HIGHLIGHTS

- **Headline profit before tax increased 31,9%**
- **ROE (excluding goodwill) increased to 15,3% (2010: 13,4%)**
- **Capital adequacy further strengthened (core Tier 1: 11,0%)**
- **Full-year dividend per share of 605 cents, up 26,0%**

HEADLINE EARNINGS
R6 184m
▲26,2%

DILUTED HEADLINE EARNINGS PER SHARE
1 340 cents
▲25,4%

STRONG NIR GROWTH
R15 412m
▲16,6%

AUDITED SUMMARISED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2011

BANKING AND ECONOMIC ENVIRONMENT

The global economic environment deteriorated in 2011 as the European sovereign-debt crisis continued to unfold, leading to a loss of economic growth momentum in both developed and emerging markets.

For SA gross domestic product (GDP) growth is expected to end at 3,2% for the 2011 year and interest rates remained unchanged at 37-year lows.

Household demand for credit remained stable and transactional demand continued to strengthen, supported by real wage increases.

Business confidence remained at low levels for most of 2011, with corporate credit demand gaining some traction towards the end of the year as both private and public sector fixed-investment activity increased off a low base.

REVIEW OF RESULTS

Nedbank Group performed well for the year ended 31 December 2011, reflecting the benefits of disciplined execution of its business plans and excellent progress with key strategic initiatives.

The group recorded strong headline earnings growth of 26,2% to R6 184m for the year (2010: R4 900m), driven primarily by 16,6% growth in NIR, net interest margin (NIM) expansion and continued improvement in the Nedbank Retail credit loss ratio.[1]

Diluted headline earnings per share increased 25,4% to 1 340 cents (2010: 1 069 cents) and diluted earnings per share 27,7% to 1 341 cents (2010: 1 050 cents) in line with the group's trading statement issued on 6 February 2012.[1]

Return on average ordinary shareholders' equity (ROE), excluding goodwill, increased to 15,3% (2010: 13,4%) and ROE to 13,6% (2010: 11,8%), with the benefit of return on assets (ROA) improving to 0,99% (2010: 0,82%), partially offset by a reduction in gearing.[1] The group generated economic profit (EP) of R924m (2010: economic loss of R289m).

The group is well capitalised, with the core Tier 1 capital ratio at 11,0% (2010: 10,1%). Funding and liquidity levels remain sound. Liquidity buffers increased R18,0bn to R24,0bn and the long-term funding ratio increased to the group's target level of 25,0%.[1]

Net asset value per share continued to increase, growing by 9,4% to 10 753 cents at 31 December 2011 (2010: 9 831 cents).[1]

During 2011 the group continued to deliver on its vision of building Africa's most admired bank and its commitments to all stakeholders. Highlights for the key stakeholders include:

- For staff: creating 969 additional job opportunities, investing R303m in leadership development programmes and continuing the positive shift in corporate culture.
- For clients: paying out R116bn in new loans; expanding the range of distinctive client-centred offerings; launching various new-product innovations; keeping fee increases at or below inflation, with average retail banking fees remaining at levels similar to those in 2005; increasing footprint by 121 new staffed outlets and 389 ATMs; further extending banking hours in 59 branches and Sunday banking in 49 branches and, through restructures, having kept 13 900 families in their homes since 2009.
- For shareholders: generating a 15,3% total shareholder return, delivering R924m EP, declaring a total dividend up 26,0% as well as winning numerous reporting awards and the *Financial Times* and *Banker* magazine's Bank of the Year in SA for 2011.
- For regulators: increasing capital levels and remaining well positioned for Basel III and the Solvency Assessment and Management regime; being one of the first SA banks to receive South African Reserve Bank (SARB) approval for using the advanced approaches for all three applicable risk types, and making cash contributions of R5,1bn relating to direct, indirect and other taxation.
- For communities: making banking more accessible for the entry-level market and remote rural communities with initiatives such as Vodacom m-pesa; extending R1,8bn in loans to black small to medium enterprises with a turnover of up to R35m; assisting over 934 entrepreneurs under skills development programmes, including the emerging agriculture sector; contributing R78m to social development; remaining a Department of Trade and Industry (dti) level 2 contributor and increasing the dti score to 95,2 from 89,5; spending R6,6bn on local procurement and playing a leadership role in environmental sustainability through participation in the Conference of the Parties 17 (COP17), maintaining our carbon neutrality, leading in water stewardship and being a signatory to the CEO Water Mandate of the United Nations Global Compact.

CLUSTER PERFORMANCE

The business clusters collectively reported an increased ROE of 18,6% (2010: 14,4%) and earnings growth of 30,8%.[1]

	Change %	Headline earnings (Rm)		ROE (%)	
		2011	2010	2011	2010
Nedbank Capital	1,9	1 225	1 202	23,0	23,5
Nedbank Corporate	11,8	1 672	1 496	25,0	19,7
Nedbank Business Banking	3,3	852	825	23,1	26,4
Nedbank Retail	163,4	2 002	760	11,8	4,6
Nedbank Wealth	5,6	625	592	38,7	41,0
Operating units	30,8	6 376	4 875	18,6	14,4
Centre	<(100)	(192)	25		
Total	26,2	6 184	4 900	13,6	11,8

Nedbank Retail's headline earnings growth and ROE improvement were achieved through excellent progress strategically and financially in repositioning the cluster. Delivering distinctive client-centred value propositions enabled strong new-client growth and markedly increased sales. As a result, the cluster's NIR grew 17,3%, primarily driven by higher transactional and lending volumes. In addition, improved risk-based pricing, effective collections and rehabilitations resulted in reduced impairments, which contributed to the robust performance.

