MAKE THINGS HAPPEN

NEDBANK

NEDBANK GROUP LIMITED

RESULTS BOOKLET

for the year ended 31 December 2012

A Member of the OLD MUTUAL Group

2012 Highlights

FULL-YEAR DIVIDEND PER SHARE
752 cents
UP 24,3%

DILUTED HEADLINE EARNINGS PER SHARE
1 595 cents
UP 19,0%

COMMON EQUITY TIER 1 RATIO
increased to 11,4%
(2011: 10,5%)

HEADLINE EARNINGS
R7 510m
UP 21,4%

STRONG NIR GROWTH
R17 324m
UP 12,4%

ROE (EXCLUDING GOODWILL)
increased to 16,4%
(2011: 15,3%)

'In a tough economic environment Nedbank Group's strong franchise and growth orientation together with the momentum built in the first half of the year resulted in the group delivering diluted headline earnings per share growth of 19,0%. This performance was achieved through strong revenue growth, an improved credit loss ratio and responsible expense management while strengthening the balance sheet and investing for growth.

We are committed to sustainable stakeholder delivery and contributing to SA's development through our support of the National Development Plan objectives. In 2012 we created over 450 new permanent jobs in SA and our great-value banking offerings led to 655 000 more clients banking with Nedbank, taking the total number of clients who choose to bank with us above six million. We continue to lead in transformation as the JSE's most empowered large company under the dti Codes, and to make a difference as SA's green bank.

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

Mike Brown
Chief Executive

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BANKING AND ECONOMIC ENVIRONMENT

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

The temporary aversion of the fiscal cliff in the United States of America was a key positive development and, together with the release of improved US housing, employment and credit data, added to the positive sentiment. In Europe the extraordinary actions by central bankers have significantly reduced tail risk in the Eurozone and declining bond yields have helped to ease fiscal pressure. Further uplift in sentiment came from China's producing a modest recovery in growth to just below 8% in the fourth quarter, after reporting a downward trend in growth for 10 successive quarters.

SA's gross domestic product (GDP) is expected to have grown at around 2,5% in 2012 after expanding 3,1% in 2011. Concerns around the operating environment and infrastructure constraints, the widening current account deficit, rising national debt, higher inflation, high levels of unemployment and declining trends in competitiveness with wage settlements outpacing productivity were included in the rationale by international rating agencies, Moody's, Standard & Poor's and Fitch Ratings for the downgrade of SA's sovereign-debt rating, which in turn placed pressure on the rand. Domestic bond yields have, however, remained stable.

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

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

DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS

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

We are committed to delivering sustainable value to all our stakeholders as demonstrated by the following highlights for 2012:

For staff – creating over 450 new permanent jobs in SA, investing R352m in the development of our staff and supporting more than 1 300 managers through our personal mastery and team effectiveness programme known as 'Leading for Deep Green' and 8 500 staff through our Batho Pele diversity programme. This focus on values-based behaviour has led to higher levels of staff morale and an ongoing positive shift in corporate culture, now measuring at world-class levels.

For clients – paying out R144bn in new loans, up 24,1% on 2011; launching various market-leading innovations such as the Nedbank App Suite™, My**Financial**Life™, Small Business Friday™ in association with the National Small Business Chamber, cash management solutions and longer-term deposit products; providing great-value banking and saving clients R163m through the use of bundled products; increasing our footprint by 80 net new staffed outlets and 476 net new ATMs; and achieving multiyear highs in client satisfaction as measured by Net Promoter Scores across the group. As a result, more clients chose to bank with Nedbank, resulting in a net gain of 655 000 new retail clients in the year, including 377 000 entry-level banking clients, 165 000 middle-market clients, 1 113 high-net-worth clients, 775 and 27 new business banking and corporate primary-banked clients, respectively. Nedbank was recognised by *Euromoney* as the best bank in South Africa in 2012.

For shareholders – delivering R1 511m EP, generating a 34,3% total shareholder return and a total dividend increase of 24,3%, as well as maintaining excellence in transparency and reporting as acknowledged by numerous reporting awards. We have created an opportunity for shareholders to participate in the Africa growth story through our rights to acquire 20% in Ecobank Transnational Incorporated (ETI).

For regulators – increasing capital levels further and being well positioned for the implementation of Basel III on 1 January 2013 and the Solvency Assessment and Management regime on 1 January 2015, making cash taxation contributions of R6,2bn relating to direct, indirect and other taxation and supporting the National Treasury in our actions and commitments to responsible banking practices. Our credit rating was upgraded by Fitch in July 2012, while the five largest SA banks were downgraded in January 2013 following the downgrade of the SA sovereign-risk rating.

For communities – making banking more accessible and affordable for the entry-level market and rural communities; identifying numerous non-urban areas for footprint expansion; increasing staffed outlets and ATMs by over 48% and 74% respectively since the beginning of 2009. To date we have donated more than R200m to charities through our innovative card affinity programmes, and in 2012 we contributed R116m to socioeconomic development. The group achieved Department of Trade and Industry (dti) code level 2 for the fourth consecutive year and was ranked first overall among the top 50 JSE-listed companies in the *Financial Mail/Empowerdex* Top Empowered Companies Survey. Furthermore 75,5% of our procurement was sourced locally. Our leadership role in environmental sustainability was demonstrated by initiatives such as funding a large percentage of SA's renewable-energy programme and the introduction of Nedbank's Green Savings Bond, the value of which has increased to R866m since its launch. We maintained our carbon-neutral status and received the *Financial Times* 2012 Sustainable Bank of the Year for Africa and the Middle East award as well as African Business Environmental Sustainability in Africa 2012 award.

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

CLUSTER PERFORMANCE

Our business clusters generated an increased ROE of 17,9% (2011: 17,1%) and headline earnings growth of 16,3%, with all line clusters delivering good performances.[1]

	% Change	Headline earnings (Rm)		ROE (%)	
		2012	2011	**2012**	2011[1]
Nedbank Capital	16,3	**1 428**	1 228	**25,4**	22,6
Nedbank Corporate[2]	15,7	**1 817**	1 571	**22,5**	24,5
Nedbank Business Banking	9,0	**944**	866	**21,5**	21,3
Nedbank Retail	22,0	**2 552**	2 091	**12,1**	10,8
Nedbank Wealth	9,5	**716**	654	**29,6**	27,7
Line clusters	16,3	**7 457**	6 410	**17,9**	17,1
Centre[2]		**53**	(226)		
Total	21,4	**7 510**	6 184	**14,8**	13,6

[1] *Restated for enhancements to capital allocation methodologies implemented in 2012.*
[2] *2011 restated for the transfer of the Rest of Africa division from Nedbank Corporate to the centre.*

Strong earnings growth of 16,3% and 25,4% ROE in Nedbank Capital were driven by good asset growth and pipeline conversion in investment banking, together with strong performance from global markets that resulted in materially increased structuring and trading income. The cluster's CLR improved, although remaining above its through-the-cycle range.

Nedbank Corporate performed well, producing good earnings growth of 15,7% and an ROE of 22,5%, underpinned by increased cash and electronic banking volumes, a strong delivery from the listed-property investment portfolio and favourable deposit growth. This performance was achieved within a well-managed impairment and expense environment across the businesses.

Nedbank Business Banking achieved headline earnings growth of 9,0% to R944m through maintaining quality client relationships and outstanding proactive risk management practices, as reflected in the CLR of 0,34% (2011: 0,53%). Good underlying momentum was noted in asset payouts, deposits and new client gains, notwithstanding the protracted challenges facing the small and medium enterprise (SME) sector in SA, which resulted in EP for the year of R368m and a sustained high ROE of 21,5%.[1]

Nedbank Retail's momentum is reflected in the 22,0% headline earnings growth and ROE improvement to 12,1%, narrowing the gap in relation to the cost of equity. This is testimony to the excellent progress strategically and financially in repositioning the cluster. The embedding of sound risk practices is reflected in the CLR of 2,01% (2011: 1,98%) remaining within the through-the-cycle range, while continuing to reduce defaulted loans and strengthen balance sheet impairments.[1] Investment in distribution and distinctive client value propositions is yielding strong client gains and related transactional, deposit and lending volumes.

Nedbank Wealth continued to record sound earnings growth of 9,5% and an excellent ROE of 29,6%, supported by solid performance in the asset management and insurance businesses.[1] These results were achieved despite pressure on impairments, a considerable deterioration in the short-term insurance claims environment in the second half of 2012 and the R31,5m (post-tax) rebranding costs relating to the launch of the new single high-net-worth offering, Nedbank Private Wealth.

The centre produced a small profit in 2012 from a loss of R226m in 2011, largely as a result of the R200m portfolio impairment provision recognised at group level in the prior year. The Rest of Africa division, now included in the centre, delivered a strong increase in headline earnings of 35,2%.[1]

FINANCIAL PERFORMANCE

Net interest income

Net interest income (NII) increased 9,1% to R19 680m (2011: R18 034m)[1] and average interest-earning banking assets grew 7,5% (2011 growth: 5,1%).

The net interest margin (NIM) increased to 3,53% from the restated 3,48%* level achieved in 2011. The margin expansion reflects the ongoing benefits of risk-adjusted pricing of new advances and portfolio-tilt-driven changes in the asset and deposit mix, partially offset by:

- the negative endowment effect of lower average interest rates in 2012;
- the cost of lengthening the group's funding profile; and
- the cost of carrying higher levels of lower-yielding liquid assets as the group prepared for the implementation of Basel III liquidity coverage ratios.

* *Restated from 3,46% to exclude clients' indebtedness for acceptances from interest-earning banking assets to align with the rest of the industry.*

Impairments

Lower levels of impairments at R5 199m (2011: R5 331m) were reported. The CLR improved to 1,05% for the year (2011: 1,13%), remaining above the group's through-the-cycle range of 60 to 100 basis points.[1]

CLR analysis (%)	Dec 2012[1]	H2 2012	H1 2012	Dec 2011[1]
Specific impairments	0,91	0,84	1,00	1,01
Portfolio impairments	0,14	0,16	0,11	0,12
Total CLR	1,05	1,00	1,11	1,13

Given the levels of overall consumer indebtedness, credit risk management remained a strong area of focus. The reduction in specific impairments to 0,91% (2011: 1,01%) was driven by a 17,0% decrease in defaulted advances to R19 273m (2011: R23 210m), while further strengthening the portfolio impairments charge to 0,14% (2011: 0,12%) mainly on the performing personal loans, Motor Finance Corporation (MFC) and home loans books.

The increased level of portfolio impairments was mainly as a result of further model conservatism and book growth in personal loans as well as the lengthening of the emergence period in the MFC book. The group retained the R200m central portfolio provision set aside last year for unknown events that may have already occurred but which will only be evident in the future. The total impairment coverage ratio increased to 56,4% (2011: 49,5%), largely due to asset mix changes in the group's banking book.

Our collections processes, enhanced by additional collections staff and more effective collections processes, generated a 35,1% increase in bad-debt recoveries amounting to R866m (2011: R641m).

CLR (%)	Dec 2012[1]	H2 2012	H1 2012	Dec 2011[1]	Through-the-cycle target ranges
Nedbank Capital	1,06	0,72	1,41	1,23	0,10 – 0,55
Nedbank Corporate	0,24	0,18	0,30	0,29	0,20 – 0,35
Nedbank Business Banking	0,34	0,28	0,41	0,53	0,55 – 0,75
Nedbank Retail	2,01	2,02	2,00	1,98	1,50 – 2,20
Nedbank Wealth	0,61	0,76	0,46	0,25	0,20 – 0,40
Group	1,05	1,00	1,11	1,13	0,60 – 1,00

Credit loss ratios in the wholesale clusters improved in the second half of the year. Nedbank Retail's CLR was maintained within its through-the-cycle range and at levels similar to those in the first six months of the year, reflecting the effect of asset mix changes as unsecured lending attracts higher levels of impairments than secured lending. Nedbank Wealth's CLR deteriorated mainly due to the impact of a subdued property market.

Non-interest revenue

The continued investment in the Nedbank franchise contributed to strong NIR growth of 12,4% to R17 324m (2011: R15 412m), lifting the ratio of NIR to expenses to 84,4% (2011: 81,5%), close to the group's medium-to-long-term target of >85,0%.[1] The group has delivered compound growth in NIR, excluding fair-value adjustments, of 11,0% over a four-year period.

Commission and fee income increased by R1,5bn, rising by 13,7% to R12 538m (2011: R11 031m) on the back of increased activity in the transactional banking, card, personal loans, investment banking and advisory activities of the group.[1]

Insurance income grew strongly, increasing 24,9% to R1 695m (2011: R1 357m) from good insurance sales and underwriting performance, notwithstanding the poor weather conditions and fire-related claims in the second half of the year.[1]

Favourable market conditions and good performance in the trading business, notably in fixed-income, delivered excellent trading income growth of 22,0% to R2 644m (2011: R2 168m). Realisations and dividends received in Nedbank Corporate property and Nedbank Capital investment portfolios generated R211m (2011: R323m) in private equity income.[1]

Negative fair-value adjustments of R265m (2011: R60m loss)[1] were recognised mainly as a result of basis risk on centrally hedged positions, accounting mismatches in hedged portfolios, including fixed-rate retail deposits and personal loans, and credit spread unwind on certain of Nedbank's Tier 2 debt.

Following the scheduled termination of the contract with Swisscard that previously housed the Tando card processing operations, NIR was negatively impacted as no further revenue was generated in 2012 (2011: R214m).

Expenses

Nedbank's strong cost management culture remains a key differentiator and contributed to a lower level of expense growth for 2012 in line with guidance.

Expenses increased 8,5% to R20 528m (2011: R18 919m)[1], consisting of 4,1% for business-as-usual activities, 2,1% for investing in growth initiatives and 2,3% for variable compensation.

Growth in expenses was primarily from:

- Staff-related expenses increasing 11,2% and comprising:
  - remuneration and other staff cost growth of 8,5%, following inflation-related annual increases averaging 6,5% and 0,9% headcount growth;
  - short-term incentive costs increasing 18,7% driven by 21,4% headline earnings and 63,5% EP growth; and
  - long-term incentive costs increasing by 71,4% as 2011 contained a higher reversal of costs when corporate performance targets were not met and related incentive awards lapsed.
- Volume-driven costs, such as fees and computer processing costs, continuing to grow in support of revenue-generating business activities.
- Investing for growth initiatives, including footprint rollout, headcount growth in frontline and collections staff, new innovative offerings and enhancements in product and system functionality.

The efficiency ratio improved to 55,5% (2011: 56,6%),[1] absorbing the negative impact of the interest rate cut in July on endowment and consequently NII growth.

Since 2007 Nedbank Group's five-year compound NIR growth of 10,6% exceeded the related compound expense growth of 8,8%.

Taxation

The tax charge increased 30,9% to R2 871m (2011: R2 194m), with the effective tax rate increasing to 26,8% (2011: 25,2%)[1]. The increase resulted mainly from lower levels of dividend income received and an increase in capital gains tax (CGT) rate from 14,0% to 18,65%.

STATEMENT OF FINANCIAL POSITION

Capital

The group's capital ratios strengthened during the year, positioning the organisation favourably for the adoption of Basel III that was successfully implemented on 1 January 2013. All capital adequacy ratios remained well above the Basel II.5 minimum regulatory capital requirements and the group's new Basel III internal target ranges. The group's strong capital position enabled the redemption of a further R1,8bn Tier 2 subordinated debt during 2012 in line with our capital management planning and positioning for Basel III.

In August 2012 the group obtained approval from the South African Reserve Bank (SARB) to manage the MFC book on its Advanced Internal Ratings-based Credit Approach. The resultant reduction in risk-weighted assets, along with good earnings growth, contributed to further strengthening of the Basel II.5 common equity Tier 1 ratio to 11,4%.

The group reset its internal targets in line with the new SA Basel III regulations based on the increased minimum regulatory requirements for common equity Tier 1 in 2019, and Tier 1 and total ratios in 2015.

The new internal targets include a conservative management buffer and allowance for potential Pillar 2B bank-specific add-ons while taking cognisance of anticipated Basel III capital levels in other jurisdictions, the view of rating agencies and Nedbank's Internal Capital Adequacy Assessment Process. The Basel III regulatory minimums include minimum regulatory requirements for common equity Tier 1 in 2019, Tier 1 and total ratios in 2015 as well as a conservative Pillar 2B add-on, but exclude any countercyclical capital buffer requirements.

The group's ratios are anticipated to continue improving in 2013, driven by projected earnings growth and the portfolio tilt strategy.

Further detail on capital and risk management is available in the risk and balance sheet management review section of the group's analyst booklet and the Pillar 3 Report that will be published at the end of March 2013 on the website at www.nedbankgroup.co.za.

	Dec 2012 (Pro forma Basel III)	Dec 2012 (Basel II.5)	Dec 2011 (Basel II.5)	Internal target range(Basel III)	Regulatory minimum (Basel III)
Common equity Tier 1 ratio	11,6%	11,4%	10,5%	10,5% – 12,5%	9,00%
Tier 1 ratio	13,1%	12,9%	12,0%	11,5% – 13,0%	11,25%
Total capital ratio	15,1%	14,9%	14,6%	14,0% – 15,0%	13,50%

(Ratios calculated include unappropriated profits.)

Capital allocation to the businesses

As reported during our 2012 interim results, economic capital allocated to the business clusters was revised from 10,0% to 11,0% to align the businesses with the higher operating capital levels held by the group under Basel III and the allocation of capital impaired against certain intangible assets, previously held at the centre. The upward revision of capital allocated to the clusters resulted in a dilution of the clusters' ROE performance, given higher capital levels. Headline earnings and ROE numbers for the business clusters for 2011 were restated on a like-for-like basis. These enhancements had no impact on the group's overall headline earnings, capital levels and ROE.

Funding and liquidity

Nedbank Group remains well funded with a strong liquidity position and a lengthened funding profile, with the fourth-quarter average long-term funding ratio increasing further to 26,0% (2011: 25,0%).

In addition to launching a number of competitive and innovative savings and investment products for the retail market, the following funding strategies were implemented during the year:

- Issuing of R3,2bn of senior unsecured debt with a tenure ranging from three to seven years.
- Issuing of R1,8bn through the Greenhouse securitisation programme with tenors of up to five years.
- Maintaining a significant surplus liquidity buffer in excess of R24,0bn.
- Improving the group's sources of quick liquidity to R107,5bn (2011: R103,6bn).

In May the SARB announced that banks would be able to include cash reserves in the calculation of the liquidity coverage ratio (LCR), and the SARB would make available a committed liquidity facility (CLF) of up to 40% of the LCR requirements. Taking into account Nedbank's cash reserves, the liquid assets held for regulatory purposes, the surplus liquidity buffer and the notional ability to access the CLF, Nedbank would be compliant with the Basel III LCR on a pro forma basis at 31 December 2012.

This was further supported by amendments to the LCR by the Basel Committee on Banking Supervision (BCBS) on 6 January 2013, which are likely to be adopted by the SA regulator. These amendments are positive in that they:

- allow for a longer lead time to implement the LCR, starting from 60% (previously 100%) in January 2015 and increasing to 100% in January 2019;
- result in a broader definition of qualifying high-quality liquid assets (HQLA); and
- reduce HQLA requirements given refinements to various cash outflow assumptions in the LCR formula.

The revisions to the LCR will be beneficial for banks, with associated cost savings and more time to implement the LCR.

Having finalised the LCR, the BCBS is now expected to focus on the net stable funding ratio (NSFR). The impact of NSFR compliance by SA and most banking industries worldwide would be punitive if implemented as currently set out in the draft requirements, significantly impacting both global and domestic economic growth and job creation. Structural constraints within SA financial markets will add further challenges to domestic compliance with the NSFR. The SARB and National Treasury, in conjunction with the financial services industry, are engaging proactively during the observation period prior to implementation in order to address any unintended consequences for SA. It is anticipated, based on extensive global discussion and the experiences gained from the LCR implementation process, that a fundamental revision and a pragmatic approach will be applied to the NSFR well in advance of its proposed implementation in 2018.

Loans and advances

Net loans and advances grew 5,6% to R527bn (2011: R499bn), with strong growth in trading advances of 49,2%. Excluding trading advances, banking advances growth of 3,8% was largely underpinned by advances growth in Nedbank Capital and Nedbank Retail.[1]

Loans and advances by cluster at year-end are as follows[1]:

Rm[1]	Dec 2012[1]	Dec 2011[1]	% Change
Nedbank Capital	82 494	68 510	20,4
Banking activity	52 732	48 558	8,6
Trading activity	29 762	19 952	49,2
Nedbank Corporate	162 730	157 271	3,5
Nedbank Business Banking	60 115	58 856	2,1
Nedbank Retail	190 647	183 748	3,7
Nedbank Wealth	19 864	19 624	1,2
Other	11 316	11 014	2,7
	527 166	499 023	5,6

Nedbank Capital's banking advances growth was driven by the successful conversion of its robust investment banking pipeline and increased trading advances as the interbank funding desk experienced significantly better market conditions than in the year before. Nedbank Corporate recorded favourable growth in term loans and commercial mortgages of 8,4% and 5,3% respectively, while reducing the levels of lower-yielding overnight loans. Continuing pressure in the SME environment saw Nedbank Business Banking's clients defer expansion plans, deleverage further and transact less, which – together with judicious risk management – kept advances growth to 2,1%. Retail's advances growth came from strong gains in cards of 16,1% (2011: 9,2%) and in MFC of 10,3% (2011: 9,7%), while tightening criteria resulted in personal loans growing at a reduced rate of 28,7% (2011: 36,5%). Low consumer demand for home loans in conjunction with selective advances growth and the rolloff of the backbook led to a 5,5% reduction in the retail home loans book, with origination through our own client relationships and channels being emphasised.

