MAKE
THINGS
HAPPEN

NEDBANK
GROUP

NEDBANK GROUP LIMITED

INTEGRATED REPORT

for the year ended 31 December 2013

A Member of the OLDMUTUAL Group

Nedbank Group prides itself on supplying stakeholders with updated information on a regular basis. This information can be found at **nedbankgroup.co.za** or through the **Nedbank App Suite™**.

REFERENCE GUIDE

- Crossreferencing
- Reporting standard
- 2013 Nedbank Group Pillar 3 Basel III Public Disclosure Report
- 2013 Nedbank Group Transformation Report
- Content available at **nedbankgroup.co.za**
- Supplementary information is available at **nedbankgroup.co.za**

Scan with your smart device's QR code reader to access additional information online.

ACCESSING INFORMATION IN THIS REPORT

This report has been produced with a view to simplifying the process of accessing the relevant information required by specific stakeholders. As was the case with the 2012 report, the 2013 report is extensively crossreferenced to ensure that related information is easy to find and that the Global Reporting Initiative and Financial Services Sector Supplement requirements are easily identifiable.

Detailed supplementary information can be accessed at **nedbankgroup.co.za**

MAKING THINGS HAPPEN

DELIVERING TO OUR STAKEHOLDERS

ENSURING A SUSTAINABLE BUSINESS

INFORMATION TO OUR SHAREHOLDERS


2


30


48


174

MAKING THINGS HAPPEN

COMMITTED TO TRANSPARENT REPORTING

This integrated report builds on progress, insights and stakeholder feedback received during the year and seeks to provide a detailed overview of the group's financial and non-financial performance and how we created value for the period 1 January 2013 to 31 December 2013.

The integrated report reflects our commitment to integrating sustainability across the organisation for the benefit of all stakeholders.

The compilation of this report has been aligned with the requirements of the King Code of Governance Principles for SA (King III Code), the International Integrated Reporting Framework and complies with Global Reporting Initiative (GRI) Guidelines (3.1) A+ application level, which inform not only Nedbank Group's annual reporting, but also our ongoing reporting initiatives throughout the year.

For ease of reading and information accessibility, this report is written in the first person. The terms 'Nedbank Group', 'Nedbank', 'the group', 'our', 'we' and 'us' all refer to Nedbank Group Ltd and its associated operations, unless otherwise indicated.

This report builds on the 31 December 2012 Nedbank Group Ltd Integrated Report and was approved by the board on 11 March 2014.

SCOPE OF REPORTING

The Nedbank Group Ltd Integrated Report is published annually. This particular issue of the report provides information on our operations, financial and non-financial performance and integrated sustainability developments during the year ended 31 December 2013. The report covers all group clusters, operational areas and businesses of Nedbank Group in SA and internationally.

Organisations in which we hold a minority stake are not included in the scope of this report. This report is addressed primarily to the long-term investor but also takes into account our primary stakeholders, namely our staff, clients, shareholders, regulators and communities.

This report should be read in conjunction with other supporting reports and documents, all of which are available at **nedbankgroup.co.za**:

- 2013 Nedbank Group Consolidated Annual Financial Statements
- 2013 Results Booklet
- 2013 Risk and Capital Management Pillar 3 Public Disclosure Report
- 2013 Nedbank Group King III Principles
- 2013 Nedbank Group Transformation Report
- 2013 Supplementary Information: Governance and Ethics Review
- 2013 Supplementary Information: Sustainable Development Review
- 2013 Supplementary Information: Risk and Balance Sheet Management Review
- 2013 Supplementary Information: Operational Overview
- 2013 Global Reporting Initiative Financial Services Sector Supplement
- 2013 Global Reporting Initiative G3.1 Index

The six capitals (financial, manufactured, human, natural, social and intellectual) and how we build or deplete them are addressed in this integrated report, while not specifically referred to in this manner.

Assurance statement 98

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

ASSURANCE AND INDEPENDENT ASSESSMENT

Assurance of the 2013 Nedbank Group Ltd financial statements and Integrated Report is the responsibility of a combined financial and non-financial assurance team from Deloitte & Touche and KPMG Inc.

The assurance statement by Deloitte & Touche and KPMG Inc on page 98 confirms:

- The preparation of this report in accordance with the self-declared Global Reporting Initiative G3.1 Guidelines A+ application level using the principles of materiality, completeness and sustainability.
- The use of the principles of inclusivity, materiality and responsiveness in accordance with AccountAbility's AA1000APS (2008).
- Limited assurance expressed over the following specified key performance indicators, which are marked with a ✓ in the report:
  - Net promoter scores
  - Net primary-client gains
  - Banking Ombudsman cases
  - IT systems availability
  - Ethics acknowledgement
  - Anti-corruption interventions
  - Equator Principle deals
  - Carbon footprint
  - Water
  - Paper
  - Waste sent to landfill
  - Waste recycled
  - Entropy level
  - Employee surveys
  - Employee turnover
  - Value-added statement
  - All elements of the FSC scorecard

The annual financial statements have being audited, and the report from independent auditors is on page 118.

This integrated report also conforms to the requirements of the South African Companies Act, 71 of 2008, and JSE Ltd Listings Requirements.

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

An analysis of our compliance with the full Global Reporting Initiative (GRI) and the GRI Financial Services Sector Supplement indices (FSSS) is available at **nedbankgroup.co.za** in the supplementary sustainability review.

Building enduring relationships 30–47

Understanding material matters 14–20

Report from independent auditors 118

MATERIAL MATTERS

Key to Nedbank Group's goal of entrenching integrated sustainability across every area of our business is our focus primarily on those matters and issues that are most material to our stakeholders.

Determining material matters is an ongoing process, involving the study of all reports submitted for board or executive discussion, key business risk factors and identified opportunities, all formal and informal stakeholder feedback, our strategic objectives, and integrated sustainability imperatives.

The resulting material matters inform content priority for this report and are discussed on pages 14 – 20 of this integrated report. They are also linked to and inform our strategy and actions. The Nedbank Group Executive Committee assumes responsibility for approval of the material matters prior to their endorsement by the Group Transformation, Social and Ethics Committee, a subcommittee of the board.

STATEMENT OF THE BOARD OF DIRECTORS OF NEDBANK GROUP

The board acknowledges its responsibility to ensure the integrity of this integrated report, which in the board's opinion addresses all material issues and presents fairly the group's integrated performance. This integrated report has been prepared in line with best practice as detailed on page 2 of this report.

Dr Reuel Khoza
Chairman

Mike Brown
Chief Executive

11 March 2014

A PROFILE OF OUR BUSINESS

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

R750bn
TOTAL ASSETS

R8,7bn
HEADLINE EARNINGS

6,7m
CLIENTS

1 050
STAFFED OUTLETS

3 382
ATMs

29 513
EMPLOYEES

A sound investment 24–27

Growing our franchises 68–71

GRI FSSS:FS6

GRI 3.1: 2.2, 2.4, 2.6

THE SERVICES AND PRODUCTS WE PROVIDE

NEDBANK CAPITAL
Investment banking and markets solutions for institutional and corporate clients.

NEDBANK RETAIL
Holistic financial solutions for individuals, startups and small businesses; as well as corporate card and merchant solutions.

NEDBANK CORPORATE
Lending, deposit-taking, transactional banking and commercial-property finance to large corporates, financial institutions, the public sector and government clients.

NEDBANK GROUP

NEDBANK WEALTH
Wealth management, asset management and insurance solutions for clients of Nedbank Group.

NEDBANK BUSINESS BANKING
Holistic financial solutions for businesses and their owners.

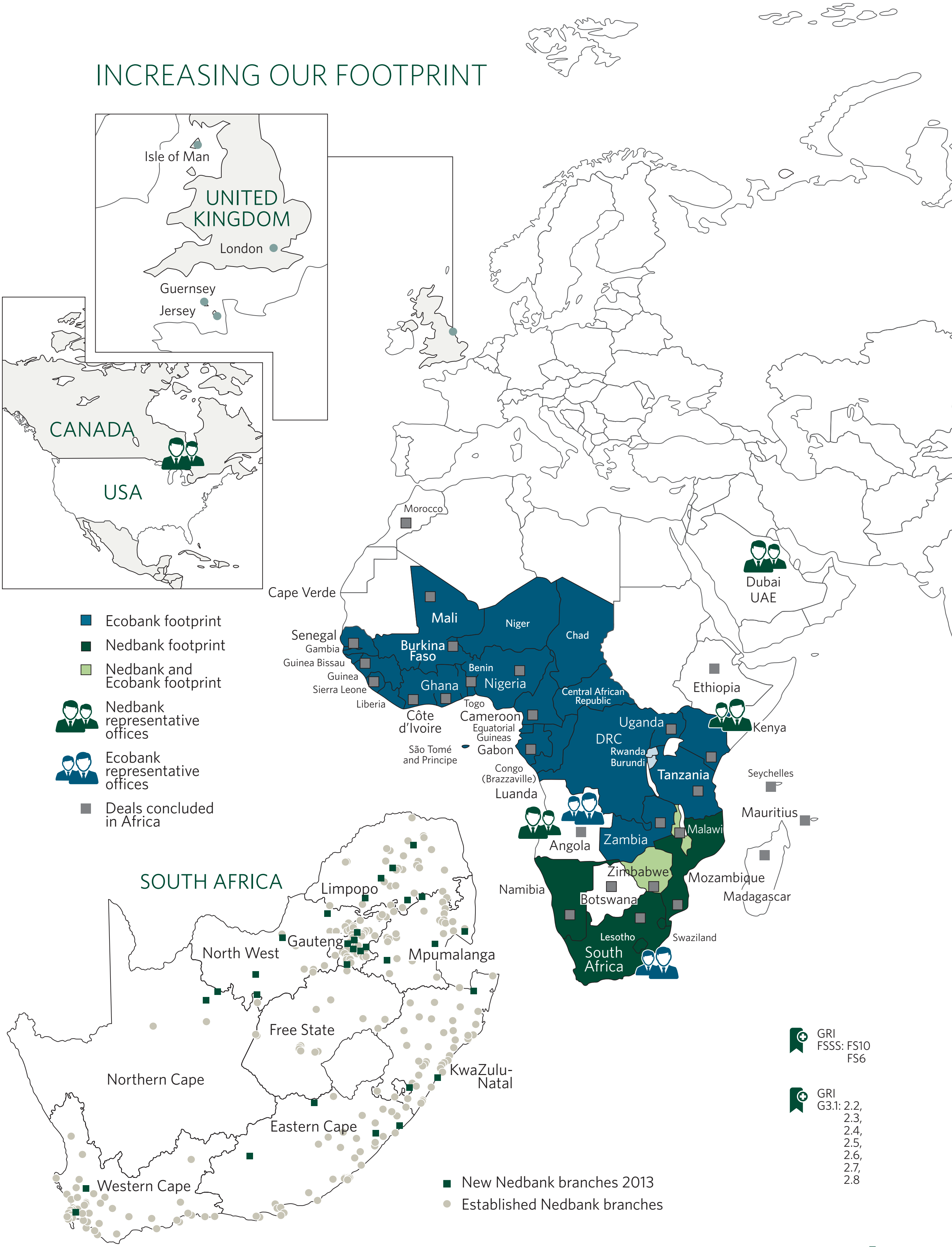
OUR FOCUS AND POSITIONING

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

WHERE WE ARE BASED

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

INCREASING OUR FOOTPRINT



GRI
FSSS: FS10
FS6

GRI
G3.1: 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8

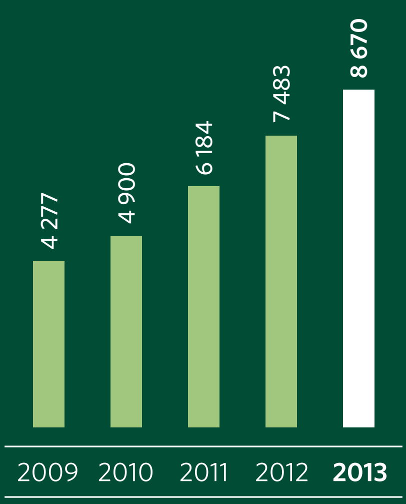
GRI 3.1: EC1

A STRONG PERFORMANCE IN UNCERTAIN TIMES

FINANCIAL HIGHLIGHTS

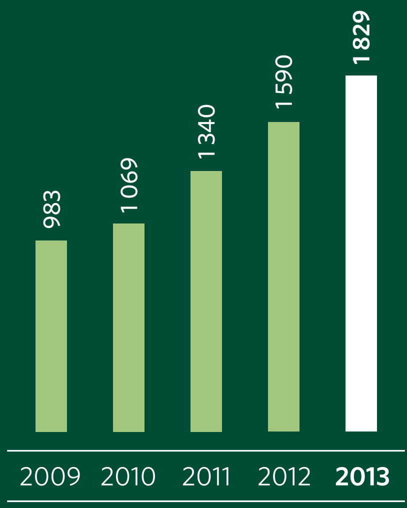
HEADLINE EARNINGS

Rm



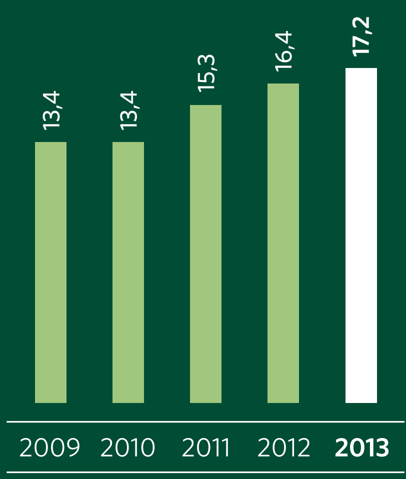
DILUTED HEADLINE EARNINGS PER SHARE

cents



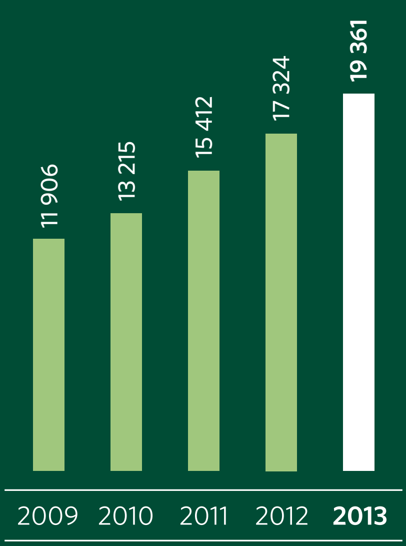
RETURN ON EQUITY (EXCLUDING GOODWILL)

%



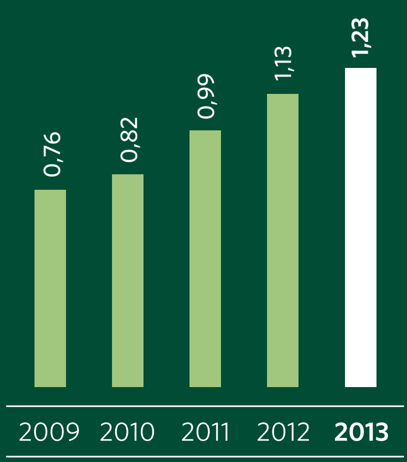
NON-INTEREST REVENUE

Rm



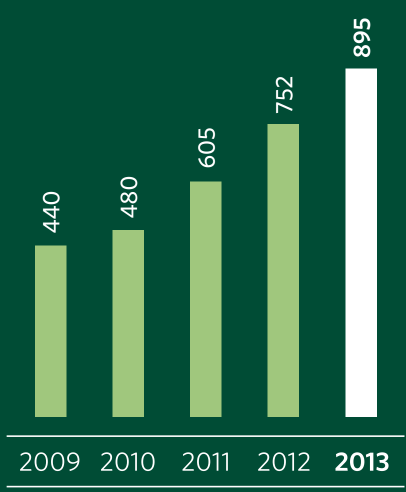
RETURN ON ASSETS

%



ORDINARY DIVIDEND PER SHARE

cents



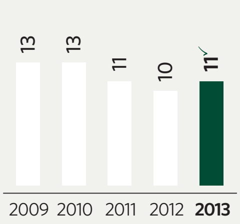
NON-FINANCIAL HIGHLIGHTS

INVESTING IN OUR PEOPLE

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

Staff 32–33

Cultural entropy (%)



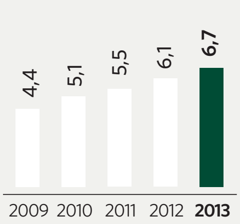
GREAT PLACE TO WORK

INNOVATING FOR OUR CLIENTS

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

Clients 34–37

Number of clients (millions)



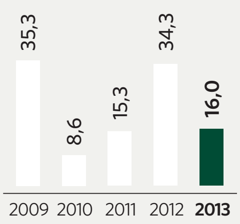
GREAT PLACE TO BANK

DELIVERING VALUE TO OUR SHAREHOLDERS

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

Shareholders 38–41

Total shareholder return (%)



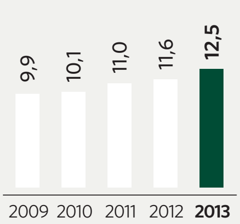
GREAT PLACE TO INVEST

PARTNERING WITH OUR REGULATORS

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

Regulators 42–43

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



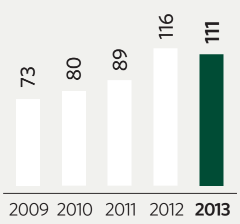
WORLDCLASS AT MANAGING RISK

LEADING IN THE COMMUNITIES WE SERVE

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

Communities 44–47

Socioeconomic spend (Rm)



HIGHLY INVOLVED IN THE COMMUNITY AND ENVIRONMENT

A STRONG PERFORMANCE IN UNCERTAIN TIMES (CONTINUED)

PERFORMANCE HIGHLIGHTS

ECONOMIC

Headline earnings

Income attributable to equity holders of the parent

Diluted earnings per share:

- Headline
- Basic

Dividend declared per share

Dividend cover

Net asset value

Tangible net asset value per share

Net interest income to average interest-earning banking assets

Credit loss ratio – banking advances

Non-interest revenue (NIR) to total income

NIR to total operating expenses

Efficiency ratio

Group capital adequacy ratios:

- Common-equity tier 1
- Tier 1
- Total

Total assets under administration

Total assets

Assets under management

Return on total assets

Return on ordinary shareholders' equity (ROE), excluding goodwill

ROE

[1] *Basel II.* [2] *Basel II.5.* [3] *Basel III.*

ENVIRONMENTAL

Green Star-rated buildings

Carbon footprint per fulltime employee

Offset through carbon emission reduction projects

Carbon status

SOCIAL

Socioeconomic development spend[2]

CULTURAL

Broad-based black economic empowerment credentials

Barrett entropy

[1] *tCO_2e = tonnes of CO_2 equivalent.* [2] *Includes Community Trust and Nedbank Private Wealth Foundation, spend impacted by FSC Code changes in 2013.*

Our summarised five-year track record 108

Summarised annual financial statements 119–129

	% change 2012–2013	2013	2012	2011	2010	2009
Rm	15,9	8 670	7 483	6 184	4 900	4 277
Rm	15,9	8 637	7 449	6 190	4 811	4 826
cents	15,0	1 829	1 590	1 340	1 069	983
cents	15,1	1 822	1 583	1 341	1 050	1 109
cents	19,0	895	752	605	480	440
times		2,11	2,18	2,26	2,30	2,30
Rm	12,1	64 336	57 375	52 685	47 814	44 984
cents	13,6	11 346	9 989	9 044	8 160	7 398
%		3,57	3,53	3,48	3,35	3,39
%		1,06	1,05	1,13	1,36	1,52
%		47,7	46,8	46,1	44,3	42,2
%		86,4	84,4	81,5	79,6	78,8
%		55,2	55,6	56,6	56,7	53,5
%		12,5[3]	11,4[2]	11,0[1]	10,1[1]	9,9[1]
%		13,6[3]	12,9[2]	12,6[1]	11,7[1]	11,5[1]
%		15,7[3]	14,9[2]	15,3[1]	15,0[1]	14,9[1]
Rm	12,8	939 935	833 453	760 358	711 288	657 907
Rm	9,8	749 594	682 958	648 127	608 718	570 703
Rm	26,5	190 341	150 495	112 231	102 570	87 204
%		1,23	1,13	0,99	0,82	0,76
%		17,2	16,4	15,3	13,4	13,4
%		15,6	14,8	13,6	11,8	11,8
		3	3	2	1	–
tCO_2e[4]	(3,5)	7,61	7,89	7,74	8,25	8,77
tCO_2e[4]	(4,2)	230 000	240 000	240 000	220 000	220 000
tCO_2e[4]		Neutral	Neutral	Neutral	Neutral	Neutral
Rm	(4,3)	111	116	89	80	73
		Level 2✓	Level 2	Level 2	Level 2	Level 2
%		11✓	10	11	13	13

Transformation Report

AN ATTRACTIVE GROWTH STRATEGY

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

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

BUILDING STRONG FRANCHISES

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

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

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

GROWING OUR TRANSACTIONAL BANKING FRANCHISE

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

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

GEOGRAPHIC EXPANSION

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

MANAGING A BANK IN A TIME OF UNCERTAINTY AND REGULATORY CHANGE

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

Chairman's Review 48–51

Chief Executive's Review 62–67

GRI 3.1: 1.2

OUR PEOPLE AND CULTURE ARE OUR PRIMARY DIFFERENTIATORS

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

AN ATTRACTIVE GROWTH STRATEGY (CONTINUED)

A VISION-LED, VALUES-DRIVEN ORGANISATION

VISION:

TO BE AFRICA'S MOST ADMIRED BANK

VALUES:

INTEGRITY

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

RESPECT

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

ACCOUNTABILITY

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

PUSHING BEYOND BOUNDARIES

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

PEOPLE-CENTRED

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

DELIVERING ON OUR 2013 STRATEGIC FOCUS AREAS

In 2013 we made progress towards achieving our vision through delivery on our strategic growth drivers of repositioning Nedbank Retail, growing NIR, portfolio tilt and rest of Africa. During our strategic planning processes for 2014-16 we refined our strategic focus areas in the context of our material matters – these are discussed in more detail on page 21.

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

Pg Our 2014 strategic focus areas 21

Chairman's Review 48–51
Chief Executive's Review 62–67

REPOSITION NEDBANK RETAIL

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

GROW NIR

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

REPOSITION NEDBANK RETAIL

GROW NIR

TO BE AFRICA'S MOST ADMIRED BANK

PORTFOLIO TILT

REST OF AFRICA

CLIENT-CENTRED APPROACH

SUSTAINABILITY EMBEDDED IN GROUP STRATEGY

PORTFOLIO TILT

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

Risk and balance sheet management review 134–136

REST OF AFRICA

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

UNDERSTANDING MATERIAL MATTERS

GRI 3.1: 1.2

Material matters impact on the sustainability and long-term performance of the group and our stakeholders. Determining material matters is an ongoing process that involves the study of all reports submitted for board or executive discussion, key business risk factors and identified opportunities, all formal and informal stakeholder feedback, our strategic objectives, and integrated sustainability imperatives.

We identified six material matters in 2013 and broadly discuss why these are important to Nedbank Group, and what our strategic responses are.

MATERIAL MATTERS

NEDBANK GROUP

1 TOUGH ECONOMIC CONDITIONS

2 BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION

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1 TOUGH ECONOMIC CONDITIONS

Economic growth in advanced economies remains anaemic as these economies continue to deleverage, while China's cooling economic growth and the normalisation of the monetary policies of advanced economies have muted prospects for many emerging economies. SA's economic growth forecasts were systematically adjusted lower in 2013 and although growth for 2014 is currently anticipated at 2,6%, downside forecast risk remains.

SA, with a current account deficit at 6,5% and a fiscal deficit of 4% of GDP in 2013, is seen as part of the 'fragile five' emerging economies, together with Brazil, India, Indonesia and Turkey.

Infrastructural constraints continue to limit new investments and business confidence remains weak owing to policy uncertainty and labour disputes. In addition, rand weakness is likely to increase inflation putting pressure on interest rates.

High levels of indebtedness and increasing pressure from rising administrative and transportation costs continue to weigh on consumers in SA.

"We proactively educate our clients about their pricing options and assist them in moving to lower-priced bundles based on their current banking needs and behaviour."

WHY DO WE REGARD THIS AS A MATERIAL MATTER?

The weak economic environment directly impacts a bank and its balance sheet through:

- Reduced demand for credit (lower growth in loans and advances) coupled with high levels of consumer indebtedness and a muted corporate investment appetite.
- Increased risk of defaults and bad debts.
- An increase in expense growth from high levels of inflation.
- 40-year-low interest rates that negatively affect endowment income.
- The potential for a further downgrade of the SA sovereign credit rating coupled with a slowdown in capital inflows to fund the current account deficit, which could lead to greater currency volatility and depreciation, placing additional pressure on economic growth.
- Delays in response to infrastructural constraints and service delivery issues, which could lead to increased social instability and postponement of much-needed capital investment.

OUR STRATEGIC RESPONSE

- Our capital levels remain strong, and we have sound liquidity, a well-diversified business portfolio and a risk framework that has been stress-tested for downside economic scenarios.
- Over the past four years we have made significant progress in growing our transactional banking client base and NIR, and this focus will continue. As a result, we will be more resilient in the event of a slowdown in the growth of loans and advances and higher levels of impairments.
- Early action was taken in higher-risk portfolios such as Home Loans and Personal Loans through selective origination and more stringent credit scorecards, while we further strengthened portfolio impairments and increased coverage ratios.
- We have positioned our book for rising interest rates with net interest income benefiting by R936m for each 1% parallel upward shift in interest rates over 12 months.
- We have a countercyclical strategy to invest for growth while containing costs and driving efficiencies through the implementation of 'Optimise to invest', a key strategic initiative to fund investment for the future through internal cost optimisation. Core to this is our strategy to rationalise, standardise and simplify IT systems through projects such as the SAP ERP implementation launched in 2013 to streamline Finance, HR and Procurement.
- We proactively educate our clients about their pricing options and assist them in moving to lower-priced bundles based on their current banking needs and behaviour. In the process clients are saving on fees every year. We also assist our clients to avoid costly penalty fees and educate them to be 'more savvy' with their money.
- We remain committed to the financial health of our clients and have introduced client-centred innovations such as My**Financial**Life™, My Money Map and education programmes for the youth and entrepreneurs to improve financial literacy, and a unique no-funds-alert function that notifies clients when there are insufficient funds in their account ahead of a pending debit order and delays the processing of the debit order. This gives clients time to top up their balance to prevent payments from being returned and avoid unnecessary penalty charges. This commitment was also demonstrated by the slowdown in the growth of our personal-loans book, ahead of the industry.

AN ATTRACTIVE GROWTH STRATEGY (CONTINUED)

2 BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION

Technology has enabled new competitors to emerge in the financial sector, and they are unencumbered by legacy systems. The most prominent examples are online banks, microloan providers and virtual payment systems. This has led to a proliferation of internet and mobile telephony providers placing an increasing array of products and services at consumer's fingertips available 24/7.

Consumer expectations of banks have increased resulting in a choice of integrated channels. Retail banking in SA has also seen a shift in banking behaviour, as clients become more aware of their options and understand the pricing consequences of their choices.

> Competition for primary clients has increased, with pressure on banks to innovate more rapidly, price more competitively and market their offerings more aggressively.

WHY DO WE REGARD THIS AS A MATERIAL MATTER?

Transacting is a core service provided by banks. Clients that transact through a bank tend to also use other services such as deposits, thereby providing funding. Owing to reduced economic activity and non-traditional players into the market, competition for transacting clients has increased, with pressure on banks to innovate more rapidly, price more competitively and market their offering more aggressively.

Pg Innovating for our clients 34–37

OUR STRATEGIC RESPONSE

- Nedbank has identified and adopted 'client-centred innovation' as a strategic growth driver. For example, we fully embraced digital and mobile banking, while embedding an integrated-channel strategy. This allows our clients to transact seamlessly across their channel of choice. Nedbank has differentiated its transactional services by being a leader in cybersecurity through its award-winning **Nedbank App Suite**™ technology.
- In the past three years we have expanded our outlets by 41% and ATMs by 83% to provide clients with increased convenience and access. As part of our Branch of the Future rollout we are refurbishing all outlets to provide multichannel access, optimising floor size, improving efficiency and making the instore experience more client-friendly.
- We are increasingly focusing on cross-selling, enabled by greater crosscluster collaboration and the integration of processes and systems.
- To demonstrate our commitment to making banking more affordable and transparent, we have not only saved clients a great deal by moving them to more suitably bundled products but also Retail, Corporate and Business Banking transactional banking fees for 2014 will remain as they were in 2013. The cost is expected to be offset in the future by continued client gains, cross-sell and more transactional volumes.
- In 2013 we launched a new credit life product, one of the lowest priced in the industry, with increased benefits.

Worldclass at managing risk 130–137
Partnering with our regulators 42–43

3 INCREASED DEMANDS ON GOVERNANCE AND RISK MANAGEMENT

The global financial crisis and events such as the London Interbank Offered Rate (LIBOR) and misselling scandals in the UK have eroded trust in banks and the finance sector in many parts of the world. Regulators have responded with a multitude of measures to ensure the soundness of banks and protect consumers, the most prominent of which are the Basel III regulations on capital adequacy and liquidity. In the US the Volcker rule, restricting proprietary trading for banks, came into force during 2013.

SA is moving towards a new Twin Peaks regulatory framework that seeks to coordinate prudential (South African Reserve Bank) and market conduct (FSB) regulations. Consumer protection is increasing, with a focus on improving transparency and protecting clients in terms of the Consumer Protection Act.

WHY DO WE REGARD THIS AS A MATERIAL MATTER?

Banks have to deal with greater complexity resulting from increased regulation and higher compliance costs, and this has impacted business activities.

- Basel III reduces bank leverage, which reduced return on equity (ROE). This could increase the cost of credit at the higher end of the risk spectrum.
- There is a trend towards greater emphasis on the core business of banking and reducing proprietary trading activities.
- Consumer regulation is focused on protecting clients and ensuring sustainable banking practices.
- Internationally, regulators have imposed significant fines on banks that have not complied with regulations.

> We fully support sustainable banking practices and continuously aim to stay at the forefront of anticipated regulatory interventions.

OUR STRATEGIC RESPONSE

- Managing risk is the cornerstone of a bank's success. Our aspiration is to be worldclass at managing risk while being a great place to bank. Our regulators are one of our five key stakeholders and play a major role in our vision to build Africa's most admired bank.
- We have healthy relations with our regulators and continue to support governance and regulatory frameworks that have made it possible for SA's banking sector to be rated third in the world for 'soundness of banks' by the World Economic Forum in 2013.
- In January 2013 we implemented the Basel III capital and liquidity requirements.
- We fully support sustainable banking practices and continuously aim to stay at the forefront of anticipated regulatory interventions. An example of this would be our new credit life product, priced at the lower end of the market while offering increased benefits.
- We aspire to be worldclass at managing risk and having appropriate remediation where required.
- We have an experienced board of directors, with currently six independent and five non-executive directors out of a total of 14.
- Our strategic portfolio tilt strategy brings to the forefront effective risk management, focusing not only on returns but also on the risk and capital requirements for those returns.

AN ATTRACTIVE GROWTH STRATEGY (CONTINUED)

4 GROWTH OPPORTUNITIES IN THE REST OF AFRICA

Economic growth rates in the rest of Africa are attractive compared with those in many regions in the world, owing to improvements in the political environment, structural adjustments, the continent's rich resource base and a young, growing, urbanising population.

SA's trade with the rest of Africa continues to grow rapidly. In 2012 the total value of trade was US$26bn, a compound annual growth rate of 12% since 1996. SA firms are also increasingly expanding into and investing in the rest of Africa. Trade liberation and the extension of trade corridors in several regions of Africa support further trade and economic integration.

Notwithstanding these factors, many investors are still cautious about investing in Africa and perceived risks are still high. There is also less regulatory certainty in many African markets. The financial markets are typically much shallower and less sophisticated than in SA and large segments of the population are excluded from the financial sector. Incountry banking in most African countries is dominated by a few established banks. These banks are typically tightly controlled, particularly in the major economies – Nigeria, Angola, Ghana and Kenya – owing to strong historic domestic shareholder ties or subsidiary relationships to larger banking groups.

> The economic growth potential of the rest of Africa remains attractive for banks as well as their clients.

WHY DO WE REGARD THIS AS A MATERIAL MATTER?

The economic growth potential of the rest of Africa remains attractive for banks as well as their clients:

- With faster economic growth in rest of Africa there is a pressing need for infrastructure and capital-intensive projects – banks play a key role in their funding and structuring.
- SA clients entering the rest of Africa through their local banks seek to benefit from one-stop solutions.
- International banks are increasingly focusing on expansion into Africa as investors seek exposure to the region through investment in well-managed SA banks.
- New entrants to countries in the region could be forced to make comparatively subscale and expensive banking acquisitions.
- Despite high revenue growth rates, many investments in the rest of Africa still have lower risk-adjusted returns.

OUR STRATEGIC RESPONSE

- Our strategy is to develop a 'Pan-African banking network' by extending our Southern and East African country presence from five to approximately 10 countries over the medium term. Our clients are present in all of these countries. This network was most recently strengthened through the acquisition by Nedbank of a 36,4% stake in Banco Unico in Mozambique.
- In addition, our clients have access to West and Central Africa through our strategic alliance with ETI, which is represented in 35 countries. We have the right to acquire 20% of ETI until November 2014. These linkages position us to provide our clients with a 'one bank' experience across the largest Pan-African network in sub-Saharan Africa in a risk-mitigated manner.
- Our Africa approach fits into our growth strategy of a 'step change in sustainably building the franchise'.

5 TRANSFORMATION OF SOCIETY WITHIN PLANETARY BOUNDARIES

Improvements in life expectancy have led to rapid population growth over the past two centuries. Economic growth has been faster, leading to higher living standards and an increase in average per capita incomes by a factor of more than 10. This growth has been underpinned by the conversion of natural resources into useful products and services, as well as improved social structures and technological innovation.

However, high levels of poverty and inequality remain in many regions, including sub-Saharan Africa. Millions of citizens lack access to formal employment opportunities, sufficient food, clean water and sanitation, safe and affordable transportation, suitable housing, modern healthcare, education and financial services. Furthermore, progress has come at a price, as there is mounting evidence that human consumption is exceeding the supply limits of the planet.

In addition, specific attention to the black economic empowerment (BEE) transformational environment is still required in SA.

> We will contribute through our core businesses to fulfil our social purpose of facilitating capital flows throughout the economy. We commit to doing our fair share.

FAIR SHARE 2030

WHY DO WE REGARD THIS AS A MATERIAL MATTER?

- The primary means through which modern societies have enjoyed developmental gains for the past two centuries – for instance the burning of fossil fuels and the extraction of finite mineral resources – appear unable to deliver the same benefits sustainably to a growing population.
- It is predicted that the impact of climate change would manifest itself in the increasing frequency and intensity of natural disasters, freshwater, food and other supply constraints. The acceleration of species extinction and the degradation of ecosystems would erode nature's capacity to supply essential life support services.
- In this scenario, knockon economic effects of high and volatile commodity prices would be felt as resources are increasingly directed away from productive towards 'repair' activities.
- Stricter regulatory responses may be expected – with the potential for social backlash against those perceived to have contributed to the emerging reality – as governments and businesses struggle to articulate and execute effective strategies.

OUR STRATEGIC RESPONSE

- Nedbank has developed a strategic response to address societal needs within critical environmental thresholds or 'planetary boundaries' called Fair Share 2030. This sets out how we will contribute through our core business, fulfilling our social purpose of facilitating capital flows throughout the economy. Fair Share 2030 is described in more detail on pages 22–23.
- In addition we will contribute through our own operations and corporate social investment (CSI) through our foundation and trusts, and we will continue to play a role in shaping the future we want through thought leadership and advocacy.
- Nedbank remains committed to building on its solid empowerment credentials in the interests of transformation and will continue to contribute to the nation's socioeconomic growth through the support of the Financial Sector Code.

Pg Fair Share 2030 22–23

AN ATTRACTIVE GROWTH STRATEGY (CONTINUED)

6 SCARCE SKILLS

SA has high levels of unemployment. Recent statistics reflect that only 41% of the working-age population are employed, compared with a global average of 61%. While this appears to indicate labour surplus, there is a skills shortage attributable to the failings in the SA education system, where SA was rated 146th out of 148 countries according to the 2013–2014 World Economic Forum Competitiveness Report.

WHY DO WE REGARD THIS AS A MATERIAL MATTER?

Banking is a service industry managing significant levels of risk, and highly skilled employees are needed to service clients. Therefore, attracting and retaining skills are very important to us:

- Competition for the pool of qualified people entering the labour market is increasing. Quantitative analysis skills are at a premium.
- Companies are required to invest an increasing amount in training and development to address the skills gap.
- The retention of skilled staff is critical to remain competitive and requires significant investment through incentives and career development.
- Transformation is an imperative that we fully embrace to build a better country and to remain relevant.

> Competition for the pool of qualified people entering the labour market is increasing. Quantitative skills are at a premium.

Investing in our people 32–33

Managing and optimising our own impact 92–97

OUR STRATEGIC RESPONSE

- We place great value on being a great place to work.
- In 2013 we spent R396m (2012: R352m) on training and development.
- Our staff and corporate culture continue to be our key competitive advantage – in 2013 our values survey highlighted measures health levels, while we continue to optimise personal and team effectiveness through our Leading for Deep Green programme.
- We continue to transform our business to reflect the profile of society as can be seen in our improving employment equity ratios.
- Of the Nedbank Foundation's expenditure, 50% is geared towards improving educational outcomes in the country.
- Our bursary programme has assisted 16 learners across the entire SA, having spent R11m in 2013.
- Recognising quantitative analysts as a scare resource we have launched a risk academy to develop quants. To date 15 staffmembers have graduated with a further 33 enrolled in the programme.

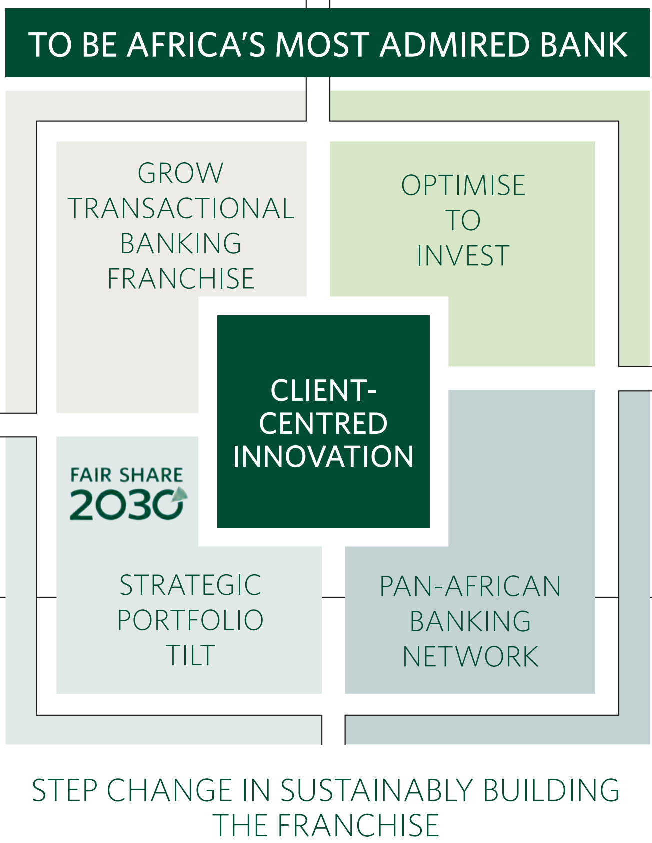
OUR 2014 STRATEGIC FOCUS AREAS

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

Chief Executive's Review 62–67

OPTIMISE TO INVEST is aimed at driving internal efficiencies in an environment of slower revenue growth and enhancing our ability to invest in the franchise for the longer term. Significant information technology (IT) innovations are planned to enhance our systems and deliver business benefits through managed evolution. Our 'rationalise, standardise and simplify' IT strategy forms part of this intent as we move from 220 to 60 core systems over time and embark on initiatives such as a SAP ERP system replacement in Finance, Human Resources and Procurement. In 2013 alone, 30 IT systems were decommissioned.

CLIENT-CENTRED INNOVATION is vital in accelerating and building on the innovations launched in the past two years to enhance Nedbank's value propositions and drive client growth and product cross-sell.



GROW OUR TRANSACTIONAL BANKING FRANCHISE focuses on capturing a greater share of the overall groupwide transactional banking opportunity, with growing NIR and client deposits a key outcome.

PAN-AFRICAN BANKING NETWORK reflects the importance of providing banking services for our clients as they expand across the continent, and creating shareholder value through appropriate investment opportunities that are aligned with the Nedbank strategy and culture and that can clear our financial hurdles.

STRATEGIC PORTFOLIO TILT continues to emphasise the strategic nature of portfolio tilt and EP-generative activities while incorporating Nedbank's Fair Share 2030 initiative, which encompasses a carefully calculated flow of money allocated each year to invest in future-proofing the environment, society and our business. We have also increased collaboration with our parent company, Old Mutual plc, and our sister companies in SA. New-business flows from our financial planners to Old Mutual SA increased 58% in 2013 and we entered the direct-insurance market in partnership with Mutual & Federal.

AN ATTRACTIVE GROWTH STRATEGY (CONTINUED)

MONEY WORKING FOR THE FUTURE WE WANT

FAIR SHARE 2030

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

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

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

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

SHAPING THE CONTEXT

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

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

Pg Chief Executive's Review 62–67

DRIVING TOWARDS THE FUTURE WE WANT THROUGH FAIR SHARE 2030

LONG-TERM GOALS AND RESPONSE

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

These goals are:

- Atmospheric greenhouse gases are stabilised at a level that gives a more-than-50% probability of avoiding a 2°C temperature rise above the long-term preindustrial average.
- Water resources are not being extracted beyond sustainable levels.
- The labour force is employed at percentages comparable with those of other prosperous nations.
- All citizens have affordable access to energy services essential for development and prosperity.
- All citizens have affordable access to clean water and sanitation services.
- Levels of saving and investment are sufficient to support national economic development objectives.
- Good health outcomes are consistently being achieved for citizens at a cost that is comparable with that of other nations.
- Good educational outcomes are consistently being achieved for citizens at a cost that is comparable with that of other nations.

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

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

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

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

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

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

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

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

A SOUND INVESTMENT

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

SOUND BANKING SYSTEM IN SA

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

Pg Value-creating business model 28–29

GRI 3.1: 1.2, EC2

OPTIMISING RETURNS FOR ALL STAKEHOLDERS

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

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

1 COMPETITIVE FRANCHISES CREATING VALUE AND ENHANCING BRAND VALUE

2 CONTINUED DELIVERY ON GROWTH-ORIENTED STRATEGY

3 WELL POSITIONED FOR CURRENT ECONOMIC ENVIRONMENT

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

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

Refer to 26–27

A SOUND INVESTMENT (CONTINUED)

1 COMPETITIVE FRANCHISES CREATING VALUE AND ENHANCING BRAND VALUE

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

Leading position in corporate banking and commercial-property finance

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

Integrated, full-spectrum investment banking

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

Strongly differentiated and decentralised business banking

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

Innovative and client-centred retail banking

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

Fast-growing wealth, insurance and asset management businesses

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

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

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

Pg Growing our franchises 68–71

Pg Our 2014 strategic focus areas 21

Pg Worldclass at managing risk 130–137

Pg Established leadership teams 72–81

Pg Building a sustainable bank 82–97

2 CONTINUED DELIVERY ON GROWTH-ORIENTED STRATEGY

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

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

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

3 WELL POSITIONED FOR CURRENT ECONOMIC ENVIRONMENT

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

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

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

VALUE-CREATING BUSINESS MODEL

The business model of Nedbank Group is centred on the following:

WHAT WE DO

LENDING, DEPOSIT-TAKING AND FUNDING ACTIVITIES

We manage shareholder funding, source deposits from clients, and raise funding from the markets to enable us to engage in lending and investment activities. This funding results in an obligation to pay interest to funders and generate a return for shareholders.

DEPOSITS (Rm)

SHAREHOLDERS' EQUITY (Rm)

We extend credit to clients, taking into account relevant factors such as a client's risk grading and credit standing, and industry dynamics. The extension of credit results in an obligation on clients to pay interest to the bank.

LOANS AND ADVANCES (Rm)

Where there is deterioration in clients' risk grading or their ability to repay the funds to the bank, we make a provision of impairment on the extended credit. This is reported as a credit impairment.

STATEMENT OF FINANCIAL POSITION IMPAIRMENT (Rm)

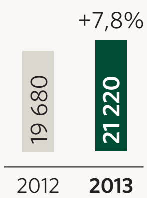
FLOW OF MONEY

NET INTEREST INCOME

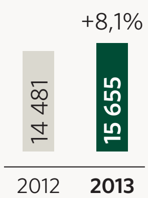
Net income generated from lending activities is net interest income (NII) less impairments charges, while NII is the net result of income received and interest paid on our lending and funding activities.

- Interest is charged for loans granted to clients, with the interest rate based on clients' risk profile and related funding and capital costs. These loan categories include home loans, motor finance, personal loans, credit cards, term loans and corporate property finance.
- Interest is paid to funders for deposits placed with and debt granted to the bank, with the rate based on the bank's credit rating, the term, size of deposit/facility and prevailing interest rates, among other things.
- Included in NII is the endowment which is the income received on the bank's own capital and low-yielding deposits, utilised in lending activities.
- Loans and advances are impaired by the actual or expected change in bad debts from levels of loan repayments, property values and impact of interest rates, to name a few.

NII (Rm)



NET INCOME FROM LENDING ACTIVITIES (Rm)



NON-INTEREST REVENUE

Non-interest revenue includes income received from value-adding activities such as advisory and transactional banking services, insurance, asset management, trading and investment income and private-equity valuations.

VALUE ADDED

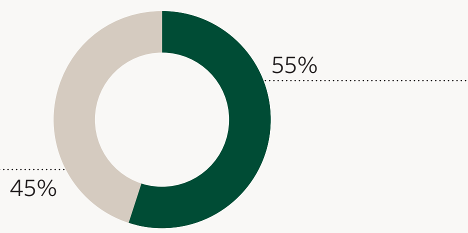
Value added is the wealth created from the rendering of quality services to clients:

NET INTEREST INCOME
R21 220m
61%

IMPAIRMENT LOSSES ON LOANS AND ADVANCES
(R5 565m)
(16%)

INCOME FROM LENDING ACTIVITIES
R15 655m

R34 993m✓



[1] Includes non-interest revenue, non-trading and capital items, and share of profits of private-equity associates, associate companies and joint arrangements.

[2] Includes direct and indirect taxation.

The following section of the report covers in more detail how we managed, created value and Made Things Happen for our stakeholders in 2013.

Chief Financial Officer's Review 100–107

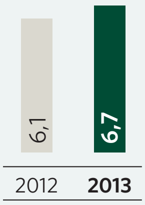
GRI 3.1: EC1

TRANSACTIONAL, ADVISORY, TRADING, INVESTMENT, INSURANCE AND OTHER SERVICES

We provide:

- Transactional banking services.
- Insurance solutions.
- Asset management services.
- Advisory services.
- Trading services.
- Investment services and related solutions, which generate non-interest revenue.

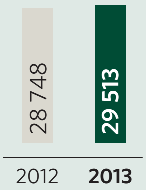
CLIENTS (m)



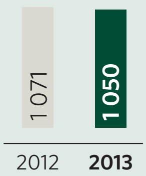
OPERATIONS

In return:
We deliver these service activities by investing and maintaining our own operations, including our staff, distribution platforms, IT systems, marketing and communications, which generate our expense base.

NUMBER OF STAFF



NUMBER OF STAFFED OUTLETS



TAX AND OTHER

Taxation is the regulatory requirement to pay direct and indirect taxes in the various jurisdictions in which we operate.

- Fees and commissions include transactional banking fees and commissions earned on investment products and advisory services.
- Insurance income includes insurance premiums and underwriting profit less claims as well as profit-sharing arrangements.
- Trading income is generated from fees for client flows, foreign-exchange, commodity, credit, interest rate and equity-trading investments.
- Private-equity income is generated from the realisation or revaluation of property and private-equity investments, as well as dividends received.
- Other income includes the fair-value adjustment of hedges held to mitigate fixed-interest-rates and basis risk of the bank's balance sheet.

NIR (Rm)

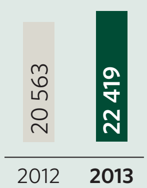
EXPENSES

Expenses include staff and other operational costs incurred to maintain and invest in the group's operations to service our clients.

Staff-related – 56%:
Remuneration, short-term and long-term incentives, investing in training and developing our people.

Other operational – 44%:
Technology, systems and operational infrastructure, communication and marketing expenses, etc.

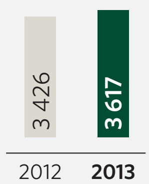
EXPENSES (Rm)



TAX

TAX PAID
(DIRECT AND INDIRECT)

TAX (Rm)



OTHER BANKING INCOME[1]
R19 338m

VALUE ALLOCATED

R34 993m✓

RETENTIONS FOR GROWTH
R6 334m
18%

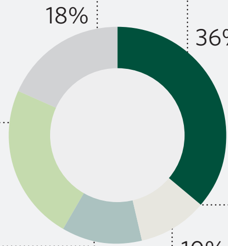
OTHER EXPENDITURE[4]
R8 171m
24%

SHAREHOLDERS[3]
R4 141m
12%

EMPLOYEES
R12 629m
36%

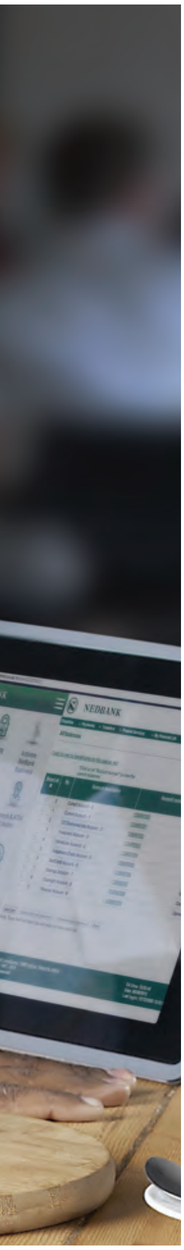
SOCIOECONOMIC DEVELOPMENT SPEND
R101m

GOVERNMENT (TAXES)[2]
R3 617m
10%



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

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



DELIVERING TO OUR STAKEHOLDERS

STAKEHOLDER OVERVIEW

BUILDING ENDURING RELATIONSHIPS

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

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

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

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

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

GRI FSSS: FS5

GRI 3.1: 1.2, 4.14, 4.15, 4.16, 4.17

INVESTING IN OUR PEOPLE

FEEDBACK RECEIVED

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

– *Nedbank staffmember*

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

– *Nedbank staffmember*

Refer to 32–33

GREAT PLACE TO WORK

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

INNOVATING FOR OUR CLIENTS

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

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

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

– *Nedbank Wealth client*

'Nedbank's My**Financial**Life™ is the best financial tool with which to keep track of your spending behaviour.'

– *Nedbank Retail client*

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

– *Nedbank Wealth client*

Refer to 34–37

GREAT PLACE TO BANK

DELIVERING VALUE TO OUR SHAREHOLDERS

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

– *Rated financial analyst*

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

– *International investor*

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

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

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

– *Local investor*

Refer to 38–41

GREAT PLACE TO INVEST

PARTNERING WITH OUR REGULATORS

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

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

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

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

– *WEF Competitiveness Report 2013/14*

Refer to 42–43

WORLDCLASS AT MANAGING RISK

LEADING IN THE COMMUNITIES WE SERVE

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

– *Participating farmer, WWF Water Balance Programme*

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

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

Refer to 44–47

HIGHLY INVOLVED IN THE COMMUNITY AND ENVIRONMENT

STAFF

INVESTING IN OUR PEOPLE

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

29 513
NUMBER OF EMPLOYEES

63%
FEMALE EMPLOYEES

37%
MALE EMPLOYEES

RELATED MATERIAL MATTERS

- Tough economic conditions
- Scarce skills

PERFORMANCE DURING 2013

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

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

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

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

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

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

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

Approximately 400 employees attended Planning for Retirement workshops.

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

Altogether 588 additional jobs were created in SA.

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

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

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

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

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

Understanding material matters 14–20

Managing and optimising our own impact 92–97

Transformation Report

Supplementary information: Sustainable Development Review

GRI 3.1: 4.4, 4.17

HOT TOPICS IN 2013

Hot topics	Our response/resulting developments
Development and growth opportunities	■ We offer our employees and managers numerous development opportunities (see page 94). In 2013, the Integrated Talent Framework was implemented. It includes talent conversations between managers and employees about performance, personal aspirations and holistic development.
Management capability	■ Our Leading for Deep Green Programme and Leader/Manager Academy aim to better equip our managers and leaders. A total of 1 521 managers participated in the Leading for Deep Green Programme in 2013 and more than 100 managers went through the Nedbank Leader/Manager Academy.
Work/Home life balance	■ Wellness Days were implemented to raise awareness of the importance of a healthy lifestyle. In 2014 a stress management programme will be piloted.
Performance management process	■ Ongoing engagement with employees led to an understanding of how they experience the performance management process. Feedback has been consolidated with a focus on continuous improvement.
Employment equity progress	■ We achieved five out of our nine employment equity targets. We are determined to understand the barriers and challenges involved so that we can address these proactively. ■ Countrywide transformation dialogues provided insights that were used to refine our employment equity plan and promoted a common understanding of diversity issues.

Refer to 94

ACCOLADES IN 2013

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

CHALLENGES DURING 2013

- Achieving senior management employment equity targets has been particularly challenging since 2009. The statistics show that although we have achieved senior management black and black female targets, achievement regarding senior management Africans and Coloureds were below our plans and require further organisational effort.
- Technology challenges have delayed the creation of a virtual online learning platform. More focus will be given in 2014.

FOCUS AREAS FOR 2014

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

TARGETS FOR 2014

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

Transformation Report

Supplementary information: Sustainable Development Review

CLIENTS

INNOVATING FOR OUR CLIENTS

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

6,7m
TOTAL CLIENTS

210 000
SMALL-AND-MEDIUM-ENTERPRISE (SME) CLIENTS

25 000
BUSINESS BANKING CLIENTS

RELATED MATERIAL MATTERS

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

Understanding material matters 14–20

GRI FSSS: FS13 FS14

PERFORMANCE DURING 2013

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

PERFORMANCE DURING 2013 (CONTINUED)

Accessibility to our financial services	Making Nedbank more accessible through the R1,7bn investment in distribution since 2009. Branches have increased by 41% to 763, with 76% growth in the non-urban areas, and ATMs have increased by 83% to 3 382. An accelerated rollout plan has been chosen for the purpose of investing R2,1bn over the next five years, to enable 75% of our clients to experience the new Branch of the Future design within three years. In addition we are driving innovation across multiple distribution channels, including mobile and digital, allowing our clients to choose how they want to interact with us.
Worldclass client service	The main service metric common to the majority of the bank is the Net Promoter Score (NPS)✓, which is used both as a lead measure of the overall health of client relationships and as a behavioural driver seeking to enhance client loyalty and organic growth. Business Banking, Property Finance and Retail experienced improvements in their NPS for 2013 (Business Banking reached a new historic high). Corporate Banking saw a slight year-on-year decline in NPS, but off a high base in 2012. Nedbank Private Wealth conducted their first NPS survey since 2009, with good scores following the rebranding of the old BoE Private Client business. Nedbank Retail's recent CMAT™ results have shown a substantial improvement in the overall score, with Retail's client management intentions benchmarked as worldclass in 2012. On the recent very rigorous SCHEMA™ measure, Retail was ranked in the top five of 92 companies surveyed globally. Business Banking's client management capabilities are worldclass as confirmed by an independent assessment conducted globally, which ranked the business first in 92 global SCHEMA™ assessments and second in some 900 global CMAT™ assessments. The Treating Customers Fairly programme remained a prominent focus for Nedbank during 2013. The programme aims to improve client confidence through the supply of appropriate products and services and to enhance transparency and discipline in the industry. The programme also aligns with our current client-centred ethos and code of conduct. We anticipate that the additional focus this programme brings to client imperatives will further enhance client trust and service levels. In the spirit of ensuring accurate and relevant client advice, Nedbank rescreened more than 6 380 FAIS key individuals and representatives to ensure that they all comply with the prescribed 'fit and proper' requirements. Overall, 2013 was a pleasing year from a systems availability perspective. We measure the overall uptime of our major infrastructural platforms as well as our most critical application systems, and the blended uptime score for both infrastructure and applications was 99,89%✓ (2012: 99,88%) against a target of 99,70%. It is important to note that this was achieved against a record number of complex changes deployed in the information technology (IT) environment. While we are fully committed to meeting our clients' needs, they are able to approach the Ombudsman for Banking Services in cases where we are unable to resolve an issue to their satisfaction. The number of cases opened against us has remained relatively stable since 2012, with 688✓ (2012: 648) Nedbank Group-related cases being opened and 753✓ closed (2012: 659). Of the cases closed, 65% were resolved in favour of the bank. This result demonstrates that our internal processes are robust and address clients' needs.

ACCOLADES IN 2013

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

Growing our franchises 68–71

Supplementary information: Operational Overview

INNOVATING FOR OUR CLIENTS (CONTINUED)

PERFORMANCE DURING 2013 (CONTINUED)

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

DATA PROTECTION AND PRIVACY

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

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

RESPONSIBLE PRODUCT/ INFORMATION LABELLING

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

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

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

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

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

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

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

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

HOT TOPICS IN 2013

Hot topics	Our response/resulting developments
Pricing	■ We have moved towards more transparent and simplified pricing structures. ■ Credit life protection and pricing have become much debated topics in SA and are under increasing regulatory scrutiny. In 2013 we took a leadership position in proactively launching a differentiated credit life proposition that offers a sustainable insurance solution to the entry level market and provides top quartile and differentiated benefits at highly competitive rates. ■ We made a decision not to increase transactional prices in 2014 for the majority of our clients.
Greater accessibility to banking services and increased channel choice	■ We invested R1,7bn in our distribution footprint, which resulted in 41% more branches and alternate outlets (a total of 763 excluding personal-loan kiosks) and 83% more ATMs. ■ The rollout of our Branch of the Future formats has been well received. ■ Video banking facilities in branches allow easy access to specialist advice. ■ Additional functionality was deployed for the Nedbank App Suite™. This included banking functionality for business and corporate clients. ■ Online channels were launched for business clients wishing to apply for products or provide feedback. ■ Our digital home loans Apply Online channel is the first on the market to offer approval within hours. The channel has already processed over 10 000 applications, granted loans worth R1,5bn and registered 1 548 properties.
Responsiveness – social media	■ Our listening centre is now fully established and facilitates engagements with clients and staff through social media and digital channels.
The impact of spiralling energy costs on corporate building stock	■ We funded a Green Star SA performance rating tool produced by the Green Building Council of South Africa. The tool helps existing building owners and/or portfolio managers to gain a better understanding of the environmental impact and related costs of their buildings, improving efficiencies and reducing costs.
Integrated cashflow management	■ We implemented and improved our cash management system, which maximises interest income and minimises the cost of borrowed funds for clients.
Financial literacy and overindebtedness	■ We have increased the functionality of our free, holistic personal financial management tool, My**Financial**Life™, through the addition of a simplified, fun budgeting tool called MyMoneyMap™. ■ We proactively educate our clients about their pricing options and help them to switch to the lowest-cost options for their needs. ■ A unique no-funds-alert function notifies clients when there are insufficient funds in their account ahead of a pending debit order and delays the processing of the debit order.
Holistic understanding of clients' businesses	■ Our business clients now have a single point of entry through our wholesale banking client solution. This has resulted in a better understanding of our clients and improved communication and client service levels. ■ We proactively match the skills of our bankers to identified client needs. ■ We ensure that our clients have access to specialists when these are needed.

FOCUS AREAS FOR 2014

With many of the client measurements steadily improving and accelerating, Nedbank remains well positioned to grow its client franchise and market share in all segments. Emphasis will be placed on:

- Accelerated rollout of the Branch of the Future design and network of formats, reaching 75% of our clients by 2016.
- Implementation of the integrated-channels roadmap towards a truly seamless client experience across the full range of channels emphasising mobile functionality and self-service.
- Leveraging the strong foundations and compelling offering built for small businesses, professionals and seniors to regain market share in these important segments.
- Continuing the journey of simplified, transparent pricing, with no price increases and with structural changes in 2014.
- Emphasis on quality client growth, balanced with judicious granting of new loans to protect clients and the bank from the consequences of increasing consumer overindebtedness.

