 065
Net interest income (NII) to average interest-earning banking assets	%		3,53
Credit loss ratio - banking advances	%		1,05
Non-interest revenue (NIR) to total income	%		46,8
NIR to total operating expenses	%		84,4
Efficiency ratio	%		55,5
Group capital adequacy ratios:			
- Common Equity Tier 1	%		11,4*
- Tier 1	%		12,9*
- Total	%		14,9*
Total assets under administration	Rm	9,6	833 474
Total assets	Rm	5,4	682 979
Assets under management	Rm	34,1	150 495
Return on total assets	%		1,13
Return on ordinary shareholders' equity (ROE) (excluding goodwill)	%		16,4
ROE	%		14,8
Headline earnings	Rm		7 510
* Basel II.5			
** Basel II			
ENVIRONMENTAL			
Green star rated buildings			3
Carbon footprint per full-time employee	tCO ₂ e ¹	1,8	7,89
Offset through carbon emission reduction projects allowing buffer	tCO ₂ e ¹		240 000
Carbon status	tCO ₂ e ¹		neutral
SOCIAL			
Socioeconomic development spend ²	Rm	33,7	116
CULTURAL			
BEE credentials (dti)			level 2 [✓]
Barrett entropy	%		10 [✓]

¹ tCO₂e = tonnes of CO₂ equivalent.

² Includes community trust.

2011	2010	2009	2008
6 184	4 900	4 277	5 765
6 190	4 811	4 826	6 410
1 340	1 069	983	1 401
1 341	1 050	1 109	1 558
605	480	440	620
2,26	2,30	2,30	2,29
52 685	47 814	44 984	40 073
9 044	8 160	7 398	7 179
3,48	3,36*	3,39	3,66
1,13	1,36	1,52	1,17
46,1	44,3	42,2	39,9
81,5	79,6	78,8	78,1
56,6	55,7	53,5	51,1
11,0**	10,1**	9,9**	8,2**
12,6	11,7	11,5	9,6
15,3	15,0	14,9	12,4
760 358	711 288	657 907	651 404
648 127	608 718	570 703	567 023
112 231	102 570	87 204	84 381
0,99	0,82	0,76	1,09
15,3	13,4	13,4	17,7
13,6	11,8	11,8	20,1
6 184	4 900	4 277	5 765



2	1	-	-
7,74	8,25	8,77	-
240 000	220 000	220 000	-
neutral	neutral	neutral	-

89	80	73	67
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level 2	level 2	level 2	level 3
11	13	13	14



Group Strategy

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

Our vision

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

Deep Green aspirations

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

What makes us different and guides our long-term strategy?

Great at listening, understanding clients' needs and delivering

Our brand expression

MAKE
THINGS
HAPPEN



NEDBANK

Our eight strategic focus areas

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

Our scope of the game



A member of the
Old Mutual
Group



Banking
and selected
financial services



Bank for all



Southern Africa
focus with
selected African
expansion

Our values

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

OUR STRATEGIC FOCUS AREAS

We continued to make good progress in delivering on our strategic focus areas, supported by strong capital and liquidity. The 2012 annual results were again driven by the strength of the Nedbank franchise together with the momentum built in implementing our strategy.

Repositioning Retail

- Distinctive client-insight-led value propositions.
- Capturing the virtuous circle of household and business.
- Integrated channels strategy, including digital innovation, to accelerate growth across more micro markets, while optimising presence, systems and processes to cover costs.
- Effective risk management for quality asset portfolios and liabilities.
- Client-centred innovation.
- Collaborative, networked culture of trust.

Portfolio tilt

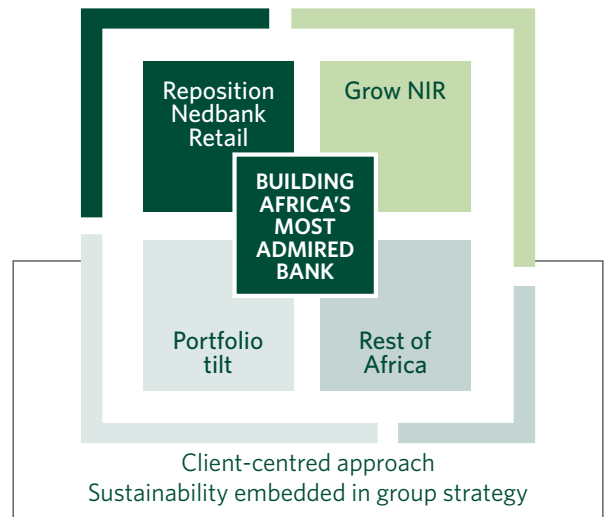
- Manage towards strategically important higher economic profit pools, optimising scarce resources, including capital and liquidity.
- Strategically positioning for Basel III.
- Grow faster: transactional banking/clients, deposits, wealth and asset, management, insurance, investment banking.
- Selective growth: unsecured lending, home loans, commercial property finance.

Client-centred approach

We have developed business-specific strategic initiatives aimed at delivering a choice of distinctive client-centred banking experiences consistently and seamlessly across and within clients' channels of choice (physical and digital). Our integrated-channels strategy, leveraging digital innovation, is a key enabler to delivering this experience at an optimal cost and mix of presence within each micro market. We expect the overall client experience to be evidenced by improved Net Promoter scores across the various businesses and continued increases in our digitally enabled client base.

Grow non-interest revenue

- Delivery across all clusters.
- Focus on quality annuity income through commission and fee growth.
- Sustained non-interest revenue (NIR) growth at over 10% for four years and strong cost management producing a positive jaws.
- Consistent progress toward > 85% NIR:expenses target ratio.



Rest of Africa

- Risk-mitigated, capital-efficient, long-term strategy.
- Building Nedbank's presence in the Southern African Development Community and East Africa.
- Partnership approach with Ecobank in West and Central Africa, with rights to acquire up to 20% from November 2013.
- Creating a banking network with geographic diversification.
- One-bank client experience across 36 countries.
- Continually evaluating investment opportunities to enter new markets within SADC.

Fulfilling our social purpose

Sustainable revenues depend on sustainable communities. As highlighted in our Chairman's Statement last year, 'Changing business practices both locally and internationally lead us to believe that the age of accountability has dawned as business starts to face its responsibilities to society and the environment.' In considering our role in the future of SA, we have realised that we need to get more involved in protecting the society, which provides the basis for our performance, and that we need to get involved through doing what we do best and most efficiently, which is lending capital to drive economic activity. Given the immense influence that banks have in directing flows of capital, we have considered deeply our ability to leverage change.

During 2012 we adopted a board-approved long-term vision that takes a position on SA attaining good economic, social and environmental outcomes. This is expressed in terms of eight goals

relating to job creation, access to energy services, water and sanitation, savings and investment levels, education and health as well as managing our carbon and water risk exposure. We contribute to these goals through four levers: core business, own operations, corporate social investment and advocacy. The goals are externally referenced, informed by science and by widely accepted societal aspirations as reflected in the SA government's National Development Plan 2030.

This framework is currently being embedded in the group, with each business cluster identifying new products, services and systems aligned with meeting the eight goals. We see the long-term vision and our response thereto, namely Fair Share 2030, as critical to becoming Africa's most admired bank. The initiative is underpinned by a firm belief that our long-term success is inextricably linked to our ability to fulfil our social purpose by delivering better outcomes for society. We will be engaging with our stakeholders as we progress our thinking.

Investment Case

The Nedbank investment proposition remains compelling. We offer an attractive growth strategy, supported by a strong balance sheet, and competitive value-creating franchises. Our longer-term risk-mitigated strategy in the rest of Africa is supported by an unmatched Pan-African footprint.

SOUND BANKING SYSTEM IN SA

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



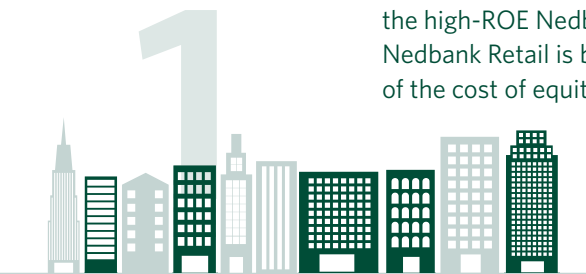
OPTIMISING RETURNS TO ALL STAKEHOLDERS

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

- 1 competitive franchises creating value and enhancing brand value;
- 2 continued delivery on the growth-oriented strategy;
- 3 being well positioned for a cyclical economic upturn, underpinned by operational and financial gearing;
- 4 defensive investment given the stable banking sector in SA; and
- 5 leadership in integrated sustainability.

Competitive franchises creating value and enhancing brand value

Our historical strength in wholesale banking is evident in the underlying businesses consistently delivering ROEs above 20%, which is a key driver of value creation, while the high-ROE Nedbank Wealth business is growing faster than industry trends and Nedbank Retail is building a sustainable retail banking business targeting returns ahead of the cost of equity in 2013.



Leader in corporate banking and commercial property finance

- Excellent client relationship and ratings.
- Strong market shares, particularly in commercial property finance as well as public sector loans.
- Opportunity to increase transactional banking market share.



Integrated, lower-risk-taking, investment banking

- Leadership and expertise in mining and resources, infrastructure, energy, telecommunications and oil and gas sectors, providing good growth opportunities in SA and rest of Africa.
- Integrated full-service investment banking model, combined with an ability to leverage client relationships in collaboration with other wholesale clusters.

Strong differentiated and decentralised business banking

- Globally best-in-class customer management practices.
- Excellent client-centred risk management capabilities.
- Strong deposit-generating franchise.
- Sustainably good returns despite low interest rates.



Innovative client-centred retail banking

- Strong growth drivers in place – evident in significant new-client gains, investment in new outlets, ATMs, new products leading to strong MR gains.
- Building a more client-centred integrated business with strong product lines, eg vehicle finance and card acquiring.
- Effective risk management practices embedded, removing excessive credit loss ratio volatility of past cycles.