Deposits

Deposits grew by a healthy 5,1% to R551bn (2011: R524bn), maintaining a strong loan-to-deposit ratio of 95,7% (2011: 95,2%).[1]

The lengthening of the funding profile was primarily due to ongoing growth in call and term deposits of 9,9% and fixed deposits of 8,2% as a result of a strong uptake in the Retail Savings Bond of R3,3bn and wholesale deposit offerings such as Corporate Saver. Cash management deposits grew 7,5%, boosted by net primary banking client gains, whereas the more volatile negotiable certificate of deposit (NCD) category decreased 21,4%.

Current and savings accounts grew well, increasing 7,9% and 9,3% respectively, underpinned by Nedbank's strong franchise. Altogether these improvements in the funding profile ensured that Nedbank continued to hold a higher proportion of household deposits relative to the size of our retail bank.

However, strong competition for deposits in 2012 resulted in some loss of overall market share in household deposits. The launch of innovative new deposit products such as Nedbank Money Trader, increasing functionality on our world-class internet and mobile banking applications, and various other initiatives will contribute to growing the transactional client base and positioning Nedbank strongly for sustainable growth in savings and investment deposits.

Economic outlook

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

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

Consumer indebtedness is anticipated to ease gradually, but remains high compared with historical levels, particularly with 39-year-low interest rates. This, combined with the lack of job security, is expected to limit the growth in demand for housing and other secured loans. Growth rates in unsecured lending are expected to continue to moderate.

Uncertainty is likely to continue to affect the level of business confidence and contain capital expenditure and growth in wholesale assets in the private sector. Government and public corporations are forecast to escalate their infrastructure spending, which should contribute to improved wholesale advances growth.

Group strategic focus

The Nedbank Group strategy is outward-looking, with a focus on growing the franchise and delivering on its key strategic initiatives of repositioning Nedbank Retail, growing NIR, implementing the portfolio tilt strategy and expanding into the rest of Africa.

- Nedbank Retail is allocated 39,1% of the group's capital and its strategic repositioning will contribute significantly to ongoing improvements in the group's performance. While endeavouring to leverage early turnaround gains to achieve an ROE at or above the cost of equity (COE) of 13% by the end of 2013, a year ahead of the original 2014 target, the deteriorating credit health of consumers noted in the last quarter of 2012 could make this challenging to deliver. Continued excellent progress was made in positioning Nedbank Retail as a more client-centred and integrated business while maintaining growth momentum in the underlying businesses, growing the number and quality of clients, embedding effective risk management practices and strengthening balance sheet impairments.
- The group's NIR-to-expenses ratio target of > 85% is a key focus area as we continue to deliver good-quality annuity income through commission and fee growth from primary-client gains, volume growth, new innovative products and cross-sell. In our technology division we enabled greater efficiencies, including the rationalisation of 20 banking systems and the reduction of our servers from 3 500 to 1 139 since 2009.
- The portfolio tilt strategy continued to gain traction, supporting EP growth from R57m in 2009 to R1 511m in 2012. Excellent growth in 2012 in commission and fee income of 13,7%, insurance income of 24,9%, assets under management of 34,1% and deposits of 5,1%, while emphasising profitable secured lending, demonstrates the benefit of focusing on these strategically important EP-rich, lower-capital and liquidity-consuming activities.
- In the short to medium term the group's primary focus on SA and the Southern African Development Community (SADC) area continues to benefit the group as this region has the largest EP pool for financial services in sub-Saharan Africa. The rights to acquire a shareholding of up to 20% in ETI in less than two years creates a path to provide a significant benefit to Nedbank's clients in the rest of Africa and the opportunity for shareholders to gain access to the higher economic growth in the rest of Africa in a prudent yet substantive manner.

Prospects

In the context of the anticipated economic environment and continued low interest rates in SA, the group's guidance for 2013 is as follows:

- Advances to grow at mid to upper single digits.
- NIM to remain at levels similar to those in 2012.
- The CLR to continue improving into the upper end of the group's through-the-cycle target range.
- NIR (excluding fair-value adjustments) to grow at low double digits, and allow the group to meet the medium-to-long-term NIR-to-expenses target of >85%.
- Expenses to increase by mid to upper single digits.

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

Metric	2012 performance	Medium- to long-term targets	2013 outlook
ROE (excluding goodwill)	16,4%	5% above cost of ordinary shareholders' equity	Improving, remaining below target.
Growth in diluted headline earnings per share	19,0%	≥ Consumer price index + GDP growth + 5%	Meet target.
CLR	1,05%	Between 0,6% and 1,0% of average banking advances	Improving into upper end of target.
NIR-to-expenses ratio	84,4%	>85%	Improving to meet the target.
Efficiency ratio	55,5%	<50,0%	Improving, remaining above target.
Common equity Tier 1 capital adequacy ratio (Basel III)	11,6%	10,5% to 12,5%	Strengthening, remaining around mid-point of new target.
Economic capital		Internal Capital Adequacy Assessment Process (ICAAP): A debt rating (including 10% capital buffer)	
Dividend cover	2,19 times	1,75 to 2,25 times	1,75 to 2,25 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 previously advised that Alan Knott-Craig resigned as independent non-executive director of Nedbank Group and Nedbank Limited with effect from 24 February 2012.

Professor Brian de Lacy Figaji retired as independent non-executive director of Nedbank Group and Nedbank Limited with effect from 4 May 2012.

Ian David Gladman was appointed as non-executive director of Nedbank Group and Nedbank Limited with effect from 7 June 2012.

Wendy Lucas-Bull resigned as independent non-executive director of Nedbank Group and Nedbank Limited with effect from 5 November 2012.

Gawie Nienaber retired as Group Company Secretary with effect from 30 June 2012 after reaching the mandatory retirement age in terms of Nedbank Group's normal retirement policy. Thabani Jali was appointed as Group Company Secretary and Jackie Katzin was appointed as Deputy Group Company Secretary of Nedbank Group and Nedbank Limited with effect from 1 July 2012.

APPRECIATION

The performance of the past year highlights the quality of management and leadership and the depth of talent within the group. We are continually striving to exceed the expectations of our stakeholders, and wish to thank all of you for your guidance, support and commitment to ensuring that the group continues to deliver across the social, economic, environmental and cultural pillars of sustainability. Your contribution is highly valued as we continue building Africa's most admired bank.

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 2012 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, except for clients' indebtedness for acceptances and liabilities for acceptances that have been reclassified to loans and advances, and amounts owed to depositors respectively in order to achieve improved comparability with the majority of the group's SA banking peers. These items were previously separately disclosed in the group's statement of financial position. 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, and the presentation and disclosure requirements with International Accounting Standard (IAS) 34: Interim Financial Reporting and the Financial Reporting Guide as issued by the Accounting Practices Committee, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

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 2012 were consistent with those applied during the 2011 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's 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 2012, consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cashflows for the years 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.

FINAL DIVIDEND DECLARATION

Notice is hereby given that a gross final dividend of 412 cents per ordinary share has been declared, payable to shareholders for the year ended 31 December 2012. The dividend has been declared out of income reserves.

The dividend will be subject to a dividend withholding tax rate of 15% (applicable in South Africa) or 61,8 cents per ordinary share, resulting in a net dividend of 350,2 cents per ordinary share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of an applicable double-tax agreement. No Secondary Tax on Companies (STC) credits were available to be utilised as part of this declaration. Nedbank Group Limited's tax reference number is 9375/082/71/7 and the number of ordinary shares in issue at the date of declaration is 507 509 491.

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)	Wednesday, 27 March 2013
Shares commence trading (ex dividend)	Thursday, 28 March 2013
Record date (date shareholders recorded in books)	Friday, 5 April 2013
Payment date	Monday, 8 April 2013

Share certificates may not be dematerialised or rematerialised between Thursday, 28 March 2013 and Friday, 5 April 2013, both days inclusive.

On Monday, 8 April 2013, 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 Monday, 8 April 2013, will be posted on that date.

Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 8 April 2013.

The above dates and times are subject to change. Any changes will be published on the Securities Exchange News Service (SENS) and in the press.

For and on behalf of the board

Dr Reuel J Khoza	Michael WT Brown
Chairman	*Chief Executive*

25 February 2013

FINANCIAL HIGHLIGHTS

for the year ended 31 December

		% Change	2012	2011
Statistics				
Number of shares listed	m		507,5	507,4
Number of shares in issue excluding shares held by group entities	m		457,3	455,2
Weighted average number of shares	m		456,3	452,9
Diluted weighted average number of shares	m		470,7	461,5
Headline earnings	Rm	21,4	7 510	6 184
Profit attributable to equity holders of the parent	Rm	20,8	7 476	6 190
Pre-provisioning operating profit	Rm	13,6	15 580	13 709
Economic profit	Rm	63,5	1 511	924
Headline earnings per share	cents	20,6	1 646	1 365
Diluted headline earnings per share	cents	19,0	1 595	1 340
Basic earnings per share	cents	19,8	1 638	1 367
Diluted basic earnings per share	cents	18,4	1 588	1 341
Ordinary dividends declared per share	cents	24,3	752	605
Interim			340	265
Final			412	340
Dividend paid per share	cents		680	533
Dividend cover	times		2,19	2,26
Total assets administered by the group	Rm	9,6	833 474	760 358
Total assets	Rm	12,0	682 979	648 127
Assets under management	Rm	34,1	150 495	112 231
Life assurance embedded value	Rm	33,4	2 030	1 522
Life assurance value of new business	Rm	37,7	563	409
Net asset value per share	cents	9,7	11 798	10 753
Tangible net asset value per share	cents	11,3	10 065	9 044
Closing share price	cents	29,7	18 800	14 500
Price/earnings ratio	historical	7,5	11,4	10,6
Market capitalisation	Rbn	29,6	95,4	73,6
Number of employees		0,9	28 748	28 494
Key ratios (%)				
Return on ordinary shareholders' equity (ROE)			14,8	13,6
ROE excluding goodwill			16,4	15,3
Tangible ROE			16,7	16,3
Return on total assets (ROA)			1,13	0,99
Net interest income to average interest-earning banking assets[2]			3,53	3,48
Non-interest revenue to total income			46,8	46,1
Non-interest revenue to total expenses			84,4	81,5
Credit loss ratio-banking advances[3]			1,05	1,13
Efficiency ratio			55,5	56,6
Efficiency ratio (excluding BEE transaction expenses)			55,3	56,0
Effective taxation rate			26,8	25,2
Group capital adequacy ratios: (including unappropriated profits)				
– Common equity Tier I			11,4[1]	11,0
– Tier 1			12,9[1]	12,6
– Total			14,9[1]	15,3

[1] *Basel II.5*

[2] *2011 restated (see note 1)*

[3] *2011 restated (see risk and BSM review page 42c)*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

Rm	Note	% Change	2012	2011
Interest and similar income		4,3	44 730	42 880
Interest expense and similar charges		0,8	25 050	24 846
Net interest income	1	9,1	19 680	18 034
Impairments charge on loans and advances	2	(2,5)	5 199	5 331
Income from lending activities		14,0	14 481	12 703
Non-interest revenue	3	12,4	17 324	15 412
Operating income		13,1	31 805	28 115
Total expenses	4	8,5	20 528	18 919
Operating expenses		9,2	20 450	18 725
BEE transaction expenses		(59,8)	78	194
Indirect taxation		11,1	561	505
Profit from operations before non-trading and capital items		23,3	10 716	8 691
Non-trading and capital items		28,6	(18)	(14)
Profit on sale of subsidiaries, investments and property and equipment			33	40
Net impairment of investments, property and equipment and capitalised development costs			(51)	(54)
Revaluation of investment properties			(12)	
Profit from operations		23,2	10 686	8 677
Share of profits of associates and joint ventures			1	
Profit from operations before direct taxation		23,2	10 687	8 677
Total direct taxation	5	32,2	2 875	2 174
Direct taxation		30,9	2 871	2 194
Taxation on non-trading and capital items		>100	4	(20)
Taxation on revaluation of investment properties			[1]	
Profit for the year		20,1	7 812	6 503
Other comprehensive income net of taxation			247	697
Exchange differences on translating foreign operations			162	469
Fair value adjustments on available-for-sale assets			43	(21)
Gains on property revaluations			42	249
Total comprehensive income for the year		11,9	8 059	7 200
Profit attributable to:				
Equity holders of the parent			7 476	6 190
Non-controlling interest – ordinary shareholders	6		43	32
Non-controlling interest – preference shareholders	7		293	281
Profit for the year		20,1	7 812	6 503
Total comprehensive income attributable to:				
Equity holders of the parent			7 719	6 879
Non-controlling interest – ordinary shareholders			47	40
Non-controlling interest – preference shareholders			293	281
Total comprehensive income for the year		11,9	8 059	7 200
Headline earnings reconciliation				
Profit attributable to equity holders of the parent		20,8	7 476	6 190
Less: Non-headline earnings items			(34)	6
Non-trading and capital items			(18)	(14)
Taxation on non-trading and capital items			(4)	20
Fair value adjustments on investment properties			(12)	
Headline earnings		21,4	7 510	6 184

[1] *Represents amounts less than R1m.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December

Rm	Note	2012	2011
Assets			
Cash and cash equivalents		14 445	13 457
Other short-term securities		43 457	35 986
Derivative financial instruments		13 812	12 840
Government and other securities		26 753	30 176
Loans and advances[1]	8	527 166	499 023
Other assets		9 488	12 051
Current taxation receivable		246	698
Investment securities	9	16 577	14 281
Non-current assets held for sale		508	8
Investments in associate companies and joint ventures	10	668	568
Deferred taxation asset		399	266
Investment property		205	614
Property and equipment		6 398	6 312
Long-term employee benefit assets		2 258	2 118
Mandatory reserve deposits with central banks		12 677	11 952
Intangible assets	11	7 922	7 777
Total assets		682 979	648 127
Equity and liabilities			
Ordinary share capital		457	455
Ordinary share premium		16 033	15 934
Reserves		37 460	32 557
Total equity attributable to equity holders of the parent		53 950	48 946
Non-controlling interest attributable to			
– ordinary shareholders	6	219	178
– preference shareholders		3 561	3 561
Total equity		57 730	52 685
Derivative financial instruments		13 454	13 853
Amounts owed to depositors[1]	13	550 878	524 130
Other liabilities		15 526	14 751
Current taxation liabilities		193	200
Other liabilities held for sale		36	
Deferred taxation liabilities		781	1 345
Long-term employee benefit liabilities		1 591	1 479
Investment contract liabilities		9 513	8 237
Insurance contract liabilities		2 979	2 005
Long-term debt instruments	14	30 298	29 442
Total liabilities		625 249	595 442
Total equity and liabilities		682 979	648 127

[1] *2011 reclassification of 'Clients' indebtedness for acceptances' to 'Loans and advances' and 'Liabilities under acceptances' to 'Amounts owed to depositors'.*

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December

Rm	2012	2011
Cash generated by operations	18 804	16 552
Change in funds for operating activities	(5 947)	(4 080)
Net cash from operating activities before taxation	12 857	12 472
Taxation paid	(3 914)	(3 609)
Cash flows from operating activities	8 943	8 863
Cash flows utilised by investing activities	(4 696)	(3 702)
Cash flows (utilised by)/from financing activities	(2 552)	557
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)	18	(54)
Net increase in cash and cash equivalents	1 713	5 664
Cash and cash equivalents at the beginning of the year[1]	25 409	19 745
Cash and cash equivalents at the end of the year[1]	27 122	25 409

[1] *Including mandatory reserve deposits with central banks.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency translation reserve	Property revaluation reserve
Balance at 31 December 2010	448 564 111	449	15 522	(20)	1 146
Shares issued in terms of Employee Incentive Schemes	2 397 269	2	309		
Shares issued in terms of BEE transaction	90 262		12		
Share delisted in terms of BEE transaction	(9 949 367)	(10)			
Shares acquired/cancelled by group entities	14 125 859	14	91		
Acquisition of minority shareholding in subsidiary					
Acquisition of subsidiary					
Preference share dividend paid					
Dividends distributed in terms of BEE transaction					
Dividends paid to ordinary shareholders					
Total comprehensive income for the period				461	249
Transfer (to)/from reserves					(25)
Share-based payments reserve movements					
Other movements					
Balance at 31 December 2011	455 228 134	455	15 934	441	1 370
Shares issued in terms of Employee Incentive Schemes	79 500		14		
Shares acquired/cancelled by group entities	1 995 670	2	85		
Acquisition of subsidiary					
Preference share dividend paid					
Dividends paid to ordinary shareholders					
Total comprehensive income for the period				158	42
Transfer (to)/from reserves					(29)
Share-based payments reserve movements					
Regulatory risk reserve provision					
Other movements					
Balance at 31 December 2012	457 303 304	457	16 033	599	1 383

[1] *Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves in order to comply with the Bank's Act 1990.*

[2] *Represents the accumulated profits after distributions to shareholders and appropriations of retained earnings to other non-distributable reserves.*

Share-based payment reserve	Other non-distributable reserves[1]	Available-for-sale reserve	Other distributable reserves[2]	Total equity attributable to equity holders of the parent	Non-controlling interest attributable to ordinary shareholders	Non-controlling interest attributable to preference shareholders	Total shareholders equity
949	124	98	25 833	44 101	153	3 560	47 814
				311			311
				12			12
				(10)			(10)
				105			105
			11	11	(11)		–
				–	7	1	8
				–		(281)	(281)
			(310)	(310)			(310)
			(2 608)	(2 608)	(11)		(2 619)
		(21)	6 190	6 879	40	281	7 200
(420)	2		443	–			–
446				446			446
			9	9			9
975	126	77	29 568	48 946	178	3 561	52 685
				14			14
			32	119			119
				–	2		2
				–		(293)	(293)
			(3 248)	(3 248)	(8)		(3 256)
		43	7 476	7 719	47	293	8 059
(37)	13	6	47	–			–
396				396			396
	2			2			2
			2	2			2
1 334	141	126	33 877	53 950	219	3 561	57 730

RETURN ON EQUITY DRIVERS

for the year ended 31 December

	2012	2011	
Net interest income	19 680	18 034	Net interest income/average interest-earning banking assets
Impairment of loans and advances	(5 199)	(5 331)	Impairments/average interest-earning banking assets
Non-interest revenue	17 324	15 412	Non-interest revenue/average interest-earning banking assets
Income from normal operations	31 805	28 115	
Total operating expenses	(20 528)	(18 919)	Total expenses/average interest-earning banking assets
Share of profits of associates and joint ventures	1		
Net profit before taxation	11 278	9 196	
Indirect taxation	(561)	(505)	
Direct taxation	(2 871)	(2 194)	1 – effective direct and indirect taxation rate
Net profit after taxation	7 846	6 497	
Non-controlling interest	(336)	(313)	Income attributable to minorities
Headline earnings	7 510	6 184	Headline earnings
Daily average interest-earning banking assets	556 846	517 794	Interest-earning banking assets/daily average total assets
Daily average total assets	664 699	623 404	Interest-earning banking assets/daily average total assets
			Return on total assets
Daily average shareholders' funds	50 809	45 467	**Gearing**
			Return on ordinary shareholders' equity
Daily average shareholders' funds excluding goodwill	45 798	40 458	**ROE excluding goodwill**

Averages calculated on a 365/366 day basis.