The good performance from the wholesale clusters was supported by excellent risk management, an increase in primary clients and higher usage of innovative transactional banking offerings. Nedbank Capital navigated well through difficult and volatile markets and ended the year with a small increase in its headline earnings. Nedbank Wealth performed well and its 2009 acquisitions continued to bear fruit, supporting its growth in earnings and embedded value, while the insurance and asset management businesses contributed strongly.

The centre moved to a loss of R192m primarily as a result of an additional amount of R200m before tax that was raised as a group portfolio impairment and a R111m after-tax share-based payments charge for the Eyethu community share scheme.[1]

Detailed segmental information is available on the group's website at www.nedbankgroup.co.za under the 'Financial information' section.

FINANCIAL PERFORMANCE

Net interest income

Net interest income (NII) grew 8,6% to R18 034m (2010: R16 608m), with NIM growing to 3,46% (2010: 3,35%). Average interest-earning banking assets increased 5,1% (2010 growth: 3,0%).[1]

The increase in NIM reflects:

- Asset margin expansion on new advances from risk-adjusted pricing and a change in asset mix.
- The lower cost of term liquidity in 2011.

This was partially offset by:

- The impact of endowment, with average interest rates 90 basis points lower than in 2010.
- The cost of enhancing the group's funding profile.
- The cost of carrying higher levels of lower-yielding liquid assets as the group proactively positions itself for the likely implications of Basel III.

Impairments

The credit loss ratio improved to 1,14% for the year (2010: 1,36%), while further strengthening the portfolio impairment provision.[1]

The credit loss ratio relating to specific impairments improved substantially to 1,02% for the year (2010: 1,32%) as defaulted advances continued tracking downwards to R23 073m (2010: R26 765m).

Credit loss ratio analysis (%)	Dec 2011	H2 2011	H1 2011	Dec 2010
Specific impairments	1,02	0,93	1,10	1,32
Portfolio impairments	0,12	0,13	0,11	0,04
Total credit loss ratio	1,14	1,06	1,21	1,36

The group maintained a strong focus on credit risk management. The increased level of portfolio impairments includes R159m relating to lengthened-emergence-period assumptions and R200m in the centre for unknown events that may have already occurred, but which will only be evident in the future.

Credit loss ratio (%)	Dec 2011	H2 2011	H1 2011	Dec 2010	Through-the-cycle target ranges
Nedbank Capital	1,23	1,57	0,86	1,27	0,10 – 0,35
Nedbank Corporate	0,29	0,24	0,34	0,20	0,20 – 0,35
Nedbank Business Banking	0,54	0,67	0,40	0,40	0,55 – 0,75
Nedbank Retail	1,98	1,73	2,24	2,67	1,50 – 2,20
Nedbank Wealth	0,25	0,09	0,41	0,15	0,20 – 0,40
Group	1,14	1,06	1,21	1,36	0,60 – 1,00

Nedbank Retail's credit loss ratio of 1,98% (2010: 2,67%) is now within the cluster's through-the-cycle target range of 1,50% to 2,20%. Nedbank Capital's credit loss ratio remained elevated at levels similar to those of 2010 mainly due to impairment charges on increased non-performing loans. Credit loss ratios in Nedbank Corporate, Nedbank Business Banking and Nedbank Wealth remained within or better than the respective clusters' through-the-cycle target ranges.

NON-INTEREST REVENUE

The momentum in NIR continued in the second half of 2011, resulting in strong growth of 16,6% to R15 412m (2010: R13 215m) and the ratio of NIR-to-expenses increasing to 81,5% (2010: 79,6%).[1]

The continued trend of growth in commission and fee income, which was up 16,2% to R11 335m (2010: R9 758m), arose from further primary-client gains, robust transaction volumes and a good uptake of new products, particularly in Nedbank Retail, as well as from increased volumes in electronic channels in the rest of the group.

Insurance income grew strongly at 22,4%, achieved through insurance sales into the MFC, personal loans and card businesses, as well as an improved underwriting performance.

Trading income increased by 3,4% to R2 168m (2010: R2 096m) in difficult markets. Private equity income increased by 41,7% to R323m (2010: R228m), mainly from improved realisations and dividends received in the Nedbank Capital and Nedbank Corporate private equity investment portfolios.

NIR was negatively impacted by R49m (2010: R213m loss) over the year due to fair-value adjustments of the group's subordinated-debt and associated hedges resulting from the strengthening of the group's credit spreads.

EXPENSES

The group continued to manage core expenses while investing for growth, resulting in an ongoing improvement in the NIR-to-expenses ratio. Expenses increased 14,0% to R18 919m (2010: R16 598m)[1], comprising expense growth of 8,0% relating to 'business-as-usual' activities, 3,0% relating to investing for growth initiatives and 3,0% relating to variable compensation.