GRI FSSS: FS15

GRI 3.1: 1.2, 4.17, PR3, PR5, PR6

SHAREHOLDERS

DELIVERING VALUE TO OUR SHAREHOLDERS

A great place to invest.

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

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

RELATED MATERIAL MATTERS

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

Understanding material matters 14–20

Types of engagement	Engagements held	Feedback from the investment community
■ JSE SENS announcements ■ Financial results and integrated report ■ Roadshows and conferences ■ Management meetings and calls ■ Investor days ■ Annual general meeting ■ Media releases ■ Group website	During the year, 344 individual meetings were held, including the following events: ■ Annual and interim results announcements, presentations and roadshows. ■ First- and third-quarter trading results. ■ Broker-hosted conferences, lunches and non-deal roadshows. ■ Nedbank Wealth and Nedbank Retail investor days. ■ Ad hoc meetings with shareholders, potential investors, analysts, credit rating agencies and financial media during non-closed periods. ■ Engagement with our holding company, Old Mutual Group, to ensure alignment of financial reporting and communication, to provide a holistic group view of which, the Old Mutual plc Africa Showcase held in the fourth quarter of 2013, is a good example.	'In an environment where pressure on the consumer is building, we prefer banks to focus on clients and deliver conservatively stated results ... We think Nedbank ticked all the boxes in 1H13.' *– Rated financial analyst* 'Consistent strategy; gradual gains. There is an indication yet again of a clear, all-encompassing and consistent strategy for the retail business, focused on building a solid, loyal client base. We heard more of what we have heard before, which is comforting to us.' *– Rated analyst* 'Your rest of Africa strategy is sensible – I like the approach.' *– International investor* 'Strong management team, I think one of the best in emerging-market banks.' *– International investor* 'Easily one of the best discussions of banking culture I've had. Professional and realistic management. One we watch closely.' *– International investor* 'Key issues are to understand how the credit loss ratio progresses from here and the health of the consumer.' *– Local investor*

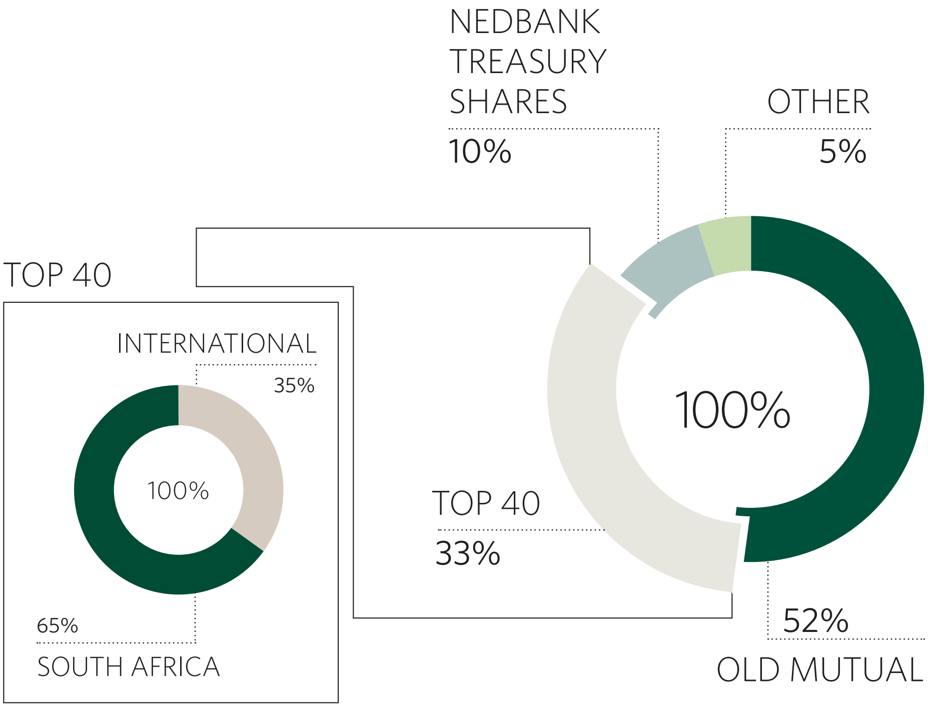
DELIVERING VALUE TO OUR SHAREHOLDERS

WHO ARE OUR SHAREHOLDERS?

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

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

NEDBANK SHAREHOLDING



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

– Rated financial analyst

DELIVERING TO SHAREHOLDERS IN 2013

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

DELIVERING VALUE TO OUR SHAREHOLDERS (CONTINUED)

16,0%
TOTAL SHAREHOLDER RETURN

19,0%
FULL YEAR DIVIDEND INCREASE

17,2%
ROE (EXCLUDING GOODWILL)

PERFORMANCE DURING 2013

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

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

CHALLENGES DURING 2013

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

Chief Financial Officer's Review 100–107

Committed to good governance 52–57

GRI 3.1: 4.4, 4.17

HOT TOPICS IN 2013

Hot topics	Our response/resulting developments
Impact of a tougher-than-anticipated economic environment	■ We strengthened our balance sheet (capital ratios, liquidity and provisioning). ■ Our focused collection processes generated solid post-writeoff recoveries. ■ We concentrated on selected advances growth to protect downside risk in line with our portfolio tilt strategy. ■ We are gaining new clients and improving cross-sell to grow NIR. ■ We are ensuring disciplined expense growth at 9% (2012: 8%), while continuing to invest for the future.
Health of the consumer and developments in the personal-loans industry	■ We proactively slowed our advances book growth in certain higher risk areas from H2 2012 and throughout 2013 through initiatives such as the tightening of affordability criteria. ■ We have kept our maximum loan size and tenor the same since 2009. ■ We released a new credit life product, priced competitively in the market, with increased benefits.
Reaching into the rest of Africa in a value-creating, risk-mitigating manner	■ We have the rights to acquire a shareholding of up to 20% in Ecobank Transnational Incorporated. This alliance provides network coverage for Nedbank in Central and West Africa. ■ In addition to our existing presence in five Southern African Development Community (SADC) countries, the agreement to acquire an initial stake of 36,4% of Banco Unico in Mozambique – with the right to a majority shareholding over time – will strengthen our position in SADC and East Africa.
Progress in Nedbank Retail's positioning	■ We gained 529 000 new clients, achieved higher cross-sell ratios, increased the number of our ATMs by 323 and our outlets by five, launched various innovative client value propositions and products, and continued proactive risk management while strengthening balance sheet provisioning (see the Supplementary Operational Overview information online for more details on Nedbank Retail).

ACCOLADES IN 2013

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

FOCUS AREAS FOR 2014

- Deliver on our strategic focus areas (see page 21) and make progress towards medium-to-long-term financial targets.
- Ongoing improvement in quality of investor engagements and financial reporting disclosure.
- Introduction of a corporate governance roadshow to deepen stakeholder engagement.

Our 2014 strategic focus areas 21

REGULATORS

PARTNERING WITH OUR REGULATORS

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

BASEL III

IMPLEMENTED
1 JANUARY 2013

12,5%

COMMON-EQUITY
TIER 1 ACHIEVED
31 DECEMBER 2013

RELATED MATERIAL MATTERS

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

PERFORMANCE DURING 2013

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

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

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

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

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

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

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

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

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

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

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

Pg Understanding material matters 14–20

Pg Worldclass at managing risk 130–137

GRI 3.1: 4.17

CHALLENGES DURING 2013

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

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

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

Increased oversight of all aspects of regulatory compliance.

HOT TOPICS IN 2013

Hot topics	Our response/Resulting developments
Implementation and impact of Basel III regulations relating to banks	■ We achieved compliance with Basel III on 1 January 2013. ■ We are well placed to comply with increased capital and liquidity requirements when these are required in future years. Net stable funding ratio compliance remains a challenge in SA.
Increased focus on consumer protection, such as Twin Peaks regulation, the Consumer Protection Act and the Protection of Personal Information Act	■ We are well on track with our preparation for the new regulatory regime of Twin Peaks, the Consumer Protection Act and the Protection of Personal Information Act.
Solvency Assessment and Management (SAM) regime for the SA insurance sector	■ Nedgroup Insurance remains well capitalised and is on track to implement SAM.
Unsecured lending	■ We continued to implement our policy of responsible lending and reduced our market share proactively.
Rest of Africa strategy	■ We have adopted a risk-mitigated, client-centred, capital-efficient, longer-term strategic approach that has started to demonstrate benefits (see the information on our Africa operations on page 69).
Money-laundering, terrorist-financing and sanctions risk management	■ We have invested significantly in IT and people resourcing to comply with the more stringent anti-money-laundering regulation and to combat terrorist-financing activities, with more to be done.
Resolution and recovery planning	■ We maintain resilient business continuity management processes.

FOCUS AREAS FOR 2014

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

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

Pg Rest of Africa 69

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

COMMUNITIES

LEADING IN THE COMMUNITIES WE SERVE

LEVEL 2✓
BBBEE RATING

38%
RENEWABLE-ENERGY FUNDING FOR REIPPPP

100%
DISCLOSURE: SA CARBON PROJECT

RELATED MATERIAL MATTERS

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

Understanding material matters 14–20

Building a sustainable bank 82–97

GRI 3.1: 4.17

PERFORMANCE DURING 2013

2013 objective	Making things happen in 2013
LEADING AS A 'CARING BANK'	
Be a truly SA bank: ■ Socioeconomic development	■ Our 2013 socioeconomic development spend was R89m, in excess of the 0,7% of the SA NPAT FSC requirement (2012: R95m). This supported 585 development projects and initiatives, with more than 135 000 beneficiaries. ■ Altogether 82% of the total cost of external bursaries we awarded went to 132 black students (2012: 203), of which 68 (51%) were women.
■ Access to finance	■ More than 54 000 clients and other stakeholders were directly impacted by our consumer education programmes.
■ Lending to enable healthcare, housing and education, enterprise development (ED) and community upliftment	■ In 2013 Nedbank Business Banking granted R1,3bn in black small-and-medium-enterprise (SME) loans to 2 972 beneficiaries.
■ Economic empowerment	■ Nedbank extended more than R7,3bn in funding for transformational infrastructure, black SME financing, black agriculture financing and affordable housing in 2013.
■ Preferential procurement	■ 78% of our 2013 procurement spend was on locally sourced products and services (2012: 73%). ■ Black-owned supplier spend increased by 4% year on year.
Delivering on transformation commitment	■ Nedbank was recognised as the most transformed of the JSE Top 100 listed companies in the 2013 *Mail & Guardian* Most Empowered Companies survey done in partnership with Empowerdex. ■ Our progressive transformation initiatives have ensured that we maintained our level 2 broad-based black economic empowerment (BBBEE) rating for the fifth consecutive year. Our BBBEE rating for the past four years was calculated under the Codes of Good Practice (dti Codes) and for the first time this year was calculated in accordance with the Financial Sector Code (FSC).

PERFORMANCE DURING 2013

2013 objective	Making things happen in 2013
LEADING AS A 'GREEN BANK'	
Manage social and environmental impacts of our lending	■ We continued to refine and implement our Social and Environmental Management System (SEMS). Credit policies within our Business Banking, Wealth, Corporate and Capital clusters were enhanced to include a focused approach to high-impact industries to ensure that the related social and environment risks are mitigated. ■ Altogether 15 (2012:15) Nedbank Capital transactions that comply with the Equator Principles (per risk category) had additional drawdowns in 2013.
Accelerate relevant product and service offering	■ We developed Fair Share 2030, a business strategy that provides a longer-term perspective and a wider lens to identify client needs and develop appropriate business solutions. We developed a number of pilot products and projects that will form the foundation of this work and these will be further refined and evolved in 2014 for rollout in 2015. ■ We were involved in all three rounds of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), effectively funding and supporting projects that will deliver 1,486 MW or 38% of the total renewable-energy capacity allocated by REIPPPP since inception. ■ Since the inception of the Nedbank Green Savings Bond R3,6bn has been invested in it. Altogether R2,7bn of this flowed in during 2013 (see page 84 of the Sustainability Development Performance Review). ■ Nedbank Affinity donations grew from R20,9m in 2012 to R27,8m in 2013, with support given to nearly 1 000 social and environmental projects across SA (excluding the projects supported by the Nelson Mandela Children's Fund). Since the inception of the four Nedbank affinities, donations of more than R225m have been made to the respective trusts supported by them.
Manage our carbon emissions	■ We maintained our carbon-neutral status for the fifth consecutive year. ■ We decreased our total greenhouse gas (GHG) emissions by 2,18% in 2013. ■ We again participated in the SA Carbon Disclosure Project Index and were one of only two participants to achieve a disclosure score of 100%. ■ Nedbank occupies three Green Star SA-rated buildings with another two planned for 2014. To date, Nedbank Corporate Property Finance has financed eight Green Star SA-rated buildings, making Nedbank the leader in green building finance.
Contribute to resource conservation	■ Electricity usage declined by 2,63% per fulltime employee (FTE) and by 1,44% based on total floor space. ■ Overall water consumption on our campus sites increased marginally as a result of the consolidation of employees and organic growth. However, we continued our investment in water security through the WWF Water Balance programme. The year 2013 was the third in our five-year R9m pledge to support this vital water conservation programme (see page 90 of this report). ■ Our support of the WWF-SA Sustainable Agriculture programme encourages reduction of energy, water and other resource-intensive inputs in the SA agriculture sector. ■ We launched our *Green Living Guide*, which is aimed at encouraging all South Africans to adopt more sustainable lifestyles and enjoy the associated economic, social and environmental benefits.

Fair Share 2030 22–23

Refer to 84

Transformation Report

Sustainable Development Review

Refer to 90

LEADING IN THE COMMUNITIES WE SERVE (CONTINUED)

ALIGNING WITH FINANCIAL SECTOR CODE-BASED REPORTING

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

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

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

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

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

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

Transformation Report

Supplementary information: Sustainable Development Review

HOT TOPICS IN 2013

Hot topics	Our response/resulting developments
Scarce skills	■ We have implemented diverse training and development programmes to give our employees the skills necessary for them to meet client needs. ■ We further invested in graduate and bursary programmes as well as learnerships – all for the purpose of developing a talent pipeline for our own business as well as contributing to the overall SA skills pool.
Funding of energy-related projects	■ Nedbank proactively responding to the regulatory and policy developments with regard to the SA energy mix. These developments will include the Integrated Energy Plan and the Integrated Resource Plan. We are committed to providing funding to ensure a secure energy future for SA, with cognisance given to the need for reducing carbon-intensive energy generation.
Trust in the financial sector	During 2013 we paid special attention to: ■ Driving ethical behaviour through enhanced ethical awareness training for staff. ■ Ensuring correct financial advice for clients through well-qualified staff who comply with the Financial Advisory and Intermediary Services Act. ■ Protecting client information through stringent application of the Protection of Personal Information Act and worldclass online security.
Access to corporate social investment (CSI) funding	■ We acknowledge that the number of applications we receive far outweigh the available funds. The Nedbank Foundation follows a stringent funding process to ensure the prudent allocation of our CSI investment.
Funding of green innovations/ companies	■ Guided by our long-term goals and Fair Share 2030 response, we are committed to collaborating with businesses that innovate in the environmental and social spheres. The economic sustainability of these businesses is equally important and remains key to our investment and partnering decisions.

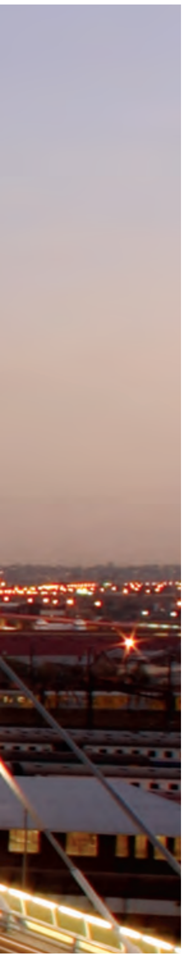
ACCOLADES IN 2013

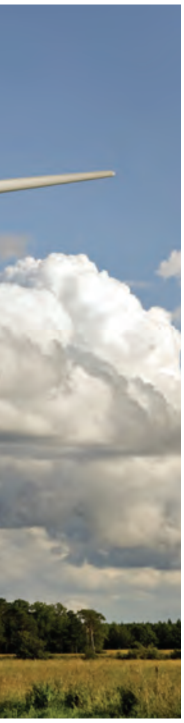
In 2013 we received a number of awards that recognised our efforts in leading at sustainability in the communities we serve and impact. While we do not approach sustainability for the purpose of receiving accolades, recognition serves as external affirmation of the validity and effectiveness of the work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

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

FOCUS AREAS FOR 2014

Objective	Target
Integrate sustainability initiatives and considerations into all business activities.	Continue the integration of sustainability into a long-term strategy and implementation of Fair Share 2030 (see page 22–23). Accelerate development of sustainable products and services. Enhance and expand responsible lending and investment practices.
Pursue carbon awareness, measurement and reduction and maintain our carbon-neutral status.	Reduce carbon footprint through the pursuit of clearly defined electricity, paper, waste and business travel reduction targets and ongoing recycling initiatives in support of our journey to combat climate change. Maintain carbon neutrality despite tough economic conditions, with a simultaneous increase in the scope of our carbon measurements.
Continue to deliver on transformation as a vital component of realising one of our aspirations, which is to be a bank for all South Africans.	Maintain level 2 BBBEE rating as measured under the FSC, including the two additional sector-specific elements, which are empowerment financing and access to financial services. Participate in an industry realignment process through Banking Association of South Africa (BASA) and the FSC Council. Continue to focus on enhancing and extending access to financial services for all. Maintain growth in the representation of black women at Nedbank, especially at senior management level. Achieve a greater impact from our socioeconomic development spend and build stronger partnerships in this area.





ENSURING A SUSTAINABLE BUSINESS

A SUSTAINABLE FUTURE FOR ALL

CHAIRMAN'S REVIEW

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

Dr Reuel Khoza
Non-executive Chairman

Twenty years of democracy

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

Committed to good governance 52–57

GRI 3.1: 1.1

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

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

When we reflect on Nedbank Group's journey since 1994, it is clear that we have had our own successes and challenges. We have grown organically as well as through various mergers and

R107,2bn
MARKET CAPITALISATION (2012: R95,4bn)

16%
TOTAL SHAREHOLDER RETURN

LEVEL 2
BEE RATING FIFTH YEAR IN A ROW

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

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

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

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

We also marked, with great sadness, the passing of the founding father of our democracy, Mr Nelson Rolihlahla Mandela, in 2013. Tata Madiba represented universal virtues that unite us all as human beings the world over: moral authority and probity, resilience, conviction, moderation, compassion, grace, courage, humility and wisdom. At Nedbank we seek to support Madiba's honourable legacy through a shared vision to champion the rights of children. We will continue our relationship with the Nelson Mandela Children's Fund, spanning more than 15 years thus far, through the Nedbank Children's Affinity. Since the launch of the Children's Affinity, Nedbank has donated more than R50m to the Nelson Mandela Children's Fund.

Creating a desirable future

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

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

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

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

CHAIRMAN'S REVIEW (CONTINUED)

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

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

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

Leading by example

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

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

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

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

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

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

Pg Report from Group Transformation, Social and Ethics Committee Chairman 58–59

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

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

Pg Report from our Audit Committee 110–113

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

Refer to 134–135

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

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

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

Refer to 138–140

Delivering value to shareholders

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

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

Looking forward

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

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

Refer to 21

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

Appreciation

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

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

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

Dr Reuel J Khoza
Non-executive Chairman

COMMITTED TO GOOD GOVERNANCE

We are committed to good governance and compliance with recognised best-practice codes and legislation. We believe that our conduct should be underscored by sound governance practices that include transparency and accountability to all stakeholders, including staff, clients, regulators, shareholders and communities.

GOVERNANCE IN NEDBANK GROUP

Global banking scandals and high costs associated with them continue to emphasise the importance of sound governance in all organisations. They have also highlighted the fact that many organisations still do not understand that ethical leadership is crucial to ensure that sound governance prevails in organisations. Despite the Sarbanes-Oxley Act, the Organisation for Economic Cooperation and Development (OECD) principles, the UK Code of Corporation Governance and other good governance guidelines, corporates and their leaders do not all adhere to governance principles. SA has been fortunate to avoid the repercussions of the global crisis to some extent. Continuing meticulous management ensures that Nedbank's governance is of the highest standard and these risks are managed.

Fundamental to the Nedbank way of doing things is the aspiration to apply the King III principles. As required by our JSE Ltd (the JSE) Listings Requirements, we provide full disclosure in terms of Nedbank's King III application. This is in the supplementary Governance and Ethics Review.

Our aim is to implement the high governance standards in our SA operations and in all our affiliated entities across Africa.

Currently, Nedbank Group has 283 affiliated entities. Included in these entities are the five African subsidiaries: Nedbank Lesotho, Nedbank Malawi, Nedbank Swaziland, Nedbank Zimbabwe (MBCA) and Nedbank Namibia. There has been increased focus in these areas to align governance processes to the best governance processes of Nedbank. In some instances, where the rule of law is stricter in the subsidiary, then that rule would be applicable in the subsidiary country. Some of these processes are:

- Aligning the African subsidiaries to the King III requirements. Nedbank and the rest of Africa are using the Governance Assessment Instrument of the Institute of Directors to track and implement King III best practices. Namibia and Zimbabwe adhere to King II as required by their regulator. However, in principle, they apply King III.
- Reviewing and aligning the boards' and the board committees' composition in terms of composition, skill, diversity, independence and gender representation.
- Conducting board and board committee evaluations.
- Reviewing board charters, minutes and committee functions.
- Compiling board continuity programmes and succession plans.

Training is done at board level and 91% of the African boardmembers have done the GIBS Banking Board Leadership Programme.

All African subsidiaries have done board evaluations in 2013. Following these evaluations, reports were compiled for all subsidiaries except Zimbabwe for regulatory reasons.

The subsidiaries based their evaluation questionnaires on those used at group level, but adapted the questions to suit their entity's environment. The questionnaires covered the following areas:

- Role and responsibilities of directors.
- Board committees and structures.

- Company Secretariat.
- Compliance and risk management.
- Financial and operational reporting.
- Human Resources.
- General observations.

The results showed that all the boards were operating effectively and in accordance with their charters. All suggestions for improvement included in the evaluation results were based on the ratings in each of the abovementioned areas as well as directors' comments. The results were submitted to the company secretary, who discussed them with the chairman for appropriate action by the board.

The following areas were identified as requiring improvement in the rest of Africa:

- Succession planning.
- The boards' interaction with management.
- The IT expertise of the board.
- Technical training for directors in risk management, especially IT risk.

All African subsidiaries have submitted their regulation 39(18) reports and all have stated that sound governance processes are followed in support of their boards' objectives. As part of the onsite visits conducted in the African countries, we review statements made in their respective reports for accuracy, validity in governance and ethics processes that need improvement.

During 2013 Enterprise Governance and Compliance (EGC) reviewed the top 20 operational subsidiaries of the Nedbank Group. This included:

- The major operating board subsidiaries (Rest of Africa, short-term insurance and stockbroker subsidiaries).
- The composition of the subsidiary boards for skills, gender representation and tenure length.
- The documented processes followed by these boards in approving changes to the subsidiary boards.
- The attendance registers of the board meetings for the subsidiaries.
- The state of the subsidiary Audit Committees was checked.

There is a robust governance process to oversee all 283 affiliated companies in the group, and an annual report is submitted to the board of directors.

King III is applied to all companies in the group.

COMPLIANCE WITH KING III

We endeavour at all times to apply the principles of King III to all aspects of our business. During the period under review the board again indicated that it was satisfied with the way in which the group applied the recommendations of King III or put alternative measures in place.

In terms of the JSE Listings Requirements we are required to provide an explanation of how the King III principles were applied during the 2013 financial year and, should these not have been applied, to provide reasons for this and an indication of alternative measures taken. There are 75 such principles that apply to us and a comprehensive statement outlining our approach to each is included in the supplementary governance information available at **nedbankgroup.co.za**.

Independence of Chairman

The current Nedbank Group Chairman is not independent as defined by the governance codes, as he also serves on the board of the group's parent company, Old Mutual plc. For this reason, the position of Lead Independent Director was created in 2007, and it is currently held by Malcolm Wyman.

Non-executive directors' remuneration

The board of directors has considered the King III recommendations and deliberated whether the remuneration of non-executive directors should comprise a base fee and an attendance fee per meeting. The board is of the view that this requirement is less pertinent to non-executive directors of Nedbank Group, because of the greater responsibilities associated with being a director of a bank and the requirement for boardmembers to provide input on an ongoing basis, over and above attendance of board meetings.

The manner in which directors are selected, the internal discipline and regular independent evaluation continue to ensure high levels of commitment among boardmembers. Accordingly, the directors are paid an annual fee for their services.

Independence of boardmembers

The majority of the Nedbank Group boardmembers are non-executive directors, and at 31 December 2013 there were four independent and six non-independent non-executive directors on our board. The composition of the board is monitored and discussed by the directors on an ongoing basis to ensure that boardmembers have the correct skills and experience, and that the mix of non-executive directors and independent non-executive directors is enhanced.

While the recruitment of additional independent non-executive directors is progressing, the board believes that the current composition is sufficiently robust to ensure that shareholder interests (including minority interests) are protected.

At 1 January 2014 Tom Boardman was classified as an independent non-executive director as three financial years passed since he had been last employed by Nedbank Group in an executive capacity. At 21 February 2014 David Adomakoh joined the board as an independent non-executive director. At 28 February 2014 the board comprised of:

- three executive directors;
- six independent non-executive directors; and
- five non-executive directors.

King III recommends that board committees should comprise a majority of non-executive directors, the majority of whom should be independent. Committees should also be chaired by independent non-executive directors. At 31 December 2013 Nedbank Group board committees did not comply with King III in the following respects:

Chairman's Review 48–51

GRI 3.1: 4.1, 4.2, 4.3, 4.4, 4.6, 4.7, 4.8, 4.9, 4.10

Supplementary information: Governance and Ethics Review

COMMITTED TO GOOD GOVERNANCE (CONTINUED)

- The Group Information Technology Committee (GITCO) was chaired by a non-executive director who was not independent. On 1 January 2014 the chairman of the committee, Tom Boardman, was classified as an independent director.
- Only non-executive directors are members of the Group Transformation, Social and Ethics Committee (GTSEC), but the majority of them were not independent. In addition, the GTSEC is chaired by a non-executive director who is not independent. With effect from 1 January 2014, GTSEC comprised a majority of independent non-executive directors.
- The Group Credit Committee (GCC) was chaired by a non-executive director who was not independent. On 1 January 2014 the Chairman of the committee, Tom Boardman, was classified as an independent director. While the GCC has a majority of non-executive directors, the majority of these are not independent non-executive directors.
- The Group Risk and Capital Management Committee (GRCMC) is chaired by a non-executive director who is not independent.
- The Group Directors' Affairs Committee (DAC) is chaired by the Chairman of the group who is not independent. Independent directors are in the minority in terms of composition.

While compliance with King III is not always achieved, the board is satisfied that the committees are appropriately constituted given the expertise and experience of the committee chairmen and members. This is evidenced in the results of the board and board committee evaluations that were conducted by an independent party in 2013.

NEDBANK GROUP BOARD OF DIRECTORS

In line with the recommendations of King III we have a unitary board structure.

There is no overlap between the roles of the Chairman and the Chief Executive. The Chairman, Reuel Khoza, leads the board, while the executive management of the group is the responsibility of the Chief Executive, Mike Brown. This ensures that no individual has unrestricted decisionmaking powers. At the same time the board and executive management work closely together in determining the strategic objectives of the group.

The board provides for independent and objective input into the decisionmaking process, thereby ensuring that no single director holds unfettered decisionmaking powers. During 2013 the board internally assessed the status of the Nedbank Group independent non-executive directors and was satisfied that these boardmembers met the criteria of independent directors in terms of King III. Independence is debated by the DAC following detailed analysis of the circumstances of all the independent non-executive directors.

BOARD APPOINTMENTS

Board appointments take place according to a formal and transparent process in line with the board appointment policy. The entire board is involved in this process, with assistance provided by the DAC. Appointments to the board are made with due consideration of the need to ensure that the board comprises a diverse range of skills, knowledge and expertise and has the requisite independence, appropriate demographic representation, a relevant balance of skills and expertise and the professional and industry knowledge necessary to meet our strategic objectives. Non-executive directors are given no fixed term of appointment, although all directors are subject to retirement by rotation in terms of the company's memorandum of incorporation. Reappointment of non-executive directors is not automatic. Executive directors are subject to six-month notice periods, but the Chief Executive is subject to a 12-month notice period. An executive director is required to retire from the board at age 60, while a non-executive director is required to retire at age 70.

In terms of our policy, non-executive directors and independent non-executive directors who have served on the board for longer than nine years are required to retire from the board at the following annual general meeting.

Executive directors are discouraged from holding directorships outside the group.

BOARD EVALUATIONS

In the last quarter of 2013, PwC conducted external evaluations of the full Nedbank Group Ltd Board, including all members, the Chairman and all board committees. A wide array of matters was assessed and the following comments were received:

> Overall, the questionnaire results and interviews conducted revealed that the boardmembers were satisfied that good governance was generally practised and that the board functions well in its oversight and support role.
>
> Based on our work performed, which included analysis of completed questionnaires and discussions with the selected boardmembers – covering the effectiveness of the board at a particular point in time rather than over a period of time – the Nedbank board appears to be supported by the relevant governance structures and processes, as required by governance best practice – allowing for the board to function effectively in discharging its responsibilities.

The CE's performance is evaluated according to his performance scorecard, which is approved annually by the Group Remuneration Committee (GRC). The feedback from this board evaluation process contributes to the production of the regulation 39(18) report addressing the state of our corporate governance.

BOARD COMMITTEES

The board committee structure is designed to assist the board in the discharge of its duties and responsibilities. Each board committee has formal written terms of reference that are reviewed annually. Certain of the board's responsibilities are delegated in accordance with the terms of reference. The board monitors these responsibilities to ensure effective coverage of, and control over, the operations of the group. During 2013 the following board committees operated within Nedbank Group:

- The Group Audit Committee
The Group Audit Committee (GAC) assists the board in its evaluation and review of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within Nedbank Group, and highlights measures to enhance the credibility and objectivity of financial statements and reports prepared.
- The Group Risk and Capital Management Committee
The Group Risk and Capital Management Committee (GRCMC) assists the board of directors in evaluating the adequacy and efficiency of risk policies, procedures, practices and controls.
- The Group Remuneration Committee
The Group Remuneration Committee (GRC) is authorised to approve aggregate adjustments to the remuneration of employees below Group Exco levels. The committee also recommends adjustments to the total remuneration of members of the Nedbank Group Executive Committee (Group Exco). The board, following recommendations made by the GRC, approves each Group Exco member's total remuneration. This committee is also charged with the supervision of the Nedbank Group Employee Incentive Scheme.
- The Group Credit Committee
The Group Credit Committee (GCC) approves our credit philosophy and policies, sets credit limits and guidelines, confirms procedures to manage, control and price credit risk, approves the adequacy of interim and year-end impairments and monitors credit risk information, processes and disclosure. Apart from the GCC, the Large-exposure Approval Committee also approves large credit exposures as required by banking legislation.
- The Group Directors' Affairs Committee
The Group Directors' Affairs Committee (DAC) considers, monitors and reports to the board on reputational and compliance risk, compliance with King III and the corporate governance provisions of the Banks Act. It also acts as the nominations committee for board appointments.
- The Group Information Technology Committee
The Group Information Technology Committee (GITCO) has broad responsibility for monitoring all issues pertaining to information technology (IT), both operational and strategic, and aims to ensure that IT development spend and investment are aligned with overall group strategy and direction and that the IT systems are efficient and effective.
- The Group Finance and Oversight Committee
The Group Finance and Oversight Committee (GFOC) has the primary functions of providing a board discussion forum for the consideration of risks within the bank, and ensuring that the board and the various board committees address those risks effectively.
- The Group Transformation, Social and Ethics Committee
The Group Transformation, Social and Ethics Committee (GTSEC) focuses on monitoring the imperative of integrated sustainability within the group, with specific focus on social and economic development, good corporate citizenship, environmental concerns, health and public safety, stakeholder engagement, labour and employment.

OUR APPROACH TO ETHICS AND HUMAN RIGHTS

A lack of ethical leadership in organisations globally has caused a number of governance and ethical lapses in recent years, which have resulted in corporate scandals and reinforced the need for ethical behaviour to be at the core of any business. Ethics failures can also impact financially on the sustainability of a business, as demonstrated by the recent London Interbank Offered Rate (LIBOR) scandal which resulted in sanctions and significant fines. Any responsible business should, therefore, have at its core a clear value system, a focus on sustainability, ethical leadership, and a strong governance framework that guides decisionmaking and action. At Nedbank Group we work tirelessly to ensure that we have all of these.

Governance of ethics

The board assumes ultimate responsibility for the company's ethics performance. This responsibility is delegated to executive management who utilise various management frameworks to fulfil this mandate. These include:

Established leadership teams 72–75

GRI FSSS: FSI, FS2, FS4, FS15

Ethics and Corporate Accountability Framework

In line with Nedbank Group's Deep Green aspiration to be a great place to work, a key focus area is to develop a unique and innovative culture. We believe that ethical behaviour lies at the heart of such a culture and therefore have an Ethics and Corporate Accountability Framework in place. The updated framework was approved by the Group Exco and the DAC in 2013.

GRI 3.1: 4.11, HR1, HR2, HR3, HR10, HR11

Supplementary information: Governance and Ethics Review

The Ethics Panel

This panel deals with all tipoffs regarding unethical conduct and now reports to the GTSEC on its continued efforts to ensure that independent, objective and fair courses of action are taken in all instances of unethical behaviour or actions.

Board Ethics Statement

In line with the King Code of Governance Principle 1.1, which states that the board should provide effective leadership on an ethical foundation, Nedbank Group boardmembers and all subsidiary boardmembers are required to acknowledge and sign the Board Ethics Statement (BES) every year to demonstrate their continued commitment to the Nedbank values and to ethical conduct. This was done in July 2013.

Code of Ethics

Doing the right thing is at the heart of our approach to business. This commitment is encapsulated in the Nedbank Code of Ethics, to which all employees (including contractors and temporary employees) are required to adhere. In May 2013 the Code of Ethics, which is available on the Nedbank Group website to all stakeholders, was reviewed against the latest Old Mutual plc Code of Business Ethics. No material changes were made. We continue to maintain the highest ethical standards in carrying out our business activities, and our core values inform our Code of Ethics to guide and direct all decisions and actions.

COMMITTED TO GOOD GOVERNANCE (CONTINUED)

Code of Conduct

The Nedbank Group Code of Conduct expands on the Code of Ethics. This operational document offers examples of ethical behaviour to help employees make ethical decisions. The Code of Conduct was reviewed and updated in 2012 and posted on the compliance tool in 2013 for all staff to acknowledge. A total of 93,3% of our employees had completed the Code of Conduct policy acknowledgement by 31 December 2013. It is important to note that the acknowledgement includes a set of questions to demonstrate an understanding of the policy principles after the staffmember has read and acknowledged the policy.

Our group's Supplier Code of Conduct is aligned with the Group Code of Conduct and supports the protection of human rights across our supply chain. The principles of the Supplier Code of Conduct apply to all our suppliers, consultants and contractors.

African subsidiary implementation

Because our strategy focuses on expansion into the rest of Africa, our Ethics Office implemented the full Nedbank Group ethics programme within our African subsidiaries from the latter part of 2012 through 2013. Representatives of the Ethics Office have visited all subsidiaries to review ethics practices and implement a common set of ethics policies and procedures.

Measurement of ethics

In line with our recognition of the fact that a business cannot manage what it doesn't measure, we use a variety of indicators, surveys and tools to ensure that ethical conduct within Nedbank remains at the highest possible standard.

Nedbank Ethics Indicator

The Nedbank Ethics Indicator (NEI) results help us to gauge the effectiveness of our ethics management interventions as well as the prevailing ethical culture in the organisation. This instrument also measures ethics risk. The top 20 risks identified in the NEI are included in business plans and monitored annually.

SA Business Ethics Survey

To benchmark our progress in implementing ethical practices, we participated in the South African Business Ethics Survey (SABES), previously the South African Corporate Ethics Indicator or SACEI. This Ethics Institute of South Africa (Ethics SA) initiative included 15 large and mostly listed organisations in SA, and was based on the Organisational Ethics Indicator used in 2011.

Our ranking of 11th in the survey indicates that we definitely can improve, particularly in identified areas of weakness such as 'tendency to report misconduct' and 'experienced satisfaction with reporting'. To address this the Ethics Office has identified and taken steps to implement initiatives aimed at raising our performance in each area of the survey where we performed below par in 2013. Each business cluster has implemented improvement plans, and the Ethics Office is monitoring progress. Additionally, these points have been added to the Nedbank Staff Survey (NSS), and this will allow us to track the success of our initiatives annually.

We performed above average in a number of survey measures, including 'levels of awareness of ethics policies and processes', 'organisational culture' and 'observed misconduct'.

'Overall Nedbank's efforts to create an ethical culture among employees have paid off. From the findings it is evident that, although some gaps were identified, Nedbank has had success with embedding its ethical values in employees' behaviour. We believe that Nedbank will successfully continue on this road.'
SABES commentary

Ethics risk assessment

Starting in the fourth quarter of 2013, Ethics SA started conducting an ethics risk assessment with the aim of providing a benchmark against which organisations can compare their ethics risk profile and ensure compliance with King III. The risk assessment includes the identification of opportunities that we will build on, and risks that we will manage.

Nedbank Staff Survey

During 2012 we made a significant change to the ethics questions in the NSS by incorporating our highest-rated risks as identified by the NEI. Whereas the ethics dimension was the strongest dimension in previous years, it dropped to third place in 2012 as a result of the robust change in questions in this dimension.

These risks were also our focus areas for 2013 and the NSS results showed a promising increase during 2013 as a result of our continued efforts to improve ethical culture in the group.

DRIVING ETHICAL AWARENESS

Through experience gained in the Ethics Office over the past eight years, we have realised that we need a variety of tools for effective awareness creation as our staffmembers respond differently to methods of learning based on their personalities. We therefore make use of a formal computer-based policy acknowledgement tool, face-to-face interaction with staff in awareness sessions, articles in our group publications, poster campaigns and film case studies and information pieces on topical issues that are screened in our branch networks.

Promoting staff awareness

Awareness training

In an ongoing effort to raise awareness of the importance of and the need for ethical behaviour, the Ethics Office performed more than 90 (2012: 38) training initiatives across our group. There has been a noticeable increase in queries and reports to the Ethics Office as a result of this awareness training.

Acknowledgement of policies

Our electronic EGC Management System is integral to our ethics and conduct awareness and education efforts among staffmembers. The system is used to send out policies for staff to read and acknowledge and includes a survey to measure the extent of employees' understanding of the policy principles. Declarations of outside interests and gifts are also captured on the system, and these declarations and acknowledgements are monitored by governance and compliance officers.

During 2013 the following data on policy acknowledgements and declarations was collected by the system:

Policy acknowledgements and declarations	2013	2012
Anti-corruption Pledge	95,3%✓	91,4%
Code of Conduct	93,3%✓	93,3%
Code of Ethics	94,7%✓	80,1%
Employee Conduct Pledge	94,6%✓	85,3%
Declaration of Secrecy (launched in 2013)	95,2%✓	
Declaration of Outside Interests	13,4%✓	13,6%
Nil Returns (referring to outside interests)	83,4%✓	82,6%

Promoting ethics among our suppliers

The Ethics Office has developed an Ethics Responsibility Index (ERI) that has thus far been used in seven tender processes to assess ethics, governance and human rights aspects of the vendors/suppliers who want to partner with us. These aspects make up 15% of the tender application assessment, so where businesses do not show effective governance, ethics, human rights and environmental frameworks, their tender results may be significantly impacted. The Ethics Office also conducts independent assessments of a number of tender processes, and this has resulted in a saving of more than R850 000 in the year under review. The Ethics Office is in partnership with the Ethics Institute and Deloitte for further development of this index into a fully fledged industry tool.

Managing and optimising our own impact 92–97

Human rights

Nedbank Group upholds the protection of human rights as enshrined in the SA Constitution and specifically the Bill of Rights. Using the United Nations Global Compact's (UNGC) 10 principles and the findings of the John Ruggie Report, which was commissioned by the UNGC, we have developed our own Human Rights Statement. The statement was approved by the board in 2012 and we developed an implementation plan for our Human Rights in Business Project in 2013. Full implementation of the project will start in 2014.

Supplementary information: Governance and Ethics Review

In terms of our Human Rights Statement, our corporate responsibility to protect human rights includes:

- Adherence to global social norms and codes of good practice.
- An understanding of how human rights impact our business, people management practices, environmental and social considerations, procurement, the value chain, product development and financial considerations.
- The implementation of a human rights risk management system.
- Due diligence, which includes an analysis of practices in our own activities as well as those of our stakeholders.
- The tracking of our performance against global social norms.
- The provision of grievance mechanisms for both internal and external stakeholders to address issues of concern.

We conduct a human rights compliance assessment every two years to ensure continued adherence to international standards. During 2013 we also completed a risk assessment according to the John Ruggie Guiding Principles to ensure that we focus on all improvement areas with the implementation of the project. The Ethics Office recruited an additional ethics officer, whose main focus will be the implementation of this project.

Seven human-rights-related incidents of misconduct were raised by management in 2013 (2012: 15 incidents), but all were successfully resolved. In addition, 151 human-rights-related grievances were logged by staff (2012: 84). All of these were also resolved. The increased number of reports can be attributed to increased awareness on the issue of harassment as well as the available reporting mechanisms.

	Disciplinary action		Grievances	
Type of incident	2012	2013	2012	2013
Assault	n/a	n/a	3	7
Discrimination	n/a	n/a	15	21
Intimidation	5	5	n/a	n/a
Sexual harassment	5	1	7	6
Victimisation	5	1	59	117
Total	15	7	84	151

COMMITTED TO GOOD GOVERNANCE (CONTINUED)

REPORT FROM GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE CHAIRMAN

The Group Transformation, Human Resources and Sustainability Committee, which was established as a subcommittee of the board during 2005, was reconstituted in 2012 to form the Group Transformation, Social and Ethics Committee in line with the requirements of the Companies Act 2008, as amended.

‘The Group Transformation, Social and Ethics Committee is an expression of our commitment to effective and good governance. In 2014 it will remain a key enabler in the achievement of our Deep Green aspirations as we continue on our journey to be Africa’s most admired bank.’

Gloria Serobe
Group Transformation, Social and Ethics Committee Chairman

Committed to good governance 52–57

Fair Share 2030 22–23

Transformation Report

Since then we have complied with the requirements of the Companies Act 2008 and applied the recommendations of King III, as we endeavoured to fulfil our transformation, social and ethics mandates.

The committee comprises three non-executive directors and other attendees, including experts on each of the disciplines or areas falling within the mandate of the committee specified in regulation 43(5) of the Companies Act. Meetings are held on a quarterly basis and a report is submitted to the board after each meeting.

Our focus in 2013

In support of the material matters of 'scarce skills' and 'transformation of society within planetary boundaries', we have been mandated to advise, oversee and monitor Nedbank Group's activities with regard to social and economic development, ethics, transformation, sustainability, corporate citizenship, environmental, health and public safety, consumer relationships, labour and employment.

In doing so, we have focused on the following:

Governance

- We have reviewed our board charter and annual work plan to ensure the strategic and systematic fulfilment of our identified objectives. The changes incorporated gave more direction to the functions reporting into the committee, streamlined reporting into the committee and enhanced the oversight capabilities of the committee.
- We have considered the composition, operations and functions of the committee in an annual committee evaluation process as part of our ongoing governance review. The committee was found to be functioning effectively with appropriate standards of corporate governance being applied.
- We have ensured that meetings are attended by relevant members of management who are experts in the areas within the scope of the committee's mandate. The regular attendance by these experts facilitated an effective flow of information between the committee and management.
- We have incorporated relevant training on our agenda to ensure that members remain abreast of developments within the scope of the committee's mandate. Noteworthy topics included proposed amendments to the Broad-based Black Economic Empowerment (BBBEE) Act, and carbon and the implications of a carbon tax/carbon pricing.

Monitoring

- We have reviewed the transformation strategy and monitored achievement against identified targets in a bid to deliver on our transformation commitments. The committee is satisfied with the level of transformation within the group, its target-setting methodology and transformational achievements to date.
- We have monitored regulatory developments relating to the BBBEE Act and the Financial Sector Codes (FSC). At 31 December 2013 the group achieved a level 2 score.
- We have monitored management's effort to improve BBBEE scores and are satisfied with the interventions by management.
- We have reviewed developments in the area of ethics management within the group, which includes a dedicated ethics officer and an anonymous hotline for tipoffs.
- We have monitored progress against the sustainability strategy and the group's efforts to maintain our carbon neutrality despite increases in the scope of our carbon measurement.
- We have guided the strategic development of Fair Share 2030 in response to Nedbank's long-term vision for a thriving SA (see pages 22 to 23 for more detail on Nedbank's approach).
- We have monitored activities relating to socioeconomic development (including external skills development), access to finance, lending to enable healthcare, housing and education, enterprise development and community upliftment, economic empowerment and preferential procurement.
- We have monitored the impact of our corporate social investment spend and considered ways of strengthening partnerships.

GT Serobe
Group Transformation, Social and Ethics Committee Chairman

21 February 2014

WHAT WE WILL FOCUS ON IN 2014

In 2014 the committee will:

- focus on the group's transformation agenda with emphasis on the impact of regulatory requirements and targets;
- focus on the impact of the industry realignment process of the Financial Sector Code with the Revised Codes of Good Practice (the codes) through The Banking Association South Africa (BASA);
- monitor developments in the implementation of Fair Share 2030, Nedbank's strategic response to its long-term goals for a thriving SA; and
- continuously evolve its monitoring activities, where necessary, to enable effective fulfilment of its mandate.

COMMITTED TO GOOD GOVERNANCE (CONTINUED)

REGISTER OF DIRECTORS' ATTENDANCE

	Nedbank Group Ltd Board	Nedbank Ltd Board	Nedbank Group Directors' Affairs Committee	Nedbank Group Remuneration Committee	Nedbank Group Audit Committee
Number of meetings	8	8	5	6	5
Directors					
Tom Boardman	8/8	8/8	5/5		
Mike Brown	8/8	8/8			
Thenjiwe Chikane[1]	4/5	4/5	3/3	5/5	3/4
Graham Dempster	7/8	7/8			
Mustaq Enus-Brey	8/8	8/8	4/4[3]	1/1	
Ian Gladman	8/8	8/8			
Don Hope[2]	4/4	4/4		4/4	
Reuel Khoza	8/8	8/8	4/5[4]		
Mpho Makwana	8/8	8/8		5/6	1/1
Nomavuso Mnxasana	8/8	8/8		6/6	5/5
Raisibe Morathi	8/8	8/8			
Joel Netshitenzhe	8/8	8/8			
Julian Roberts	8/8	8/8	5/5	2/4	
Gloria Serobe	8/8	8/8	2/4[3]		
Malcolm Wyman	8/8	8/8	5/5	4/6	5/5

[1] Resigned as director with effect from 13 August 2013.
[2] Resigned as director with effect from 30 June 2013.
[3] Recused from one short-notice meeting due to a conflict of interest.
[4] Unable to attend one meeting that was called at short notice.

Details of appointments to and resignations from the board committees are provided on page 171 of the Remuneration Report.

	Nedbank Group IT Committee	Nedbank Group Credit Committee	Large-exposure Approval Committee	Nedbank Group Risk and Capital Management Committee	Nedbank Group Transformation, Social and Ethics Committee	Nedbank Group Finance and Oversight Committee
	4	9	11	5	4	4
	4/4	8/9	10/11		1/4	4/4
		9/9	10/11			
	3/3	5/5	6/7		3/3	
		8/9				
		9/9	9/11	5/5		4/4
		9/9	9/11	4/5		0/1
	4/4			2/2		2/2
	3/4				3/4	
				5/5		
		7/9	10/11			
				4/5		
		6/9	6/11		4/4	
				5/5		4/4

DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS

CHIEF EXECUTIVE'S REVIEW

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

Mike Brown
Chief Executive

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

1

Repositioning Nedbank Retail

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

1 829 cents
DILUTED HEADLINE EARNINGS PER SHARE
▲ 15%

895 cents
DIVIDEND PER SHARE
▲ 19%

12,5%
COMMON-EQUITY TIER 1 RATIO (BASEL III)
(2012: 11,6%)

An attractive growth strategy 10–23

2
Growing non-interest revenue (NIR)

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

3
Portfolio tilt

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

4
Rest of Africa

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

Chief Financial Officer's Review 100–107

GRI 3.1: 1.1

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

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

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

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

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

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

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

INVESTING IN OUR PEOPLE

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

RELATED MATERIAL MATTERS

- Tough economic conditions
- Scarce skills

GREAT PLACE TO WORK

INNOVATING FOR OUR CLIENTS

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

RELATED MATERIAL MATTERS

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

GREAT PLACE TO BANK

DELIVERING VALUE TO OUR SHAREHOLDERS

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

RELATED MATERIAL MATTERS

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

GREAT PLACE TO INVEST

PARTNERING WITH OUR REGULATORS

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

RELATED MATERIAL MATTERS

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

WORLDCLASS AT MANAGING RISK

LEADING IN THE COMMUNITIES WE SERVE

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

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

HIGHLY INVOLVED IN THE COMMUNITY AND ENVIRONMENT

A sustainable business model

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

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

Pg Building enduring relationships 30–47
Pg Chief Financial Officer's Review 100–107

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

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

Embedding our values and culture

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

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

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

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Refining our strategy

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

- **Tough economic conditions.** These seem to be the 'new normal' as developments in the external environment impact both our clients and the bank.
- **Banking relevance amid consumerism and increased competition.** We put our clients at the centre of everything we do in a more competitive environment.
- **Increased demands on governance and risk management.** Regulators seek to ensure a strong stable financial system and parity for all stakeholders.
- **Growth opportunities in the rest of Africa.** As our clients expand beyond the borders of SA we seek to unlock growth opportunities in regions of higher GDP growth.
- **The transformation of society within planetary boundaries.** We strive to build a thriving bank in a thriving society.
- **Scarce skills.** We continually seek to keep and attract the best skills in a highly competitive environment.

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

An attractive growth strategy 10–23

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

1 Client-centred innovation

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

2 Strategic portfolio tilt

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

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

3 Optimise to invest

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

4 Growing our transactional banking franchise

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

5 Pan-African banking network

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

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

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

Outlook

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

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

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

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

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

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

Appreciation

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

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

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

Mike Brown
Chief Executive

GROWING OUR FRANCHISES

The following pages offer a broad overview of the various clusters making up Nedbank Group's core business. For detailed information on business activities and strategies, as well as a review of 2013, please see the supplementary information on **nedbankgroup.co.za** or through the **Nedbank App Suite™**.

	NEDBANK GROUP	NEDBANK CAPITAL	NEDBANK CORPORATE
	GROUP	**NEDBANK CAPITAL**	**NEDBANK CORPORATE**
	Wholesale and retail banking services Insurance Asset management Wealth management	Investment banking and markets solutions to institutional and corporate clients. Offices: SA and London. Representative offices: Angola and Toronto.	Lending, deposit-taking, transactional banking to SA corporates with turnover > R700m pa and commercial-property finance.
STAFF	29 513	683	2 186
FINANCIAL METRICS	ASSETS 100%	ASSETS 24%	ASSETS 25%
	ROE[1] 15,6% ECap[2] R64,3bn (100%[3])	ROE[1] 29,4% ECap[2] R5,9bn (9,1%[3])	ROE[1] 26,4% ECap[2] R8,5bn (13,2%[3])
	HEADLINE EARNINGS 100% R8,67bn (+15,9%)	HEADLINE EARNINGS 20% R1,73bn (+20,6%)	HEADLINE EARNINGS 26% R2,25bn (+23,6%)

[1] *Return on equity.*
[2] *Economic capital.*
[3] *% of group total.*

GRI FSSS: FS6

GRI G3.1: 2.2, 2.7, EC2

Supplementary information: Operational Overview

NEDBANK

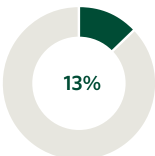
NEDBANK BUSINESS BANKING

Commercial banking solutions for small-to-medium-sized businesses with a turnover of R10m to R700m pa.

Holistic offering for businesses, business owners, households and employees.

2 346

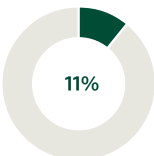
ASSETS



ROE[1]
19,4%

ECap[2]
R4,8bn
(7,4%[4])

HEADLINE EARNINGS



R0,93bn (-1,6%)

NEDBANK

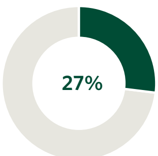
NEDBANK RETAIL

A bank for all financial needs of individuals and small businesses with a turnover less than R10m pa.

Transactional, card, lending, deposit-taking, risk management and investment products/services, as well as card-acquiring services for business.

17 153

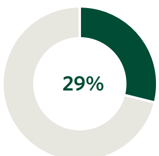
ASSETS



ROE[1]
11,6%

ECap[2]
R21,9bn
(34,0%[4])

HEADLINE EARNINGS



R2,54bn (-0,5%)

NEDBANK

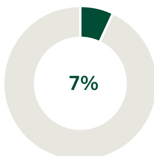
NEDBANK WEALTH

Insurance, asset management and wealth management solutions.

Offices: SA, London, Isle of Man, Jersey, Guernsey and Middle East.

2 056

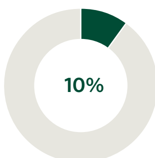
ASSETS



ROE[1]
36,2%

ECap[2]
R2,5bn
(3,9%[4])

HEADLINE EARNINGS



R0,90bn (+25,3%)

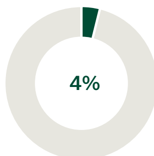
NEDBANK GROUP

CENTRE INCLUDING REST OF AFRICA

In addition to nine shared-services clusters, Centre includes the Rest of Africa (RoA) division with operations in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe as well as a recent investment in Mozambique (regulatory approval obtained, targeting completion by end March 2014). RoA is the custodian of the Ecobank Alliance.

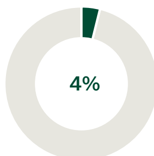
5 089

ASSETS



ECap[2]
R20,7bn[3]
(32,3%[4])

HEADLINE EARNINGS



R0,33bn (+>100%)

[1] *Return on equity.*
[2] *Economic capital.*
[3] *Rest of Africa, goodwill and excess capital.*
[4] *% of group total.*

GROWING OUR FRANCHISES (CONTINUED)

OPERATIONAL OVERVIEW

NEDBANK GROUP

GROUP

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. Its principal banking subsidiary is Nedbank Ltd. Nedbank operates under a federal operating model with five separate yet aligned client-facing clusters, supported and enabled by central services.

NEDBANK CAPITAL

NEDBANK CAPITAL

Clients among top 200 SA corporates and parastatals.

Top three mergers and acquisitions player.

Industry expertise in:

- Infrastructure.
- Mining and resources.
- Oil and gas.
- Telecoms.
- Energy.

NEDBANK CORPORATE

NEDBANK CORPORATE

Top two SA corporate bank.

> 600 large corporate clients.

Strong market share in public sector loans.

Continued market leadership in commercial property finance.

KEY STRATEGIC DRIVERS

Group

- Grow transactional banking franchise.
- Client-centred innovation.
- Optimise to invest.
- Strategic portfolio tilt.
- Pan-African banking network.

Nedbank Capital

- Strong Investment Banking (IB) pipeline with more cross-sell across businesses.
- Strategic growth in Africa and leverage Ecobank and Bank of China.
- Leverage industry expertise.
- Leverage trading systems.
- Participating strongly in SA's infrastructure build programme, including renewable energy.

Nedbank Corporate

- Strong client relationships.
- Continued product and NIR growth through enhanced capabilities and primary-client growth.
- Increased Pan-African focus.
- Strong risk management.

GRI FSSS: FS6

GRI G3.1: 2.2, 2.7, EC2

Supplementary information: Operational Overview

NEDBANK

NEDBANK BUSINESS BANKING

About 25 000 client groups and strong primary-client gains.

A leader in Corporate Saver deposits and debtor management.

Excellent client-centred risk management and worldclass client management capabilities.

Distinctive client value propositions (CVP) and accountable empowered decentralised business service model.

NEDBANK

NEDBANK RETAIL

6,4m clients.

763 branches and alternate outlets, 287 Personal Loan kiosks and 3 382 ATMs.

Strong positioning in household motor finance (28% share), and household deposits (20%).

Compelling, innovative CVPs for all segments.

- A choice of distinctive client-centred banking experiences.
- A rigorous approach to capturing virtuous circle and interdependencies between client segments.
- Integrated-channels strategy leveraging mobile innovation, digital channels and social media; selected micro markets for growth/optimisation; area collaboration.
- Robust risk management supporting strong product niches.
- Liabilities innovation sustaining historical strength.
- Collaborative, people-centred culture.

NEDBANK

NEDBANK WEALTH

Life embedded value: R2,1bn

Assets under management: R190,3bn

> 10 000 high-net-worth (HNW) clients

Nedgroup Investments:

Raging Bull awards: Top 3 management company in SA for the fifth consecutive year;

Morningstar awards: overall third place.

Nedbank Private Wealth:

SA: ranked second in the 'Up-and-coming professionals' category in the 2013 SA's Top Private Bank survey.

International: 'Best Private Bank for the Channel Islands' and '*Euromoney*' Best Private Bank for HNW clients in the offshore category.

- Explore broader complementary financial services growth opportunities.
- Leverage momentum in Wealth and Asset Management.
- Further CVP enhancements and focus on service excellence.
- Product expansion and delivering client-centred solutions.
- Continued investment in brand profiling.
- Leverage advantage through group collaboration.

NEDBANK GROUP

CENTRE INCLUDING REST OF AFRICA

Each cluster is charged using an activity-justified transfer pricing model based on a fully recoverable basis.

- Creating a Pan-African banking network by utilising our tiered approach for RoA expansion, which includes leveraging our Ecobank alliance.
- Optimise economic profit through strategic portfolio tilt.
- Optimise-to-invest initiative.
- IT systems rationalisation and replacement.
- Risk-based economics (economic capital allocation, funds transfer pricing, liquidity premiums and risk-adjusted performance management) embedded groupwide in the business.