2012		2011	
3,53%	Impairments/NII	3,48%	Impairments/NII
less	26,3%	*less*	29,6%
0,93%		1,03%	
add	NIR/Expenses	*add*	NIR/Expenses
3,11%	84,4%	2,98%	81,5%
less	Efficiency ratio	*less*	Efficiency ratio
3,69%	55,5%	3,65%	56,6%
2,02%		1,78%	
multiply		*multiply*	
0,70		0,71	
multiply		*multiply*	
0,96		0,95	
1,36%		1,20%	
multiply		*multiply*	
83,8%		83,1%	
=		=	
1,13%		0,99%	
multiply		*multiply*	
13,08		13,71	
=		=	
14,8%		13,6%	
16,4%		15,3%	

OPERATIONAL SEGMENTAL REPORTING

for the year ended 31 December

Consolidated statement of financial position

Rm	Nedbank Group 2012	Nedbank Group 2011	Nedbank Capital 2012	Nedbank Capital 2011	Nedbank Corporate 2012	Nedbank Corporate 2011
Assets						
Cash and cash equivalents	27 122	25 409	4 399	4 474	2 623	1 667
Other short-term securities	43 457	35 986	26 972	40 958		
Derivative financial instruments	13 812	12 840	13 672	12 755	(99)	(90)
Government and other securities	26 753	30 176	7 820	13 044	5 989	4 933
Advances and other accounts	527 166	499 023	82 494	68 510	162 730	157 271
Other assets	44 669	44 693	6 929	10 048	3 830	3 293
Intergroup assets	–	–				
Total assets	682 979	648 127	142 286	149 789	175 073	167 074
Equity and liabilities						
Total equity[1]	57 730	52 685	5 632	5 428	8 089	6 426
Derivative financial instruments	13 454	13 853	13 419	13 824		
Amounts owed to depositors	550 878	524 130	100 908	77 877	160 618	148 521
Other liabilities	30 619	28 017	8 449	8 610	2 266	1 892
Long-term debt instruments	30 298	29 442	849	812		
Intergroup liabilities	–	–	13 029	43 238	4 100	10 235
Total equity and liabilities	682 979	648 127	142 286	149 789	175 073	167 074

Consolidated statement of comprehensive income

Rm	Nedbank Group 2012	Nedbank Group 2011	Nedbank Capital 2012	Nedbank Capital 2011	Nedbank Corporate 2012	Nedbank Corporate 2011
Net interest income	19 680	18 034	1 521	1 186	3 326	3 043
Impairment charge on loans and advances	5 199	5 331	526	549	385	439
Income from lending activities	14 481	12 703	995	637	2 941	2 604
Non-interest revenue	17 324	15 412	3 049	2 454	1 469	1 261
Operating income	31 805	28 115	4 044	3 091	4 410	3 865
Total expenses	20 528	18 919	1 978	1 737	1 968	1 792
Operating expenses	20 450	18 725	1 973	1 726	1 964	1 778
BEE transaction expenses	78	194	5	11	4	14
Indirect taxation	561	505	31	51	29	30
Profit/(Loss) from operations	10 716	8 691	2 035	1 303	2 413	2 043
Share of profits of associates and joint ventures	1	–			(2)	
Profit/(Loss) before direct taxation	10 717	8 691	2 035	1 303	2 411	2 043
Direct taxation	2 871	2 194	602	75	594	472
Profit/(Loss) after taxation	7 846	6 497	1 433	1 228	1 817	1 571
Profit attributable to:						
Non-controlling interest – ordinary shareholders	43	32	5			
Non-controlling interest – preference shareholders	293	281				
Headline earnings	7 510	6 184	1 428	1 228	1 817	1 571
Selected Ratios						
Average interest earning banking assets (Rm)	556 846	517 794	93 949	79 516	163 639	152 898
ROA (%)	1,13	0,99	0,96	0,91	1,07	0,99
ROE (%)	14,8	13,6	25,4	22,6	22,5	24,5
Interest margin (%)[2]	3,53	3,48	1,62	1,49	2,03	1,99
Non-interest revenue to gross income (%)	46,8	46,1	66,7	67,4	30,6	29,3
Non-interest revenue to total expenses (%)	84,4	81,5	154,1	141,3	74,6	70,4
Credit loss ratio banking advances (%)[3]	1,05	1,13	1,06	1,23	0,24	0,29
Efficiency ratio (%)	55,5	56,6	43,3	47,7	41,1	41,6
Efficiency ratio (Excluding BEE) (%)	55,3	56,0	43,2	47,4	41,0	41,3
Effective taxation rate (%)	26,8	25,2	29,6	5,7	24,6	23,1
Contribution to group economic profit/(loss) (Rm)	1 511	924	690	523	758	736
Number of employees	28 748	28 494	705	721	2 188	2 194

1 *Total equity includes non-controlling interest attributable to ordinary and preference shareholders. The cluster allocated capital is reported as a year to date average within the operational segmental report. Cluster economic capital allocated as at 31 December 2012 and 31 December 2011 are reported on page 30c within the risk and balance sheet review.*

2 *Cluster margins include internal assets and 2011 restated (see note 1).*

3 *2011 restated (see risk and BSM review page 42c.*

Nedbank Retail and Business Banking 2012	Nedbank Retail and Business Banking 2011	Nedbank Retail 2012	Nedbank Retail 2011	Nedbank Business Banking 2012	Nedbank Business Banking 2011	Nedbank Wealth 2012	Nedbank Wealth 2011	Shared Services 2012	Shared Services 2011	Central Management, including Rest of Africa 2012	Central Management, including Rest of Africa 2011
2 088	1 852	2 088	1 852			433	602	86	168	17 493	16 646
						5 042	3 279			11 443	(8 251)
							2			239	173
										12 944	12 199
250 762	242 604	190 647	183 748	60 115	58 856	19 864	19 624	38	20	11 278	10 994
5 463	4 906	5 337	4 798	126	108	16 931	14 252	6 470	7 127	5 046	5 067
31 885	29 961			31 885	29 961					(31 885)	(29 961)
290 198	279 323	198 072	190 398	92 126	88 925	42 270	37 759	6 594	7 315	26 558	6 867
25 478	23 348	21 077	19 282	4 401	4 066	2 420	2 363	1 780	1 653	14 331	13 467
										35	29
186 125	175 809	98 935	91 490	87 190	84 319	15 897	13 713	486	408	86 844	107 802
3 743	3 901	3 208	3 361	535	540	14 250	11 375	71	418	1 840	1 821
2 216	1 517	2 216	1 517							27 233	27 113
72 636	74 748	72 636	74 748			9 703	10 308	4 257	4 836	(103 725)	(143 365)
290 198	279 323	198 072	190 398	92 126	88 925	42 270	37 759	6 594	7 315	26 558	6 867
13 583	12 617	10 659	9 784	2 924	2 833	494	483	(220)	(235)	976	940
4 134	4 053	3 928	3 729	206	324	118	45			36	245
9 449	8 564	6 731	6 055	2 718	2 509	376	438	(220)	(235)	940	695
9 540	8 538	7 962	7 052	1 578	1 486	2 617	2 252	240	494	409	413
18 989	17 102	14 693	13 107	4 296	3 995	2 993	2 690	20	259	1 349	1 108
13 788	12 612	10 849	9 889	2 939	2 723	1 914	1 703	(31)	186	911	889
13 775	12 597	10 839	9 878	2 936	2 719	1 911	1 701	(70)	146	897	777
13	15	10	11	3	4	3	2	39	40	14	112
196	210	171	185	25	25	90	68	195	132	20	14
5 005	4 280	3 673	3 033	1 332	1 247	989	919	(144)	(59)	418	205
–	–					(2)				5	
5 005	4 280	3 673	3 033	1 332	1 247	987	919	(144)	(59)	423	205
1 472	1 291	1 084	910	388	381	271	265	(180)	(62)	112	153
3 533	2 989	2 589	2 123	944	866	716	654	36	3	311	52
–	–									38	32
37	32	37	32							256	249
3 496	2 957	2 552	2 091	944	866	716	654	36	3	17	(229)
278 965	266 879	187 598	180 683	91 367	86 196	24 586	22 159	44	14	(4 337)	(3 672)
1,22	1,10	1,32	1,12	1,03	1,00	1,78	1,84				
13,7	12,7	12,1	10,8	21,5	21,3	29,6	27,7				
4,87	4,71	5,68	5,41	3,20	3,29	2,01	2,18				
40,7	40,4	42,8	41,9	35,0	34,4	84,1	82,3				
69,2	67,7	73,4	71,3	53,7	54,6	136,8	132,2				
1,62	1,63	2,01	1,98	0,34	0,53	0,61	0,25				
59,6	59,6	58,3	58,7	65,3	63,0	61,5	62,3				
59,7	59,5	58,2	58,7	65,2	62,9	61,4	62,2				
31,0	30,2	29,5	30,0	29,1	30,5	27,5	28,9				
159	(78)	(209)	(416)	368	338	399	345	(197)	(212)	(298)	(390)
18 872	18 668	16 568	16 323	2 304	2 345	2 028	1 991	3 506	3 479	1 449	1 441

The segmental results for the year ended 31 December 2011 have been restated for the following adjustments: (a) enhancements to the allocation of economic capital; (b) the reallocation of negotiable certificates of deposit from Nedbank Capital to the centre; and (c) transferring the Rest of Africa Cluster from Nedbank Corporate to Central Management. These restatements have no effect on the group results and ratios, and only affect the segment results and related ratios.

GEOGRAPHICAL SEGMENTAL REPORTING

for the year ended 31 December

Consolidated statement of financial position

	Nedbank Group		South Africa[1]		Rest of Africa		Rest of world	
Rm	2012	2011	2012	2011	2012	2011	2012	2011
Assets								
Cash and cash equivalents	27 122	25 409	21 350	21 547	2 061	1 949	3 711	1 913
Other short-term securities	43 457	35 986	35 972	31 577	1 319	1 130	6 166	3 279
Derivative financial instruments	13 812	12 840	13 468	12 549	12	16	332	275
Government and other securities	26 753	30 176	23 259	26 774	452	159	3 042	3 243
Loans and advances	527 166	499 023	494 262	467 764	10 221	10 017	22 683	21 242
Other assets	44 669	44 693	40 765	40 979	910	916	2 994	2 798
Intergroup assets	–	–	(11 354)	(11 450)	1 195	1 336	10 159	10 114
Total assets	682 979	648 127	617 722	589 740	16 170	15 523	49 087	42 864
Total equity	57 730	52 685	50 504	45 992	2 290	1 969	4 936	4 724
Derivative financial instruments	13 454	13 853	12 961	13 405	25	16	468	432
Amounts owed to depositors	550 878	524 130	514 892	493 622	12 603	11 385	23 383	19 123
Provisions and other liabilities	30 619	28 017	29 674	27 108	664	614	281	295
Long-term debt instruments	30 298	29 442	30 295	29 439	3	3		
Intergroup liabilities	–	–	(20 604)	(19 826)	585	1 536	20 019	18 290
Total liabilities	682 979	648 127	617 722	589 740	16 170	15 523	49 087	42 864

Consolidated statement of comprehensive income

Net interest income	19 680	18 034	18 546	17 081	716	613	418	340
Impairment charge on loans and advances	5 199	5 331	5 011	5 200	29	19	159	112
Income from lending activities	14 481	12 703	13 535	11 881	687	594	259	228
Non-interest revenue	17 324	15 412	16 213	14 347	572	507	539	558
Operating income	31 805	28 115	29 748	26 228	1 259	1 101	798	786
Operating expenses	20 450	18 725	19 232	17 512	783	705	435	508
BEE transaction expenses	78	194	75	190	3	4		
Indirect taxation	561	505	538	491	16	10	7	4
Profit from operations	10 716	8 691	9 903	8 035	457	382	356	274
Share of profits of associates and joint ventures	1	–			1			
Profit before direct taxation	10 717	8 691	9 903	8 035	458	382	356	274
Direct taxation	2 871	2 194	2 701	2 059	128	104	42	31
Profit after taxation	7 846	6 497	7 202	5 976	330	278	314	243
Profit attributable to:								
Non-controlling interest – ordinary shareholders	(43)	(32)	(3)		(40)	(32)		
Non-controlling interest – preference shareholders	(293)	(281)	(293)	(281)				
Headline earnings	7 510	6 184	6 906	5 695	290	246	314	243

[1] Includes all group eliminations.

Nedbank Capital

Nedbank Capital generated a return on equity (ROE) of 25,4% (2011: 22,6%) and delivered growth in headline earnings of 16,3% to R1 428m (2011: R1 228m). Economic profit (EP) increased by 31,9% to R690m (2011: R523m).

Net interest income (NII) grew to R1 521m (2011: R1 186m), predominantly as a result of good advances growth in Investment Banking and strong performance from Treasury. The margin earned from direct lending activities decreased moderately to 2,92% (2011: 2,99%), given the effect of the interest rate cuts on endowment.

Our banking book credit loss ratio (CLR) improved to 1,06% (2011: 1,23%), however, it remains elevated and above the through-the-cycle target range of 0,10% to 0,55%, reflecting prudent writedowns of certain exposures on the watchlist.

Non-interest revenue (NIR) increased 24,2% to R3 049m (2011: R2 454m) during the year under review. This was driven by strong commission and fee growth of 61,0% to R491m (2011: R305m) in Investment Banking, as well as trading income growth of 24,5% to R2 443m (2011: R1 962m) following robust performance by Fixed Income.

Total expenses rose 13,9% to R1 978m (2011: R1 737m) due to our continued investment in system infrastructure and key human resource requirements. The effective tax rate increased to 29,6% (2011: 5,7%), reflecting the inclusion of lower dividend income in taxable earnings against the low interest rate backdrop.

Strong income generation benefited the efficiency ratio, which improved to 43,3% (2011: 47,7%) as well as the NIR-to-expense ratio, which increased to 154,1% (2011: 141,3%).

Looking forward

We are cautiously optimistic regarding the outlook for 2013. Given our consistent and stable earnings platform and the quality lending book we have in place, the focus of our business in the coming year will be on enhancing collaborative transactions and cross-selling, deal pipeline conversion, and leveraging our strong market position for green financing solutions.

Disciplined and proactive risk management will continue to underpin all of these endeavours. In addition, we will place emphasis on providing additional services to complement our existing expertise, with ongoing expansion into Africa enabled through a closer working relationship with Ecobank in our key focus sectors.

Financial highlights

	2012	2011
Headline earnings (Rm)	1 428	1 228
ROE (%)	25,4	22,6
ROA (%)	0,96	0,91
Credit loss ratio (%)	1,06	1,23
Non-interest revenue to total expenses (%)	154,1	141,3
Efficiency ratio (%)	43,3	47,7
Impairment charge on loans and advances (Rm)	526	549
Total assets (Rm)	142 286	149 789
Average total assets (Rm)	149 553	135 709
Total advances (Rm)	82 494	68 510
Average total advances (Rm)	73 077	66 446
Total deposits (Rm)	100 908	77 877
Average total deposits (Rm)	87 784	72 356
Allocated capital (Rm)	5 632	5 428

Nedbank Corporate

Nedbank Corporate grew headline earnings by 15,7% to R1 817m (2011: R1 571m) in the financial year under review. Despite the 25,9% increase in economic capital, our business yielded an ROE of 22,5%, while the EP of R758m was R22m higher than that of 2011.

NII was also 9,3% higher at R3 326m and the margin increased to 2,03% (2011: 1,99%). Growth was mainly driven by increased average deposit balances of 14,5% as well as endowment earnings on the increased allocation of economic capital. Average advances grew by 5,7% to R159bn.

Impairments were well managed during 2012, improving by R54m to R385m (2011: R439m). The CLR of 0,24% (2011: 0,29%) remained within our through-the-cycle target range of 0,20% to 0,35%.

Strong gains in our property private-equity portfolio resulted in total NIR growing by 16,5%. Growth in core NIR of 8,7% was achieved, driven by primary-banked client acquisitions, which served to diversify revenue lines and reduce the risk of client concentration. Improvements in cross-selling were also a key contributor to NIR growth, as was our offering of an integrated product suite. This greater penetration of our client base in turn led to greater use of our transactional banking products, while the launching of innovative products and enhancements resulted in continued growth in the contribution of our electronic banking offering.

Expenses increased by 9,8% and the NIR-to-expenses ratio improved to 74,6%, while the efficiency ratio was marginally better at 41,1%.

Corporate Banking posted a 21,5% increase in headline earnings to R1 057m, with excellent revenue growth of 19,8% and 12,1% in NII and NIR respectively. The increases in impairments and expenses were 36,5% and 15,1% respectively.

ROE was 28,3%, down from the 29,7% of 2011. This was due to the increase in allocated economic capital of 27,4%, reflecting refinements in risk parameters and the implementation of capital buffers. The cost-to-income ratio improved to 47,3%.

Nedbank Corporate Property Finance recorded a 13,8% increase in headline earnings to R716m. This was underpinned by NIR growth of 40,1% and a 21,3% decrease in impairments. ROE for the period under review was 19,3% (2011: 22,3%) and the cost-to-income ratio improved to 30,2% from 31,4% in 2011.

Both Corporate Banking and Property Finance again succeeded in growing their transactional client bases, however, the emphasis across the entire cluster remained on quality service delivery and value generation rather than mere client gains.

Financial highlights

	Total	
	2012	2011
Headline earnings (Rm)	1 817	1 571
ROE (%)	22,5	24,5
ROA (%)	1,07	0,99
Credit loss ratio (%)	0,24	0,29
Non-interest revenue to total expenses (%)	74,6	70,4
Efficiency ratio (%)	41,1	41,6
Interest margin (%)	2,03	1,99
Impairment charge on loans and advances (Rm)	385	439
Total assets (Rm)	175 073	167 074
Average total assets (Rm)	169 662	159 165
Total advances (Rm)	162 730	157 271
Average total advances (Rm)	158 978	150 404
Total deposits (Rm)	160 618	148 521
Average total deposits (Rm)	149 380	130 497
Allocated capital (Rm)	8 089	6 426

[1] *Includes Centralised Credit, Risk, HR ,Finance, Shared Services, Transactional Banking and eliminations.*

Our continued drive to make Nedbank the public sector bank of choice was bolstered by our reappointment as banker to the Western Cape Government and the higher levels of asset payouts made to the public sector during the year under review.

We remain focused on providing our clients with a comprehensive transaction fulfilment engine and this strategic priority was reinforced in 2012 through various initiatives, including:

- the adoption of a new cash-processing model;
- the re-engineering of our deposit-taking model;
- the rejuvenation of our global trade products;
- the conversion of all remaining electronic banking clients to Nedbank Corporate's new electronic channel; and
- the implementation of our Global Payments System solution.

The business regularly revisited and refined its processes aimed at shortening turnaround times for clients without compromising its strong risk management practices.

Nedbank Investor Services continued to expand its offering and was again recognised as a market-leading custodian by Global Custodian and Global Finance.

During 2012 Nedbank Corporate achieved additional growth momentum through successful intergroup collaboration. A number of successful collaborative transactions were concluded, including a large regional shopping centre development, a mixed-use development in Newtown, a facility for a new fund listing and the co-funding of a large transaction.

We continued to make good strides into Africa through our growing partnership with Ecobank to provide clients who are exploring opportunities elsewhere on the continent with banking on the ground. As a result, we participated in various lending opportunities in Ghana, Nigeria, Zambia and Namibia, and were instrumental in the development of trade solutions for client expansion into sub-Saharan Africa.

Looking forward

The still subdued global economic environment, coupled with a growing realisation that the tough economic conditions are likely to persist for longer, is evident in the continued investment caution shown by SA corporates and muted growth in the country's commercial property sector.

Despite this challenging environment, we are confident of the ability of Nedbank Corporate to continue to build momentum in the coming year. This will be driven by our stated strategy of client-driven solutions, growth in NIR and proactively seeking out opportunities for growth and project execution, and a continued focus on transformation.

Corporate Banking		Property Finance		Other[1]	
2012	2011	2012	2011	2012	2011
1 057	870	716	629	44	72
28,3	29,7	19,3	22,3		
0,57	0,55	0,75	0,67		
0,11	0,09	0,37	0,48		
65,2	66,9	72,5	53,3		
47,3	48,3	30,2	31,4		
1,02	1,01	1,58	1,59		
86	63	299	380		(4)
200 606	176 453	100 849	95 880	(126 382)	(105 259)
186 513	158 432	95 967	94 526	(112 818)	(93 793)
76 951	75 768	83 473	79 452	2 306	2 051
78 106	71 499	79 353	77 520	1 519	1 385
158 017	144 407	276	428	2 325	3 686
146 605	126 744	345	363	2 430	3 390
3 739	2 934	3 714	2 824	636	668

Nedbank Retail and Business Banking

Retail and Business Banking delivered an 18,2% increase in headline earnings to R3,5bn on a combined basis (2011: R2,96bn), contributing 47% to the group headline earnings in 2012. The combined ROE was 13,7% (2011: 12,7%).

Our commitment to building high-quality businesses that deliver sustainable performance is reflected in the disciplined and consistent implementation of our distinctive client-centered growth strategies, underpinned by effective risk management. This approach resulted in strong combined NIR growth of 11,7% to R9,5bn and the effective containment of impairments to R4,1bn on average advances of R246,6bn. Balance sheet impairments were further strengthened while we actively reduced defaulted advances to 5,8% of the portfolio (2011: 6,9%).

This performance was achieved under challenging competitive, regulatory and economic conditions, through large-scale strategic and organisational change involving 20 000 people, and consistently investing in Retail's & Business Banking's core differentiators as a source of distinctiveness relative to competitors and as a platform for sustainable growth. These core differentiators include:

- **distinctive client value propositions (CVPs)**, delighting in moments of truth and emphasising financial fitness, to attract and retain more clients;
- a rigorous approach to capturing the **virtuous circle** of the influencer in households and businesses, including employees;
- leveraging **integrated channels**, including digital, to accelerate growth across more micromarkets, while optimising presence, systems and processes to lower costs;
- **robust risk management** for quality asset portfolios through economic cycles in line with the targeted risk appetite;
- **client-centred innovations** to be a leader in digital, to grow source and share of deposits, and to capture additional complementary revenues in the payment value chain; and
- **a collaborative, networked culture** of trust to increase organisational effectiveness.

Financial highlights

	Total Nedbank Retail and Business Banking		Total Nedbank Business Banking		Total Nedbank Retail	
	2012	2011	2012	2011	2012	2011
Headline earnings (Rm)	3 496	2 957	944	866	2 552	2 091
ROE (%)	13,7	12,7	21,5	21,3	12,1	10,8
ROA (%)	1,22	1,10	1,03	1,00	1,32	1,12
Credit loss ratio (%)	1,62	1,63	0,34	0,53	2,01	1,98
Non interest revenue to total expenses (%)	69,2	67,7	53,7	54,6	73,4	71,3
Efficiency ratio (%)	59,6	59,6	65,3	63,0	58,3	58,7
Interest margin (%)	4,87	4,71	3,20	3,29	5,68	5,41
Impairment charge on loans and advances (Rm)	4 134	4 053	206	324	3 928	3 729
Total assets (Rm)	290 198	279 323	92 126	88 925	198 072	190 398
Average total assets (Rm)	285 746	273 474	91 955	87 046	193 791	186 428
Total advances (Rm)	250 762	242 604	60 115	58 856	190 647	183 748
Average total advances (Rm)	246 612	240 358	58 958	59 563	187 654	180 795
Total deposits (Rm)	186 125	175 809	87 190	84 319	98 935	91 490
Average total deposits (Rm)	179 975	168 295	86 941	82 446	93 034	85 849
Allocated capital (Rm)	25 478	23 348	4 401	4 066	21 077	19 282

[1] *Includes Retail Central unit, Marketing, Risk, Shared Services and Divisional Management.*

Diligently embedding these core differentiators is yielding the following benefits:

- **Strong transactional banking earnings growth** through accelerated client gains and deeper product usage from our 5,9m individual and 210 000 small and medium enterprise (SME) clients**.** The innovative client-insight-led value propositions are resonating with the target markets, yielding good increases in sales, positively changing perceptions of Nedbank and making the aspirational brand more accessible for the middle market and entry-level banking segments, including the youth.
- **Greater accessibility to banking for clients across SA as a bank for all,** following the R1,4bn investment over four years to expand our distribution, while optimising micromarkets presence and investing in digital, thereby translating Nedbank's footprint into a strength. The enhanced quality of the actual client experience is reflected in increased client and channel satisfaction metrics.
- **Impairments managed within or better than the through-the-cycle risk appetite range** (cognisant of sensitivities to advances product mix), **while removing the extreme CLR volatility** of past cycles in Retail and sustaining Business Banking's high-quality risk experience.
- **Quicker, more inclusive innovation cycles, enhancing the client experience across channel, product and process.** Examples of innovations launched in 2012 include the home loans online channel, which now contributes 10% to 15% of all intake; the Nedbank App Suite™ with over 100 000 users to date; My**Financial**Life™ as a free online financial management tool to all in SA; the Social Media Listening Centre as an alternative communication channel for engaging clients; and the Nedbank Money Trader Investment Account.