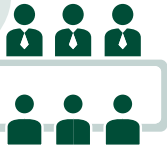
Fast-growing wealth business with high ROEs

- Significant insurance opportunity in penetrating the Nedbank client base and benefiting from various new-product launches.
- Unique Best of Breed™ asset manager generating strong growth in assets under management.
- Newly launched Nedbank Private Wealth brand, supporting a leading high-net-worth franchise.

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

- Providing clients with access to 36 countries across Africa.
- Rights to acquire up to 20% in Ecobank Transnational Incorporated.
- Exploring expansion into the Southern African Development Community and East Africa, where gross domestic product is expected to grow much faster than in SA, even though economic returns in financial services are still below cost of capital in the medium term.

2 Continued delivery on the growth-oriented strategy



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

3 Positioned for a cyclical economic upturn on the back of operational and financial gearing

- Operational and financial gearing benefits should enable us to deliver improved profitability ratios.
- Endowment income upside will be unlocked when interest rates increase (a 1% parallel change in interest rates increases pretax earnings through endowment by approximately R813m).

4 Defensive investment given the stable banking sector in SA

- We have a strong, sustained cost management culture, with the existing strategy favouring an investment-for-growth focus while we remain cautious in the current uncertain economic environment;
- Risk and capital management are embedded in our culture, aimed at creating a strong, stable and economically sustainable organisation. Credit impairment coverage ratios are among the highest in the industry;
- We have a strong common equity tier 1 capital adequacy ratio at 11,6% on a Basel III basis, with sound funding and liquidity ratios that are in line with those of domestic peers;
- Earnings streams are well diversified, with no cluster contributing more than 34% for headline earnings to the group; and
- Attractive revised lower dividend cover range of 1,75 – 2,25 times.

5 Leadership in integrated sustainability

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



Economic

Growth is expected to continue in 2013, despite a challenging macro environment, building on the earnings momentum created in 2012 and the focus and success of the delivery on our strategic growth initiatives.



Environmental

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



Cultural

In 2012 we demonstrated a proven organisational capability to succeed in challenging economic times. A culture of governance, compliance and sustainability is evident in the comprehensive controls and processes integrated throughout the business. Since 2004 positive shifts in staff morale as well as a strong positive move towards a resilient high-performance culture have been evident.

Our stable and skilled management team remains among the most experienced and transformed in the SA banking sector. Group Executive Committee members have an average tenure of 13 years with Nedbank Group and on average more than 22 years' industry and functional experience. The average tenure for the cluster executive members is 11,75 years for the 110 members.



Social

Our continued contribution to socioeconomic growth and development remains a key focus for the group. This includes skills development; responsible access to finance and financial literacy; lending to enable healthcare, housing and education, enterprise development; community upliftment; economic empowerment and preferential procurement.

Stakeholder Overview

Building Africa's most admired bank by delivering sustainably to all stakeholders.

STAFF

Great place to work



Reasons for engagement

To ensure that we remain an employer of choice by providing a safe and inspiring working environment.

To understand and respond to the needs and concerns of our staffmembers.

To provide all staff with strategic direction and pertinent information regarding group activities.

Types of engagement

A robust combination of face-to-face, written and broadcast communications. These included culture and engagement surveys, roadshows, emails, intranet communications, data casting, magazines and relevant training.



Feedback received

'There are so many positives in terms of Nedbank being a great place to work. The ethics, respect and the deep green aspirations are publicly expressed and self-development is up to each individual - the opportunities are there for the taking!'

Nedbank staffmember



Seeing the results

- ☐ Created 452 additional jobs in SA
- ☐ R352m development spend
- ☐ Positive shift in corporate culture to worldclass levels
- ☐ Continued high levels of staff moral

CLIENTS

Great place to bank



Reasons for engagement

To gain a better understanding of the financial services needs of our clients and their perceptions, behaviour, attitudes and mindsets.

To provide appropriate advice and solutions to meet our clients' identified financial needs.

To ensure that the high service level expectancies of all our clients are met.

To ensure accuracy of personal information.

Types of engagement

Interactions through branch outlets, relationship managers and call centres, complaint lines, client seminars, social media, surveys and marketing and advertising activities.



Feedback received

'Nedbank staffmembers have been attending to our request to move our business over to Nedbank. Our requests are handled timeously, with interest shown in our business and its needs. The solutions they are building will not only favour our business, but also the personal accounts of the directors and staff.'

Business Banking client



Seeing the results

- ☐ Grew total retail individual and small business clients by 655 841
- ☐ Payout of R144bn new loans
- ☐ 80 new outlets and 476 ATMs
- ☐ Strong client gains - now above 6,1m
- ☐ Market-leading innovations
- ☐ Majority of Net Promoter Scores at multiyear highs
- ☐ Euromoney's best bank in SA for 2012

SHAREHOLDERS

Great place to invest



Reasons for engagement

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



Feedback received

'Nedbank is delivering on its strategic focus areas – Retail repositioning, NIR growth and portfolio tilt.'



Seeing the results

- ☐ Economic profit up 63,5%
- ☐ Total shareholder return of 34,3%
- ☐ Dividend of 752 cents, up 24,3%
- ☐ Rights to 20% in Ecobank Transnational Incorporated in Rest of Africa

Types of engagement

Local and international roadshows.

Ad hoc communications and answering investor and analyst questions.

Annual general meeting and other investor meetings.

Conferences and presentations.

Securities Exchange News Service (SENS) announcements.

Media releases.

Investment analyst briefings.

Feedback via broker reports and the corporate website.

Detailed information on all published documents to ensure full disclosure of relevant information.

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

REGULATORS

Worldclass at managing risk



Reasons for engagement

To maintain open, honest and transparent relationships with regulators and ensure compliance with their legal and regulatory requirements, thereby retaining our various operating licences and minimising our operational risk.



Feedback received

'Other than normal housekeeping issues, no major concerns were raised by the SARB Banking Supervision Department (BSD) during 2012.'

'No issues of significance were raised by regulators in the countries in which Nedbank foreign subsidiaries operate.'

Types of engagement

These include various forums, from trilateral meetings with the board and management including one-on-one discussions with various executive officials at prudential meetings and onsite meetings.



Seeing the results

- ☐ Strong capital and liquidity ratios
- ☐ Commitment to responsible banking practices
- ☐ One of SA's largest taxpayers: R6,2bn in direct, indirect and payroll taxes

COMMUNITIES

Highly involved in the community and environment



Reasons for engagement

To create partnerships that will best facilitate our integrated sustainability activities.

To obtain input from communities and representative non-governmental organisations (NGOs) regarding key focus areas.

To obtain input from environmental experts to ensure that our operations are environmentally responsible.

To create awareness of our integrated sustainability commitment and initiatives.



Feedback received

'I'm happy to see Nedbank T-shirts here, because they are doing a lot of positive stuff in education.'

Enver Surty, Deputy Minister of Education

Types of engagement

Nedbank Foundation – ongoing support of projects and interaction with a wide variety of non-profit and governmental organisations.

Environmental/Sustainability partnerships with the World Wide Fund for Nature SA, Cambridge Programme for Sustainability Leadership, Sustainability Institute and the United Nations Environment Programme Finance Initiative (UNEP FI).



Seeing the results

- ☐ More affordable and accessible banking
- ☐ Most transformed JSE Top 50 company
- ☐ Level 2 dti contributor for fourth year
- ☐ R116m spent on socioeconomic development
- ☐ Africa's only carbon-neutral bank
- ☐ FT sustainable Bank of the Year: Africa and Middle East
- ☐ Local procurement amounted to 73% of total spend in 2012



Staff

REVIEW OF 2012

In 2012 we improved our cultural sustainability performance as measured by non-financial key performance indicators. This was a direct result of our cultural sustainability focus of delivering on our strategic objectives. The performance scorecard below reflects the most significant performance indicators for the period under review.

2012 Objective	Making things happen in 2012	2012 Scorecard
Client-centred culture	<p>The entropy results of the Nedbank culture (Barrett) survey in 2012 improved, with the overall entropy (extent of dissonance in an organisation) score decreasing from 11% in 2011 to 10%✓. This indicates that Nedbank is within the range of a worldclass organisational culture, which is 10% and lower in terms of this measure. The number of aligned values is also important as it illustrates the degree to which employees believe the organisation is on the right track. In 2012 there were five✓ matches. While this is a decline on the six achieved in 2011, it remains within the four-to-six range indicating that staff have a strong level of confidence in the current direction of the organisation.</p> <p>The year 2012 saw a significant improvement in the Nedbank Staff Survey result, from 74,4% in 2011 to 76,2%✓. Statistically significant improvements were attained on eight of the 12 dimensions.</p> <p>The Hewitt Engagement score improved to 71%✓ (2011: 63%). This saw the Nedbank Group returning to the 'high performance' range. This indicates that employees are highly engaged.</p> <p>In 2012 the Net Promoter Score (NPS) was introduced to measure employee advocacy levels of Nedbank as a great place to work and bank. Scores indicated that Nedbank Group has a high percentage of employees who are promoters of Nedbank being a great place to work and bank.</p>	
Personal and team leadership effectiveness through the LFDG programme	The LFDG programme gained further momentum in 2012. During 2012 altogether 1312 (2011: 656) managers attended the programme, surpassing the target of 1000 managers set for 2012.	
Integrated Talent Framework – ie succession planning, talent acquisition, workforce planning and employee value proposition	<p>An integrated talent framework was developed to provide line managers with an end-to-end view of the talent management process. Aligned to this, a series of tools have been developed to guide managers in managing talent effectively.</p> <p>Employees' views on the Nedbank employee value proposition (EVP) were obtained through three workshops. This feedback will form the basis of a revitalisation of the EVP. In addition, key integration points of the EVP and the client value proposition (CVP) have been identified.</p>	
Functional expertise in prioritised job roles	<p>During 2012 the Nedbank Academies gained significant momentum within the Human Resources, Risk and Leader/Manager Academy pilots.</p> <p>We reached 12,59 points on the skills development pillar of the dti scorecard out of a maximum of 15 points. This places Nedbank in a leading position based on the 2012 <i>Financial Mail</i> Most Empowered Companies Survey.</p>	
Accelerate transformation	<p>Overachieved on the target with 3,43% of Nedbank employees declaring their disabilities.</p> <p>Attained a score of 10,71 points in employment equity against the increased adjusted targets effective from 2012.</p>	