BOARD OF DIRECTORS

ESTABLISHED LEADERSHIP TEAMS

1 **Dr Reuel Jethro Khoza** 64

Non-executive Chairman

Appointed August 2005 as a non-executive director and May 2006 as Chairman

Qualifications: BA(Hons) Psychology (University of Limpopo), MA Marketing Management (Lancaster, UK), EngD (Warwick, UK), IPBM-IMD (Lausanne, Switzerland), PMD (Harvard Business School, USA), LLD(hc) Rhodes, CD (SA)

Pg Chairman's Review 48–51

2 **Michael William Thomas Brown** 47

Chief Executive

Appointed June 2004 as Chief Financial Officer and March 2010 as Chief Executive

Qualifications: BCom, Dip Acc, CA (SA), AMP (Harvard Business School, USA)

Pg Chief Executive's Review 62–67

3 **David Kwame Tandoh Adomakoh**[1] 48

Appointed 21 February 2014

Qualifications: BSc(Hons) Economics (London School of Economics), Diplome de Langue et de Civilisation (La Sorbonne, Université de Paris)

4 **Thomas Andrew Boardman**[1] 64

Appointed November 2002 as an executive director, March 2010 as a non-executive director and January 2014 as an independent non-executive director

Qualifications: BCom, CA (SA)

5 **Graham Wayne Dempster** 58

Chief Operating Officer

Appointed August 2009

Qualifications: BCom, CTA, CA (SA), AMP (Harvard Business School, USA)

6 **Mustaq Ahmed Enus-Brey**[2] 59

Appointed August 2005

Qualifications: BCompt(Hons), CA (SA)

GRI 3.1: 4.3

7 **Ian David Gladman**[2] 49
Appointed June 2012

Qualifications: BA(Hons) History (Christ's College, Cambridge)

8 **Paul Mpho Makwana**[1] 43
Appointed 17 November 2011

Qualifications: BAdmin(Hons)

Pg Reporting back on remuneration 138–140

9 **Nomavuso Patience Mnxasana**[1] 57
Appointed October 2008

Qualifications: BCompt(Hons), CA (SA)

10 **Raisibe Kgomaraga Morathi** 44
Chief Financial Officer
Appointed September 2009

Qualifications: BCompt(Hons), CA (SA), HDip Tax, AMP (INSEAD)

Pg Chief Financial Officer's Review 100–107

11 **Joel Khathutshelo Netshitenzhe**[1] 57
Appointed August 2010

Qualifications: MSc (University of London, UK)

12 **Julian Victor Frow Roberts**[2] 56
Appointed December 2009

Qualifications: Fellow of Institute of Chartered Accountants, member of Association of Corporate Treasurers, Accountancy and Business Law (University of Stirling, Scotland)

13 **Gloria Tomatoe Serobe**[2] 54
Appointed August 2005

Qualifications: BCom (Unitra), MBA (Rutgers, USA)

Pg Report from Group Transformation, Social and Ethics Committee Chairman 58–59

14 **Malcolm Ian Wyman**[3] 67
Appointed August 2009

Qualifications: CA (SA), AMP (Harvard Business School, USA)

Pg Report from our Audit Committee 110–113

1 *Independent non-executive director*
2 *Non-executive director*
3 *Senior independent non-executive director*

ESTABLISHED LEADERSHIP TEAMS (CONTINUED)

Dr Reuel Jethro Khoza 64

Non-executive Chairman (Appointed: August 2005 as a non-executive director and May 2006 as Chairman)

Qualifications: BA(Hons) Psychology (University of Limpopo), MA Marketing Management (Lancaster, UK), EngD (Warwick, UK), IPBM-IMD (Lausanne, Switzerland), PMD (Harvard Business School, USA), LLD(hc) Rhodes, CD (SA)

Nationality: SA

Reuel was appointed the Non-executive Chairman of the group in May 2006. He is also Chairman of Aka Capital (Pty) Ltd, and a non-executive director of Nampak Ltd, Protea Group Ltd and Old Mutual plc. He is president of the Institute of Directors and, in this capacity, served on the King II and King III Committees on corporate governance. He is a founding director of the Black Management Forum and the former Chairman of Eskom Holdings Ltd. Reuel is also the Chancellor of the University of Limpopo.

Committees: Group Directors' Affairs Committee (Chairman)

Shares: Nedbank Group Ltd ordinary shares:
7 800 beneficial direct and
6 974 beneficial indirect
Nedbank Ltd preference shares: 0

Michael William Thomas Brown 47

Chief Executive (Appointed: June 2004 as Chief Financial Officer and March 2010 as Chief Executive)

Qualifications: BCom, Dip Acc, CA (SA), AMP (Harvard Business School, USA)

Nationality: SA

Mike was an executive director of BoE Ltd and, after the merger between Nedbank Ltd, BoE Ltd, Nedbank Investment Bank Ltd and Cape of Good Hope Bank Ltd, was appointed Head of Property Finance at Nedbank Ltd. He was appointed as Chief Financial Officer of Nedbank Group in June 2004 and then as Chief Executive in 2010.

Committees: Large-exposure Approval Committee, Group Credit Committee

Shares: Nedbank Group Ltd ordinary shares:
55 049 beneficial direct and
288 108 beneficial indirect
Nedbank Ltd preference shares: 0

David Kwame Tandoh Adomakoh 48

Independent Non-executive Director (Appointed 21 February 2014)

Qualifications: BSc (Econs) Hons (London School of Economics), Diplome de Langue et de Civilisation (La Sorbonne, Université de Paris)

Nationality: Ghanaian

David is Chairman of Tiso Investment Holdings (Pty) Ltd and a co-founder of Tiso Group and served as its Group Managing Director. He is a former director of Chase Manhattan Ltd, London; Head of the Chase Manhattan Bank, Southern Africa; Executive Director of Robert Fleming SA; and Head of Africa Corporate Finance at JP Morgan. He currently serves as a non-executive director of Kagiso Tiso Holdings (Pty) Ltd, and Chairman of its Investment Committee. He also serves as a non-executive director of Idwala Industrial Holdings, African Explosives Ltd, Aveng (Africa) Ltd and Trident Steel.

His experience spans 25 years in executive management and investment banking, and includes principal investing, corporate and project finance advisory work, debt capital raising, and financial derivatives in a number of countries predominantly in Africa and Europe. He has also served on the boards of a number of SA, Nigerian and Ghanaian companies. He is a founding trustee of the Tiso Foundation, and a World Fellow of the Duke of Edinburgh's International Award.

Shares: Nedbank Group Ltd ordinary shares: 0
Nedbank Ltd preference shares: 0

Thomas Andrew Boardman 64

Independent Non-executive Director (Appointed: November 2002 as an executive director, March 2010 as a non-executive director, and January 2014 as an independent non-executive director)

Qualifications: BCom, CA (SA)

Nationality: SA

Tom was Chief Executive of Nedbank Group Ltd from December 2003 to February 2010. He was previously Chief Executive and an executive director of BoE Ltd, one of SA's leading private and investment banking companies that was acquired by Nedbank in 2002. He was the founding shareholder and Managing Director of retail housewares chain Boardmans, which he sold to Pick 'n Pay Stores Ltd in 1986. Prior to this he was Managing Director of Sam Newman Ltd and worked for Anglo American Corporation Ltd for three years. He served his articles at Deloitte.

He is a non-executive director of Nedbank Group Ltd, Woolworths Holdings Ltd, Royal Bafokeng Holdings (Pty) Ltd and African Rainbow Minerals Ltd. Tom has also been appointed as a non-executive director of Kinnevik, a listed Swedish investment company.

He is a director of The Peace Parks Foundation and the Chairman of The David Rattray Foundation, and serves as a trustee on a number of other charitable foundations.

Committees: Group Information Technology Committee (Chairman), Group Transformation, Social and Ethics Committee, Group Credit Committee (Chairman), Large-exposure Approval Committee, Group Finance and Oversight Committee, Group Directors' Affairs Committee

Shares: Nedbank Group Ltd ordinary shares:
4 012 beneficial direct and
28 593 beneficial indirect
Nedbank Ltd preference shares:
243 000 beneficial indirect

Graham Wayne Dempster 58

Chief Operating Officer (Appointed: August 2009)

Qualifications: BCom, CTA, CA (SA), AMP (Harvard Business School, USA)

Nationality: SA

Graham joined the group in 1980 in the Corporate Finance Division of UAL Merchant Bank Ltd. He was appointed General Manager in 1987 and Joint Head of the (UAL) Special Finance Division in 1989. In 1992 he was transferred to Nedbank Ltd, and in 1998 he was appointed Head of the International Division. He assumed responsibility for the Corporate Banking Division in 1999 and was appointed Managing Director of Nedbank Corporate in 2003. Graham was appointed Chief Operating Officer of Nedbank Group in August 2009.

Committees: Group Credit Committee

Shares: Nedbank Group Ltd ordinary shares:
17 822 beneficial direct and
134 273 beneficial indirect
Nedbank Ltd preference shares: 0

Mustaq Ahmed Enus-Brey 59

Non-executive Director (Appointed: August 2005)

Qualifications: BCompt(Hons), CA (SA)

Nationality: SA

Mustaq was appointed as a Nedbank Group director in August 2005. He is also a director of Brimstone Investment Corporation Ltd and Oceana Group Ltd, and Chairman of Life Healthcare Ltd.

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

Shares: Nedbank Group Ltd ordinary shares:
2 113 beneficial indirect
Nedbank Ltd preference shares: 0

Ian David Gladman [49]

Non-executive Director (Appointed: June 2012)

Qualifications: BA(Hons) History (Christ's College, Cambridge)

Nationality: British

Ian is currently the Group Strategy Director of Old Mutual plc. Previous positions held by him include Head of Corporate Finance (SA) and Joint Head: Financial Institutions Group, EMEA, at UBS Investment Bank.

Committees: Group Credit Committee, Group Risk and Capital Management Committee, Group Finance and Oversight Committee, Large-exposure Approval Committee

Shares: Nedbank Group Ltd ordinary shares: 0
Nedbank Ltd preference shares: 0

Paul Mpho Makwana [43]

Independent Non-executive Director (Appointed: 17 November 2011)

Qualifications: BAdmin(Hons)

Nationality: SA

Mpho is the immediate past Chairman of Eskom Holdings Ltd, Independent Director of Adcock Ingram Ltd, and Chairman of ArcelorMittal SA Ltd.

Committees: Group Remuneration Committee (Chairman), Group Transformation, Social and Ethics Committee, Group IT Committee, Group Audit Committee, Group Directors' Affairs Committee

Shares: Nedbank Group Ltd ordinary shares: 0
Nedbank Ltd preference shares: 0

Nomavuso Patience Mnxasana [57]

Independent Non-executive Director (Appointed: October 2008)

Qualifications: BCompt(Hons), CA (SA)

Nationality: SA

Nomavuso is a director at Winhold Ltd, JSE Ltd, Transnet SOC and Land and Agricultural Development Bank of SA Ltd (Land Bank). She was a senior partner and member of the executive committee of SizweNtsaluba before serving as Group Audit and Risk Executive at Imperial Holdings Ltd.

Committees: Group Audit Committee, Group Remuneration Committee, Group Risk and Capital Management Committee.

Shares: Nedbank Group Ltd ordinary shares:
11 620 beneficial indirect
Nedbank Ltd preference shares: 0

Raisibe Kgomaraga Morathi [44]

Chief Financial Officer (Appointed: September 2009)

Qualifications: BCompt(Hons), CA (SA), HDip Tax, AMP (INSEAD)

Nationality: SA

Raisibe has held senior positions in banking and insurance over the past 19 years. Prior to joining Nedbank Group she was an executive director of one of the listed insurance companies. She previously held several executive positions at the Industrial Development Corporation of SA Ltd, the last position being Chief Operating Officer.

Committees: Large-exposure Approval Committee, Group Credit Committee

Shares: Nedbank Group Ltd ordinary shares:
12 615 beneficial direct and
160 887 beneficial indirect
Nedbank Ltd preference shares: 0

Joel Khathutshelo Netshitenzhe [57]

Independent Non-executive Director (Appointed: August 2010)

Qualifications: MSc (University of London, UK)

Nationality: SA

Joel is an executive director of the Mapungubwe Institute for Strategic Reflection (MISTRA) and a member of the National Planning Commission. He has been a member of the National Executive Committee of the African National Congress since 1991, and serves on the African National Congress's Economic Transformation and Political Education subcommittees.

He served as Head of Policy Coordination and Advisory Services in The Presidency from 2001 until December 2009.

He was previously Chief Executive of the Government Communication and Information System and also served as Head of Communication in the President's Office. He is a non-executive director on the board of Life Healthcare Group Holdings Ltd.

Committees: Group Risk and Capital Management Committee, Group Information Technology Committee.

Shares: Nedbank Group Ltd ordinary shares: 0
Nedbank Ltd preference shares: 0

Julian Victor Frow Roberts [56]

Non-executive Director (Appointed: December 2009)

Qualifications: Fellow of Institute of Chartered Accountants, member of Association of Corporate Treasurers, Accountancy and Business Law (University of Stirling, Scotland)

Nationality: British

Julian was appointed Group Chief Executive of Old Mutual plc in September 2008. Prior to this he was Chief Executive of the Old Mutual Group's Skandia business. Julian originally joined Old Mutual plc as Group Finance Director in August 2000. Before joining Old Mutual plc, he was Group Finance Director of Sun Life & Provincial Holdings plc (now part of AXA) and, prior to that, Chief Financial Officer of Aon UK Holdings Ltd.

Committees: Group Directors' Affairs Committee, Group Remuneration Committee

Shares: Nedbank Group Ltd ordinary shares: 0
Nedbank Ltd preference shares: 0

Gloria Tomatoe Serobe [54]

Non-executive Director (Appointed: August 2005)

Qualifications: BCom (Unitra), MBA (Rutgers, USA)

Nationality: SA

Gloria is the Chief Executive of Wipcapital Ltd and also founder and Executive Director of WIPHOLD Ltd. She was previously the Executive Director of Finance at Transnet SOC Ltd.

Gloria serves on several boards, including that of Sasol Mining and Ixia Coal. She is the Chairman of the Board of the Independent Ports Regulator. She is also a non-executive director of Old Mutual Emerging Markets Ltd.

Committees: Group Transformation, Social and Ethics Committee (Chairman), Group Credit Committee, Large-exposure Approval Committee, Group Directors' Affairs Committee

Shares: Nedbank Group Ltd ordinary shares:
1 296 non-beneficial indirect
Nedbank Ltd preference shares: 0

Malcolm Ian Wyman [67]

Senior Independent Non-executive Director (Appointed: August 2009)

Qualifications: CA (SA), AMP (Harvard Business School, USA)

Nationality: British

Malcolm is a non-executive director of Imperial Tobacco plc, senior independent non-executive director of Serco Group plc, and a non-executive director of Tsogo Sun Holdings Ltd. He was previously an executive director and Chief Financial Officer of SABMiller plc until August 2011.

Committees: Group Audit Committee (Chairman), Group Risk and Capital Management Committee, Group Directors' Affairs Committee, Group Remuneration Committee, Group Finance and Oversight Committee (Chairman)

Shares: Nedbank Group Ltd ordinary shares:
350 non-beneficial indirect
Nedbank Ltd preference shares: 0

GROUP EXECUTIVE COMMITTEE

ESTABLISHED LEADERSHIP TEAMS

Our leadership team remains among the most skilled and transformed in the SA banking sector.

Ciko Thomas 44

Managing Executive:
Consumer Banking,
Nedbank Retail
(4 years' service)

Qualifications: BSc, MBA

Sandile Shabalala 47

Managing Executive:
Business Banking
(18 years' service)

Qualifications: BAdmin, National Higher Diploma: Management Practice, CAIB (SA), MBL, Strategic Management in Banking (INSEAD Business School, France), AMP (Harvard Business School, USA)

CLIENT-FACING CLUSTERS

Brian Kennedy 53

Managing Executive:
Nedbank Capital
(18 years' service)

Qualifications: MSc (Eng)(Elec), MBA, AMP (Harvard Business School, USA)

Dave Macready 55

Managing Executive:
Nedbank Wealth
(16 years' service)

Qualifications: BCom (Hons), CA (SA), SEP (Harvard Business School, USA)

Ingrid Johnson 47

Managing Executive:
Retail and Business Banking
(20 years' service)

Qualifications: BCom, BAcc, CA (SA), AMP (Harvard Business School, USA)

Mfundo Nkuhlu 47

Managing Executive:
Nedbank Corporate
(10 years' service)

Qualifications: BA(Hons), Strategic Management in Banking (INSEAD), AMP (Harvard Business School, USA)

Mike Brown

Chief Executive

Board of directors Pg 74

Fred Swanepoel 50
Chief Information Officer
(17 years' service)
Qualifications: BCom(Hons), MBA, SEPSA, AMP (Harvard Business School, USA)

Trevor Adams 51
Group Managing Executive: Balance Sheet Management
(17 years' service)
Qualifications: BCom(Hons), CA (SA), Risk Management in Banking (INSEAD)

Abe Thebyane 53
Group Executive: Group Human Resources
(3 years' service)
Qualifications: BAdmin, Postgraduate Diploma in Management (Human Resources), MBA

Thulani Sibeko 42
Group Executive: Group Marketing, Communication and Corporate Affairs
(2 years' service)
Qualifications: BSc (Acc), Graduate Certificate

John Bestbier 58
Group Executive: Strategic Planning and Economics
(18 years' service)
Qualifications: BBusSci Actuarial, CA (SA)

CENTRAL CLUSTERS

Thabani Jali 55
Group Executive: Enterprise Governance and Compliance; Group Company Secretary
(2 years' service)
Qualifications: BA (Fort Hare), LLB (Natal University), LLM (Tulane University, USA)

Raisibe Morathi
Chief Financial Officer
Board of directors 75

Philip Wessels 55
Chief Risk Officer
(18 years' service)
Qualifications: BCom, CTA, CA (SA), Diploma in Advanced Banking Law, Institute of Stockbrokers

Graham Dempster
Chief Operating Officer
Board of directors 74

ESTABLISHED LEADERSHIP TEAMS (CONTINUED)

Trevor Adams 51

Group Managing Executive: Balance Sheet Management

Service: 17 years

Qualifications: BCom(Hons), CA (SA), Risk Management in Banking (INSEAD)

Trevor was appointed to the Group Executive Committee in 2009 and leads the group's Balance Sheet Management Cluster, which comprises the integrated central functions of risk management (eg credit portfolio management, asset and liability management, concentration risk, risk strategy, risk appetite and stress testing), funding and liquidity management, capital management, margin management), and strategic portfolio management (eg strategic portfolio tilt, funds transfer pricing, economic profit optimisation and risk-adjusted performance management) as well as the group's regulatory reporting under the Banks Act. Trevor also led the group's successful Basel II implementation, and recently Basel III as well, and the significant enhancement of risk, capital and balance sheet management across the group. Prior to joining the group in 1996 he was a partner at Deloitte, where he also specialised in banking and risk management, and so collectively has over 21 years' banking-related experience.

John Bestbier 58

Group Executive: Strategic Planning

Service: 18 years

Qualifications: BBusSci Actuarial, CA (SA)

John was appointed to the Group Executive on 1 January 2010 as Group Executive: Strategic Planning, having previously been with the group for 14 years. John is an investment banker with extensive experience in the financial services industry, having led a number of large corporate finance transactions for clients and for the group. In 1995 he served as a main board committee member of the JSE Securities Exchange and was closely involved in the reforms adopted by the exchange.

He joined the group in 1995 as a director of its investment banking subsidiary UAL. During his tenure with the group he served on subsidiary boards and in various areas including short- and long-term insurance, asset management and stockbroking.

Thabani Jali 55

Group Executive: Enterprise Governance and Compliance; Group Company Secretary

Service: 2 years

Qualifications: BA (Fort Hare), LLB (Natal University), LLM (Tulane University, USA)

Thabani joined Nedbank Group in October 2011 as the Group Executive responsible for governance and compliance. He is also responsible for ethics, sustainability and Nedbank Group Editorial and Language Services. In addition to this role, he was also appointed Group Company Secretary on 1 July 2012. He is a member of the Specialist Committee on Company Law. Prior to joining the group, Thabani gained over 20 years' experience in the legal profession as an attorney, a mediator, an arbitrator and later a judge. Thabani was formerly executive chairman of PricewaterhouseCoopers (Southern Africa), a Deputy Judge President of the High Court of SA (Natal Provincial Division) and a Judge of the Competition Appeal Court. He was also a partner in a commercial law firm and served as Chairman of the Competition Commission Enquiry into Bank Charges and the National Payment System from 2006 to 2008.

Ingrid Johnson 47

Managing Executive: Retail and Business Banking

Service: 20 years

Qualifications: BCom, BAcc, CA (SA), AMP (Harvard Business School, USA)

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

Brian Kennedy 53

Managing Executive: Nedbank Capital

Service: 18 years

Qualifications: MSc (Eng)(Elec), MBA, AMP (Harvard Business School, USA)

Brian has over 24 years of investment banking experience, 18 of which have been at Nedbank. He led Capital Markets within Nedbank following the merger with BoE, and in November 2003 was appointed to the Group Executive Committee of Nedbank Group and mandated to develop the investment banking franchise, Nedbank Capital. Brian has extensive experience in the debt and equity capital markets and has been actively involved in the design and execution of innovative solutions for top SA corporates and parastatals. He has been instrumental in developing and driving the strategy, culture and new business initiatives within Nedbank Capital. Brian started his career in engineering before joining FirstCorp Merchant Bank Ltd in 1988. Prior to his appointment as Managing Executive of Nedbank Capital, Brian was an Executive Director and MD of BoE Merchant Bank and Chairman of BoE Securities.

Dave Macready 55

Managing Executive: Nedbank Wealth

Service: 16 years

Qualifications: BCom(Hons), CA (SA), SEP (Harvard Business School, USA)

Dave joined Nedcor Investment Bank as a member of the Exco in 1997 after being a partner at Deloitte & Touche for more than 10 years in both London and SA. He was responsible for Syfrets Private Bank and NIB International and was appointed Managing Director of Asset Management three years later. In 2004 Dave took on the role of Managing Executive for Bancassurance and Wealth. In 2009 the name was changed to Nedbank Wealth and Dave was appointed to the Exco.

Mfundo Nkuhlu [47]

Managing Executive: Nedbank Corporate

Service: 10 years

Qualifications: BA(Hons), Strategic Management in Banking (INSEAD), AMP (Harvard Business School, USA)

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

Sandile Shabalala [47]

Managing Executive: Business Banking

Service: 18 years

Qualifications: BAdmin, National Higher Diploma: Management Practice, CAIB (SA), MBL, Strategic Management in Banking (INSEAD), AMP (Harvard Business School, USA)

Sandile has over 25 years' banking experience, including 18 years at Nedbank Group. Prior to joining Nedbank Group he worked for Barclays Bank, NBS Bank Ltd and Telkom SA. He has experience in retail, small business, corporate and business banking in both sales and credit banking functions. Prior to his appointment in October 2009 to the Group Exco as Managing Executive: Business Banking, Sandile had been leading and managing the Northern Business Unit in Business Banking as Divisional Executive.

Thulani Sibeko [42]

Group Executive: Group Marketing, Communication and Corporate Affairs

Service: 2 years

Qualifications: BSc (Acc), Graduate Certificate

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

Fred Swanepoel [50]

Chief Information Officer

Service: 17 years

Qualifications: BCom(Hons), MBA, SEPSA, AMP (Harvard Business School, USA)

Fred has more than 24 years' experience in finance, banking and information technology. In 1996 Fred joined Nedbank to run regional operations, Western Cape. In 2000 he brought his operational experience into the group's technology arena and was appointed Nedbank Group's Chief Information Officer in November 2008. Prior to this he held several high-level positions in the technology environment, including Divisional Director for Finance, Risk and Compliance, Projects and Programme Management, and Head of Group Software Services. He has significantly repositioned Group Technology to deliver a simplified and agile technology landscape. Fred's goal is to 'leverage technology to make Nedbank Africa's most admired bank'.

Abe Thebyane [53]

Group Executive: Group Human Resources

Service: 3 years

Qualifications: BAdmin, Postgraduate Diploma in Management (Human Resources), MBA

Abe joined Nedbank Group and was appointed to the Group Exco in February 2011 as Head of Group Human Resources. Abe has 30 years' experience in human resources, which he acquired through the various senior and executive positions he held in large corporations in SA. Prior to joining Nedbank Group, Abe was Executive Head: Human Resources at Anglo American Platinum Ltd for six years and before that he was Executive Director: Human Resources at Iscor Ltd.

Ciko Thomas [44]

Managing Executive: Consumer Banking, Nedbank Retail

Service: 4 years

Qualifications: BSc, MBA

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

Philip Wessels [55]

Chief Risk Officer

Service: 18 years

Qualifications: BCom, CTA , CA (SA), Diploma in Advanced Banking Law, Institute of Stockbrokers

Philip has held the position of Chief Risk Officer on the Group Exco for Nedbank Group for the past 10 years. Under his leadership, and with the commitment and support of management and staff within the group, Nedbank Group's risk management processes and governance principles have become highly regarded in the financial services industry. In 2011 Philip received the Risk Manager of the Year Award from the Institute of Risk Managers of SA. Prior to his appointment as Chief Risk Officer in 2004, Philip was a divisional director in Nedbank Business Banking and Nedbank Corporate. In addition, he was an executive director of BoE Ltd, Managing Director of BoE Securities, Chief Executive of BoE International (London) and Managing Director of BoE Bank, Business Banking and Boland Bank between 1995 and 2003. Philip was also a partner at Deloitte & Touche between 1989 and 1995.

CLUSTER MANAGEMENT

ESTABLISHED LEADERSHIP TEAMS

CLIENT-FACING CLUSTERS

NEDBANK CAPITAL

Anél Bosman 48
Chief Operating Officer
13 years' service

John Chemaly 49
Executive Head: Global Markets
14 years' service

Karel Janse van Rensburg 40
Executive Head: Finance
6 years' service

Peter Lane 57
Group Treasurer
24 years' service

Bradley Maxwell 39
Executive Head: Investment Banking
12 years' service

Neil McCarthy 42
Executive Head: Risk
18 years' service

Claire Meagher 45
Executive Head: Compliance & Governance
8 years' service

Terence G Sibiya 44
Executive Head: Coverage & Origination
2 years' service

Elsa Tshatedi 52
Executive Head: Human Resources
1 year's service

Johann van Zyl 46
UK Country Head
12 years' service

NEDBANK CORPORATE

Graeme Auret 44
Managing Executive: Corporate Banking
10 years' service

Frank Berkeley 57
Managing Executive: Property Finance
19 years' service

Francis Brand 50
Executive Head: Transactional Banking
27 years' service

Grant Kelly 41
Executive Head: Risk
9 years' service

Shamelle Maharaj 41
Executive Head: Human Resources
16 years' service

Priyabashni Naidoo 40
Executive Head: Finance and Strategy
13 years' service

Murray Stocks 47
Executive Head: Corporate Shared Services
22 years' service

NEDBANK BUSINESS BANKING

Jan Bosch 41
Executive Head: Business Banking and Retail Relationship Banking Specialist Services
16 years' service

Herman de Kock 40
Divisional Executive: Northern
11 years' service

Bedresh Dhanjee 44
Executive Head: Risk
24 years' service

Brinsley du Plessis 43
Executive Head: Innovation, Process & Project Integration
23 years' service

Craig Evans 48
Divisional Executive: Coastal and Inland
20 years' service

Annette Francke 39
Executive Head: Retail and Business Banking Strategy, Communication, Group Innovation; Business Banking Marketing
8 years' service

Goolam Kader 47
Divisional Executive: Cape
15 years' service

Douglas Lines 42
Divisional Executive: Gauteng
13 years' service

Kandis Swanepoel 48
Divisional Executive: Business Banking and Retail Relationship Banking Strategic Business Unit
17 years' service

Nomaxabiso Teyise 34
Executive Head: Human Resources
10 years' service

NEDBANK RETAIL

David Crewe-Brown 45
Executive Head: Finance, Projects and Strategy
18 years' service

Anton de Wet 47
Managing Executive: Client Engagement
16 years' service

Brian Duguid 52
Managing Executive: Nedbank Integrated Channels
32 years' service

Sydney Gericke 55
Managing Executive: Retail Card and Payments
25 years' service

Keith Hutchinson 55
Managing Executive: Retail Secured Lending
27 years' service

Millicent Lechaba 45
Executive Head: Human Resources
8 years' service

Sibongiseni Ngundze 44
Managing Executive: Retail Relationship Banking
9 years' service

Gavin Payne 51
Executive Head: Risk Retail and Business Banking
30 years' service

Sarel Rudd 58
Executive Head: Rest of Africa
11 years' service

Ashley Sutton-Pryce 60
Executive Head: Retail and Business Banking Human Resources, Communications and Projects
40 years' services

NEDBANK WEALTH

Nicholas Andrew 42
Managing Executive: Asset Management
15 years' service

Gareth Baines 53
Managing Executive: Insurance
2 years' service

Lance Blumeris 42
Executive Head: Life Insurance
16 years' service

Vince Boulle 49
Managing Executive: Wealth Management (Local)
9 years' service

Lloyd Buthelezi 35
Executive Head: Financial Planning
6 years' service

John Gibson 51
Executive Head: Trust and Fiduciary (Local)
2 years' service

Nancy Gwama 42
Executive Head: Marketing
1 year's service

Greg Horton 57
Managing Executive: Wealth Management (International)
19 years' service

Bertus Janse van Rensburg 39
Chief Risk Officer
8 years' service

Patiswa Jumba 41
Executive Head: Human Resources
5 years' service

Thulani Kunene 40
Executive Head: Compliance
1 year's service

Walter Marte 37
Chief Financial Officer
8 years' service

Dion Nair 38
Executive Head: Insurance Distribution
8 years' service

Don Rogan 44
Executive Head: Stockbroking
6 years' service

Iolanda Ruggiero 43
Chief Operating Officer
11 years' service

Anees Vazeer 44
Executive Head: Short-term Insurance
7 years' service

REST OF AFRICA

Smit Crouse 37
Managing Executive: Investments, Alliances and Strategy
5 years' service

Adriaan du Plessis 54
Managing Executive: Banking Subsidiaries
22 years' service

Wayne McAdam 53
CIO and COO
21 years' service

Chico Naidu 58
Executive Head: Innovation, Process & Project Integration Business Unit
36 years' service

CENTRAL CLUSTERS

GROUP TECHNOLOGY

Thabang Legae 43
Divisional Executive: Solutions Delivery
6 years' service

Thando Lukhele 40
Divisional Executive: Governance, Compliance, Legal, Procurement and Vendor Management
9 years' service

Patricia Maqetuka 55
Divisional Executive: Wholesale Banking Technology
21 years' service

Ray Naicker 37
Divisional Executive: Programme Management, Design and Architecture
14 years' service

Andrew Sematimba 47
Divisional Executive: Africa Technology and E-Commerce
12 years' service

Glenn Smith 56
Divisional Executive: Mobile and Digital
17 years' service

Hendrik Swanepoel 51
Divisional Executive: Risk, Security and Shared Services
20 years' service

Barry van Huyssteen 49
Divisional Executive: Information Technology Infrastructure and Operations
30 years' service

Hendus Venter 42
Divisional Executive: Retail Banking and Wealth
13 years' service

Andre Young 45
Divisional Executive: Human Resources, Marketing and Communications
3 years' service

BALANCE SHEET MANAGEMENT

Michael Davis 42
Executive Head: Group Asset, Liability and Capital Management
17 years' service

Alan Faber 49
Executive Head: Strategic Projects, Reporting and Execution
16 years' service

Dhiren Haripersad 35
Executive Head: Group Value Based Management
3 years' service

Anthony Johnson 36
Executive Head: Group Credit Portfolio Management
9 years' service

GROUP HUMAN RESOURCES

Ayn Brown 48
HR Executive: Organisational Development
23 years' service

Gina Davidson 39
HR Executive: Talent Management
12 years' service

Sarel du Plessis 52
HR Executive: Operations
19 years' service

Florah Ehirim 36
Divisional HR Manager: HR Business Partner
2 years' service

Thulane Ngele 41
HR Executive: IR, Transformation and Compliance
1 year's service

Dean Retief 39
HR Executive: People Development
13 years' service

Clinton Rodgers 42
HR Executive: Rewards Management
1 year's service

GROUP MARKETING, COMMUNICATIONS AND CORPORATE AFFAIRS

Thabang Chiloane 39
Divisional Executive: Public Affairs
2 years' service

Gregory Garden 57
Divisional Executive: Marketing Capability
15 years' service

Kershini Govender 40
Divisional Executive: Transformation, Strategy and Alignment
11 years' service

Konehali Gugushe 38
Divisional Executive: Corporate Social Responsibility
6 years' service

Sydney Mbhele 40
Divisional Executive: Group Marketing
2 years' service

Mark Rock-Perring 46
Divisional Executive: Market and Client Insights
15 years' service

GROUP RISK

Glynis Hunziker 42
(Direct reporting into Chair of Group Audit Committee)
Chief Internal Auditor
18 years' service

Gerda Ferreira 50
Head Group Forensic Services
10 years' service

Nick Jacobs 48
General Manager: Group Legal and Risk Services
20 years' service

Sheralee Morland 49
General Manager: Enterprisewide Risk Management
8 years' service

Khosi Mpungose 35
Executive Head: Group Risk Human Resources
8 years' service

Anny Pachyannis-Alman 58
General Manager: Group Market Risk Monitoring
16 years' service

Johan Theron 44
Chief Credit Officer
15 years' service

Jan van Zyl 44
General Manager: Group Operational Risk Management
2 years' service

ENTERPRISE GOVERNANCE AND COMPLIANCE

Brigitte Burnett 46
Head: Sustainability
14 years' service

Brenda Chetty 39
Head: Client Facing Clusters, FAIS and Special Projects
16 years' service

Sicelweshile Dlamini 45
Head: Governance and Compliance Shared Services
11 years' service

Maryna Mouton 43
Head: Governance and Ethics
18 years' service

Bittie Smook 57
Head: Nedbank Editorial and Language Services
32 years' service

STRATEGIC PLANNING AND ECONOMICS

Dennis Dykes 53
Group Chief Economist
30 years' service

Norman Edwards 48
Divisional Executive: Group Strategy
17 years' service

Giles Needham-Clark 48
Divisional Executive: Innovation Projects
14 years' service

GROUP FINANCE

Luigi Bianco 45
General Manager: Planning, Measurement and Control
21 years' service

Steven Bird 35
General Manager: Group Financial Control
Less than 1 year's service

Rian Cloete 40
General Manager: Group Tax
11 years' service

Anthony Costa 42
Business Performance Executive
12 years' service

Ian Fuller 58
General Manager: Business
16 years' service

Darryl McMullen 53
General Manager: Group Shared Services Centre
26 years' service

George Procommenos 41
General Manager: Group IT Projects, Business Planning and AJTP
15 years' service

Meshack Qacha 50
Human Resources Executive
20 years' service

Vern Solomon 40
General Manager: Shared Accounting and Finance Services
8 years' service

Alfred Visagie 41
Head of Investor Relations
13 years' service

Veona Watson 47
General Manager: Finance Strategy and Projects
13 years' service

BUILDING A SUSTAINABLE BANK

For Nedbank Group, sustainability has always been about far more than legislative compliance or public perception. It is the single word that represents our multifaceted approach to the responsibilities we have to our stakeholders.

Today these stakeholders are faced with numerous sustainability challenges relating to limited natural resources, the growing impact of climate change, ongoing global financial crises and high levels of personal indebtedness. For this reason we consider it one of our primary responsibilities to demonstrate our commitment to and effectiveness in responding appropriately to the sustainability challenges of the world in which we operate – particularly since these challenges are material to our sustainable success, both as a business and as a green and caring bank. To this end, we endeavour to integrate sustainability into every aspect of how we work and who we are. This ranges from doing our share to create and nurture the world we desire for current and future generations, to ensuring deep and trusting relationships with, and acceptable results for, our staff, clients, shareholders, regulators and the communities within which we operate.

In previous years we reported separately on the group's activities as they relate to environmental, social and cultural matters. Increasingly, however, a far more integrated approach to sustainability is being adopted across the business through a three-pronged approach of:

NEDBANK GROUP

1. ENABLING SUSTAINABILITY THROUGH OUR PRODUCTS AND SERVICES
2. LEADING THROUGH COLLABORATION AND PARTNERSHIP
3. MANAGING AND OPTIMISING OUR OWN IMPACT

For this reason we have chosen to structure our sustainability reporting to reflect this reality, which is simply that environmental, cultural, social and economic sustainability are inextricably linked.

SUSTAINABILITY GOVERNANCE

To ensure that sustainability issues enjoy the prioritisation and focus they require, we have entrusted the responsibility for integrating sustainability into every aspect of our business to our group's senior governance bodies.

The Group Transformation, Social and Ethics Committee (GTSEC) is the subcommittee of the Nedbank Group Ltd Board that takes primary responsibility for monitoring and refining all sustainability policies and ensuring that these are fully integrated across all Nedbank Group businesses and activities.

This topdown sustainability governance framework allows the business to respond quickly to sustainability risks and opportunities, while ensuring that management oversight of all such risks and opportunities is consistent and thorough.

The Group Sustainability Committee (GSC) reports to GTSEC and has executive and senior management representation across the organisation. A key focus of the GSC is to facilitate a greater understanding among our group's bankers of the long-term sustainability implications – for both our bank and SA – of their decisions, actions and client interactions. The GSC also communicates extensively with all Nedbank staff. In recent years the sustainability evolution and maturity of our organisation have seen this communication transform from awareness to implementation. In line with this, individual and team sustainability key performance indicators (KPIs) have evolved from being purely reduction-focused to assessing performance in terms of the employee's ability to leverage sustainability for organisational growth and improved risk management.

SOCIAL AND ENVIRONMENTAL RISK MANAGEMENT

At Nedbank Group we prioritise social and environmental risk management as a central component of how we manage our own business and how we work with our clients. To this end responsible business management is a non-negotiable part of our sustainable development.

Like our overall sustainability philosophy, our approach to social and environmental risk management is highly integrated and recognises the interconnectedness of all significant social and environmental risks, whether directly or indirectly, presented through our own activities or those of our clients.

Our risk management approach complies with relevant legislation, including the Code for Responsible Investment for South Africa (CRISA). We are signatories to the Equator Principles and the United Nations Global Compact, and through our parent company, Old Mutual, we adhere to the Principles for Responsible Investment (PRI).

Risk management through cooperation

In 2013 we made the content of our social and environmental risk policies and management processes accessible to all our stakeholders. We provided our lending clients, in particular, with environmental policy frameworks and the assistance of our environmental law specialists, with the aim of helping them to develop their own sustainability policies.

In doing so we not only manage our own risk better, but also actively enhance our clients' compliance and risk management processes, thereby protecting business value (theirs and ours) and maximising our client value proposition.

Social and environmental management system

Nedbank Group's social and environmental policies are linked to, and supported by, our Social and Environmental Management System (SEMS) and have also been integrated into the Group Credit Policy. SEMS is based on ISO 14001 and aligned with International Finance Corporation (IFC) best practice and Equator Principles' guidelines. SEMS details the policies, procedures, resources and workflow required to identify and assess the environmental or social impacts of lending activities that we undertake.

Credit policies within our Business Banking, Wealth, Corporate and Capital clusters were enhanced to include a focused approach on high-impact industries to ensure that the related social and environment risks are mitigated.

Our social and environmental assessment tool also provides a screening mechanism to aid finance decisionmaking within high-risk sectors. This focused approach ensures that we responsibly manage our social and environmental risk exposure across our organisation. All of the assessment criteria are linked to the relevant Equator Principles and IFC Performance Standards. This is to ensure that transactions are socially and environmentally sound when tested against international benchmarks.

In 2013 SEMS underwent a number of improvements aimed at closing identified assessment loopholes and delivering more comprehensive and thorough results to aid in lending decisionmaking. These enhancements enabled us to add value to our clients by recommending adjustments or improvements to proposed projects that served to raise their levels of sustainability compliance.

RESPONSIBLE INVESTMENT

In 2012 Nedbank Group adopted the Old Mutual Group responsible investment standards to align with Old Mutual's commitment to the PRI and CRISA. The adoption of these standards aligns well with Nedbank's strategic positioning of being a green and caring bank and, more importantly, enables the bank to look at investment decisions through a new lens, thereby facilitating better risk management and the identification of new opportunities.

Nedbank contributes 4% of Old Mutual Group's total funds under management. During 2013 we addressed many of the compliance requirements of being a signatory to the PRI such as committing to the publication of our Responsible Investment Policy and Voting Guidelines on the Nedgroup Investments website. The focus was on upskilling staff to ensure a better understanding of the PRI and CRISA as well as on what needed to be adapted to integrate the PRI into the various assurance and investment businesses. This will continue in 2014. Old Mutual Group will submit its first report to the PRI governing body in February 2014 using 2013 data.

RESPONSIBLE LENDING

As one of the leading providers of project finance in SA, Nedbank Capital reviews all potential project finance transactions for environmental and social compliance with the Equator Principles, IFC performance standards and legislation. The business has adopted an integrated and proactive approach to compliance. Key to this approach is compliance with the Equator Principles, an international, voluntary framework aimed at ensuring a consistent approach to managing environmental and social risks in project financing.

The application of the Equator Principles since 2005 has ensured greater consistency in our application of environmental and social risk management within our project finance business. Other benefits have arguably been improved client engagement on these issues as well as enhanced protection for project-impacted ecosystems and communities. With the adoption of Equator Principles III in the Corporate and Property Finance business areas, we anticipate reaping similar benefits.

In 2012 a large number of deals were in compliance with the Equator Principles. This momentum was maintained as 15✓ transactions that comply with the Equator Principles had their first drawdowns in 2013, thanks to the completion of a number of oil and gas and project finance transactions, particularly within the renewable-energy sector.

Understanding material matters 14–20

Report from Group Transformation, Social and Ethics Committee Chairman 58–59

GRI FSSS: FS1, FS2, FS3, FS5

GRI 3.1: 1.2, 4.1, 4.7, 4.8, 4.9, 4.10, 4.11, 4.12

GRI 3.1: EN26, HR1, EC1

Supplementary information: Sustainable Development Review

Equator Principles deal activity

	2013	2012	2011	2010	2009
Total number of deals – first drawdown	15✓	15	2	1	5
Category A		6	1		1
Category B	14	9	1	1	3
Category C	1				1
Total value of deals (US$m)	965	938	172	25	174

BUILDING A SUSTAINABLE BANK (CONTINUED)

1 ENABLING SUSTAINABILITY THROUGH OUR PRODUCTS AND SERVICES

In addition to offering our clients the means and opportunities to achieve their personal or business financial goals, Nedbank Group's banking, lending and investment solutions and services are built on the foundation of responsible financial services.

From the incorporation of sustainability considerations into credit assessments to supporting clients through a balanced and carefully considered approach to their financial needs, we place a priority on ensuring that what we offer helps create a better future for all.

ENABLING SA'S GREEN FUTURE

Key to the sustainable future of SA is our country's ability to develop and nurture a green economy. We embrace the responsibility and opportunity to help nurture such a green future through innovative product development and sustainability-focused investment.

Investing in SA's green economy through REIPPPP

The Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) forms an integral part of the SA government's Integrated Resource Plan 2010 and seeks to achieve a significant increase in the proportion of the country's energy needs being met through independent, renewable-energy sources. This vital transition to a broader energy supply is crucial to securing the energy supply needed to encourage economic growth.

Since the inception of REIPPPP our investment bank has been highly involved in this forward-thinking programme and it has delivered numerous innovative finance solutions to organisations bidding to become independent power suppliers to SA.

The details of Nedbank's involvement in and support of REIPPPP can be found in the case study in the Nedbank Capital Operational Overview online. As a result of its extensive involvement Nedbank effectively funded and supported projects that will deliver 1,478MW or 38% of the total renewable-energy capacity allocated by REIPPPP since its inception – making us a key enabler of the country's green future.

The Nedbank Green Savings Bond

This fixed-term investment offers flexible investment terms ranging from 18 months to five years, a competitive rate and guaranteed returns. More importantly, it allows regular investors to make a tangible contribution to environmental sustainability because invested funds are earmarked for the support of renewable-energy projects in SA. Since its inception R3,6bn has been invested in the Nedbank Green Savings Bond, of which R2,7bn flowed in during 2013.

The Nedbank Green Index

The Nedbank Green Index (NGI) is an innovative equity benchmark for investors who place a priority on incorporating environmental sustainability criteria into their investment decisions. In 2013 the NGI was significantly outperformed by the JSE/FTSE All-share Index (ALSI) – 7,8% (2012: 26,1%) compared with 21,4% for the broad market index. This is in stark contrast to previous work on the relative performance of the NGI, which suggested that the stock selection process, which is primarily based on climate change credentials, had played a significant role in the NGI's outperformance of the ALSI. For the most part, the companies within the NGI with the strongest environmental credentials have continued to provide positive contributions to the relative total return. However, a number of companies that had a particularly strong share price performance in 2013 were excluded from the NGI entirely, although in most cases this was not because of poor environmental credentials, but rather because of non-public disclosure. For further details on the NGI please refer to nedbankcapital.co.za.

Building enduring relationships 30–47

GRI FSSS: FS8, FS14

GRI 3.1: 2.2

GRI FSSS: FS5

Supplementary information: Sustainable Development Review

Exchange-traded Fund (BGreen ETF)

We launched our Nedbank BGreen ETF in December 2011. At the end of 2013 the BGreen ETF had a market capitalisation of R131m (2012: R119m).

The Guaranteed Exchange-traded Fund Plan

Nedgroup Life offers this investment alternative as part of its Secure Investments portfolio. Based on the BGreen ETF, and provided through Nedbank Financial Planners, it offers our clients another way of participating in, and benefiting from, the work we are doing to deliver competitive, environmentally driven investments to all investors. In 2013 a total of R14,4m was invested through this platform.

Carbon financing

Carbon markets have been through a particularly turbulent time in recent years because of continued uncertainty surrounding long-term international carbon commitments. It is anticipated that greater clarity regarding international markets will emerge by the end of 2015. Domestically, the proposed carbon tax could bolster the local carbon market for selected offsets. Given our commitment to driving the green economy, our Carbon Finance Unit continues to monitor developments in this area.

Nedbank Green Affinity

We make it possible for our clients to support environmental causes by choosing to use Nedbank Green Affinity banking, investment or insurance products. As they do so, we donate money to the WWF Nedbank Green Trust on their behalf at no cost to them. In 2013 Nedbank Green Affinity donations to the WWF Nedbank Green Trust increased by 14% to nearly R14,8m (2012: R12,9m). As a direct result of concerted efforts to raise awareness of the Nedbank Green Affinity, we also added approximately 50 000 Nedbank clients to the programme.

Since its inception the Nedbank Green Affinity Programme has raised more than R150m in support of nearly 200 environmental projects across SA.

Greenbacks

The Nedbank Greenbacks loyalty programme includes a 'green stream' that allows members to redeem loyalty points for goods that are environmentally friendly. In 2013 more than 750 of these 'green' products were redeemed by our environmentally aware clients, with a total value of R500 000.

The WWF Nedbank Green Trust

In 1990 Nedbank Group created a partnership with WWF-SA through the WWF Nedbank Green Trust as an innovative and sustainable way to raise funds in support of environmental causes. The WWF Nedbank Green Trust's mission is to bring together environmental and social sustainability. Put another way, it seeks to enable people to live and work in harmony with nature, for the sustainable benefit of both. The trust funds projects in climate change, freshwater conservation, marine conservation, the preservation of outstanding places, the conservation of species of special concern and conservation leadership. For more information on the WWF Nedbank Green Trust go to **nedbankgreen.co.za**.

BUILDING A SUSTAINABLE BANK (CONTINUED)

ENABLING SOCIAL SUSTAINABILITY AND DEVELOPMENT THROUGH INVESTMENT

We recognise that leadership in social sustainability requires more than just a commitment to supporting communities; it also demands a willingness to put our money where our mouth is and invest in people, projects and businesses.

Our continued good performance in this regard illustrates the success of our efforts to meet the requirements of the Financial Sector Code (FSC).

Empowerment financing

Comprising the two elements of targeted investments and BBBEE transaction finance, empowerment financing is an integral part of our overall transformation commitment. It involves investment in the economic development of empowered corporates, emerging black farmers, municipalities and emerging black small and medium enterprises. At the end of 2013 we had invested a total of R36bn in empowerment financing since 2009. We are pleased with the progress we have made in lending in this area, but also recognise that there is still much to be done.

Targeted investments

Targeted investment is an opportunity to extend the effectiveness of Nedbank's social sustainability efforts through debt financing of, credit extension to, or equity investment in SA projects that have the potential to help close any gaps that still exist in the country's economic development and facilitate job creation for future growth.

Our targeted investment activities include:

- Transformational infrastructure financing
- Black agriculture finance
- Black small-and-medium-enterprise (SME) financing
- Affordable housing

At the end of 2013 we had invested a total of R18bn in targeted investments since 2009.

During 2013 the Affordable Housing Development finance unit concluded a number of new funding opportunities, including a facility for International Housing Solutions, to bolster the affordable rental market and create quality accommodation for people in the lower-income range who cannot prove affordability to buy homes. Also during 2013 the unit disbursed more than R1bn towards new affordable housing developments across SA, with more than 12 000 new home opportunities created for 2013 and cumulatively over 25 000 homes during the past five years.

BBBEE transaction financing

BBBEE transaction financing is the extent to which we help promote the productive and sustainable participation of black companies and black people in each sector of the economy through various forms of credit extension. This includes all transactions for acquisition by black people, including women, of direct ownership in new or existing companies other than black SMEs. These transactions also include joint ventures with debt financing of or other forms of credit extension to and equity investments in BBBEE companies. A transaction of R1,8bn was our most notable deal in 2013.

Enterprise development

Our approach to enterprise development (ED) is multifaceted and includes a mix of funding, transactional and support products and services that provide flexibility and adaptability across all industries. This allows us to design and tailor unique solutions, in line with the diverse needs of entrepreneurs and businesses, ultimately creating job opportunities and supporting socioeconomic development.

Regional teams with specialist and expert support, such as the national agriculture team, continue to drive the business imperative of transforming our client base and supporting emerging businesses, with a particular focus on supporting the vital small, medium and micro enterprises (SMME) sector.

Over the past two years more than 2 000 entrepreneurs have benefited from our enterprise development investments. In accordance with the FSC requirements we invested an additional R59,5m in non-recoverable initiatives in 2013.

ENABLING ACCESS TO FINANCIAL SERVICES FOR ALL

Nedbank Group remains committed to enabling social transformation and economic upliftment through access to finance for all. We are convinced that true access to finance involves a combination of physical accessibility to transaction points and financial education for maximum empowerment.

Over the past four years we have opened 220 retail banking outlets (branches and alternative outlets, excluding Personal Loans kiosks) and increased our ATM footprint by 1 529 (or 83%) across the full spectrum of SA communities. This means that Nedbank's retail banking footprint has grown by 41% to 763 outlets across the country since 2009. The Branch of the Future design choice and network of formats have further enhanced the relevance and appeal of Nedbank to all in SA by improving the instore experience through increased self-service capabilities, client-friendly queuing systems and emphasis on client education. Altogether 28 outlets have been converted to the new formats, with the full rollout plan seeking to cover 77% of branches by 2016. Innovations in digital (notably mobile and telephone) banking, including the launch of the Nedbank App Suite™ in 2012, have further increased access to Nedbank's banking services for all in SA regardless of physical location.

Recently, this access strategy has seen us intensify our focus on rural areas, with initiatives undertaken in such far-flung communities as Kuruman in the rural Northern Cape, Bela-Bela in Limpopo, Elliotdale in the Eastern Cape and Nquthu in KwaZulu-Natal, to mention just a few.

Where there's a lack of proper infrastructure, we partner with leading supermarket chain outlets such as Pick 'n Pay and Boxer Stores to offer inretailer facilities. A partnership with the Passenger Rail Agency of South Africa (PRASA) will also see Nedbank retail branches established in selected PRASA stations across SA.

Making business more mobile with PocketPOS™. In February 2013 Nedbank cemented its position as a leading innovator in the business-banking space with the launch of PocketPOS™. This live EMV-certified mobile point-of-sale (POS) solution, a first in SA, enables our clients to process debit and credit card transactions anywhere and any time using a smartphone connected to a secure card reader.

For our clients the PocketPOS™ eliminates the risk of carrying cash, avoids cash deposit fees and, most importantly, increases payment success and thereby improves cashflow for small businesses and contractors.

By the end of 2013 more than 1 200 Nedbank PocketPOS™ units had been purchased by business clients across SA.

Growing access to entry-level banking

As a direct result of our comprehensive mass market strategy, which was introduced in 2011, we have generated significant year-on-year growth in entry-level banking and now serve more than 3m clients. A key solution that has contributed to our success in this market is Nedbank Ke Yona. Launched in 2011, this ELB offering is designed to attract new entrants into the formal banking market. Ke Yona allows these previously unbanked individuals to transact, save, borrow and acquire insurance easily and affordably.

Imbizo: Helping to build economically viable and sustainable communities

In 2005 the Imbizo programme was launched as a partnership between Nedbank, Mutual & Federal, Old Mutual and our black business partner, WIPHOLD. Imbizo seeks to ignite economic activity in primarily rural markets, with an emphasis on building sustainable communities through commercial and corporate social investment activity to improve people's livelihoods.

The model focuses on identifying interventions that can contribute to building economically viable communities. These interventions include facilitating the creation of micro enterprises, migrating these up the value creation chain (from micro enterprise to small business), and encouraging job creation through medium-to-large-scale commercial investments.

An additional component of the Imbizo programme is the Zakheleni collective lending product. If a self-help group or club of five to 12 members saves collectively for six months, it may apply for a loan of up to three times the amount it has saved, capped at R10 000 for the first loan, and repayable over 22 months. When the first loan has been repaid in full, the club can apply for a second loan. To date the Zakheleni product has registered more than 880 clubs and issued over 1 500 loans. More than 100 formal micro enterprises, and many more informal enterprises, have been formed as a result of this unique offering.

In 2013 we introduced the Imbizo Business Acumen Pilot Programme to provide small-business owners with valuable training in money management skills, establishing a market, separating personal and business accounts and understanding input costs to ensure the growth of their enterprises.

Since its inception 135 participants have registered for the programme and 112 owners of microbusinesses have graduated. A total of R556 000 in funding has also been extended to graduates of the programme to help them grow their businesses.

Building enduring relationships 30–47

GRI 3.1: 2.2

GRI FSSS: FS1, FS2, FS13, FS14

GRI FSSS: FS7

GRI 3.1: EC8

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BUILDING A SUSTAINABLE BANK (CONTINUED)

2 LEADING THROUGH COLLABORATION AND PARTNERSHIP

At Nedbank Group we acknowledge that the best way to maximise our positive sustainability impact is through partnerships with like-minded individuals, groups and organisations. We therefore proactively seek out such partnerships across all our stakeholder groups to contribute towards increased awareness and understanding of the sustainable development imperative.

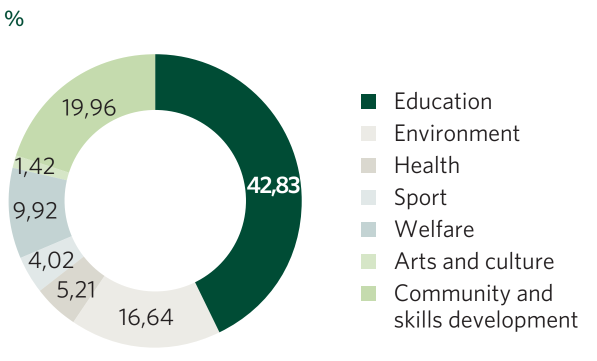
COMMITTED TO SOCIAL SUSTAINABILITY THROUGH CARING

We believe wholeheartedly in caring for the communities in which we operate, and in expressing that care through action. A thriving bank needs a thriving community, and so we direct our socioeconomic development (SED) towards seven interlinked areas that also help to build our future client base. These areas are education (the knowledge economy), community and skills development (job creation), health (building healthy communities), the environment, sport and arts and culture development, and child welfare and protection.

In terms of the Financial Sector Code, relevant SA companies are required to spend at least 0,7% of their net profit after tax (NPAT) on SED initiatives. In 2013 we far exceeded this compliance requirement, placing R89m[1] (R111m including community trust and the Nedbank Private Wealth Foundation) (2012: R95m) in socioeconomic development projects across our various focus areas. Most of this investment was facilitated through:

- **The Nedbank Foundation.** In 2013 a total of R36m was disbursed by our primary corporate social investment (CSI) arm, the Nedbank Foundation, which focuses on long-term contributions to education, skills development and job creation, health and community development. The foundation supported 374 projects, reaching more than 8 000 beneficiaries.
- **The Nedbank External Bursary Fund.** We allocate a number of external bursaries, which amounted to a value of R11m in 2013. The bursaries are administered by the National Student Financial Aid Scheme (NSFAS) through a public-private partnership.
- **Staff volunteerism.** This is intrinsic to Nedbank, and many staffmembers take the time to apply their skills and talents to improving the lives of others. It also helps staff understand the communities we are trying to serve.
- **Nedbank Affinity Programme.** Our clients have become part of our CSI continuum through our successful Nedbank Affinity Programme, through which we donate to causes and organisations on behalf of clients (and at no cost to them). In 2013 a total of R27,8m (2012: R20,9m) was distributed across the four affinities (Green, Children's, Sport and Arts), with most of the growth coming from the recently launched investment-linked affinity accounts and electronic statements.

NEDBANK SOCIOECONOMIC DEVELOPMENT SPEND 2013



In the past five years Nedbank has spent over R400m on SED projects. Through our SED we are striving to accelerate transformation in an effort not just to raise the bar in terms of compliance with the FSC, but also to entrench transformation within our organisational culture, enhance our commitment as a corporate citizen, and continue our drive to become a bank for all.

[1] *Reporting against FSC measurement principles.*

THE NEDBANK CONSUMER EDUCATION PROGRAMME

Launched in 2004, this programme continues to deliver excellent results, providing clients and potential clients with information and insights to ensure they make informed decisions for financial wellbeing. In 2013 we invested R8,1m in our consumer education programme, which benefited almost 54 000 consumers across all nine provinces. Some of the education initiatives included under the Consumer Education Programme are:

- **Teach Children to Save South Africa™ (TCTS SA™)**.
- **Nedbank/*Bona* partnership.** Provides *Bona* magazine readers with accessible and relevant financial education.
- **Nedbank how-to guide.** Low-income earners are introduced to essential banking basics.
- **Consumer learning programme material.** Learning modules available are Banking Products and Services, Buying on Credit, Personal Budgeting and Insurance and Assurance.

PARTNERING TO CREATE A FUTURE FOR SA'S YOUTH

- **The Nedbank Graduate Programme.** A total of 3 334 graduate applications were received for the 2013 graduate intake, and 134 were accepted. The intention behind the programme is to ensure that Nedbank can recruit, develop and retain the best graduate talent in the market – people who can add value to our business and the industry as a whole.
- **SAGDA Graduate programmes.** The programmes of the South African Graduate Development Agency (SAGDA) align with Nedbank's focus of enabling young people to enter and compete in the job market. We contributed R1m to SAGDA's prestigious internship programme in 2013, which saw young graduates enter the job market through placement with the Department of Public Works.
- **Enactus SA.** Since 2009 Nedbank has invested in Enactus SA (previously SIFE SA), which helps university students gain a practical understanding of economics while developing a culture of ethical business conduct. Through our partnership with Enactus SA, Nedbank Group Human Resources has also been able to recruit high-quality students into the graduate programme.
- **Nedbank External Bursary Programme.** We continue to help fund students who do not have the financial means to study fulltime towards a first degree through SA public universities. In 2013 altogether 161 (2012: 249) bursaries were awarded. The total value of the support remains constant, even though increasing education costs and a more complete bursary offering per student have resulted in a reduced number of students being supported each year. The programme is a vital part of our talent pipeline development as it serves to equip and attract talent within our three-year skills plan.
- **Nedbank Learnership Programmes.** Learnerships are a vital means of contributing towards addressing the crisis of scarce skills in the SA financial services industry. All our learnership programmes are accredited by the South African Qualifications Authority (SAQA), which requires attendance of classes as part of the learning process. In 2013 seven new learnerships were added to the Nedbank portfolio, bringing the total number offered to 16. These were attended by a total of 1 307 learners, including unemployed graduates, matriculants and current Nedbank employees. The Nedbank-funded learnerships range from National Qualifications Framework (NQF) level 3 to NQF level 7.
- **Nedbank 4me – My Future My Bank.** Targeted at SA youth, this banking solution encourages and enables young people to save and to build their financial fitness from an early age. Nedbank 4me is supported by four pillars – '4spending', '4saving', '4growing' and '4good' – and comprises a full transactional banking account with no monthly fees and a number of free initial transactions. Thereafter pay-as-you-use pricing applies. Free eNotes and self-service banking complete the offering.

This banking product is supported by an entrepreneurial and business skills programme reaching approximately 135 000 learners at 300 schools in 2013.

GRI FSSS: FS5, FS16

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PARTNERSHIPS FOR EFFECTIVE SUSTAINABILITY EDUCATION

The *Nedbank Green Living Guide*

Launched at the Green Building Council Conference in October 2013, this detailed sustainability guide is produced in collaboration with the Sustainability Institute and endorsed by the Green Building Council South Africa. The aim of the publication is to encourage all South Africans to adopt a more sustainable lifestyle so that they can enjoy the economic, social and environmental benefits that such an approach can deliver. It is available free to Nedbank staff and clients, as well as to the general public. Since it was launched more than 2 000 copies have been distributed. It can be downloaded from **nedbankgroup.co.za**.

Greening Your Business

Established in 2010 in collaboration with *Business Day*, the Greening Your Business Programme continues to grow in popularity among SA businesses of all types and sizes. In 2013 this innovative digital sustainability course was again updated and expanded with the addition of five new modules covering green company policies, facilities and supply chain management, sustainable event management and green living. A 10-part series called *Green Living at Home* was also added. During the year under review more than 1 350 businesses registered for the course.

Nedbank Sustainability Outlook

Nedbank Sustainability Outlook is researched on behalf of Nedbank Group by the University of Cambridge Programme for Sustainability Leadership and distributed to more than 100 000 readers with the aim of encouraging debate around various sustainability issues. In 2013 topics ranged from impact investment, climate change, electromobility and the issues and challenges around nuclear energy and shale gas.