With distinctive strategies, a committed, skilled leadership team and diligence in execution, Nedbank Retail and Nedbank Business Banking remain uniquely positioned to leverage key market trends, accelerate the momentum in building many more deep, enduring client relationships with all in SA and deliver sustainable profitable growth for shareholders.

Relationship Banking		Consumer Banking		Secured Lending		Home Loans		Vehicle Finance		Card		Other[1]	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
161	123	293	508	1 346	825	153	(198)	1 193	1 024	778	663	(26)	(28)
7,9	6,2	5,6	10,6	12,3	8,2	3,6	(4,4)	18,0	18,6	28,8	28,1	(19,1)	(26,8)
0,45	0,37	0,33	0,60	0,93	0,60	0,18	(0,22)	2,02	1,96	6,70	6,57	0,03	0,03
0,72	1,47	10,75	7,63	0,76	1,35	0,59	1,26	1,05	1,54	3,90	3,23		(7,21)
50,6	53,9	72,3	68,1	36,8	39,1	19,0	17,8	54,7	60,1	126,2	122,0	(11,6)	(44,0)
81,9	74,6	64,5	69,2	35,4	34,9	53,3	50,1	26,5	26,9	58,6	60,7	(699,5)	(321,1)
3,71	3,81	5,02	4,60	2,84	2,90	1,64	1,66	4,62	5,04	8,50	8,82		
170	353	2 319	1 206	1 072	1 901	510	1 149	562	752	367	270		(1)
23 262	22 632	24 483	20 135	139 255	137 875	83 063	87 360	56 192	50 515	10 129	8 831	943	925
23 140	23 099	22 648	17 128	137 628	136 892	85 068	89 412	52 560	47 480	9 432	8 380	943	929
23 175	22 594	20 839	16 854	137 387	136 333	82 097	86 482	55 290	49 851	9 222	7 950	24	17
23 039	23 045	19 728	14 552	136 121	135 450	84 308	88 452	51 813	46 998	8 745	7 751	21	(3)
33 727	30 261	64 359	60 116	2	2	1	1	1	1	845	1 111	2	
30 913	27 536	61 233	57 261	(1)	182	1		(2)	182	889	871		
2 046	1 989	5 263	4 776	10 939	10 052	4 295	4 545	6 644	5 507	2 696	2 362	133	103

Nedbank Business Banking

Nedbank Business Banking grew headline earnings by 9,0% to R944m (2011: R866m) and generated EP of R368m (2011: R338m) with an ROE of 21,5%.

The business continued on its ASCENT strategic journey to be the leader in business banking for SA and, thanks to the concerted efforts of our more than 2 200 staff members over many years, continues to perform well across all key metrics, including risk, clients and staff. The strong underlying momentum has, however, been somewhat masked by the protracted economic difficulties being experienced by the entire SME sector.

Key drivers of the 2012 financial performance included:

- An 18% increase in new loan disbursements to R19,1bn, muted by pro-active risk management of concerning advances and clients deleveraging, deferring expansion plans and transacting less, resulting in net overall average advances being 1,0% lower y-o-y.
- Effective containing of impairments to R206m on a R60,4bn average advances portfolio (gross of impairments). This resulted in a CLR of 34 basis points (bps) (2011: 53 bps), which is once again better than the through-the-cycle target range. The defaulted portfolio at 4,2% of actual advances improved from 5,1% in 2011. This was achieved by ensuring high-quality lending linked to primary-banked clients and proactive risk management through decentralised risk teams that acted vigorously on early warning signals. It is estimated that additional impairments of more than R200m were avoided through these early actions.
- Good liability growth of 9,7% (excluding inter-cluster client moves) leveraged the market-leading products on offer and closer linkages between owners and their businesses. Business Banking continues to be a very strong generator of funding, placing net surplus funds of R33,6bn with the group. The 9 bps narrowing in the overall margin to 3,20% is reflective of the higher quantum of surplus funding placed inter-group in the mix of interest-earning assets, weighting the margin lower.
- NIR growth of 6,2% was achieved on the back of new-client acquisition and fee generation, but muted by slower economic growth impacting client transaction volumes. Core fees and commissions increased by 8,2%.
- Overall expense growth was contained at 7,9% through increased high performance and operational effectiveness leading to a decrease in headcount of 94 permanent staff since January 2011. The reduction in the NIR-to-expenses ratio to 53,7% and the efficiency ratio to 65,3% reflects the timing challenge of investing for the future in a low-growth, low-interest-rate environment.

Nedbank Business Banking is delivering an enhanced client experience as reflected in client satisfaction metrics reaching long-term highs. This is reinforced by the business being awarded the second highest score ever out of 900 globally assessed companies for its customer management capabilities as measured in the 2012 CMAT™ assessment. Proactive client calls and increased sales effectiveness, coupled with product, process and channel enhancements in line with Business Banking's 'Easy to do Business' philosophy, increased the rate of gross new-client acquisition by approximately 60%. On the more stringent net client-acquisition measure, based on transactional revenues, 775 net new primary-banked clients were acquired in 2012 (2011: 748).

Specific emphasis was placed on growing the small-business segment as a driver of future growth, not only for Nedbank Group, but also for the country as a whole. In this context, Business Banking and Retail Relationship Banking jointly launched the Small Business Friday™ campaign, inspired by our partner American Express' successful initiative in the US, to raise awareness and rally support for small business.

Business Banking also enhanced its overall offering to small businesses, ensuring the right mix of frontline skills, an appropriate risk appetite and greater speed of service enabled through pre-approved facilities and simplified processes. A holistic approach was also taken to providing a seamless banking experience for business owners and their households, businesses and employees.

Further innovative solutions, tailored to the needs of small businesses, are scheduled for release in 2013. This follows the successful recent launch of the mobile card point-of-sale device, PocketPOS™, as an alternative mobile payment channel, as well as enhanced self-service capabilities in addition to clients' dedicated relationship bankers. Strong focus on enterprise development has benefited over 4 000 emerging entrepreneurs since 2009, including those in the agriculture sector.

Nedbank Business Banking maintained its high-performance culture, as measured by the Barrett and Nedbank Staff Satisfaction (NSS) surveys, in a highly pressured environment through driving continuous change for greater effectiveness and an enhanced client experience. This resilience of our people is a result of continuous investments in skills development and visible leadership at all levels, with clear strategic direction complemented by ongoing, transparent communication.

Looking forward

Although short-term earnings growth continues to be challenging in a low-growth economy, Nedbank Business Banking remains committed to the principles that have enabled consistent high returns on equity (21% in tough times and over 30% at the peak of the interest rate cycle) and an excellent CLR experience. Our decentralised, accountable business service model and 'influencer' strategy to unlock the virtuous circle of the business owners, their business and employees are recognised by our clients as compelling differentiators.

The excellent collaboration with Nedbank Retail in focusing on the small-business sector, expanding in key growth nodes, and optimising costs and footprint through the integrated-channel strategy, is proving very valuable in enhancing the client experience and unlocking growth opportunities.

With our highly committed, values-driven team of people, Nedbank Business Banking remains outwardly focused to partner with its clients for growth for a greater SA.

Nedbank Retail

Since charting a new path to sustainable profitable growth in 2010, excellent progress has been made in delivering on Nedbank Retail's strategic intent of providing a choice of distinctive, client-centred banking experiences for all in SA, underpinned by effective risk management practices.

The business delivered a high-quality performance in 2012, with a 22,0% increase in headline earnings to R2 552m (2011: R2 091m), while further strengthening balance sheet impairment levels. ROE increased to 12,1% (2011: 10,8%) on an allocated economic capital ratio of 11,2%, supported by good revenue growth and improved financial returns in most of the underlying lines of business and an increased NIR-to-expenses ratio of 73,4% (2011: 71,3%). Pre-provisioning operating profit increased by 12,4% to R7 564m (2011: R6 730m).

Analysis of 2012 performance

The pretax earnings growth of R640m was driven by strong revenue growth in NII and NIR of R1 785m (up 10,6% on 2011), the containment of impairments growth to R199m, and a moderate increase in expenses of R946m (up 9,7%). Key financial drivers of performance in 2012 included:

Overall average advances increased 3,8% to R187,7bn (2011: R180,8bn). This growth is after R4,4bn in write-downs of defaulted advances (2011: R4,0bn) after all collection alternatives had been exhausted.

Defaulted advances were reduced to 6,3% of the advances portfolio from the peak of 11,9% in June 2009. This is the result of sustained excellence in collection efforts, effective client rehabilitations (including restructures and rearrangements), higher-quality new business in attractive EP pool products, and increased post-write off recoveries. Impairments increased by R199m after proactively providing R93m for extending the emergence period for MFC to three months and an additional R333m (2012 H1: R135m) for Personal Loans to address the concerns of higher inherent risk of default masked by market dynamics through changes to the impairment methodology. This also enabled Personal Loans to align better with the rest of Retail's defaulted methodology approach for calculating portfolio and specific impairments.

The CLR was contained at 2,01% (2011: 1,98%), despite these additional impairments of R426m. Adjusting for asset mix changes, the CLR improved by 23 bps year-on-year. The CLR remains in the upper end of the through-the-cycle target range of 150 to 220 bps, given sensitivities to the balance sheet mix and concerns regarding continued elevated levels of consumer indebtedness.

Overall average deposits increased 8,4% to R93,0bn (2011: R85,8bn). The Retail Savings Bond and the Retail Green Bond, launched in March 2011, continued to attract additional flows of new term deposits, cumulatively reaching R7,3bn at December 2012. The Nedbank Money Trader investment offering, launched in October 2012, has already captured new inflows of R3,3bn.

Heightened competitive pressure and the impact of Basel III on the pricing of retail deposits make it challenging to hold onto our strong household sector deposits market share at 20,5% (2011: 21,0%). This is an important and valuable funding source that we will protect by further increasing our transactional client franchise and ensuring greater inmarket presence at competitive rates.

Overall margin has increased by a net 27 bps after absorbing a 22 bps reduction due to endowment on lower interest rates, partly offset by the strategic rebalancing of the portfolio to higher-yielding assets. NII has grown by 8,9% to R10 659m (2011: R9 784m).

The excellent growth in NIR of R910m (up 12,9% to R7 962m) was driven by higher volumes and quality of transactional clients, including in Card (R492m) and Personal Loans (R264m), and moderate annual fee increases (R277m). These were partially offset by proactive measures to educate clients on transactional behaviour changes and to move them to relevant lower-priced transacting bundles (R163m). The net average annual fee increase equated to 3,5% and fees are in line with 2005 levels. Adjusting for the negative impact of fair-value adjustments on fixed-rate deals in MFC of R97m, the NIR growth increased further to 14,4%.

Expenses increased 9,7% to R10 849m (2011: R9 889m). This includes operating costs of R197m relating to strategic investments in distinctive CVPs (R28m) and expanding and refurbishing distribution, including digital (R169m). A R210m benefit in operating efficiencies was also unlocked, principally through integrated channels and lean processes. Organic cost growth was up by 7,7%, adjusted for the impact of distribution and other investments. Overall headcount was tightly managed and increased 1,9%. This was mainly due to growth in frontline distribution staff. Distribution grew by 476 ATMs, 32 branches, 17 relationship centres and 21 Nedbank-inretailer outlets since December 2011.

Excellent progress in sustainably repositioning Retail

The substantive positive shift in financial performance over the past three years (2009 to 2012) is evident in the cumulative increase in headline earnings of R2,58bn. This performance is testimony to the effectiveness of the strategic choices and speed of execution by a highly skilled leadership team. This comprehensive turnaround is underpinned by the following:

- Marked improvement in the credit loss ratio to 2,01% from the 2009 high of 3,2% (2009: 3,6% on a basis of aligning advances to the 2012 mix). This was attained while strengthening the specific impairment coverage ratio to 45,2% (2009: 30,1%) and more than doubling the portfolio balance sheet impairments to 1,2% (2009: 0,5%). The early actions taken from the second half of 2009 to resolve home loan defaults with adequate coverage while also selecting a differentiated origination strategy has contributed to the quality of current and sustainability of future earnings. This is also reflected in the reduction in defaulted loans from R18,8bn (10,3% of advances) in 2009 to R12,4bn (6,3% of advances) in 2012. Effective risk practices are well embedded to remove the extreme CLR volatility of prior cycles.
- Tilting the portfolio strategically through selective advances growth, thereby reducing low ROE-generating home loan exposure from 64% of R177,5bn advances in 2009 to 53% of R198,5bn advances in 2012, which is more in line with the overall industry mix. Personal Loans increased from 5% to 11% of advances and MFC from 25% to 30%, both with more attractive economics.

- Increasing margin on deposits (R250m annually) in a rapidly declining interest rate cycle with resultant lower volume growth leading to an 3,3% lower overall household deposit market share;
- Growing NIR R2,8bn at an outstanding compound annual growth rate (CAGR) of 15,8% on the back of accelerating client gains across all key segments, improving the quality of primary transactional clients and deepening product cross-sell.
- Rebuilding the transactional client franchise, which will take time, relative to the strong market share in advances and deposits. Of the 5,9m clients (2009: 4,2m) now choosing to bank with Nedbank, 24,8% have two or more Nedbank products (2009: 23,8%). When Nedbank Wealth products are included, this increases to 37,8%.
- Optimising and expanding distribution with 40% more branches and alternate outlets (a total of 758 excluding personal loan kiosks), and 64% more ATMs (3 048 up from 1 853 in 2009). Brand surveys no longer reflect access as a constraint for those considering a banking relationship with Nedbank.
- Developing and consistently investing in distinctive CVPs such as Nedbank Savvy (for middle-market banking), Nedbank Ke Yona (for entry-level banking) and Retail Relationship Banking (for the 'I know you' client experience) – all of which are changing perceptions of Nedbank as well as improving the actual client experience and underlying product usage.
- Shifting the organisational culture to be more integrated and client-centred. At 9% our entropy score is at worldclass levels and staff survey results show that collaboration as a way of operating is now being embraced by staff. Evolving from a monoline-driven business model to a more integrated approach has enabled cost optimisation of R633m, while the investment of R729m in operating expenditure has increased frontline staff by 1 300 and driven a step change in innovation across products, processes and channels.
- Transforming the customer management capabilities as measured by CMAT™, with the overall score achieved in 2012 at 58 (2009: 44). The underlying drivers of CMAT™ have all improved markedly, with the intention score of 71 (2009: 57) now benchmarking globally as worldclass, which is a very important indicator that a sound platform for client-centred growth has been established. Key accelerators of this trend are the consistent execution of the cohesive growth strategy developed in 2010 as well as active engagement through having had strategy conversations in 2012 with 17 000 people over four months to energise and align staff.
- Integrating Imperial Bank successfully into Nedbank such that the unique strengths of MFC were sustained and enhanced, with only the technology integration due to be completed by the end of May 2013 at an expected cost of R226m relative to the original integration plan cost of R110m to ensure existing operational efficiencies are maintained. To date 93% of the R156m expected integration costs and R60m of asset impairments have been realised, unlocking R133m of the expected R160m in cost synergy benefits.

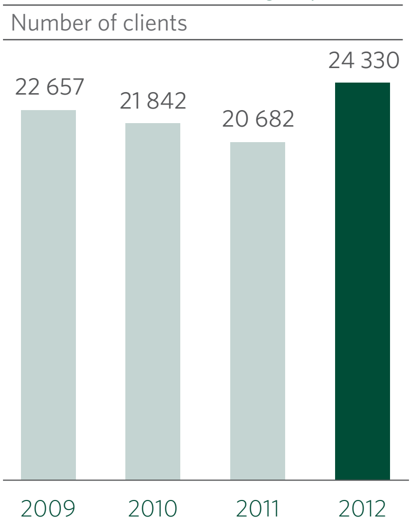
Looking forward

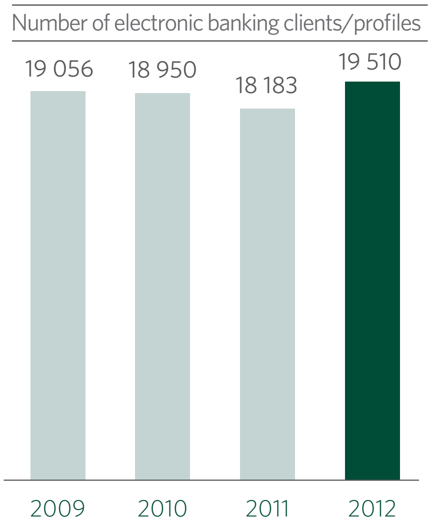
The prospects for Nedbank Retail are positive, notwithstanding the uncertainty surrounding economic growth, the effects of administered prices, interest rates and job creation as we continue to deliver on our repositioning.

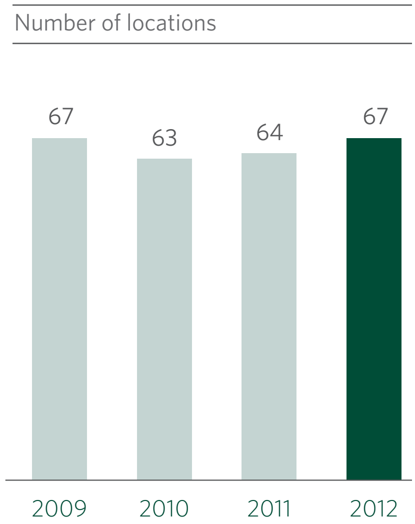
Any further worsening of the macroeconomic climate for consumers – as seen in the last quarter of 2012 – could impact the pace of Retail's financial progress, as we endeavour to leverage the early turnaround gains and strive towards a return above the cost of equity by 2013, a year ahead of the original target of 2014.

Achieving this requires continued careful orchestration of the strategic choices to balance the expansion of the franchise optimally with revenue opportunities and cost optimisation, as we lead our 18 000 people to building deep enduring banking relationships with all in SA and enable our clients to achieve their aspirations and financial goals.

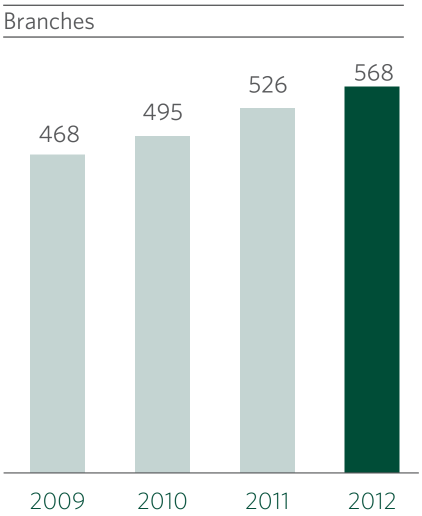
Nedbank Business Banking – operational statistics

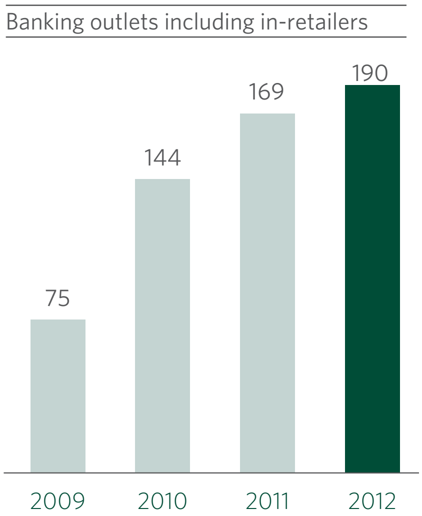


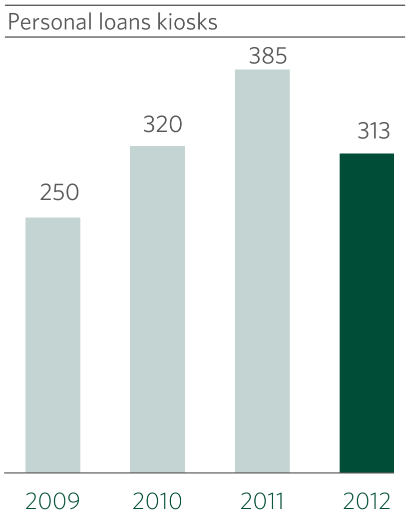


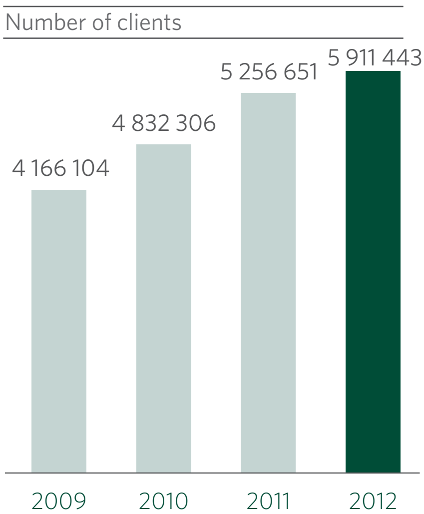


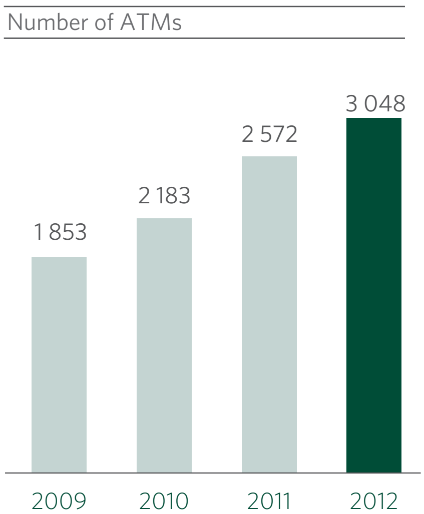
Nedbank Retail operational statistics











Nedbank Retail 2012 segmental review

Secured Lending

Secured Lending increased headline earnings strongly by R521m to R1 346m at an ROE of 12,3% (December 2011: 8,2%) on R11bn of allocated capital.