Overall the main drivers of expense growth were:

- Remuneration costs increasing 12,5%, driven by 3,4% headcount growth and inflation-related annual increases of 6,5%.
- Short-term incentive costs increasing 35,8% on the back of strong headline earnings and EP growth.
- Long-term incentive costs increasing R140m to R262m, as 2010 contained a reversal of costs when associated corporate performance targets were not met.
- Volume-driven costs, such as fees and computer processing costs, continuing to grow in support of revenue generating business activities.
- Investing for growth initiatives taking place across the clusters, which included the repositioning of Nedbank Retail that entailed footprint rollout, headcount growth in frontline and collections staff, and system enhancements.

The efficiency ratio increased to 56,6% (2010: 55,7%), reflecting the negative endowment impact of lower interest rates on NII, compounded by slower growth in interest-earning banking assets and the strategy of investing for growth.[1]

Nedbank Group's compound NIR growth of 10,2% since 2007 continues to exceed its related compound expense growth of 8,8%.

TAXATION

The tax charge increased 60,6% to R2 194m (2010: R1 366m), with the effective tax rate increasing to a more normalised 25,2% (2010: 20,7%).[1] The increase resulted from:

- The 31,9% growth in income before tax.
- A lower proportion of dividend income relative to total income than in 2010.
- Secondary tax on companies (STC) savings in the first six months of 2010 due to the takeup of the scrip dividend (81,5%) offered in that period.
- The reversal of certain tax provisions in 2010.

STATEMENT OF FINANCIAL POSITION

Capital

The group's capital adequacy ratios remain well above the group's internal targets in preparation for Basel III and continue to be strengthened as a result of ongoing risk and capital optimisation, strong growth in organic earnings and a strategic focus on managing for value and portfolio tilt.

Basel II	2011	2010	Internal target range	Regulatory minimum
Core Tier 1 ratio	11,0%	10,1%	7,5% to 9,0%	5,25%
Tier 1 ratio	12,6%	11,7%	8,5% to 10,0%	7,00%
Total capital ratio	15,3%	15,0%	11,5% to 13,0%	9,75%

(Ratios calculated include unappropriated profits.)

Given the predominant focus on the core Tier 1 ratio under Basel III and considering the group's strong total capital adequacy ratio, the group elected to call the Nedbank Limited Tier 2 bond (Ned 5) amounting to R1,5bn in April 2011 without replacing it.

Further detail on capital and risk management will be available in the group's Pillar 3 Report to be published in April 2012 on the group's website at www.nedbankgroup.co.za.

Risk methodologies and internal capital allocation

In 2011 Nedbank Limited received approval from the SARB to use, for regulatory capital purposes, the Internal Model Approach for market trading risk. Nedbank Limited now has approval for the advanced approaches in respect of all three of the major Pillar 1 risk approaches under Basel II, having received approval for using the Advanced Measurement Approach for operational risk, effective from 2010, and to use the Advanced Internal Ratings-based Approach for credit risk from the implementation date of Basel II in 2008. This makes Nedbank Limited one of the first SA banks to operate under all three advanced risk assessment approaches.

Further enhancements to the internal capital allocation to business clusters occurred in 2011 to support the closer alignment of group and cluster ROEs. These enhancements have no impact on the group's overall capital levels and ROE, but have impacted the ROEs recorded by the business clusters. This is an ongoing process born out of evolving regulatory developments such as Basel III.

Basel III developments

The majority of the international Basel III proposals were finalised in December 2010, although some significant aspects remain to be completed this year. The details of how Basel III will be adopted in SA are expected to be determined by the SARB during 2012.

The group expects the impact of the new capital requirements to be manageable. On a Basel III pro forma basis for 2011 the group is in a position to absorb the Basel III capital implications, with all capital adequacy ratios remaining well above the upper end of current internal target ranges. These should improve further into 2013 (the expected commencement date of Basel III implementation) from projected earnings, continuing capital and risk optimisation, and the impact of the group's strategic portfolio management.

Once Basel III has been finalised in SA Nedbank Group will review its current target capital ratios.

Two new liquidity ratios have been proposed under Basel III, being the liquidity coverage ratio (LCR) for implementation in 2015 and the net stable funding ratio (NSFR) for implementation in 2018. The impact of compliance by the SA banking industry of, particularly, the NSFR would be punitive if implemented as it currently stands in the light of structural constraints within the SA financial market. This is the case for many jurisdictions around the world, and the negative effect on economic growth and employment would be significant. The group anticipates that a pragmatic approach on this issue will be applied prior to implementation in 2018.