BUILDING A SUSTAINABLE BANK (CONTINUED)

Entrenching sustainable thinking in schools and communities

We understand the importance of ensuring that our country's future generations grow up with a full understanding of the value of sustainability as well as a knowledge of how to entrench it into the way they think and act. We are involved in a number of programmes aimed at instilling this sustainability mindset, thereby ensuring that we have a healthy world in which to operate in the future, including the following:

Caring for Communities

This programme has grown steadily and now sees hundreds of Nedbank staffmembers actively involved in educating learners, teachers and communities on all aspects of sustainable living.

Since inception the programme has involved 3 000 Nedbank staff volunteers and touched the lives of over 6 000 learners and 1 600 adults at over 180 schools. In 2013 altogether 650 Nedbank staffmembers volunteered to implement 56 projects (vegetable tunnels and rainwater harvesting tanks) at schools around the country. Forty sustainability workshops were held, and 2 100 learners were reached. Twelve branch openings were also accompanied by community upliftment projects with a focus on environmental sustainability.

Lean in Education

Complementing the extensive work we undertake in education across SA, Nedbank Lean practitioners volunteered their time to facilitate Personal Mastery and Lean in Education workshops with teaching bodies in 12 schools in 2013.

WORLD WIDE FUND FOR NATURE SA

Nedbank Group first partnered with the World Wide Fund for Nature SA (WWF-SA) in 1990, and this led to the establishment of the WWF Nedbank Green Trust.

The partnership has been further strengthened through our involvement in and support of various WWF-SA programmes:

The WWF Water Balance Programme. Access to clean drinking water is not only a basic human right, but it is also essential for economic growth. For this reason we have invested R9m in the WWF Water Balance Programme, which is aimed at clearing alien vegetation at key water catchment areas around the country. Our investment is over a five-year period and, since inception in 2011, has seen 193 ha (2013: 63 ha) of alien vegetation cleared. This has not only ensured the release of over 400 000 kℓ (2013: 131 000 kℓ) of water into the country's ecosystem but, given the labour-intensive nature of the clearing work, has also created nearly 8 000 (2013: 3 368) workdays for members of communities in and around the targeted areas.

As part of the programme in 2013 Nedbank provided a local Wakkerstroom community in Mpumalanga with financial education and banking services. The team also handed over 50 Hippo water rollers (a 90 ℓ device that assists with the transportation of water to households where it is not available on tap), a vegetable tunnel and solar chargers. This type of participation is key to achieving the deliverables of the Water Balance Programme as it enhances our relationship with the community and demonstrates the mutual benefits of the programme.

WWF Nedbank Green Trust Graduate Programme. The programme aims to support the development of a new cadre of young professionals who serve both the environment and the development agenda of SA. To achieve this the programme funds part of the WWF Postgraduate Placement Programme, which places young graduates with an honours or master's degree in environmental sciences on 18-month internships that allow them to develop core conservation and professional skills under the guidance of an appointed mentor.

WWF-SA Sustainable Agriculture Programme. This innovative programme seeks to promote and enable sustainable agriculture as a means of minimising the adverse impacts of farming on the environment. It also raises awareness of the need for good agricultural stewardship as a key part of addressing food security challenges in SA. In 2012 we committed R8,3m in support of this vital programme.

In 2013 it achieved a number of significant successes across all the areas of agriculture it targets, including:

- good advances in awareness and support among all stakeholders within the fruit and wine industries;
- the provision of meaningful inputs into the establishment of a national framework to support sustainable agriculture;
- the acquisition of funding in support of sustainable sugar farming initiatives; and
- the completion of a draft code for better production of beef and dairy in partnership with Conservation South Africa.

ENSURING A SUSTAINABLE SUPPLY CHAIN

Procurement offers a unique opportunity to express and extend our commitment to enterprise development and put into practice a values-driven business philosophy, particularly in terms of our transformation imperative. Our procurement practices therefore go beyond compliance with preferential procurement legislation and guidelines, and our various procurement functions work closely with our suppliers to promote and enable greater sustainability across our supply chain.

As a direct result of this philosophy we are able to transform our procurement spend into an effective form of transformation investment. In 2013 our total procurement spend amounted to just over R8,5bn. Our preferential procurement investment amounted to just over R9,4bn as we managed to achieve 109% on the all supplier spend category (2012: R8,9bn).

We also intensified our focus on the environmental and ethical performance and governance of new and existing suppliers through the introduction of enhanced declarations on our procurement systems. This information gives Nedbank a better understanding of our suppliers and insight into the level of values alignment.

Local procurement

We continue to monitor our progress in terms of the Local Procurement Accord with our first-tier suppliers. Our Vendor Management System has also been enhanced to provide detailed information on the origin of products and services supplied. We are pleased to have achieved a local content procurement level of almost 78%, which translates into approximately R7,5bn of local procurement.

Prompt Payment Code

Nedbank Group was the first signatory to the Prompt Payment Code, which was implemented in 2013. The initiative, driven by the National Small Business Chamber (NSBC), seeks to address the cashflow challenges of small business in their dealings with large public and private sector organisations. We have committed to paying micro enterprises within seven days and all other small businesses within 30 days of the receipt of valid, compliant and accurate invoices from approved suppliers that have met our supplier onboarding requirements fully. Just over 3 200 SME suppliers were used during 2013, with total payments of R2,3bn made to them.

Greening our supply chain through proactive partnerships

During the year under review we built more robust sustainability considerations into our overall procurement decisionmaking processes. We now require that approved vendors not only demonstrate environmental awareness, but also be actively committed to entrenching environmental considerations and practices into all areas of their businesses.

GRI 3.1: EC6

In 2013 sustainability assessments of the top 300 Nedbank Group suppliers (representing approximately 85% of total group spend) showed that 23% (2012: 15%) now have formal environmental policies in place, while 41% (2012: 31%) are actively recycling.

In 2014 we will be working with these suppliers to further their commitment to environmental sustainability.

RECOGNISING SUSTAINABILITY LEADERSHIP

Awarding leading sustainability efforts in various industries presents our group with an excellent opportunity to partner with other organisations in furthering the principles of sustainability.

In addition to recognising best practices, awards serve to encourage others to adopt sustainable principles and practices, while highlighting the importance of sustainability as a business imperative, irrespective of the industry in which such businesses operate.

In line with our integrated approach to sustainability, we support or sponsor a range of awards across various industries and economic sectors. These include the Nedbank Capital Sustainable Business awards, the Green Wine awards and, most recently, the Eston Show Sustainable Farming awards, which promote and recognise sustainable farming practices among SA's sugarcane growers and producers.

BUILDING A SUSTAINABLE BANK (CONTINUED)

3 MANAGING AND OPTIMISING OUR OWN IMPACT

At Nedbank Group we believe that the only way to lead is from the front, which is why we are committed to getting and keeping our own house in order. Therefore, by effectively limiting our negative impacts, while maximising the positive, we not only do our share to create a sustainable future, but also position ourselves to influence others to do the same.

We pride ourselves on having a stable employment environment at Nedbank, but are conscious of the unstable labour environment in SA and the impact unhappy employees can have on the productivity and sustainability levels of any organisation. For this reason we prioritise ongoing efforts to build and nurture strong and positive relationships with all our employees. By understanding their daily working experiences and challenges, engaging with them, and ensuring a positive and empowering Nedbank culture, we strive continuously to build our organisation into an employer of choice in SA, and a truly great place to work.

The consistent and steadily improving results of our annual staff surveys reveal that our efforts in this regard are delivering good results and that we are moving our bank forward towards the realisation of this aspiration.

TRANSFORMING OURSELVES, TRANSFORMING OUR INDUSTRY

Diversity has long been an essential part of our group's people strategy. We want to remain at the forefront of transformation and sustainability, not just to meet targets and achieve FSC BBBEE compliance but, even more importantly, to entrench diversity and transformation within our organisational culture. In so doing, we know that we will enhance our commitment to being a good corporate citizen, to meeting our clients' needs even better, and to maintaining our momentum on our way to becoming a bank for all.

Our organisational transformation vision is to be a Pan-African bank with an inclusive culture, relevant in the societies in which we operate and admired as a business that significantly advances the development of historically disadvantaged people across all our stakeholder groups.

To achieve this we have developed a transformation strategy that focuses on activities that will drive our transformation efforts to ensure that our workforce profile is representative of the societies in which we operate and underpinned by all the essential factors that contribute to an inclusive environment. This also includes ensuring that differentiation in respect of pay and access to benefits is defensible and not based on arbitrary or unfair considerations.

As can be seen from our diverse employee profile, we continue to move ever closer to being a business that is fully representative of SA society. International staff represent 6% of our total staff complement. It should be noted, however, that data provided with regard to employment equity and the FSC relates only to SA employees.

As Nedbank furthers its growth into the rest of Africa, we are continually striving to align all people processes with the Nedbank Group policies, while ensuring adherence to the specific countries' local legislation and market best practice. The subsidiaries are also impacted by the active trade unions and industry bodies, which require local practices to prevail. The focus in 2014 will be on auditing the alignment of all people-related policies and processes.

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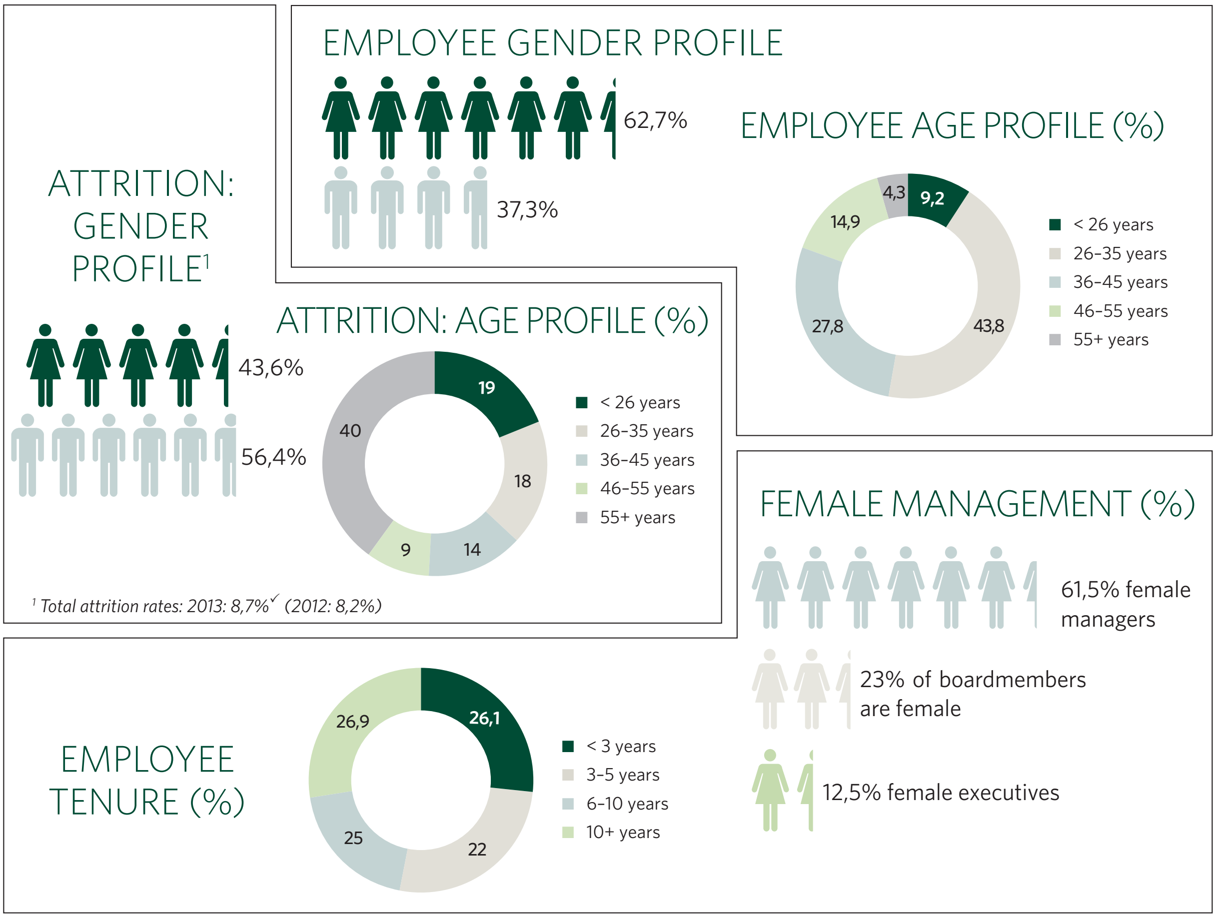
GRI 3.1: LA14
Fair Share 2030 22–23

EMPLOYEE PROFILE

In 2013 Nedbank Group had 29 513 permanent employees, including 1 759 employees in its international operations.



GRI 3.1: 2.8, LA1, LA2, LA13

Transformation Report

A progressive and empowering employment equity plan

During 2013 we adopted a slightly different and more inclusive approach to developing our groupwide employment equity (EE) plan. This rigorous process included the use of available internal data as well as consultation with employees in a number of the major centres. It was aimed at better understanding the barriers and challenges that have hindered the success of previous plans and targets. This allowed us to gather vital input in terms of what staffmembers believe will contribute to or limit the development of a more inclusive corporate culture and environment.

The Nedbank Employment Equity Forum (NEEF) includes representation from all chairpersons of the group's various cluster employment equity forums. The forum meets monthly and has been constituted in terms of the EE Act to provide a platform for consultation on EE matters.

Achieving management transformation targets

Senior management targets have been particularly challenging since 2009 and remained so in 2013. The statistics show that achievement against targets for African and Coloured groups is still below our EE plans, and we will continue to focus on addressing and overcoming these challenges.

Gender advancement

Nedbank Group is committed to the advancement of women in our bank and industry. With over 60% of our employees being female, we pay particular attention to this focus area. In the year under review 60% of all promotions were female, with 84,7% of those being black female appointments.

Advancement of people with disabilities

We continue to focus on advancing people with disabilities (PWD) within our bank. To ensure that this is achieved in the most appropriate and accommodative manner employees are asked to declare any disabilities.

The number of PWD declarations increased from 3,43% of all staff in 2012 to 3,73% in 2013. This was the result of ongoing PWD awareness campaigns and workshops, and the enhancement of the declaration portal. Nedbank's percentage of people with disabilities is above the average SA corporate rate of 2%.

Embracing diversity

Nedbank continued its commitment to embracing diversity in 2013 through the further rollout of the Botho Pele diversity programme. In 2013 altogether 5 027 employees attended the workshops, which brings the total number of employees impacted since 2008 to 20 226.

BUILDING A SUSTAINABLE BANK (CONTINUED)

At the forefront of leadership transformation

The Leading for Deep Green programme provides managers with an opportunity to understand how they lead and how their leadership behaviours impact their teams.

The programme gained further momentum in 2013 and by the end of the year had achieved its target, set in 2010, of positively impacting 3 489 leaders and employees in the organisation. Of these, 1 521 were reached in 2013.

In 2013 we also piloted our Nedbank Leader/Manager Academy, in which training was offered to more than 100 employees.

ENABLING A COLLABORATIVE, INNOVATIVE AND CLIENT-CENTRED CULTURE

At Nedbank Group we prioritise the creation of a unique organisational culture and work environment as we believe this serves as a key competitive differentiator. Maintaining a culture that resonates with employees and inspires them is essential for our organisation's sustainability.

To this end a particular focus in 2013 was on building a collaborative and innovative culture that would, in turn, make us even more client-centred. Through the cultural measurements, we strive to understand how our employees experience the culture of the organisation and how closely this aligns with what they desire. As we consider our employees to be central to our success, we also take into consideration the suggestions for improvement that they provide through these survey platforms. The following measurements are viewed in a holistic manner so that we can plan effectively:

- **Values assessment – Barrett Survey.** In 2013 we saw a slight shift in the entropy results (from 10% to 11%✓). When seen in conjunction with the five current desired culture matches, it still indicates a healthy culture with good alignment between the current and desired employee values.
- **Organisational climate – Nedbank Staff Survey (NSS).** The survey score improved from 75,5% in 2012 to 76,7%✓ in 2013. This improvement is underpinned by the improvement of 12 of the 14 dimension scores year on year. Dimensions that showed statistically significant positive shifts included Change and Transformation, Ethics, Organisational Culture and Values, Rewards, Recognition and Performance Management, and Training and Development.
- **Staff Net Promoter Score.** As part of our commitment to ensuring that we are Africa's most admired bank – first and foremost by our staff – a Net Promoter Score was introduced into the NSS in 2012. The 2013 results show significant improvement, indicating that we have 15,5% more promoters than detractors in terms of Nedbank's being a great place to bank. There were also 19,5% more promoters of Nedbank's being a great place to work.
- **Hewitt Engagement Survey.** The annual Hewitt Engagement Score measures how intellectually and emotionally involved Nedbank employees are in their work. The year 2013 saw the Nedbank Engagement Score positively increasing by 1% to 72%. This score again puts us in the high-performance range and well above the average global financial services score of 59%. To build on this we have developed an engagement strategy, which will actively contribute to all employees' experiences and further increase their engagement levels. This will be implemented in 2014.

DEVELOPING, EMPOWERING AND EQUIPPING OUR PEOPLE

We endeavour to create a culture of collaboration and innovation, where employees are given the opportunity to grow and thrive, so that they can work towards attaining their goals, prepare themselves for future roles and opportunities, and be instrumental in the organisation's achievement of its objectives.

Enabling employees to plan for the futures they want

For us, continuous learning is the responsibility of both the employee and the organisation. We encourage all employees to plan their development thoroughly to ensure that they achieve the growth they need to realise their aspirations and benefit the organisation. Development discussions are held twice a year as part of the formal annual review process. Employees are able to plan and track their development on an online system. In 2013 a total of 21 238 (2012: 23 361) employees had development plans captured on the system.

GRI 3.1: 4.5, LA10

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Outcomes-driven training and development

Training and development are integral to this philosophy. In 2013 we recorded an average of 55 hours (2012: 44 hours) of training per employee, with an average of 56 hours for females. This aligns with our gender advancement focus. In 2013 we invested R396m (2012: R352m) in training.

EFFECTIVE TALENT MANAGEMENT

In 2013 we implemented our Integrated Talent Framework, which provides line managers with a view of how to enable effective talent management by demonstrating how the different HR practices interlink.

A key component of the framework is the conversation that forms part of the annual talent review process. These include discussions between managers and their employees on career aspirations, retention drivers and the development objectives of individuals.

Acquiring and optimising talent

We believe that having the right people in the right jobs is of the utmost importance to the realisation of our vision to be Africa's most admired bank. Occupational assessments form an integral part of selecting the right talent by ensuring that we employ those with the right skills and attitudes to match and complement our corporate culture.

Occupational assessments are used to predict the likely future performance and potential that the individual may display in the workplace. These assessments improve the efficiency of the recruitment process by allowing us to make more informed recruitment decisions based on objective information. Not only does this benefit the organisation, but it also enables us to evaluate an individual's potential to grow rather than just the skills he or she demonstrates. These assessments also provide significant benefits for employee development.

REWARDING FOR PERFORMANCE

Performance planning at Nedbank Group ensures the alignment of our strategic business intent and the development and achievement of personal performance objectives. This is achieved through a scorecard approach cascaded down from overall group and cluster performance indicators, which ensures that each employee is able to contribute to the organisation's success.

In 2013 a total of 97% (2012: 96%) of employees participated in the final performance review process, confirming their ratings on our self-service HR portal. In addition to providing formalised input for development purposes, the outcome of the final performance review is a primary input into the annual remuneration review process. This is in support of our reward-for-performance objectives.

Our approach to reward is based on a total reward philosophy. In addition to our core reward programmes, which are set out in detail in the 2013 Remuneration Report, we offer a number of banking and lifestyle products that provide access to a range of very competitively priced goods and services.

SUSTAINABILITY THROUGH EMPLOYEE WELLBEING

Given the rigours of working in the fast-paced financial services environment, employee wellbeing is important. Our wellness strategy therefore aims to help employees foster a long-term commitment to a healthy lifestyle and the proactive limitation of health risks. This strategy is complemented by a range of employee benefits, including medical aid and retirement funds.

The Nedbank Employee Wellbeing Programme

Our Employee Wellbeing Programme ensures that we are able to help employees respond adequately to the challenges they may encounter in their lives, which helps us build a more effective, more productive workforce.

The Employee Wellbeing Programme provides assistance and support with issues such as emotional and personal difficulties, family and relationship concerns, alcohol or drug abuse, stress and change management, financial matters, legal concerns, HIV/Aids, violence and bereavement.

The overall Employee Wellbeing Programme engagement rate in 2013 was 42%, while individualised usage of the core counselling and advisory services was 20,3% (2012: 19,6%). This is higher than the average uptake of such services for the financial services sector in SA, and we believe it is a result of our ongoing efforts to raise awareness of the service and encourage our employees to make full use of it. The most common themes for 2013 were relationship, stress and organisational issues.

Managing lifestyle diseases in the workplace

Nedbank is committed to addressing lifestyle diseases proactively and in a positive, supportive and non-discriminatory manner. To this end we have developed a holistic and inclusive wellness strategy that includes ongoing education and health screening.

We regularly offer our employees the opportunity to be tested for lifestyle diseases such as cardiovascular disease, diabetes and HIV/Aids, while our ongoing education and health screening programme helps them to gain a better understanding of their personal health risk. It also gives Nedbank's management a good understanding of the health risks faced by employees, allowing for appropriate intervention planning. In 2013 a total of 3 703 employees underwent voluntary testing for various lifestyle diseases as part of Nedbank Wellness Days (2012: 1 211).

GRI 3.1: LA4, LA5, LA8, LA12
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Planning for retirement

In 2012 we launched our Planning for Retirement workshops. Aimed at employees who are 55 and older, the workshops tackle the psychosocial as well as financial aspects of preparing for and taking retirement. The feedback from the approximately 400 employees who attended was overwhelmingly positive, so the programme will be opened to employees of all ages in 2014, as we believe planning for retirement should start as early as possible.

Enabling staff volunteerism

Nedbank's volunteerism programmes form an integral part of our CSI agenda and offer a tangible way for employees and clients to become personally involved in tackling the social, economic and environmental issues that pervade SA. Volunteerism opportunities for Nedbank Group staffmembers include Team Challenge, International Mandela Day, the Caring for Communities Programme, Nedbank Payroll Giving and the Local Hero Programme.

ENSURING HARMONIOUS EMPLOYEE RELATIONSHIPS

As part of our commitment to promoting and fostering good employee relations, we recognise the right of our employees to representation, freedom of association and collective bargaining. Combined representation by the recognised unions, IBSA and SASBO, accounts for 44,4% of employees in the bargaining unit. The bargaining unit comprises 18 091 employees and the non-bargaining unit makes up the balance.

We engage in annual salary negotiations with all recognised trade unions representing our employees. In 2013 these salary negotiations took place over three days and an overall salary increase of 8% (distributed in accordance with an agreed matrix) was agreed for unionised employees.

Monthly consultation meetings with the unions ensure that sound employee relations practices are consistently applied. As a result of constructive consultations between

BUILDING A SUSTAINABLE BANK (CONTINUED)

all stakeholders, retrenchments were kept to a minimum in 2013, with only 11 forced retrenchments because of operational requirements. The minimum notice period for bargaining and non-bargaining units, as specified in agreements, is three months for any significant operational changes. Where necessary, we also consult regarding occupational health and safety matters.

The Nedbank Grievance Policy and Procedure gives our employees an accessible channel through which to raise any issues or dissatisfaction without fear of victimisation or discrimination. A total of 249 grievances were effectively managed in 2013. These ranged from disputes concerning victimisation and discrimination to specific complaints against managers.

Consistent adherence to fair employee relations processes has ensured that referrals to the Commission for Conciliation, Mediation and Arbitration (CCMA) were kept to a minimum, with 106 matters referred to the CCMA for the year, compared with 133 in 2012. A total of 58 cases were settled (compared with 42 in 2012). Only one of the referred cases resulted in a decision against Nedbank (2012: 4).

OCCUPATIONAL HEALTH AND SAFETY

We place a priority on ensuring the occupational health and safety of our employees, clients and contractors, and make every effort to embed health and safety into our corporate culture. All our SA entities comply fully with the Occupational Health and Safety Act, 85 of 1993, including its regulations, as well as the Compensation for Occupational Injuries and Diseases Act, 130 of 1993.

Our group subsidiaries are required to comply with relevant local occupational health and safety laws in their countries, as well as with the Occupational Health and Safety Policy of the group.

Occupational health and safety committees

All our group sites have occupational health and safety committees in place.

Incident recording and reporting

In compliance with the Compensation for Occupational Injuries and Diseases Act, 130 of 1993, our Health and Safety Department records, reports to the Compensation Commissioner, and investigates (via the appointed Accident Investigators) all workplace injuries.

Documentation pertaining to injuries on duty is kept at a central portal within the Health and Safety Department. Our accident reporting and recording procedure further includes the recording of minor first-aid incidents, medical-related incidents and injuries sustained by contractors and visitors if our first aiders and medics attend to these incidents.

The table below reflects incidents and injuries recorded in 2013:

Category	2013	2012
First aid (minor incidents)	325	450
Medical	136[1]	111
Workmen's Compensation claims – Nedbank employees	40	44
Workmen's Compensation claims – Contractors	1	7
Fatalities	2[2]	1
Near-miss incidents	7	–
Days lost	404	346

[1] Medical incidents were related to medical conditions and were not caused by work-related injuries.
[2] The fatalities were related to medical conditions and were not caused by work-related injuries.

GRI 3.1: LA7

Transformation Report

Supplementary information: Sustainable Development Review

In 2013 a total of 2,2% (2012: 1,9%) man-days were lost because of sick leave.

Occupational health and safety education and training

Comprehensive occupational health and safety training is available on the Nedbank Group intranet site. It is compulsory for all our employees to read and acknowledge the Occupational Health and Safety Policy of the group annually.

Risk control: compliance and emergency procedures

Emergency procedures are in place for all our headoffices and retail outlets. All headoffice sites are also equipped with evacuation chairs, essential medical equipment, first-aid rooms and portable public address systems for emergency use. All occupational health and safety appointees are fully trained in the relevant emergency procedures. We hold two annual evacuation drills per year at all headoffice buildings and one drill in every retail outlet. It is compulsory for all staff, contractors and visitors to participate in these drills and disciplinary measures are taken for non-compliance with this requirement.

COMMITTED TO LEVERAGING OUR CARBON NEUTRALITY

Carbon neutrality

Nedbank Group achieved carbon-neutral status in 2010 and was the first financial services organisation in Africa to do so. The carbon-neutral status propelled us into the next important phase of our environmental sustainability journey. The achievement also added momentum to the realisation of our becoming a leader and driver of sustainability in SA.

In the years since we achieved carbon neutrality we have been able to leverage this position to enhance our client value proposition, contribute to the development of SA's green economy, and unlock numerous synergies and partnerships through close collaborations with like-minded organisations.

Our approach to carbon neutrality is to reduce our own impact as much as possible first and then to offset the remainder of the footprint. Footprint reductions are achieved through a variety of initiatives from internal behavioural change to working towards clear reduction targets in terms of paper, water, electricity, waste, travel and carbon emissions.

We obtained the carbon credits required to offset our 2013 footprint from projects throughout Africa that are delivering benefits for the continent's natural resources as well as its people and communities. These include the Rukinga Project, the Kibale National Park Natural High Forest Rehabilitation Project, Reliance Compost, the eThekwini Landfill Methane Project, the Beatrix Methane Destruction and Utilisation Project and Lifestraw Water Filtration Project.

From 2012 to the end of 2013 there were some positive signs in the growth of the amount of domestic SA carbon offsetting projects that had verifiable carbon credits with the appropriate social upliftment benefits. This said, there is still a limit on the available and eligible carbon offsetting projects we can invest in SA.

CARBON REDUCTION

In 2013 our total carbon footprint was 221 379✓ tCO_2e (2012: 226 310 tCO_2e). Therefore the total GHG emissions across the entire Nedbank Group decreased by 2,18% from 2012 to 2013. Accordingly, the emission rate per fulltime employee (FTE) also decreased by 3,46% year on year and was calculated as 7,61 tCO_2e per FTE (2012: 7,89 tCO_2e per FTE). Based on floor space the GHG intensity rate decreased by 2,28% to 0,33 tCO_2e/m^2 (2012: 0,34 tCO_2e/m^2).

A TARGETED APPROACH TO REDUCING OUR OWN ENVIRONMENTAL IMPACT

Reduction targets remain a key component of Nedbank Group's overall commitment to limiting and constantly reducing its impact on the environment and its usage of diminishing natural resources. These reduction targets not only set the bar in terms of our groupwide carbon emissions and resource use, but are also cascaded through our organisation to provide individuals and teams with clearly defined annual objectives.

In many cases, the achievement of these reduction targets forms an integral part of performance reviews, thereby ensuring that Nedbank staffmembers clearly understand the role and responsibility they have in meeting our group reduction targets.

Resources consumption not reflected in the carbon footprint pie chart below includes 299 694 kℓ✓ (2012: 292 325 kℓ) of water, 355✓ (2012: 372) tonnes of waste sent to landfill and 565✓ (2012: 557) tonnes of waste recycled.

Target achievements in 2013

In 2013 we achieved the following in terms of our intensity reduction targets:

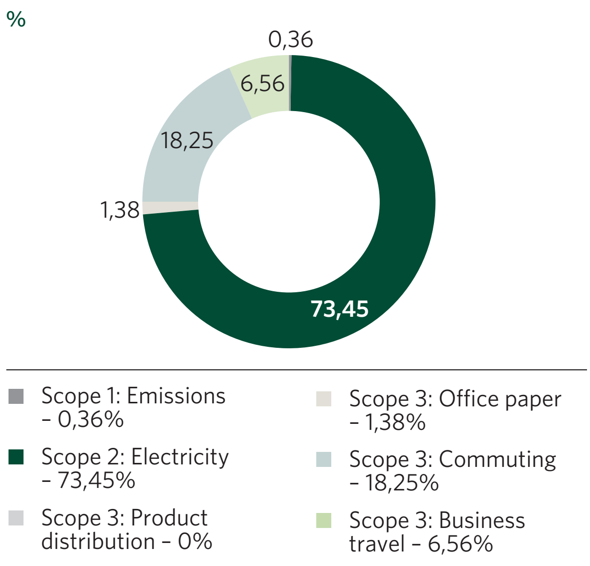
Resource	Achievement
Carbon emissions	7,61 tCO_2e per FTE and 0,33 tCO_2e/m^2.
Electricity	Electricity use was decreased by 2,63% per FTE and by 1,44% based on floor space, mostly because of campus site electricity reductions.
Water	Water consumption on campus sites increased by 0,73% per FTE from 2012 to 2013.
Paper	Total usage decreased by 13,4% from 2012 and the end-of-2016 target was reached. There was also a 13,2% reduction in emissions associated with paper usage.
Waste and recycling	The waste sent to landfill decreased from the 2012 value of 21,01 kg per FTE to 19,70 kg per FTE. This means that the target for the end of 2016, based on 2011 values, was met by the end of 2013. Recycling also increased by 1,44% to 565 tonnes.
Business travel	Business travel decreased from 15 899 tCO_2e in 2012 to 14 514 tCO_2e in 2013. This was mainly due to active cost containment.

GRI FSSS: FS4, FS5

GRI 3.1: EN1, EN3, EN4, EN8, EN16, EN22, EN26

Supplementary information: Sustainable Development Review

NEDBANK GROUP 2013 CARBON FOOTPRINT



VALIDATING OUR SUSTAINABILITY JOURNEY

ASSURANCE STATEMENT

Independent Assurance Report on Selected Sustainability Information to the Directors of Nedbank Group Ltd

We have undertaken a limited assurance engagement on selected sustainability information, as presented in the 2013 Nedbank Group Ltd Integrated Report ('this integrated report') of Nedbank Group Ltd ('Nedbank') for the year ended 31 December 2013.

Subject matter and related assurance

The subject matter of our engagement, and related assurance we are required to provide, is as follows:

1 Limited assurance on Nedbank's assertions relating to their alignment with the AA1000APS (2008) principles (inclusivity, materiality and responsiveness) as described on page 3 of this integrated report.

Refer to 3

2 Limited assurance on the key performance indicators, identified by ✓ on the relevant pages of this integrated report, as described in the table below.

3 Limited assurance on Nedbank's self-declaration of the Global Reporting Initiative (GRI) G3.1 A+ application level (available online).

Key performance indicators	Description
Net promoter score (NPS)	Net promoter score trend based on externally conducted surveys (%).
Net primary-client gain	Number of primary and/or net primary-client gain/loss for retail, corporate and business banking.
Systems availability	Blended uptime score for infrastructure and applications, IT capability quartile positioning (%).
Ombudsman for Banking Services cases	Number of external cases opened and closed.
Equator deals	Number of projects financed.
Anti-corruption interventions	Percentage and total number of business units analysed for risks related to corruption (%).
Carbon footprint	Total tonnes of CO_2 equivalents.
Water	Total kℓ consumed on campus sites.
Paper	Total tonnes consumed for Nedbank Group.
Waste sent to landfill	Total tonnes sent to landfill from campus sites.
Waste recycled	Total tonnes recycled from campus sites.
Entropy	Entropy score as calculated by the Barrett Survey (%).
Employee surveys	Overall employee satisfaction as determined by the Nedbank Staff Survey (%).
Ethics acknowledgement	Total number of employees acknowledging the Nedbank Code of Ethics and sundry ethics codes.
Employee turnover	Staff attrition rate (%).
BBBEE scorecard	Externally verified BBBEE scorecard in terms of Financial Sector Code.
Value-added statement	Value allocated from income earned.

Directors' responsibilities

The directors of Nedbank are responsible for the selection, preparation and presentation of the sustainability information in accordance with the criteria described in the subject matter above, the identification of stakeholders and stakeholder reporting requirements, material issues, commitments with respect to sustainability performance, establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived, and for such internal control as the directors determine necessary for the preparation of this integrated report that is free from material misstatement, whether due to fraud or error.

Independence and expertise

We have complied with the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our engagement was carried out by a multidisciplinary team with extensive experience in sustainability reporting.

Our responsibility

Our responsibility is to express limited assurance conclusions on the selected sustainability information based on our work performed. We have conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE 3000), assurance engagements other than the Audits or Reviews of Historical Financial Information, which standard requires that we plan and perform our engagement to obtain limited assurance that the selected sustainability information is free from material misstatement.

Our procedures selected and the extent of our procedures depend on our judgement, including the risks of material misstatement of the selected sustainability information in this integrated report, whether due to fraud or error. In making our risk assessments, we considered internal control relevant to Nedbank's preparation of this integrated report. In a limited assurance engagement, the evidence-gathering procedures are less than where reasonable assurance is expressed. We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our limited-assurance-conclusion.

Summary of work performed

Our work included the following evidence-gathering procedures:

- Interviewing management and senior executives at corporate level to evaluate the application of the GRI G3.1 guidelines and AA1000APS (2008) principles and to obtain an understanding of the control environment related to integrated reporting.
- Testing the processes and systems at group level for generating, collating, aggregating, monitoring and reporting selected sustainability information and inspecting related documentation, more specifically:
  - Interviews and discussions with relevant management, key personnel and/or stakeholders of Nedbank to confirm definitions and boundaries for selected performance information, and to gather information on the data collection and report preparation processes.
  - Evaluation of internal data management controls based on system walkthroughs.
  - Inspection of selected internally and externally generated documents and records and comprehensive data analyses.
  - Recalculation of the key performance indicators.
- Evaluating whether the information presented in this integrated report is consistent with our overall knowledge and experience of sustainability management and performance at Nedbank and not materially inconsistent with information contained in this integrated report.

Conclusions

1 **On the AA1000APS (2008) principles of inclusiveness, materiality and responsiveness on which we are required to express limited assurance**
Based on our work performed, nothing has come to our attention that causes us to believe that Nedbank's assertions relating to their alignment with the AA1000APS (2008) principles of inclusivity, materiality and responsiveness, described on page 3, are not properly prepared.

Refer to 3

2 **On the selected key performance indicators on which we are required to express limited assurance**
Based on our work performed, nothing has come to our attention that causes us to believe that the selected key performance indicators set out in the table for the year ended 31 December 2013 are not fairly stated, in all material respects, in accordance with the GRI G3.1 Guidelines.

3 **On Nedbank's self-declaration on the GRI G3.1 A+ application level on which we are required to express limited assurance**
Based on our work performed, nothing has come to our attention that causes us to believe that Nedbank's self-declaration of an A+ application level is not fairly stated in all material respects, in accordance with the GRI G3.1 Guidelines.

Limitation of liability

Our work has been undertaken to enable us to express the conclusions contained in this report solely to the addressee in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the directors of Nedbank, for our work, for this report, or for the conclusions we have reached.

KPMG.

KPMG Services (Pty) Ltd
Per Neil Morris
Chartered Accountant (SA)
Registered Auditor
Director
KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193

KPMG Policy board:

Chief Executive: RM Kgosana

Executive Directors: T Fubu, A Hari, D van Heerden, E Magondo, JS McIntosh, CAT Smit

Other directors: DC Duffield, AM Mokgabudi, LP Fourie, N Fubu, TH Hoole, A Jaffer, M Letsitsi, A Masemola, Y Suleman (Chairman of the board), A Thunström, T Rossouw

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.

Deloitte & Touche

Deloitte & Touche
Per Nina le Riche
Chartered Accountant (SA)
Registered Auditor
Partner
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National Executive: LL Bam (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Risk Advisory), NB Kader (Tax), TP Pillay (Consulting), K Black (Clients and Industries), JK Mazzocco (Talent and Transformation), CR Beukman (Finance), M Jordan (Strategy), S Gwala (Special Projects), TJ Brown (Chairman of the board), MJ Comber (Deputy Chairman of the board)

A full list of partners and directors is available on request.

11 March 2014

OUR FINANCIAL PERFORMANCE IN 2013

CHIEF FINANCIAL OFFICER'S REVIEW

' Good performance underpinned by strong NIR growth and risk management. '

Raisibe Morathi
Chief Financial Officer

FINANCIAL OVERVIEW OF 2013

In a tougher-than-anticipated economic environment the group continued to build and grow the Nedbank franchise, delivering headline earnings growth of 15,9% to R8 670m, a return on average ordinary shareholders' equity (ROE) excluding goodwill of 17,2% and economic profit (EP) of R2 114m, up 39,0%.

Our progress over the past year is equally reflected in the return on assets (ROA) increasing to 1,23% from 1,13% in 2012, driven by good revenue growth, impairments increasing at a slower rate than net interest income and disciplined expense management.

We have continued to create value for our shareholders by increasing net asset value (NAV) per share by 12,1% to 13 143 cents and dividends per share 19,0% to 895 cents per share, ahead of the 15,9% growth in headline earnings per share (HEPS), while our diluted HEPS increased 15% to 1 829 cents per share.

Nedbank Group is well capitalised, with the Basel III common-equity tier 1 ratio at 12,5% – at the top end of our internal target range (2012: Basel III pro forma ratio 11,6%). Funding and liquidity levels remained sound with the surplus liquidity buffer at R28,0bn (2012: R24,4bn), and the final-quarter average long-term funding ratio was maintained at 26,2%.

Strong financial position to build our franchise

Year ended	% change	2013	2012
Headline earnings (Rm)	15,9	8 670	7 483[1]
Economic profit (Rm)	39,0	2 114	1 521
HEPS (cents)	14,9	1 884	1 640
Diluted HEPS (cents)	15,0	1 829	1 590
Preprovisioning operating profit (Rm)	11,1	17 268	15 543[1]
ROA (%)		1,23	1,13
ROA (excluding goodwill) (%)		17,2	16,4
ROE (%)		15,6	14,8
Tangible NAV per share (cents)	13,6	11 346	9 989
Assets under management (Rbn)	26,5	190,3	150,5
Common-equity tier 1 capital ratio (%)		12,5	11,6[2]
Dividend per share (cents)	19,0	895	752

[1] *December 2012 restated by R27m to reflect the adoption of IAS 19 Employee Benefits.*
[2] *Pro forma Basel III.*

R8,7bn
HEADLINE EARNINGS
UP 15,9%

86,4%
NIR/EXPENSES RATIO
(2012: 84,2%)

17,2%
RETURN ON EQUITY (EXCLUDING GOODWILL)
(2012: 16,4%)

REVIEW OF 2013 RESULTS

The group's financial performance was fundamentally driven by our diligence in executing on the key strategic focus areas, namely repositioning retail, portfolio tilt, rest of Africa and growing NIR. The following review should thus be read in conjunction with the strategic focus areas and material matters covered on pages 21 and 14 respectively of this integrated report.

Our 2014 strategic focus areas 21

Understanding material matters 14–20

Cluster review: Defensive wholesale banking bias in tough consumer environment

The group benefited from diversified earnings streams from our clusters with the wholesale and wealth clusters producing strong earnings growth rates and high ROEs, while retail and business banking were impacted by higher impairments. Concerns around the worsening consumer environment led to further strengthening of our retail provisions and Nedbank Business Banking was affected by the large single-client impairment. Further details on cluster performance are covered in the Segmental Overview on page 122 of this integrated report.

Refer to 122

GRI 3.1: 2.8, EC1

Consolidated annual financial statements

		Headline earnings Rm		ROE %	
Year ended	% change	2013	2012[1]	2013	2012
Nedbank Capital	20,6	1 726	1 431	29,4	25,4
Nedbank Corporate	23,6	2 245	1 817	26,4	22,5
Nedbank Business Banking	(1,6)	929	944	19,4	21,5
Nedbank Retail	(0,5)	2 539	2 552	11,6	12,1
Nedbank Wealth	25,3	900	718	36,2	29,7
Line clusters	11,8	8 339	7 462	19,1	17,9
Centre and Rest of Africa	>100,0	331	21		
Group	15,9	8 670	7 483[1]	15,6	14,8
Group (excluding goodwill)				17,2	16,4

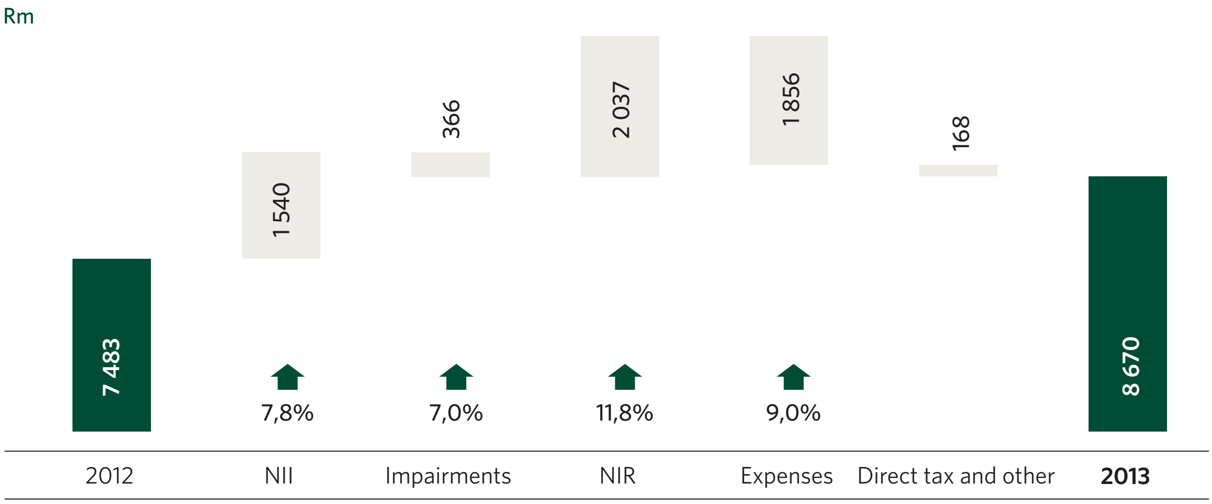
[1] *December 2012 restated by R27m for the updated IFRS 19 accounting policy relating to employee benefits.*

Headline earnings at the centre represent mainly an increase in earnings in the Rest of Africa Division, a reversal of R88m of insurance provisions following court rulings in our favour in the first half of the year and net interest income (NII) earned on higher levels of surplus equity held at the centre. The approximately 2% delta in ROE between operating units and the group is as a result of capital held at the centre allocated to Rest of Africa, unallocated capital in excess of a threshold of 11% and capital held for goodwill and other corporate assets.

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

HEADLINE EARNINGS DRIVEN BY GOOD MOMENTUM FROM GOOD NON-INTEREST-REVENUE GROWTH AND EXPENSES DISCIPLINE

HEADLINE EARNINGS



Net interest income (NII)

NII grew 7,8% to R21 220m, underpinned by average interest-earning banking assets growth of 6,8%.

The net interest margin (NIM) increased to 3,57% from 3,53%, led by liability margin gains from a lower cost of marginal wholesale funding, deposit mix and volume benefits, and slightly lower levels of average long-term debt. Notwithstanding improved risk-adjusted pricing of new advances, the asset margin was impacted by mix changes from the planned slowdown in growth of personal loans. Overall margin benefited from 3 basis points on the back of our interest rate strategies.

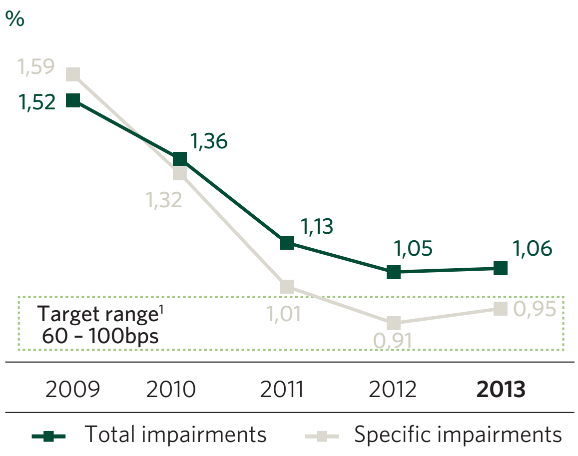
NET INTEREST INCOME

Impairments charge on loans and advances

Impairments increased 7,0% to R5 565m and the credit loss ratio (CLR) was similar to that of 2012 at 1,06%, largely due to higher impairments charges from methodology changes and increased defaulted advances in Personal Loans, and a large single-client impairment in Business Banking at R167m. The CLR is comprised of 0,95% in specific and 0,11% in portfolio provisioning, resulting in overall increased coverage ratios.

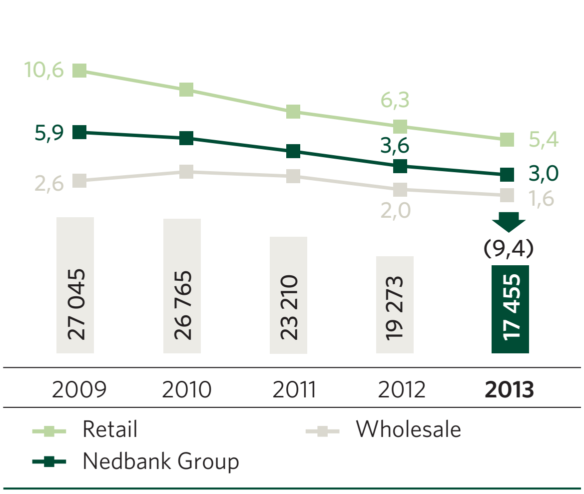
Sound asset quality and proactive risk management resulted in lower levels of inflows into defaulted advances, which declined 9,4% to R17 455m, 2,95% of gross advances.

CREDIT LOSS RATIO



[1] *Revised through-the-cycle range: Nedbank Group 80–120 basis points (2014)*

DEFAULTED ADVANCES (Rm)
DEFAULTED ADVANCES AS % OF BOOK



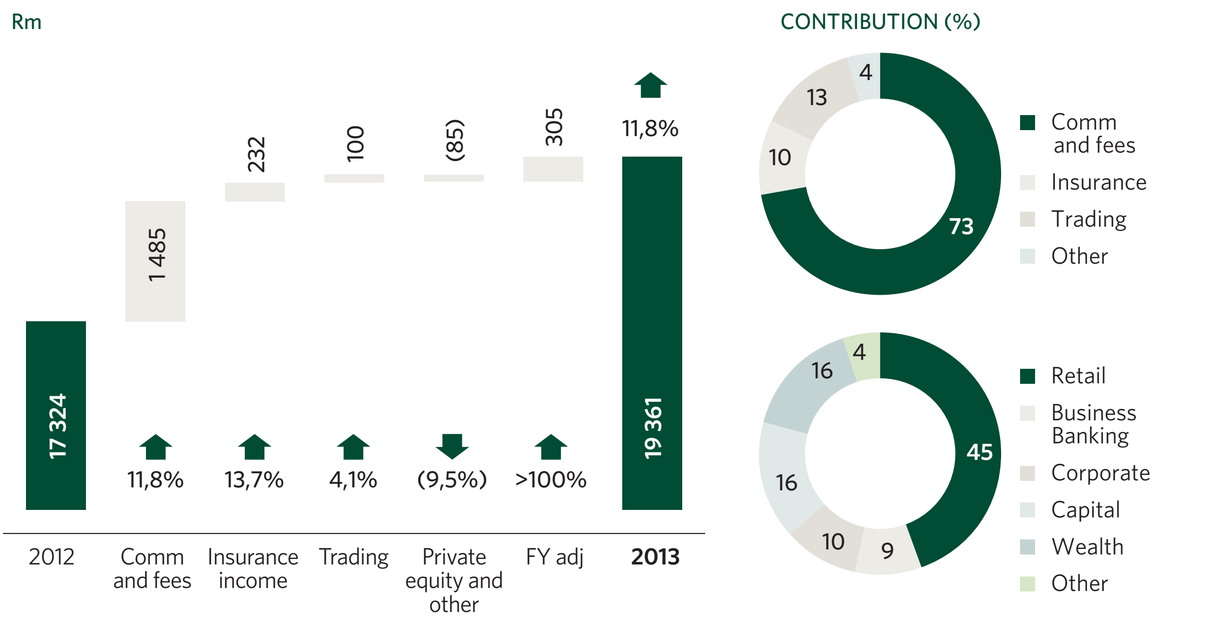
The coverage ratio for total and specific impairments increased to 65,6% and 42,8% respectively. Portfolio coverage on the performing book continued to strengthen to 0,70%.

Our collections processes are robust and generated post-writeoff recoveries of R888m (2012: R866m), reflecting the prudency of cash accounting recoveries on the written-off book. This includes recoveries in Personal Loans of R276m (2012: R243m).

Non-interest revenue

NIR increased by 11,8% to R19 361m, with commission and fee income increasing by a strong 11,8% to R14 023m from good transactional volume increases across the group and improved cross-sell.

NON-INTEREST REVENUE



CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

Insurance income remained robust with growth of 13,7% to R1 927m on the back of good sales in motor vehicle insurance and an improvement in the claims environment, which was partly offset by the volume-related slowdown in credit life income.

Trading income increased 4,1% to R2 564m off the high 2012 base and private-equity income of R225m was recorded following higher unrealised losses in Nedbank Capital and Nedbank Corporate, exacerbated by higher realisations in 2012. Fair-value gains of R40m against a R265m loss in 2012 resulted from basis risk on centrally hedged banking book positions and accounting mismatches in the hedged fixed-rate advances portfolios.

Our strategy to grow NIR has resulted in an NIR increase of 13,0% (excluding fair-value adjustments) on a compounded basis since 2009, with an increase in the NIR-to-expenses ratio from 78,8% in 2009 to 86,4% (2012: 84,4%) to meet our medium-to-long-term target of > 85% for the first time since the introduction of this measurement in 2010.

Banking fees are particularly relevant to consumers in this difficult economic climate and as part of our commitment to making banking more affordable we have kept our transactional fees in Nedbank Retail, Nedbank Business Banking and Nedbank Corporate for 2014 at 2013 levels. The cost is expected to be partly offset by continued client gains, cross-sell and more transactional volumes.

Expenses

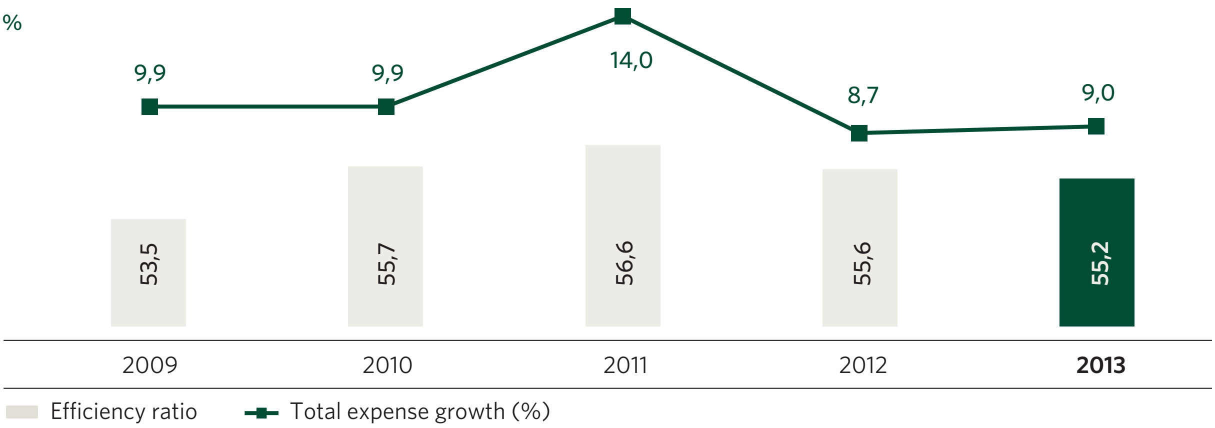
Disciplined cost management, combined with ongoing investment in the franchise, resulted in operating expenses growing 9,0% to R22 362m.

Growth in expenses was primarily driven by a staff-related cost increase of 10,5%, comprising salary and union–negotiated wage cost growth of a combined average of 6,5% and 1,4% growth in average headcount, and a variable-compensation increase in line with the group's financial performance, with the short-term incentive up 15,9% and long-term incentive up 23,4%.

Marketing and computer processing costs grew at 13% and 10,5% respectively, consistent with increases in business volume growth.

Our efficiency ratio of 55,2% is steadily improving, in spite of the group investing more than R1,7bn in capex over the past five years in our franchise, distribution network, systems and new products.

EFFICIENCY RATIO AND EXPENSE GROWTH



Taxation

The base effect of capital gains tax and secondary tax on companies in 2012, together with lower levels of dividend income, resulted in a lower effective tax rate of 25,2% in comparison with 26,8% for the prior period. This was computed from a total tax charge of R3 033m, 6% higher than that of 2012, and income tax payments were R3 239m for the year.

A consolidated total cash payment of R8bn was made collectively by several group companies representing, inter alia, income tax, VAT, PAYE and other indirect taxes. Nedbank remains committed to responsible and ethical practices, and works closely with the tax authorities in various jurisdictions in which the group operates.

WELL-CAPITALISED AND FUNDED BALANCE SHEET

Loans and advances

Loans and advances increased 9,9% to R579,4bn from R527,2bn, with good wholesale banking advances growth of 16,1%. Gross advances payouts stood at R158,9bn, up 10,1% from R144,3bn.

Loans and advances by cluster are as follows:

Rm	% change	2013	2012
Nedbank Capital	32,8	109 549	82 494
Banking activities	36,7	72 066	52 732
Trading activities	25,9	37 483	29 762
Nedbank Corporate	7,7	175 274	162 730
Nedbank Business Banking	4,4	62 785	60 115
Nedbank Retail	2,5	195 435	190 647
Nedbank Wealth	11,2	22 082	19 864
Centre, including Rest of Africa	25,9	14 247	11 316
	9,9	579 372	527 166

Banking advances growth in Nedbank Capital remained robust, following steady drawdown of the deal pipeline, including the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). Growth in the trading advances book came largely from foreign currency placements, and deposits placed under reverse repurchase agreements related to surplus liquidity and the hedging of the group's liquid-asset portfolio.

The increase in Nedbank Corporate's advances is comprised of 5,3% growth in corporate banking and 11,0% growth in property finance.

Nedbank Business Banking recorded advances growth of 4,4% as the small-to-medium-sized enterprises sector continued to experience economic pressure throughout 2013.

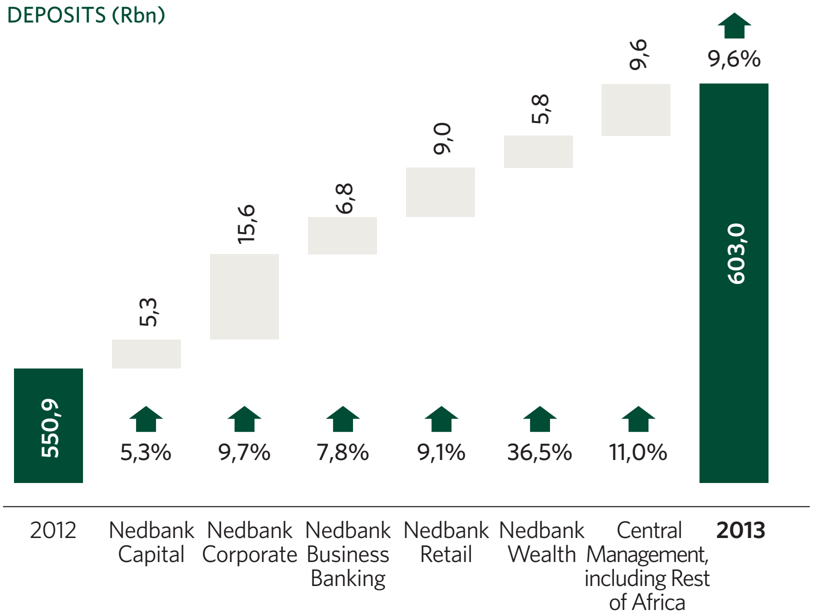
Retail banking advances grew modestly at 2,5%. Advances growth was led by an increase of 14,2% and 13,8% for card and vehicle finance respectively, while personal loan and home loan advances declined 9,4% and 2,1% respectively in line with the selective origination strategy.

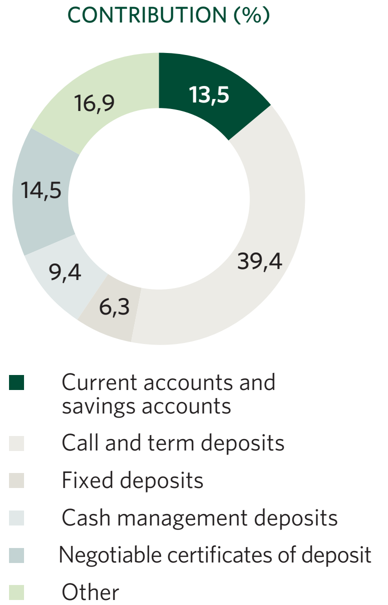
Growth in advances at the centre was led by increased business activity in the Rest of Africa, consistent with the group's focus on deepening its Pan-African banking client relationships and expanding its presence in the rest of Africa.

Deposits

Deposits grew 9,5% to R603,0bn – up from R550,9bn – and a sound loan-to-deposit ratio of 96,1% was maintained.

STRONG DEPOSIT GROWTH AND A WELL-DIVERSIFIED DEPOSIT MIX





CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

Our group's portfolio tilt strategy to drive deposit growth is reflected in good contributions seen from all the clusters. Current accounts increased 5,1% and savings accounts grew by a strong 30,3%, as savings deposits held in Nedbank Wealth were also boosted by rand depreciation. Call and term deposit balances were 9,7% higher due to increased funding from the commercial and asset management sectors. The strategy also focused on increasing fixed deposits, which resulted in 16,3% growth in fixed deposits, while negotiable certificates of deposit were up 13,7%.

Accounting policies

Nedbank Group's principal accounting policies have been consistently applied in current and prior financial years in terms of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), with the exception of those items noted in the key changes to accounting policies section.

Engagement with Audit Committee

We remain accountable to the Audit Committee concerning the adequacy of processes and controls, the quality of financial results and significant judgement and accounting issues. We are pleased to report that the Audit Committee: 'Considers the accounting practices and internal financial controls that have led to the compilation of the annual financial statements to be appropriate'.

BASEL III IMPLEMENTATION

SA was one of the first countries to implement Basel III as scheduled on 1 January 2013. The successful implementation of Basel III capital requirements at Nedbank Group was partly enabled by our portfolio tilt strategy, which brings to the forefront effective risk management, focusing not only on returns but also on the risk and capital requirements for those returns.