TARGETS FOR 2013

- ☐ People with disabilities target: 3,02%, with 1,65% being black
- ☐ EE black senior management target: 35,64%
- ☐ EE black middle management target: 56,00%
- ☐ EE black junior management target: 81,38%
- ☐ LFDG workshops target: 110

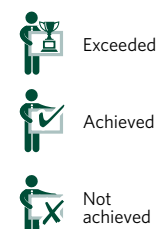


2012 Objective	Making things happen in 2012	2012 Scorecard
Nedbank Group reward strategy	<p>A review of the group's reward strategy commenced in 2012. The aim is to ensure that the strategy remains fit for purpose, is commercially sensible and enables the attraction and retention of key talent for the organisation.</p> <p>Additional areas of focus included:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Remaining compliant with the evolving financial services remuneration governance requirements. <input type="checkbox"/> Maintaining appropriate interaction between the Group Remuneration Committee and the Group Risk and Capital Management Committee. <input type="checkbox"/> Reviewing our approach to variable remuneration in the context of prudent risk-taking and evolving best practice. <input type="checkbox"/> Balancing the demand for remuneration adjustments, while maintaining job security in challenging economic conditions. <input type="checkbox"/> Concluding an independent review of the implementation of our reward policy. 	

OBJECTIVES FOR 2013 AND BEYOND

- ☐ Driving transformation to create a diverse workforce in an inclusive environment.
- ☐ Development and retention of key black talent to create bench strength for senior black managers through recruitment, retention and accelerated development.
- ☐ Continued enabling of a unique, innovative and client-centred culture through the development of a long-term employee engagement strategy with the aim of activating Nedbank brand ambassadors to enhance the client experience.
- ☐ Ongoing building of personal and team leadership effectiveness through the Leading for Deep Green (LFDG) programme.
- ☐ Embedding the Integrated Talent Framework - including succession planning and talent acquisition, together with revitalising the EVP.
- ☐ Reviewing and enhancing the Nedbank reward, performance and benefits strategies in support of a differentiated employee proposition.
- ☐ Creating a learning organisation to support employee development and the achievement of business objectives.
- ☐ Building functional expertise in prioritised job roles through job-family-related learning academies.

HOT TOPICS	RESULTING DEVELOPMENTS
Strength of personal relationships across the group to leverage growth opportunities	Transformation dialogues, diversity training and the LFDG programme have all aided in addressing this concern.
Growth and development, including mentoring for young employees	<p>In addition to the Nedbank Graduate Programme and learnerships, the Coaching for Growth Programme was rolled out further and Nedbank academies were implemented.</p> <p>A total of 14 new internal coaches are being accredited through the International Coaching Federation (ICF) to assist with the further development of staff.</p>
Gender advancement	<p>We remain focused on gender equity and advancement of women in the workplace.</p> <p>Numerous initiatives, including sessions with our female senior managers and some high-potential middle managers were held so that we can better understand the challenges facing women wishing to advance into more senior roles.</p>
Work/home life balance	We have seen an increase in the uptake in flexiwork practices, Wellness Days were implemented to raise awareness of the importance of a healthy lifestyle and work/life balance.
Focus on Innovation	A formal idea generation platform incorporating social media principles was introduced for staff. In 2012 almost 1 400 ideas relating to innovation were logged and are now part of a formal innovation pipeline.
Strategic communication	A staff website was launched for our Chief Executive, Mike Brown, in order to increase strategic communication with employees. Face-to-face sessions with the group executive were also held and roadshows in the regions.
Retirement Planning Assistance	Retirement Planning Programme was implemented to address this important lifestage.





Clients

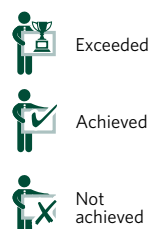
REVIEW OF 2012

Nedbank's Deep Green aspiration to become a great place to bank continued to drive a 'client first' mindset across all areas of the bank. Delivering distinctive client-centred banking experiences and the ability to delight clients in every interaction with the brand remain fundamental to our growth and sustainability.

Over time all of the client-facing clusters have developed a deep understanding of their clients' needs and life stages and are delivering a choice of distinctive, client-centred offerings. The year 2012 saw the development of a number of new and refined value propositions (namely the Nedbank 4me youth offering, Personal Relationship Banking and SimplyBiz), the launch of new products (eg the Nedbank Green Savings Bond, MyFinancialLife™, MoneyTrader and JustSave), channel innovation (eg the Nedbank App Suite™ branch-of-the future concept and enhanced self-service capabilities) and refinement of processes (eg Approve-it™ and account opening in branch).

All of these contributed towards enhanced client-satisfaction metrics, increased brand strength and growth in the client base.

2012 Objective	Making things happen in 2012	2012 Scorecard
Reposition Nedbank Retail	<p>In line with its strategy to provide a choice of distinctive, client-centred banking experiences for all in SA, Nedbank Retail continued to develop segment-specific solutions, successfully launching the Nedbank 4me youth offering and revitalising the SimplyBiz platform for small business in 2012. Developing and consistently investing in distinctive CVPs such as Nedbank Savvy (for middle-market banking), Nedbank Ke Yona (for entry-level banking) and Retail Relationship Banking (for the 'I know you' client experience) – all of which are changing perceptions of Nedbank as well as improving the actual client experience and underlying product usage. The aspirational Nedbank brand is increasingly more accessible and relevant to all in SA, with a 74% increase in new entry-level banking clients including youths, from 67%.</p> <p>The global Customer Management Assessment Tool (CMAT™) score of 58% in 2012 was above the industry average for retail businesses, up from 44% in 2008. This increase maintains the momentum generated in the previous year and confirms a real step change when compared with the period 2008 to 2010.</p> <p>Further details are included under Nedbank Retail's review of 2012 in the 'Business Overview' section.</p>	
Ramp up Nedbank Wealth	<p>In Nedbank Wealth the consolidation of the high-net-worth offerings of BoE Private Clients and Fairbairn Private Bank under the new brand of Nedbank Private Wealth was completed and launched in 2012. The introduction of Nedbank Private Wealth signifies a step change in the strategic direction for the high-net-worth segment by consolidating the various value propositions and brands into a single distinctive international high-net-worth business.</p> <p>Asset Management delivered excellent fund performance across all ranges and continued to attract strong net inflows both locally and internationally.</p> <p>Insurance delivered good growth across traditional and new products, including credit life, single-premium investments, funeral and simple savings solutions as well as the niche motor vehicle value-added range. Significant progress has been made on initiatives to align distribution and marketing efforts of the life and short-term insurance offerings so as to create a single, client-centred Nedbank insurance experience.</p>	

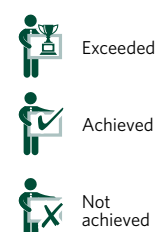




TARGETS FOR 2013

- ☐ Retaining and growing primary-banked clients and increase share of wallet, emphasising portfolio tilt
- ☐ Ongoing repositioning of Nedbank Retail
- ☐ Becoming the leader in business banking for SA
- ☐ Becoming the public sector bank of choice
- ☐ Continuing as one of the top two wholesale banks
- ☐ Ramping up the wealth management, asset management and insurance businesses



2012 Objective	Making things happen in 2012	2012 Scorecard
Retain the group's leadership position in wholesale banking	<p>We maintained the largest property finance market share among banks in SA at 30,4%, while ensuring a high-quality portfolio.</p> <p>Nedbank Corporate maintained strong market share of 12,8% of private sector other loans (excluding foreign currency loans) and 30,2% of public sector loans.</p>	
Leader in business banking for SA	<p>Nedbank Business Banking continued to invest in its client management capabilities, and significantly increased its CMAT™ score in 2012, making it the second highest CMAT™ score ever from any sector out of 900 companies assessed globally.</p> <p>Client satisfaction metrics have increased significantly in 2012 and are at a long-time high, following consistent investments in strengthening the service culture, enhancing people effectiveness and delivering through the localised client service teams.</p>	
Grow primary-client status and transactional income streams	<p>Nedbank Retail grew its total clients by 655 841 and its number of primary clients by 150 720✓, and improved the quality of revenue per client.</p> <p>Nedbank Business Banking delivered strong net primary-banked client gains of 775✓, with the rate of gain having increased by over 70% since 2009.</p> <p>Nedbank Corporate grew primary clients, continuing the momentum gained over the past three years.</p>	
Expand the Group's distribution footprint	<p>Significant investment was made to expand our distribution footprint with an additional 80 staffed points of presence and 476 ATMs. We implemented an integrated-channel strategy to deliver a seamless client experience leveraging digital innovations, and to support high-growth-potential micro markets and area collaboration.</p>	
Improve the Group's positioning in the public sector	<p>Nedbank Group participated in the majority of public sector business tenders during 2012 and was once again appointed primary banker to the Western Cape Government for a further five years until 2017. The business retained its share of public sector liabilities. Feedback from various levels of government has indicated that we are well recognised as a reliable partner to the public sector.</p>	