Loans and advances

Loans and advances grew 4,4% to R496bn (2010: R475bn), with growth increasing, particularly in the wholesale portfolios, during the fourth quarter.[1]

Loans and advances by cluster are as follows:[1]

Rm[1]	2011	2010	% change
Nedbank Capital	68 510	62 328	9,9
Banking activity	48 558	42 650	13,9
Trading activity	19 952	19 678	1,4
Nedbank Corporate	164 754	157 703	4,5
Nedbank Business Banking	58 272	50 765	14,8
Nedbank Retail	183 663	187 334	(2,0)
Nedbank Wealth	19 625	16 869	16,3
Other	1 224	274	>100,0
	496 048	475 273	4,4

Advances totalling R9bn were transferred from Nedbank Retail to Nedbank Business Banking in 2011 to leverage its strong client and risk practices. On a like-for-like basis the growth in Nedbank Retail was 2,7%, while Nedbank Business Banking's advances, excluding the full impact of the Imperial Bank transfer and other client moves, remained flat.

Deposits

Deposits increased 6,3% to R521bn (2010: R490bn) and the group's loan-to-deposit ratio strengthened to 95,2% (2010: 96,9%).[1]

Optimising the mix of the deposit book remains a key focus in reducing the high cost of longer-term and professional funding. This is critical as banks compete more aggressively for lower-cost deposit pools with longer behavioural duration as they position their balance sheets in preparation for the Basel III liquidity ratios. Low interest rates, coupled with low domestic savings levels and the deleveraging of consumers, led to modest growth in retail deposits during 2011. Relatively higher deposit growth in commercial deposits indicated increasing working capital and available capacity among corporate clients.

GROUP STRATEGIC FOCUS

The group's key strategic initiatives of repositioning Nedbank Retail, growing non-interest revenue, implementing the portfolio tilt strategy and expanding into the rest of Africa will continue to drive earnings growth.

Excellent progress was made in repositioning Nedbank Retail as a more client-centred and integrated business while maintaining the growth momentum of the product lines. Strong underlying business performance, growing the number and quality of primary clients, embedding effective risk management practices and strengthening balance sheet impairments while improving credit loss ratios, particularly in home loans, all contributed to Nedbank Retail's headline earnings increasing 163,4% and its ROE from 4,6% in 2010 to 11,8%.

The group's NIR-to-expenses ratio target of 85% remains a key focus in the medium term. The objective is to achieve this target by continuing to deliver good-quality annuity income through commission and fee growth from primary-client gains, volume growth, new innovative products and cross-sell across clusters. Since 2009 the group has added 58 branches, 229 inretailer kiosks and 719 ATMs, and has refurbished 79 branches, representing an investment of R514m.

The Optimise to Invest programme involving simplifying information technology systems and rationalising costs will also benefit the NIR-to-expenses ratio in the medium term.

The group's portfolio tilt strategy continues to focus on strategically important EP-rich, lower-capital and liquidity-consuming activities and at the same time drives the efficient allocation of the bank's resources while positioning the group strategically for Basel III. Insurance, asset management, transactional banking products, selected asset categories and deposits are important targeted areas for growth. In secured lending the group continues to focus on profitable business that falls within the group's board-approved risk appetite.

In the short to medium term the group's primary focus on SA and the five southern African countries in which it has a presence provides strong upside for Nedbank Group as it increases its EP share in the largest EP pool for financial services in Africa.

The deepening of the alliance with Ecobank through the granting of a $285m loan facility and the subscription rights to acquire up to a 20% shareholding in Ecobank Transnational Inc in two to three years creates a path to provide a significant benefit to clients in the rest of Africa in a prudent yet substantive manner and ultimately could provide shareholders with access to higher economic growth in the rest of Africa.

ECONOMIC OUTLOOK

SA's GDP is currently forecast to grow by 2,7% in 2012, but remains dependent on international developments, particularly in Europe.

Given that confidence is anticipated to remain fragile, private sector fixed-investment activity is expected to remain modest. However, government and public corporations are forecast to escalate their infrastructure spending, which should contribute to improved wholesale advances growth.

Consumer spending is anticipated to moderate as concerns about inflation, house prices and job security prevail. Transactional demand should remain robust, while credit demand is likely to improve slowly off a low base as consumer balance sheets strengthen and debt levels decline.

PROSPECTS

The group is well set for continued growth in 2012, building on the earnings momentum created in 2011 and the focus and success of the delivery on the group's strategic initiatives.

In an uncertain global environment the group's qualities are attractive and should support continued earnings growth. These qualities include:

- Being one of the big four SA banks (SA banks were ranked second in the Soundness of Banks category in the World Economic Forum Global Competitiveness Survey).
- A strong, well-capitalised balance sheet with a prudent funding structure and sound liquidity.
- A strong wholesale banking franchise returning high ROEs.
- A strengthened and growing retail franchise.
- A growing wealth business returning high ROEs.
- A demonstrated ability to manage costs judiciously over time.
- A growing primary-client base.
- Sound risk management practices.
- A stable and experienced management team.
- Good staff morale and a values-based culture.

There is potential for further uplift from any acceleration of the economic cycle, as the group NIM should benefit from the positive effect of increased interest rates on endowment income, improved levels of advances growth and the prospect of lower credit loss ratios.

These drivers, along with the group's operational and financial gearing, are likely to enable continued improvement in the group's ROA and ROE.