In January 2014 the Basel Committee on Banking Supervision announced changes to the Basel III leverage ratio easing the international requirements, as well as the much anticipated proposed revisions to the net stable funding ratio, which is effective from 2018. While the SA banking industry's gap to compliance with the net stable funding ratio (NSFR) has substantially improved, full compliance remains a challenge due to structural constraints within SA financial markets.

Capital

Nedbank Group remains well capitalised and reported a Basel III common-equity tier 1 ratio of 12,5% (2012: 11,6% pro forma Basel III). During 2013 our strong balance sheet, together with organic earnings growth, resulted in the group's capital adequacy ratios all remaining well above the Basel III regulatory capital minima and at or above the top of the group's Basel III internal target ranges.

Nedbank Group	**2013 (Basel III) %**	2012 (Pro forma Basel III) %	Internal target range (Basel III) %	Regulatory minimum[1] (Basel III) %
Common-equity tier 1 ratio	12,5	11,6	10,5 – 12,5	4,5
Tier 1 ratio	13,6	13,1	11,5 – 13,0	6,0
Total capital ratio	15,7	15,1	14,0 – 15,0	9,5

(Ratios include unappropriated profits.)

[1] *The Basel III regulatory minima are being phased in between 2013 and 2019 and excluded Pillar 2B add-ons.*

During the year a total of R3,0bn of new-style, fully loss-absorbent, Basel III-compliant, tier 2 subordinated debt was successfully issued to replace the R2,1bn of Basel II tier 2 capital that matured in September 2013.

Funding and liquidity

Nedbank Group's surplus-liquid-asset buffer increased to R28,0bn from R24,4bn, reflecting a strong liquidity position. The group has low levels of reliance on interbank and foreign currency funding, and continues successfully to diversify and lengthen its funding profile.

The last-quarter average long-term funding ratio was maintained at 26,2%, supported by the successful conclusion of a R2,0bn five-year commercial-mortgage securitisation in March 2013 as well as R5,8bn in senior unsecured debt issued during the year, replacing R3,4bn that matured in March and April 2013. The group has been compliant with the Basel III Liquidity Coverage Ratio on a pro forma basis since 31 December 2012.

BUILDING EFFICIENCY AND PRODUCTIVITY

Our SAP ERP project referred to in the Chief Executive's Review commenced in 2013 and is well under way with the planned replacement of the finance, human resources and procurement systems during the course of 2015 and 2016. The new systems are anticipated to generate savings in technology costs as 43 systems that are nearing the end of their current useful lives are expected to be replaced with this single integrated ERP system, in line with the group's strategy of 'rationalise, simplify and standardise'. This will be part of the initiative to reduce 220 systems to 60 over time and will support 'optimise to invest', one of the five key focus areas introduced in 2014. From a business perspective, the new system will be implemented with a new target operating model that ensures a high level of standardisation of processes, and the benefits are expected from operational efficiencies. The project has a strong governance process with oversight from the Group Executive Committee and the Group Information Technology Committee, a subcommittee of the board.

PROSPECTS FOR 2014

In the light of the volatile economic conditions the group is currently expecting organic diluted HEPS growth in 2014 to be greater than the growth in nominal gross domestic product. As usual, this will be updated at the presentation of our interim results.

Our CLR target range of 0,60% to 1,00% was amended to 0,80% to 1,20% to reflect Nedbank Retail's more prudent provisioning methodologies and asset mix changes. The efficiency ratio target was amended from < 50,0% to a range of 50,0% to 53,0% to reflect the lower-interest-rate pattern and our strategy of investing for growth in the franchise.

The group currently anticipates financial performance for 2014 as follows:

- Advances to grow at mid-to-upper single digits.
- NIM to remain at levels similar to those of 2013.
- The CLR to be within the new CLR range of 80 to 120 basis points, improving slightly on 2013.
- NIR (excluding fair-value adjustments) to grow at mid to upper single digits, incorporating the 0% transactional fee increase in 2014.
- Expenses to increase at upper single digits.

APPRECIATION

My gratitude goes to many people within and outside Nedbank who contributed to our scoreboard as tabled from different perspectives in this integrated report. The finance teams within Nedbank who consistently produced reports and analytics that track and measure our performance against our strategic focus areas, ensuring effective engagement and communication to all our stakeholders, including participating in no less than 300 investor meetings, have been a pillar of strength to me as CFO. I also acknowledge and fully appreciate the recognition received from the accounting and investment industry for the quality and standard of our financial reporting and communication. I will continue to rely on your collective guidance and support during 2014. Thank you.

Raisibe Morathi
Chief Financial Officer

OUR SUMMARISED FIVE-YEAR TRACK RECORD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Rm	4-year CAGR[1] %		2013	2012	2011	2010	2009
Net interest income	6,8		21 220	19 680	18 034	16 608	16 306
Impairments charge on loans and advances	(4,3)		(5 565)	(5 199)	(5 331)	(6 188)	(6 634)
Income from lending activities	12,8		15 655	14 481	12 703	10 420	9 672
Non-interest revenue	12,9		19 361	17 324	15 412	13 215	11 906
Total operating expenses	10,4		(22 419)	(20 563)	(18 919)	(16 598)	(15 100)
Indirect taxation	8,2		(601)	(561)	(505)	(447)	(438)
Share of profits of associate companies and joint arrangements	(16,3)		27	1		1	55
Headline profit before direct taxation	18,5		12 023	10 682	8 691	6 591	6 095
Direct taxation	25,3		(3 033)	(2 861)	(2 194)	(1 366)	(1 232)
Non-controlling interest	(14,0)		(320)	(338)	(313)	(325)	(586)
Headline earnings	19,3		8 670	7 483	6 184	4 900	4 277
EP	>100	Rm	2 114	1 521	924	(289)	57
Share statistics							
Earnings per share:							
– Headline	16,9	cents	1 884	1 640	1 365	1 104	1 010
– Diluted headline	16,8	cents	1 829	1 590	1 340	1 069	983
Dividends/Distributions:							
– Declared per share	19,3	cents	895	752	605	480	440
– Dividend cover		times	2,11	2,18	2,26	2,30	2,30

[1] *Compound annual growth rate.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rm	4-year CAGR[1] %		2013	2012	2011	2010	2009
Cash and securities	9,7		108 774	98 467	92 459	81 400	75 110
Loans and advances	6,4		579 372	527 166	499 023	477 226	452 332
Other assets	9,2		61 448	57 325	56 645	50 092	43 261
Total assets	7,1		749 594	682 958	648 127	608 718	570 703
Total equity attributable to equity holders of the parent	11,2		60 617	53 601	48 946	44 101	39 649
Non-controlling interest	(8,6)		3 719	3 774	3 739	3 713	5 335
Amounts owed to depositors	6,3		602 952	550 878	524 130	492 393	471 386
Provisions and other liabilities	9,4		49 038	44 407	41 870	42 407	34 249
Long-term debt instruments	13,4		33 268	30 298	29 442	26 104	20 084
Total equity and liabilities	7,1		749 594	682 958	648 127	608 718	570 703
Assets:							
– Assets under management	21,5	Rm	190 341	150 495	112 231	102 570	87 204
– Total assets administered by the group	9,3	Rm	939 935	833 453	760 358	711 288	657 907
Net asset value per share	9,6	cents	13 143	11 721	10 753	9 831	9 100
Tangible net asset value per share	11,3	cents	11 346	9 989	9 044	8 160	7 398
Key ratios							
ROE		%	15,6	14,8	13,6	11,8	11,8
ROE (excluding goodwill)		%	17,2	16,4	15,3	13,4	13,4
Return on total assets		%	1,23	1,13	0,99	0,82	0,76
Net interest income to interest-earning banking assets		%	3,57	3,53	3,48	3,36	3,39
Credit loss ratio – banking advances		%	1,06	1,05	1,13	1,36	1,52
Non-interest revenue to total operating expenses		%	86,4	84,2	81,5	79,6	78,8
Efficiency ratio (including BEE transaction expense)		%	55,2	55,6	56,6	55,7	53,5
Effective taxation rate		%	25,2	26,8	25,2	20,7	20,2

[1] *Compound annual growth rate.*

RESPONSIBILITY OF OUR DIRECTORS

The summarised annual financial statements on pages 119 to 129 are derived from the Nedbank Group Ltd consolidated annual financial statements for the year ended 31 December 2013.

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Nedbank Group Ltd, comprising the statements of financial position at 31 December 2013; the statements of comprehensive income; the statements of changes in equity and statements of cashflows for the year then ended; the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes; and the directors' report in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listings Requirements.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the group's and company's ability to continue as going concerns and there is no reason to believe that the group and company will not be going concerns in the year ahead.

The auditors are responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The consolidated and separate financial statements of Nedbank Group Ltd, as identified in the first paragraph, were approved by the Nedbank Group Ltd Board of Directors on 21 February 2014 and are signed on its behalf by:

Dr RJ Khoza
Chairman

MWT Brown
Chief Executive

Sandown
21 February 2014

CERTIFICATION FROM OUR COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, 71 of 2008 (as amended), I certify that, to the best of my knowledge and belief, Nedbank Group Ltd has filed with the Commissioner all such returns and notices as are required by the Companies Act, 71 of 2008 (as amended), and that all such returns and notices are true, correct and up to date.

TSB Jali
Company Secretary

Sandown
21 February 2014

REPORT FROM OUR AUDIT COMMITTEE

> In a tough economic environment we continued to focus on the integrity of the group's financial statements, and ensured that controls remained effective, assets were safeguarded and appropriate oversight was exercised over the external and internal audit processes.

KEY AREAS OF FOCUS FOR 2013

- Ensured that the group's financial systems, processes and controls were operating effectively and were consistent with the group's complexity and responding to the changes in requirements.
- Continued to oversee the internal audit process to ensure satisfaction with the quality and coverage of the work performed by Group Internal Audit.
- Oversaw the relationship with our group statutory auditors and evaluated the effectiveness of the audit, ensuring that they have allocated sufficient and experienced resources to address heightened risks.
- Ensured adequate focus on control and compliance issues.
- Assessed the effective linkages between the Nedbank Group Audit Committee, the board and other board committees.
- Enhanced oversight over subsidiaries' board audit committees and internal audit functions.

PRIORITY AREAS FOR 2014

- Ensuring that the committee is exercising its assurance oversight role effectively.
- Overseeing the delivery of the group's finance transformation project.
- Considering significant accounting issues and International Financial Reporting Standards changes and ensuring appropriate disclosure.
- Continuing to scrutinise key accounting judgements used for credit, goodwill-tax and valuation of financial instruments.

MI Wyman
Group Audit Committee Chairman

- Monitoring changes in the external regulatory environment and ensuring that we continue to have appropriate financial, compliance and internal controls in place.
- Continuing to ensure that the group statutory auditors have allocated sufficient and experienced resources to match the changes in and the complexity of the group.
- Continuing oversight over subsidiaries' board audit committees and consideration of the activities of their internal audit functions.

LEGAL RESPONSIBILITIES

The legal responsibilities of the Nedbank Group Audit Committee ('the committee') are governed by the Companies Act, 71 of 2008, and the Banks Act, 94 of 1990 (as amended). These responsibilities, and compliance with appropriate governance and international best practice, are incorporated in the committee's charter, which is reviewed annually and approved by the board.

COMPOSITION OF THE COMMITTEE

All independent non-executive directors, with the exception of the chairman of the board, are eligible to serve on the committee. The Group Directors' Affairs Committee recommends to the board any appointments to or removals from the board, which in turn is responsible for the composition of the committee. The committee has three or more members, all of whom are financially literate, with three members forming a quorum. Access to training is provided on an ongoing basis to help members discharge their duties.

COMMITTEE MEMBERS

	Scheduled meetings: 5
MI Wyman (Chairman)	5/5
TCP Chikane (resigned 13 August 2013)	3/4
NP Mnxasana	5/5
PM Makwana (appointed 2 September 2013)	1/1

Biographical details of the current members of the committee, including details of their academic qualifications, are set out on pages 72 to 75. Members' fees are included in the table of directors' remuneration on page 171.

The Chief Executive, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Internal Auditor, Chief Governance and Compliance Officer and representatives of the external auditors are invited to attend committee meetings. The external auditors attend all committee meetings and separate meetings are held to afford them the opportunity to meet with the committee without the presence of management or internal auditors. The internal auditors attend all committee meetings and are similarly afforded the opportunity to have separate meetings with the committee.

COMMITTEE EFFECTIVENESS

The performance of the committee is reviewed annually through a self-assessment questionnaire. This year an independent review was performed, which concluded that the committee continued to operate effectively and indicated improvements in various areas.

INTERNAL AUDIT

Internal audit is an independent assurance function, forming part of the third line of defence as set out in the Enterprisewide Risk Management Framework (ERMF). The Chief Internal Auditor has a functional reporting line to the Chairperson of the committee and an operational reporting line to the Chief Executive Officer.

EXTERNAL AUDIT

The group's external auditors are Deloitte & Touche and KPMG Inc. Fees paid to the auditors are disclosed in note 16 to the annual financial statements online.

Established leadership teams 72–75

Objectivity and independence of the external auditors

The committee considers the external auditors to be independent of the group. Our responsibility to monitor and review the objectivity and independence of the external auditors is supported by a policy that sets out the circumstances under which the external auditor may be permitted to render non-audit services. Allowable services are preapproved, as set out in the Non-audit Services Policy, up to but not exceeding R15m. Any non-audit service that exceeds this threshold requires approval from the committee and must be robustly justified and, if appropriate, tendered before it is approved. The committee closely reviews all requests for approval and receives quarterly reports on non-audit services undertaken by the external auditors so that the committee can monitor the types of service being provided and the fees incurred.

Details of the fees paid to the external auditors for non-audit work may be found in note 16 to the annual financial statements online. Significant categories of engagement undertaken in 2013 include the Banks Act returns audit and the half-year results review. In each case approval was given only after a full and thorough assessment of the value case for using the auditors and of the skills and experience the auditors would bring to each assignment. We also satisfied ourselves that there were safeguards in place to protect the objectivity and independence of the auditors.

Refer to 171–172

KEY FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

To execute the key functions and discharge the responsibilities outlined in its charter the committee, during the period under review:

- assisted the board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the group in the day-to-day management of its business;
- facilitated and promoted communication between the board, management, the external auditors and the Chief Internal Auditor on matters that are the responsibility of the committee;

REPORT FROM OUR AUDIT COMMITTEE (CONTINUED)

- introduced measures that, in the opinion of the committee, may enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the group;
- nominated, for appointment as external auditors, the company registered auditors who, in the opinion of the committee, are independent of the group;
- determined the fees to be paid to the external auditors and the auditors' terms of engagement;
- ensured that the appointment of the external auditors complied with the Companies Act and any other legislation relating to the appointment of auditors;
- determined the nature and extent of any non-audit services to the group;
- was available to receive and deal appropriately with any complaints (whether from inside or outside the group) relating either to the accounting practices and internal audit of the group or to the contents or auditing of its financial statements, or to any other matters related thereto; and
- performed such further functions as were prescribed.

The committee reports that it has adopted appropriate formal terms of reference to discharge its responsibilities, regulated its affairs in compliance with its charter and discharged all of its responsibilities as contained therein.

EFFECTIVENESS OF INTERNAL CONTROL

The committee monitors the group's internal controls for effectiveness and adherence to the ERMF for pragmatic and consistent application, as these form the foundation of successful risk management.

The emphasis on risk governance is based on a three-lines-of-defense concept, which is the backbone of the group's ERMF. The ERMF places weight on accountability, responsibility, independence, reporting, communication and transparency, both internally and with all our key external stakeholders.

The functions of the three lines of defense, as well as the principal responsibilities that extend across the group, are set out in the worldclass at managing risk section on pages 130 to 137.

Specific responsibilities of the committee for the period under review included the following:

Internal control

The committee:

- monitored management's effectiveness in creating and maintaining an effective internal control environment throughout the group and in demonstrating and stimulating the necessary respect for this control environment; and
- monitored the identification and correction of weaknesses and breakdowns of systems and internal controls.

Financial control, accounting and reporting

The committee:

- monitored the adequacy and reliability of management information and the efficiency of management information systems;
- delegated to the Group Information Technology Committee the monitoring of the adequacy and efficiency of the group's information systems and received reports thereon;
- satisfied itself as to the expertise, resources and experience of the finance function;
- reviewed quarterly, interim and final financial results and statements and reporting for proper and complete disclosure of timely, reliable and consistent information;
- evaluated on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with generally accepted accounting practice and overall accounting standards as well as any changes thereto;
- discussed and resolved any significant or unusual accounting issues;
- reviewed and monitored capital expenditure throughout the group for adequate control, monitoring and reporting;
- reviewed reports from the Group Credit Committee regarding the effectiveness and efficiency of the credit-monitoring process, exposures and related impairments and adequacy of impairment provisions to discharge its board and Banks Act obligations satisfactorily;
- reviewed and monitored the effectiveness, efficiency and reporting of the management of tax-related matters;
- evaluated the appropriateness of the accounting for taxation risks (as set out in the group's ERMF);
- reviewed and monitored all key performance indicators to ensure that they are appropriate and that decisionmaking capabilities are maintained at high levels; and
- reported to the board on the effectiveness of the group's internal financial reporting controls.

Pg Worldclass at managing risk 130–137

Internal audit

The committee:

- ensured direct reporting by the Chief Internal Auditor to the Chairman of the committee;
- reviewed and approved the annual Internal Audit Plan;
- reviewed and recommended the Internal Audit Charter for approval by the board of directors;
- monitored the effectiveness of the internal audit function in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation;
- monitored and challenged, where appropriate, action taken by management with regard to adverse internal audit findings;

- formed a view on the adequacy and effectiveness of the control environment; and
- monitored the bank's compliance with Basel III as detailed in the regulations to the Banks Act, in line with existing phase in timelines and ongoing developments.

External audit

The committee:

- recommended to the board the selection of the external auditors and the approval of their audit fees;
- approved the external auditor's annual plan and related scope of work;
- monitored the effectiveness of the external auditors in terms of their skills, independence, execution of the audit plan, reporting and overall performance;
- approved non-audit services to be rendered by the external auditors and monitored potential conflicts of interest;
- considered whether the extent of reliance placed on internal audit by the external auditors was appropriate and whether there were any significant gaps between the internal and external audits; and
- obtained assurance from the external auditors that their independence has not been impaired.

Regulatory reporting

The committee:

- reviewed the adequacy of the regulatory reporting processes, including the quality of the Banks Act reporting and the adequacy of systems and people to perform these functions;
- considered the findings of any audited regulatory reports as they related to the key responsibility of the committee and the monitoring of management actions with a view to resolving any issues identified; and
- performed such other functions as are prescribed in the regulations relating to the Banks Act.

CONCLUSION

Having considered, analysed, reviewed and debated information provided by management, internal audit and external audit, the committee confirmed that:

- the internal controls of the group had been effective in all material aspects throughout the year under review;
- these controls had ensured that the group's assets had been safeguarded;
- proper accounting records had been maintained;
- resources had been utilised efficiently; and
- the skills, independence, audit plan, reporting and overall performance of the external auditors were acceptable, and the committee recommended their reappointment in 2014.

COMPANIES ACT REQUIREMENTS

In terms of the Companies Act, 71 of 2008, the committee is responsible, as set out above, for all subsidiary companies not having their own audit committees. In this regard the committee:

- ratified the list of subsidiaries for which responsibility is assumed; and
- reviewed the formalised process used for the Group Audit Committee to perform the necessary governance duties on behalf of subsidiaries.

APPROPRIATENESS OF THE EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

In terms of the JSE Listings Requirements the Audit Committee satisfied itself, at its meeting held on 16 January 2014, as to the appropriateness of the expertise and experience of the Chief Financial Officer.

INTEGRATED REPORT

The committee has overseen the integrated reporting process, reviewed the report and recommended the approval thereof to the board. The board subsequently approved the integrated report.

ANNUAL FINANCIAL STATEMENTS

During the period under review the committee:

- reviewed and discussed the audited annual financial statements included in this integrated report with the external auditors, the Chief Executive and the Chief Financial Officer;
- reviewed the external auditors' report and management's response thereto;
- reviewed significant adjustments resulting from external audit queries and accepted unadjusted audit differences; and
- received and considered reports from the internal auditors.

APPROVAL

The committee considers the accounting practices and internal financial controls that have led to the compilation of the annual financial statements to be appropriate. We further concurred with and accepted the external auditors' report on the annual financial statements and have recommended the approval thereof to the board. The board subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

MI Wyman
Group Audit Committee Chairman

21 February 2014

REPORT FROM OUR DIRECTORS

NATURE OF BUSINESS

Nedbank Group Ltd ('Nedbank Group' or 'the company') is a registered bank-controlling company that, through its subsidiaries, provides a wide range of banking and financial services. Nedbank Group maintains a primary listing under 'Banks' on JSE Ltd (the JSE), with a secondary listing on the Namibian Stock Exchange.

ANNUAL FINANCIAL STATEMENTS

Details of the financial results are set out on pages 119 to 129 of the summarised annual financial statements, which have been prepared under the supervision of the Nedbank Group Chief Financial Officer, Mrs RK Morathi, and audited in compliance with the South African Institute of Charted Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, and the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listings Requirements.

INTEGRATED REPORT

The board of directors acknowledges its responsibility to ensure the integrity of this integrated report. The board has accordingly applied its mind to this integrated report and in the opinion of the board the integrated report addresses all material issues, and presents fairly the integrated performance of the organisation and its impacts. The integrated report has been prepared in line with best practice pursuant to the recommendations of the King III Code (principle 9.1).

YEAR UNDER REVIEW

The year under review is fully covered in the Chairman's Review on pages 48 to 51, Chief Executive's Review on pages 62 to 67, growing our franchises section on pages 68 to 71, and the Chief Financial Officer's Review on pages 100 to 107.

SHARE CAPITAL

Details of the authorised and issued share capital, together with details of shares issued during the year, appear in note 38 to the annual financial statements available at **nedbankgroup.co.za**.

AMERICAN DEPOSITARY SHARES

At 31 December 2013, Nedbank Group had 3 159 022 (31 December 2012: 2 715 248) American depositary shares in issue through the Bank of New York Mellon as depositary, and trading on the OTC markets in the US. Each American depositary share is equal to one ordinary share.

OWNERSHIP

The holding company of Nedbank Group is Old Mutual Life Assurance Company (SA) Ltd and associates, which holds 52,03% of the issued ordinary shares of the company. The ultimate holding company is Old Mutual plc, incorporated in England and Wales. Further details of shareholders appear on pages 187 and 188.

DIVIDENDS

The following dividends were declared in respect of the year ended 31 December 2013:

- Interim ordinary dividend of 390 cents per share (2012: 340 cents per share); and
- Final ordinary dividend of 505 cents per share (2012: 412 cents per share).

BORROWINGS

Nedbank Group's borrowing powers are unlimited pursuant to the company's memorandum of incorporation. The details of borrowings appear in note 43 to the annual financial statements available at **nedbankgroup.co.za**.

Pg Summarised annual financial statements 119–129

DIRECTORS

Biographical details of the current directors appear on pages 72 to 75. Details of directors' and prescribed officers' remuneration and Nedbank Group shares issued to directors and prescribed officers appear on pages 152 to 172.

During the period under review, and also subsequent to year-end, the following changes occurred to the Nedbank Group Ltd Board:

- Don Hope resigned as Non-executive Director on 30 June 2013;
- Thenjiwe Chikane resigned as Independent Non-executive Director on 13 August 2013; and
- David Adomakoh was appointed as Independent Non-executive Director on 21 February 2014.

In terms of Nedbank Group's memorandum of incorporation, one third of the directors are required to retire at each Nedbank Group annual general meeting and may offer themselves for election or reelection. David Adomakoh was appointed by the board of directors during 2014 and in terms of the memorandum of incorporation his appointment terminates at the close of the annual general meeting. He is available for election. Tom Boardman, Mustaq Enus-Brey, Mike Brown and Joel Netshitenzhe are also required to seek reelection at the annual general meeting. The aforementioned directors make themselves available for reelection and separate resolutions will be submitted for approval at the annual general meeting to beheld on 13 May 2014.

Pg Chairman's Review 48–51

Pg Chief Executive's Review 62–67

Pg Growing our franchises 68–71

Pg Chief Financial Officer's Review 100–107

In terms of Nedbank Group policy, non-executive directors and independent non-executive directors of Nedbank Group who have served on the board for a period longer than nine years are required to retire from the board. None of the current non-executive directors and independent non-executive directors of Nedbank Group have served on the board in that capacity for more than nine years.

Details of the members of the board who served during the year and at the reporting date are given below:

Name	Position as director	Date appointed as director	Date resigned/retired as director (where applicable)
DKT Adomakoh (Ghanaian)	Independent Non-executive Director	21 February 2014	
TA Boardman	Independent Non-executive Director	1 November 2002 (1 March 2010 as non-executive, 1 January 2014 as independent non-executive)	
MWT Brown	Chief Executive	17 June 2004	
TCP Chikane	Independent Non-executive Director	1 November 2006	13 August 2013
GW Dempster	Chief Operating Officer	5 August 2009	
MA Enus-Brey	Non-executive Director	16 August 2005	
ID Gladman	Non-executive Director	7 June 2012	
DI Hope (New Zealand)	Non-executive Director	1 December 2009	30 June 2013
RJ Khoza	Non-executive Chairman	16 August 2005	
PM Makwana	Independent Non-executive Director	17 November 2011	
NP Mnxasana	Independent Non-executive Director	1 October 2008	
RK Morathi	Chief Financial Officer	1 September 2009	
JK Netshitenzhe	Independent Non-executive Director	5 August 2010	
JVF Roberts (British)	Non-executive Director	1 December 2009	
GT Serobe	Non-executive Director	16 August 2005	
MI Wyman (British)	Senior Independent Non-executive Director	1 August 2009	

DIRECTORS' INTERESTS

The directors' interests in ordinary shares in Nedbank Group and non-redeemable non-cumulative preference shares in Nedbank Ltd at 31 December 2013 are set out in the Remuneration Report on page 172. The directors had no interest in any third party or company responsible for managing any of the business activities of the group. Banking transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

AUDIT COMMITTEE AND GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE REPORTS

The Audit Committee Report appears on pages 110 to 113 and the Group Transformation, Social and Ethics Committee Report appears on pages 58 and 59.

Pg Report from our Audit Committee 110–113

Pg Refer to 172

Pg Report from Group Transformation, Social and Ethics Committee Chairman 58–59

REPORT FROM OUR DIRECTORS (CONTINUED)

COMPANY SECRETARY AND REGISTERED OFFICE

The board of directors has conducted an assessment of the Company Secretary and is satisfied that Mr Jali is suitably competent, qualified and experienced and has adequately and effectively performed the role and duties of a company secretary. Mr Jali has direct access to, and ongoing communication with, the Chairman of the board. Mr Jali is not a director of the company and the board is satisfied that, as far as is reasonably possible, an arm's length relationship between the Company Secretary and the board is intact.

Details of Mr Jali's qualifications and experience appear on page 78.

The Company Secretary's addresses and the registered office are as follows:

Business address	Registered address	Postal address
Nedbank Group Ltd, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196, SA	135 Rivonia Road, Sandown, Sandton, 2196, SA	Nedbank Group Ltd, PO Box 1144, Johannesburg, 2000, SA

PROPERTY AND EQUIPMENT

There was no material change in the nature of the fixed assets of Nedbank Group or its subsidiaries or in the policy regarding their use during the year.

POLITICAL DONATIONS

Nedbank Group has an established policy of not making donations to any political party.

CONTRACTS AND MATTERS IN WHICH DIRECTORS AND OFFICERS OF THE COMPANY HAVE AN INTEREST

No contracts in which directors and officers of the company had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries were entered into during the year.

In 2005 the WIPHOLD Consortium and the Brimstone Consortium were chosen as active black business partners to assist in growing and repositioning the Nedbank Group business and driving its internal transformation. Consequently, performance agreements were entered into between Nedbank Group and the aforementioned parties, which govern, inter alia, the setting of the performance criteria, their evaluation and the resultant performance fees in respect of the black business partners. Mrs GT Serobe is founder, executive director and 10% shareholder of Women Investment Portfolio Holdings Limited (WIPHOLD) and Chief Executive of Wipcapital (Pty) Ltd, a wholly owned subsidiary of WIPHOLD. Mr MA Enus-Brey is Chief Executive and 8,76% shareholder of Brimstone Investment Corporation Ltd and a director of various Brimstone subsidiary companies.

Also in 2005, Aka Capital (Pty) Ltd (Aka Capital), in which Dr RJ Khoza is a director and 27% shareholder, was appointed as business development partner of Nedbank Group and a performance agreement was similarly entered into between Nedbank Group and Aka Capital. The Aka-Nedbank Eyethu Trust subsequently matured on 1 January 2011.

Mr JK Netshitenzhe is an executive director of the Mapungubwe Institute for Strategic Reflection (MISTRA). In 2013 MISTRA received a grant of R2m from the Nedbank Eyethu Community Trust (formed in 2005 as part of Nedbank Group's BEE transaction). The Nedbank Eyethu Community Trust provides funding to charitable or non-profit organisations that qualify. The grant to MISTRA was evaluated against the normal criteria for funding by the trust.

DIRECTORS' AND PRESCRIBED OFFICERS' SERVICE CONTRACTS

There are no service contracts with the directors of the company, other than for the Chairman and executive directors as set out below. The directors who entered into these service contracts remain subject to retirement by rotation in terms of Nedbank Group's memorandum of incorporation.

The key responsibilities relating to Dr RJ Khoza's position as Chairman of Nedbank Group are encapsulated in a contract.

Service contracts have been entered into for Messrs MWT Brown and GW Dempster and Ms RK Morathi. These service contracts are effective until the executive directors reach the normal retirement age and stipulate a maximum notice period of six months (12 months for Mr Brown) under most circumstances.

Details relating to the service contracts of prescribed officers are incorporated in the Remuneration Report on page 153.

INSURANCE

The group has placed cover in the London insurance market for up to R2,55bn for losses in excess of R50m. Group captive insurers provide cover for total losses below the R50m level engagement point, retaining R100m, in any one year. Selected insurance cover is placed with the Old Mutual Group.

SUBSIDIARY COMPANIES

Details of principal subsidiary companies are reflected in note 54 to the annual financial statements available at **nedbankgroup.co.za**.

SPECIAL RESOLUTIONS BY SUBSIDIARIES

- 14 February 2013 by BoE Developments (Pty) Ltd for the adoption of a new memorandum of incorporation.
- 22 February 2013 by Boness Development Phase 3 (Pty) Ltd for the adoption of a new memorandum of incorporation and change of objective.

- 22 February 2013 by Capegate Crescent Development (Pty) Ltd for the adoption of a new memorandum of incorporation and change of objective.
- 22 February 2013 by Lighthouse Developments (Pty) Ltd for the adoption of a new memorandum of incorporation.
- 22 February 2013 by Onrus Manor (Pty) Ltd for the adoption of a new memorandum of incorporation and change of objective.
- 22 February 2013 by Visigro Investments (Pty) Ltd for the adoption of a new memorandum of incorporation and change of objective.
- 8 March 2013 by Linton Projects (Pty) Ltd for the adoption of a new memorandum of incorporation and change of objective.
- 8 March 2013 by Nedport Developments (Pty) Ltd for the adoption of a new memorandum of incorporation and change of objective.
- 15 March 2013 by Nedgroup Secretariat Services (Pty) Ltd for the adoption of a new memorandum of incorporation.
- 15 March 2013 by NHS Properties (Pty) Ltd for the adoption of a new memorandum of incorporation.
- 16 April 2013 by Toontjiesrivier Landgoed Ltd for the adoption of a new memorandum of incorporation and change of objective.
- 16 April 2013 by Villager Investments No 1 (Pty) Ltd for the adoption of a new memorandum of incorporation and extending the objective of the company.
- 19 April 2013 by Mercury Securities (Pty) Ltd for the adoption of a new memorandum of incorporation.
- 19 April 2013 by Ned Settle Services (Pty) Ltd for the adoption of a new memorandum of incorporation.
- 19 April 2013 by Proclare (Pty) Ltd for the adoption of a new memorandum of incorporation.
- 15 May 2013 by Kingsmead Properties (Pty) Ltd for the adoption of a new memorandum of incorporation.
- 17 May 2013 by Depfin Investments (Pty) Ltd for the adoption of a new memorandum of incorporation.
- 25 July 2013 by Syfrets Participation Bond Managers (Pty) Ltd for the adoption of a new memorandum of incorporation, change of main business, and conversion from a public company to a private company.
- 1 August 2013 by Depfin Investments (Pty) Ltd for the amendment of the memorandum of incorporation by the creation of 90 Class E cumulative redeemable non-par-value preference shares and the amendment of Schedule 1 attached to the memorandum of incorporation detailing the preferences, rights, limitations and other terms of the preference shares.
- 14 August 2013 by Depfin Investments (Pty) Ltd for the amendment of the memorandum of incorporation by the creation of 287 Class F cumulative redeemable non-par-value preference shares and the amendment of Schedule 1 attached to the memorandum of incorporation detailing the preferences, rights, limitations and other terms of the preference shares.
- 21 October 2013 by NBG Capital Management (Pty) Ltd for the adoption of a new memorandum of incorporation and conversion from a public company to a private company.
- 24 October 2013 by Syfrets Mortgage Nominees (RF) (Pty) Ltd for the adoption of a new memorandum of incorporation, change of main business, change of name, and conversion from a public company to a private company.
- 28 October 2013 by Eighty One Main Street Nominees (RF) (Pty) Ltd for the adoption of a new memorandum of incorporation, change of main business, change of name and conversion from a public company to a private company.
- 28 October 2013 by Nedbank Nominees (RF) (Pty) Ltd for the adoption of a new memorandum of incorporation, change of name and conversion from a public company to a private company.
- 28 October 2013 by Nedcor Bank Nominees (RF) (Pty) Ltd for the adoption of a new memorandum of incorporation, cancelling the classes of preference shares, change of name, and conversion from a public company to a private company.
- 5 November 2013 by Nedgroup Wealth Management (Pty) Ltd for the adoption of a new memorandum of incorporation and conversion from a public company to a private company.
- 5 November 2013 by Nedinvest (Pty) Ltd for the adoption of a new memorandum of incorporation and conversion from a public company to a private company.
- 15 November 2013 by Fidelity Nominees (RF) (Pty) Ltd for the adoption of a new memorandum of incorporation, change of main business, change of name, and conversion from a public company to a private company.

ACQUISITION OF SHARES

No shares in Nedbank Group were acquired by Nedbank Group or by a Nedbank Group subsidiary during the financial year under review in terms of the general authority previously granted by shareholders. Members will be requested to renew the general authority enabling the company or a subsidiary of the company to repurchase shares.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any other material events that have occurred between the reporting date and 21 February 2014.

REPORT FROM INDEPENDENT AUDITORS

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Deloitte & Touche and KPMG Inc, Nedbank Group Limited's independent auditors, have audited the consolidated financial statements and specified sections of the remuneration report of Nedbank Group Limited from which management prepared the summarised consolidated financial results. The auditors have expressed an unqualified audit opinion on the consolidated financial statements in accordance with International Financial Reporting Statements and the requirements of the Companies Act of SA. The consolidated financial statements and the auditors' report thereon are available for inspection at the registered office of Nedbank Group Limited.

SUMMARISED ANNUAL FINANCIAL STATEMENTS

The summarised annual financial statements on pages 119 to 129 are derived from the Nedbank Group Ltd annual financial statements for the year ended 31 December 2013. The group has applied the provisions of the new Companies Act, 71 of 2008 (as amended), of SA, which allows for summarised financial statements as disclosed in this integrated report. These summarised financial statements have been prepared under the supervision of Raisibe Morathi, the Group Chief Financial Officer.

In the preparation of the consolidated annual financial statements the group has applied key assumptions concerning future and other inherent uncertainties in recording various assets and liabilities. The assumptions applied in the financial statements for the year ended 31 December 2013 were consistent with those applied during the 2012 financial year. These assumptions are subject to ongoing review and possible amendments.

Nedbank Group's principal accounting policies have been prepared in terms of International Financial Reporting Standards (IFRS) of the International Accounting Standards Board and have been applied consistently over the current and prior financial year, with the exception of the following new standards and amendments, which have been mandatorily adopted on 1 January 2013:

- The Consolidation Suite of Standards comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities and the consequential amendments to IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures;
- IFRS 13 Fair Value Measurement;
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities; and
- Amendments to IAS 19 (IAS 19 Revised). Employee Benefits.

The adoption of IAS 19 (revised 2011) required certain restatements to prior-year information, while the adoption of the remaining new standards and amendments did not have a material impact on the measurement of the group's assets and liabilities.

The summarised annual financial statements are only a summary of the information contained in the consolidated financial statements of Nedbank Group Ltd and does not contain full or complete information. Any investment decision should be based on the consolidated financial statements of Nedbank Group Ltd. These consolidated financial statements, including a comprehensive list of the group's accounting policies and further financial information included in the Results Booklet, are available at **nedbankgroup.co.za**.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	2013 Rm	2012 Rm Restated
Interest and similar income	1	46 087	44 730
Interest expense and similar charges	2	24 867	25 050
Net interest income		21 220	19 680
Impairments charge on loans and advances	3	5 565	5 199
Income from lending activities		15 655	14 481
Non-interest revenue	4	19 361	17 324
Operating income		35 016	31 805
Total operating expenses	5	22 419	20 563
Operating expenses[2]		22 362	20 485
Black economic empowerment (BEE) transaction expenses		57	78
Indirect taxation		601	561
Profit from operations before non-trading and capital items		11 996	10 681
Non-trading and capital items		(56)	(18)
Net profit on sale of subsidiaries, investments, and property and equipment		11	33
Net impairment of investments, property and equipment, and capitalised development costs		(67)	(51)
Fair-value adjustments of investment properties		6	(12)
Profit from operations		11 946	10 651
Share of profits of associate companies and joint arrangements		27	1
Profit before direct taxation		11 973	10 652
Total direct taxation		3 016	2 865
Direct taxation[2]		3 033	2 861
Taxation on non-trading and capital items		(18)	4
Taxation on revaluation of investment properties		1	[1]
Profit for the year		8 957	7 787
Other comprehensive income net of taxation		1 675	171
Exchange differences on translating foreign operations[3]		690	162
Fair-value adjustments on available-for-sale assets[3]		32	43
Remeasurements on long-term employee benefit assets[2]		731	(76)
Gains on property revaluations[3]		222	42
Total comprehensive income for the year		10 632	7 958
Profit attributable to:			
– equity holders of the parent[2]		8 637	7 449
– non-controlling interest – ordinary shareholders[2]		28	45
– non-controlling interest – preference shareholders		292	293
Profit for the year		8 957	7 787
Total comprehensive income attributable to:			
– equity holders of the parent[2]		10 295	7 620
– non-controlling interest – ordinary shareholders[2]		45	45
– non-controlling interest – preference shareholders		292	293
Total comprehensive income for the year		10 632	7 958
Basic earnings per share[2]	cents	1 877	1 632
Diluted earnings per share[2]	cents	1 822	1 583

[1] Represents amounts less than R1m.
[2] 2012 restated to reflect the adoption of IAS 19 Employee Benefits (revised 2011).
[3] These items may be subsequently reclassified as profit or loss.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

	Notes	2013 Rm	2012 Rm Restated	2011 Rm Restated
Assets				
Cash and cash equivalents		20 842	14 445	13 457
Other short-term securities		42 451	43 457	35 986
Derivative financial instruments		13 390	13 812	12 840
Government and other securities		32 091	26 753	30 176
Loans and advances	6	579 372	527 166	499 023
Other assets		8 673	9 488	12 051
Current taxation assets		565	246	698
Investment securities[2, 3]		19 348	16 213	13 881
Non-current assets held for sale		12	508	8
Investments in private-equity associates, associate companies and joint arrangements[2]		1 101	1 032	968
Deferred taxation assets[1]		216	541	354
Investment property		214	205	614
Property and equipment		6 818	6 398	6 312
Long-term employee benefit assets[1]		2 980	2 095	2 102
Mandatory reserve deposits with central banks		13 231	12 677	11 952
Intangible assets		8 290	7 922	7 777
Total assets		749 594	682 958	648 199
Equity and liabilities				
Ordinary share capital		461	457	455
Ordinary share premium		16 343	16 033	15 934
Reserves[1]		43 813	37 111	32 307
Total equity attributable to equity holders of the parent		60 617	53 601	48 696
Non-controlling interest attributable to:				
– ordinary shareholders[1]		246	213	174
– preference shareholders		3 473	3 561	3 561
Total equity		64 336	57 375	52 431
Derivative financial instruments		16 580	13 454	13 853
Amounts owed to depositors	7	602 952	550 878	524 130
Provisions and other liabilities		14 682	15 526	14 751
Current taxation liabilities		301	193	200
Other liabilities held for sale			36	
Deferred taxation liabilities[1]		789	793	1 341
Long-term employee benefit liabilities[1]		1 842	1 913	1 809
Investment contract liabilities		11 523	9 513	8 237
Insurance contract liabilities		3 321	2 979	2 005
Long-term debt instruments		33 268	30 298	29 442
Total liabilities		685 258	625 583	595 768
Total equity and liabilities		749 594	682 958	648 199

[1] *2012 restated to reflect the adoption of IAS 19 Employee Benefits (revised 2011).*

[2] *Certain investments were reclassified from investment securities to investments in private-equity associates, associate companies and joint arrangements to align better with industry practice. No adjustments to the carrying value of the financial instruments arose as a result of the reclassification. Furthermore, no changes were made to the categorisation of the financial instruments and they remain classified as designated at fair value through profit or loss.*

[3] *Includes Nedbank Group Ltd's right to subscribe for 2 478 341 936 ordinary shares in Ecobank Transnational Incorporated (ETI), exercisable between November 2013 and November 2014, at an aggregate price of USD 285m and to acquire further shares at market-related prices to become a 20% shareholder in ETI.*

SEGMENTAL REPORTING

for the year ended 31 December

Rm	Nedbank Group 2013	Nedbank Group 2012 Restated	Nedbank Capital 2013	Nedbank Capital 2012 Restated	Nedbank Corporate 2013	Nedbank Corporate 2012 Restated	Nedbank Retail and Business Banking 2013	Nedbank Retail and Business Banking 2012 Restated
Statement of financial position								
Cash and cash equivalents	34 073	27 122	10 986	4 399	2 755	2 623	2 616	2 088
Other short-term securities	42 451	43 457	30 969	26 972			–	–
Derivative financial instruments	13 390	13 812	13 327	13 672	(52)	(99)	–	–
Government and other securities	32 091	26 753	9 635	7 820	6 117	5 989	379	–
Loans and advances	579 372	527 166	109 549	82 494	175 274	162 730	258 220	250 762
Other assets	48 217	44 648	6 242	6 933	4 269	3 830	5 014	5 463
Intergroup assets	–	–					36 142	31 885
Total assets	749 594	682 958	180 708	142 290	188 363	175 073	302 371	290 198
Equity and liabilities								
Total equity	64 336	57 375	5 863	5 632	8 514	8 089	26 683	25 478
Derivative financial instruments	16 580	13 454	16 546	13 419			–	–
Amounts owed to depositors	602 952	550 878	106 226	100 908	176 234	160 618	201 928	186 125
Provisions and other liabilities	32 458	30 953	6 372	8 480	2 042	2 266	3 002	3 743
Long-term debt instruments	33 268	30 298	1 051	849			1 994	2 216
Intergroup liabilities	–	–	44 650	13 002	1 573	4 100	68 764	72 636
Total equity and liabilities	749 594	682 958	180 708	142 290	188 363	175 073	302 371	290 198
Consolidated statement of comprehensive income								
Net interest income	21 220	19 680	1 608	1 521	3 525	3 326	14 314	13 583
Impairments charge on loans and advances	5 565	5 199	306	526	385	385	4 765	4 134
Income from lending activities	15 655	14 481	1 302	995	3 140	2 941	9 549	9 449
Non-interest revenue	19 361	17 324	3 078	3 049	1 944	1 469	10 380	9 540
Operating income	35 016	31 805	4 380	4 044	5 084	4 410	19 929	18 989
Total expenses	22 419	20 563	2 156	1 974	2 169	1 968	14 824	13 788
Operating expenses	22 362	20 485	2 152	1 969	2 165	1 964	14 813	13 775
BEE transaction expenses	57	78	4	5	4	4	11	13
Indirect taxation	601	561	36	31	32	29	242	196
Profit/(Loss) from operations	11 996	10 681	2 188	2 039	2 883	2 413	4 863	5 005
Share of profits of associate companies and joint arrangements	27	1			26	(2)	–	–
Profit/(Loss) before direct taxation	12 023	10 682	2 188	2 039	2 909	2 411	4 863	5 005
Direct taxation	3 033	2 861	473	603	664	594	1 357	1 472
Profit/(Loss) after direct taxation	8 990	7 821	1 715	1 436	2 245	1 817	3 506	3 533
Profit attributable to non-controlling interest:								
– ordinary shareholders	28	45	(11)	5			–	–
– preference shareholders	292	293					38	37
Headline earnings	8 670	7 483	1 726	1 431	2 245	1 817	3 468	3 496

[1] *Includes all group eliminations.*

The segmental results for 2012 have been restated to reflect the adoption of IAS 19 Employee Benefits (2011) and the transfer of a subsidiary from Shared Services to Central Management, including Rest of Africa. The amendments to IAS 19 include revised requirements for pensions and other postretirement benefits, termination benefits and certain other changes.

	Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Shared Services		Central Management, including Rest of Africa[1]	
	2013	2012 Restated	**2013**	2012 Restated	**2013**	2012 Restated	**2013**	2012 Restated	**2013**	2012 Restated
	2 616	2 088			1 706	433		58	16 010	17 521
					6 847	5 042			4 635	11 443
					2				113	239
	379								15 960	12 944
	195 435	190 647	62 785	60 115	22 082	19 864			14 247	11 316
	4 725	5 337	289	126	20 274	16 931	7 346	5 990	5 072	5 501
			36 142	31 885					(36 142)	(31 885)
	203 155	198 072	99 216	92 126	50 911	42 270	7 346	6 048	19 895	27 079
	21 903	21 077	4 780	4 401	2 487	2 420	1 528	1 532	19 261	14 224
					1				33	35
	107 931	98 935	93 997	87 190	21 704	15 897	755	486	96 105	86 844
	2 563	3 208	439	535	16 560	14 276	1 215	51	3 267	2 137
	1 994	2 216							30 223	27 233
	68 764	72 636			10 159	9 677	3 848	3 979	(128 994)	(103 394)
	203 155	198 072	99 216	92 126	50 911	42 270	7 346	6 048	19 895	27 079
	11 206	10 659	3 108	2 924	531	494	(211)	(213)	1 453	969
	4 355	3 928	410	206	59	118			50	36
	6 851	6 731	2 698	2 718	472	376	(211)	(213)	1 403	933
	8 651	7 962	1 729	1 578	3 081	2 617	289	217	589	432
	15 502	14 693	4 427	4 296	3 553	2 993	78	4	1 992	1 365
	11 705	10 849	3 119	2 939	2 218	1 912	(140)	(51)	1 192	972
	11 697	10 839	3 116	2 936	2 216	1 909	(177)	(90)	1 193	958
	8	10	3	3	2	3	37	39	(1)	14
	217	171	25	25	108	90	155	195	28	20
	3 580	3 673	1 283	1 332	1 227	991	63	(140)	772	373
					(1)	(2)			2	5
	3 580	3 673	1 283	1 332	1 226	989	63	(140)	774	378
	1 003	1 084	354	388	326	271	(96)	(180)	309	101
	2 577	2 589	929	944	900	718	159	40	465	277
									39	40
	38	37							254	256
	2 539	2 552	929	944	900	718	159	40	172	(19)

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total equity attributable to equity holders of the parent Rm	Non-controlling interest attributable to ordinary shareholders Rm	Non-controlling interest attributable to preference shareholders Rm	Total equity Rm
Balance at 2011	48 946	178	3 561	52 685
Adoption of IAS 19 Employee Benefits (revised 2011)	(250)	(4)		(254)
Restated balance at 2011	48 696	174	3 561	52 431
Dividend to shareholders	(3 248)	(8)		(3 256)
Preference share dividend			(293)	(293)
Issues of shares net of expenses	14			14
Shares (acquired)/no longer held by group entities and BEE trusts	119			119
Total comprehensive income for the year[1]	7 620	45	293	7 958
Share-based payment reserve movement	396			396
Regulatory risk reserve provision	2			2
Acquisition of subsidiary		2		2
Other movements	2			2
Balance at 2012	53 601	213	3 561	57 375
Dividend to shareholders	(3 821)	(9)		(3 830)
Preference share dividend			(292)	(292)
Issues of shares net of expenses	475			475
Shares (acquired)/no longer held by group entities and BEE trusts	(132)			(132)
Total comprehensive income for the year	10 295	45	292	10 632
Share-based payment reserve movement	206			206
Regulatory-risk reserve provision	(4)			(4)
Preference shares held by group entities			(88)	(88)
Disposal of subsidiary		(3)		(3)
Other movements	(3)			(3)
Balance at 2013	60 617	246	3 473	64 336

[1] *Restated to reflect the adoption of IAS 19 Employee Benefits (revised 2011).*

GEOGRAPHICAL SEGMENTAL REPORTING

for the year ended 31 December

	Operating income		Headline earnings	
	2013 Rm	2012 Restated Rm	**2013** Rm	2012 Restated Rm
SA	32 721	29 748	8 054	6 869
Business operations[1]	32 721	29 748	8 409	7 230
BEE transaction expenses			(63)	(68)
Profit attributable to non-controlling interest – preference shareholders			(292)	(293)
Rest of Africa[1]	1 427	1 259	335	297
Rest of world – business operations[1]	868	798	281	317
Total	35 016	31 805	8 670	7 483

[1] *2012 restated to reflect the adoption of IAS 19 Employee Benefits (revised 2011).*

SUMMARISED CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December

	2013 Rm	2012 Rm Restated
Cash generated by operations[2]	20 553	18 769
Change in funds for operating activities [2]	(4 507)	(5 912)
Net cash from operating activities before taxation	16 046	12 857
Taxation paid	(3 890)	(3 914)
Cashflows from operating activities	12 156	8 943
Cashflows utilised by investing activities	(4 341)	(4 696)
Cashflows utilised by financing activities	(800)	(2 552)
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)	(64)	18
Net increase in cash and cash equivalents	6 951	1 713
Cash and cash equivalents at the beginning of the year[1]	27 122	25 409
Cash and cash equivalents at the end of the year[1]	34 073	27 122

[1] *Including mandatory reserve deposits with central banks.*
[2] *2012 restated to reflect the adoption of IAS 19 Employee Benefits (revised 2011).*

HEADLINE EARNINGS RECONCILIATION

for the year ended 31 December

	2013 Rm Gross	2013 Rm Net of taxation	2012 Rm Restated Gross	2012 Rm Restated Net of taxation
Profit attributable to equity holders of the parent[1]		8 637		7 449
Less: non-headline earnings items	(50)	(33)	(30)	(34)
Net profit on sale of subsidiaries, investments, and property and equipment	11	11	33	29
Net impairment of investments, property and equipment, and capitalised development costs	(67)	(49)	(51)	(51)
Fair-value adjustments of investment properties	6	5	(12)	(12)
Headline earnings		8 670		7 483

[1] *2012 restated to reflect the adoption of IAS 19 Employee Benefits (revised 2011).*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December

1 INTEREST AND SIMILAR INCOME

	2013 Rm	2012 Rm
Home loans (including properties in possession)	9 818	10 222
Commercial mortgages	8 117	7 883
Finance lease and instalment debtors	7 753	7 293
Credit cards	1 473	1 311
Overdrafts	1 263	1 284
Term loans	9 412	8 867
Personal loans	4 662	4 325
Other term loans	4 750	4 542
Government and other securities	3 571	3 360
Short-term funds and securities	1 673	1 719
Other loans	3 007	2 791
	46 087	44 730
Interest and similar income may be analysed as follows:		
– interest and similar income from financial instruments not at fair value through profit and loss	38 288	38 358
– interest and similar income from financial instruments at fair value through profit or loss	7 799	6 372
	46 087	44 730

2 INTEREST EXPENSE AND SIMILAR CHARGES

	2013 Rm	2012 Rm
Deposit and loan accounts	14 751	14 078
Current and savings accounts	584	590
Negotiable certificates of deposit	5 134	5 867
Other interest-bearing liabilities	2 042	1 998
Long-term debt instruments	2 356	2 517
	24 867	25 050
Interest expense and similar charges may be analysed as follows:		
– interest expense and similar charges from financial instruments not at fair value through profit and loss	20 705	20 297
– interest expense and similar charges from financial instruments at fair value through profit or loss	4 162	4 753
	24 867	25 050

An unaudited margin analysis of the interest income and interest expense by asset and liability category is presented in the additional information to the annual financial statements available at **nedbankgroup.co.za**.

3 IMPAIRMENT OF LOANS AND ADVANCES

	Total impairment		Specific impairment		Portfolio impairment	
	2013 Rm	2012 Rm	2013 Rm	2012 Rm	2013 Rm	2012 Rm
Impairment of loans and advances						
Balance at the beginning of the year	10 870	11 497	7 443	8 749	3 427	2 748
Impairments charge	6 453	6 065	5 906	5 384	547	681
Statement of comprehensive income charge net of recoveries:	5 565	5 199	5 018	4 518	547	681
Loans and advances	5 591	5 169	5 044	4 488	547	681
Advances designated as at fair value through profit or loss	(26)	30	(26)	30		
Recoveries	888	866	888	866		
Amounts written off against the impairment/other transfers	(5 867)	(6 692)	(5 879)	(6 690)	12	(2)
Impairment of loans and advances	11 456	10 870	7 470	7 443	3 986	3 427

4 NON-INTEREST REVENUE

	2013 Rm	2012 Rm
Commission and fee income[1]	14 023	12 538
Insurance income	1 927	1 695
Fair-value adjustments	40	(265)
Net trading income[2]	2 564	2 464
Private-equity income[2]	225	391
Investment income	56	107
Net sundry income	526	394
	19 361	17 324

[1] *Commission and fee income includes R1 947m (2012: R1 563m) related to trust and fiduciary fees.*

[2] *An amount of R180m was reclassified from net trading income (equities) to private-equity income (securities dealing – unrealised) to reflect the effect on non-interest revenue resulting from the corresponding reclassification of a financial instrument from held-for-trading to designated at fair value through profit or loss.*

5 TOTAL OPERATING EXPENSES

	Portfolio impairment	
	2013 Rm	2012 Rm
Staff costs	12 629	11 425
Computer processing	2 720	2 461
Communication and travel	820	793
Occupation and accommodation	1 838	1 730
Marketing and public relations	1 451	1 281
Fees and insurances	2 042	1 801
Furniture, office equipment and consumables	454	449
Other operating expenses	408	545
Operating expenses	22 362	20 485
BEE transaction expenses	57	78
Total operating expenses	22 419	20 563

6 LOANS AND ADVANCES

	2013 Rm	2012 Rm
Mortgage loans	242 481	234 033
Home loans	136 156	136 301
Commercial mortgages	106 325	97 732
Net finance lease and instalment debtors	85 038	75 764
Gross investment	106 234	79 322
Unearned finance charges	(21 196)	(3 558)
Credit cards	11 441	10 019
Other loans and advances	251 868	218 220
Properties in possession	772	574
Overdrafts	15 048	13 694
Term loans	97 528	88 354
Personal loans	21 145	22 969
Other term loans	76 383	65 385
Overnight loans	17 927	18 341
Other loans to clients	70 976	51 482
Foreign client lending	12 658	5 760
Remittances in transit	237	193
Other loans	58 081	45 529
Preference shares and debentures	18 984	16 948
Factoring accounts	4 796	4 461
Deposits placed under reverse repurchase agreements	25 796	24 338
Trade, other bills and bankers' acceptances	41	28
	590 828	538 036
Impairment of loans and advances (note 3)	(11 456)	(10 870)
	579 372	527 166
Comprises:		
– loans and advances to customers	557 956	508 134
– loans and advances to banks	32 872	29 902
	590 828	538 036

7 AMOUNTS OWED TO DEPOSITORS

	2013 Rm	2012 Rm
Current accounts	58 704	55 843
Savings deposits	22 631	17 373
Other deposits and loan accounts	407 593	374 052
Call and term deposits	237 393	216 333
Fixed deposits	38 289	32 911
Cash management deposits	56 571	56 609
Other deposits and loan accounts	75 340	68 199
Foreign currency liabilities	14 309	10 161
Negotiable certificates of deposit	87 457	76 888
Deposits received under repurchase agreements	12 258	16 561
	602 952	550 878
Comprises:		
– amounts owed to depositors[1]	557 645	511 756
– amounts owed to banks[1]	45 307	39 122
	602 952	550 878

[1] *2012 deposits received under repurchase agreements of R9 076m have been reclassified from business sector to banks in line with the group's 2013 sectoral disclosure.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 RESTATEMENTS AND RECLASSIFICATIONS

During the year the group restated certain prior-year information due to the mandatory adoption of IAS 19 Employee Benefits and other reclassifications identified. The impact of the relevant restatements and reclassifications are detailed below:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	December 2012				January 2012			
Rm	Restated	IAS 19[1]	Other re-classifi-cations[2]	As pre-viously reported	Restated	IAS 19[1]	Other re-classifi-cations[2]	As pre-viously reported
Assets								
Cash and cash equivalents	14 445			14 445	13 457			13 457
Other short-term securities	43 457			43 457	35 986			35 986
Derivative financial instruments	13 812			13 812	12 840			12 840
Government and other securities	26 753			26 753	30 176			30 176
Loans and advances	527 166			527 166	499 023			499 023
Other assets	9 488			9 488	12 051			12 051
Current taxation assets	246			246	698			698
Investment securities[3]	16 213		(364)	16 577	13 881		(400)	14 281
Non-current assets held for sale	508			508	8			8
Investments in private-equity associates, associate companies and joint arrangements	1 032		364	668	968		400	568
Deferred taxation assets	541	142		399	354	88		266
Investment property	205			205	614			614
Property and equipment	6 398			6 398	6 312			6 312
Long-term employee benefit assets	2 095	(163)		2 258	2 102	(16)		2 118
Mandatory reserve deposits with central banks	12 677			12 677	11 952			11 952
Intangible assets	7 922			7 922	7 777			7 777
Total assets	682 958	(21)	–	682 979	648 199	72	–	648 127
Equity and liabilities								
Ordinary share capital	457			457	455			455
Ordinary share premium	16 033			16 033	15 934			15 934
Reserves[1]	37 111	(349)		37 460	32 307	(250)		32 557
Total equity attributable to equity holders of the parent	53 601	(349)	–	53 950	48 696	(250)	–	48 946
Non-controlling interest attributable to:								
– ordinary shareholders	213	(6)		219	174	(4)		178
– preference shareholders	3 561			3 561	3 561			3 561
Total equity	57 375	(355)	–	57 730	52 431	(254)	–	52 685
Derivative financial instruments	13 454			13 454	13 853			13 853
Amounts owed to depositors	550 878			550 878	524 130			524 130
Provisions and other liabilities	15 526			15 526	14 751			14 751
Current taxation liabilities	193			193	200			200
Other liabilities held for sale	36			36	–			
Deferred taxation liabilities	793	12		781	1 341	(4)		1 345
Long-term employee benefit liabilities	1 913	322		1 591	1 809	330		1 479
Investment contract liabilities	9 513			9 513	8 237			8 237
Insurance contract liabilities	2 979			2 979	2 005			2 005
Long-term debt instruments	30 298			30 298	29 442			29 442
Total liabilities	625 583	334	–	625 249	595 768	326	–	595 442
Total equity and liabilities	682 958	(21)	–	682 979	648 199	72	–	648 127

1 *On 1 January 2013 the group adopted IAS 19 Employee Benefits (revised 2011) (IAS 19R). The adoption of IAS 19R resulted in the group restating its previously reported financial results in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.*
2 *Certain investments were reclassified from investment securities to investments in private-equity associates, associate companies and joint arrangements to align better with industry practice. No adjustments to the carrying value of the financial instruments arose as a result of the reclassification. Furthermore, no changes were made to the categorisation of the financial instruments and they remain classified as designated at fair value through profit or loss.*
3 *An amount of R846m was reclassified from held for trading to designated at fair value to reflect management's original intention.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	December 2012		
Rm	Restated	IAS 19	As previously reported
Interest and similar income	44 730		44 730
Interest expense and similar charges	25 050		25 050
Net interest income	19 680	–	19 680
Impairments charge on loans and advances	5 199		5 199
Income from lending activities	14 481	–	14 481
Non-interest revenue	17 324		17 324
Operating income	31 805	–	31 805
Total operating expenses	20 563	35	20 528
Operating expenses	20 485	35	20 450
BEE transaction expenses	78		78
Indirect taxation	561		561
Profit from operations before non-trading and capital items	10 681	(35)	10 716
Non-trading and capital items	(18)		(18)
Fair-value adjustments of investment properties	(12)		(12)
Profit from operations	10 651	(35)	10 686
Share of profits of associate companies and joint arrangements	1		1
Profit before direct taxation	10 652	(35)	10 687
Direct taxation	2 865	(10)	2 875
Profit for the year	7 787	(25)	7 812
Other comprehensive income/(loss) net of taxation	171	(76)	247
Exchange differences on translating foreign operations	162		162
Fair-value adjustments on available-for-sale assets	43		43
Remeasurements on long-term employee benefit assets	(76)	(76)	
Gains on property revaluations	42		42
Total comprehensive income for the year	7 958	(101)	8 059
Profit attributable to:			
Equity holders of the parent	7 449	(27)	7 476
Non-controlling interest – ordinary shareholders	45	2	43
Non-controlling interest – preference shareholders	293		293
	7 787	(25)	7 812
Total comprehensive income attributable to:			
Equity holders of the parent	7 620	(99)	7 719
Non-controlling interest – ordinary shareholders	45	(2)	47
Non-controlling interest – preference shareholders	293		293
Total comprehensive income for the year	7 958	(101)	8 059
Basic earnings per share (cents)	1 632	(6)	1 638
Diluted earnings per share (cents)	1 583	(5)	1 588

WORLDCLASS AT MANAGING RISK

RISK AND BALANCE SHEET MANAGEMENT

Nedbank Group has a strong risk culture and follows worldclass enterprisewide risk management (ERM), which aligns strategy, policies, people, processes, technology and business intelligence in order to optimise the opportunities and uncertainties the group may face in its ongoing efforts to maximise sustainable shareholder value.