Pleasingly, home loans generated headline earnings of R153m, its first since 2007. MFC also delivered excellent results in the face of increased competition and related pricing pressure, achieving headline earnings of R1 193m (2011: R1 024m). The business operating model and service excellence for dealerships continue to be strong differentiators.

Balance sheet impairments of R1,8bn have been retained on R11,8bn of cumulative restructures and rearrangements in secured lending, with a coverage ratio of 12%, due to the inherent higher risk of repeat defaulters compared with clients who have never defaulted.

Retail's home loan defaulted portfolio continued to improve to 6,8% of home loan advances (December 2011: 8,9%) and is now at R7,2bn (December 2011: R9,6bn). R648m worth of clients in debt counselling have been reclassified and moved from the defaulted to the performing portfolio with related impairments on the back of strong post-restructure payment performance. The balance sheet performing and specific coverage ratios improved to 0,7% (2011: 0,6%) and 30,6% (2011: 29,1%) respectively, providing protection in the rehabilitation of defaulted advances in a property market with negative growth in real terms and continued high levels of consumer indebtedness. The following management actions contributed to this improved position:

- Cumulatively restructuring R9bn (2011: R7bn) of home loans since July 2009, while retaining a balance sheet impairment ratio on these loans of 11% (2011: 8%). This enabled over 16 851 households to retain their homes through effective rehabilitations, and nurtured clients towards improved financial fitness.
- Actively ensuring the honouring of debt counselling commitments, causing a 15% reduction in the home loan debt counselling portfolio to R1,4bn (2011: R1,7bn).
- Increasing security realisations through the voluntary sales process, Nedbank-Assisted Sales, now at 47% of distressed sales and a R106m benefit to impairments in 2012. This reduces the loss severity experienced on a distressed sale to 83% of the book value as compared with sales in execution (SIEs) of 53% on average. This solution has provided a fresh start to a further 4 185 families since inception.
- Launching the Home loan Payment Problems link on the Nedbank website, which has been viewed by 15 872 people and has generated 600 email leads to date, empowering clients to understand the range of choices available to address their financial distress.
- Proceeding expeditiously to SIE where other alternatives are not available. The average age of the default book is 16 months.

The home loans portfolio continues to be impacted by the effects of the poor economics of the 2006 to 2008 book, which could influence over 50% of future impairments. As such, the underpriced pre-2009, higher-risk backbook will continue to generate economic losses well into the future, masking the growing EP contribution from other Retail operations.

Since 2010 Nedbank Retail has followed a discerning home loan strategy that positions Nedbank Retail as the primary client interface with differentiated risk-based pricing. This is relevant for Nedbank Retail, given its overall client-centred strategy, current overweight position in home loans versus transactional earnings, the slow property market, high client indebtedness, regulatory pressures on capital and liquidity, and the risk-reward relationship of home loans, which creates higher earnings volatility through the cycle.

This formed the foundation of the home loan repositioning and is reflected in the profile of new business written at an average loan-to-value ratio of 85% and average first-loan pricing of 50 bps above the prime rate. The low new business default rates being achieved in line with credit policy expectations have contributed to earnings of R122m at a ROE of 8,0% on 5% capital allocated. Over 83% of originations are sourced through Nedbank's branches and relationship bankers (2011: 77%), with 50% of total group home loan registrations now emanating from Business Banking and Retail Relationship Banking.

Card

Nedbank Card performed strongly in 2012, with a 17,4% increase in headline earnings to R778m at an ROE of 28,8% (2011: 28,1%) and EP growth of 19,5% to R424m. Good NIR growth of 11% (while containing cost growth at 7,4%) was underpinned by 19% volume gains in acquiring and a 14% increase in consumer cards issued, of which 85% are to existing Nedbank clients. Working closely with the wholesale businesses, card-acquiring lead referrals were up significantly, strongly supporting the volume gains. In particular, increased collaboration with Nedbank Business Banking has contributed 24,5% to acquiring volume

Product segmentals combined Nedbank Retail and Business Banking

	Headline earnings Rm		ROE %		ROA %		Credit loss ratio %		Efficiency %	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Home Loans	**176**	(276)	**2,6**	(4,0)	**0,1**	(0,2)	**0,5**	1,1	**60,4**	56,4
Vehicle Finance	**1 156**	1 023	**15,7**	16,2	**1,7**	1,6	**0,9**	1,3	**34,8**	33,9
Personal Loans	**413**	609	**12,2**	20,6	**1,9**	3,9	**11,0**	7,7	**29,0**	32,4
Card	**777**	663	**28,8**	28,1	**6,7**	6,6	**4,5**	4,2	**58,6**	60,7
Transactional and investment	**979**	987	**20,0**	21,8	**1,9**	2,2	**0,3**	0,5	**83,4**	80,1
Other	**(5)**	(49)							**33,6**	81,9
Total	**3 496**	2 957	**13,7**	12,7	**1,2**	1,1	**1,6**	1,6	**59,6**	59,6

growth. Payments innovation continues to deliver new solutions for Nedbank clients, with PocketPOS™ being a recent example of efforts to directly attract the smaller SME merchant at attractive pricing. The Nedbank Greenbacks membership grew by 33% in 2012 on the back of the inclusion of this loyalty and rewards programme in the Nedbank Savvy product bundle.

Consumer Banking

Consumer Banking headline earnings declined to R293m (2011: R508m) at an ROE of 5,6% (2011: 10,6%). This is mainly a result of higher impairments in personal loans and significant investment in distribution.

The concerns noted in the interim results regarding industry market dynamics in unsecured lending persist. The combination of high industry growth, the entry of many new service providers, and mixed consumer health confirmed the appropriateness of our strategy of selective risk-based origination, which enables our clients' financial fitness and uses the strong demand for credit to gain more transactional clients in the middle-market and entry-level banking segments.

While it has been challenging to give effect to our strategic intent in the underlying operational business process, the desired effects were increasingly reflected in the last quarter of 2012, particularly during December. Given concerns that high growth rates are masking the underlying level of distress in this market (as clients close to default can be 'cured' through debt consolidation mechanisms provided by many players offering larger loans and longer tenors), we have continued to increase our conservatism in impairments.

Accordingly, the balance sheet portfolio impairments on the personal loans book were strengthened by R269m in 2012 (H1 2012: R93m) to align methodologies with the rest of Retail and a further R64m (H1 2012: R42m) was provided in specific impairments to move from making full provision after six consecutive missed payments to making full provision after five consecutive missed payments.

The Personal Loans CLR increased to 11,0% in 2012 (1,7% portfolio and 9,3% specific) from 7,8% in 2011 (1,1% portfolio and 6,7% specific). This reflects both the changes referred to above and our concerns relating to the underlying health of the consumer, which were heightened when collection strategies were affected by the timing of public holidays throughout the year and isolated technical debit order process issues earlier in the year.

Pricing has also been adjusted upwards to reflect the higher level of expected-default risk on new business written within more conservative risk parameters. Nedbank's growth has already slowed relative to that of the overall market. The average loan sizes for the higher risk clients in entry-level banking and middle-market segments have reduced to 10 000 and 28 000 respectively.

These actions, ensuring alignment with our strategic intent, should result in slower, better-quality growth in personal loans, while we retain our emphasis on growing the transactional franchise and enabling the financial fitness of our clients.

The integrated-channel strategy, leveraging digital, is gaining momentum through extended branch banking hours, a 9% increase in sales people and increased cross-selling at point of sale enabled by the rollout of the new frontline banking platform, Siyakha, to over 7 300 users. The strong transactional sales focus and continuous innovation contributed to over 1,15 million clients using Nedbank's competitive digital channels. This is up 46% in the last 24 months and excludes clients using the eNote and m-pesa functionalities. The Vodacom m-pesa cellphone offering, available through more than 2 700 active outlets, is particularly attractive for entry-level banking and continues to gain momentum, with client registrations having reached 1m in February 2012 from 693 000 a year ago. Initiatives to simplify the sign-on process and the introduction of an m-pesa linked card should further increase the number of active users going forward.

Retail Relationship Banking

In 2012 Retail Relationship Banking (RRB) achieved headline earnings of R161m on R2,0bn of allocated capital at an improved ROE of 7,9%. A strong focus on collections has reduced the CLR from 1,47% in 2011 to 0,72% in 2012, resulting in a reduction of R183m in impairments.

The ease and simplicity of banking the 'influencer' and his or her household and business is greatly enhanced by the stronger relationship capability in branch enabled through the relocation of relationship bankers from 16 suits into 54% of all branches, multiskilliling of branch staff and leveraging Business Banking's client-centred offerings, systems and processes.

The number of registered users of the online digital platform, SimplyBiz, has grown strongly since the relaunch in January 2012. This can be attributed to innovations such as Small Business Friday™ in association with the National Small Business Chamber and PocketPOS™, which have elevated awareness of Nedbank's commitment to enabling small businesses to be key creators of employment and drivers of sustainable economic growth for SA.

Interest margin %		Average total advances excl impairments Rbn		Average total liabilities Rbn		Allocated capital Rbn		Defaulted book Rbn		Impairments Rbn		Coverage ratio %	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
1,7	1,7	137,4	141,9			6,7	6,9	8,6	11,3	3,3	4,0	32,2	29,9
4,6	4,8	67,6	64,3			7,4	6,3	2,3	2,8	2,3	2,5	67,8	64,6
14,1	14,2	20,5	14,7			3,4	2,9	2,6	1,7	2,2	1,3	59,4	61,5
8,5	8,8	9,4	8,3			2,7	2,4	0,6	0,5	0,7	0,6	98,0	100,2
1,9	2,0	51,3	45,4	175,8	163,2	4,9	4,5	0,9	1,1	0,6	0,7	70,1	75,2
		(0,5)	(1,2)	4,2	5,1	0,4	0,3						
4,9	4,7	285,7	273,4	180,0	168,3	25,5	23,3	15,0	17,4	9,1	9,1	47,0	43,5

Nedbank Retail – Advances and impairments

	Daily gross average advances Rm		Current %	
	2012	2011	**2012**	2011
Home Loans[1]	**107 043**	111 170	**90,5**	88,6
Vehicle Finance[2]	**56 079**	51 642	**92,0**	91,5
Personal Loans[3]	**20 532**	14 672	**81,3**	85,0
Card	**9 366**	8 313	**90,5**	90,8
Overdrafts and other loans[4]	**2 426**	2 787	**83,5**	78,5
Total	**195 446**	188 584	**89,8**	89,1

Balance Sheet

Impairment as a % of book	Total impairments Rm		Current %	
	2012	2011	**2012**	2011
Home Loans[1]	**2 848**	3 378	**0,37**	0,30
Vehicle Finance[2]	**1 895**	2 007	**0,78**	0,73
Personal Loans[3]	**2 178**	1 260	**0,80**	0,32
Card	**698**	592	**0,53**	0,47
Overdrafts and other loans[4]	**262**	362	**0,65**	0,57
Total	**7 881**	7 599	**0,55**	0,44

Balance Sheet

	Total advances Rm		Performing Rm	
	2012	2011	**2012**	2011
Home Loans[1]	**105 023**	108 887	**97 858**	99 254
Vehicle Finance[2]	**59 393**	54 374	**57 597**	52 313
Personal Loans[3]	**22 221**	17 267	**19 614**	15 542
Card	**9 879**	8 544	**9 265**	8 026
Overdrafts and other loans[4]	**2 012**	2 275	**1 745**	1 862
Total	**198 528**	191 347	**186 079**	176 997

Income Statement

	Income Statement impairment charge Rm		Portfolio impairment Rm	
	2012	2011	**2012**	2011
Home Loans[1]	**614**	1 363	**77**	108
Vehicle Finance[2]	**566**	803	**109**	121
Personal Loans[3]	**2 263**	1 137	**345**	161
Card	**367**	270	**23**	10
Overdrafts and other loans[4]	**118**	156	**3**	(5)
Total	**3 928**	3 729	**557**	395

[1] *The PiP's have been included in the defaulted assets.*

[2] *Assets have been redistributed across delinquency buckets due to a distribution having been drawn between distressed restructures and arrangements.*

[3] *During 2012 the methodology applied to categorise debt counselling restructures in Personal Loans was aligned with the rest of Retail.*

[4] *The overdraft category has been extended to include other loans.*

Impaired %		Defaulted %		% of Total advances	
2012	2011	2012	2011	2012	2011
2,7	2,6	6,8	8,8	52,9	56,9
4,9	4,7	3,1	3,8	29,9	28,4
7,0	5,0	11,7	10,0	11,2	9,0
3,3	3,1	6,2	6,1	5,0	4,5
2,2	1,8	14,3	19,7	1,0	1,2
3,9	3,4	6,3	7,5	100,0	100,0

Impaired %		Defaulted %		% of Total	
2012	2011	2012	2011	2012	2011
10,77	9,95	30,60	28,57	2,71	3,06
14,49	15,59	58,71	60,85	3,23	3,73
31,30	27,53	59,41	56,56	9,80	7,29
15,05	14,10	98,05	100,19	7,06	6,93
43,18	39,87	87,26	92,97	13,92	19,50
16,68	14,78	45,23	41,01	3,98	3,98

Defaulted Rm		Portfolio impairments Rm		Specific impairments Rm	
2012	2011	2012	2011	2012	2011
7 165	9 633	656	579	2 192	2 799
1 796	2 061	841	732	1 054	1 275
2 607	1 725	629	284	1 549	976
614	518	96	73	602	519
267	413	28	25	234	337
12 449	14 350	2 250	1 693	5 631	5 906

Specific impairments Rm		Post write-off recoveries Rm		Credit loss ratio %	
2012	2011	2012	2011	2012	2011
617	1 324	(80)	(69)	0,57	1,23
658	819	(201)	(137)	1,01	1,55
2 161	1 173	(243)	(197)	11,02	7,75
507	423	(163)	(163)	3,92	3,25
159	194	(44)	(33)	4,85	5,83
4 102	3 933	(731)	(599)	2,01	1,98

Nedbank Wealth

Nedbank Wealth achieved headline earnings growth of 9,5% to R716m for the 2012 financial year. This was primarily the result of solid performance from the asset management and insurance businesses, partially offset by reduced activity and increased impairments in Wealth Management. EP grew to R399m, up 15,7% on 2011, while ROE increased to 29,6%.

During 2012 the existing high-net-worth businesses of BoE Private Clients and Fairbairn Private Bank were rebranded under a single high-net-worth brand, Nedbank Private Wealth. Adjusting for the once-off rebranding costs of R31,5m (post-tax), headline earnings and EP growth would have been 14,4% and 24,4%, respectively.

These results were achieved despite pressure on impairments and a considerably worsened short-term insurance claims environment for the second half of 2012.

NII increased 2,3%, with the international environment of continued low interest rates resulting in a modest decline in the overall interest margin. We saw a deterioration of the CLR in Nedbank Private Wealth mainly due to the impact of a subdued property market. However, with provisioning at R118m, this is immaterial from a group perspective. Strong growth in insurance and asset management supported the overall increase in NIR of 16,2%.

Expenses grew 12,4% due to continued investment in skills and capacity enhancement, new-product development, and the once-off rebranding costs associated with the launch of Nedbank Private Wealth. The NIR-to-expense ratio increased to 136,8%.

During the year under review our Wealth Management businesses were impacted by the uncertainty in Europe and the subdued local property market. The increase in impairments, coupled with continued weak stockbroking and fiduciary activity, resulted in an overall reduction in year-on-year earnings.

Financial Planning delivered strong growth in advice-based sales on the back of increased collaboration across Nedbank Group, higher productivity levels and improved lapse ratios.

The performance by Asset Management was supported by strong local and international net inflows of R24,5bn. The cash solutions' offering that was launched in 2011 achieved exceptional growth in 2012. Total assets under management increased to R150,5bn, up 34,1% on 2011.

Continued growth in retail volumes as well as success in life single-premium product lines underpinned a strong overall insurance earnings uplift. Life annual premium equivalent (APE) grew 29,4%, while value of new business (VNB) increased by 37,7%. The benign claims environment, which positively impacted short-term insurance earnings during the first six months, deteriorated considerably in the second half of the year. Short-term insurance delivered gross written premium growth of 7,2%.

Financial highlights

	2012	2011
Headline earnings (Rm)	716	654
ROE (%)	29,6	27,7
ROA (%)	1,78	1,84
Credit loss ratio (%)	0,61	0,25
Non-interest revenue to total expenses (%)	136,8	132,2
Efficiency ratio (%)	61,5	62,3
Interest margin (%)	2,01	2,18
Impairment charge on loans and advances (Rm)	118	45
Assets under management (Rm)	150 495	112 231
Life assurance embedded value (Rm)	2 030	1 522
Life assurance value of new business (Rm)	563	409
Total assets (Rm)	42 270	37 759
Average total assets (Rm)	40 360	35 502
Total advances (Rm)	19 864	19 624
Average total advances (Rm)	19 225	18 037
Total deposits (Rm)	15 897	13 713
Average total deposits (Rm)	15 452	12 241
Allocated capital (Rm)	2 420	2 363

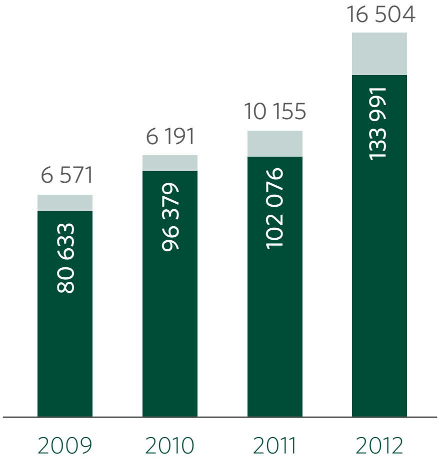
Looking forward

We have favourable growth expectations for Wealth Management given any normalisation of impairments and improvement in stockbroking and fiduciary activity. Nedbank Private Wealth's focus for 2013 will be on the acquisition of new clients through collaboration and cross- sell activities as well as profiling of the distinctive high-net-worth proposition.

Nedgroup Investments, our Asset Management Division, will focus on sustaining excellent fund performance as well as maintaining momentum achieved in the cash solutions and best-of-breed offerings.

The lower growth rates in secured and unsecured lending volumes in Retail are likely to result in a gradual slowing of earnings from traditional insurance products. Notwithstanding delays in the launch of direct personal-lines short-term insurance, we see significant opportunities through bundling and continued product expansion initiatives, which will support growth for the future. We are in the process of launching a differentiated and innovative credit life solution that will be a leader in price and benefits in the unsecured market.

Asset under management



Assets under management

Rm	2012	2011
Fair value of funds under management – by type		
Unit trusts	101 036	68 161
Third party	1 060	822
Private clients	48 399	43 248
	150 495	112 231
Fair value of funds under management – by geography		
South Africa	133 991	102 076
Rest of World	16 504	10 155
	150 495	112 231

Rm	Unit trusts	Third party	Private clients	Total
Reconciliation of movement in funds under management – by type				
Opening balance at 31 December 2011	68 161	822	43 248	112 231
Inter-group transfers	414	99	(513)	–
Inflows	101 149		9 375	110 524
Outflows	(76 888)	(12)	(9 154)	(86 054)
Mark-to-market value adjustment	7 645	60	5 298	13 003
Foreign currency translation differences	555	91	145	791
Closing balance – 31 December 2012	101 036	1 060	48 399	150 495

Rm	South Africa	Rest of the world	Total
Reconciliation of movement in funds under management – by geography			
Opening balance at 31 December 2011	102 076	10 155	112 231
Inflows	103 584	6 940	110 524
Outflows	(84 143)	(1 911)	(86 054)
Mark-to-market value adjustment	12 474	529	13 003
Foreign currency translation differences		791	791
Closing balance – 31 December 2012	133 991	16 504	150 495

EARNINGS PER SHARE AND WEIGHTED AVERAGE SHARES

for the year ended 31 December

	Basic	Diluted Basic	Headline	Diluted Headline
2012				
Earnings for the year	7 476	7 476	7 510	7 510
Weighted average number of ordinary shares	456 339 400	470 709 398	456 339 400	470 709 398
Earnings per share (cents)	1 638	1 588	1 646	1 595
2011				
Earnings for the year	6 190	6 190	6 184	6 184
Weighted average number of ordinary shares	452 928 208	461 541 357	452 928 208	461 541 357
Earnings per share (cents)	1 367	1 341	1 365	1 340

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted average number of shares in issue. Fully diluted basic earnings and fully diluted headline earnings per share are calculated by dividing the relevant earnings amount by the weighted average number of shares in issue after taking the dilutive impact of potential ordinary shares to be issued into account (the estimated future dilutive shares arising from the BEE transaction as set out on page 61b).