In the context of the group's 2012 forecast for GDP growth, inflation and interest rates in SA the group's guidance for 2012 is as follows:

- Advances to grow at mid single digits.
- NIM to remain at levels similar to those in 2011 and to benefit from interest rate increases.
- The credit loss ratio to continue improving to the upper end of the group's through-the-cycle target range.
- NIR (excluding fair-value adjustments) to grow at low double digits, maintaining the group's ongoing improvement in the NIR-to-expenses ratio.
- Expenses, including investing for growth, to increase by mid to upper single digits.
- The group to maintain strong capital ratios and continue to strengthen funding and liquidity in preparation for Basel III.

The group's medium-to-long-term targets remain unchanged and are included in the table below, with an outlook for performance against these targets for 2012:

Metric	2011 performance	Medium- to long-term targets	2012 outlook
ROE (excluding goodwill)	15,3%	5% above average cost of ordinary shareholders' equity	Improving, remaining below target.
Growth in diluted headline earnings per share	25,4%	≥ consumer price index + GDP growth + 5%	Above the target level.
Credit loss ratio	1,14%	Between 0,6% and 1,0% of average banking advances	Improving into upper end of target.
NIR-to-expenses ratio	81,5%	> 85,0%	Improving, remaining below target.
Efficiency ratio	56,6%	< 50,0%	Improving, remaining above target.
Core Tier 1 capital adequacy ratio (Basel II)	11,0%	7,5% to 9,0%	Strengthening, remaining above target.
Economic capital	Capitalised to 99,93% confidence interval on economic capital basis (target debt rating A, including 10% buffer)		
Dividend cover policy	2,26 times	2,25 to 2,75 times	2,25 to 2,75 times

Shareholders are advised that these forecasts have not been reviewed or reported on by the group's auditors.

BOARD AND EXECUTIVE CHANGES

The group advised earlier in the year that senior independent non-executive director Chris Ball retired as a director with effect from 6 May 2011 after reaching the mandatory retirement age for directors. Malcolm Wyman was appointed to succeed Chris as senior independent non-executive director and as Chairman of the Group Audit Committee. Mpho Makwana was appointed as independent non-executive director with effect from 17 November 2011. Alan Knott-Craig has resigned as an independent non-executive director with effect from 24 February 2012 following his recent appointment as chief executive of Cell C with effect from 1 April 2012.

Three appointments to the Group Executive Committee were made during the year. Abe Thebyane joined as Group Executive of Human Resources with effect from 1 February 2011. Thulani Sibeko was appointed as Group Executive of Marketing, Communications and Corporate Affairs with effect from 1 May 2011. Thabani Jali was appointed as Chief Governance and Compliance Officer with effect from 17 October 2011. Thabani succeeded Selby Baqwa, who retired on 31 July 2011 after almost nine years' service with the group.

Raisibe Morathi, the Chief Financial Officer, now directly reports to Mike Brown, Nedbank Group Chief Executive. This is in line with the group's planning at the time Raisibe joined the group in September 2009. In addition to his current role as Chief Operating Officer, Graham Dempster also assumed full responsibility for the group's existing subsidiary bank activities in the rest of Africa as well as the ongoing management of the Ecobank–Nedbank Alliance, enabling an aligned approach to developing the group's activities in the rest of Africa.

ACCOUNTING POLICIES[1]

Nedbank Group Limited is a company domiciled in SA. The summarised consolidated annual financial results of the group at and for the year ended 31 December 2011 comprise the company and its subsidiaries (the 'group') and the group's interests in associates and jointly controlled entities.

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 years. Nedbank Group's summarised consolidated annual financial results have been prepared in accordance with the recognition and measurement criteria of IFRS, interpretations issued by the IFRS Interpretations Committee, presentation and disclosure requirements of International Accounting Standard (IAS) 34: Interim Financial Reporting and AC 500 standards as issued by the Accounting Practices Board and in terms of the requirements of the Companies Act of SA.

In the preparation of these consolidated annual financial results the group has applied key assumptions concerning the future and other inherent uncertainties in recording various assets and liabilities. The assumptions applied in the financial results for the year ended 31 December 2011 were consistent with those applied during the 2010 financial year. These assumptions are subject to ongoing review and possible amendments. The financial results have been prepared under the supervision of Raisibe Morathi, the Group Chief Financial Officer.

EVENTS AFTER THE REPORTING PERIOD[1]

There are no material events after the reporting period to report on.

AUDITED RESULTS – AUDITORS' REPORT

KPMG Inc and Deloitte & Touche, Nedbank Group's independent auditors, have audited the consolidated annual financial results of Nedbank Group Limited from which the summarised consolidated financial results have been derived, and have expressed an unmodified audit opinion on the consolidated annual financial statements. The summarised consolidated annual financial results comprise the consolidated statement of financial position at 31 December 2011, consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cashflows for the year then ended and selected explanatory notes. The related notes are marked with[1]. The audit report is available for inspection at Nedbank Group's registered office.

FORWARD-LOOKING STATEMENTS

This announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Nedbank Group and its group companies that, by their nature, involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global, national and regional economic conditions; levels of securities markets; interest rates; credit or other risks of lending and investment activities; as well as competitive and regulatory factors. By consequence, all forward-looking statements have not been reviewed or reported on by the group's auditors.