2012 Objective	Making things happen in 2012	2012 Scorecard
Improve service levels to worldclass standards	<p>Besides participating in a number of annual industry surveys, Nedbank Group commissions its own ongoing client research. The main metric common to the majority of the bank is the Net Promoter Score (NPS), which is used both as a measure of the overall health of client relationships and as a behavioural driver seeking to enhance client loyalty and organic growth. All businesses in Nedbank Group for which NPS is tracked have seen further improvements in their scores in 2012.</p> <p>Nedbank Retail and Nedbank Business Banking commission other benchmarking studies to measure customer management capabilities and resulting customer satisfaction. On this basis Nedbank's NPS in 2012 compares favourably✓ with local banks and the CMAT™ scores demonstrate significant progress across all elements of customer management.</p> <p>Nedbank Corporate's NPS score has increased in excess of 10%✓ over the past two years.</p> <p>This research, complemented by relevant focus group discussions and one-on-one client interviews, serves to deepen understanding of the customer experience and inform required actions.</p> <p>We are supporting the newly introduced consumer protection programme – Treating Customers Fairly. It was introduced by the National Treasury and is being driven by the Financial Services Board. The programme aims to improved customer confidence through the supply of appropriate products and services and to enhance transparency and discipline in the industry. The programme aligns with our current client-centric ethos and code of conduct. We anticipate that the additional focus this programme brings to client imperatives will further enhance client trust and service levels. For further detail please refer to 2012 Nedbank Group Integrated Report.</p> <p>In the spirit of ensuring accurate and relevant client advice, our 2012 FAIS pass rate is 91%✓. This compares favourably with the October 2012 industry average of 84%.</p> <p>The Hackett Group benchmark of Nedbank Group's information technology (IT) capability against peer group and worldclass organisations was last conducted at the end of 2011. A strong set of results positioned Nedbank Group IT within the first quartile✓ (deemed 'worldclass' by Hackett) in terms of effectiveness and in the upper second quartile (just below 'worldclass') in terms of efficiency.</p> <p>Overall, 2012 was a pleasing year from a systems availability perspective. The group measures the overall uptime of its major infrastructural platforms as well as its most critical application systems, and the blended uptime score for both infrastructure and applications was 99,88%✓ versus a target of 99,70%. It is important to note that this was achieved against a record number of complex changes deployed in the IT environment.</p> <p>While we are fully committed to meeting our client's needs, they are able to approach the Ombudsman for Banking Services in cases where we are unable to resolve an issue to their satisfaction. The number of cases opened against us dropped again in 2012 and 648✓ (2011: 683) Nedbank Group-related cases were opened and 659✓ closed (2011: 663). Some 30%✓ of cases opened relate to ATM disputes and in the main these have to do with some form of cloning.</p>	
Selectively expand into Africa and leverage the Ecobank-Nedbank Alliance	<p>The group continued to build on the initial foundations of the Ecobank-Nedbank Alliance, with a number of major achievements during 2012. Various banking initiatives were implemented that align with the vision of providing clients with a one-bank experience across the African continent. These included the enabling of Ecobank regional cards on Nedbank ATMs in SA. Revenue is being generated as a result of an effective client engagement approach supported by streamlined operational processing. Client activity in sub-Saharan Africa increased significantly during 2012 and is reflected in the increased pipeline, transactional revenue and account openings that have been recorded across the business clusters.</p> <p>Nedbank Corporate made strides into Africa by leveraging the Ecobank alliance to provide Africa-destined clients with banking on the ground and participated in lending opportunities in Ghana, Nigeria and Zambia.</p>	



STRATEGIC FOCUS AREAS AND OBJECTIVES FOR 2013 AND BEYOND

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

DATA PROTECTION AND PRIVACY

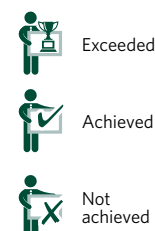
Nedbank Group subscribes to the Code of Banking Practice of The Banking Association SA and complies with the Consumer Protection Act and the Protection of Information Act, all of which require that all personal client information be treated as private and confidential. The group is further committed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

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

RESPONSIBLE PRODUCT/INFORMATION LABELLING

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

HOT TOPICS	RESULTING DEVELOPMENTS
Holistic understanding of clients' businesses	<p>We actively match the skills of our bankers to client needs.</p> <p>We ensure that our clients have access to specialists when needed.</p> <p>Significant investment is made in training of our people.</p> <p>This is executive oversight of client relationships.</p>
Multiple brands in the high-net-worth segment	The high-net-worth brands have been consolidated into a single distinctive international proposition: Nedbank Private Wealth.
Seamless wealth management solutions	Nedbank Private Wealth clients, both in SA and internationally, now have access to enhanced and integrated wealth management solutions.
Turn-around times on lending decisions	We have significantly streamlined our credit processes to make decisions faster while maintaining the integrity and diligence of the process.
Onboarding process and take up of new products	<p>We have simplified the client onboarding process including the prepopulation of forms, and where required we ensure regional coordination.</p> <p>We undertook biometrics, Paperless Signature pad and Verifone functionality has been deployed and rolled out to all branches in 2012.</p> <p>Contact centre rationalisation of more than 513 numbers for clients to access our contact centre services and have simplified the call routing process.</p>
Access to working capital requirements for small to medium enterprises	We launched a new client value proposition including preassessed credit facilities.
Banking fees	We strive to provide great-value banking and have saved clients R163m through promoting the use of bundled products.





Shareholders

REVIEW OF 2012

- During 2012 Nedbank Group delivered to shareholders in multiple ways:
 - Total shareholder return of 34,3%.
 - Increase in price to tangible book value for the year from 1,6 times to 2,0 times.
 - Second-best-performing large bank on the JSE Ltd.
 - Economic profit up 63,5% to R1 511m underpinned by good revenue growth, an improving credit loss ratio and responsible expense management while investing for growth.
 - Total dividend of 752 cents, up 24,3%.
- Leadership in transparent stakeholder reporting was maintained.

STRATEGIC FOCUS AREAS FOR 2013

- Further progressing towards meeting the medium-to-long-term financial targets.
- Delivering on our strategic focus areas (refer to client section on www.nedbankgroup.co.za).
 - Reposition Nedbank Retail.
 - Grow NIR.
 - Portfolio tilt.
 - Rest of Africa.

Metric	2012		Medium-to-long-term target	2013 Outlook vs 2012
ROE ¹ (excluding goodwill)	16,4%	✗	5% above COE ²	Improving, remaining below target.
Diluted HEPS ³ growth	19,0%	✓	≥ CPIX ⁴ + GDP ⁵ growth + 5%	Meeting target.
Credit loss ratio	1,05%	✗	0,60% - 1,00%	Improving into upper end of target.
NIR ⁶ : expenses	84,4%	✗	> 85%	Improving to meet the target.
Efficiency ratio	55,5%	✗	< 50%	Improving, remaining above target.
Core Tier 1 CAR ⁷	Basel III 11,6%	✓	Basel III basis (new): 10,5% - 12,5%	Strengthening, remaining around mid-point of new target.
Tier 1 CAR ⁷	13,1%		11,5% - 13,0%	
Total CAR ⁷	15,1%		14,0% - 15,0%	
Economic capital	✓	✓	ICAAP ⁸ A debt rating (including 10% capital buffer)	
Dividend cover	2,19 times	✓	1,75 to 2,25 times (new)	



¹ Return on equity.

² Cost of equity.

³ Headline earnings per share.

⁴ Consumer price index excluding mortgage bond interest cost.

⁵ Gross domestic product.

⁶ Non-interest revenue.

⁷ Capital adequacy ratio.

⁸ Internal Capital Adequacy Assessment Process.

CHALLENGES IN DELIVERING ON OBJECTIVES IN 2012

- Weak global economic environment resulting in SA's low GDP growth of 2,5% for 2012 compared with 3,1% in 2011.
- A 50 basis point interest rate cut in July 2012 led to endowment income pressure.

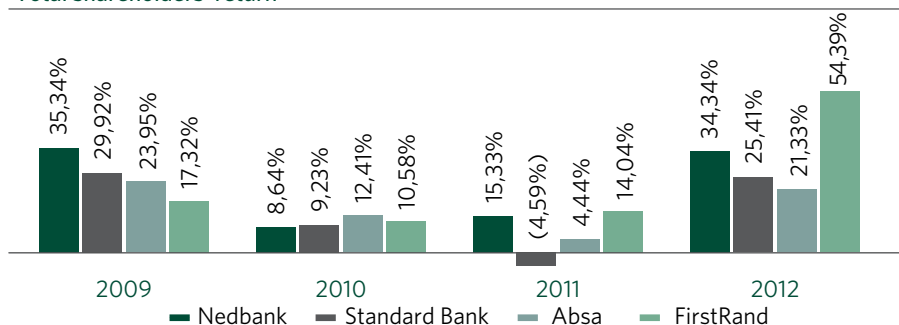
- Muted advances growth:
 - consumer debt to disposable income remains high at 75%; and
 - lack of business confidence reflected in purchasing managers' index of 47,4 (2011: December 50,3).

We believe that, based on our current economic outlook, we will continue to make progressing in delivering on these medium-to-long-term financial targets in 2013.