Number of weighted average dilutive potential ordinary shares ('000)

Generally, potential shares are dilutive if the strike price + SBP charge to come < average share price for the period of R172,73 (the SBP charge to come represents the value of services to be received by Nedbank Group in exchange for these potential shares).

	2012		2011
	Potential shares	Weighted average dilutive shares	Weighted average dilutive shares
Traditional schemes	13 711	9 281	5 700
Nedbank group share options and restricted share scheme (2005)	12 646	8 627	5 147
Matched share scheme	1 065	654	553
BEE schemes – South Africa	15 741	4 919	2 853
Black Business Partners	7 891	2 061	934
Community	851	786	38
Corporate			200
Black Executives	1 412	357	289
Black Management	5 587	1 715	1 392
BEE schemes – Namibia	448	170	60
Black Business Partners	200	78	
Affinity Groups	74	29	
Education	99	39	
LTIP-Black	13	2	13
LTIP-White	25	4	29
Black Management	37	18	18
Total	29 900	14 370	8 613

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – BANKING/ TRADING CATEGORISATION

at 31 December

	2012				2011			
Rm	Banking	Trading	Elims	Total	Banking	Trading	Elims	Total
Assets								
Cash and cash equivalents	14 441	4		14 445	13 441	16		13 457
Other short-term securities	33 067	16 691	(6 301)	43 457	27 544	18 070	(9 628)	35 986
Derivative financial instruments	203	17 710	(4 101)	13 812	244	15 378	(2 782)	12 840
Government and other securities	42 020	4 355	(19 622)	26 753	35 289	4 619	(9 732)	30 176
Loans and advances	497 404	29 762		527 166	479 071	19 952		499 023
Other assets	5 166	4 322		9 488	4 583	7 468		12 051
Current taxation receivable	246			246	698			698
Investment securities	15 711	866		16 577	13 588	693		14 281
Non-current assets held for sale	508			508	8			8
Investments in associate companies and joint ventures	668			668	568			568
Deferred taxation asset	144	255		399	(45)	311		266
Property and equipment	6 596	7		6 603	6 918	8		6 926
Long-term employee benefit assets	2 257	1		2 258	2 114	4		2 118
Mandatory reserve deposits with central banks	12 677			12 677	11 952			11 952
Intangible assets	7 891	31		7 922	7 737	40		7 777
Inter-divisional assets		31 805	(31 805)	–		16 113	(16 113)	–
Total assets	638 999	105 809	(61 829)	682 979	603 710	82 672	(38 255)	648 127
Total equity and liabilities								
Allocated capital	51 128	2 822		53 950	45 943	3 003		48 946
Non-controlling interest attributable to:								
– ordinary shareholders	219			219	178			178
– preference shareholders	3 561			3 561	3 561			3 561
Total equity	54 908	2 822	–	57 730	49 682	3 003	–	52 685
Derivative financial instruments	4 204	13 351	(4 101)	13 454	2 876	13 759	(2 782)	13 853
Amounts owed to depositors	494 877	62 302	(6 301)	550 878	485 538	48 220	(9 628)	524 130
Other liabilities	8 111	27 037	(19 622)	15 526	6 991	17 492	(9 732)	14 751
Current taxation liabilities	163	30		193	200			200
Other liabilities held for sale	36			36				–
Deferred taxation liabilities	514	267		781	1 147	198		1 345
Long-term employee benefit liabilities	1 591			1 591	1 479			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
Inter-divisional liabilities	31 805		(31 805)	–	16 113		(16 113)	–
Total liabilities	584 091	102 987	(61 829)	625 249	554 028	79 669	(38 255)	595 442
Total equity and liabilities	638 999	105 809	(61 829)	682 979	603 710	82 672	(38 255)	648 127

NEDBANK GROUP CATEGORIES OF FINANCIAL INSTRUMENTS

at 31 December 2012

Rm	Total	At fair value through profit or loss	
		Held for trading	Designated
Assets			
Cash and cash equivalents	14 445		
Other short-term securities	43 457	11 138	10 852
Derivative financial instruments	13 812	13 812	
Government and other securities	26 753	5 109	9 760
Loans and advances	527 166	29 719	56 000
Other assets	9 488	3 783	329
Current taxation receivable	246		
Investment securities	16 577	898	15 189
Non-current assets held-for-sale	508		
Investment in associate companies and joint ventures	668		636
Deferred taxation asset	399		
Investment property	205		
Property and equipment	6 398		
Post-employment assets	2 258		
Mandatory reserve deposits with central bank	12 677		
Intangible assets	7 922		
Total assets	682 979	64 459	92 766
Total equity and liabilities			
Ordinary share capital	457		
Ordinary share premium	16 033		
Reserves	37 460		
Total equity attributable to equity holders	53 950	–	–
Minority shareholders' equity attributable to ordinary shareholders	219		
Minority shareholders' equity attributable to preference shareholders	3 561		
Total equity	57 730	–	–
Derivative financial instruments	13 454	13 454	
Amounts owed to depositors	550 878	55 901	78 880
Other liabilities	15 526	6 378	
Current taxation liabilities	193		
Other liabilities held for sale	36		
Deferred taxation liabilities	781		
Post-employment liability	1 591		
Investment contract liabilities	9 513		9 513
Insurance contract liabilities	2 979		2 979
Long-term debt instruments	30 298		5 630
Total liabilities	625 249	75 733	97 002
Total equity and liabilities	682 979	75 733	97 002

CLASSIFICATIONS IN TERMS OF IAS 39

A financial asset or financial liability *at fair value through profit or loss* is an asset or liability held that was either acquired to sell or repurchase in the short term, or is managed on a portfolio basis for short-term gains, or is a derivative or is an asset or liability that has been designated for classification and valuation as fair value through profit and loss.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss and are held at fair value with fair value gains and losses recorded directly within equity and not through profit and loss.

Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets and liabilities
		14 445		
4 868	16 599			
1 503	8 306	2 075		
40		441 407		
		5 376		
				246
490				
				508
				32
				399
				205
				6 398
				2 258
		12 677		
				7 922
6 901	24 905	475 980	–	17 968
				457
				16 033
				37 460
–	–	–		53 950
				219
				3 561
–	–	–		57 730
			–	
			416 097	
			9 148	
				193
				36
				781
				1 591
			24 668	
–	–	–	449 913	2 601
–	–	–	449 913	60 331

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that an entity has the positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at an accrued value and not fair valued.

Financial liabilities at amortised cost are non-derivative liabilities carried at amortised cost and not fair valued.

Non-financial assets and liabilities are all other assets and liabilities, which fall outside of the scope of IAS 39.

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December

1 AVERAGE BANKING BALANCE SHEET AND RELATED INTEREST

Rm	2012 Average balance	2012 Margin statement interest	2012 %	2011 Average balance	2011 Margin statement interest	2011 %
	Assets	Received	%	Assets	Received	%
Average prime rate			8.78			9.00
Assets						
Loans and advances						
Home Loans (including PiPS)[1]	138 576	10 222	7,38	142 705	10 645	7,46
Commercial mortgages[1]	91 594	7 883	8,61	88 417	7 725	8,74
Lease and instalment debtors	72 365	7 293	10,08	68 534	7 077	10,33
Credit card balances	9 546	1 311	13,73	8 455	1 165	13,78
Overdrafts	14 343	1 284	8,95	13 494	1 224	9,07
Term loans and other[2]	144 593	7 333	5,07	130 718	7 583	5,80
Personal loans	21 168	4 325	20,43	15 413	3 172	20,58
Impairment of loans and advances	(11 474)			(11 534)		
Government and public sector securities	38 538	3 360	8,72	35 246	3 072	8,72
Short-term funds and trading securities	37 597	1 719	4,57	26 346	1 217	4,62
Interest-earning banking assets	556 846	44 730	8,03	517 794	42 880	8,28
Net inter-divisional assets – trading book	(14 520)			(2 431)		
Revaluation of FVTPL designated assets	2 282			1 817		
Derivative financial instruments	199			189		
Insurance assets	11 521			9 495		
Cash & bank notes	3 063			2 296		
Other assets	5 503			6 973		
Associates and Investments	3 688			3 570		
Property and equipment	6 667			6 040		
Intangible assets	7 706			7 533		
Mandatory reserve deposit with central banks	12 960			12 452		
Total assets	595 915	44 730	7,51	565 728	42 880	7,58
	Liabilities	Paid	%	Liabilities	Paid	%
Deposit and loan accounts	291 478	14 078	4,83	259 681	12 882	4,96
Current and savings accounts	64 419	590	0,92	59 824	640	1,07
Negotiable certificates of deposit	95 755	5 867	6,13	113 734	7 153	6,29
Other interest-bearing liabilities[3]	33 346	1 998	5,99	31 355	1 739	5,55
Long-term debt instruments	29 998	2 517	8,39	28 168	2 432	8,63
Interest-bearing banking liabilities	514 996	25 050	4,86	492 762	24 846	5,04
Other liabilities	9 416			11 611		
Revaluation of FVTPL designated liabilities	2 282			1 817		
Derivative financial instruments	3 576			1 804		
Investment contract liabilities	11 359			9 299		
Ordinary shareholders' equity	50 521			44 696		
Minority shareholders' equity	3 765			3 739		
Total shareholders' equity and liabilities	595 915	25 050	4,20	565 728	24 846	4,39
Interest margin on average interest-earning banking assets	556 846	19 680	3,53	517 794	18 034	3,48

Where possible, averages are calculated on daily balances.

2011 margin has been restated as a result of the reclassification of 'client indebtedness for acceptances' from interest earning banking assets to other assets.

1 *Certain mortgages within Nedbank Wealth, previously disclosed as home loans have been reclassified and disclosed as commercial mortgages for the period ended 31 December 2011. This reclassification has no effect on total loans and advances balances within the group.*

2 *Includes: term loans, preference shares, factoring debtors, other lending-related instruments and interest on derivatives.*

3 *Includes: foreign currency liabilities.*

2 IMPAIRMENT OF LOANS AND ADVANCES

Rm	2012	2011
Opening balance	11 497	11 226
Specific impairment	8 749	9 072
Specific impairment excluding discounts	7 468	7 740
Specific impairment for discounted cash flow losses	1 281	1 332
Portfolio impairment	2 748	2 154
Impairments charge/(release)	6 065	5 972
Statement of comprehensive income charge net of recoveries	5 199	5 331
Specific impairment	4 331	4 805
Nett increase/(decrease) in impairment for discounted cash flow losses	186	(51)
Portfolio impairment	682	577
Recoveries	866	641
Amounts written off/other transfers	(6 692)	(5 701)
Specific impairments	(6 689)	(5 719)
Portfolio impairment	(3)	18
Total impairments	10 870	11 497
Specific impairment	7 443	8 749
Specific impairment excluding discounts	5 976	7 468
Specific impairment for discounted cash flow losses	1 467	1 281
Portfolio impairment	3 427	2 748
Total gross advances	538 036	510 520

Details on segmental impairments and defaulted loans and advances are disclosed in the credit risk section on pages 32c to 49c.

Reconciliation of specific impairment for discounted cash flow losses

Rm	2012	2011
Opening balance	1 281	1 332
Net increase/(decrease) in impairment for discounted cash flow losses	186	(51)
Interest on specifically impaired loans and advances	(1 124)	(1 404)
Net specific impairment charge for discounted cash flow losses	1 310	1 353
Closing balance	1 467	1 281

3 NON-INTEREST REVENUE

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	**2012**	2011	**2012**	2011	**2012**	2011
Commission and fees income	**12 538**	11 031	**491**	305	**1 194**	1 055
Administration fees	**677**	585			**11**	11
Cash handling fees	**794**	712			**108**	97
Insurance commission[1]	**519**	408				
Exchange commission	**367**	365			**103**	106
Fees	**1 688**	1 395	**430**	275	**214**	210
Guarantees	**157**	135			**103**	78
Card income	**2 479**	2 244				
Service charges	**3 390**	3 013			**36**	37
Other commission	**2 467**	2 174	**61**	30	**619**	516
Insurance income[1]	**1 695**	1 357				
Fair value adjustments	**(265)**	(60)	**1**	7	**(37)**	(19)
Fair value adjustments	**(244)**	(11)	**1**	7	**(37)**	(19)
Fair value adjustments – own debt	**(21)**	(49)				
Trading Income	**2 644**	2 168	**2 443**	1 962	**8**	19
Foreign exchange	**1 027**	1 094	**826**	888	**8**	19
Debt Securities	**1 242**	646	**1 242**	646		
Equities	**352**	395	**352**	395		
Commodities	**23**	33	**23**	33		
Private equity income	**211**	323	**13**	249	**198**	74
Security dealing – realised	**187**	97	**65**	133	**122**	(36)
Security dealing – unrealised	**(49)**	(176)	**(103)**	19	**54**	(195)
Dividends received	**73**	402	**51**	97	**22**	305
Investment income	**107**	40	**83**	3	**5**	13
Dividends received	**100**	26	**85**		**5**	13
Long-term assets sales	**7**	14	**(2)**	3	**–**	–
Sundry income	**394**	553	**18**	(72)	**101**	119
Non-banking subsidiary	**(7)**	214				
Other sundry income	**401**	339	**18**	(72)	**101**	119
Total non-interest revenue	**17 324**	15 412	**3 049**	2 454	**1 469**	1 261

[1] *Revenue earned from insurance dealings has been reclassified within Nedbank Retail Cluster, between 'Insurance commission' and 'Insurance income' lines, for the period ended 31 December 2011. Total NIR within the group results was not affected.*

Nedbank Retail and Business Banking		Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Shared Services		Central Management, including Rest of Africa	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
9 016	8 034	7 544	6 674	1 472	1 360	1 361	1 209	40	39	436	389
514	481	507	465	7	16	127	71	17	8	8	14
586	533	242	218	344	315	1				99	82
368	274	364	270	4	4	144	130			7	4
202	192	77	74	125	118	37	42	3	4	22	21
62	56			62	56	892	772		2	90	80
45	50	8	17	37	33					9	7
2 459	2 231	2 390	2 170	69	61					20	13
3 227	2 873	2 734	2 405	493	468	12	10			115	93
1 553	1 344	1 222	1 055	331	289	148	184	20	25	66	75
421	304	421	304			1 274	1 053				
(70)	29	(63)	33	(7)	(4)	–	–	–	–	(159)	(77)
(70)	29	(63)	33	(7)	(4)					(138)	(28)
–	–									(21)	(49)
147	147	49	47	98	100	–	–	–	–	46	40
147	147	49	47	98	100					46	40
–	–										
–	–										
–	–										
–	–	–	–	–	–	–	–	–	–	–	–
–	–										
–	–										
–	–										
10	11	1	1	9	10	–	2	9	10	–	1
1	1	1	1				1	9	10		1
9	10			9	10		1				
16	13	10	(7)	6	20	(18)	(12)	191	445	86	60
–	–							(7)	214		
16	13	10	(7)	6	20	(18)	(12)	198	231	86	60
9 540	8 538	7 962	7 052	1 578	1 486	2 617	2 252	240	494	409	413

4 EXPENSES

Rm	Nedbank Group 2012	Nedbank Group 2011	Nedbank Capital 2012	Nedbank Capital 2011	Nedbank Corporate 2012	Nedbank Corporate 2011
Staff costs	11 390	10 243	991	819	1 030	949
Salaries and wages	9 349	8 615				
Short-term incentives	1 581	1 332				
Long-term employee benefits	11	34				
Share-based payment expenses – employees	449	262				
Computer processing	2 461	2 421	157	120	255	169
Depreciation for computer equipment	362	349				
Amortisation of computer software	526	545				
Operating lease charges for computer equipment	204	177				
Other computer processing expenses	1 369	1 350				
Communication and travel	793	771	106	105	104	96
Depreciation for vehicles	5	5				
Other communication and travel	788	766				
Occupation and accommodation	1 730	1 525	64	56	137	132
Depreciation for owner-occupied land and buildings	135	131				
Operating lease charges for land and buildings	642	567				
Other occupation and accommodation expenses	953	827				
Marketing and public relations	1 281	1 093	48	41	37	37
Fees and insurances	1 801	1 790	75	113	390	409
Office equipment and consumables	449	380	9	11	48	44
Depreciation for furniture and other equipment	376	304				
Operating lease charges for furniture and other equipment	7	8				
Other office equipment and consumables	66	68				
Other sundries	481	438	42	19	30	41
Amortisation of intangible assets	64	64				
Activity-justified transfer-pricing	–	–	481	442	(67)	(99)
Operating expenses	20 450	18 725	1 973	1 726	1 964	1 778
BEE transaction expenses	78	194	5	11	4	14
BEE share-based payments expenses	53	181				
Fees	25	13				
Total operating expenses	20 528	18 919	1 978	1 737	1 968	1 792

	Nedbank Retail and Business Banking		Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Shared Services		Central Management, including Rest of Africa	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	5 870	5 291	4 705	4 211	1 165	1 080	966	837	2 075	1 900	458	447
	518	496	464	417	54	79	82	84	1 386	1 490	63	62
	384	371	340	328	44	43	54	51	108	112	37	36
	1 383	1 187	1 257	1 070	126	117	106	97	(70)	(25)	110	78
	667	590	607	537	60	53	126	98	428	345	(25)	(18)
	755	696	682	618	73	78	134	145	268	318	179	109
	232	203	221	192	11	11	16	16	112	75	32	31
	253	267	243	258	10	9	26	20	68	50	62	41
							64	64				
	3 713	3 496	2 320	2 247	1 393	1 249	337	289	(4 445)	(4 119)	(19)	(9)
	13 775	12 597	10 839	9 878	2 936	2 719	1 911	1 701	(70)	146	897	777
	13	15	10	11	3	4	3	2	39	40	14	112
	13 788	12 612	10 849	9 889	2 939	2 723	1 914	1 703	(31)	186	911	889

5 TAXATION CHARGE

Rm	2012	2011
South African normal taxation		
Current	2 965	2 348
Deferred	(470)	(445)
Secondary taxation on companies (STC)	181	149
Foreign taxation	132	145
Current and deferred taxation on income	2 808	2 197
Prior year overprovision – current	145	103
Prior year underprovision – deferred	(82)	(106)
Total taxation on income	2 871	2 194
Tax on non-trading and capital items	4	(20)
Total	2 875	2 174

%		
Taxation rate reconciliation (excluding non-trading and capital items)		
Standard rate of South African normal taxation	28,0	28,0
Reduction of taxation rate:		
Dividend income	(2,9)	(4,4)
Foreign income	(0,6)	(0,5)
Change in CGT rate	0,6	
STC	1,7	1,7
Other		0,4
Total taxation on income as percentage of profit before taxation	26,8	25,2

6 NON-CONTROLLING INTEREST

	2012		2011	
Rm	Balance sheet	Income statement	Balance sheet	Income statement
Nedbank (Swaziland)	121	27	103	23
Nedbank (Namibia) – various subsidiaries	6	1	5	1
Nedbank (Malawi)	3		3	
MBCA Bank (Zimbabwe)	69	12	50	8
Ideas Nedbank AIIF Investors Trust	15	5	10	
REIT Investments (Pty) Ltd	5	(2)	7	[1]
	219	43	178	32

[1] *Less than R1m.*

7 PREFERENCE SHARES

Dividends declared	Number of shares	Cents per share	Amount Rm
2011			
Nedbank – Final declared for 2010 – paid March 2011	358 277 491	36,20548	130
Nedbank – Interim declared for 2011 – paid Sept 2011	358 277 491	33,47260	120
			250
2012			
Nedbank – Final declared for 2011 – paid March 2012	358 277 491	34,02740	122
Nedbank – Interim declared for 2012 – paid Aug 2012	358 277 491	37,29507	134
			256
Nedbank – Final declared for 2012 – payable March 2013	358 277 491	35,82649	128

Dividends declared calculations	Days	Rate	Amount Rm
2012			
Nedbank			
1 Jul 2012 – 31 Dec 2012	184		128,4
1 Jul 2012 – 19 Jul 2012	19	7,500%	14,0
20 Jul 2012 – 31 Dec 2012	165	7,083%	114,4
Total declared			128,4

Dividends paid calculations	Days	Rate	Amount Rm
2011 (Paid March 2012)			
Nedbank			
1 Jul 2011 – 31 Dec 2011	184		121,9
1 Jul 2011 – 31 Dec 2011	184	6,750%	121,9
2012 (Paid Aug 2012)			
Nedbank			
1 Jan 2012 – 30 Jun 2012	182		133,6
1 Jan 2012 – 30 Jun 2012	182	7,500%	133,6
Nedbank (MFC) – Participating preference shares[1]			37,5
Profit attributable to preference shareholders			293,0
2011 (Paid March 2011)			
Nedbank			
1 Jul 2010 – 31 Dec 2010	184		129,7
1 Jul 2010 – 9 Sept 2010	71	7,500%	52,3
10 Sept 2010 – 18 Nov 2010	70	7,125%	48,9
19 Nov 2010 – 31 Dec 2010	43	6,750%	28,5
2011 (Paid Aug 2011)			
Nedbank			
1 Jan 2011 – 30 Jun 2011	181		119,9
1 Jan 2011 – 30 Jun 2011	181	6,750%	119,9
Nedbank (MFC) – Participating preference shares[1]			31,7
Profit attributable to preference shareholders			281,3