Background to risk and balance sheet management in Nedbank Group

It is the group's view that a strong risk governance process is the foundation for successful risk management and balance sheet management, which is why this model represents the core of the business's Enterprisewide Risk Management Framework (ERMF). The ERMF places emphasis on accountability, responsibility, independence, reporting, communications and transparency, and comprises 17 key risk categories that are managed, monitored, measured and reported on by the first, second and third line-of-defence functions across the group.

The 17 key risks that comprise Nedbank Group's risk universe are reassessed, reviewed and challenged on a regular basis in terms of their materiality. The ERMF, in turn, specifically allocates the 17 key risks at each of three levels of responsibility, namely:

- board (non-executive directors) committees;
- executive management committees [at Group Executive Committee (Exco) level and those within business clusters]; and
- individual functions, roles and responsibilities (at group level and across business clusters).

GRI FSSS: FS1 FS2

GRI: 3.1: 1.2, EC1, EC2

Supplementary information: Risk and Balance Sheet Management Review

Supplementary information: Risk and Capital Management Pillar 3 Public Disclosure Report

ENTERPRISEWIDE RISK

RESPONSIBILITIES OF THE THREE LINES OF DEFENCE

FIRST LINE	The board and management of Nedbank Group are responsible for the implementation and management of risk.
SECOND LINE	Group Risk and Enterprise Governance and Compliance perform a policy-setting and monitoring role to ensure implementation of risk management principles and adherence to regulation and legislation.
THIRD LINE	Group Internal Audit (GIA), external auditors and independent actuaries provide additional assurance on the effectiveness of risk management in the organisation.

In these various committees the 17 key risks are contained in formal terms of reference (or charters) and linked to the agendas of meetings. Comprehensive reporting on the risk universe thus occurs regularly, where their status, materiality and the effectiveness of management are assessed, reviewed and challenged.

This process originates in the business clusters; then, based on materiality, risks are escalated up to the group executive level and then to the non-executive board level. The process is overlaid by the group's three lines of defence governance model as set out above, so that the assessment, review and challenge are not only the responsibility of management and the board, but also of Group Risk, Group Compliance, and Group Internal Audit and the external auditors in the second and third lines of defence.

Within this recurring ERM process, and additionally via the strategic and business planning process, new and/or emerging risks are identified, captured and addressed within the ERMF and its associated process. A residual heat map is used and supports the iterative reassessment of the 17 key risks. Escalation criteria have been formalised and significant risk issues and/or limit breaches are raised and included in the key issues control log, which is a key feature of the ERMF and risk reporting across Nedbank Group.

The ERMF, fully embedded in business and central functions across Nedbank Group, is supplemented by individual frameworks such as those for risk appetite in respect of credit risk, market risk, liquidity risk, operational risk and capital risk, as well as a comprehensive set of risk policies and limits. These also comprise the role of the board, which includes setting and monitoring the group's risk appetite and oversight of the ERMF, duly assisted by its board committees. At executive management level the Group Exco is also assisted with its risk, strategic, operational and asset, liability and capital management responsibilities by six subcommittees and the Group Operations Committee (Opcom), Taxation, Property and Procurement Committees, and the Group Transformation Forum.

WORLDCLASS AT MANAGING RISK (CONTINUED)

Nedbank Group has also developed individual risk frameworks for the effective management of social, environmental and transformation risks. These frameworks serve as best-practice guidelines for the management of risks associated with these pillars of sustainability within the organisation, offering clear governance structures (eg committees, charters and policies) to deal with risks associated with the group's sustainability objectives. The ERMF thus facilitates effective challenge and debate at executive management and board levels, and strong interaction across the group between the businesses and the independent central group functions. Our stress-testing scenarios examine nine of the macroeconomic factors in the proprietary model, which provides important input into a three-year plan and risk strategy.

Risk strategy

During the annual strategy and business planning process a comprehensive risk strategy is formulated. The salient features include evolving our strong risk foundation, with a particular focus on the following initiatives:

- As regulatory requirements increase rapidly, Nedbank continues to invest heavily in resources, programme implementation and monitoring. Combating money laundering, combating terrorist financing, the Foreign Account Tax Compliance Act, Treating Customers Fairly, the protection of personal information, the Banks Amendment Act, the Financial Sector Regulation Bill (Twin Peaks and market conduct), the Financial Services Laws General Amendment Act, the National Credit Amendment Bill and a Basel III consultative paper for the fundamental review of the trading book feature as high-focus areas. Arising from these is the increased oversight required by regulators of financial institutions, and in this regard Nedbank prides itself on the strong, regular and transparent relationships with its regulators and stakeholders.
- Nedbank continues to rely heavily on the strong foundation provided by the ERMF with the intention to employ worldclass risk management practices. It is therefore important further to maximise the benefits that can be derived from the advanced approaches for operational, credit and market risks. We will also continue to manage the risk complexity through appropriate models, validation and skills.
- In support of the overall Nedbank strategy relating to the rest of Africa, a second-line-of-defence focus will be assisting the business to enhance the control environment in existing operations, while the Pan-African strategy will remain a top priority.
- In terms of innovation we will continue to leverage technology to support risk processes, improve our client experience, minimise the onslaught of fraud and, where necessary, increase the focus on data access and data risk management.
- We will continue the sound management of the Corporate Insurance programme.
- There will be an ongoing focus on credit risk management in the current economic environment, especially with adverse interest rate and currency moves, job losses, fuel prices, etc.
- While enabling business innovation and the business to deliver on its strategy, Nedbank will maintain sound risk principles during a period of focus on non-interest revenue growth.
- In line with our Deep Green aspiration to become 'highly involved in the community and environment', Nedbank embraces the analysis that informed SA's National Development Plan (NDP) in its Fair Share 2030 initiative and will ensure that credit and investment decisionmakers are cognisant of these.
- Although 2013 demonstrated good overall balance sheet growth in line with portfolio tilt objectives, deposit mix trends will be the focus for 2014 and beyond.
- Unlike Basel II that was implemented in 2008, Basel III will be phased in over several years until 2019 and there are therefore several items that are still regarded as work in progress, with a detailed plan to meet timelines. Work-in-progress issues remaining are, among others, fundamental reviews of the trading book, fundamental revision of the operational-risk and securitisation frameworks, peer reviews of Basel III implementation and recovery and resolution plans.

OVERVIEW OF 2013

Successes and concerns

During the year Nedbank maintained its focus on actively managing and maintaining a strong risk culture within an embedded ERMF, supplemented by individual frameworks and comprehensive risk policies and risk governance, which includes best-practice reporting and disclosure.

The Group Risk and Capital Management Committee (GRCMC) manages the bank's risk, including liquidity and capital optimisation, proactively. This committee acts as the board's expert monitors of liquidity, operational, legal, investment, insurance and assurance, strategic and all market risks. Committee members meet quarterly and consider any buildup or concentration in the various risks and also emerging risks to which the group is exposed. The ERMF risk policies and limits are continuously reviewed by this committee. In its commitment to improving existing risk and governance practices continually, the GRCMC completed an initiative to streamline and rationalise the policies covering the risks included in its mandate.

GRCMC focused on embedding the group operational-risk profile compiled from different data elements and monitoring the identified risks by aligning the components of operational-risk measurement and the management approach. Active involvement, participation and proactive response to new regulations ensured that Nedbank's operational-risk practices remained sound and aligned with new international operational-risk standards. There was a greater focus on coordination to enhance understanding of the interrelationship between operational risk and other risk types across the organisation, supported by directors' operational-risk management training. A further major responsibility of the committee is its focus on liquidity and capital management, ensuring the bank is adequately funded with prudent levels of capital adequacy in compliance with the Basel III requirements.

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

The period saw an increased awareness and responsiveness to the top five global emerging operational risks in the financial services sector. Cybercrime issues, the regulatory environment, outsourcing, fraud and conduct risk were rated the top five risks in 2013. Primary matters attended to comprised major litigation and claims against the bank, security risk (physical, information and staff), business continuity, recovery and resolution plans, monitoring of regulatory risks, the implementation of the group regulatory programmes, oversight of capital and liquidity management in compliance with Basel III, combating of money laundering and terrorist financing, sanctions control, privacy (protection of personal information), occupational health and safety, the Companies Act and the Foreign Account Tax Administration Act.

In the deployment of Nedbank's risk strategy during the financial year of 2013 we managed to achieve the following successes:

- The ERMF was maintained and continued to be resilient in 2013, encompassing strong and effective risk and balance sheet management, governance and compliance, fully aligned with the latest international Basel and local requirements.
- Basel III was implemented on 1 January 2013 without any interruption to our operations. This was largely a result of our proactive approach to Basel III, preplanning and strong capital positioning leading up to 2013.
- While Basel II was implemented together with external consultants, Basel III was implemented by our internal resources.
- We improved on our credit loss ratios (CLRs). Although our CLR target is set at 60 basis points to 100 basis points, we are continuously working towards decreasing it further from its current position of 1,06%. CLR target ranges have been revised from 2014 for Nedbank Group at 80 basis points to 120 basis points.
- Expertise and good decisionmaking skills allowed commercial property to exceed expected growth in 2013, while remaining within the target range set for its CLR.
- Strong capital adequacy levels were supported by internal stress-testing results.
- We continued with the sound implementation and ongoing enhancement of the advanced approaches for operational, credit and market risks.
- Nedbank experienced a stable operational-risk environment against a backdrop of high-profile external operational-risk events locally and internationally. The group remained focused on anticipating, recognising and proactively responding to the challenges and emerging risks in the operating environment. The group's top and emerging operational risks mainly related to financial crime; execution, delivery and process management; and information security. Fraud and transaction processing were also the main reasons for internal losses by frequency and severity. These were, however, contained within approved risk appetite limits and significant material loss events were limited. As the business evolves, the associated growth and level of operational complexity expose the group to additional operational risks. In response, the group continued to focus on improving the internal control environment to minimise the potential for losses, with emphasis on making it easy to do business with Nedbank.
- Compliance and regulatory risk has become increasingly significant, given the heightened regulatory environment in which Nedbank operates. The group sought to achieve compliance with applicable local and international laws, regulations and supervisory requirements, guided by an established and comprehensive set of board-approved policies, procedures and governance structures.
- The redesigning of our physical security systems at our branches and offices allowed us to save an amount of R36,5m.
- Although we have experienced a decrease in the number of fraud cases (6 026 in 2013 from 8 139 in 2012), the overall value of these cases has increased. In addition, the number of internal fraud cases has decreased – evidence that preventing fraud rather than dealing with the consequences is a more effective strategy. As part of Nedbank's recruitment process, staff integrity checks are conducted on all prospective staffmembers, including non-permanent staffmembers such as contractors.
- As part of industry requirements by the Regulator we started to benchmark our risk management performance against that of other banks and against feedback from the South African Reserve Bank (SARB). We are proud to report that no issues were raised on our Internal Capital Adequacy Assessment Process (ICAAP) by SARB.

However, the following concerns were also noted:

- Increased valuations of listed shares in 2013 have given rise to concerns about a possible future reduction in share prices, and therefore we are monitoring our exposure to listed shares daily and improving the liquidity of our exposure.
- Industry concerns resulted in our decreasing our exposure to unsecured lending.
- Continuous changes to regulations create the need to update our systems and processes in order to meet new requirements.
- A sovereign downgrade, rand weakness and volatility, weak growth, higher inflation, rising interest rates and the uncertainty associated with the national elections will impact the business.
- There is a growing need for effective controls and procedures to enhance all aspects of regulatory compliance, especially as far as combating money laundering and the financing of terrorist activities is concerned.

THEMES

Innovation and client centricity

Banking requires continuous innovation, the enabling of the business with efficient risk-mitigating processes and the improvement of the client experience. Recent examples of these in the quest to combat fraud include:

- Approve-it™, a solution to increase electronic online banking security, which has resulted in a significant decrease in the number of phishing scams in 2013 compared with those recorded in 2012.
- Risk Net, a transactional card fraud prevention tool that is used to detect suspicious account activity.

As a result of these measures to improve our risk management systems we experienced no major security breaches in 2013.

WORLDCLASS AT MANAGING RISK (CONTINUED)

Top of mind at Nedbank is the smart implementation of the Protection of Personal Information Act, which will ensure that client data is protected to minimise compromise and abuse. We have proactively embraced this legislation, while also focusing on implementing Treating Customers Fairly (TCF) requirements in all our business activities. The board and management benefited from interacting with the Financial Services Board (FSB), who provided insight into the fair treatment of clients. Initiatives to date include awareness campaigns, focused and directed programme management, board and executive oversight and assessments to identify gaps in the fair treatment of clients at all levels of the organisation.

FORWARD LOOKING

Regulatory landscape

The volume and speed of regulatory change remain challenging both globally and locally, requiring agility from a bank aspiring to be worldclass at managing risk.

Furthermore, market conduct and behaviour will be the cornerstones of maintaining confidence. An innate focus on these risk exposures will have far-reaching implications for reputational risk, and the Twin Peaks legislation governing conduct is expected to improve risk mitigation in this regard. Also on the horizon is the Basel Committee's Fundamental Review of the Trading Book, which represents a significant change in the way regulatory capital will be calculated for trading market risk.

Macroeconomic factors

The unpredictable macro environment will also create volatility and uncertainty.

The greatest risk for us is a sovereign downgrade of SA's credit rating, which will impact:

- our pricing and our ability to issue new forms of funding and capital, particularly outside SA;
- our margins; and
- our growth.

Because we are capped at the sovereign ceiling, all SA banks will be downgraded in such an event.

Innovation imperative

While Nedbank invests in appropriate prevention and detection mechanisms for cybercrime, information security breaches and fraud, these risks remain key in shaping the operational-risk landscape. Technology and innovation are strong forces driving change in the business environment. Nedbank continues to invest in the capability and capacity required to meet and exceed demands from an information technology systems perspective.

RISK AND BALANCE SHEET MANAGEMENT REVIEW

Highlights

The 2013 financial performance, delivered amid continuing difficult macroeconomic conditions, is underpinned by a strong, robust balance sheet across all the core dimensions of capital adequacy, liquidity, provisioning and sound asset quality, aided by the group's strategic portfolio tilt focus, an enabling but prudent risk appetite, excellence in risk management and a seamless transition to Basel III.

CAPITAL ADEQUACY AND LEVERAGE

- The common-equity tier 1 (CET1) capital ratio strengthened to 12,5% (2012: 11,6% pro forma Basel III) to the top end of the group's new Basel III target range, well positioned to support growth and pursue strategic opportunities.
- The successful issuance of R3bn of new-style Basel III subordinated debt tier 2 capital at competitive pricing, culminating in a total capital ratio of 15,7% (2012: 15,1% pro forma Basel III).
- The risk-weighted assets (RWA) density of 52,4% (2012: 52,7%), which compares conservatively with international levels.
- Sound Internal Capital Adequacy Assessment Process (ICAAP) and, in line with Basel III, a comprehensive new Recovery Plan.
- Dividend growth of 19% above headline earnings per share (HEPS) growth of 14,9% is at a 2,11 times dividend cover as the group continues to migrate to the midpoint of its dividend cover range (1,75 times to 2,25 times).
- Migration to Basel III is seamless.
- In January 2014 the Basel Committee on Banking Supervision (Basel Committee) announced changes to the Basel III leverage ratio, easing the international requirements. Nedbank also compares favourably with international peers on leverage, with a pro forma Basel III ratio of 6,4% (Basel III minimum 3%; SARB minimum 4%) or 15,6 times, while the current financial International Financial Reporting Standards (IFRS) accounting-based ratio is 7,9% (or 12,7 times).

LIQUIDITY AND FUNDING

- Nedbank is pro forma-compliant with the new Basel III liquidity coverage ratio (LCR), which becomes effective on 1 January 2015. This includes R28bn (2012: R24bn) of surplus liquid assets held at year-end.
  - Total sources of quick liquidity are a significant R107,3bn or 14,3% of total assets (2012: R105,4bn or 15,4%).
- A strong funding profile has been maintained throughout 2013, with Nedbank recording a three-month average long-term funding ratio of 26,2% in the last quarter of 2013, up slightly from 26,0% in 2012.
  - Nedbank issued its first-ever commercial-mortgage-backed securities (CMBS) during March 2013, successfully raising R2,0bn, while also diversifying its long-term funding sources.
    - Nedbank issued R3,2bn in senior unsecured debt in July 2013, followed by a further issue of R2,6bn in November 2013 at competitive pricing.
  - In January 2014 the Basel Committee announced the much anticipated proposed revisions to the Basel III net stable funding ratio (NSFR), which is effective from 2018. While the SA banking industry's gap to compliance with the NSFR will have substantially improved, full compliance remains a structural challenge.
- Deposits grew 9,5% to R603,0bn. The growth in deposits across Corporate, Retail, Business Banking and Wealth supports Nedbank Group's key objective of enhancing an already strong retail and commercial banking franchise through continued emphasis on meeting client needs through product, pricing and innovation, and the group's strategic portfolio tilt focus.

- The loan-to-deposit ratio remains favourably positioned, consistently below 100% at 96,1% (2012: 95,7%).

PROVISIONING AND DEFAULTED ADVANCES

- Nedbank has established prudent and conservative provisioning across all its credit portfolios.
- With significant action already taken in Home Loans and, in recent years, in Personal Loans, the bank is placed in a sound position ahead of the rising interest rate cycle.
- Sound asset quality and proactive risk management have enabled lower levels of inflows into defaulted advances, which declined by 9,4% to R17 455m (2012: R19 273m) and amounted to 2,95% of gross advances (2012: 3,58%).
  - Defaulted advances in Nedbank Retail declined to 5,4% of the advances portfolio (2012: 6,3%) as the result of sustained excellence in collection efforts, effective client rehabilitations (including restructures and rearrangements) and higher-quality new business.
  - The six-month writeoff period for personal loans and steps taken from H2 2012 to reduce risk resulted in personal-loans defaulted advances peaking mid-year and the CLR improving since June 2013.
  - The coverage ratio for total and specific impairments increased to 65,6% (2012: 56,4%) and 42,8% (2012: 38,6%) respectively. Portfolio coverage on the performing book continued to strengthen to 0,70% (2012: 0,66%).
  - Within Nedbank Retail balance sheet impairments strengthened further, which was reflected in both specific coverage increasing to 51,0% (2012: 45,2%) and portfolio coverage increasing to 1,37% (2012: 1,21%), aided by R323m pretax additional impairments as downside risk protection in anticipation of the effects of the systemic risk of high industry unsecured lending growth rates in preceding years and increasing consumer indebtedness.

ASSET QUALITY

- Strategic portfolio tilt has been a key focus area of Nedbank since 2009, including selective origination of lower or higher growth in varying credit portfolios together with a strong emphasis on risk-based pricing and client value management.
  - This has considerably strengthened the balance sheet as summarised above and quality of the asset mix, resulting in good net interest margin (NIM) growth, despite the tough economic environment, the 40-year low interest rates negatively impacting endowment and the significant new costs associated with Basel III, while placing Nedbank favourably going into the rising interest rate cycle in 2014.
- In 2013 solid advances growth was delivered across several key businesses, including MFC (14,8%), Card (13,5%), Property Finance (11,0%), Investment Banking (36,5%) and Rest of Africa (17,5%), supporting the growth in total loans and advances of 9,9% to R579,4bn.
  - There was selective advances growth to mitigate against downside risk in personal loans and home loan products, which decreased by 7,9% and 0,1% respectively.
  - During 2013 industry pricing became increasingly aggressive in the MFC, Business Banking and Corporate Banking portfolios.
  - Under the portfolio tilt strategy, economic profit (EP) increased significantly from R57m in 2009 to R2,1bn in 2013.
- Total gross new-advances payouts increased by 10,1% to R158,9bn (2012: R144,3bn).
  - Investment Banking, Nedbank Property Finance, Corporate Banking and MFC contributed 64,8% of gross payouts.
  - Personal Loans gross payouts decreased by 56,2% during 2013 due to intentionally low, risk-mitigated growth strategies in the business.
- Also in line with our portfolio tilt strategy, Nedbank's credit concentration risk (expressed on a percentage of total gross loans and advances) has been actively managed over time, including:
  - Residential mortgages were managed down from 32,3% (2009) to 23,0% (2013).
  - Commercial mortgages were maintained around 18,0% during the last three years, but increased from 16,5% in 2009. Nedbank has a market-leading commercial property franchise, which aligns with our preference to be more weighted in this economically attractive portfolio and less in residential mortgages, relative to the peer group.
  - Lease and instalment sales increased from 13,9% (2009) to 14,4% (2013).
  - Personal loans comprises only 3,6% (2009: 2,1%) and the intention is to maintain this below 4%.
- Significant levels of cash and securities were maintained in 2013, including high-quality liquid assets (HQLAs) (R56,7bn) and cash reserves (R13,0bn) in line with Basel III.
  - As part of the group's 2013 interest rate risk strategy, higher levels of unhedged fixed-rate short-dated securities were accumulated within cash and securities compared with government bonds.
- Intangible assets of R8bn represent only 1% of total assets.
- Nedbank Wealth assets under management grew 26,4% to R190,3bn (2012: R150,5bn), reflective of the significant growth of this business, providing further favourable diversification and portfolio tilt for the group.
  - The insurance businesses are on track with Solvency Assessment and Management (SAM) implementation through a proactive approach that has been imbedded in risk management frameworks, strategic initiatives and system enhancements.

MARGIN MANAGEMENT

- NIM has continued to improve in a challenging macroeconomic environment, on the back of the group's strategic portfolio tilt and strong balance sheet management.
- NIM improved by four basis points to 3,57% from 3,53% in 2012.
  - Margin gains were underpinned by sound risk-adjusted pricing of advances, deposit growth and mix benefits, a reduction in the marginal cost of wholesale funds, slightly lower levels of long-term debt, and the benefit of an interest rate risk strategy offset by asset-mix changes, a squeeze on funding spreads due to Basel III and the impact of lower interest rates.
- Nedbank Group's lending spread increased from 2,22% in 2010 to 2,83% in 2013 as a result of asset mix enhancements driven by strategic portfolio tilt, improved pricing and backbook runoff.
  - This reinforces the increased CLR target range that has been in effect from 2014, discussed on the following page.

WORLDCLASS AT MANAGING RISK (CONTINUED)

RISK MANAGEMENT

- Nedbank's ERMF has remained resilient through 2013, together with a prudent but enabling Risk Appetite Framework, comprehensive stress and scenario testing and the comprehensive new Recovery Plan under Basel III.

Credit risk

- The CLR of 1,06% remained at a similar level to that of 2012, having improved from 1,31% at June 2013, mainly due to timeous positioning in Personal Loans and a large client-specific impairments charge included in June 2013 that had normalised at year-end.
  - All business clusters and within that all business units' CLRs were within their through-the-cycle target ranges, with the one exception being Personal Loans as a consequence of R323m additional impairments as downside risk protection for deteriorating levels of consumer credit health, fuelled by the high industrywide unsecured-lending growth rates in preceding years and resultant industry tightening of credit availability, particularly as interest rates rise from 40-year lows. The embedding of sound risk management practices and early comprehensive risk-mitigating actions ensured the CLR of 2,16% for the full year remained within the Retail CLR target range.
    - Overall defaulted loans continued to decline, while further strengthening the coverage ratios.
  - From 2014 onwards the group has revised the following CLR target ranges:

%	New CLR target range	Old CLR target range
Nedbank Group	0,80 - 1,20	0,60 - 1,00
Nedbank Retail	1,90 - 2,60	1,50 - 2,20

    - The drivers of the above changes are the significant asset-mix change in Retail since 2009, on the back of strategic portfolio tilt and more prudent retail provisioning methodologies implemented in recent years, and with a commensurate increase in credit spreads and NIM, and the group's Pan-African strategy.
- The Group Credit Risk Framework and mandate/limit structure was maintained substantially unchanged.
- Close scrutiny was in particular maintained over:
  - Pending changes to the National Credit Act and related strategic implications
  - Consumer indebtedness
  - Personal Loans and execution of our strategy
  - Home Loans backbook
  - Collections
  - Nedbank Capital's renewable-energy programme of expansion
  - Expansion into the rest of Africa
  - Credit concentration risk
  - Implications of the pending finalisation of a new accounting standard, IFRS 9, on impairments
  - Continually improving the management of the Advanced Internal-ratings Based (AIRB) credit risk system

Market risks

- Interest rate risk in the banking book (IRRBB) reflects net interest income (NII) sensitivity to a 1% change in interest rates at R936m (2012: R813m) over one year or 1,54% (2012: 1,51%) of capital, positioned for an upward interest rate cycle.
- Market risk associated with group's HQLA portfolio continues to be well managed, eliminating any material market risks on these portfolios for significant market volatility.
- Trading market risk and equity risk in the banking book remain low at just 1,2% and 3,7% of total group economic capital respectively, as the primary focus is flow trade, client facilitation and marketmaking.
  - The bulk of the derivative book relates to vanilla interest rate and foreign currency derivatives.
- Foreign currency translation risk (FCTR) is also a low risk, with sensitivity of a 10% change in the value of the rand only having a 0,1% impact on the group's total regulatory capital adequacy ratio (CAR).

Operational risk

- Nedbank's management of operational risk remained sound and the AMA Framework effective.
- Continuous sound management of operational risk, including the investment in Information Technology systems and experienced operational risk management staff, benefited the group's risk-weighted asset and capital adequacy ratios.
- Nedbank operated within approved operational risk appetite limits for all categories, namely operational risk capital to gross operating income (GOI), internal losses to GOI and earnings at risk at a 90th percentile.

Regulatory reform

- Strong, engaged and transparent relationships were maintained with all the group's regulators throughout 2013.
- The group continued to proactively manage the pervasive, ongoing regulatory reforms and its impact on the business in particular:
  - Anti-money-laundering regulations on combating terrorist finance activity
  - Basel III (given the phasing-in from 2013 through 2019)
  - NCA
  - Twin Peaks legislation
  - Consumer Protection Act
  - Solvency II/SAM (insurance)
  - IFRS 9 (provisioning)
  - Companies Act

DIFFERENT REPORTS FOR DIFFERENT AUDIENCES AND DIFFERENT PURPOSES

This report focuses on the integrated narrative and thinking within Group Risk and Balance Sheet Management. Other reports, such as Pillar 3 and ICAAP, are more focused on compliance with regulation 43 and Basel III.

Report	Audience	Issuance	Topics
Results booklet	Investors and analysts	February/ August 2014	The analyst booklet is a document presented to financial analysts, biannually along with the announcement of the group's results. The report consists of three sections: the analyst presentation, financial results and risk and balance sheet management review, and provides an overview of the group's financial performance, risk and capital position.
Web content	Stakeholders	March 2014	Provides information on operations, financial and non-financial performance and integrated sustainability developments during the year. The report covers all group clusters, operational areas and businesses of Nedbank Group.
Pillar 3	General Public, Regulators	Full disclosure: March/ September 2014 Minimum capital adequacy disclosure: May/ October 2014	Pillar 3 of Basel III focuses on market discipline and aims to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The Pillar 3 Public Disclosure Report is based on regulation 43 of the SARB regulations. Requirements specified include: ■ qualitative and quantitative information relating to capital position and allocation and risk management; ■ information pertaining to the financial performance and financial position of the bank (including capital adequacy, capital structure, and liquidity); ■ risk management objectives and policies; and ■ the nature and extent of risk exposures as well as how these are managed. The Pillar 3 report is an extension of the information disclosed in the risk and balance sheet management section of the analyst booklet. This report is also published biannually on the group's website. The full regulation 43 disclosure is published for year-end and interim results, while the minimum capital adequacy requirements disclosure, as specified in regulation 43(1)(e)(iii), is published for the first and third quarter results along with the group's trading update. These documents are published on the group's website.
ICAAP	Internal, Regulators	July 2014	As part of Pillar 2 (Supervisory Review Process) of the Basel III Framework, banks are required to develop an ICAAP and set capital targets that are commensurate with the bank's risk profile and control environment, including under stress conditions. ICAAP is primarily concerned with Nedbank's comprehensive approach, measurement and management of risk and capital from an internal perspective, that is, over and above the minimum regulatory rules and requirements of Basel III. In view of the significance of liquidity risk in banking, Nedbank also produces an Internal Liquidity Adequacy Assessment Process (ILAAP) (along with the ICAAP). The report is a confidential document that is compiled annually and is reviewed and signed off by the board (through the GRCMC), Group Asset and Liability Committee, Group Exco and GIA before being sent to the SARB.
ILAAP	Internal, Regulators	July 2014	The ILAAP involves an ongoing and rigorous assessment of Nedbank's liquidity self-sufficiency under a continuum of stress liquidity scenarios, taking cognisance of the board-approved risk appetite. The ILAAP also involves an ongoing review and assessment of all components which collectively make up and/or support the Liquidity Risk Management Framework. The objective of this review and assessment process is to ensure that the framework remains sound in terms of measuring, monitoring, managing and mitigating liquidity risk, taking cognisance of best practise and regulatory developments. The report is a confidential document that is compiled annually and is reviewed and signed-off by the board (through the GRCMC), Group ALCO, Group Exco and GIA before being sent to the SARB.
Recovery Plan	Internal, Regulators	August 2014	The recovery plan sets out Nedbank's detailed approach to dealing with a capital, liquidity and/or business continuity crisis. Within the plan early warning signals and trigger levels are identified as part of the ongoing monitoring process relating to a potential or occurring crisis situation. The recovery plan provides Nedbank Group with a clear framework of actions that can be taken during a crisis with the aim of ensuring that the group's management is able to act quickly and decisively to minimise or mitigate a crisis event. The report is a confidential document that is compiled annually and is reviewed and signed-off by the board (through the GRCMC), Group ALCO, Group Exco and GIA before being sent to the SARB.

REPORTING BACK ON REMUNERATION

STATEMENT FROM THE CHAIRMAN OF THE GROUP REMUNERATION COMMITTEE

I am pleased to present to you, our stakeholders, our annual Remuneration Report. The report sets out our remuneration policy and details of Nedbank Group's remuneration practices during the 2013 financial year.

Remuneration, and particularly executive remuneration, continues to receive a great deal of attention globally by firms and their shareholders, governments, regulators and the media. While the Principles for Sound Compensation Practice of the International Financial Stability Board (IFSB), issued under the auspices of the G20 in 2009, still globally underpin remuneration regulation in financial services firms, many developed markets have gone considerably beyond these. Legislation has been promulgated in the UK regarding the introduction of binding shareholder votes on remuneration. The EU continues to press ahead with the implementation of bonus caps, a measure Switzerland has also adopted. The US is increasing disclosure requirements on pay differentials. While these measures have been lauded from many quarters, some commentators (and at least one national government) postulate that elements of these either may have significant unintended consequences such as a material reduction of national competitiveness in the financial services sector, or may not add any material value to how stakeholders engage with companies on matters related to executive remuneration.

In SA good governance regarding remuneration is primarily informed by the King III Code of Corporate Governance. Banks also align with the IFSB principles and are required to include specific disclosures in their annual reports in terms of regulation 43 of the Banks Act. Through these, a comprehensive governance framework applies to financial services remuneration in SA. I am pleased to report that Nedbank has responded appropriately to all of these requirements.

GRI 3.1: 4.5, EC3

Paul Mpho Makwana
Independent Non-executive Director

A key consideration for firms operating within a principles-based governance framework is that there is a degree of expert judgement inherent in determining compliance with these principles. A further consideration is how a firm achieves appropriate compliance with the governance principles and standards, while ensuring the protection of its remuneration-related competitive position, thereby retaining and attracting the talent to achieve its strategic objectives, including the protection of its franchise. This has been a critical issue for the Group Remuneration Committee (Group Remco) during 2013.

We have, over the past several years, kept our core remuneration policy and principles largely consistent. In 2009 amendments were introduced that provided for deferral of short-term incentive (STI) awards, and included forfeiture provisions, which have been refined subsequently.

While no material changes were made to the remuneration policy and associated practices in 2013, we will, from 1 January 2014, introduce the requirement that all future long-term incentive (LTI) awards made to executive directors be subject to corporate performance targets on 100% of the award, up from 50% in previous award cycles. This is dealt with in more detail on page 166 of this Remuneration Report.

The implementation of the policy and principles in practice has seen a reduction in the STI pool in circumstances where business performance has declined, and has seen the lapsing of performance share awards in instances where the corporate performance targets were not met. These arrangements continue to apply, having been found fit for purpose.

The bank produced another set of very good results this year, and continues to deliver strong progress against all of our major strategic objectives. This is dealt with in detail in other parts of this integrated report. A summary of some of the key relevant financial and non-financial metrics that influence our remuneration outcomes is provided below:

Key relevant financial and non-financial metrics	2013	2012	Yoy change %
Headline earnings (Rm)	8 670[1]	7 483	15,9
Economic profit (Rm)	2 114	1 521	39
Return on equity (excluding goodwill) (%)	17,2[1]	16,4	
Year-end share price (cents)	21 000	18 800	11,7
Fini 15 Index	12 745	10 644	19,7
Nedbank Staff Survey (%)[2]	76,7 ✓	75,5	1,59
Barrett Staff Survey entropy level (%)[3]	11 ✓	10	-10

[1] *Audited.*
[2] *Re-baselined to account for 14 dimensions on the survey, up from 13 applied in 2012.*
[3] *The decline in the Barrett score manifests in a higher score. This is therefore reflected as a negative.*

The bank's performance continues to improve year on year and, as a consequence, STI pools earned and approved over the past two years have increased. Following the lapsing of all LTI awards allocated between 2005 and 2009, we are now seeing vesting levels commensurate with the overall performance of the group, and the returns delivered to all stakeholders.

The high levels of engagement between members of Group Remco remain an important contribution to the effective implementation of the core principles of the Remuneration Policy and its alignment with both strategy and performance.

Readers of our Remuneration Report will observe that we have refined our Remuneration Policy. While there have been no material changes to the substance of the policy, we have sought to achieve the following core objectives:

- Improve the readability and clarity of the policy.
- Enhance the Remuneration Policy objectives to ensure greater clarity about the group's remuneration philosophy.
- Remove duplication between the Remuneration Policy and the Remuneration Report by enhancing, in particular, the descriptions of our remuneration elements.
- Include details of performance management and recognition in the Remuneration Policy, as these are key aspects of the overall remuneration environment.

The Remuneration Policy is, in accordance with King III, put to a non-binding advisory vote annually at our annual general meeting. I recommend, on behalf of Group Remco, that shareholders vote positively in this regard.

REPORTING BACK ON REMUNERATION (CONTINUED)

In the Group Remco Chairman's Statement in the 2012 Remuneration Report several key matters to be considered in 2013 were highlighted. These, together with the actions initiated to address them, are set out below:

Issues raised in the 2012 Remuneration Report	Action taken in 2013
Reviewing of the overall competitiveness and fitness for purpose of our total remuneration and benefits offering relative to the markets in which we compete, while remaining appropriately commercial and agile to respond to changes in market conditions.	We, as Group Remco, have a comprehensive agenda that ensures broad coverage of all major remuneration and benefit elements. This has enabled the committee to review all the remuneration arrangements in place in the group. Group Remco remains of the view that the remuneration and benefits in place in the group continue to meet the necessary commercial, regulatory and risk requirements. Accordingly, there have been no material changes to the remuneration and benefit practices during the year. We have also, for 2014, introduced the requirement that all future LTI awards made to executive directors will be subject to corporate performance targets on 100% of the award, up from 50% in previous award cycles.
Detailed review of our approach to performance management.	A comprehensive review process was launched by the group in the second half of 2013. This first phase of the project, a discovery phase, was concluded. During this phase international best practice regarding performance management was researched and examined, a range of internal Nedbank staff survey-related information was consolidated and we drew on outcomes from employee focus groups regarding the implementation of performance management. The outcomes of the review are that the process of more comprehensively reviewing the group's approach to performance management will continue in 2014.
Ongoing monitoring of and adaptation to the evolving remuneration governance requirements applicable to financial services firms.	Remuneration governance is high on our agenda. In addition to a comprehensive training session conducted by PwC on latest global trends, a remuneration governance update has been added as a standard agenda item for the committee. In addition, Group Remco commissioned specific research on remuneration governance in Canada and Australia, complementing the focus on Europe, the UK and the US. The committee is pleased with the level of Nedbank's compliance with the relevant regulatory and statutory codes pertaining to remuneration.

Our remuneration strategy is reviewed regularly to ensure that it continues to adapt to changing market conditions and that it remains competitive and appropriately aligned with our overall business strategy. Some of the key themes that Group Remco will consider in 2014 will be:

- Conclusion of the performance management review project.
- Improved shareholder engagement through our governance roadshows conducted annually by the Chairman of the board.
- Review of the structure, composition and effectiveness of our employee benefits suite.
- Consideration of the possible implementation of a focused LTI programme for a limited number of senior executives in the group. This will be funded by Old Mutual plc and is proposed to apply across all of its operations in SA, including Nedbank. Further information in this regard is available on page 164 of the Remuneration Report.

I took over as Chairman of Group Remco following the resignation of Ms TCP Chikane from the board on 13 August 2013. I would like to express my appreciation to Ms Chikane for her contribution to the committee during her tenure. I would also like to commend my fellow Group Remco members on the way in which they have engaged in the important issues related to remuneration in the group. I am grateful for the levels of rigour they have applied to the debates on our Remuneration Policy and remuneration practices in these dynamic times.

PM Makwana
21 February 2014

REMUNERATION POLICY

THE POLICY

The group defines total reward as a combination of various types of rewards, including financial and non-financial, indirect and direct, and intrinsic and extrinsic rewards. The Remuneration Policy provides a framework for the management of total reward in the group, and supports the Nedbank employee value proposition (EVP).

Scope of the Remuneration Policy

The Nedbank Group Remuneration Policy ('the policy') is board-approved and forms part of the group's operating philosophy, policies and standards. It sets out how total remuneration is to be managed in the group, and is supported by detailed operating policies, procedures and practices at business unit level.

The policy applies to all entities in Nedbank Group, including wholly owned subsidiaries and subsidiaries or joint ventures in which Nedbank has a majority interest, and excludes companies in which the group has only a private-equity investment. The policy applies uniformly in all such jurisdictions, except where it is in conflict with either local statutes or regulations, in which case such statutes or regulations will apply. Where a particular operating jurisdiction has a more onerous regulatory or statutory framework, the local standards of governance in that jurisdiction will apply.

Aims of the policy

The group's reward arrangements should:

- enable it to attract, motivate and retain people of high calibre, with the right mix of experience, skills and knowledge to deliver on the strategy;
- support and reinforce its desired culture and encourage behaviour consistent with its values, thereby stimulating employee engagement;
- create appropriate balance and alignment between the needs, expectations and risk exposures of its stakeholders, including our staffmembers, clients, shareholders, regulators and communities, to ensure the creation of sustainable long-term value for each of these;
- incentivise employees to deliver sustained high levels of performance and excellent execution of its strategic priorities, while being cognisant of the impact this delivery has on the risk profile and exposure of the organisation;
- enable appropriate transparency in the development of remuneration programmes and the allocation of individual remuneration to ensure equity and fairness based on valid and appropriate external and internal benchmarks; and
- align with the principles of good corporate and compensation governance, ensuring an appropriate share of value for the relevant stakeholders in its business.

In the above regard Nedbank's fixed and variable remuneration is aimed at enabling it to remain competitive. In this context 'competitive' encompasses market relativity, sustainability and commercial sensibility in the allocation and delivery of remuneration.

Remuneration governance

The group complies with the relevant remuneration governance codes that apply in its various operating jurisdictions. These include groupwide compliance with the International Financial Stability Board's (IFSB's) Principles for Sound Compensation Practice. In SA the group complies with the provisions of King III and the requirements of regulation 43 of the Banks Act. For group operations domiciled in the UK, the provisions of the Prudential Regulatory Authority (previously the Financial Services Authority Remuneration Code) apply.

The Nedbank Group Remuneration Committee (Group Remco) is mandated by the group's board to oversee and govern all aspects of remuneration and operates according to an approved charter. Outcomes of Group Remco meetings are reported to the board. Group Remco also conducts an annual self-assessment of its effectiveness.

Group Remco has independent advisers, both in SA and internationally, who provide strategic input, advice on international and local best practice and benchmarking. Group Remco is further supported by the Group Reward and Performance function.

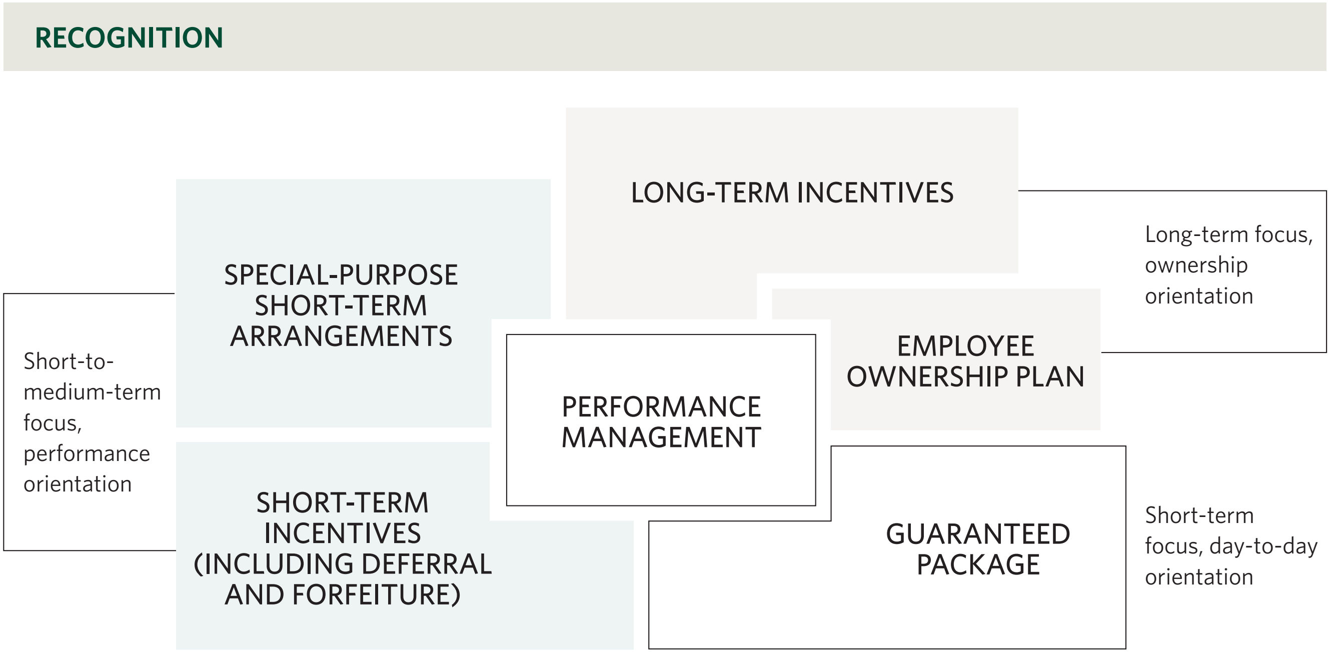
Group Remco works closely with the Group Risk and Capital Management Committee (GRCMC) to ensure a comprehensive approach to risk and reward.

The group publishes a comprehensive annual Remuneration Report as part of its overall governance requirements.

REPORTING BACK ON REMUNERATION (CONTINUED)

Components of Nedbank's Total Remuneration Framework

Nedbank's Total Remuneration Framework is made up as follows:



Performance management

The group's performance management process ensures appropriate alignment of individual, team, business unit and cluster performance objectives with those of the group. This enables translation of the group's strategic focus areas into individual action plans.

The core principles of the group's performance management process are as follows:

- Performance management is consistently applied across the group to ensure effective alignment of strategic objectives and individual outputs.
- Performance objectives are based on a scorecard of metrics featuring both financial and non-financial indicators, which align with the group's strategic imperatives.
- Performance management is an ongoing process rather than an event.
- Performance outcomes are appropriately differentiated to reflect the different levels of contribution made by employees to the success of the group. Where performance deficits are identified, these are dealt with actively, with the primary objective of returning the employee to full performance.
- Performance management is a primary input into the group's remuneration programmes, with the aim, among others, of ensuring appropriate differentiation in remuneration based on contribution.

Guaranteed remuneration

Guaranteed remuneration comprises salary and employee benefits and is delivered to employees in a form determined by local market conditions. Guaranteed remuneration usually reflects the prevailing 'rate for the role' within a remuneration range, with actual remuneration being distributed about the median of the range.

In SA, and in some non-SA operations, this will take the form of a guaranteed package (GP). This represents the fixed cost of employment and, depending on local market practice, comprises a combination of the following:

- Cash salary
- Retirement benefits
- Medical benefits
- Death and disability benefits
- Contributions towards postretirement medical funding, where applicable
- Motor vehicle benefits

A core principle under a GP model is that changes to benefit contribution levels are typically cost neutral to the group: changes to benefit pricing result in a corresponding increase or decrease in the monthly cash salary for the individual.

Where appropriate, local market conditions may necessitate a basic-salary-plus-add-on benefit approach. In these instances the salary is typically fixed, with benefit costs being a function of utilisation (that is, if the benefit is not used, there is no cash compensation in lieu of the benefit). The group carries the upside risk of increases in the cost of benefits.

The primary determinant of guaranteed remuneration is market-relatedness. The group conducts annual benchmarking against comparable firms in the relevant jurisdictions to assess market competitiveness. The combination of distribution of guaranteed remuneration within the earnings ranges and the market relativity of the group's guaranteed remuneration is a primary input into the annual salary review process, but in all instances this is subject to affordability and appropriate consideration of the sustainability of the group's remuneration practices.

In support of remuneration benchmarking there is a robust process of job profiling and evaluation. This ensures consistency in the evaluation and sizing of roles, and the associated benchmarking of guaranteed-remuneration levels.

At an individual decisionmaking level performance is used as a determinant of the extent of an individual's progression within an earnings range. Thus, performance and individual market position are used concurrently when remuneration increases are determined.

Adjustments to guaranteed remuneration outside of the annual review process are typically exceptional, linked to changes in responsibility or the intention to retain specific talent. These are subject to appropriate approval based on the relevant delegations of authority.

All employee benefits, whether offered on a cost-to-company or a basic-salary-plus-add-on basis, are subject to appropriate oversight and governance to ensure that the financial and reputational risks associated with the provision of employee benefits are effectively and prudently managed.

Short-term incentives, including deferrals

Short-term incentives (STIs) are delivered primarily through the group's discretionary STI arrangements. Where appropriate, and subject to the appropriate governance and approval, bespoke plans may be implemented, subject to Group Remco oversight.

As a general rule, all STI plans are funded from the group's overall STI pool. Thus, bespoke plans will result in a 'drawdown' on the pool. Where there is a specific dispensation to exclude a bespoke plan from the overall STI pool (usually in cases of low-guaranteed/high-variable remuneration models), Group Remco approval for such exclusion is required.

The group does not operate any individual 'line of sight' schemes that could be deemed to encourage inappropriate risk-taking or increase the risk of moral hazard. Where commission-type arrangements operate (usually in respect of low-risk income-generating sales roles), appropriate safeguards are included to mitigate any potential moral hazard.

STI participation is discretionary, and therefore there is no right to a performance incentive award in any given year. STIs are, at an individual level, determined primarily on the basis of performance, with the overall objective of exceptional reward for exceptional performance. Differentiation of awards based on the range of performance outcomes in the group is therefore a core principle. Furthermore, employees performing below a minimum acceptable level are not typically eligible for consideration for an STI award.

STIs are typically in the form of cash and the employee must be in service on the date of payment. However, in accordance with global financial services governance and prudent risk management principles, the group has introduced an arrangement of compulsory deferral into shares of STI awards paid in excess of a threshold approved by Group Remco from time to time, which has been effective from 2010 onwards. Where deferral applies under this arrangement, any awards made are subject to specific release from forfeiture criteria and may, at the discretion of Group Remco, be subject to forfeiture. Where forfeiture applies, the group will not retest conditions or extend the period over which shares must be held.

Group Remco approval is required for all individual awards that exceed 200% of guaranteed remuneration.

The group may, as a component of its approved long-term incentive (LTI) programme, offer a share-matching arrangement on compulsory STI deferrals, subject to the participant's retention of the award in the plan for a minimum period of 36 months (which is longer than the standard deferral timeframe), and subject to the release of the awards from potential forfeiture. Additional matching is further subject to the fulfilment of a specific group performance condition.

Special-purpose short-term variable remuneration arrangements

The group uses, on an exceptional basis, special-purpose short-term variable remuneration arrangements to assist in the attraction and retention of key talented employees and holders of scarce skills. These include signon awards and deferred short-term incentive (DSTI) arrangements, both of which are subject to individual performance and time-based conditions to ensure an appropriate return on the remuneration investment.

The group is cognisant of the regulatory concerns raised regarding so-called 'guaranteed variable remuneration', and the potential downside of such payments. A high level of governance is therefore applied to both the operation of the respective programmes and the actual inclusion of individuals. In this regard a specified pool is approved by Group Remco for each financial year for each of the programmes. This pool is placed under the direct control of the Chief Executive (CE) and is subject to review by Group Remco at each meeting.

As a core principle, guaranteed variable remuneration awards are highly exceptional and are utilised primarily in the context of the appointment or retention of key, critical talent. Furthermore, participants are typically only able to receive an award under the respective plans once during their tenure with the group.

The group does not award guaranteed bonuses.

Employee ownership plans

The group offers two broad types of employee ownership plans: broad-based participation based on local statutory or regulatory requirements (these include broad-based black economic empowerment arrangements and 'indigenisation' or 'localisation' programmes) and employee subscription arrangements, where employees may invest a portion of their after-tax STI in Nedbank shares, with the possibility of matched shares.

REPORTING BACK ON REMUNERATION (CONTINUED)

Broad-based schemes operate in jurisdictions where local regulations or statutes require specific economic participation by employees, usually by means of ownership of a stake in the business. In most (but not necessarily all) instances these plans are put in place to redress past imbalances in participation in the respective country's economy. Participation in such plans therefore may be limited to certain employees, based on demographic specifications. Further, failure to adhere to the requirements may have material legal or regulatory implications for the relevant business. Broad-based schemes are typically implemented at zero cost to employees.

Employee subscription arrangements are typically voluntary and give employees the opportunity to invest in Nedbank, currently on a posttax basis, over a stipulated period. This allows the employee to participate in both potential share price appreciation and the application of matching arrangements if the shares are retained in the plan for a prespecified period of 36 months. In this regard the group operates a voluntary STI deferral scheme, which allows eligible participants to receive matching shares, provided such shares remain in the programme for a stipulated period.

All employee ownership plans are subject to board or Group Remco approval (and may, subject to the nature of the transaction, require regulatory, stock exchange or shareholder approval). Accordingly, strict governance and approval processes apply in every instance.

Long-term incentive plans

The group's shareholders have approved the implementation of a restricted-share-plan (RSP) arrangement, through which LTI awards are made. Where deemed necessary to address local taxation and exchange control issues, cash-settled phantom RSP arrangements have been implemented to ensure that operations outside SA may also participate in LTI arrangements linked to the group's share price performance, and therefore ensure appropriate alignment of the interests of executives based abroad with those of the group's shareholders.

LTI awards are based on the following considerations:

- Strategy and individuals key to driving the business strategy.
- Talent management strategy and succession planning.
- Retention of key talent and scarce skills.
- Transformation objectives.
- Potential and performance.
- Leadership.

The following are the core principles applicable to the group RSP arrangements (including phantom RSPs):

- Awards under the relevant RSPs may typically be made at only two intervals per year – the annual pay review (typically March) and one off-cycle award (typically August). All awards are subject to the necessary governance and approval processes.
- All plans are subject to corporate performance targets (CPTs) on at least 50% of the total award (with awards for executive directors being subject to performance conditions on 100% of the award).
- Awards subject to performance conditions may be lapsed in full or in part in the event that the conditions are not met. There is also appropriate upward leverage to a maximum of 130% in the event that conditions are exceeded. Where awards are lapsed because of non-fulfilment of the performance conditions, the conditions will not be retested.
- Awards are subject to vesting over a period of no less than three years from the date of the grant.
- Where awards are lapsed, there is no replacement compensation issued.
- Employees may not take steps to hedge or otherwise insure themselves against potential losses in respect of their LTI participation prior to vesting.
- The pool available for allocation under the group's LTI arrangements is approved in advance by Group Remco.
- Group Remco assesses and confirms the CPT outcomes, ensuring that the interests of all stakeholders are appropriately considered.

Changes to remuneration arrangements

The group reserves the right, subject to compliance with the relevant legislation or collective agreements, to change or withdraw any aspect of its total remuneration framework. All programmes are subject to the applicable rules from time to time.

Recognition

In addition to the core remuneration elements set out above, the group also prides itself on the recognition of excellence among employees. To this end the group operates a comprehensive recognition programme comprising both formal and informal recognition.

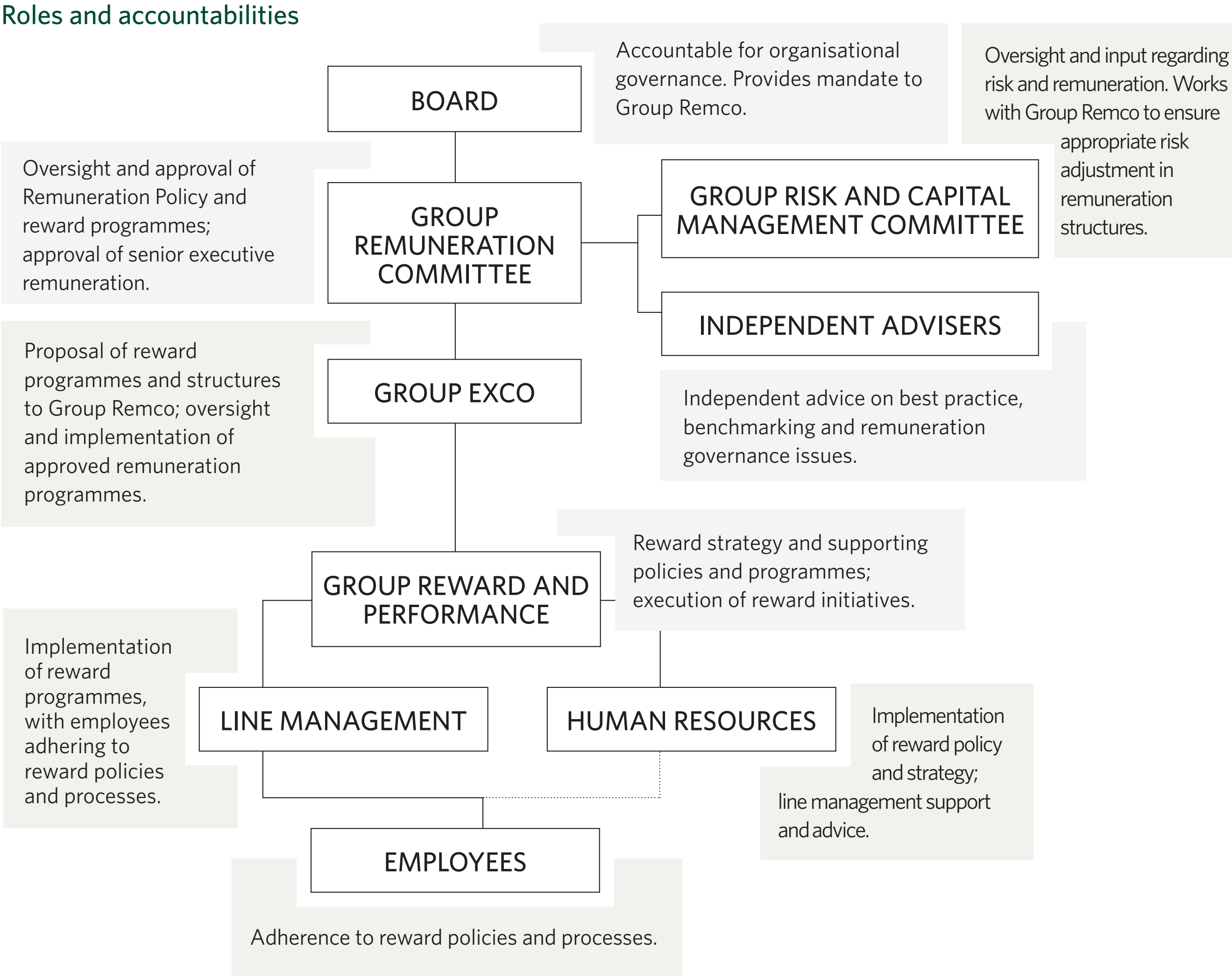
The core principles of the recognition process are as follows:

- Recognition should be timely and spontaneous.
- Recognition should be specific in that employees must know what behaviours were found desirable and what actions should be repeated.
- Business units determine how recognition will be conducted in their area within specified guidelines.
- The recognition programme incorporates both informal and formal processes. These processes run concurrently throughout the year and support the achievement of the group's business objectives.
- Any awards made under the recognition programme are compliant with the relevant tax legislation.

Non-executive directors' remuneration

The fees of non-executive directors are reviewed annually. In accordance with the relevant corporate governance requirements, these are subject to approval in advance by shareholders at the annual general meeting. Changes to fees, where approved, become applicable on 1 July of each year.

Roles and accountabilities



REPORTING BACK ON REMUNERATION (CONTINUED)

REMUNERATION REPORT

The Nedbank Group Remuneration Policy is enabled and supported by decisions made by Group Remco, which is informed by internal rules, procedures and processes. These ensure that the group's predominant approach remains one of consistency and stability, while being cognisant of evolving legislation and remuneration practice. Any changes made are considered carefully to mitigate any unintended consequences or negative effects on the group's stakeholders. In this regard the only material change made to remuneration practice in the group was the implementation of the requirement that future LTI awards made to executive directors will now be subject to performance conditions on 100% of the award, up from 50% in previous award cycles. This is set out in more detail on page 166 of this Remuneration Report.

This Remuneration Report sets out the consistent implementation of the Nedbank Group Remuneration Policy within the group during 2013, as well as subsequent events in 2014, where applicable.

REMUNERATION GOVERNANCE

Remuneration regulation

Group Remco recognises that, globally, the remuneration environment is becoming increasingly regulated. This requires that Group Remco members keep abreast of the changing regulatory landscape, as well as prevailing stakeholder sentiment regarding remuneration matters, and take proactive steps to ensure that the group continues to meet its regulatory obligations in this regard.

Group Remco receives regular updates from either its external advisers or the Group Reward and Performance team on the evolving regulatory environment to ensure that it is able to respond to changes in this regard appropriately and timeously. There have also, for the past two years, been dedicated training sessions, to which all boardmembers are invited, dealing in depth with the issues of remuneration governance.