PREFERENCE SHARE AMENDMENT

Amendment to the terms of the non-redeemable non-cumulative non-participating preference shares in the issued share capital of Nedbank Limited ('Nedbank perpetual preference shares')

Holders of Nedbank perpetual preference shares are referred to the announcement, released on the Securities Exchange News Service (SENS) of JSE Limited on 1 March 2007, setting out the potential effects on the Nedbank perpetual preference shares of the then proposed amendments to the tax legislation regarding the introduction of a dividend tax on all distributions, including dividend distributions, by a company to its shareholders, as contemplated in sections 64D to 64N of the Income Tax Act, 58 of 1962, as amended ('Income Tax Act') ('dividend tax'), in the place of STC. Those proposals have now been incorporated into the necessary amending legislation, which has come into effect and will apply from 1 April 2012.

As a result of the amendments to tax legislation, the board of directors of Nedbank Limited has resolved, subject to the passing of the required resolutions by holders of Nedbank perpetual preference shares and holders of Nedbank Group Limited ordinary shares, to amend the rate used to calculate the preference dividend payable on the Nedbank perpetual preference shares, from the current rate of 75% of the prime rate to 83,33% of the prime rate.

The amendment will apply to dividend number 19, the dividend declared and paid on Nedbank perpetual preference shares on or after 1 April 2012, the date on which dividend tax becomes effective.

FINAL DIVIDEND DECLARATION

Notice is hereby given that a final dividend of 340 cents per ordinary share has been declared, payable to shareholders for the year ended 31 December 2011. In accordance with the provisions of Strate, the electronic settlement and custody system used by JSE Limited, the relevant dates for the dividend are as follows:

Event	Date
Last day to trade (cum dividend)	Thursday, 29 March 2012
Shares commence trading (ex dividend)	Friday, 30 March 2012
Record date (date shareholders recorded in books)	Thursday, 5 April 2012
Payment date	Tuesday, 10 April 2012

The final dividend will not be affected by the introduction of dividend tax, which only becomes effective for dividends declared on or after 1 April 2012.

Share certificates may not be dematerialised or rematerialised between Friday, 30 March 2012, and Thursday, 5 April 2012, both days inclusive.

On Tuesday, 10 April 2012, the dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic funds transfer is either not available or not elected by the shareholder, cheques dated Tuesday, 10 April 2012, will be posted on that date.

Holders of dematerialised shares will have their accounts credited at their participant or broker on Tuesday, 10 April 2012.

The above dates and times are subject to change. Any changes will be published on SENS and in the press.

For and on behalf of the board

Dr Reuel J Khoza
Chairman

Michael WT Brown
Chief Executive

29 February 2012

'Nedbank Group performed well in 2011, achieving a record level of headline earnings, but more work lies ahead to meet all medium-to-long-term financial targets.

These results were underpinned by continued delivery on our key strategic focus areas of repositioning Nedbank Retail, growing non-interest revenue (NIR) and implementing the portfolio tilt strategy. In the rest of Africa we deepened our strategic alliance with Ecobank by providing a facility in support of Ecobank's corporate development programmes, including its transformational banking acquisition in Nigeria, and in so doing secured rights to acquire up to 20% of Ecobank Transnational Inc within two to three years.

Despite the challenging environment, Nedbank Group is well positioned to build on the momentum from 2011 and meet its medium-to-long-term earnings growth target once again in 2012.'

Mike Brown
Chief Executive

NEDBANK GROUP

A Member of the OLD MUTUAL Group

FINANCIAL HIGHLIGHTS

at		31 December 2011	31 December 2010
Statistics			
Number of shares listed	m	507,4	514,9
Number of shares in issue, excluding shares held by group entities	m	455,2	448,6
Weighted average number of shares	m	452,9	443,9
Diluted weighted average number of shares	m	461,5	458,2
Preprovisioning operating profit	Rm	13 709	12 454
Economic profit/(loss)	Rm	924	(289)
Headline earnings per share	cents	1 365	1 104
Diluted headline earnings per share	cents	1 340	1 069
Ordinary dividends declared per share	cents	605	480
– Interim	cents	265	212
– Final	cents	340	268
Ordinary dividends paid per share	cents	533	442
Dividend cover	times	2,26	2,30
Net asset value per share	cents	10 753	9 831
Tangible net asset value per share	cents	9 044	8 160
Closing share price	cents	14 500	13 035
Price/earnings ratio	historical	11	12
Market capitalisation	Rbn	73,6	67,1
Number of employees		28 494	27 525
Key ratios (%)			
ROE		13,6	11,8
ROE, excluding goodwill		15,3	13,4
ROA		0,99	0,82
Net interest income to average interest-earning banking assets		3,46	3,35
Non-interest revenue to total income		46,1	44,3
Credit loss ratio – banking advances		1,14	1,36
Non-interest revenue to total operating expenses		81,5	79,6
Efficiency ratio		56,6	55,7
Efficiency ratio (excluding BEE transaction expenses)		56,0	55,2
Effective taxation rate		25,2	20,7
Group capital adequacy ratios: Basel II (including unappropriated profits)			
Core Tier I		11,0	10,1
Tier 1		12,6	11,7
Total		15,3	15,0
Statement of financial position statistics (Rm)			
Total equity attributable to equity holders of the parent		48 946	44 101
Total equity		52 685	47 814
Amounts owed to depositors		521 155	490 440
Loans and advances		496 048	475 273
– Gross		507 545	486 499
– Impairment of loans and advances		(11 497)	(11 226)
Total assets administrated by the group		760 358	711 288
– Total assets		648 127	608 718
– Assets under management		112 231	102 570
Life assurance embedded value		1 522	1 031
Life assurance value of new business		409	295