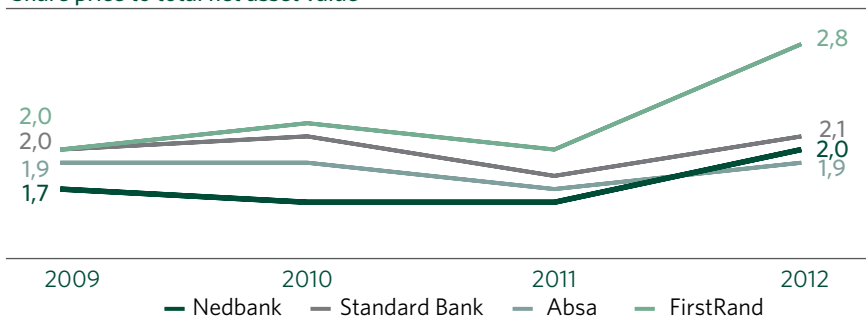
✓ Achieved

✗ Not achieved

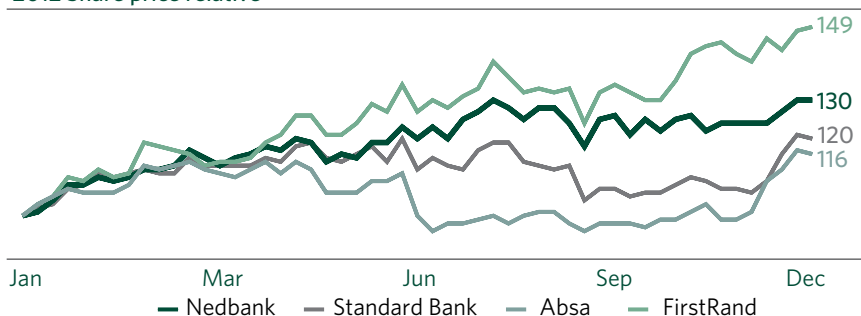
Total shareholders' return



Share price to total net asset value



2012 Share price relative



HOT TOPICS

Unsecured lending

RESULTING DEVELOPMENTS

Personal loan book growth slowed down in H2 2012.

The portfolio impairment charge strengthened.

Selective risk-based origination enabled our client's financial fitness.

Bank fees

We kept increases below inflation.

We provided bundled benefits for clients (R163m in 2012).

We simplified pricing and communication.

Impact of deteriorating environment

We managed our expenses well, with growth at 8,5% (2011: 14%).

Increased portfolio impairment charge and strengthened coverage.

Capital ratios and liquidity positioning strengthened.

Progress on Nedbank Retail

Refer to <http://www.nedbankgroup.co.za/divisionNedbankRetailBusiness.asp>

We gained a significant amount of new clients, achieved higher cross-sell ratios, continued investment in the footprint, introduced new innovative CVPs and products, and continued proactive risk management.

Potential for further return on equity

Improvements were experienced across all key performance indicators.

A sustainable approach was maintained by continuing to invest for future growth and strengthening the balance sheet.



Regulators

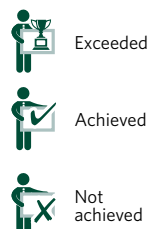
REVIEW OF 2012

Included in Nedbank Group's vision is to be highly regarded by its regulators. Nedbank Group's primary regulator is the Bank Supervision Department of the SARB. The SARB is highly rated internationally as a regulator, especially following SA's successful navigation through the global financial crisis. The World Economic Forum's competitiveness report of 2012 ranked SA as number two in the category 'Soundness of Banks' and number one in the category 'Strength of Auditing and Reporting Standards'.

Other important regulators with whom Nedbank Group interacts frequently include JSE Ltd (the JSE), the Financial Services Board (FSB), the Financial Intelligence Centre (FIC), the National Credit Regulator (NCR), the Consumer Protection Regulator (CPA), regulators in the countries in which our subsidiaries operate, the Financial Surveillance Department of the SARB and the Department of Labour.

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

2012 Objective	Making things happen in 2012	2012 Scorecard
Manage risk as an enabler	Sound regulatory relationships, with good feedback from regulators and government stakeholders.	
	Following approval of the Advanced Management Approach (AMA) for operational risk and the Internal Measurement Approach (IMA) for market risk by the South African Reserve Bank (SARB), ensure these are embedded in risk and business processes, with positive regulatory feedback following their ongoing onsite reviews.	
	No significant matters/outcomes from the SARB onsite visits around governance and embedding of Basel II principles.	
	Make significant progress towards the successful implementation of Basel III and Solvency 2 (SAM) in insurance businesses.	
	Internalise and operationalise new regulation/legislation efficiently and effectively.	
	Engage proactively with the South African Police Services and other crime prevention initiatives to aid reductions in robberies, ATM bombings and cyber-related crimes. Improved physical security and bolstering of forensic skills.	



TARGETS FOR 2013

- ☐ Continue with proactive regulator engagement
- ☐ Respond timeously to regulators' concerns and queries
- ☐ Remain totally transparent to regulators
- ☐ Maintain good relationships with all regulators



KEY STRATEGIC OBJECTIVES FOR 2013 AND BEYOND

International and local regulatory reform (in particular Basel III and Twin Peaks) has materially increased capital levels and liquidity costs, and internationally is changing business models. Regulatory risk remains high, but there is now less uncertainty due to Basel III being substantially finalised by BIS and SARB, while Twin Peaks is expected to be finalised in 2013 with an ongoing emphasis on consumer protection. To meet the stringent requirements of all regulators fully Nedbank Group will:

- ☐ Maintain good, regular and transparent relationships with all regulators.
- ☐ Ensure compliance with all legal and regulatory requirements.

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

HOT TOPICS

RESULTING DEVELOPMENTS

Implementation and impact of Basel III Regulations relating to Banks in 2013	We achieved compliance for Basel III on 1 January 2013 and we are well placed to comply with the impact on increased capital requirements and liquidity.
Increased focus on consumer protection such as Twin Peaks regulation, Consumer Protection Act and Protection of Private Information	We are well on track with our preparation for the new regulatory regime of Twin Peaks.
Solvency Assessment and Management (SAM) regime for the South African Insurance Sector	Nedgroup Insurance remains well capitalised and is on track to implement SAM.
Unsecured lending	We continued to work with the SARB and the National Treasury to give effect to a policy of responsible lending.
African strategy	We are adopting a risk mitigated, capital efficient, longer-term strategic approach.
Resolution and recovery planning	As part of our commitment to sustainable operations at every level, Nedbank operates a clearly defined enterprise risk management framework. This includes a comprehensive ICAAP that includes an ILAAP that facilitates the measure of capital and liquidity adequacy, based on our risk profile, financial, liquidity and capital positions. There is also a comprehensive stress and scenario testing framework.



REVIEW OF 2012

Continue to lead as a corporate citizen to ensure that we remain SA's leading 'green and caring' bank, thereby building a sustainable and highly relevant business in the communities we serve.

Communities

2012 Objective	Making things happen in 2012	2012 Scorecard
Lead as a 'caring bank'		
Deliver on transformation commitment	<p>Ranked third in the 2012 <i>Financial Mail</i> Top Empowerment Companies Survey done in partnership with Association of BEE Verification Agencies (ABVA) for the third consecutive year, and first of the top 50 JSE-listed companies.</p> <p>Maintained our level 2 rating in respect of the broad-based black economic empowerment (B-BBEE) Codes of Good Practice of the dti.</p> <p>A total of 53% black representation on the board and 27% representation by black women.</p>	
Be a truly SA bank: Socioeconomic development (including external skills development) Access to finance Lending to enable healthcare, housing and education, enterprise development (ED) and community upliftment Economic empowerment Preferential procurement	<p>Altogether 85% of the total cost of external bursaries awarded went to 203 black students, of which 120 (59%) were women.</p> <p>Exceeded the requirement of the dti Codes to direct at least 1% of net profit after tax (NPAT) towards socioeconomic development. We spent 1,60% of our 2011 SA NPAT, or R95m (2011: R78m) in support of 584 socioeconomic development or social sustainability initiatives in all nine SA provinces.</p> <p>R36m of black agriculture financing went to SA 87 beneficiaries, of which 30 are new clients during 2012.</p> <p>R1 199m of loans to black-owned, small and medium enterprises was granted to 2 989 beneficiaries, of which 1 122 were new clients.</p> <p>Successfully completed a further eight black economic empowerment financing transactions totalling R906m.</p> <p>Black-women-owned supplier spend was up 37% year-on-year, compared with 2011.</p> <p>At the end of 2012 our national point-of-presence footprint was 1 071 (2011: 1 080), comprising 480 full-service branches, 190 in retailer outlets, 88 Personal Loans branches and 313 Personal Loans kiosks, as well as various non-traditional banking outlets.</p> <p>In 2012, 73% of our procurement spend was sourced locally.</p>	



TARGETS FOR 2013

- ☐ Continued integration of sustainability into long-term strategy through the implementation of Fair Share 2030
- ☐ Accelerated development of sustainable products and services
- ☐ Maintaining our carbon neutrality despite increases in the scope of our carbon measurements
- ☐ Intensified focus on water stewardship with a particular focus on access, quality and quantity
- ☐ Maintain level 2 B-BBEE rating and continue to improve scores
- ☐ Enhance the impact of our corporate social investment spend and strengthen partnerships

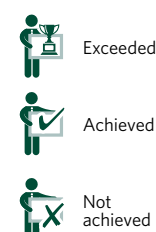


2012 Objective	Making things happen in 2012	2012 Scorecard
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Lead as a 'green bank'

Integrated sustainability step change:

Impacts of lending	Continued refinement of our Social and Environmental Management System. Altogether 15 [✓] Nedbank Capital transactions that comply with the Equator Principles (per risk category) had their first drawdowns in 2012, compared with two in 2011.	
Product and service development	Continued successful involvement in SA's Renewable-energy Independent Power Producer Programme, securing a 39% share of the allocated megawatt capacity for funding of approved preferred suppliers for the second phase, on the back of a 33% share from the first phase. Raising awareness of the Nedbank Green Index as a benchmark for environmentally conscious investors – as confirmed by the Responsible Investment for Carbon Change and Water Study conducted by the World Wide Fund for Nature SA (WWF-SA), which showed the index to have a combined carbon footprint that is 15% smaller than that of the FTSE/JSE Top 100 companies and highlighted it as one of the 'few sources of credible, publicly available data for passive investors to use in developing sophisticated investment strategies'. Ongoing growth in investment in the BGreen Exchange-traded Fund, with total funds under management having reached R119m at 4 December 2012. Successful launch of SA's first Green Savings Bond, which offers individuals and institutions access to a long-term savings mechanism while allowing them to contribute to renewable-energy projects at no cost to them. On 31 December 2012 investments in the Green Savings Bond reached almost R1bn. Growth in Nedbank Affinity donations from R18,7m in 2011 to R20,9m in 2012 with support given to nearly 2000 social and environmental projects across SA. Since inception donations of more than R200m to the respective trusts by the four Nedbank Affinities.	
Management of carbon emissions	Included in the South African Carbon Disclosure Project index, with a score of 92%. This was lower than the score achieved in 2011 and meant that we were not included in the Leadership Index. The drop in score was, however, due to a technical error in the disclosure submission rather than to any decline in our actual performance. We remained a constituent on the Nedbank Green Index and are committed to continued improvements in this area while maintaining our carbon-neutral status. Nedbank has the highest number of Green Star rated buildings in SA.	
Reduce our resource intensity	Maintained our carbon-neutral status for fourth consecutive year. Greenhouse gas (GHG) emissions increased by 1,84% per fulltime employee (FTE). This was due to organic growth and ongoing efforts to expand our GHG report boundary and scope. Emissions per m ² of office space were reduced by 3,84%.	 (partly)
Contribute to resource conservation	Continued investment in water security through the WWF Water Balance Programme. Water consumption on campus sites was reduced. Electricity usage declined by 0,67% per FTE and by 6,21% based on total floor space. Built on our growing portfolio of food security commitments with an R8,3m investment in the WWF-SA Sustainable Agriculture Programme.	



2012 SUMMARISED ANNUAL dti CODES SCORECARD: LEVEL 2✓

Ownership	Voting rights		Economic interest			Employee schemes/ Broad-based schemes, etc	Net equity value	Total score	Weighting
	Black people	Black women	Black people	Black women	Designated groups				
	34,61%	14,62%	32,03%	12,85%	18,81%	29,28%	32,03%	23,00	20%
Management	Board	Black executive directors	Senior top management		Other top management		Bonus: independent directors	Total score	Weighting
	51,67%	41,67%	28,13%		n/a		80,00%	9,19	10%
Employment equity	Senior management		Middle management		Junior management		Disabled as % of total	Total score	Weighting
	29,11%		55,41%		80,86%		1,97%	10,71	15%
Skills development	Skills spend %			Disabled skills spend %		Category B, C and D programmes		Total score	Weighting
	3,03%			0,06%		5,56%		12,59	15%
Preferential procurement	% spend		% spend on QSEs ¹ and EMES ²		% spend black-owned		% black-women-owned	Total score	Weighting
	103,57%		32,46%		13,90%		5,50%	19,38	20%
Enterprise development	% contributions							Total score	Weighting
	5,62%							15,00	15%
Socioeconomic development	% contributions							Total score	Weighting
	1,60%							5,00	5%

Non-scoring performance✓

Product/Area	Mzansi	FSC ³ branches	Black SMMEs ⁴	Black agriculture	Affordable housing	Targeted investments	BEE ⁵ transaction financing	Consumer education	Weighting
Achieved	245 899	7	R5 003m	R186m	R5 527m	R13 553m	R6 061m	0,23%	0%
Growth vs 2010	(15,48%)	(12,50%)	27,74%	13,77%	69,92%	27,97%	(17,52%)	(59,98%)	
Total B-BBEE score	Audited and verified by SizweNtsalubaGobodo							94,87	100%
B-BBEE level								2	

¹ Qualifying small entity.

² Exempt microenterprises.

³ Financial sector charter.

⁴ Small, medium and microenterprises.

⁵ Black economic empowerment.

We played an active part in the negotiation of the dedicated Financial Sector Code (FS Code) for the financial sector that was promulgated in November 2012. This is a major step for the sector as it will contribute to its transformation. The FS Code includes Empowerment Financing and Access to Financial Services previously not recognised by the dti Codes.

Measurement according to the FS Code will officially be done during 2013 and with scoring only happening in 2014, but we will submit our first report to the FS Code Council in 2013 based on 2009-to-2012 performance.

We remain committed to building on our solid empowerment credentials by aligning with the FS Code and ensuring that existing and new initiatives build on our current successes to advance its transformation journey further and will continue to contribute to B-BBEE.

STRATEGIC FOCUS AREAS FOR 2013

Maintain and enhance our position as SA's 'green and caring' bank

Our positioning as a 'green and caring' bank is more than a strategic or reputational issue – it reflects our continued commitment to embedding sustainability in all its forms across every area and function of our business.

KEY STRATEGIC OBJECTIVES AND TARGETS FOR 2013 AND BEYOND

Objective	Target
Maintain our step change focus on more holistically integrating sustainability initiatives and considerations into all business activities	Continued integration of sustainability into a long-term strategy through the implementation of Fair Share 2030. Accelerated development of sustainable products and services. Enhancement and expansion of responsible lending and investment practices.
Continue to pursue carbon awareness, measurement and reduction and maintain our carbon-neutral status as a key component of our climate change journey	Focused minimisation of our carbon footprint through the pursuit of clearly defined electricity, paper, waste and business travel reduction targets and ongoing recycling initiatives. Maintaining our carbon neutrality despite increases in the scope of our carbon measurements.
Further reduce resource consumption	Intensified focus on water stewardship with a particular focus on access, quality and quantity.
Consistently deliver on transformation as a vital component of becoming a truly SA bank	Maintaining our level 2 B-BBEE rating and containing to improve scores. Continued focus on enhancing and extending access to all financial services. Growing our involvement in empowerment financing. Enhancing the impact of our corporate social investment spend and strengthening partnerships.

HOT TOPICS	RESULTING DEVELOPMENTS
Support for the National Development Plan	We are committed to contributing proactively to shaping a sustainable future for SA that benefits all of its citizens. Our Vision 2030 aligns with the National Development Plan (NDP) and sees a prosperous SA that has successfully addressed its critical socioeconomic challenges by 2030. Our strategic response, Fair Share 2030, will see us contribute towards this transition to prosperity and sustainability.
Funding of transformation imperatives	To be a truly sustainable business, we recognise that we should make a lasting and valuable contribution to the socioeconomic transformation of our country. We continue our efforts to accelerate transformation - both within our organisation and in the greater SA context.
Allocation of socioeconomic spend	In 2012 we allocated R95m (2011: R78m) in support of 584 socioeconomic development or social sustainability initiatives in all nine SA provinces. This was mainly in the areas of education (> 50%), welfare, community development and the environment.
Funding of coal-related projects	We play an intermediary role in this issue, which demands a delicate balance between meeting current energy needs and ensuring a sustainable future as it relates to energy security. A carbon-constrained future will demand that many industries radically transform, but the transition must be orderly and logical. We are committed to doing our part to help meet the energy demands of SA today, while moving the country towards a renewable-energy future.
Funding of green innovations/companies	Collaboration is one of the cornerstones of our sustainability approach and we proactively look for opportunities to work with, or fund, companies involved in green development or innovation. We do, however, have to balance our attraction for environmental partnerships with a realistic consideration of these companies' economic sustainability realities.

HOT TOPICS	RESULTING DEVELOPMENTS
<p>Driving awareness/Encouraging behaviour change:</p> <ul style="list-style-type: none"> <input type="checkbox"/> financial education and advice <input type="checkbox"/> sustainability education <input type="checkbox"/> paper usage/wastage 	<p>Given our extensive reach through stakeholders such as clients and suppliers, we act as a catalyst for behavioural change and sensitisation in terms of social and environmental issues.</p> <p>Our reputation for holistic consumer education is well established. At a business level advice and education are at the heart of our enterprise development approach and we achieve this through a variety of business guidance programmes, incubators and business development initiatives designed to transfer essential skills.</p> <p>Our Greening Your Business Programme continues to be well supported by organisations of all sizes seeking to undertake or enhance their sustainability journeys. Please see the environment section for more information.</p> <p>At a local community level we conduct extensive consumer financial and banking education programmes. We continue to extend our Caring for Communities Programme, which helps impoverished communities understand the value of sustainability initiatives, and implement such initiatives for the benefit of individuals and families.</p> <p>While paper is only 2% of our total footprint, we understand that it is a visible part of banking with us. As such we have:</p> <ul style="list-style-type: none"> - stepped up efforts to reduce the amount of paper used in our application and product process and more than 9 600 boxes of paper have been saved through this work alone; - encouraged clients to switch to electronic statements; and - worked, and are continuing to work, on our client data to eradicate duplication and ensure client data is up to date. <p>We remain committed to reaching our target of a 10% reduction in paper usage despite an increase of 4,3% in 2012.</p>

CASE STUDY

MAKE
THINGS
HAPPEN

Green Savings Bond

helps South Africans save ...

and save the planet

The launch of the Nedbank Green Savings Bond in July 2012 was greeted favourably by the targeted investment audience. The positive response was understandable, given that this unique product offers individuals access to an exceptional long-term savings mechanism, while at the same time allowing them to contribute to renewable-energy projects – at no cost to them.

The savings vehicle, which carries a low minimum investment of R1 000, a competitive interest rate of up to 6,90% and a capital guarantee, has been designed to align perfectly with our commitment to integrated sustainability. While it encourages people to develop a much-needed savings habit, capital raised through the Nedbank Green Savings Bond is earmarked for investment in the various renewable-energy projects financed by Nedbank Capital.

It is an innovative way for the 'green bank' to extend its integrated sustainability philosophy to a greater number of South Africans from all sectors of society. This product can also be linked to the Nedbank Green Affinity Programme, where the more a client invests, the more money is donated to the WWF Nedbank Green Trust for the funding of various environmental projects.

In the six months since it was launched the Nedbank Green Savings Bond has attracted investment inflows of close to R1bn – proof of the appetite that exists in SA for banking and investment products that help people save for, and contribute to, a better future.