[1] *Profit share calculated on an annual basis.*

8 LOANS AND ADVANCES

Segmental breakdown

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	**2012**	2011	**2012**	2011	**2012**	2011
Home loans[1]	**136 301**	139 923	**1**		**464**	298
Commercial mortgages[1]	**97 732**	92 719			**79 421**	75 399
Properties in possession	**574**	619			**220**	186
Credit cards	**10 019**	8 666				
Overdrafts	**13 694**	13 152	**18**	60	**1 935**	2 276
Term loans	**88 354**	77 980	**8 297**	7 187	**54 485**	50 251
Personal loans	**22 969**	17 847				
Other term loans	**65 385**	60 133	**8 297**	7 187	**54 485**	50 251
Overnight loans	**18 341**	19 104			**17 412**	18 342
Other loans to clients	**51 482**	52 463	**39 353**	37 096	**1 008**	3 473
Foreign client lending	**5 760**	9 364	**2 125**	5 523	**406**	493
Remittances in transit	**193**	195	**1**	3	**32**	65
Other loans[2]	**45 529**	42 904	**37 227**	31 570	**570**	2 915
Leases and instalment debtors	**75 764**	71 168			**3 250**	3 169
Preference shares and debentures	**16 948**	17 960	**10 893**	12 046	**5 416**	5 068
Factoring accounts	**4 461**	3 822				
Deposits placed under reverse repurchase agreements	**24 338**	12 911	**24 338**	12 911		
Trade, other bills and bankers' acceptances	**28**	33	**13**	31	**15**	
Loans and advances before impairments	**538 036**	510 520	**82 913**	69 331	**163 626**	158 462
Impairment of advances	**(10 870)**	(11 497)	**(419)**	(821)	**(896)**	(1 191)
Total loans and advances	**527 166**	499 023	**82 494**	68 510	**162 730**	157 271
Comprises:						
– Loans and advances to clients	**508 134**	490 539	**60 150**	56 497	**160 877**	156 223
– Loans and advances to banks	**29 902**	19 981	**22 763**	12 834	**2 749**	2 239
Loans and advances before impairments	**538 036**	510 520	**82 913**	69 331	**163 626**	158 462

[1] *Certain mortgages within Nedbank Wealth Cluster, previously disclosed as home loans have been reclassified and disclosed as commercial mortgages for the period ended 31 December 2011. This reclassification has no effect on total loans and advances balances within the group.*

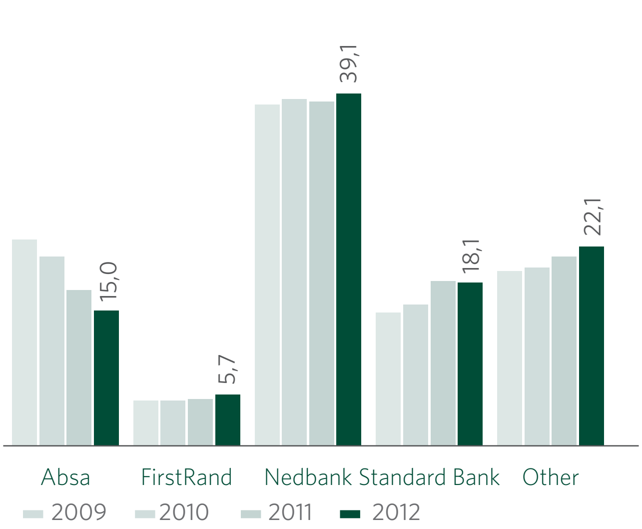
[2] *Represents mainly loans relating to Specialised Finance and Debt Capital Markets in Nedbank Capital and other loans in Nedbank Corporate and Nedbank Retail.*

Nedbank Retail and Business Banking		Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Shared Services		Central Management, including Rest of Africa	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
121 310	125 219	104 128	107 849	17 182	17 370	11 926	12 037			2 600	2 369
14 233	13 882	588	641	13 645	13 241	4 125	3 608			(47)	(170)
323	409	307	397	16	12	31	24				
10 008	8 642	9 879	8 544	129	98	9	24			2	
9 009	8 463	1 721	1 868	7 288	6 595	115	108	(2)		2 619	2 245
23 936	18 861	22 224	17 269	1 712	1 592	583	633	–	–	1 053	1 048
22 224	17 268	22 221	17 267	3	1	2	2			743	577
1 712	1 593	3	2	1 709	1 591	581	631			310	471
567	726			567	726					362	36
4 586	4 604	288	405	4 298	4 199	2 892	2 941	–	(8)	3 643	4 357
380	318	1	1	379	317					2 849	3 030
55	33	50	31	5	2				(8)	105	102
4 151	4 253	237	373	3 914	3 880	2 892	2 941			689	1 225
70 897	66 431	59 393	54 374	11 504	12 057	294	300			1 323	1 268
573	652			573	652	1	24	40	29	25	141
4 461	3 822			4 461	3 822						
–	–										
–	–						2				
259 903	251 711	198 528	191 347	61 375	60 364	19 976	19 701	38	21	11 580	11 294
(9 141)	(9 107)	(7 881)	(7 599)	(1 260)	(1 508)	(112)	(77)		(1)	(302)	(300)
250 762	242 604	190 647	183 748	60 115	58 856	19 864	19 624	38	20	11 278	10 994
259 848	251 678	198 478	191 316	61 370	60 362	18 068	17 139	38	28	9 153	8 974
55	33	50	31	5	2	1 908	2 562		(7)	2 427	2 320
259 903	251 711	198 528	191 347	61 375	60 364	19 976	19 701	38	21	11 580	11 294

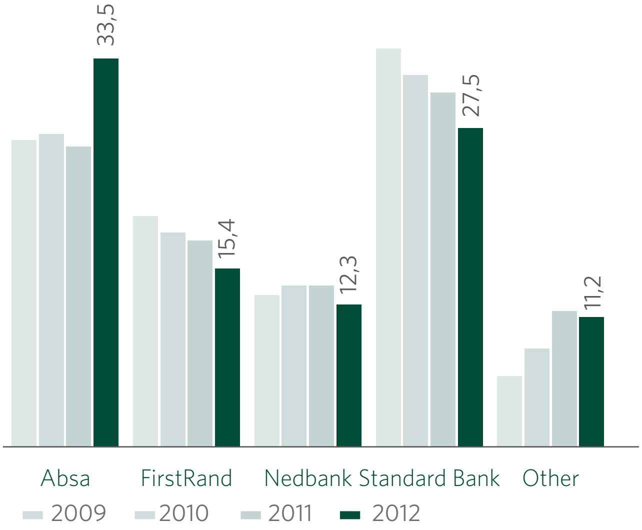
Notes to the consolidated statement of financial position (CONTINUED)

for the year ended 31 December

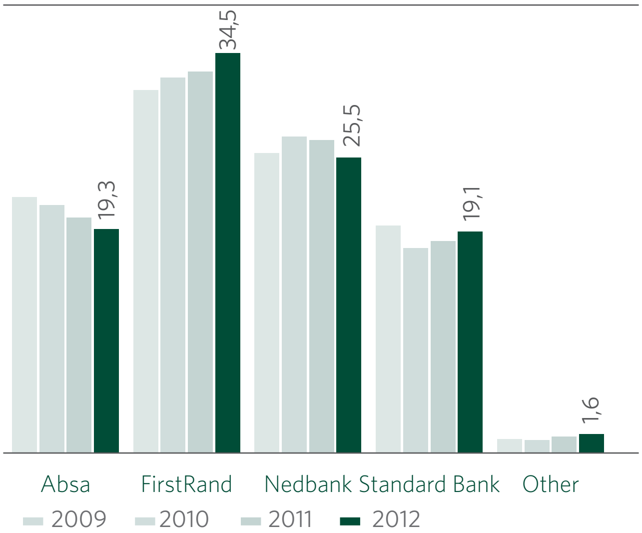
Commercial mortgage loans – Marketshare (%)



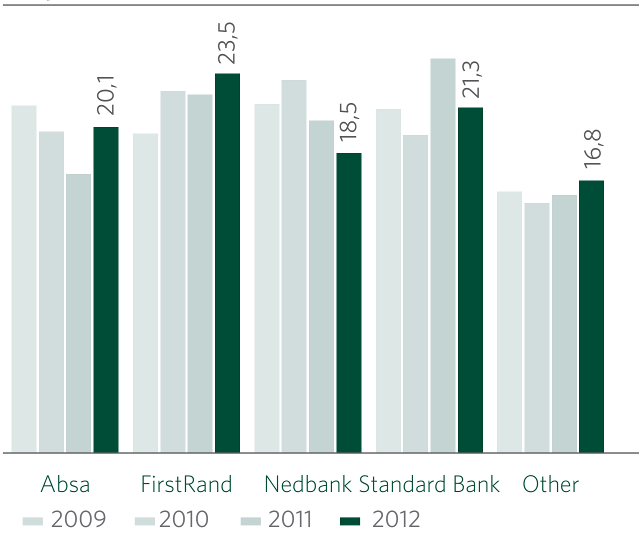
Credit cards – Marketshare (%)



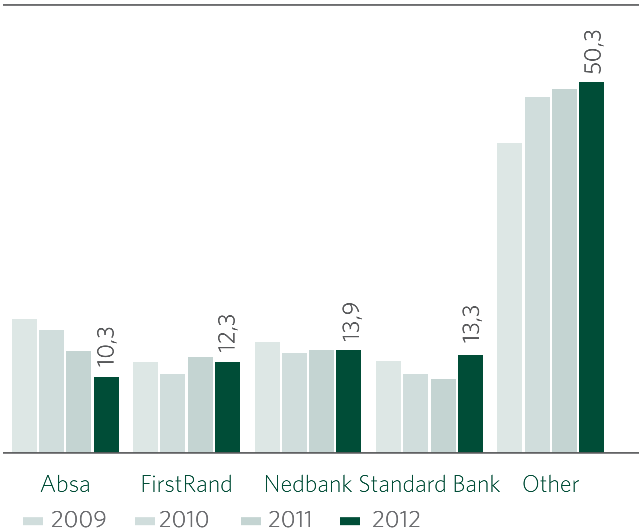
Instalment credit – Marketshare (%)



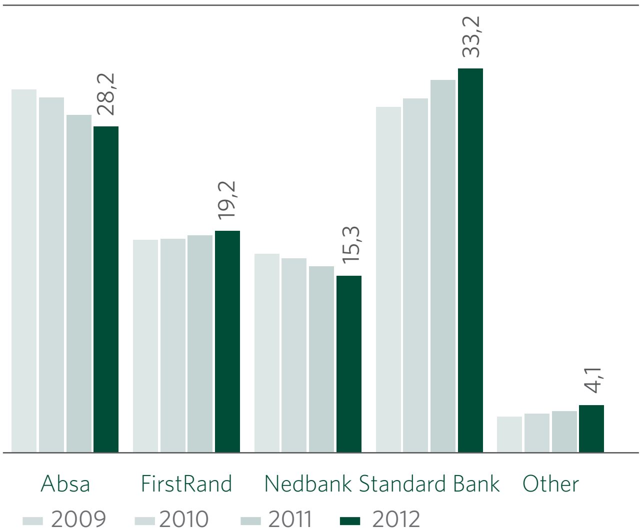
Corporate loans – Marketshare (%)



Personal loans – Marketshare (%)



Home loans – Marketshare (%)



Source data: BA 900

9 INVESTMENT SECURITIES

Rm	2012	2011
Listed investments	533	796
Private equity portfolio	527	791
Other	6	5
Unlisted investments	3 320	3 049
NES Investments (Pty) Limited	349	359
Morning Tide Investments 168 (Pty) Limited	282	222
Strate Limited	39	36
Private equity portfolio	1 064	1 160
Other	1 586	1 272
Total listed and unlisted investments	3 853	3 845
Listed policyholder investments at market value	8 917	7 856
Equities	205	191
Government, public and private sector stock	512	398
Unit trusts	8 200	7 267
Unlisted policyholder investments at directors' valuation	3 853	2 624
Negotiable certificates of deposit, money market and other short-term funds	3 853	2 624
Net policyholder liabilities	(46)	(44)
Total policyholder investments	12 724	10 436
Total investment securities	16 577	14 281
Summary of total private equity investments		
Investment securities	1 591	1 951
Property investments	676	900
Listed investments	527	769
Unlisted investments	149	131
Other investments	915	1 051
Listed investments		22
Unlisted investments	915	1 029
Investment in associates		
Unlisted property investments	639	540
Private equity shareholder loans and mezzanine debt facilities	1 567	1 461
Total private equity investments	3 797	3 952

Notes to the consolidated statement of financial position (CONTINUED)

for the year ended 31 December

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Name of company and nature of business	Percentage holding 2012	2011	Acquisition date
Unlisted			
Abacus Holdings Management (Pty) Limited	24		Mar 12
Billion Property Developments (Pty) Ltd	20		Nov 12
Bond Choice (Pty) Ltd[2]	29	29	Jun 02
Capricorn Business and Technology Park (Pty) Ltd	41	41	Nov 98
Century City JV	50	50	Dec 10
Elderberry Investments 110 (Pty) Limited	49		Aug 12
Erf 7 Sandown (Pty) Ltd	35	35	Oct 06
Falcon Forest Trading 85 (Pty) Ltd	30	30	Mar 05
Farm Bothasfontein (Kyalami) (Pty) Limited	30	30	Jul 09
Friedshelf 113 (Pty) Ltd	20	20	Aug 02
Golden Pond Trading 350 (Pty) Limited	20	20	Jun 06
Hazeldean Retreat (Pty) Ltd	20	20	Mar 07
Masingita Property Investment Holdings (Pty) Ltd	35	35	Aug 05
Namclear (Pty) Ltd[2]	25	25	Nov 03
Nedglen Property Developments (Pty) Ltd	35	35	Nov 04
Odyssey Developments (Pty) Ltd	49	49	Nov 07
Oukraal Developments (Pty) Ltd	30	30	Jan 08
Precious Prospect Trading 50 (Pty) Ltd	20	20	Jun 04
SafDev Tanganani (Pty) Ltd	25	25	Oct 08
TBA Genomineerdes (Pty) Ltd	30	30	Jan 03
The Waterbuck Trust	40	40	Oct 07
Visigro Investments (Pty) Ltd[4]		30	Jun 06
Whirlprops 33 (Pty) Limited[2]	49	49	Sep 06
Other[3]			

These associate companies are all property-related companies. There are regulatory constraints, apart from the provisions of the Companies Act, 1973, that restricts the distribution of funds to the shareholders. Distribution of funds may however be restricted by loan agreements that the entities have entered into.

[1] *Represents amounts less than R1 million.*
[2] *These associates are equity-accounted for as at Dec 2012.*
[3] *Represents various investments each with a value of less than 1% of the total portfolio.*
[4] *Associate has been consolidated as a subsidiary from November 2012.*

Year-end	Equity-accounted earnings Rm 2012	Equity-accounted earnings Rm 2011	Carrying amount Rm 2012	Carrying amount Rm 2011	Market value/ Directors' valuation Rm 2012	Market value/ Directors' valuation Rm 2011	Net indebtedness of loans to/(from) associates Rm 2012	Net indebtedness of loans to/(from) associates Rm 2011
	1	–	668	568	668	568	582	375
Jun			6		6			
Aug			134		134		134	
Feb			25	25	25	25		
Sep			12	11	12	11	11	9
Dec			55	55	55	55	–	
Feb			3		3		3	
Feb			41	38	41	38	5	5
Feb			36	30	36	30	1	1
Dec			8	7	8	7		
Feb			72	58	72	58	43	43
Feb			17	12	17	12		
Feb			11	13	11	13	8	9
Feb			65	56	65	56	25	24
Dec	1	*	3	3	3	3	(3)	(3)
Jun			16	15	16	15		
Jun			93	100	93	100	36	34
Jun			21	26	21	26	17	15
Jun			9	8	9	8	1	1
Jun			12	12	12	12		
Jun			–	7	–	7		3
Feb			14	12	14	12	26	20
Feb			–	78	–	78		(22)
Feb			*	*	*	*		
			15	2	15	2	275	236
	1	–	668	568	668	568	582	375

11 INTANGIBLE ASSETS

Rm	Note	2012	2011
Computer software and capitalised development costs	11.1	2 459	2 211
Goodwill	11.2	5 041	4 995
Other intangible assets		422	571
		7 922	7 777

11.1 Computer software and capitalised development costs – Carrying amount

Rm	Amortisation periods	2012	2011
Computer software	2-10 years	1 587	1 567
Customer product systems		583	723
Infrastructure and supporting systems		615	596
Risk management systems		224	198
Channel systems		165	50
Capitalised development costs	none[1]	872	644
Customer product systems		279	316
Infrastructure and supporting systems		522	246
Risk management systems		71	46
Channel systems			36
		2 459	2 211
Computer software			
Opening balance		1 567	1 154
Additions		190	269
Commissioned during period		382	792
Disposals and retirements			(78)
Foreign exchange and other moves		(2)	2
Amortisation charge for the period		(526)	(545)
Impairments		(24)	(27)
Closing balance		1 587	1 567
Capitalised development costs			
Opening balance		644	844
Additions		640	616
Commissioned during period		(382)	(792)
Disposals and retirements		(1)	
Foreign exchange and other moves		(6)	(2)
Impairments		(23)	(22)
Closing balance		872	644

[1] *Assets not yet commisioned and only begin amortisation once transferred to computer software. These assets are impaired if the value is adjusted.*

11.2 Goodwill – Carrying amount

Rm	2012	2011
Carrying amount at beginning of the year	4 995	4 945
Acquisition	19	
Foreign currency translation	27	50
Carrying amount at the end of the year	5 041	4 995

11.2 Goodwill – Carrying amount (CONTINUED)

Rm	2012 Cost	2012 Accumulated impairment losses	2012 Carrying amount	2011 Cost	2011 Accumulated impairment losses	2011 Carrying amount
Major subsidiary companies						
Nedbank Private Wealth Limited (Isle of Man)/Nedgroup Trust Limited (Guernsey)[1]	449	(138)	311	422	(138)	284
Peoples Mortgage Limited	198	(198)	–	198	(198)	–
IBL Asset Finance and Services Limited	285	(25)	260	285	(25)	260
Nedbank Limited	3 938	(1 114)	2 824	3 938	(1 114)	2 824
Old Mutual Bank	206		206	206		206
Nedgroup Private Wealth (Pty) Limited	725		725	725		725
Nedgroup Life Assurance Company Limited	401		401	401		401
Nedbank Namibia Limited	134	(2)	132	134	(2)	132
Capital One	82		82	82		82
American Express	81		81	81		81
Visigro Investments (Pty) Limited	19		19			
	6 518	(1 477)	5 041	6 472	(1 477)	4 995

[1] *Formerly Fairbairn Private Bank (Jersey) Limited/Fairbairn Trust Company Limited (Guernsey).*

11.3 Intangible assets – Ratios

Rm	2012	2011
Total assets	682 979	648 127
Ordinary shareholders' equity	53 950	48 946
Intangible assets	7 922	7 777
Capitalised software (Refer note 11.1)	2 459	2 211
Goodwill (Refer note 11.2)	5 041	4 995
Other intangible assets	422	571
Intangible assets/Total assets (%)	1,16	1,20
Intangible assets/Ordinary shareholders' equity (%)	14,7	15,9

12 ORDINARY SHARE CAPITAL AND PREMIUM

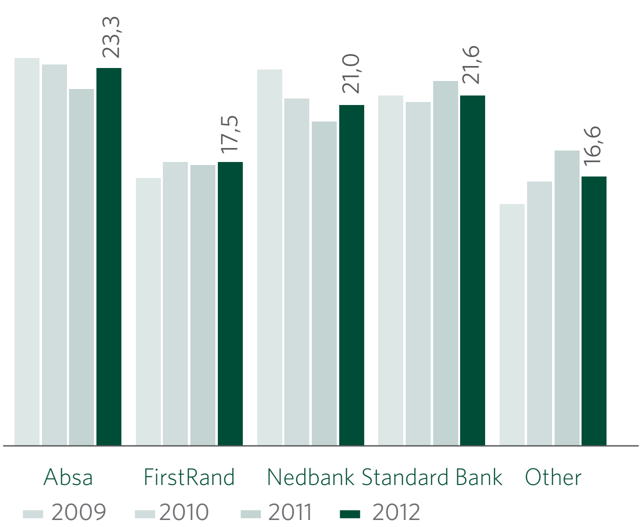
	Price R	2012 Number of shares m	2012 Total Rm	2012 Ordinary share capital Rm	2012 Ordinary share premium Rm	2011 Number of shares m	2011 Total Rm	2011 Ordinary share capital Rm	2011 Ordinary share premium Rm
Total shares listed		507,5	20 540	508	20 032	507,4	20 474	507	19 967
Less Treasury shares held		50,2	4 050	51	3 999	52,2	4 085	52	4 033
Bought back – capital management	109,04	14,7	1 613	15	1 598	14,7	1 613	15	1 598
Executed H2 2005	97,2	1,0	100	1	99	1,0	100	1	99
Executed H1 2006	111,7	5,5	616	6	610	5,5	616	6	610
Executed H2 2006	109,2	8,2	897	8	889	8,2	897	8	889
BEE transaction shares		23,8	1 208	24	1 184	24,9	1 158	25	1 133
Other shares held by group entities									
Nedbank Namibia		0,1	4		4	0,1	4		4
Restricted share plan		11,6	1 225	12	1 213	12,5	1 310	12	1 298
Net shares reported		457,3	16 490	457	16 033	455,2	16 389	455	15 934