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rm	Total equity attributable to equity holders of the parent	Non-controlling interest attributable to ordinary shareholders	Non-controlling interest attributable to preference shareholders	Total equity
Balance at 31 December 2009	39 649	1 849	3 486	44 984
Dividend to shareholders	(2 042)	(8)		(2 050)
Preference share dividend	(5)		(281)	(286)
Issues of shares net of expenses	2 283		92	2 375
Shares acquired/cancelled by group entities and BEE trusts	(476)			(476)
Dilution of shareholding in subsidiary	(13)	13		–
Total comprehensive income for the year	4 734	59	266	5 059
Liquidation of subsidiaries	(4)			(4)
Additional capitalisation of subsidiaries		2		2
Share-based payment reserve movement	70			70
Buyout of non-controlling interests	(91)	(1 762)	(3)	(1 856)
Regulatory risk reserve provision	(3)			(3)
Other movements	(1)			(1)
Balance at 31 December 2010	44 101	153	3 560	47 814
Dividend to shareholders	(2 608)	(11)		(2 619)
Dividend in respect of BEE transaction	(310)			(310)
Preference share dividend			(281)	(281)
Issues of shares net of expenses	323			323
Shares acquired/cancelled by group entities and BEE trusts	95			95
Total comprehensive income for the year	6 879	40	281	7 200
Share-based payment reserve movement	446			446
Dilution of shareholding in subsidiary	11	(11)		–
Acquisition of subsidiary		7	1	8
Other movements	9			9
Balance at 31 December 2011	48 946	178	3 561	52 685

CONDENSED GEOGRAPHICAL SEGMENTAL REPORTING

for the year ended	Operating income		Headline earnings	
	31 December	31 December	31 December	31 December
Rm	2011	2010	2011	2010
SA	26 228	21 578	5 695	4 162
– Business operations	26 228	21 578	6 162	4 574
– BEE transaction expenses			(186)	(146)
– Profit attributable to non-controlling interest – preference shareholders			(281)	(266)
Rest of Africa	1 101	1 034	246	232
Rest of world – business operations	786	1 023	243	506
Total	28 115	23 635	6 184	4 900

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended Rm	31 December 2011	31 December 2010
Interest and similar income	42 880	44 377
Interest expense and similar charges	24 846	27 769
Net interest income	18 034	16 608
Impairments charge on loans and advances	5 331	6 188
Income from lending activities	12 703	10 420
Non-interest revenue	15 412	13 215
Operating income	28 115	23 635
Total operating expenses	18 919	16 598
– Operating expenses	18 725	16 450
– BEE transaction expenses	194	148
Indirect taxation	505	447
Profit from operations before non-trading and capital items	8 691	6 590
Non-trading and capital items	(14)	(91)
– Net profit/(loss) on sale of subsidiaries, investments, and property and equipment	40	(4)
– Net impairment of investments, property and equipment, and capitalised development costs	(54)	(87)
Profit from operations	8 677	6 499
Share of profits of associates and joint ventures	*	1
Profit before direct taxation	8 677	6 500
Total direct taxation	2 174	1 364
– Direct taxation	2 194	1 366
– Taxation on non-trading and capital items	(20)	(2)
Profit for the year	6 503	5 136
Other comprehensive income/(loss) net of taxation	697	(77)
– Exchange differences on translating foreign operations	469	(246)
– Fair-value adjustments on available-for-sale assets	(21)	(3)
– Gains on property revaluations	249	172
Total comprehensive income for the year	7 200	5 059
Profit attributable to:		
Equity holders of the parent	6 190	4 811
Non-controlling interest – ordinary shareholders	32	59
Non-controlling interest – preference shareholders	281	266
Profit for the year	6 503	5 136
Total comprehensive income attributable to:		
Equity holders of the parent	6 879	4 734
Non-controlling interest – ordinary shareholders	40	59
Non-controlling interest – preference shareholders	281	266
Total comprehensive income for the year	7 200	5 059
Basic earnings per share (cents)	1 367	1 084
Diluted earnings per share (cents)	1 341	1 050

** Represents amounts less than R1m.*

HEADLINE EARNINGS RECONCILIATION

for the year ended	31 December 2011		31 December 2010	
Rm	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to equity holders of the parent		6 190		4 811
Less: Non-trading and capital items	(14)	6	(91)	(89)
– Net profit/(loss) on sale of subsidiaries, investments, and property and equipment	40	60	(4)	(2)
– Net impairment of investments, property and equipment, and capitalised development costs	(54)	(54)	(87)	(87)
Headline earnings		6 184		4 900