Interaction with regulators

During 2013 the group confirmed to the South African Reserve Bank (SARB) that it continues to comply with the IFSB Principles and the associated implementation standards. All matters previously raised with the group by the SARB as part of its ongoing engagement with SA banks were confirmed as having been closed during 2012. These items specifically related to increased disclosures in the Remuneration Report in terms of regulation 43 of the Banks Act. The relevant issues were evidenced in the disclosures outlined in our 2012 Remuneration Report, and again in this report.

Composition of Group Remco

Group Remco currently consists of four members, the majority of whom are independent non-executive directors. The committee has an independent chairman.

Group Remco membership in 2013 was as follows:

Name	Directorship status	Current membership
Ms TCP Chikane (past Chairman)	Independent non-executive director	Resigned as a director 13 August 2013.
Mr MA Enus-Brey	Non-executive director	Resigned from Group Remco 18 January 2013.
Mr DI Hope	Non-executive director	Resigned as a director 30 June 2013.
Mr PM Makwana (Chairman)	Independent non-executive director	Current member. Appointed Chairman 2 September 2013.
Ms NP Mnxasana	Independent non-executive director	Current member.
Mr JVF Roberts	Non-executive director	Appointed to Group Remco 21 February 2013.
Mr MI Wyman	Senior independent non-executive director	Current member.

Group Remco met six times during 2013. Details of attendance at the meetings are set out in the supplementary Governance and Ethics section available online.

The CE, Chief Operating Officer and Group Executive: Human Resources, are permanent invitees to Group Remco meetings. However, none of these attendees are present for discussions on their own remuneration. The meetings are also attended by the executive responsible for the Reward and Performance function in the group, as well as any external advisers whom Group Remco may deem necessary from time to time.

All members of Group Remco act as trustees of the Nedbank Group (2005) Employee Share Trust. The trustee meeting for this scheme was held on 22 November 2013.

Functioning of Group Remco

Group Remco is delegated by the board to discharge its corporate governance duties related to remuneration strategy, policy and practices. The board ensures that Group Remco is:

- constituted in a way that enables it to exercise competent and independent judgement on remuneration policy and practices, while also considering the management of related risk;
- independently engaged by the GRCMC for specific risk-related decisions;
- functioning in compliance with statutory requirements, codes of relevant best remuneration practice as well as applicable regulatory requirements and its board-approved charter; and
- remaining responsive in terms of risk-adjusted remuneration practices.

Group Remco's responsibilities, which are groupwide in their application and are set out in the Group Remco Charter, are to:

Approve	Recommend	Review	Report
▪ the annual performance scorecards of the CE, executive directors and prescribed officers, and other members of the Group Executive Committee (Group Exco), and the resultant outcomes in respect of each performance year; ▪ the CPTs related to the vesting of LTI allocations and matched shares; ▪ the annual STI pool, and the rules of any bespoke incentive schemes; ▪ the overall guaranteed remuneration increase budget or mandate for all staff; ▪ the proposed STI awards to individuals in excess of a defined limit; ▪ on an individual basis, all share-based LTI allocations in excess of a defined limit; and ▪ all elements of remuneration for the Company Secretary.	▪ to the board for approval all elements of remuneration on an individual basis for the CE, executive directors and other members of Group Exco; and ▪ to the board, based on the research and recommendations of an independent subcommittee (comprised of individuals not impacted by the proposals in this regard), the remuneration of the Chairman of the board, and the non-executive directors for onward recommendation to the shareholders.	▪ remuneration proposals and practices for the group to ensure alignment with best practice and the latest governance principles; ▪ the overall financial liability related to all elements of remuneration for the entire group; ▪ the material terms and conditions of service of all group staff (where appropriate) to ensure that they are fair and competitive; ▪ the proposals for non-executive directors' fees, which is the responsibility of the independent committee; ▪ the appropriate peer group against which group remuneration will be evaluated; ▪ any issues raised by the GRCMC that are related to remuneration; ▪ the allocation of guaranteed variable remuneration awards; and ▪ the use of independent external advice where necessary.	▪ in an annual remuneration report for the board for publication in the integrated report; and ▪ to the board after each meeting and more frequently if required.

Group Remco applies the guiding principles of the Remuneration Policy as far as is feasible, but retains the right to apply discretion to deviate from this policy in exceptional circumstances. There were no requirements for such deviation in 2013.

Group Remco's self-assessment to evaluate its effectiveness against the objectives of its charter revealed no material issues.

Advice to Group Remco

Group Remco has full access to independent executive remuneration consultants, and has utilised the services of Vasdex Associates (Pty) Ltd and PwC during 2013.

Group Remco is provided, through the Group Reward and Performance function, with market-related remuneration information based on a number of independent remuneration surveys in which we participate. These include PwC Remchannel surveys, the Global Remuneration Solutions Top Executive Remuneration Survey, the LMO Executive Remuneration Survey and a number of smaller niche remuneration surveys.

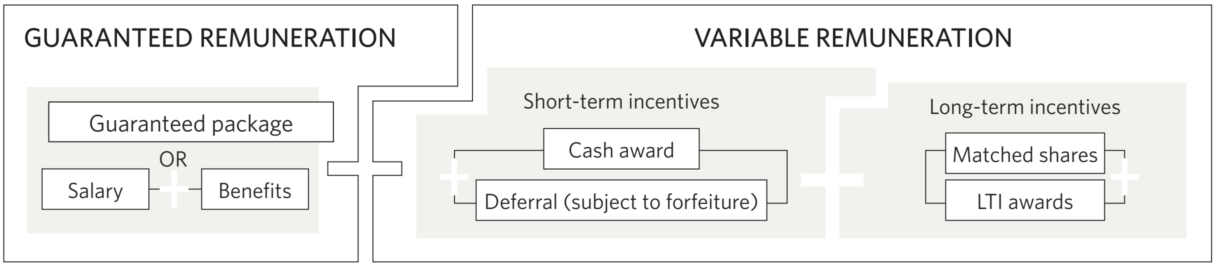
REMUNERATION ELEMENTS: MATERIAL PROGRAMMES

The group's remuneration elements are set out in detail in the Remuneration Policy on pages 141 to 145 of this Remuneration Report. In this section material remuneration programmes or practices are highlighted.

REPORTING BACK ON REMUNERATION (CONTINUED)

Total remuneration mix

The Nedbank total remuneration mix is depicted as follows:



Details of the items in the diagram set out above are included in the Remuneration Policy on pages 141 to 145 of this Remuneration Report. However, in some instances, further details which are set out on the pages that follow, are provided to ensure greater understanding of Nedbank's approach in this regard.

Retirement schemes

Our principal position on retirement schemes remains that these should be of a defined-contribution nature, with appropriate employee involvement in the governance of these schemes through representation on boards of trustees. We are, however, cognisant of the fact that the scheme design and governance will be largely influenced by local statutory and regulatory conditions. Detailed financial disclosures are set out in the consolidated annual financial statements available online.

SA employees (part of guaranteed package)

The majority of SA employees (and specifically all appointees since 1 January 1994) are members of the Nedgroup Defined-contribution Pension or Provident Fund. Both include flexible contribution levels and member investment choice. At 31 December 2013 a total of 8 446 employees were members of the Defined-contribution Pension Fund and 17 829 employees were members of the Defined-contribution Provident Fund.

We also have the closed Nedgroup Defined-benefit (DB) Pension Fund, with 283 active members and 2 666 pensioners at 31 December 2013. The Nedgroup DB Pension Fund is fully funded, with an actuarial surplus.

Employees outside SA (either provided as part of the guaranteed package or as a standalone employee benefit)

Our non-SA operations run a variety of defined-contribution and legacy defined-benefit schemes for the benefit of employees. These are all governed in accordance with the local regulatory environment. Where defined-benefit plans are in deficit, appropriate steps are in place to manage the financial impact of such deficits. Existing defined-benefit-plan deficits are not regarded as posing any material risk to the financial sustainability of the group.

Postretirement medical aid fund subsidisation

A postretirement medical aid fund exists, which provides qualifying employees in SA with a postretirement medical aid subsidy promise. Approximately 72% of active employees participate in the benefit. This promise is contingent on the employee actually retiring from the bank, and is not transferable. The fund is currently fully funded.

Short-term incentive schemes

STIs aim to drive the achievement of sustainable results within an agreed risk appetite framework and to encourage behaviours that are consistent with our values and are aligned with the best interests of our stakeholders. Our STI schemes are structured to support collaborative work across different clusters. Group Remco has agreed a set of principles and all group and cluster incentive schemes are designed according to those principles. GRI 3.1: EC3

Performance is measured at a group, cluster and business unit level against preagreed financial and non-financial targets after the finalisation of the audited year-end results.

In the income-generating clusters incentive pools are structured with a weighting linked to the group, cluster and, where appropriate, divisional performance. The five income-generating clusters within the group (Capital, Corporate, Business Banking, Retail and Wealth) are measured against a combination of performance targets, namely economic profit (EP), headline earnings and a set of non-financial targets. The incentive pools for all central clusters are based on a combination of group performance relative to the targets in respect of EP, headline earnings and cluster-specific non-financial performance scorecards.

Group Remco continues to institute a control limit whereby there may be no more than a 10% variance between the group topdown performance calculation and the independent bottomup cluster performance calculations for determining the Group STI pool.

The detailed process for setting the STI pools is outlined on page 165 of this Remuneration Report.

Distribution of the STI pools at an individual level is on a discretionary basis, is aligned with market practice and utilises individual performance relative to the agreed deliverables in the performance management process. In view of the importance of long-term sustainability of performance, a portion of the STI earned above a predetermined threshold is deferred, and remains at risk over a future settlement period.

The total STI pool approved for distribution by Group Remco in respect of the 2013 financial year was R1 825m (2012: R1 579m). Furthermore, in accordance with the provisions of its charter, Group Remco approved 31 individual STI payments (2012: 13) in excess of 200% of GP in respect of the 2013 financial year.

Deferral of short-term incentives

STIs above R1m are subject to deferral into the Compulsory Bonus Share Scheme, which operates under the terms of the Nedbank Group (2005) Matched Share Scheme. This arrangement has been in place since 2010. Deferral takes place in respect of 50% of any amount over R1m, and applies on a posttax basis. Amounts are deferred over a period of 30 months, with releases from forfeiture taking place in equal proportions at six months, 18 months and 30 months from the date of award. However, to be eligible for a match on these shares the individual must retain the shares in the scheme for a full period of 36 months. This is addressed in further detail below.

Awards in each tranche are subject to a formal release-from-forfeiture decision, which is subject to board approval and dependent on there having been no material events that would, at the absolute discretion of Group Remco, warrant forfeiture of the particular tranche of the individual awards. If a forfeiture event is declared, the awards for the applicable tranche lapse in part or full, without any option for retesting. Awards are subject to forfeiture in the event of resignation or dismissal for cause (a so-called 'fault' termination).

Employees may also elect to defer a portion of their posttax STI voluntarily into the Matched Share Scheme, subject to the total deferral (including compulsory deferral) not exceeding 50% of the total posttax STI award. Any voluntary deferral must similarly be held in the scheme for 36 months to qualify for the match, as set out below.

Matching of deferred short-term performance incentive awards

In terms of the Matched Share Scheme rules, should there be no forfeiture of awards as outlined above and the employee retains the shares in the scheme for a period of 36 months, he or she may receive matched shares of either 50% or 100% of the number of shares held by him or her in the scheme for the relevant allocation year. The former is based on the employee remaining in the scheme for the stipulated period, whereas the latter is based on both time and the achievement of a predefined CPT. In practice, this means that where the employee is at the highest marginal tax rate and the full after-tax amount of the STI is committed to the Matched Share Scheme for 36 months and the performance condition is met, the STI can increase by 30% on its original value, before taking account of any movement in the share price.

A cash-settled compulsory STI deferral is used for all employees employed in the UK who earned an STI in excess of £150 000. A total of 2 (2012: 2) UK-based employees earned STIs in excess of the threshold for financial year 2013 (payable in 2014).

Special-purpose short-term variable remuneration

In exceptional circumstances, typically in the context of hiring senior and key employees, we use preapproved special-purpose short-term variable remuneration arrangements.

Scheme type	Scheme description	Scheme governance	Number of awards
Signon bonuses	Cash awards made to prospective employees on joining the group, typically awarded to compensate for loss of certain accrued benefits, or to make them whole in terms of existing contractual obligations.	Group Remco approves an annual pool from which the CE may allocate awards. Recommendations are received from Group Exco members. Awards are subject to clawback provisions in respect of termination of services before a prestipulated timeframe.	Ten awards (2012: 20) totalling R2,86m (2012: R12,7m).
DSTI awards	DSTI awards are cash-based awards, comprising an upfront payment (typically 40% of the award), with a deferred component (the remaining 60%) payable subject to a minimum time-based condition.	Group Remco approves an annual pool for DSTIs. Motivations for awards are made by Group Exco members and approved by the CE. Awards may not be considered for the current CE or for existing members of Group Exco, but may be considered on a highly exceptional basis as part of the total remuneration package in the event of appointment of new Group Exco members from outside the group. Awards are subject to contract, to clawback (for the component already paid) and to forfeiture of the remaining portion in the event that the recipient leaves the employ of the group during the tenure of the award. Awards are also subject to an ongoing minimum individual performance requirement, which, if not met, may result in the lapse of the deferred tranche in full.	Six awards (2012: 21) totalling R6,1m (2012: R13,3m).

The group does not, as a matter of course, award guaranteed bonuses.

REPORTING BACK ON REMUNERATION (CONTINUED)

Long-term incentives

LTIs are awarded with the joint aims of aligning performance with the interests of stakeholders and of retaining key employees. Criteria and the quantum of allocations are benchmarked to the market annually. The allocation of LTIs is discretionary and is based on the following key eligibility criteria:

- Strategy and individuals key to driving the business strategy.
- Talent management strategy and succession planning.
- Retention of key talent and scarce skills.
- Transformation objectives.
- Potential and performance.
- Leadership.

All LTI allocations are motivated by Group Exco and approved by Group Remco members in their capacity as trustees of the Nedbank (2005) Employee Share Scheme Trust. Specific approval is also required for all LTI awards greater than 100% of GP.

The various LTI schemes are indicated below. The operation of the international Long-term Incentive Plan (LTIP) has been brought in line with the Nedbank SA LTIP, but on a phantom basis.

Overview of the group's long-term incentive arrangements under the Nedbank (2005) Employee Share Scheme

The Option Scheme

No awards have been made in terms of this section of the scheme since 2007 and there are no unvested awards in this scheme.

Restricted Share Scheme: Annual allocations

Group Remco issued restricted shares with a three-year vesting period to eligible participants on the following basis:

- 50% performance shares: restricted shares with CPTs.
- 50% retention shares: restricted shares without CPTs.

With effect from 2014 all future awards made to executive directors will be subject to CPTs on 100% of the award.

Restricted Share Scheme: On-appointment allocations

On-appointment, restricted-share allocations with a three-year vesting period are offered at the discretion of Group Remco to new senior managers and also to employees who have been appointed to more senior positions and have been recommended for an allocation by Group Exco.

On-appointment allocations take place biannually (and by exception on the date of appointment, with specific approval), three trading days after the announcement of the annual or interim financial results. Allocations are made on the following basis:

- 50% performance shares: restricted shares with CPTs.
- 50% retention shares: restricted shares without CPTs.

With effect from 2014 all future on-appointment awards made to executive directors (including on appointment to an executive director role) will be subject to CPTs on 100% of the award.

Matched Share Scheme

The Matched Share Scheme provides a vehicle for the compulsory deferral of STI awards in excess of R1m. There is also an opportunity for employees to participate in the scheme by way of a voluntary investment. The details applicable to deferral and potential matching of deferred awards are set out on page 149 of this Remuneration Report.

In this regard employees also have a voluntary opportunity to allocate a portion of their STI to a maximum of 50% of their total after-tax STI (inclusive of any compulsory deferral) towards the acquisition of Nedbank Group shares. Employees may also deposit personally held Nedbank Group shares to the equivalent value into the trust that administers this scheme. The incentive to do so is a matching of this investment to a maximum equivalent value on a one-for-one basis.

The scheme's obligation to deliver or procure the delivery of the matched shares in both the compulsory and voluntary arrangements rests on two conditions, namely that:

- for 50% of the matched shares, employees are still in the service of the group on the vesting date three years after allocation under the Matched Share Scheme; and
- for the remaining 50% of the matched shares, the group has met an agreed performance target over a three-year period.

Other long-term incentive schemes in operation

Phantom Cash-settled Restricted Share Plan

During 2007 Group Remco approved the Phantom Cash-settled Restricted Share Plan (the Nedbank UK LTIP) for key employees in the UK. The design principles and rules mirror the Nedbank (2005) Employee Share Scheme.

Nedbank Africa subsidiary schemes

There are approved schemes in Nedbank Namibia and Nedbank Swaziland.

Full details of the number and value of awards granted during the year in terms of our share-based plans are included in the Consolidated Annual Financial Statements, which are available online.

Corporate performance targets

Group Remco approved the use of a combination of equally weighted internal absolute and external relative CPTs for the performance shares awarded in 2013, which have remained unchanged since these targets were originally set in 2010. The details of these targets are set out on page 167 of this Remuneration Report.

CPTs may not be altered once they have been set. This is in accordance with global best practice and the provisions of the relevant remuneration regulations.

Vesting profile of long-term incentives

	Issue date	2010 2011 2012 2013 2014 2015 2016	Performance shares issued with CPTs	Retention shares issued without CPTs
Nedbank (2005) Employee Share Scheme: - Restricted Share Scheme	02/03/2010		ROE + Fini 15. Status: Proportionally vested 03/2013	
	03/03/2010			No CPTs. Status: Fully vested 03/2013
	05/08/2010		ROE + Fini 15. Status: Proportionally vested 08/2013	
	06/08/2010			No CPTs. Status: Fully vested 08/2013
	07/03/2011		ROE + Fini 15. Status: Proportionally vesting 03/2014	
	08/03/2011			No CPTs. Status: Fully vesting 03/2014
	04/08/2011		ROE + Fini 15. Status: Proportionally vesting 08/2014	
	05/08/2011			No CPTs. Status: Fully vesting 08/2014
	07/03/2012		ROE + Fini 15. Status: Proportionally vesting 08/2015	
	08/03/2012			No CPTs. Status: Fully vesting 03/2015
	06/08/2012		ROE + Fini 15. Status: Too soon to assess	
	07/08/2012			No CPTs. Status: Fully vesting 08/2015
	07/03/2013		ROE + Fini 15. Status: Too soon to assess	
	08/03/2013			No CPTs. Status: Fully vesting 08/2016
	14/08/2013		ROE + Fini 15. Status: Too soon to assess	
	15/08/2013			No CPTs. Status: Fully vesting 08/2016

	Issue date	2010 2011 2012 2013 2014 2015 2016	Performance and match conditions	Outcome
Nedbank (2005) Employee Share Scheme: - Compulsory Bonus Share Scheme	01/04/2010		Release from forfeiture decision on 6-, 12- and 18-month anniversary of date of grant. For matching: ROE of Nedbank Group of greater than or equal to the COE (to be determined annually) +2% over three financial years. Match only applies to shares held in the plan for 36 months.	No forfeiture: All tranches released in full. 0,5:1 match confirmed
	01/04/2011			No forfeiture: All tranches released in full. 1:1 match confirmed
	01/04/2012			Tranche 1 and 2 released. Tranche 3 and match still to be tested.
	01/04/2013			Tranche 1 released. Tranche 2 and 3 and match still to be tested.

	Issue date	2010 2011 2012 2013 2014 2015 2016	Performance and match conditions	Outcome
Nedbank (2005) Employee Share Scheme: - Voluntary Bonus Share Scheme	01/04/2010		For matching: ROE of Nedbank Group of greater than or equal to the COE (to be determined annually) +2% over three financial years. Match only applies to shares held in the plan for 36 months.	0,5:1 match
	01/04/2011			1:1 match
	01/04/2012			Too soon to assess
	01/04/2013			Too soon to assess

ROE – Return on equity (excluding goodwill).

COE – Cost of equity.

REPORTING BACK ON REMUNERATION (CONTINUED)

Vesting of share awards in 2014

Nedbank Group issued restricted shares in March 2011, with vesting thereof linked in equal proportions to a combination of time and the group's meeting certain performance conditions. In respect of the time-based awards vesting took place at 100% and in respect of the performance-condition-based awards vesting took place at 85,9% of the award. The same vesting arrangements applied in respect of the awards issued to all employees who participate in the scheme. Where necessary, in the case of executive directors and the Company Secretary, the necessary Securities Exchange News Service (SENS) announcements were issued at the prescribed times in this regard.

Nedbank Eyethu employee schemes

We implemented our black economic empowerment staff schemes in August 2005. The following employee schemes were approved at that time:

Scheme name	New awards during 2013	Total beneficiaries at 31 December 2013
Black Executive Trust	7	53 (2012:60)
Black Management Scheme	0	1 038 (2012: 1 366)
Evergreen Trust[1]	1 123 qualifying employees received vouchers to assist with school uniform purchases (2012: 6)	Once-off awards are made
Broad-based Scheme	Fully vested on 27 July 2010	

[1] *The Evergreen Trust was created with the specific purpose of improving the living standards and personal circumstances of black permanent employees at the lower-income levels by providing grants and/or benefits to qualifying employees.*

Share and share option allocations are made to new and internally appointed employees, in accordance with the scheme rules and the respective trust deeds.

Rest of Africa empowerment schemes

No allocations were made under the Nedbank Swaziland Sinakekelwe Employee Share Scheme and the Nedbank Namibia Ofifiya Black Management Scheme in 2013.

Empowerment or 'indiginisation' schemes were approved during 2013 for the group's subsidiaries in Lesotho, Malawi and Zimbabwe. These are currently in the process of being implemented.

Collective bargaining regarding remuneration increases

Certain categories of employees in SA are covered under collective bargaining agreements with Sasbo: The Finance Union and the Insurance and Banking Staff Association (IBSA). At 31 December 2013 a total of 69% of our employees constituted the bargaining unit. In April 2013 the bargaining unit guaranteed-remuneration bill was increased by 8% and non-bargaining unit and executive guaranteed remuneration bill by approximately 5,5% and 5% respectively. The minimum GP for all SA entities was increased by 14,6% to R110 000 per annum.

Collective-bargaining arrangements also exist in our Rest of Africa subsidiaries in Lesotho, Namibia, Swaziland and Zimbabwe. Care is taken in respect of these that salary increase settlements are appropriate within the context of local market and economic conditions.

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

Prescribed officers

The managing executives of the four frontline, income-generating clusters are included in the disclosures set out below. The board has approved the executives to be regarded as prescribed officers.

Increase in guaranteed package

The remuneration for the CE, executive directors and prescribed officers were adjusted with effect from 1 April 2013. Increases for executive directors and prescribed officers took into account market benchmarks, performance and remuneration levels relative to those of peers. There was also appropriate consideration of calls for restraint in regard to remuneration. The GPs of the CE and other executive directors were considered and recommended to the board by Group Remco, with a further approval by Old Mutual plc for the CE.

The following adjustments to GP were approved by Group Remco for implementation on 1 April 2014:

	Guaranteed package[1]		Yoy movement		
	New GP effective April 2014 (R000)	**GP at April 2013 (R000)**	GP at April 2012 (R000)	2013-2014 % change	2012-2013 % change
MWT Brown	7 200	6 600	6 330	9,1	4,3
GW Dempster	5 000	4 435	4 225	12,7	5,0
RK Morathi	3 900	3 570	3 400	9,2	5,0
IG Johnson	4 650	4 200	4 000	10,7	5,0
B Kennedy	4 000	3 780	3 600	5,8	5,0
D Macready	3 750	3 300	3 000	13,6	10,0
MC Nkhulu	3 750	3 500	3 325	7,1	5,3

[1] *Audited.*

The above proposals were informed by an extensive role evaluation and remuneration benchmarking exercise conducted with GRS/Mercer SA in respect of each individual executive director and prescribed officer.

Retirement schemes

All executive directors and prescribed officers are members of the Nedgroup Defined-contribution Pension or Provident Fund. There are no defined-benefit liabilities in respect of the executive directors and prescribed officers. Contributions to the retirement funds form part of the GP.

Service contracts

Service contracts of executive directors and prescribed officers are aligned with the general conditions of service applicable to all group employees based in SA, except for specific provisions relating to notice periods.

Service contracts are subject to the following notice and retirement conditions:

	Notice period	Retirement age
Chief Executive	12 months	60
Executive directors	Six months	60
Prescribed officers	One to three months	60

Termination arrangements

Executive directors and prescribed officers are entitled to severance pay equal to two weeks' GP per completed year of service if their services are terminated by the company on a no-fault basis. Contractual notice (where applicable) and accrued leave will also be paid out in the normal course.

Treatment of any unpaid bonus, unvested deferrals or unvested LTI awards will be dealt with in accordance with the rules of the various schemes, and will in all instances be subject to Group Remco and board oversight and approval. There are no special termination arrangements or golden-parachute agreements in place.

Short-term incentive scheme targets

STI amounts awarded for 2013 to all executive directors and prescribed officers were based on a combination of performance against preagreed targets in respect of the level of group and respective cluster EP, headline earnings and performance against their individual performance scorecards, incorporating financial and non-financial measures.

REPORTING BACK ON REMUNERATION (CONTINUED)

The dimensions used to measure individual performance were:

Theme	Broad objectives	Linkage to strategic focus areas
Financial and business	Delivering sustainable financial outperformance.	Manage for value
Client and relationships	Investing for growth by expanding into the entry-level and middle markets, the public sector and business banking, and implementing the rest of Africa strategy; improving our client relations by empowering our clients through delivery of affordable banking; and leading as a corporate citizen.	Client-centred Green and caring bank
Management and internal processes	Enhancing productivity and execution; managing risk as an enabler; growing regulatory and government relationships; and growing stakeholder relations.	Risk as an enabler Productivity and execution
Organisational learning, leadership and transformation	Accelerating transformation in support of achieving our transformation targets, objectives and behaviours; and building an innovative and differentiated culture and becoming an employer of choice by creating a great place to work.	Leading transformation Unique and innovative culture

These are broadly consistent with the dimensions applied in 2012, except that certain metrics will have been updated to include the evolving group strategy.

The following table presents the way in which the STI awards have been determined, based on the assessment of the group and respective cluster headline earnings and EP performance as well as the performance of each executive director and prescribed officer against his or her agreed individual performance scorecard:

	Ontarget STI % of GP	Maximum target STI % of GP	% of GP achieved for group and cluster financial measures	% of GP achieved for individual perfor-mance and discretion	Final STI as % of GP	Final STI as % of on target STI
	A		B	C	D=B+C	E=D/A
Executive directors						
MWT Brown	150	250	183	14	197	131
GW Dempster	150	250	183	18	201	134
RK Morathi	150	250	183	10	193	129
Prescribed officers						
IG Johnson	150	250	169	10	179	119
B Kennedy	250	400	319	25	344	138
D Macready	150	250	199	13	212	141
MC Nkuhlu	150	250	194	20	214	143
(Rounded)						

Minimum shareholding requirements

In November 2012 Group Remco approved a minimum shareholding policy, which will apply to all current and future members of Group Exco, including executive directors and prescribed officers.

In terms of these arrangements the following minimum shareholding levels must be reached within five years from the date of the March 2013 LTI awards or five years from the date of appointment to Group Exco, if later:

Chief Executive	2 times guaranteed package
Executive directors and prescribed officers	1,5 times guaranteed package
Other members of Group Exco	1 times guaranteed package

As previously reported, the CE has already reached the required two times GP holding level in 2012, and has maintained compliance with the requirements.

TOTAL REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED*)

Executive directors R000	MWT Brown			GW Dempster			RK Morathi		
	2013*	2012	%	**2013***	2012	%	**2013***	2012	%
Cash portion of package	5 614	5 376		3 521	3 420		2 953	2 647	
Other benefits	118	106		129	121		142	282	
Defined contribution retirement fund	800	765		732	627		432	409	
Guaranteed remuneration	6 532	6 247	4,6	4 382	4 168	5,1	3 527	3 338	5,7
Cash performance incentive	7 000	6 250		4 950	4 400		3 950	3 500	
Deferred performance incentive (delivered in shares)	6 000	5 250		3 950	3 400		2 950	2 500	
Total STI[1]	13 000	11 500	13,0	8 900	7 800	14,1	6 900	6 000	15,0
Total remuneration[2]	19 532	17 747	10,1	13 282	11 968	11,0	10 427	9 338	11,7
Value of share-based awards (face value at award)[5]	13 000	11 000	18,2	8 250	7 000	17,9	7 000	6 000	16,7
Total direct remuneration[3]	32 532	28 747	13,2	21 532	18 968	13,5	17 427	15 338	13,6
Other payments[4]					21				

Prescribed officers R000	IG Johnson			B Kennedy			D Macready			MC Nkuhlu		
	2013*	2012	%	**2013***	2012	%	**2013***	2012	%	**2013***	2012	%
Cash portion of package	3 462	3 255		3 381	2 790		2 573	2 358		2 931	2 789	
Other benefits	63	58		93	512		166	148		102	90	
Defined contribution retirement fund	625	587		261	248		485	444		423	402	
Guaranteed remuneration	4 150	3 900	6,4	3 735	3 550	5,2	3 224	2 950	9,3	3 456	3 281	5,3
Cash performance incentive	4 250	4 250		7 000	5 900		4 000	3 250		4 250	3 500	
Deferred performance incentive (delivered in shares)	3 250	3 250		6 000	4 900		3 000	2 250		3 250	2 500	
Total STI[1]	7 500	7 500	0,0	13 000	10 800	20,4	7 000	5 500	27,3	7 500	6 000	25,0
Total remuneration[2]	11 650	11 400	2,2	16 735	14 350	16,6	10 224	8 450	21,0	10 956	9 281	18,0
Value of share-based awards (face value at award)[5]	10 000	8 000	25,0	7 000	6 000	16,7	6 750	6 000	12,5	8 500	7 500	13,3
Total direct remuneration[3]	21 650	19 400	11,6	23 735	20 350	16,6	16 974	14 450	17,5	19 456	16 781	15,9
Other payments[4]								1				

[1] *In terms of the rules of the Matched Share Scheme, this amount may increase by up to 30% (before share price movement), subject to fulfilment of the CPT, and subject to continued investment of the amount in the scheme for 36 months.*
[2] *Total remuneration is the sum of guaranteed remuneration and total STI.*
[3] *Total direct remuneration is the sum of total remuneration and the value of share-based awards made.*
[4] *Other payments are typically non-recurring payments and include leave pay and special payments, but exclude gains from vesting share awards, which are set out in the table on pages 156 to 163 of this Remuneration Report.*
[5] *Awards listed under 2013 were granted in March 2014, and apply in respect of the 2014–2016 financial years. Awards listed under 2012 were granted in March 2013, and apply in respect of the 2013 – 2015 financial years.*

REPORTING BACK ON REMUNERATION (CONTINUED)

SHARE-BASED PAYMENTS TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED)

Payments from prior years' deferred bonus, LTIs and outstanding share plan awards, including participation in the group's empowerment arrangements:

	Opening balance at 1 January 2013				Awards made during 2013			
Executive directors	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
MWT Brown								
Nedbank restricted shares	43 360	2010/03/02	121,08	2013/03/03				
	43 360[2]	2010/03/03	121,08	2013/03/04				
	23 357	2011/03/07	128,44	2014/03/08				
	23 357[2]	2011/03/08	128,44	2014/03/09				
	32 431	2012/03/07	161,88	2015/03/08				
	32 431[2]	2012/03/08	161,88	2015/03/09				
					28 962	2013/03/07	189,90	2016/03/08
					28 962[2]	2013/03/08	189,90	2016/03/09
Compulsory Bonus Share Scheme[1]	4 895	2010/03/31	137,88	2013/04/01	2 448[3]	2013/04/01	193,49	2013/04/01
	10 584	2011/03/31	141,72	2014/04/01				
	15 192	2012/03/31	171,79	2015/04/01				
					16 099	2013/03/31	195,66	2016/04/01
Voluntary Bonus Share Scheme[4]	Own shares	2010/03/31	137,88	2013/04/01	2 176[3]	2013/04/01	193,49	2013/04/01
	Own shares	2011/03/31	141,72	2014/04/01				
	Own shares	2012/03/31	171,79	2015/04/01				
					Own shares	2013/03/31	195,66	2016/04/01
Total value of dividends								
Total								
GW Dempster								
Nedbank restricted shares	20 647	2010/03/02	121,08	2013/03/03				
	20 647[2]	2010/03/03	121,08	2013/03/04				
	15 571	2011/03/07	128,44	2014/03/08				
	15 571[2]	2011/03/08	128,44	2014/03/09				
	27 798	2012/03/07	161,88	2015/03/08				
	27 798[2]	2012/03/08	161,88	2015/03/09				
					18 430	2013/03/07	189,90	2016/03/08
					18 430[2]	2013/03/08	189,90	2016/03/09
Compulsory Bonus Share Scheme[1]	4 351	2010/03/31	137,88	2013/04/01	2 176[3]	2013/04/01	193,49	2013/04/01
	5 292	2011/03/31	141,72	2014/04/01				
	10 477	2012/03/31	171,79	2015/04/01				
					10 426	2013/03/31	195,66	2016/04/01
Voluntary Bonus Share Scheme[4]	Own shares	2010/03/31	137,88	2013/04/01	1 361[3]	2013/04/01	193,49	2013/04/01
	Own shares	2011/03/31	141,72	2014/04/01				
	Own shares	2012/03/31	171,79	2015/04/01				
					Own shares	2013/03/31	195,66	2016/04/01
Total value of dividends								
Total								

	Awards vesting/lapsing during 2013						Dividends	Closing balance at 31 December 2013		
	Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Vesting/ Exercise date	Value gained on vesting (R)	Notional value of loss on lapsing[5] (R)	Total value of dividends paid in respect of all plans[7] (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
	30 655	12 705	194,55	2013/03/03	5 963 930	(2 471 758)				
	43 360		194,55	2013/03/04	8 435 688					
								23 357	2013/12/31	2014/03/08
								23 357	2013/12/31	2014/03/09
								32 431	2014/12/31	2015/03/08
								32 431	2014/12/31	2015/03/09
								28 962	2015/12/31	2016/03/08
								28 962	2015/12/31	2016/03/09
	7 343		193,49	2013/04/01	1 420 797					
								10 584	2013/12/31	2014/04/01
								15 192	2014/12/31	2015/04/01
								16 099	2015/12/31	2016/04/01
	2 176		193,49	2013/04/01	421 034					
							1 715 395			
					16 241 449	(2 471 758)	1 715 395			
	14 597	6 050	194,55	2013/03/03	2 839 846	(1 177 028)				
	20 647		194,55	2013/03/04	4 016 874					
								15 571	2013/12/31	2014/03/08
								15 571	2013/12/31	2014/03/09
								27 798	2014/12/31	2015/03/08
								27 798	2014/12/31	2015/03/09
								18 430	2015/12/31	2016/03/08
								18 430	2015/12/31	2016/03/09
	6 527		193,49	2013/04/01	1 262 909					
								5 292	2013/12/31	2014/04/01
								10 477	2014/12/31	2015/04/01
								10 426	2015/12/31	2016/04/01
	1 361		193,49	2013/04/01	263 340					
							1 219 266			
					8 382 969	(1 177 028)	1 219 266			

REPORTING BACK ON REMUNERATION (CONTINUED)

	Opening balance at 1 January 2013					Awards made during 2013		
Executive directors	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
RK Morathi								
Nedbank restricted shares	35 736	2010/03/02	121,08	2013/03/03				
	35 736[2]	2010/03/03	121,08	2013/03/04				
	15 571	2011/03/07	128,44	2014/03/08				
	15 571[2]	2011/03/08	128,44	2014/03/09				
	13 899	2012/03/07	161,88	2015/03/08				
	13 899[2]	2012/03/08	161,88	2015/03/09				
					15 797	2013/03/07	189,90	2016/03/08
					15 797[2]	2013/03/08	189,90	2016/03/09
Compulsory Bonus Share Scheme[1]	3 175	2011/03/31	141,72	2014/04/01				
	6 636	2012/03/31	171,79	2015/04/01				
					7 666	2013/03/31	195,66	2016/04/01
Voluntary Bonus Share Scheme[4]	Own shares	2010/03/31	137,88	2013/04/01	1 088[3]	2013/04/01	193,49	2013/04/01
	Own shares	2011/03/31	141,72	2014/04/01				
	Own shares	2012/03/31	171,79	2015/04/01				
					Own shares	2013/03/31	195,66	2016/04/01
Eyethu restricted shares	6 600	2010/03/03	121,08	2014/03/04				
	6 600	2010/03/03	121,08	2015/03/04				
	6 800	2010/03/03	121,08	2016/03/04				
Eyethu restricted options[6]	19 800	2010/03/03	121,08	2014/03/04				
	19 800	2010/03/03	121,08	2015/03/04				
	20 400	2010/03/03	121,08	2016/03/04				
Total value of dividends								
Total								

	Awards vesting/lapsing during 2013						Dividends	Closing balance at 31 December 2013		
	Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Vesting/ Exercise date	Value gained on vesting (R)	Notional value of loss on lapsing[5] (R)	Total value of dividends paid in respect of all plans[7] (R)	Number of restrict-ed shares/ options	End of perfor-mance period	Final vesting/ exercise date
	25 265	10 471	194,55	2013/03/03	4 915 306	(2 037 133)				
	35 736		194,55	2013/03/04	6 952 439					
								15 571	2013/12/31	2014/03/08
								15 571	2013/12/31	2014/03/09
								13 899	2014/12/31	2015/03/08
								13 899	2014/12/31	2015/03/09
								15 797	2015/12/31	2016/03/08
								15 797	2015/12/31	2016/03/09
								3 175	2013/12/31	2014/04/01
								6 636	2014/12/31	2015/04/01
								7 666	2015/12/31	2016/04/01
	1 088		193,49	2013/04/01	210 517					
								6 600		2014/03/04
								6 600		2015/03/04
								6 800		2016/03/04
								19 800		2014/03/04
								19 800		2015/03/04
								20 400		2016/03/04
							1 026 648			
					12 078 262	(2 037 133)	1 026 648			

REPORTING BACK ON REMUNERATION (CONTINUED)

Prescribed officers	Opening balance at 1 January 2013: Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Awards made during 2013: Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
IG Johnson								
Nedbank restricted shares	24 777	2010/03/02	121,08	2013/03/03				
	24 777[2]	2010/03/03	121,08	2013/03/04				
	19 464	2011/03/07	128,44	2014/03/08				
	19 464[2]	2011/03/08	128,44	2014/03/09				
	24 709	2012/03/07	161,88	2015/03/08				
	24 709[2]	2012/03/08	161,88	2015/03/09				
					21 063	2013/03/07	189,90	2016/03/08
					21 063[2]	2013/03/08	189,90	2016/03/09
Compulsory Bonus Share Scheme[1]	3 807	2010/03/31	137,88	2013/04/01	1 904[3]	2013/04/01	193,49	2013/04/01
	5 292	2011/03/31	141,72	2014/04/01				
	10 477	2012/03/31	171,79	2015/04/01				
					9 966	2013/03/31	195,66	2016/04/01
Voluntary Bonus Share Scheme[4]	Own shares	2011/03/31	141,72	2014/04/01				
					Own shares	2013/03/31	195,66	2016/04/01
Total value of dividends								
Total								
B Kennedy								
Nedbank restricted shares	24 777	2010/03/02	121,08	2013/03/03				
	24 777[2]	2010/03/03	121,08	2013/03/04				
	15 571	2011/03/07	128,44	2014/03/08				
	15 571[2]	2011/03/08	128,44	2014/03/09				
	18 532	2012/03/07	161,88	2015/03/08				
	18 532[2]	2012/03/08	161,88	2015/03/09				
					15 797	2013/03/07	189,90	2016/03/08
					15 797[2]	2013/03/08	189,90	2016/03/09
Compulsory Bonus Share Scheme[1]	4 786	2010/03/31	137,88	2013/04/01	2 393[3]	2013/04/01	193,49	2013/04/01
	4 022	2011/03/31	141,72	2014/04/01				
	6 548	2012/03/31	171,79	2015/04/01				
					15 026	2013/03/31	195,66	2016/04/01
Voluntary Bonus Share Scheme[4]	Own shares	2011/03/31	141,72	2014/04/01				
	Own shares	2012/03/31	171,79	2015/04/01				
					Own shares	2013/03/31	195,66	2016/04/01
Total value of dividends								
Total								

	Awards vesting/lapsing during 2013						Dividends	Closing balance at 31 December 2013		
	Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Vesting/ Exercise date	Value gained on vesting (R)	Notional value of loss on lapsing[5] (R)	Total value of dividends paid in respect of all plans[7] (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
	17 517	7 260	194,55	2013/03/03	3 407 932	(1 412 433)				
	24 777		194,55	2013/03/04	4 820 365					
								19 464	2013/12/31	2014/03/08
								19 464	2013/12/31	2014/03/09
								24 709	2014/12/31	2015/03/08
								24 709	2014/12/31	2015/03/09
								21 063	2015/12/31	2016/03/08
								21 063	2015/12/31	2016/03/09
	5 711		193,49	2013/04/01	1 105 021					
								5 292	2013/12/31	2014/04/01
								10 477	2014/12/31	2015/04/01
								9 966	2015/12/31	2016/04/01
							1 268 465			
					9 333 318	(1 412 433)	1 268 465			
	17 517	7 260	194,55	2013/03/03	3 407 932	(1 412 433)				
	24 777		194,55	2013/03/04	4 820 365					
								15 571	2013/12/31	2014/03/08
								15 571	2013/12/31	2014/03/09
								18 532	2014/12/31	2015/03/08
								18 532	2014/12/31	2015/03/09
								15 797	2015/12/31	2016/03/08
								15 797	2015/12/31	2016/03/09
	7 179		193,49	2013/04/01	1 389 065					
								4 022	2013/12/31	2014/04/01
								6 548	2014/12/31	2015/04/01
								15 026	2015/12/31	2016/04/01
							1 025 364			
					9 617 362	(1 412 433)	1 025 364			

REPORTING BACK ON REMUNERATION (CONTINUED)

Prescribed officers	Opening balance at 1 January 2013				Awards made during 2013			
	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
D Macready								
Nedbank restricted shares	16 518	2010/03/02	121,08	2013/03/03				
	16 518[2]	2010/03/03	121,08	2013/03/04				
	15 571	2011/03/07	128,44	2014/03/08				
	15 571[2]	2011/03/08	128,44	2014/03/09				
	15 443	2012/03/07	161,88	2015/03/08				
	15 443[2]	2012/03/08	161,88	2015/03/09				
					15 797	2013/03/07	189,90	2016/03/08
					15 797[2]	2013/03/08	189,90	2016/03/09
Compulsory Bonus Share Scheme[1]	1 218	2010/03/31	137,88	2013/04/01	609[3]	2013/04/01	193,49	2013/04/01
	3 704	2011/03/31	141,72	2014/04/01				
	6 548	2012/03/31	171,79	2015/04/01				
					6 899	2013/03/31	195,66	2016/04/01
Voluntary Bonus Share Scheme[4]					Own shares	2013/03/31	195,66	2016/04/01
Total value of dividends								
Total								
MC Nkuhlu								
Nedbank restricted shares	24 777	2010/03/02	121,08	2013/03/03				
	24 777[2]	2010/03/03	121,08	2013/03/04				
	19 464	2011/03/07	128,44	2014/03/08				
	19 464[2]	2011/03/08	128,44	2014/03/09				
	15 443	2012/03/07	161,88	2015/03/08				
	15 443[2]	2012/03/08	161,88	2015/03/09				
					19 747	2013/03/07	189,90	2016/03/08
					19 747[2]	2013/03/08	189,90	2016/03/09
Compulsory Bonus Share Scheme[1]	1 269	2010/03/31	137,88	2013/04/01	635[3]	2013/04/01	193,49	2013/04/01
	6 985	2012/03/31	171,79	2015/04/01				
					7 666	2013/03/31	195,66	2016/04/01
Voluntary Bonus Share Scheme[4]					Own shares	2013/03/31	195,66	2016/04/01
Eyethu restricted shares	3 960	2009/03/03	75,74	2013/03/04				
	3 960	2009/03/03	75,74	2014/03/04				
	4 080	2009/03/03	75,74	2015/03/04				
Eyethu restricted options[6]	11 880	2009/03/03	75,74	2013/03/04				
	11 880	2009/03/03	75,74	2014/03/04				
	12 240	2009/03/03	75,74	2015/03/04				
Total value of dividends								
Total								

[1] Matching on the Compulsory Bonus Share Scheme occurs only on shares in the scheme at the vesting date. If the CPT is met, 100% matching occurs, otherwise a 50% matching occurs.
[2] Restricted share awards with time-based vesting only.
[3] Match occurred at 0,5 shares for each share in the Compulsory Bonus Share Scheme and Voluntary Bonus Share Scheme, at the vesting date.
[4] For the Voluntary Bonus Share Scheme employees invest their own Nedbank shares into the scheme. After three years, if the CPTs are met, a 100% matching occurs, otherwise a 50% matching occurs.
[5] Value determined based on number of shares lapsing multiplied by the market share price on scheduled vesting date.
[6] Eyethu restricted options have a life span of seven years from the date of issue.
[7] Value of dividends excludes dividends paid in respect of the Voluntary Bonus Share Scheme, as these are the participants' own shares.
[8] Mr Nkuhlu elected to withdraw from the Matched Share Scheme following the release from forfeiture of the relevant award tranches.
[9] The value gained in respect of the Eyethu restricted options is determined based on the difference between the exercise price (R192,43) and the issue price (R75,74). The former figure is rounded in the table above.

	Awards vesting/lapsing during 2013						Dividends	Closing balance at 31 December 2013		
	Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Vesting/ Exercise date	Value gained on vesting (R)	Notional value of loss on lapsing[(5)] (R)	Total value of dividends paid in respect of all plans[(7)] (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
	11 678	4 840	194,55	2013/03/03	2 271 955	(941 622)				
	16 518		194,55	2013/03/04	3 213 577					
								15 571	2013/12/31	2014/03/08
								15 571	2013/12/31	2014/03/09
								15 443	2014/12/31	2015/03/08
								15 443	2014/12/31	2015/03/09
								15 797	2015/12/31	2016/03/08
								15 797	2015/12/31	2016/03/09
	1 827		193,49	2013/04/01	353 506					
								3 704	2013/12/31	2014/04/01
								6 548	2014/12/31	2015/04/01
								6 899	2015/12/31	2016/04/01
							893 417			
					5 839 038	(941 622)	893 417			
	17 517	7 260	194,55	2013/03/03	3 407 932	(1 412 433)				
	24 777		194,55	2013/03/04	4 820 365					
								19 464	2013/12/31	2014/03/08
								19 464	2013/12/31	2014/03/09
								15 443	2014/12/31	2015/03/08
								15 443	2014/12/31	2015/03/09
								19 747	2015/12/31	2016/03/08
								19 747	2015/12/31	2016/03/09
	1 904		193,49	2013/04/01	368 405					
	2 328[8]		184,00	2013/08/08	428 352					
	2 328[8]		217,00	2013/10/31	505 176			2 328	2014/12/31	2015/04/01
								7 666	2015/12/31	2016/04/01
	3 960		194,55	2013/03/04	770 418					
								3 960		2014/03/04
								4 080		2015/03/04
	11 880		192,43	2013/03/04	1 386 244[9]					
								11 880		2014/03/04
								12 240		2015/03/04
							1 054 781			
					11 686 892	(1 412 433)	1 054 781			

REPORTING BACK ON REMUNERATION (CONTINUED)

Deferred short-term incentive awards

There are no outstanding DSTI awards in respect of current executive directors and prescribed officers, who are not eligible for these awards.

Old Mutual long-term incentive proposal

A core component of the strategy of Old Mutual plc is to enhance the effectiveness of its three businesses in Africa by increasing collaboration. Nedbank, Old Mutual Emerging Markets (OMEM) and Mutual & Federal (M&F) have made good strides in working together; however, the potential for further revenue enhancement, cost savings and capital efficiency remains.

The Old Mutual plc board believes that further collaboration on revenue, cost and capital synergies should be supported and rewarded as it brings benefit to all three businesses. Therefore, Old Mutual plc has proposed to the Nedbank board to implement an LTI plan in Old Mutual plc shares (funded by Old Mutual plc) for senior executives in Nedbank, OMEM and M&F. The Old Mutual plc board believes a cohesively structured plan with appropriate measures and targets will ensure that performance in this area is rewarded.

Nedbank's board will evaluate the details of this proposal and its impact on existing and future Nedbank remuneration practices, and prior to any implementation, will consult with major shareholders.

RISK AND REMUNERATION

We have an integrated process of managing the relationship between risk and remuneration. There is cooperation between Group Remco and the GRCMC to ensure appropriate consideration of the overall risk environment when making remuneration decisions. Key matters related to risk aspects of remuneration are discussed with the GRCMC. This reflects our commitment to achieving a balance between the prudent management of remuneration within the context of both our risk appetite and risk profile, and the need to attract, retain and motivate key talent to enable the delivery of our strategic objectives.

Taking account of future and current risks in the remuneration process

The STI scheme has been designed to incentivise a combination of profitable returns, appropriate risk-taking and growth. It is driven from an EP and headline earnings basis, using risk-based economic capital allocation as set out in the Risk and Balance Sheet Review available online.

We operate a comprehensive internal capital adequacy assessment process blueprint that addresses the nature and type of risk incorporated into the overall framework. The framework integrates with our STI pool arrangements and individual performance scorecard assessments, which in turn inform the distribution of STIs from the derived business STI pools.

As in previous years, the STI pools incorporate *ex ante* or 'before the fact' risk adjustments. This is built into the pool allocation process, which is set out on the opposite page:

- Group Remco approves an ontarget STI pool at the beginning of the year. At year-end the overall group pool is 50% based on performance versus headline earnings targets and 50% based on performance against EP targets, together with a non-financial modifier, as set out below.
- Prior to distribution, the cluster pools may be adjusted (either up or down) by a maximum of 15% by using the relevant Group Exco member's individual non-financial scorecard assessment, which itself incorporates further risk assessment metrics.
- Altogether 50% of each cluster STI pool is determined by using performance versus headline earnings targets and 50% is based on performance versus EP targets (for line clusters there is a 30/70 split between group and cluster performance, except for Nedbank Capital, where the split is 15/85).
- EP per cluster is determined by using economic capital allocated to each cluster, incorporating the various risk elements described in the Group Enterprisewide Risk Management Framework (ERMF).
- These mechanical calculations and adjustments (which include the application, where appropriate, of a group-level non-financial modifier) are presented to Group Remco, which then ratifies a final set of cluster pools (the group bottomup cluster pools), which may not differ more than 10% from the total STI pool determined based on group EP and headline earnings alone (the group topdown pool).
- The total allocated STIs (for all employees across all jurisdictions and including the pools for stockbrokers and analysts mentioned below) must stay within the totals approved by Group Remco.
- Any individual STI payment in excess of 200% of GP must be individually motivated and approved by Group Remco.

The following categories of employees are excluded from the distribution process outlined above:

- Stockbrokers, since they are paid on a six-monthly basis from a bespoke STI arrangement based on predetermined contractual arrangements (certain business risk elements are included in the formulaic determination for the stockbrokers' pool). The pool allocated is included in the overall Nedbank Wealth pool.
- Analysts in Nedbank Capital, since their STIs are predominantly determined using *Financial Mail*-published ratings.
- Private-equity 'locked box' remuneration, which is the market norm for private-equity collective investment performance-based remuneration, based on a sharing of 'carried interest' on realised investments.

We utilise a three-year budgeting, forecasting and planning process, which is fully cognisant of projected risk parameters, capital buffers and impairment provisions, and the likely impact thereof on future remuneration practices. There have been no material changes in the measures used over the past year.

Linking performance and reward

The annual STI process is indicated in the diagram below, which describes the process of STI pools creation and distribution based on individual performance and discretion, using both quantitative and qualitative steps in the process.

1 Total group pool

The overall group pool is approved by Group Remco relative to benchmarks.

The allocation of the Group Remco-approved group pool to each cluster for ontarget performance is done by the CE, with input from Group Exco.

2 Headline earnings and EP performance

A total of 50% of the year-end cluster pools is determined based on year-end EP performance relative to target.

A total of 50% of the year-end cluster pools is determined based on year-end headline earnings performance relative to target.

There is a 10% limit set for the bottomup cluster pools relative to the overall group pool.

3 Balanced scorecard

The financially determined pools (topdown and bottomup) are adjusted by a maximum of ±15% based on the non-financial elements of relevant Group Exco members' scorecards.

Risk metrics are included in the relevant scorecards and aligned with the group three-year plan and risk frameworks.

4 Bonus pool adjustments

The CE makes discretionary adjustments to quantitatively determined cluster pools based on judgement and non-quantifiable metrics.

Group Remco makes discretionary adjustments to the group pool to effect any required corrections based on non-quantifiable metrics, including risk assessment.

5 Individual bonus proposals

Individual bonus proposals are discretionary and no fixed formulaic approach is used by the bank.

All cluster executive bonus proposals are analysed by Group Exco and the necessary adjustments made to ensure appropriate consistency across the bank.

All Group Exco bonus proposals are individually motivated and recommended by Group Remco to the board.

The CE bonus requires Nedbank board approval and approval by the Old Mutual plc Remco.

All senior functional bonuses (including risk and finance) are reviewed and ratified by the relevant Group Exco member.

All proposed bonuses in excess of 200% of GP require motivation and Group Remco approval.

QUANTITATIVE APPROACH STEPS (steps 1–3)

QUALITATIVE APPROACH STEPS (steps 4–5)

REPORTING BACK ON REMUNERATION (CONTINUED)

Mitigating the effect of inappropriate performance metrics

Inappropriate performance metrics would typically manifest when the year-on-year change in remuneration is seen to be abnormal (either too high or too low relative to performance and market benchmarks) or is unduly volatile. We witnessed this in the 2008 financial year when, after changing to a purely EP measure for STI pooling, the flaws inherent in this change became evident.

The current STI scheme was implemented in 2009 and ensures a more balanced approach to the determination of the STI pool.

A similar situation emerged as a consequence of the previous application of 100% performance-based shares and options. This resulted in a material misalignment of the vesting profile of the LTI scheme relative to the overall performance of the group over the performance period, with awards lapsing in full. In this regard none of the allocations made between 2005 and 2009 that were subject to performance conditions vested, due to the performance metrics that were set at the time.

As a result of the performance measures set out above and their disproportionately negative effect on employee compensation relative to peers and the market, we issued a number of deferred cash- and share-based retention awards in 2009 and 2010 to prevent attrition of key skills and enable effective succession management in the business.

While appropriate in the context in which these awards were made, our aim would be to avoid a similar situation from arising in the future. Accordingly, awards made from 2010 onwards are subject 50% to performance conditions and 50% to time-based vesting. The historical and possible future vesting profile of our restricted-share plans is shown on page 151 of this Remuneration Report, and illustrates how this approach has enabled a more graduated vesting profile, as opposed to the 'all or nothing' arrangements in place for awards made up to 2009. It is also noted that, with effect from 2014, all future LTI awards made to executive directors will be subject to performance conditions on 100% of the award.

Managing the franchise risk inherent in reward programmes

The impact of inappropriate performance metrics on reward programmes has a material franchise risk implication. This is exacerbated when, in spite of highly competitive business results, shareholder returns or share price performance, deferred or LTI remuneration lapses. This risk manifests in increased turnover of skilled employees, the erosion of perceptions of the competitiveness of the firm's remuneration offering (and in 'discounting' of the value of LTI awards by participants), a reduction in external perceptions of the firm's being a preferred employer and an increase in hiring cost (and the associated opportunity cost of getting employees to full performance in a new role).

It is a key principle of our Remuneration Policy that there should be appropriate sharing of value among stakeholders. Thus, while material disadvantage or prejudice should not result for employees due to remuneration design issues, we are cognisant of the fact that remuneration programmes should equally not be designed to favour or benefit employees at the expense of other stakeholders.

It is within this context that we conducted a review of certain aspects of our employee share plans. Specifically, we focused on the application of performance conditions in our LTI scheme, and the ongoing operation of the Matched Share Scheme. The conclusion reached in our review is that the schemes remain fit for purpose and should not be changed at this stage, except in respect of the application of performance conditions for awards made to executive directors.

In this regard all awards made to executive directors from 1 March 2014 will be subject to performance conditions on 100% of the award, as opposed to the current arrangement of 50%, which will remain in place for all other employees. Executive directors will therefore have 50% of their LTI award subject to the ROE (excluding goodwill) versus the COE condition, and 50% of the award will be subject to the relative Fini 15 condition. Further details of the conditions and the vesting arrangements related to these are set out on pages 167 and 168 of this Remuneration Report.

We set out some of the details of our review to place the decision in context:

- Exposure of remuneration programmes to the group's share price is inherently risk-adjusted. The experience of participants in the share plans (for whom awards are part of annual remuneration, which is deferred over a prespecified period) therefore mirrors that of shareholders in terms of share price movements.
- The component of our LTI programme that is subject to performance conditions is not highly leveraged. Significant outperformance against the measures results in a maximum upside of 130% for performance shares. Downside risk, on the other hand, could see performance share awards reduced to zero in instances of material underperformance. This provides protection against inappropriate windfall.
- Our 'value at award' for LTIs is not adjusted or grossed up for projected vesting probability. This means that awards are made with a reasonable assumption that full vesting may be likely. This risk is, for us, an inherent consequence of participation in the scheme.
- The component of awards made under the retention share element of the plan is a powerful retention mechanism for key talent and scarce skills. We have one of the lowest levels of employee turnover in the financial services sector and have received positive commentary on the stability and combined experience in the group of our leadership team. Awards are also typically only made to individuals who are meeting the requisite minimum performance standards.
- Our Matched Share Scheme introduces a strong incentive for our leadership team to co-invest in the group. The requirement to remain in the Matched Share Scheme for a minimum of 36 months (against the backdrop of releases from forfeiture – and therefore entitlement to encash the deferrals – at six, 18 and 30 months) assists in creating a longer-term focus for our senior leadership. The performance condition attached to one half of the match also ensures that there is a minimum return before any such benefit accrues to

participants. In practice this means that, where the employee is at the highest marginal tax rate and the full after-tax amount of the STI is committed to the Matched Share Scheme for 36 months and the performance condition is met, the STI can increase by 30% on its original value, before taking account of any movement in the share price.

- Clawback provisions are in place to enable mitigation of inappropriate risk-taking and enable an appropriate penalty in instances of *malus* or misconduct.
- We acknowledge that there are many different aspects that could be considered in terms of what metrics are used in setting performance conditions. Having considered various alternatives, we are comfortable that the absolute internal measure of ROE (excluding goodwill) versus COE and the relative external measure of the performance of the Nedbank Group share relative to the Fini 15 Index remain fit for purpose, and enable the necessary focus on delivering competitive and sustainable returns to shareholders and associated benefits to other stakeholders.

We have also been unequivocal about our adherence to other aspects of good corporate governance in relation to share plans. In this regard share awards in either the Restricted Share Plan or Matched Share Scheme are not, under any circumstances, backdated. Further, no retrospective adjustments are made to performance conditions to mitigate the impact of weak performance. Therefore, we are of the view that our remuneration practices, and the levels at which these occur, are appropriately competitive relative to those of our peer group.

Adjustments to remuneration based on long-term performance

We are involved in retail banking, wholesale banking and investment banking operations, as well as wealth management and other financial services. The forward-looking business model is based on a rolling three-year plan approach. The mandatory deferral of STIs for up to 30 months and three-year vesting of LTI share allocations (with not less than half of the award subject to CPTs) align with this forward-looking business cycle. The deferral period provides for risk-based outcomes to be monitored over the three-year period subsequent to the deferral and enables clawback to be applied where appropriate.

The compulsory deferral of STIs continues for awards made in respect of financial year 2013 performance on a basis consistent with that previously applied. The structure and vesting profile applicable to the deferral of STI awards are set out on page 151 of this Remuneration Report.