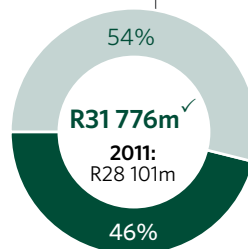
Value-added Statement



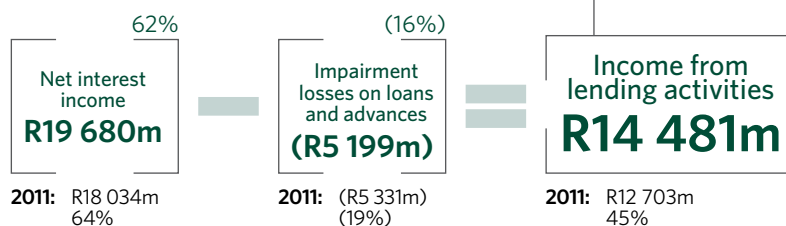
Other banking income
Includes non-interest revenue, non-trading and capital items and share of associates and joint ventures.

R17 295m

2011: R15 398m
55%



VALUE ADDED IS THE WEALTH CREATED FROM PROVIDING QUALITY SERVICES TO CLIENTS



2011: R18 034m
64%

2011: (R5 331m)
(19%)

2011: R12 703m
45%

VALUE ALLOCATED



Employees

R11 390m

2011: R10 243m
36%

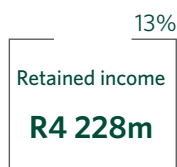


Shareholders

Value is allocated to shareholders in respect of cash dividends (does not include the underlying value of capitalisation shares awarded) and income attributable to non-controlling shareholders.

R3 584m

2011: R2 921m
10%



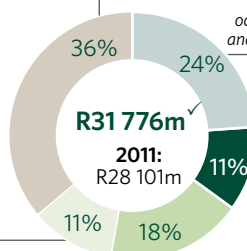
2011: R3 582m
13%



2011: R1 398m
5%

Retentions for growth
R5 697m

2011: R4 980m
18%



Socioeconomic development spend

R95m

2011: R78m

Other expenditure

Includes expenses relating to computer processing, communication and travel, occupation and accommodation, marketing and public relations and fees and insurances.

R7 574m

2011: R7 200m
26%



Government (taxes)

Includes direct and indirect taxation.

R3 436m

2011: R2 679m
10%

Global Reporting Initiative FSSS¹

GRI ² FSSS ¹	Topic	Description	UNGC principles
FS1	Description of policies with specific environmental and social components applied to business lines	Sustainability development performance review: <input type="checkbox"/> Sustainability governance structures and policy framework. Social and Environmental Risk Management: <input type="checkbox"/> Responsible lending for sustainable success. <input type="checkbox"/> Responsible investment for sustainable success. Risk and balance sheet management review Governance and ethics review: <input type="checkbox"/> Code of Ethics. <input type="checkbox"/> Code of Conduct. <input type="checkbox"/> Human rights.	1, 2 1, 2, 4, 5, 10
FS2	Description of procedures for assessing and screening environmental and social risks in business lines	Sustainability development performance review: <input type="checkbox"/> Social and environmental risk management. Responsible lending for sustainable success. Responsible investment for sustainable success. Risk and balance sheet management review. Governance and ethics review: <input type="checkbox"/> Human rights.	7 - 9 7 - 9 7 - 9 1, 2
FS3	Description of processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Sustainability development performance review: <input type="checkbox"/> Social and environmental risk management.	1, 2, 7 - 9
FS4	Description of processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	Sustainability development performance review: <input type="checkbox"/> Sustainability awareness and policy acknowledgements. Environmental sustainability: <input type="checkbox"/> Carbon emissions. Risk and balance sheet management review: <input type="checkbox"/> Money-laundering, terrorist-financing and sanctions risk management, and fraud risk management. Governance and ethics review: <input type="checkbox"/> Ethics training and awareness.	7 - 9 7 - 9 10 1, 2, 4, 5, 10

¹ Financial Services Sector Supplement.

² Global Reporting Initiative.

GRI ² FSSS ¹	Topic	Description	UNGC principles
FS5	Interactions with clients/investors/business partners regarding environmental and social risk and opportunities	Stakeholder overview Sustainability development performance review: <input type="checkbox"/> Stakeholder engagement. Environmental sustainability: <input type="checkbox"/> Carbon neutrality. <input type="checkbox"/> Leading through collaboration. Social sustainability: <input type="checkbox"/> Consumer education. <input type="checkbox"/> Sustainability education.	1, 2, 3, 7 – 9 1, 2, 7 – 9 1, 2, 7 – 9, 10
FS6	Percentage of the portfolio for business lines by specific region, size and sector	Group profile Company structure Operational footprint Business profile Nedbank Group Ltd nine-year review – statistics and ratios	
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business	Environmental sustainability: <input type="checkbox"/> Enabling environmental sustainability through products and services. Social sustainability: <input type="checkbox"/> Targeted investment. <input type="checkbox"/> Enterprise Development <input type="checkbox"/> Nedbank Affinities 2012 Transformation Report	1, 2, 7 – 9 8, 9 1, 2, 7 – 9 1 – 6
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose	Environmental sustainability: <input type="checkbox"/> Enabling environmental sustainability through products and services. <input type="checkbox"/> The Nedbank Green Affinity	7 – 9 7 – 9
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Assurance statement in the 2012 Nedbank Group Integrated Report	1 – 10
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental and social issues	Company structure Operational footprint	
FS11	Percentage of assets subject to positive and negative environmental and social screening	Sustainability development performance review: <input type="checkbox"/> Enabling environmental sustainability through products and services. Environmental sustainability: <input type="checkbox"/> Carbon neutrality. <input type="checkbox"/> Greening our supply chain. Social sustainability: <input type="checkbox"/> Preferential procurement.	7 – 9 7 – 9 7 – 9 1, 2, 8
FS12	Voting policies applied to environmental and social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting	No organisations over which Nedbank holds the right to vote shares or advises on voting.	
FS13	Access points in the low-populated or economically disadvantaged areas by type	Stakeholder overview: Clients: <input type="checkbox"/> Responsible product/information labelling. Business profile: Nedbank Retail Social sustainability: <input type="checkbox"/> Access to financial services. 2012 Transformation Report	1, 2 1, 2 1, 6

GRI ² FSSS ¹	Topic	Description	UNGC principles
FS14	Initiatives to improve access to financial services for disadvantaged people	Stakeholder overview: Clients: <input type="checkbox"/> Responsible product/information labelling. Environment sustainability: <input type="checkbox"/> Enabling environmental sustainability through products and services. Leading through collaboration: <input type="checkbox"/> Carbon neutrality. Social sustainability: <input type="checkbox"/> Access to financial services. <input type="checkbox"/> Targeted investment. <input type="checkbox"/> Enterprise Development. 2012 Transformation Report	1, 2 7 - 9 7 - 9 1, 2 1 - 6, 7 - 9 1 - 6, 7 - 9 1 - 6
FS15	Policies for the fair design and the sale of financial products and services	Stakeholder overview: Clients: <input type="checkbox"/> Responsible product/information labelling. Risk and balance sheet management review: <input type="checkbox"/> Information and technology risk. <input type="checkbox"/> People risk. <input type="checkbox"/> Financial crime. <input type="checkbox"/> Money-laundering, terrorist-financing and sanctions risk management. <input type="checkbox"/> Compliance risk management. Governance and ethics review <input type="checkbox"/> Code of Ethics. <input type="checkbox"/> Code of Conduct. <input type="checkbox"/> Human rights.	1, 2 1, 2 1 - 6 10 10 1 - 10 1 - 6, 10
FS16	Initiatives to enhance financial literacy by type of beneficiary	Social sustainability: <input type="checkbox"/> Consumer education. 2012 Transformation Report	1, 2, 10 1 - 6

Global Reporting Initiative



GRI¹ INDEX

Our response to GRI 3.1 is aligned with application level A+. This is with reference to the information disclosed in the printed Integrated Report as well as the supplementary information available online at www.nedbankgroup.co.za.

No	Profile disclosure	Description	UNGC ² Principles
1	Strategy and analysis		
1.1	Statement from the most senior decision maker of the organisation.	Chairman's Report Chief Executive's Report	
1.2	Description of key impacts, risks and opportunities.	Introduction: Material matters Group strategy Investment case Stakeholder overview Economic review Sustainability governance structures and policies framework Social and environmental risk management Risk and balance sheet management review	1 – 10 1 – 10 7 – 9
2	Organisational profile		
2.1	Name of the organisation.	Nedbank Group Ltd	
2.2	Primary brands, products and/or services.	Group profile Business profile Operational reviews Environmental sustainability Social sustainability Operational footprint	7 – 9 7 – 9
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.	Company structure	
2.4	Location of organisation's headquarters.	Group profile	
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Group profile Company structure Operational footprint	7 – 9
2.6	Nature of ownership and legal form.	Group profile Company structure	
2.7	Markets served (including geographic breakdown, sectors served and types of client/beneficiary).	Company structure Operational footprint Business profile	

¹ Global Reporting Initiative.

² United Nations Global Compact.