CONDENSED SEGMENTAL REPORTING

for the year ended	Total assets		Operating income		Headline earnings	
	31 December	31 December	31 December	31 December	31 December	31 December
Rm	2011	2010	2011	2010	2011	2010
Nedbank Capital	202 624	215 189	3 085	2 930	1 225	1 202
Nedbank Corporate	180 949	170 274	4 883	4 565	1 672	1 496
Total Nedbank Retail and Nedbank Business Banking	278 954	273 219	16 952	13 644	2 854	1 585
– Nedbank Retail	190 399	193 394	12 978	10 082	2 002	760
– Nedbank Business Banking	88 555	79 825	3 974	3 562	852	825
Nedbank Wealth	37 760	33 920	2 648	2 338	625	592
Shared Services	7 314	6 791	250	244	(11)	255
Central Management	45 482	37 322	339	(5)	(181)	(230)
Eliminations	(104 956)	(127 997)	(42)	(81)		
Total	648 127	608 718	28 115	23 635	6 184	4 900

MAKE THINGS HAPPEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at Rm	31 December 2011	31 December 2010
ASSETS		
Cash and cash equivalents	13 457	8 650
Other short-term securities	35 986	27 044
Derivative financial instruments	12 840	13 882
Government and other securities	30 176	31 824
Loans and advances	496 048	475 273
Other assets	12 051	10 014
Clients' indebtedness for acceptances	2 975	1 953
Current taxation receivable	698	483
Investment securities	14 281	11 918
Non-current assets held for sale	8	5
Investments in associate companies and joint ventures	568	936
Deferred taxation asset	266	284
Investment property	614	199
Property and equipment	6 312	5 612
Long-term employee benefit assets	2 118	2 052
Mandatory reserve deposits with central banks	11 952	11 095
Intangible assets	7 777	7 494
Total assets	648 127	608 718
Equity and liabilities		
Ordinary share capital	455	449
Ordinary share premium	15 934	15 522
Reserves	32 557	28 130
Total equity attributable to equity holders of the parent	48 946	44 101
Non-controlling interest attributable to:		
– ordinary shareholders	178	153
– preference shareholders	3 561	3 560
Total equity	52 685	47 814
Derivative financial instruments	13 853	12 052
Amounts owed to depositors	521 155	490 440
Provisions and other liabilities	14 751	18 245
Liabilities under acceptances	2 975	1 953
Current taxation liabilities	200	191
Deferred taxation liabilities	1 345	1 804
Long-term employee benefit liabilities	1 479	1 414
Investment contract liabilities	8 237	7 309
Insurance contract liabilities	2 005	1 392
Long-term debt instruments	29 442	26 104
Total liabilities	595 442	560 904
Total equity and liabilities	648 127	608 718
Guarantees on behalf of clients	28 288	29 614

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended Rm	31 December 2011	31 December 2010
Cash generated by operations	16 552	15 251
Change in funds for operating activities	(4 080)	(12 891)
Net cash from operating activities before taxation	12 472	2 360
Taxation paid	(3 609)	(2 093)
Cashflows from operating activities	8 863	267
Cashflows utilised by investing activities	(3 702)	(4 438)
Cashflows from financing activities	557	5 504
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)	(54)	37
Net increase in cash and cash equivalents	5 664	1 370
Cash and cash equivalents at the beginning of the year*	19 745	18 375
Cash and cash equivalents at the end of the year*	25 409	19 745

** Including mandatory reserve deposits with central banks.*

Directors: Dr RJ Khoza (*Chairman*), MWT Brown* (*Chief Executive*), TA Boardman, TCP Chikane, GW Dempster* (*Chief Operating Officer*), MA Enus-Brey, Prof B de L Figaji, DI Hope (*New Zealand*), WE Lucas-Bull, PM Makwana, NP Mnxasana, RK Morathi* (*Chief Financial Officer*), JK Netshitenzhe, JVF Roberts (*British*), GT Serobe, MI Wyman** (*British*).

* Executive ** Senior independent non-executive director

Company Secretary: GS Nienaber
Registered office: Nedbank Group Limited, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, 2196; PO Box 1144, Johannesburg, 2000.

Transfer secretaries in South Africa: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001, South Africa; PO Box 61051, Marshalltown, 2107, South Africa.

Transfer secretaries in Namibia: Transfer Secretaries (Pty) Limited, Shop 8, Kaiserkrone Centre, Post Street Mall, Windhoek, Namibia; PO Box 2401, Windhoek, Namibia.

Reg No: 1966/010630/06 **ISIN:** ZAE000004875
JSE share code: NED **NSX share code:** NBK

Sponsors in South Africa:
Merrill Lynch South Africa (Pty) Limited, Nedbank Capital.

Sponsor in Namibia: Old Mutual Investment Services (Namibia) (Pty) Limited.

This announcement is available on the group's website www.nedbankgroup.co.za, together with the following additional information:

- Detailed financial information in HTML and PDF formats.
- Financial results presentation to analysts.
- Link to a webcast of the presentation to analysts.

For further information kindly contact Nedbank Group Investor Relations at nedbankgroupir@nedbank.co.za.

NEDBANK GROUP