Conditional vesting of long-term incentives

The performance share element of the LTI allocation is aligned with both the group three-year medium-to-long-term published ROE (excluding goodwill) target of COE plus 5% (absolute internal target) and the relative performance of the share price (relative external target). The current targets used and previously described in the 2012 Remuneration Report (these targets having remained unchanged since the 2010 financial year) are as follows:

- A total of 50% of all share-based awards are granted as retention shares, whereby the vesting criterion applied is continuous employment for a three-year period.
- The remaining 50% carry the following additional vesting criteria:
  - For 25% of the total award vesting will be based on the simple-average published ROE (excluding goodwill) over a three-year period, compared with the simple-average COE over the same timeframe, according to the following sliding scale (that is, there is a straight-line vesting arrangement based on the actual performance relative to the target):

Vesting ratios (for 50% of the allocation) based on ROE (excluding goodwill):

COE	COE	COE	COE	COE	COE	COE	COE
+ 0% or worse	+ 1,25%	+ 2,5%	+ 3,75%	+5%	+6%	+7%	+8% or better
0%	25%	50%	75%	100%	110%	120%	130%

  - For 25% of the total award vesting will be based on the relative performance of the Nedbank share price versus the Fini 15 Index over the same three-year period, where the Nedbank share price starting and end values are calculated based on a 30-day volume-weighted average price (VWAP) and the Fini 15 Index is based on a 30-day simple average.

Vesting ratios (for 50% of the allocation) based on share price relative to the Fini 15 Index:

Fini 15	Fini 15	Fini 15	Fini 15	Fini 15	Fini 15	Fini 15	Fini 15
-20% or worse	-15%	-10%	-5%		+10%	+20%	+30% or better
0%	25%	50%	75%	100%	110%	120%	130%

REPORTING BACK ON REMUNERATION (CONTINUED)

As with the COE target, there is a straight-line vesting (on a basis of actual achievement along the continuum as set out in the tables above, rather than on a 'hurdle' basis) arrangement based on the actual performance relative to the target.

Release from forfeiture of short-term incentive deferral

The deferral and release from forfeiture process is described on page 149 of this Remuneration Report.

The board has absolute discretion as to the quantum and nature of any forfeiture or *malus* triggers related to the compulsory deferral of STI awards. In this regard the deferred amount will be forfeited should the employee resign or be dismissed for cause before the end of the release of the outstanding forfeiture obligations, as well as in cases where, at the sole discretion of the board, material irregularities or misrepresentation of financial results come to light during the deferral period. The board has absolute discretion as to the nature of any action to be taken against the individual, or group of individuals, who may have transgressed. The deferral policy is reviewed annually.

This category of deferred compensation allows any adverse business deals or intentional misrepresentation to come to light in the three years subsequent to the allocation and appropriate action to be taken if deemed appropriate by the board.

ADDITIONAL REGULATION 43/PILLAR 3 DISCLOSURES

The disclosure requirements of regulation 43 of the Banks Act set out extensive quantitative and qualitative disclosures that are required to help stakeholders understand the approaches adopted by financial services organisations in respect of risk and remuneration. The majority of these disclosures are addressed elsewhere in this Remuneration Report.

Specific disclosures relating to senior managers and material risk-takers, the quantum of remuneration paid in the year, signon awards, guaranteed bonuses, severance payments and the amount of remuneration subject to adjustment are set out below.

Aggregate remuneration of senior managers and material risk-takers

The tables below set out the aggregate 2013 (and comparative 2012) remuneration of those employees regarded as senior managers and material risk-takers.

Senior managers include executive directors and prescribed officers, members of Group Exco, as well as other members of the group's senior management with executive responsibility for a material part of the group's business.

Material risk-takers include employees whose individual actions have a material impact on the risk exposure of the group, as well as those responsible for setting and monitoring trader mandates and risk and stop-loss limits. Included in this category are the heads of risk and finance, heads of major trading functions and those responsible for material investment decisions within the group. These criteria have not changed from those applied in 2012.

For 2013 a total of 41 (2012: 41) individuals were classified as senior managers and a further 35 (2012: 35) were classified as material risk-takers. There was, however, some movement within the categories and thus there may be different individuals for whom amounts reported relative to the prior year.

	2013			
	Senior managers		Material risk-takers	
Total value of remuneration in the 2013 financial year[1]	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration (Rm)	108,3		71,5	
Variable remuneration – cash award (Rm)	105,4		51,8	
Variable remuneration – deferred performance incentive (Rm)		64,4		21,6
Variable remuneration – long-term incentive awards (Rm)		136,9		37,6
Total 2013 remuneration (unrestricted and deferred remuneration) (Rm)	213,7	201,3	123,3	59,2
Total number of employees	41		35	

Value of outstanding deferred remuneration at 31 December 2013	Senior managers	Material risk-takers
Compulsory Bonus Share Scheme (Rm)	86,7	25,6
Restricted Share Scheme (Rm)	468,1	143,7
Total deferred remuneration outstanding (Rm)	554,8	169,3
Value of deferred remuneration paid out during 2013 (Rm)	180,2	60,3
Value of deferred remuneration forfeited during 2013[2] (Rm)	27,0	8,0

Total value of remuneration in the 2012 financial year[1]	2012			
	Senior managers		Material risk-takers	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration (Rm)	101,5		64,6	
Variable remuneration – cash award (Rm)	84,4		45,9	
Variable remuneration – deferred performance incentive (Rm)		46,7		13,5
Variable remuneration – long-term incentive awards (Rm)		126,6		34,9
Total 2012 remuneration (unrestricted and deferred remuneration) (Rm)	185,9	173,3	110,3	48,4
Total number of employees	41		35	

Value of outstanding deferred remuneration at 31 December 2012	Senior managers	Material risk-takers
Compulsory Bonus Share Scheme (Rm)	45,9	11,7
Restricted Share Scheme (Rm)	458,4	157,0
Total deferred remuneration outstanding (Rm)	504,3	168,7
Value of deferred remuneration paid out during 2012 (Rm)	84,4	11,6
Value of deferred remuneration forfeited during 2012[2] (Rm)	101,8	35,9

[1] *The amounts reflected in the tables above relate to actual awards made or remuneration received in the period from 1 January to 31 December.*
[2] *Forfeiture of deferred remuneration due to non- or partial fulfilment of performance conditions on share awards.*

Remuneration subject to adjustment in 2013

The total amount of outstanding deferred remuneration exposed to *ex post* explicit and/or implicit adjustments is indicated in the following table:

Year	Amount	
FY2013	R2 347m[1]	This is a combination, at 31 December of each year, of the following: ■ All unvested RSP awards ■ All unvested CBSS awards
FY2012	R2 053m[1]	

[1] *Based on the 30-day VWAP to 31 December.*

The total amount of reductions during the financial year due to ex post explicit adjustments (adjustments as a consequence of non-fulfilment of specified performance conditions) is indicated in the following table:

Year	Amount	
FY2013	R97,1m[1]	Value of RSP awards lapsed due to new or partial fulfilment of CPT conditions.
FY2012	R507,2m[1]	

[1] *Based on the share price at the scheduled vesting date.*

The total amount of reductions during the financial year due to ex post implicit adjustments (adjustments as a consequence of specific clawback decisions, either based on individual or group considerations) is indicated in the following table:

Year	Amount	
FY2013	R0m	No forfeitures or clawback arrangements were applied in the normal course.
FY2012	R0m	

REPORTING BACK ON REMUNERATION (CONTINUED)

Remuneration of risk and compliance specialists

Consistent with good corporate governance and the requirements of the various local and international regulations dealing with remuneration in financial services firms, special attention is paid to the process of remunerating risk and compliance specialists within the group. This serves to ensure that individuals in these functions remain sufficiently independent from the functions or businesses they service.

The remuneration of senior risk and compliance specialists is not determined within the relevant business unit alone. Initial proposals are initiated by the business unit management; however, Group Exco members with overall accountability for the specific control function (the Chief Risk Officer and the Chief Compliance Officer) have codecision rights in respect of performance management and direct remuneration decisions for employees within the respective control functions. This ensures appropriate independence in setting remuneration for the applicable control function employees.

Other remuneration disclosures

Further disclosures specifically required in terms of regulation 43 of the Banks Act are set out below:

Other remuneration disclosures	2013		2012	
	Rm	N	Rm	N
Number of employees who received variable remuneration during the year		23 706		23 945
Total guaranteed bonuses	–	–	–	–
Total signon awards	2,86	10	12,7	20
Total severance awards[1]	3,73	7	5,4	6

[1] For the purpose of this disclosure severance payments mean payments that exceed the bank's contractual redundancy payment.

Our policy is not to award guaranteed bonuses. Where specific compensation is indicated for new employees for the loss of an accrued benefit, the forfeiture of a performance bonus or in respect of a specific outstanding contractual obligation, a signon or DSTI award may be made. This is subject to time and, in the case of DSTI awards, ongoing individual performance conditions.

NON-EXECUTIVE DIRECTORS

The terms of engagement of the non-executive directors (excluding the Group Chairman) cover a period of three years, as determined by the rotation requirements of our memorandum of incorporation. A non-executive director is required to retire at age 70, unless the board determines otherwise. Any non-executive director serving for a period in excess of nine years is required to retire from the board at the next annual general meeting.

In terms of the memorandum of incorporation the Group Chairman is reelected annually by the board.

Remuneration

The fees of the Group Chairman and the non-executive directors reflect the specific responsibilities relating to their membership of the board and, where applicable, board committees. The Group Chairman receives a single fee for his role. Non-executive directors are paid a fixed fee for board membership and receive additional fees for their participation in board committees. Premiums are paid to the chairmen of all board committees, with the exception of the Directors' Affairs Committee, which is chaired by the Group Chairman. A premium is applicable for the Senior Independent Non-executive Director. Neither the Group Chairman nor boardmembers receive any performance-related pay or any benefits.

Board and board committee meeting attendance is recorded on pages 60 and 61 of this integrated report.

Non-executive directors' remuneration for the years ended 31 December 2013 and 31 December 2012 was as follows:

NON-EXECUTIVE DIRECTORS' REMUNERATION (*AUDITED)

	Termination date	Note	Board fees* (R000)	Committee fees* (R000)	**2013* (R000)**	2012 (R000)
TA Boardman		f	323	610	933	668
TCP Chikane	August 2013	d	196	421	617	900
A de VC Knott-Craig	February 2012	b			–	87
MA Enus-Brey		j	323	497	820	837
B de L Figaji	May 2012	h			–	279
ID Gladman		1, i	323	288	611	292
DI Hope	June 2013	1, g	158	115	273	527
RJ Khoza			4 100		4 100	3 888
WE Lucas-Bull	November 2012	c			–	771
PM Makwana		a	323	338	661	483
NP Mnxasana			323	380	703	640
JK Netshitenzhe			323	125	448	422
JVF Roberts		1, e	323	137	460	360
GT Serobe			323	363	686	593
MI Wyman			323	776	1 099	997
Total			3 261	8 150	11 411	11 744

1 Fees for JVF Roberts, DI Hope and ID Gladman were paid to Old Mutual (SA) Ltd for 2012 and 2013.
a PM Makwana was appointed as the Chairman of Group Remco on 2 September 2013 and to the Group Audit Committee on 2 September 2013.
b A de VC Knott-Craig resigned from the board and all committees on 24 February 2012.
c WE Lucas-Bull resigned from the board and all committees on 5 November 2012.
d TCP Chikane resigned from the board and all committees on 13 August 2013.
e JVF Roberts was appointed as a member of Group Remco on 21 February 2013.
f TA Boardman was appointed as Chairman of the Group Credit Committee and to the Large-exposure Approval Committee on 18 January 2013.
g DI Hope resigned from the board and all committees on 30 June 2013.
h B de L Figaji retired from the board, and as Chairman of Group Remco and member of all other committees on 4 May 2012.
i ID Gladman was appointed a member of the Group Finance Oversight Committee on 2 August 2013.
j On 18 January 2013 MA Enus-Brey resigned as a member of Group Remco and resigned as Chairman of the Group Credit Committee and Large-exposure Approval Committee. However, he remains a member of the Group Credit Committee and Large-exposure Approval Committee.

Non-executive directors are accountable for decisions made regardless of attendance at meetings. Non-executive directors are also required, as a matter of course, to represent stakeholders and to make the necessary preparations for meetings and other engagements. Group Remco is satisfied that the fee structure applied in respect of non-executive directors remains appropriate.

Non-executive directors' fees

An independent subcommittee, consisting of Messrs MWT Brown and JVF Roberts, evaluated the respective committee fees from a number of perspectives, including peer group comparisons, effective rates per committee and year-on-year increases.

This year a thorough review of the competitiveness of the group's non-executive director remuneration was conducted, as Group Remco had become concerned that the group's competitive position in this regard had weakened. As a consequence, the board is recommending to shareholders that the necessary adjustments are made in several key areas. These include:

- Increasing the level of fees paid to all boardmembers by 14,9%.
- Increasing the premium paid to the Chairman of the Audit Committee, the GRCMC, Group Remco and of the Credit Committee to 2,5 times the fee paid to a member.
- Increasing the fees payable to members of the Audit Committee, the GRCMC and Group Remco by 11,1%, 9,3% and 10% respectively.

REPORTING BACK ON REMUNERATION (CONTINUED)

The board and committee fees proposed for non-executive directors and for committee membership are as follows:

NON-EXECUTIVE DIRECTORS' REMUNERATION (*AUDITED)

	2014 (R)* Proposed	2013 (R)	%[2]
Boards			
Chairman of the board[1]	4 500 000	4 200 000	7,1
Senior independent director premium	40% of board fee	40% of board fee	14,9
Nedbank Group Ltd	206 900	180 075	14,9
Nedbank Ltd	173 100	150 675	14,9
Committees			
Group Audit Committee			
Chairman	500 000	360 000	38,9
Member	200 000	180 000	11,1
Group Finance and Oversight Committee			
Chairman	52 000	49 350	5,4
Member	26 000	24 675	5,4
Group Remuneration Committee			
Chairman	275 000	200 000	37,5
Member	110 000	100 000	10,0
Group Risk and Capital Management Committee			
Chairman	350 000	256 200	36,6
Member	140 000	128 100	9,3
Group Credit Committee			
Chairman	437 500	320 000	36,7
Member	175 000	160 000	9,4
Group Directors' Affairs Committee			
Chairman	Part of Group Chairman's fee	Part of Group Chairman's fee	
Member	61 000	57 750	5,6
Group IT Committee			
Chairman	170 000	157 000	7,9
Member	85 000	78 750	7,9
Group Transformation, Social and Ethics Committee			
Chairman	170 000	157 500	7,9
Member	85 000	78 750	7,9

[1] *The Group Chairman's fee includes fees for board, subsidiary board and committee memberships.*
[2] *On a like-for-like basis this represents a year-on-year increase of 12,8%.*

The above increases are effective from 1 July 2014, subject to shareholders' approval at the 13 May 2014 annual general meeting.

DIRECTORS' INTERESTS (*AUDITED)

At 31 December 2013 the directors' interests in ordinary shares in Nedbank Group Ltd and preference shares in Nedbank Ltd were as follows:

	Beneficial* direct 2013	Beneficial direct 2012	Beneficial* indirect 2013	Beneficial indirect 2012
Number of shares*				
TA Boardman	4 012	24 012	28 593	62 758
TA Boardman (preference shares)			243 000	85 000
MWT Brown	55 049	55 049	288 108	294 648
GW Dempster	17 822	17 822	134 273	123 211
MA Enus-Brey			2 113	2 113
ID Gladman				
RJ Khoza	7 800	7 800	6 974	6 974
PM Makwana				
NP Mnxasana			11 620	11 620
RK Morathi	12 615	12 615	160 887	155 762
JK Netshitenzhe				
JVF Roberts				
GT Serobe				
MI Wyman				
Total ordinary shares	97 298	117 298	632 568	657 086
Total preference shares			243 000	85 000

INCENTIVE SCHEMES FOR OUR PEOPLE

Nedbank Group employee incentive schemes	2013	2012
Movements		
Instruments outstanding at the beginning of the year	12 239 342	12 732 254
Granted	4 127 553	4 204 482
Exercised	(3 801 643)	(949 007)
Surrendered	(580 334)	(3 748 387)
Instruments outstanding at the end of the year	11 984 918	12 239 342
Analysis		
Performance-based restricted shares	5 355 178 P	5 660 881 P
Non-performance-based restricted shares	5 355 178	5 660 880
Performance-based matched shares	637 281 P	458 791 P
Non-performance-based matched shares	637 281	458 790
Instruments outstanding at the end of the year	11 984 918	12 239 342
Summary by scheme		
Nedbank Group Share Option and Restricted Share Scheme (2005)	10 710 356	11 321 761
Nedbank Group Matched Share Scheme (2005)	1 274 562	917 581
Instruments outstanding at the end of the year	11 984 918	12 239 342

NEDBANK GROUP (2005) SHARE OPTION, MATCHED AND RESTRICTED SHARE SCHEME

Restricted shares

Restricted shares are issued at a market price for no consideration to participants and are held by the scheme until the expiry date (subject to achievement of performance and time-based conditions). Participants have full rights and receive dividends.
The following instruments granted had not been exercised at 31 December 2013:

Instrument expiry date	Number of shares
8 March 2014	1 780 552 P
9 March 2014	1 780 552
5 August 2014	145 398 P
6 August 2014	145 398
18 October 2014	12 539 P
18 October 2014	12 539
8 March 2015	1 667 303 P
9 March 2015	1 667 303
7 August 2015	55 185 P
8 August 2015	55 185
7 March 2015	1 648 095 P
8 March 2016	1 648 095
15 August 2016	46 106 P
16 August 2016	46 106
Total	10 710 356

MATCHED SHARES

The obligation to deliver the following matched shares, 50% of which is subject to time-based conditions and the other 50% to performance conditions, exists at 31 December 2013:

Instrument expiry date	Number of shares
1 April 2014	252 822
1 April 2015	424 195
1 April 2016	597 545
Total	1 274 562

P *Performance-based instruments.*

INFORMATION TO OUR SHAREHOLDERS

INVITATION FROM OUR CHAIRMAN

I extend a warm invitation to you to attend the 47th annual general meeting of Nedbank Group Ltd to be held in the Auditorium, Retail Place West, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Tuesday, 13 May 2014, at 08:30.

Included in this document are the following:

- The notice of the annual general meeting setting out the resolutions to be proposed.
- Annexure 1 to the notice of the annual general meeting setting out explanatory notes regarding the resolutions as well as important notes about the annual general meeting.
- A form of proxy and explanatory notes regarding proxies.

The resolutions as set out in the notice will be put to shareholders to vote by way of a poll. This is to ensure an exact reflection of the views of the shareholders. An interactive electronic voting system will be used, which will reflect both proxy votes submitted prior to the meeting and the votes by shareholders present at the meeting.

I would like to remind shareholders of their right to raise questions, at the appropriate time, at the annual general meeting. As it is not always possible to answer every question raised at the annual general meeting, and to ensure that all matters of particular interest to shareholders are covered, shareholders may use the attached question form to raise any questions in advance. From these question forms the most popular topics will be assessed and I will endeavour to address these at the annual general meeting. This advance notice of relevant questions will, of course, not prevent any shareholder from raising questions, at the appropriate time, during the meeting.

The question form can be forwarded to the Company Secretary, Ground Floor, Block A, 135 Rivonia Road, Sandown, Sandton, 2196 (PO Box 1144, Johannesburg, 2000), to be received no later than 08:30 on Monday, 12 May 2014, or handed in at the time of registering attendance at the annual general meeting, should the first option not have been chosen.

Should you require an interpreter (sign language or a translator from English to any of the other official languages of SA) to be in attendance at the annual general meeting, please advise the Company Secretary's office of this requirement on +27 (0)11 294 9107, or send an email to JackieK@nedbank.co.za by no later than Friday, 2 May 2014.

Shareholders wishing to participate in the meeting through electronic facilities are also requested to contact the Company Secretary's office by Friday, 2 May 2014, for access to be arranged.

Yours faithfully

Dr RJ Khoza
Chairman

Sandown
11 March 2014

HEADOFFICE

Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196
PO Box 1144, Johannesburg, 2000
Tel: +27 (0)11 294 4444
nedbankgroup.co.za

Nedbank Group Ltd Reg No 1966/010630/06

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

Company Secretary: TSB Jali

OUR FINANCIAL CALENDAR FOR 2014

2013	
December	Financial year-end – 31 December
2014	
January	
February	Annual results and announcement of final dividend – 24 February
March	Final dividend payment – 24 March, for Nedbank Ltd preference shares
March	Publication and posting of integrated report – 31 March
April	Final dividend payment – 7 April, for Nedbank Group Ltd ordinary shares
May	Annual general meeting – 13 May
	First-quarter trading update – 13 May
June	
July	
August	Interim results and announcement of interim dividend – 5 August
September	Interim dividend payment
October	
November	Third-quarter trading update – 3 November
December	Financial year-end – 31 December
2015	
January	
February	Annual results and announcement of final dividend
March	Publication and posting of integrated report
April	Final dividend payment
May	Annual general meeting

QUESTION FORM FOR OUR ANNUAL GENERAL MEETING

Name of member

Address

Contact details

Telephone number

Fax number

Email

Questions

NOTICE OF OUR ANNUAL GENERAL MEETING

Nedbank Group Ltd
(Incorporated in the Republic of South Africa)
Reg No 1966/010630/06
JSE share code: NED; NSX share code: NBK
ISIN: ZAE000004875
('Nedbank Group' or 'the company')

GRI 3.1: 4.4

Notice is hereby given to shareholders recorded in the securities register of Nedbank Group on Thursday, 20 March 2014, that the 47th annual general meeting of shareholders will be held in the Auditorium, Retail Place West, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Tuesday, 13 May 2014, at 08:30 to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), as read with the Listings Requirements of JSE Ltd ('JSE Listings Requirements'), which meeting is to be participated in and voted at by shareholders recorded in the company's securities register on the record date of Friday, 2 May 2014.

The quorum requirement for the ordinary and special resolutions set out below is sufficient persons being present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the resolutions, provided that at least three shareholders of the company are present at the annual general meeting. The percentage of voting rights required to pass the ordinary resolutions is more than 50% of the voting rights exercised, and the percentage of voting rights required to pass the special resolutions is at least 75% of the voting rights exercised thereon.

Kindly note that meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to attend or participate in the meeting. Forms of identification include valid identity documents, driving licences and passports.

When reading the resolutions below, please refer to the explanatory notes for the resolutions on pages 183 to 186.

AGENDA

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The annual financial statements of the company, incorporating among others the Directors' Report, Auditors' Report and Report of the Audit Committee, for the financial year ended 31 December 2013, and the report of the Group Transformation, Social and Ethics Committee in terms of regulation 43(5)(c) of the Companies Act, 71 of 2008 (as amended), have been distributed as required and will be presented to the shareholders. The summarised audited annual financial statements, together with the reports, are contained in this integrated report.

2 ORDINARY DIVIDENDS

To note the interim dividend of 390 cents per ordinary share declared by the board of directors on 6 August 2013, and the final dividend of 505 cents per ordinary share declared by the board of directors on 24 February 2014.

RESOLUTIONS

3 ORDINARY RESOLUTION 1

REELECTION OF DIRECTORS OF THE COMPANY

The following directors retire by rotation in terms of the company's memorandum of incorporation and, being eligible, make themselves available for reelection, each by way of a separate vote. Biographical details of the directors to be reelected are set out on pages 74 and 75 of this integrated report.

3.1 'Resolved that Mr TA Boardman be and is hereby reelected as a director of the company.'
Independent non-executive director;
Date of appointment: 1 November 2002 as an executive director, 1 March 2010 as a non-executive director, and 1 January 2014 classified as an independent non-executive director;
Educational qualifications: BCom, CA (SA);
Board committees: Nedbank Group Information Technology Committee (Chairman), Nedbank Group Transformation, Social and Ethics Committee, Nedbank Group Credit Committee (Chairman), Large-exposure Approval Committee, Nedbank Group Finance and Oversight Committee, Nedbank Group Directors' Affairs Committee.

NOTICE OF OUR ANNUAL GENERAL MEETING (CONTINUED)

3.2 'Resolved that Mr MWT Brown be and is hereby reelected as a director of the company.'
Chief Executive;
Date of appointment: 17 June 2004 as Chief Financial Officer and 1 March 2010 as Chief Executive;
Educational qualifications: BCom, Dip Acc, CA (SA), AMP (Harvard Business School, USA);
Board committees: Large-exposure Approval Committee, Nedbank Group Credit Committee.

3.3 'Resolved that Mr MA Enus-Brey be and is hereby reelected as a director of the company.'
Non-executive director;
Date of appointment: 16 August 2005;
Educational qualifications: BCompt (Hons), CA (SA);
Board committees: Nedbank Group Risk and Capital Management Committee (Chairman), Nedbank Group Directors' Affairs Committee, Nedbank Group Credit Committee, Nedbank Group Finance and Oversight Committee, Large-exposure Approval Committee.

3.4 'Resolved that Mr JK Netshitenzhe be and is hereby reelected as a director of the company.'
Independent non-executive director;
Date of appointment: 5 August 2010;
Educational qualifications: MSc (University of London, UK);
Board committees: Nedbank Group Risk and Capital Management Committee, Nedbank Group Information Technology Committee.

4 ORDINARY RESOLUTION 2

ELECTION OF DIRECTORS OF THE COMPANY

During the year the board appointed Mr Adomakoh as a director of the company. Mr Adomakoh retires in terms of the company's memorandum of incorporation and, being eligible, makes himself available for election. His biographical details are set out on page 74 of this integrated report.

4.1 'Resolved that Mr DKT Adomakoh be and is hereby elected as a director of the company.'
Independent non-executive director;
Date of appointment: 21 February 2014;
Educational qualifications: BSc (Econs) Hons (London School of Economics), Diplome de Langue et de Civilisation (La Sorbonne, Universite de Paris).

5 ORDINARY RESOLUTION 3

REAPPOINTMENT OF EXTERNAL AUDITORS

'Resolved, on recommendation of the Nedbank Group Audit Committee, that Deloitte & Touche (with Mr S Jordan as designated auditor) and KPMG Inc (with Ms H Berrange as designated auditor) be and are hereby reappointed as joint auditors to hold office from the conclusion of the 47th annual general meeting until the conclusion of the next annual general meeting of Nedbank Group.'

6 ORDINARY RESOLUTION 4

EXTERNAL AUDITORS' REMUNERATION

'Resolved that the Nedbank Group Audit Committee be and is hereby authorised to determine the remuneration of the company's auditors and the auditors' terms of engagement.'

7 ORDINARY RESOLUTION 5

CONTROL OF AUTHORISED, BUT UNISSUED, ORDINARY SHARES

'Resolved that the board be and is hereby authorised, as it in its discretion thinks fit, to issue ordinary shares of R1,00 each in the share capital of the company, subject to the provisions of the Companies Act, 71 of 2008 (as amended), the Banks Act, 94 of 1990 (as amended), and the JSE Ltd Listings Requirements. The issuing of shares granted under this authority will be limited to Nedbank Group's existing contractual obligations to issue shares, including for purposes of Nedbank Group's BEE transaction approved in 2005 and the NedNamibia BEE transaction approved in 2006, any scrip dividend and/or capitalisation share award, shares required to be issued for the purpose of carrying out the terms of the Nedbank Group share incentive schemes, as well as any alternative coupon settlement mechanism relating to issues, from time to time, of the Nedbank Ltd tier 1 hybrid debt capital instruments, and to support the conversion and/or writeoff of all additional tier 1 and tier 2 instruments into common equity on the occurrence of a trigger event, as determined by the relevant authority, which means the SA Reserve Bank or the equivalent governmental authority.

Such authority will endure until the forthcoming annual general meeting of the company (whereupon this authority will lapse, unless it is renewed at the aforementioned annual general meeting), provided that it will not extend beyond 15 months from the date of this meeting.'

8 ADVISORY ENDORSEMENT OF REMUNERATION POLICY

'To endorse through a non-binding advisory vote the company's Remuneration Policy (excluding the remuneration of the non-executive directors for their services as directors and members of the board committees), as set out in the Remuneration Report contained in the annual financial statements.'

9 SPECIAL RESOLUTION 1

REMUNERATION OF NON-EXECUTIVE DIRECTORS

'Resolved that the non-executive directors' fees for their services as directors be and are hereby approved as follows:

Committee	Current annual fee (1/7/2013 to 30/6/2014) R	Proposed annual fee[4] (1/7/2014 to 30/6/2015) R
Chairman[1]	4 200 000	4 500 000
Senior independent director premium (40%)	132 300	152 000
Nedbank Group boardmember	180 075	206 900
Nedbank Ltd boardmember	150 675	173 100
Committees		
Nedbank Group Audit[2]	180 000	200 000
Nedbank Group Risk and Capital Management[2]	128 100	140 000
Nedbank Group Credit[2]	160 000	175 000
Nedbank Group Remuneration[2]	100 000	110 000
Nedbank Group Transformation, Social and Ethics[3]	78 750	85 000
Nedbank Group Directors' Affairs	57 750	61 000
Nedbank Group Information Technology[3]	78 750	85 000
Nedbank Group Finance and Oversight[3]	24 675	26 000

[1] *The chairman will be paid a single fee, inclusive of committee chairmanship and membership fees.*
[2] *The committee Chairman will be paid 2,5 times the member fees.*
[3] *The committee Chairman will be paid double the member fees.*
[4] *Subject to shareholders' approval at the May 2014 annual general meeting. On a like-for-like basis the proposed increase represents a 12,8% increase overall.*

10 SPECIAL RESOLUTION 2

GENERAL AUTHORITY TO REPURCHASE SHARES

PREAMBLE

The board of directors of the company has considered the impact of a repurchase or purchase, as the case may be, of up to 10% of the company's shares, which falls within the amount permissible under a general authority in terms of the JSE Listings Requirements and, in respect of acquisitions by a subsidiary of the company, the Companies Act, 71 of 2008 (as amended).

Should the opportunity arise and should the directors deem it to be advantageous to the company, or any of its subsidiaries, to repurchase or purchase, as the case may be, such shares, it is considered appropriate that the directors (and relevant subsidiaries) be authorised to repurchase or purchase, as the case may be, the company's shares.

'Resolved that the company and/or its subsidiaries be and are hereby authorised by way of a general authority to repurchase or purchase, as the case may be, shares issued by the company, from any person, on such terms and conditions and in such numbers as the directors of the company or the subsidiary may from time to time determine, subject to the applicable requirements of the company's memorandum of incorporation, to the approval, to the extent required, of the Registrar of Banks, the provisions of the Companies Act, 71 of 2008 (as amended), the Banks Act, 94 of 1990 (as amended), and the JSE Ltd (the JSE) Listings Requirements, and subject further to the restriction that the repurchase or purchase, as the case may be, by the company and/or any of its subsidiaries of shares in the company under this authority will not, in aggregate in any one financial year, exceed 10% of the shares in issue at the commencement of such financial year.

It is recorded that the JSE Listings Requirements provide, among others, that the company or any subsidiary of the company may only make a general repurchase of the shares of the company subject to the following limitations:

NOTICE OF OUR ANNUAL GENERAL MEETING (CONTINUED)

(a) the repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;

(b) authorisation thereto must be given by the company's and its subsidiaries' memorandum of incorporation;

(c) this general authority will be valid only until the company's next annual general meeting, provided that it does not extend beyond 15 months from the date of the passing of this special resolution;

(d) in determining the price at which the company's ordinary shares are repurchased by the company in terms of this general authority, the maximum premium at which such ordinary shares may be repurchased will be 10% of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the five trading days immediately preceding the date of the repurchase of such ordinary shares by the company;

(e) the board will have acknowledged by resolution that the company will satisfy the solvency and liquidity test immediately after the repurchase and that since the test was done there have been no material changes to the financial position of the company and the group;

(f) neither the company nor its subsidiaries will repurchase securities during a prohibited period, as defined in paragraph 3.67 of the JSE Listings Requirements, unless a repurchase programme is in place in terms of which the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation), full details of which programme have been disclosed in an announcement on the Securities Exchange News Service (SENS) prior to the commencement of the prohibited period;

(g) when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be published on SENS and in the financial press; and

(h) at any time the company will appoint only one agent to effect any repurchase(s) on its behalf.'

In terms of the proposed special resolution 2 the maximum number of Nedbank Group shares that may be repurchased during the term of this authority, subject to (b) above, is 51 030 239 shares (10% of 510 302 393 shares in issue at 1 January 2014).

This resolution is required to be passed on a show of hands by not less than 75% of the number of shareholders of the company who are entitled to vote on a show of hands and who are present at the meeting in person or by proxy or, where a poll has been demanded, by not less than 75% of the total votes to which the shareholders present in person or by proxy are entitled.

The directors of the company undertake that they will not effect a general repurchase of shares as contemplated above, unless the following conditions are met:

1) the company and the group are in a position to repay their debt in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting;

2) the company's and the group's assets at fair value will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements, which comply with the Companies Act, 71 of 2008 (as amended);

3) the share capital and reserves of the company and the group are adequate for a period of 12 months following the date of the notice of the annual general meeting; and

4) the available working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting.

Disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are disclosed in the Nedbank Group Ltd Integrated Report 2013, as set out below:

Management and directors (pages 76 to 81 and 72 to 75).
Major shareholders of Nedbank Group (pages 187 and 188).
Directors' interests in securities (page 172).
Share capital of Nedbank Group (page 121).

MATERIAL CHANGE

Other than the facts and developments reported on in this integrated report, there have been no material changes in the affairs or financial position of Nedbank Group and its subsidiaries from 31 December 2013 to the date of the audit report forming part of the annual financial statements.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 72 to 73 of this integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 2 and certify that, to the best of their knowledge and belief, no facts have been omitted that would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution and additional disclosure in terms of section 11.26 of the JSE Listings Requirements pertaining thereto contain all such information required by law and the JSE Listings Requirements.

LITIGATION STATEMENT

In terms of section 11.26 of the JSE Listings Requirements and other than as set out in note 44 (contingent liabilities and undrawn facilities) of the annual financial statements online, the directors, whose names are given on pages 72 and 73 of this integrated report, are not aware of any legal or arbitration proceedings, including proceedings pending or threatened, that may have or may have had in the recent past, being at least the previous 12 months, a material effect on Nedbank Group's financial position.

11 SPECIAL RESOLUTION 3

GENERAL AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE TO RELATED AND INTERRELATED COMPANIES

'Resolved that, subject to the provisions of the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), the shareholders of the company hereby approve, as a general approval, the company providing direct or indirect financial assistance ('financial assistance') as contemplated in sections 44 and 45 of the Companies Act, whether in the form of advances for expenses, assisting with administration of transactions, loans, loan facilities, extending credit, discharging debts, performing obligations, contractual undertakings, sureties, guarantees, guarantee facilities, mortgages, pledges, cessions, bonds, charges or otherwise, on such terms as may be authorised by the board of directors of the company having regard to the funding and commercial requirements of the Nedbank group of companies ('the Group') as contemplated in the Companies Act from time to time and in accordance with the following:

1 the financial assistance can be provided to any company that is currently, or in the future, 'related' to or 'interrelated' with the company (and any person 'related' to any of such companies) as contemplated by the Companies Act or any other person (a 'recipient') (which, for the avoidance of doubt, excludes financial assistance provided to any directors or prescribed officers of the company or of any such recipients);

2 the financial assistance may be provided for the purpose of, or in connection with, the subscription to any option, or any securities, issued or to be issued by the company or a company related to or interrelated with the company or for the purchase of any securities of the company or a company or corporation that is related to or interrelated with the company, as contemplated in section 44 of the Companies Act or any other purpose regulated by section 45 of the Companies Act;

3 authorisation by the board of any financial assistance pursuant to this resolution must be provided within a period of two years following the date of the adoption of this special resolution;

4 any related corporate action must be duly authorised in compliance with the JSE Listings Requirements, the Companies Act, and the Banks Act where applicable;

5 this approval is subject to the board complying with sections 44 and 45 of the Companies Act; and

6 nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and 45 of the Companies Act or falls within any exemption provided in these sections.'

NOTICE OF OUR ANNUAL GENERAL MEETING (CONTINUED)

VOTING BY PROXY

A shareholder entitled to attend and vote at the annual general meeting may appoint a proxy or proxies to attend, speak and vote or abstain from voting in his/her/its/their stead. A proxy need not be a shareholder of the company. Completed proxy forms are requested to be received at the office of the transfer secretaries no later than 24 hours before the time appointed for the holding of the annual general meeting.

By order of the board

TSB Jali
Company Secretary

Sandown
21 February 2014

Registered office	Transfer secretaries in SA	Transfer secretaries in Namibia
Nedbank Group Ltd	Computershare Investor Services (Pty) Ltd	Transfer Secretaries (Pty) Ltd
Reg No 1966/010630/06	Ground Floor	Robert Mugabe Avenue No 4
Nedbank 135 Rivonia Campus,	70 Marshall Street	Windhoek, Namibia
135 Rivonia Road, Sandown,	Johannesburg, 2001	
Sandton, 2196		PO Box 2401
	PO Box 61051	Windhoek, Namibia
PO Box 1144	Marshalltown, 2107	Tel: +264 (0)61 227 647
Johannesburg, 2000	Tel: +27 (0)11 370 5000	Fax: +264 (0)61 248 531
Tel: +27 (0)11 294 4444	Fax: +27 (0)11 688 5238	

ANNEXURE 1

EXPLANATORY NOTES TO RESOLUTIONS FOR THE ANNUAL GENERAL MEETING

1 Presentation of annual financial statements and reports

In terms of the Companies Act, 71 of 2008, as amended ('the Companies Act'), the directors are required to present to shareholders at the annual general meeting the annual financial statements, incorporating among others the Directors' Report, Auditors' Report and the Report of the Audit Committee, for the financial year ended 31 December 2013.

2 Payment of dividends

An interim dividend of 390 cents per share was declared by the board of directors on 6 August 2013 and paid on 2 September 2013. A final dividend of 505 cents per ordinary share was declared by the board of directors on 24 February 2014. Shareholders are asked to note the dividends paid/payable.

3 Reelection and election of directors who retire by rotation or retire as a result of filling a casual vacancy

In terms of the company's memorandum of incorporation not less than one-third of the directors are required to retire at each annual general meeting and may make themselves available for reelection. Any person appointed to fill a casual vacancy on the board, or as an addition thereto, since the last annual general meeting is required to retire and is eligible for election at the annual general meeting. Biographical details of the directors of the company retiring by rotation, or as a result of an appointment during the year, are set out on pages 74 and 75 of the Nedbank Group Ltd Integrated Report 2013.

An assessment of each of the retiring directors was performed by the Nedbank Group Directors' Affairs Committee and reported to the Nedbank Group Ltd Board, who recommends that shareholders approve the election and/or reelection of the retiring directors.

4 Reappointment of external auditors

This resolution proposes the reappointment of the company's existing joint auditors, Deloitte & Touche (the designated auditor being Mr M Jordan) and KPMG Inc (the designated auditor being Ms H Berrange), until the next annual general meeting. The appointments are recommended by the directors of the company following the review and recommendation thereof by the Group Audit Committee.

5 Remuneration of external auditors

This resolution gives authority to the Nedbank Group Audit Committee to fix the remuneration and the terms of engagement of the auditors (proposed to be reappointed in terms of the above resolution). The aggregate auditors' remuneration for audit and other services paid to the auditors for the financial year ended 31 December 2013 amounted to R129m (2012: R114m). Particulars of the auditors' remuneration can be found in note 16 on page 76 of the Nedbank Group Annual Financial Statements 2013 online.

6 Placing of authorised but unissued ordinary shares under the control of the directors

The shareholders of the company are requested to approve the placement of authorised but unissued shares under the control of the directors. The authority is limited to shares being issued for purposes of Nedbank Group's existing contractual obligations, including Nedbank Group's black economic empowerment (BEE) transaction approved in 2005 and the NedNamibia BEE transaction approved in 2006, for the issue of shares for capitalisation share awards and scrip dividends and for the various Nedbank Group share incentive schemes as well as any alternative coupon settlement mechanism relating to issues, from time to time, of the Nedbank Ltd tier 1 hybrid debt capital instruments.

7 Remuneration Policy

In accordance with the principles of King III an advisory vote is being put to shareholders for the endorsement of Nedbank Group's Remuneration Policy. As the votes on this resolution are non-binding, the results would not be binding on the board. However, the board will take cognisance of the outcome of the vote when considering its Remuneration Policy in future.

ANNEXURE 1 (CONTINUED)

8 Non-executive directors' remuneration

In terms of article 27 of the company's memorandum of incorporation remuneration will be payable to the directors as may be approved from time to time by special resolution. Full particulars of all fees and remuneration are contained on pages 171 and 172 of this integrated report. The Nedbank Group Ltd Board has recommended the non-executive directors' fees as set out in special resolution 1 in the notice of the annual general meeting. The board deliberated on the requirement of King III that non-executive directors fees should comprise a base fee and an attendance fee per meeting. The board is of the view that this requirement is less pertinent to directors of Nedbank Group due to the practicalities and responsibilities of being a director of a bank, and the need for the board to provide inputs on an ongoing basis, even when they are not able to attend a board meeting in person.

9 Repurchase of shares

The company's memorandum of incorporation contains a provision allowing the company or any of its subsidiaries to repurchase (acquire) the company's issued shares. This is subject to the Companies Act, the Banks Act, 94 of 1990 (as amended) and the JSE Listings Requirements. In terms of sections 46 and 48 of the Companies Act the company or its subsidiaries are allowed to repurchase the company's shares. The existing general authority, granted by shareholders at the last annual general meeting on 3 May 2013, is due to expire, unless renewed.

The reason for and effect of special resolution 2 is to authorise the company and/or its subsidiaries by way of a general authority to acquire its/their own issued shares on such terms and conditions and in such numbers as determined from time to time by the directors of the company, subject to the limitations set out in special resolution 2. Should the general authority for the acquisition of shares be granted at Nedbank Group's annual general meeting, it will provide the board with the flexibility to repurchase such shares as and when the best interests of the company require it to do so.

The directors are of the opinion that it would be in the best interests of the company to extend such general authority and thereby allow the company to be in a position to repurchase its own shares on the open market, should market conditions and price justify such action. The proposed authority would enable the company to repurchase up to 51 030 239 ordinary shares in the capital of the company, with a stated upper limit on the price payable, in terms of the JSE Listings Requirements. The board manages the company's equity on a proactive and dynamic basis, and repurchases would be made, only after the most careful consideration, in cases where the directors believe that such purchases would be in the best interests of the company and its shareholders.

10 General authority to provide financial assistance

Section 44 of the Companies Act essentially requires, subject to limited exceptions, approval by way of special resolution for the provision of financial assistance for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company. Section 45 of the Companies Act essentially requires, subject to limited exceptions, approval by way of special resolution for the provision of financial assistance, among others, to companies 'related' to and 'interrelated' with the company. Both sections 44 and 45 provide, among others, that the regulated financial assistance may only be provided pursuant to a special resolution passed by shareholders within the previous two years.

The provision of any direct or indirect financial assistance by the company will always be subject to the board being satisfied that, immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test referred to in section 45(3)(b)(i) of the Companies Act, and that the terms under which such financial assistance is to be given are fair and reasonable to the company, as referred to in section 45(3)(b)(ii) of the Companies Act.

The directors would like the authority to be able to provide financial assistance to companies 'related' and 'interrelated' to the company and persons related to such companies, including for the acquisition of securities issued by the company and related companies, where they regard it as desirable. For example, such authorisation is generally required for providing loans and guarantees and other financial assistance to subsidiaries and group companies, which is often necessary or desirable for the conduct of Nedbank Group's business.

Important notes about the annual general meeting	
Venue:	The Auditorium, Retail Place West, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton.
Date:	Tuesday, 13 May 2014, at 08:30.
Time:	The annual general meeting will start promptly at 08:30. Shareholders wishing to attend are advised to be in the auditorium no later than 08:15. The reception area will be open from 08:00, from which time refreshments will be served.
Proof of identity and admission:	Shareholders and others attending the annual general meeting are asked to register at the registration desk in the auditorium reception area. For purposes of section 63(1) of the Companies Act, 71 of 2008 (as amended) any person attending or participating at the annual general meeting is required to present reasonably satisfactory identification to the satisfaction of the presiding chairman. Forms of identification include valid identity documents, driving licences and passports.
Housekeeping:	Cellphones should be switched off for the duration of the proceedings.
Parking:	Secure parking is provided at Nedbank 135 Rivonia Campus, Entrance 4, off Fredman Drive.
Questions:	Shareholders who wish to ask questions relating to the business of the annual general meeting or on other related matters, but have not lodged their question forms with or faxed them to the Company Secretary, are requested to register their names and addresses and hand in their question forms at the registration desk. A question form is enclosed on page 176 for this purpose. Staff will be on hand to provide any advice and assistance required.
Electronic voting:	Nedbank Group will once again be taking advantage of the benefits that electronic meeting management can offer. On arrival you will be registered, be linked to your profile on the share register and be given an electronic keypad with which to cast your vote. As your vote is received, a message will be displayed on the keypad screen, confirming that your vote has been registered. Results of votes cast on each resolution will be displayed on an overhead screen within minutes of voting. Shareholders wishing to participate in the meeting through electronic facilities are also requested to contact the Company Secretary's office no later than Friday, 2 May 2014, in order for reasonable access to be arranged.
Interpreter:	Should you require an interpreter (for sign language or translation from English into any of the other official languages of SA) to be in attendance at the annual general meeting, please do not hesitate to advise the Company Secretary's office on +27 (0)11 294 9107 or at JackieK@nedbank.co.za no later than Friday, 2 May 2014, for this facility to be arranged.

ANNEXURE 1 (CONTINUED)

Certificated shareholders and own-name dematerialised registration

Holders of certificated Nedbank Group ordinary shares wishing to attend the annual general meeting should verify beforehand with the transfer secretaries of the company that their shares are in fact registered in their own name and check the number of shares so registered. Should their shares not be registered in their own name but in any other name or form, shareholders wishing to attend and/or vote at the annual general meeting should follow the instructions and explanatory notes that accompany the notice of the annual general meeting. Similarly, shareholders who are holding dematerialised Nedbank Group ordinary shares and believe these to be held in their own name should check with the transfer secretaries and take the appropriate action in accordance with the instructions and guidance contained herein or obtain assistance from the transfer secretaries, if necessary.

A person who holds a beneficial interest in any certificated Nedbank Group shares may vote on a matter at the annual general meeting, only to the extent that:

1 the beneficial interest includes the right to vote on the matter; and

2 the person's name is on the company's register of disclosures as the holder of a beneficial interest; or

3 the person holds a proxy appointment in respect of that matter from the registered holder of the relevant Nedbank Group shares.

Participant (previously known as central securities depository participant) or nominee holdings

Holders of Nedbank Group ordinary shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, participant or broker to furnish such nominee, participant or broker with the necessary authority to attend and vote at the annual general meeting or they should instruct their nominee, participant or broker on how they wish their votes to be cast on their behalf at the annual general meeting. As far as holdings in a participant are concerned, these will be guided by the terms of the agreement entered into between shareholders and their participant or broker.

Proxies

Shareholders completing a form of proxy are requested to ensure that their form of proxy reaches the address indicated in note 10 on page 184 no later than 08:30 on Monday, 12 May 2014.

Enquiries

Any shareholders experiencing difficulties or having questions pertaining to the annual general meeting or the above are invited to contact the Company Secretary's office on +27 (0)11 294 9107.

Results of the annual general meeting

The results of the annual general meeting will be posted on SENS as soon as is practicable after the annual general meeting.

FORM OF PROXY

NEDBANK GROUP LTD
(Incorporated in the Republic of South Africa)
Reg No 1966/010630/06
JSE share code: NED; NSX share code: NBK
ISIN: ZAE000004875
('Nedbank Group' or 'the company')

GRI 3.1: 4.4

For use by registered holders of certificated Nedbank Group securities and holders of dematerialised Nedbank Group securities registered in their own name ('shareholders') and any persons who are not shareholders, but who at the record date of Friday, 2 May 2014, are entitled to exercise any voting rights (irrespective of the form, title or nature of the securities to which those voting rights are attached) (collectively 'holders') in relation to the resolutions to be proposed at the annual general meeting to be held in the Auditorium, Retail Place West, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Tuesday, 13 May 2014, at 08:30 and at any adjournment thereof.

Holders of dematerialised securities who wish to attend the annual general meeting must inform their nominee, participant (previously referred to as central securities depository participant) or broker of their intention and the nominee, participant or broker will furnish such holder with the necessary authority to attend and vote at the annual general meeting. Alternately, should a holder not wish to attend the annual general meeting in person, such holder may provide his/her nominee, participant or broker with his/her voting instruction and such nominee, participant or broker will complete all necessary documentation and action same in order for the holders' vote(s) to be taken account of at the annual general meeting.

I/We ______________________________

of (address) ______________________________

being the holder(s) of __________ ordinary shares in the company, appoint (see notes 1 and 4):

1 ______________________________ or failing him/her

2 ______________________________ or failing him/her

the chairman of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the annual general meeting that will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against such resolutions and/or to abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions (see note 5):

		Number of votes (one vote per ordinary share)		
	Resolutions	For	Against	Abstain
1.1	Reelection as a director of TA Boardman, who is retiring by rotation			
1.2	Reelection as a director of MWT Brown, who is retiring by rotation			
1.3	Reelection as a director of MA Enus-Brey, who is retiring by rotation			
1.4	Reelection as a director of JK Netshitenzhe, who is retiring by rotation			
2.1	Election of DKT Adomakoh, who was appointed as a director during the year			
3	Reappointment of the external auditors			
4	Determination of the remuneration of the external auditors			
5	Placing of unissued ordinary shares under the control of the directors			
6	Advisory endorsement on a non-binding basis of company's Remuneration Policy			
7	Approval of the non-executive directors' fees			
8	General authority to repurchase shares			
9	General authority to provide financial assistance to related and interrelated companies			

On a show of hands a person entitled to vote is only entitled to one vote irrespective of the number of the relevant Nedbank Group shares he/she holds or represents.

On a poll, a person entitled to vote at the annual general meeting present in person or by proxy/proxies is entitled to that proportion of the total votes in the company that the aggregate amount of the nominal value of the Nedbank Group shares held or represented by him/her bears to the aggregate amount of the nominal value of all the Nedbank Group shares issued by the company and carrying the right to vote.

A proxy/proxies may delegate his/her/their authority in terms of this proxy to another person. This proxy form will lapse and cease to be of force and effect immediately after the annual general meeting of the company to be held in the Auditorium, Retail Place West, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Tuesday, 13 May 2014, at 08:30 or at any adjournment thereof, unless it is revoked earlier.

Signed at (place) __________ on (date) __________ 2014

Signature ______________________________

Assisted by me ______________________________

(where applicable)

Please read the notes on the reverse side hereof.

NOTES TO FORM OF PROXY

SUMMARY OF RIGHTS OF A HOLDER TO BE REPRESENTED BY PROXY AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT AND NOTES TO FORM OF PROXY

1 Each holder entitled to attend and vote at the annual general meeting is entitled to appoint one or more individuals as proxy/proxies who need not be a person(s) entitled to vote at the annual general meetings to attend, participate in, speak and vote or abstain from voting in place of that holder at the annual general meeting.

2 The proxy/proxies may delegate the authority received from the holder to a further person, subject to any restriction set out in this form of proxy.

3 A proxy appointment must be in writing, dated and signed by the holder appointing the proxy/proxies.

4 A holder may insert the name of a proxy or the names of two alternative proxies of the holder's choice in the space provided, with or without deleting 'the chairman of the annual general meeting'. The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of the persons whose names follow. Further, a holder may appoint more than one proxy to exercise voting rights attached to different securities held by that holder.

5 A holder's instructions to the proxy/proxies have to be indicated by the insertion of the relevant number of votes exercisable by that holder in the appropriate box provided. Failure to comply with this will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the annual general meeting, or the appointed proxy/proxies to vote or to abstain from voting at the annual general meeting, without direction as he/she/they deem(s) fit, in respect of all the holder's votes exercisable thereat.

6 A holder or his/her proxy/proxies is/are not obliged to vote in respect of all the ordinary shares held by such holder or represented by such proxy/proxies, but the total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the holder or his/her proxy/proxies is/are entitled.

7 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity has to be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting. Examples of satisfactory identification include a valid identity document, a valid driving licence or a valid passport.

8 Any alterations or corrections to this form of proxy must be initialled by the signatory/signatories.

9 The completion and lodging of this form of proxy will not preclude the relevant holder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such holder wish to do so, in which case this proxy will be suspended accordingly.

10 Forms of proxy have to be lodged with or posted to the Company Secretary's office (for the attention of Ms Jackie Katzin, Block A, Ground Floor, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196, or PO Box 1144, Johannesburg, 2000) or the company's transfer secretaries in SA, namely Computershare Investor Services (Pty) Ltd ('Computershare'), 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), or in Namibia, namely Transfer Secretaries (Pty) Ltd, Robert Mugabe Avenue No 4, Windhoek, Namibia (PO Box 2401, Windhoek, Namibia), before a proxy/proxies may exercise any voting rights of a holder at the annual general meeting. The forms of proxy are requested to be received no later than 08:30 on Monday, 12 May 2014. Forms of proxy can also be submitted by fax to Computershare (fax number +27 (0)11 688 5238), subject to the proxy instructions meeting all other criteria. Any form of proxy not received by the company or the company's transfer secretaries in accordance with the above, must be handed to the Company Secretary at the annual general meeting before a proxy/proxies may exercise any voting rights of a holder at the annual general meeting.

11 This form of proxy may be completed by:

11.1 those holders who are holding Nedbank Group shares in a certificated form; or

11.2 those holders who are recorded in the subregister as holding Nedbank Group shares in dematerialised electronic form in their own name; or

11.3 persons who are not shareholders but who are entitled to exercise any voting rights (irrespective of the form, title or nature of the securities to which those voting rights are attached) at the record date at the annual general meeting.

12 Holders of Nedbank Group ordinary shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, participant (previously referred to as central securities depository participant) or broker on how they wish their votes to be cast on their behalf at the annual general meeting. As far as holdings in a participant are concerned, these will be guided by the terms of the agreement entered into between shareholders and their participant or broker.

13 Holders attending the annual general meeting will be afforded the opportunity of putting questions to the directors and management. A perforated question form has been included for this purpose.

14 If this form of proxy has been delivered to the company in accordance with paragraph 10, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's memorandum of incorporation to be delivered by the company to a holder must be delivered by the company to the holder or, alternatively, if a holder has directed the company to do so in writing and has paid any reasonable fees charged by the company for doing so, to such holder's proxy/proxies.

15 Save if a holder provides in this proxy form that a proxy appointment is irrevocable, a holder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy/proxies; and (ii) delivering a copy of the revocation instrument to the proxy/proxies and to the Company Secretary's office at Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196, for attention Ms Jackie Katzin, to be received before the replacement proxy/proxies exercise(s) any rights of the holder at the annual general meeting of the company or any adjournment thereof.

16 The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's/proxies' authority to act on behalf of the holder as of the later of: (i) the date stated in the revocation instrument, if any; or (ii) the date on which the revocation instrument was delivered as required in paragraph 15 above.

ANALYSIS OF SHAREHOLDERS

for the year ended 31 December

Register date:	27 December 2013
Authorised share capital:	600 000 000 shares
Issued share capital:	510 302 393 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	15 643	78,88	3 727 788	0,73
1 001 – 10 000 shares	3 118	15,72	8 526 855	1,67
10 001 – 100 000 shares	831	4,19	26 996 245	5,29
100 001 – 1 000 000 shares	202	1,02	57 386 757	11,25
1 000 001 shares and over	38	0,19	413 664 748	81,07
Total	19 832	100,00	510 302 393	100,00
Distribution of shareholders				
Banks	206	1,03	56 306 868	11,03
Close corporations	110	0,55	120 050	0,03
Empowerment	22	0,11	23 886 583	4,68
Endowment funds	146	0,73	1 143 703	0,23
Individuals	15 196	76,62	10 473 301	2,05
Insurance companies	132	0,67	5 141 236	1,01
Investment companies	49	0,25	3 232 747	0,63
Medical aid schemes	34	0,17	484 566	0,09
Mutual funds	400	2,02	48 919 077	9,59
Nominees and trusts	2 603	13,13	4 372 401	0,86
Old Mutual Life Assurance Company (SA) Ltd and associates	35	0,18	265 490 771	52,03
Other corporations	72	0,36	206 345	0,04
Treasury shares	1	0,01	14 715 049	2,88
Private companies	298	1,50	1 464 532	0,29
Public companies	19	0,10	166 300	0,03
Retirement funds	495	2,49	63 116 822	12,37
Share trusts[1]	14	0,07	11 062 042	2,17
Total	19 832	100,00	510 302 393	100,00
Public/Non-public shareholders				
Non-public shareholders	91	0,46	317 374 638	62,19
Directors and associates of the company[2]	9	0,04	731 512	0,13
Old Mutual Life Assurance Company (SA) Ltd and associates	35	0,17	265 490 771	52,03
Treasury shares	1	0,01	14 715 049	2,88
Nedbank/Nedbank Group pension funds	5	0,03	228 923	0,04
Nedbank Group Ltd and associates (share trusts)[1]	14	0,07	11 062 042	2,17
Nedbank Group Ltd and associates (mutual funds)	6	0,03	1 814 498	0,36
Nedbank Group BEE trusts – SA[1]	10	0,05	22 531 022	4,42
Nedbank Group BEE trusts – Namibia	11	0,06	800 821	0,16
Public shareholders	19 741	99,54	192 927 755	37,81
Total	19 832	100,00	510 302 393	100,00

[1] *Excludes shares held by directors in share trusts (executive directors only) and Eyethu schemes.*
[2] *Includes shares held by directors in share trusts (executive directors only) and Eyethu schemes.*

ANALYSIS OF SHAREHOLDERS (CONTINUED)

	Number of shares	2013 % holding	2012 % holding
Major shareholders/managers			
Old Mutual Life Assurance Company (SA) Ltd and associates	265 490 771	52,03	52,13
Nedbank Group treasury shares	49 108 934	9,63	9,90
BEE trusts:			
Eyethu schemes – Nedbank SA	22 531 022	4,42	4,55
Omufima schemes – Nedbank Namibia	753 309	0,15	0,15
Nedbank Group (2005) Share Option, Matched Share and Restricted Share Schemes	11 062 042	2,17	2,29
Nedbank Group Ltd and associates (Capital Management)	14 715 049	2,88	2,90
Nedbank Namibia Ltd	47 512	0,01	0,01
Public Investment Corporation (SA)	32 502 268	6,37	7,27
Coronation Fund Managers (SA)	30 565 164	5,99	2,68
Lazard Asset Management (US and UK)	16 067 397	3,15	2,93
Sanlam Investment Management (SA)	9 937 801	1,95	1,96
BlackRock Inc	8 485 499	1,66	1,45
Dimensional Fund Advisors	7 455 278	1,46	1,40
Beneficial shareholders holding 5% or more			
Old Mutual Life Assurance Company (SA) Ltd and associates (SA)	265 490 771	52,03	52,13
Government Employees Pension Fund (SA)	38 339 338	7,51	8,22
Geographical distribution of shareholders			
Domestic	443 191 472	86,85	86,37
South Africa	435 580 625	85,36	83,64
Namibia	5 101 359	1,00	1,90
Unclassified	2 509 488	0,49	0,83
Foreign	67 110 921	13,15	13,63
United States of America	40 554 064	7,95	8,17
United Kingdom and Ireland	6 538 436	1,28	1,58
Europe	7 527 330	1,48	1,60
Other countries	12 491 091	2,44	2,28
	510 302 393	100,00	100,00

OUR CONTACT DETAILS

NEDBANK GROUP LTD

Incorporated in the Republic of SA
Reg No 1966/010630/06

BUSINESS ADDRESS AND REGISTERED OFFICE

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Sandown, Sandton, 2196, SA

POSTAL ADDRESS

PO Box 1144
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Tel: +27 (0)11 294 4444
Website: **nedbankgroup.co.za**

TRANSFER SECRETARIES:

SA: COMPUTERSHARE INVESTOR SERVICES (PTY) LTD

BUSINESS ADDRESS

70 Marshall Street
Johannesburg, 2001, SA

POSTAL ADDRESS

PO Box 61051
Marshalltown, 2107, SA
Tel: +27 (0)11 370 5000
Fax: +27 (0)11 688 5238

NAMIBIA: TRANSFER SECRETARIES (Pty) Ltd

BUSINESS ADDRESS

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Windhoek, Namibia

POSTAL ADDRESS

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Windhoek
Namibia
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AUDITORS: DELOITTE & TOUCHE

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KPMG INC

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NEDBANK GROUP INTEGRATED REPORT 2013

Should you wish to engage on the content of this report or if you require an additional copy of the Nedbank Group Ltd Integrated Report 2013, please email your address details to Nedbank Group Investor Relations at nedbankgroupir@nedbank.co.za or send a fax to +27 (0)11 294 6549.

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