No	Profile disclosure	Description	UNGC Principles
2.8	Scale of the reporting organisation.	Operational footprint Financial Report Nedbank Group Ltd nine-year review Cultural sustainability: Employee profile	3 – 6
2.9	Significant changes during the reporting period regarding size, structure or ownership.	No significant changes during the reporting period.	
2.10	Awards received in the reporting period.	Recognition received	
3	Report parameters		
3.1	Reporting period (eg fiscal/calendar year) for information provided.	Introduction	
3.2	Date of most recent previous report (if any).	Introduction	
3.3	Reporting cycle (annual, biennial, etc).	Introduction	
3.4	Contact point for questions regarding the report or its contents.	Contacts	
3.5	Process for defining report content.	Introduction	
3.6	Boundary of the report (eg countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Introduction	
3.7	State any specific limitations on the scope or boundary of the report.	N/a	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	Introduction Company structure Financial notes 53 and 54	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Introduction Basis of preparation available at www.nedbankgroup.co.za	
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement.	A reclassification was made to the Group's Statement of Financial Position, as well as reclassifications and a restatement in the notes to the financial statements, none of which were material.	
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	None	
3.12	Table identifying the location of the standard disclosures in the report.	GRI FSSS Full GRI G3.1	
3.13	Policy and current practice with regard to seeking external assurance for the report.	Introduction Assurance statement	1 – 10
4	Governance, commitments and engagement		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Board of directors Sustainability governance structures and policy framework Governance and ethics review	1, 2, 7 – 10
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Governance and ethics review	1, 2, 7 – 10
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Board of directors Governance and ethics review	1, 2, 7 – 10
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Stakeholder overview: Staff Stakeholder engagement: Staff Notice of annual general meeting Form of proxy	3 – 6 3 – 6

No	Profile disclosure	Description	UNGC Principles
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	Cultural sustainability: Reward Remuneration Report	1, 2, 3 - 6 3 - 6
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Governance and ethics review	3 - 6
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics, including any consideration of gender and other indicators of diversity.	Sustainable development performance review Governance and ethics review	1, 2, 7 - 10
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation.	Sustainable development performance review Governance and ethics review	3 - 6 1, 2
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles.	Sustainable development performance review Environmental sustainability Social sustainability Cultural sustainability Governance and ethics review	7 - 9 7 - 9 1, 2 3 - 6 1 - 10
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	Sustainable development performance review Governance and ethics review	1, 2, 7 - 10
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Sustainable development performance review: Social and environmental risk management Governance and ethics review: Ethics and corporate accountability	7 - 9 1 - 10
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	Sustainable development performance review	7 - 9
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation has positions in governance bodies. Participates in projects or committees. Provides substantive funding beyond routine membership dues or views membership as strategic.	Sustainability credentials and indices	
4.14	List of stakeholder groups engaged by the organisation.	Sustainable development performance review: Stakeholder engagement	1 - 10
4.15	Basis for identification and selection of stakeholders with whom to engage.	Sustainable development performance review: Stakeholder engagement	1 - 10
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Sustainable development performance review: Stakeholder engagement	1 - 10
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	Sustainable development performance review: Stakeholder engagement	

Environmental – Management approach			
No	Profile disclosure	Description	UNGC Principles
EN1	Materials used by weight or volume.	Nedbank Group Ltd nine-year review Environmental sustainability: Carbon footprint measurement	7 – 9
EN2	Percentage of materials used that are recycled input materials.	Based on our materiality review process, this indicator has been deemed 'not material' and therefore we do not attempt to report on it	7 – 9
EN3	Direct energy consumption by primary energy source.	Nedbank Group Ltd nine-year review Environmental sustainability: Carbon footprint measurement	7 – 9
EN4	Indirect energy consumption by primary source.	Nedbank Group Ltd nine-year review Environmental sustainability: Carbon footprint measurement	
EN8	Total water withdrawal by source.	Nedbank's participation in the WWF Water Balance Programme addresses water consumption regardless of source	7 – 9
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	No land owned, leased or managed or adjacent to a protected area/area of high biodiversity value	7 – 9
EN12	Description of significant impacts of activities, products, and services on performance biodiversity in protected areas and areas of high biodiversity value outside protected areas.	No land owned, leased or managed or adjacent to a protected area/area of high biodiversity value	7 – 9
EN16	Total direct and indirect greenhouse gas emissions by mass.	Environmental sustainability: Carbon footprint measurement	7 – 9
EN17	Other relevant indirect greenhouse gas emissions by mass.	Environmental sustainability: Carbon footprint measurement	7 – 9
EN19	Emissions of ozone-depleting substances by mass.	Environmental sustainability: Carbon footprint measurement	7 – 9
EN20	NOx, SOx, and other significant air emissions by type and mass.	Not a material emission. If emitted and a Greenhouse Gas, then is included in the carbon footprint.	7 – 9
EN21	Total water discharge by quality and destination.	Based on our materiality review process, this indicator has been deemed 'not material' and therefore we do not attempt to report on it	
EN22	Total mass of waste by type and disposal method.	Environmental sustainability	7 – 9
EN23	Total number and volume of significant spills.	Based on our materiality review process, this indicator has been deemed 'not material' and therefore we do not attempt to report on it	7 – 9
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Sustainable development performance review: Social and environmental risk management Environmental sustainability: Managing our impact	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Based on our materiality review process, this indicator has been deemed 'not material' and therefore we do not attempt to report on it	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	No significant fines were received during the period	7 – 9

Human rights – Management approach			
No	Profile disclosure	Description	UNGC Principles
HR1	Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening.	Sustainable development performance review: Social and environmental risk management Governance and Ethics review: Human rights	1, 2, 7 – 9 1, 2
HR2	Percentage of significant suppliers and contractors and other business partners that have undergone screening on human rights and actions taken.	Governance and Ethics review: Human rights 2012 Transformation Report	1, 2
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Governance and Ethics review: Human rights 2012 Transformation Report	1, 2
HR4	Total number of incidents of discrimination and corrective actions taken.	Governance and Ethics review: Human rights	1, 2
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	No significant risk identified for the reporting period	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour and measures taken to contribute to the effective abolition of child labour.	No significant risk identified for the reporting period	
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	No significant risk identified for the reporting period	
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Governance and Ethics review: Human rights	1, 2
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Governance and Ethics review: Human rights	

Labour practices and decent work – Management approach			
No	Profile disclosure	Description	UNGC Principles
LA1	Total workforce by employment type, employment contract, and region broken down by gender.	Cultural sustainability: Employee profile	3 – 6
LA2	Total number and rate of new employee hires, employee turnover by age group, gender and region.	Cultural sustainability: Employee profile	3 – 6
LA4	Percentage of employees covered by collective bargaining agreements.	Cultural sustainability: Collective bargaining	3 – 6
LA5	Minimum notice periods regarding significant operational changes, including whether it is specified in collective agreements.	Cultural sustainability: Employee relations	3 – 6
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	Cultural sustainability: Occupational health and safety	3 – 6
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and by gender.	Cultural sustainability: Occupational health and safety	3 – 6
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist members, their families or community members regarding serious diseases.	Cultural sustainability: Promoting employee wellness	3 – 6
LA10	Average hours of training per year per employee by gender and employee category.	Cultural sustainability: Developing employees	3 – 6
LA12	Percentage of employees receiving regular performance and career development reviews.	Cultural sustainability: Performance management	3 – 6
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity.	Cultural sustainability: Driving transformation	3 – 6
LA14	Ratio of basic salary of men to women by employee category by significant locations of operation.	Cultural sustainability: Reward	6
LA15	Return to work and retention rates after parental leave, by gender.	Cultural sustainability: Employee wellbeing	6

Society – Management approach			
No	Profile disclosure	Description	UNGC Principles
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	Social sustainability: The Nedbank Foundation	3 – 6
SO2	Percentage and total number of business units analysed for risks related to corruption.	Risk and balance sheet management review: Operational risk	10
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	Risk and balance sheet management review: Operational risk	10
SO4	Actions taken in response to incidents of corruption.	Risk and balance sheet management review: Operational risk	10
SO5	Public policy positions and participation in public policy development and lobbying.	Sustainable development performance review: Responsiveness to changing regulation Risk and balance sheet management review: Operational risk	1 – 10
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.	Nedbank's policy does not allow for contributions to individual political parties.	
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.	None for the reporting period	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	No material fines received in the reporting period	
SO9	Operations with significant potential or actual negative impacts on local communities.	No significant or potential negative impacts for the reporting period	7 – 9
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Based on our materiality review process, this indicator has been deemed 'not material' and therefore we do not attempt to report on it	7 – 9
Product responsibility – Management approach			
No	Profile disclosure	Description	UNGC Principles
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Based on our materiality review process, this indicator has been deemed 'not material' and therefore we do not attempt to report on it	
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	Stakeholder overview: Client data protection and privacy Responsible product/labelling Risk and balance sheet management review: Operational risk	1, 2
PR5	Practices related to client satisfaction, including results of surveys measuring client satisfaction.	Stakeholder overview: Client	
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	Stakeholder overview: Client data protection and privacy Responsible product/labelling Risk and balance sheet management review: Operational risk	1, 2
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	No significant fines received for non-compliance in this regard in the reporting period	1, 2
Economic – Management approach			

No	Profile disclosure	Description	UNGC Principles
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	2012 highlights Performance highlights Value-added statement Sustainable development performance review Financial Report Nedbank Group Ltd nine-year review Risk and balance sheet management review	1 – 10
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Investment case Economic review Business profile Operational reviews Environmental sustainability Risk and balance sheet management review	7 – 9
EC3	Coverage of the organisation's defined-benefit plan obligations.	Remuneration Report	1 – 6
EC4	Significant financial assistance received from government.	No financial assistance received from government.	
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation.	Sustainable development performance review: Suppliers Social sustainability: Preferential procurement	1 – 10 1,2
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Cultural sustainability: Employee profile 2012 Transformation Report	1, 2, 3 – 6
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or <i>pro bono</i> engagement.	Social sustainability: Empowerment financing 2012 Transformation Report	

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The South African Bank of the Year 2011 (*The Banker* magazine), and Sustainable Bank of the Year for Middle East and Africa 2012 (*Financial Times & International Finance Corporation*), is proud to be named Best South African Bank for 2012 (*Euromoney* international finance magazine). These accolades are made possible because of our personal commitment to your success & our commitment to make things happen for our stakeholders.

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