13 AMOUNTS OWED TO DEPOSITORS

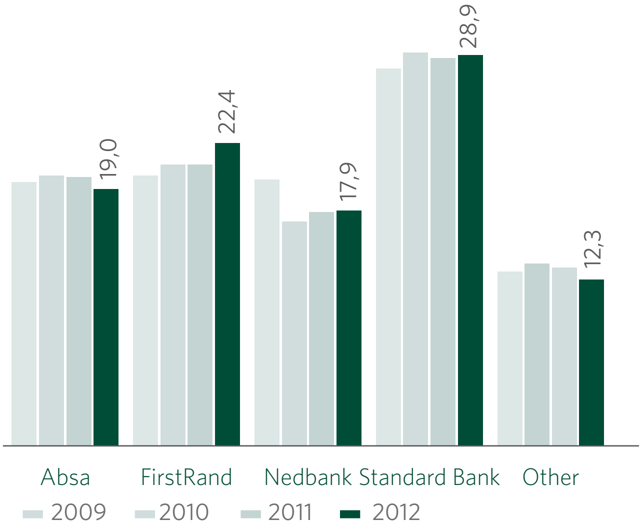
Segmental breakdown

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	**2012**	2011	**2012**	2011	**2012**	2011
Current accounts	**55 843**	51 733	**1 123**	168	**3 457**	3 665
Savings accounts	**17 373**	15 900			**2**	3
Other deposits and loan accounts	**374 052**	334 293	**80 366**	58 682	**152 985**	142 723
Call and term deposits	**216 333**	196 889	**10 547**	6 155	**99 842**	93 225
Fixed deposits	**32 911**	30 424	**3 839**	3 364	**1 742**	1 168
Cash management deposits	**56 609**	52 682	**172**	234	**51 158**	46 037
Other deposits	**68 199**	54 298	**65 808**	48 929	**243**	2 293
Foreign client liabilities	**10 161**	9 342	**3 313**	4 197	**4 174**	2 130
Negotiable certificates of deposit	**76 888**	97 840		215		
Deposits received under repurchase agreements	**16 561**	15 022	**16 106**	14 615		
Total amounts owed to depositors	**550 878**	524 130	**100 908**	77 877	**160 618**	148 521
Comprises:						
– Amounts owed to clients	**520 832**	487 762	**74 371**	47 122	**157 286**	143 331
– Amounts owed to banks	**30 046**	36 368	**26 537**	30 755	**3 332**	5 190
Total amounts owed to depositors	**550 878**	524 130	**100 908**	77 877	**160 618**	148 521

Wholesale deposits – Marketshare (%)



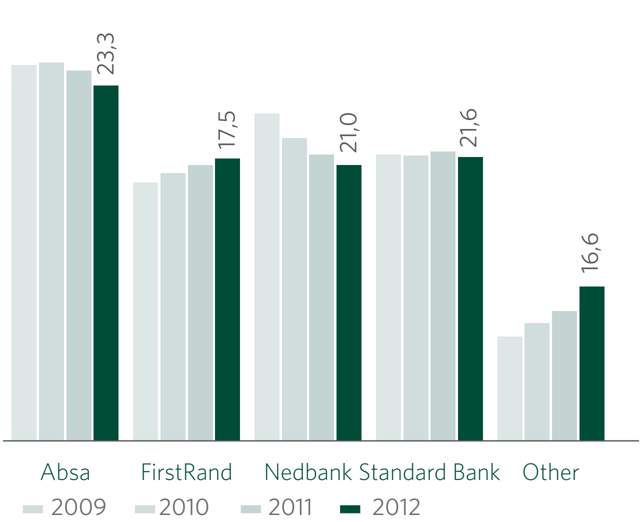
Commercial deposits – Marketshare (%)



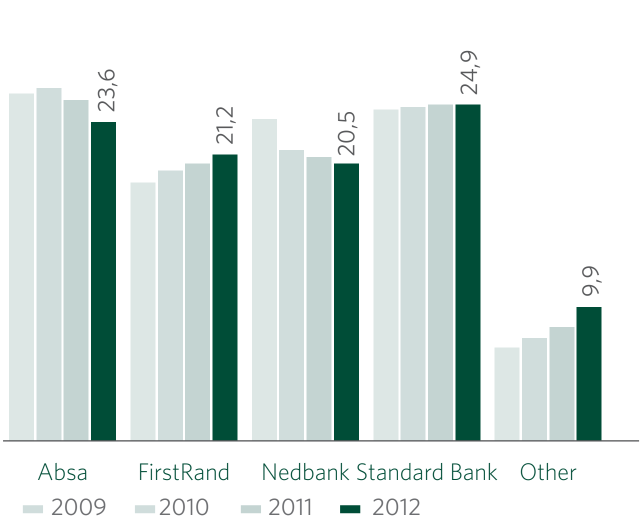
Source data: BA 900

	Nedbank Retail and Business Banking		Nedbank Retail		Business Banking		Nedbank Wealth		Shared services		Central Management, including Rest of Africa	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	46 866	43 600	27 850	26 420	19 016	17 180	991	943			3 406	3 357
	8 858	8 660	8 625	8 459	233	201	7 857	6 634			656	603
	128 239	120 945	62 147	56 343	66 092	64 602	7 049	6 136	31	1	5 382	5 806
	96 104	88 527	36 517	31 981	59 587	56 546	6 723	5 837			3 117	3 145
	25 761	24 306	24 690	23 047	1 071	1 259	141	104			1 428	1 482
	4 940	5 797	16	15	4 924	5 782	183	190	21		135	424
	1 434	2 315	924	1 300	510	1 015	2	5	10	1	702	755
	2 162	2 604	313	268	1 849	2 336					512	411
	–	–									76 888	97 625
	–	–							455	407		
	186 125	175 809	98 935	91 490	87 190	84 319	15 897	13 713	486	408	86 844	107 802
	186 045	175 405	98 805	91 008	87 240	84 397	15 897	13 713	476	407	86 757	107 784
	80	404	130	482	(50)	(78)			10	1	87	18
	186 125	175 809	98 935	91 490	87 190	84 319	15 897	13 713	486	408	86 844	107 802

Household deposits – Marketshare (%)



Household sector deposits – Marketshare (%)



14 LONG-TERM DEBT INSTRUMENTS

	Nominal value	Instrument terms	2012	2011
Subordinated debt			7 848	9 617
Rand-denominated	**Rm**		6 996	8 802
Callable bonds repayable on 4 December 2013 (IPB3) (a)	300	JIBAR + 2,5% per annum[2]	151	151
Callable notes repayable on 20 September 2018 (NED6) (c)	1 800	9,84% per annum[1]	1 898	1 917
Callable notes repayable on 8 February 2017 (NED7) (b)[3]	650	9,03% per annum[1]		675
Callable notes repayable on 8 February 2019 (NED8) (c)	1 700	8,90% per annum[1]	1 811	1 813
Callable notes repayable on 6 July 2022 (NED9) (e)	2 000	JIBAR +0,47% per annum[2]	2 026	2 029
Callable notes repayable on 15 August 2017 (NED10) (b)[4]	500	JIBAR + 0,45% per annum[2]		504
Callable notes repayable on 17 September 2020 (NED11) (d)	1 000	10,54% per annum[1]	1 110	1 088
Callable notes repayable on 14 December 2017 (NED12A) (b)[5]	500	JIBAR + 0,70% per annum[2]		502
Callable notes repayable on 14 December 2017 (NED12B) (b)[5]	120	10,38% per annum[1]		123
Namibian dollar-denominated	**NAM$m**		3	3
Long-term debenture repayable on 15 September 2030	40	17% per annum until 15 September 2000 – thereafter zero coupon	3	3
US dollar-denominated	**US$m**			
Callable notes repayable on 3 March 2022 (EMTN01) (h)	100	3 month USD LIBOR	849	812
Hybrid subordinated debt			1 865	1 817
Rand-denominated	**Rm**			
Callable notes repayable on 20 November 2018 (NEDH1A) (f)	487	15,05% per annum[1]	586	538
Callable notes repayable on 20 November 2018 (NEDH1B) (f)	1 265	JIBAR + 4,75% per annum[2]	1 279	1 279
Securitised liabilities			1 798	973
Rand-denominated	**Rm**			
Callable notes repayable on 18 November 2039 (GR1A2A) (g)[6]	1 407	JIBAR + 0,60% per annum[2]		848
Callable notes repayable on 18 November 2039 (GRN1B) (g)[6]	98	JIBAR + 0,85% per annum[2]		74
Callable notes repayable on 18 November 2039 (GRN1C) (g)[6]	76	JIBAR + 1,1% per annum[2]		51
Callable notes repayable on 25 October 2039 (GRH1A1) (i)	480	JIBAR + 1,1% per annum[2]	441	
Callable notes repayable on 25 October 2039 (GRH1A2) (i)	336	JIBAR + 1,25% per annum[2]	339	
Callable notes repayable on 25 October 2039 (GRH1A3) (i)	900	JIBAR + 1,54% per annum[2]	907	
Callable notes repayable on 25 October 2039 (GRH1B) (i)	110	JIBAR + 1,90% per annum[2]	111	

Senior unsecured debt				
Rand-denominated	**Rm**		**18 776**	17 026
Senior unsecured notes repayable on 9 September 2012 (NBK1B)	1 690	JIBAR + 1,50% per annum[2]		1 500
Senior unsecured notes repayable on 15 September 2015 (NBK2A)	3 244	10,55% per annum[1]	**3 347**	3 347
Senior unsecured notes repayable on 15 September 2015 (NBK2B)	1 044	JIBAR + 2,20% per annum[2]	**1 053**	1 054
Senior unsecured notes repayable on 9 September 2019 (NBK3A)	1 237	11,39% per annum[1]	**1 407**	788
Senior unsecured notes repayable on 31 March 2013 (NBKI1)	1 750	3,9% real yield base CPI ref 106,70667[1]	**2 080**	1 980
Senior unsecured notes repayable on 28 October 2024 (NBK4)	660	Zero coupon	**226**	177
Senior unsecured notes repayable on 31 March 2013 (NBKI1U)	98	3,8% real yield base CPI ref 108,68065[1]	**114**	109
Senior unsecured notes repayable on 19 April 2013 (NBK5B)	1 552	JIBAR + 1,48% per annum[2]	**1 572**	1 574
Senior unsecured notes repayable on 19 April 2015 (NBK6A)	478	9,68% per annum[1]	**487**	487
Senior unsecured notes repayable on 19 April 2015 (NBK6B)	1 027	JIBAR + 1,75% per annum[2]	**1 041**	1 042
Senior unsecured notes repayable on 19 April 2020 (NBK7B)	80	JIBAR + 2,15% per annum[2]	**81**	81
Senior unsecured notes repayable on 24 March 2014 (NBK8A)	450	8,39% per annum[1]	**460**	460
Senior unsecured notes repayable on 24 March 2014 (NBK8B)	988	JIBAR + 1,05% per annum[2]	**969**	989
Senior unsecured notes repayable on 23 March 2016 (NBK9A)	1 137	9,36% per annum[1]	**1 166**	1 166
Senior unsecured notes repayable on 23 March 2016 (NBK9B)	677	JIBAR + 1,25% per annum[2]	**678**	678
Senior unsecured notes repayable on 21 April 2014 (NBK10B)	500	JIBAR + 1,00% per annum[2]	**455**	506
Senior unsecured notes repayable on 27 October 2014 (NBK11B)	1 075	JIBAR + 0,94% per annum[2]	**1 086**	1 088
Senior unsecured notes repayable on 20 February 2015 (NBK12B)	1 297	JIBAR + 1,00% per annum[2]	**1 306**	
Senior unsecured notes repayable on 21 February 2017 (NBK13B)	405	JIBAR + 1,30% per annum[2]	**408**	
Senior unsecured notes repayable on 27 August 2015 (NBK14B)	250	JIBAR + 1,00% per annum[2]	**251**	
Senior unsecured notes repayable on 27 August 2017 (NBK15B)	786	JIBAR + 1,31% per annum[2]	**589**	
Other			**11**	9
Rand-denominated	**Rm**			
Unsecured debentures repayable on 30 November 2029	200	Zero coupon	**11**	9
Total long-term debt instruments in issue			**30 298**	29 442

During the year there were no defaults or breaches of principal, interest or any other terms and conditions of long-term debt instruments.

Coupon holders are entitled, in the event of interest default,to put the coupon covering such interest payments to Nedbank Group Limited. The US dollar subordinated-debt instruments are either matched by advances to clients or covered against exchange rate fluctuations. In accordance with the group's articles of association, the borrowing powers of the company are unlimited.

1 *Interest on these notes is payable biannually.*
2 *Interest on these notes is payable quarterly.*
3 *The debt instrument was redeemed on its call date on 8 February 2012.*
4 *The debt instrument was redeemed on its call date on 15 August 2012.*
5 *The debt instrument was redeemed on its call date on 14 December 2012.*
6 *The debt instrument was redeemed on its call date on 19 November 2012.*

(a) Callable by the issuer, Nedbank Limited, after five years from the date of issue, 4 December 2008 (ie 4 December 2013), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 3,75%.

(b) Callable by the issuer, Nedbank Limited, after five years from the date of issue, 8 February 2007, 15 August 2007 and 14 December 2007 (ie 8 February 2012, 15 August 2012, 14 December 2012 and 14 December 2012), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 1,95%, 1,45%, 1,70% and 1,70% respectively.

(c) Callable by the issuer, Nedbank Limited, after seven years from the date of issue, being 20 September 2006 and 8 February 2007 (ie 20 September 2013 and 8 February 2014), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,05% and 2,17% respectively.

(d) Callable by the issuer, Nedbank Limited, after eight years from the date of issue, being 17 September 2007 (ie 17 September 2015), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,85%

(e) Callable by the issuer, Nedbank Limited, after ten years from the date of issue, being 6 July 2007 (ie 6 July 2017), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,20%.

(f) Callable by the issuer, Nedbank Limited, after ten-and-a-half years from the date of issue, being 20 May 2008 (ie 20 November 2018), at which time the interest converts to a floating three-month JIBAR rate plus 712,5bps in perpetuity unless called.

(g) Callable by the issuer, Greenhouse Funding (Pty) Limited, after approximately five years from the date of issue, being 10 December 2007 (ie 18 November 2012), at which time the interest rate on the notes (GR1A2A, GRN1B, GRN1C) will step up to three-month JIBAR rate, plus a spread of 0,80%, 1,10% and 1,35% respectively.

(h) Callable by the issuer, Nedbank Limited, after eight years from the date of issue, 3 March 2009 (ie 3 March 2017), at which time the interest rate converts to a floating three-month USD LIBOR rate, plus a spread of 3,00 %.

(i) Callable by the issuer, Greenhouse Funding (Pty) Limited, after approximately five years from the date of issue, being 19 November 2012 (ie 25 October 2017), at which time the interest rate on the notes (GRH1A1, GRH1A2, GRH1A3, GRH1B) will step up to three-month JIBAR rate, plus a spread of 1,49%, 1,69%, 2,08% and 2,57% respectively.

NEDBANK GROUP – ESTIMATED BEE DILUTIVE SHARES AND IFRS2 CHARGE

	Dec 2011 Actuals m	Dec 2012 Actuals m	Dec 2013 Forecast m	Dec 2014 Forecast m	Dec 2015 Forecast m
Gross shares in issue	507,4	507,5			
Treasury shares	52,2	50,2			
BEE	25,0	23,9	22,7	21,5	10,1
Other	27,2	26,3			
Net shares in issue	455,2	457,3			
Weighted average number of shares	452,9	456,3			
Dilutive shares[1]	8,6	14,4			
BEE	2,9	5,1	5,1	5,3	2,7
Other	5,7	9,3			
Fully diluted weighted average shares	461,5	470,7			
Estimated future dilutive BEE shares[2]					
5%			4,8	4,6	2,4
10%			5,1	5,3	2,7
15%			5,4	6,0	2,9
20%			5,7	6,6	3,1
30%			6,3	7,6	3,4
Number of BEE shares vesting per year			1,1	1,2	11,4
Estimated income statement charge[2]	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**
5%	181,1	52,5	37,6	34,2	104,7
10%	181,1	52,5	37,7	34,4	156,3
15%	181,1	52,5	37,7	34,6	212,9
20%	181,1	52,5	37,7	34,8	274,6
30%	181,1	52,5	37,8	35,2	414,3

[1] *Forecast calculated on 10% share price growth.*

[2] *Sensitivity calculated in various share price growth assumptions.*

NEDBANK GROUP EMPLOYEE INCENTIVE SCHEMES
for the year ended 31 December

Movements	2012		2011	
Instruments outstanding at the beginning of the year	12 732 254		11 670 629	
Granted	4 204 482		4 685 568	
Exercised	(949 007)		(960 828)	
Expired			(54 375)	
Surrendered	(3 748 387)		(2 608 740)	
Instruments outstanding at the end of the year	12 239 342		12 732 254	
Analysis				
Performance based – Restricted shares	5 660 881	P	7 437 026	P
Non-performance based – Restricted shares	5 660 880		4 647 051	
Performance based – matched shares	458 791	P	324 089	P
Non-performance based – matched shares	458 790		324 088	
Instruments outstanding at the end of the year	12 239 342		12 732 254	
Summary by scheme				
Nedbank Group share options and restricted share scheme (2005)	11 321 761		12 084 077	
Nedbank Group matched share scheme (2005)	917 581		648 177	
Instruments outstanding at the end of the year	12 239 342		12 732 254	

Nedbank Group (2005) share option, matched and restricted share scheme

Restricted shares:

The following instruments granted had not been exercised at 31 December 2012:

Instrument expiry date	Number of shares	
3-Mar-13	1 763 758	P
4-Mar-13	1 763 757	
6-Aug-13	89 170	P
7-Aug-13	89 170	
8-Mar-14	1 850 208	
9-Mar-14	1 850 208	P
5-Aug-14	149 651	P
6-Aug-14	149 651	
18-Oct-14	12 539	
18-Oct-14	12 539	P
8-Mar-15	1 736 805	P
9-Mar-15	1 736 805	
7-Aug-15	58 750	P
8-Aug-15	58 750	
Total	11 321 761	

Restricted shares are issued at a market price for no consideration to participants, and are held by the scheme until expiry date (subject to achievement of performance conditions). Participants have full rights and receive dividends.

Matched shares:

The obligation to deliver the following matched shares, 50% is subject to time and the other 50% to performance criteria, exists at 31 December 2012:

Instrument expiry date	Number of shares
1-Apr-13	203 459
1-Apr-14	259 085
1-Apr-15	455 037
Total	917 581

P Performance-based instruments.

SHAREHOLDERS' ANALYSIS

Register date: 28 December 2012
Authorised share capital: 600 000 000 shares
Issued share capital: 507 509 491 shares

	Number of shares	2012 % holding	2011 % holding
Major shareholders/managers			
Old Mutual Life Assurance Company (South Africa) Limited and associates	264 555 976	52,13	51,86
Nedbank Group treasury shares	50 206 187	9,90	10,29
BEE trusts:			
– Eyethu scheme – Nedbank South Africa	23 103 235	4,55	4,78
– Omufima scheme – Nedbank Namibia	743 043	0,15	0,14
Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme	11 597 348	2,29	2,46
Nedbank Group Limited and associates (Capital Management)	14 715 049	2,90	2,90
Nedbank Namibia Limited	47 512	0,01	0,01
Public Investment Corporation (SA)	36 879 784	7,27	7,04
Lazard Asset Management (US and UK)	14 878 639	2,93	2,86
Coronation Fund Managers (SA)	13 594 167	2,68	3,12
Sanlam Investment Management (SA)	9 972 043	1,96	2,28
Investec Asset Management (SA)	8 619 349	1,70	0,37
Government Institutions Pension Fund (NA)	7 663 489	1,51	1,40
Major beneficial shareholders			
Old Mutual Life Assurance Company (South Africa) Limited and associates (SA)	264 555 976	52,13	51,86
Government Employees Pension Fund (SA)	41 728 426	8,22	8,52
Geographical distribution of shareholders			
Domestic	438 312 088	86,37	87,30
– South Africa	424 467 895	83,64	84,83
– Namibia	9 654 317	1,90	1,69
– Unclassified	4 189 876	0,83	0,78
Foreign	69 197 403	13,63	12,70
– United States of America	41 490 095	8,17	8,00
– United Kingdom and Ireland	8 004 407	1,58	1,26
– Europe	8 142 285	1,60	1,02
– Other countries	11 560 616	2,28	2,42
	507 509 491	100,00	100,00

NEDBANK LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

Rm	2012	2011
Interest and similar income	42 900	41 417
Interest expense and similar charges	24 102	24 119
Net interest income	18 798	17 298
Impairments charge on loans and advances	5 239	5 321
Income from lending activities	13 559	11 977
Non-interest revenue	14 151	12 555
Operating income	27 710	24 532
Total expenses	18 565	16 955
Operating expenses	18 503	16 876
BEE transaction expenses	62	79
Indirect taxation	460	413
Profit from operations before non-trading and capital items	8 685	7 164
Non-trading and capital items	(48)	(48)
Net loss on sale of subsidiaries, investments, property and equipment	3	
Net impairment of investments, property, equipment and capitalised development costs	(51)	(48)
Revaluation of investment properties	(1)	
Profit from operations	8 636	7 116
Total direct taxation	2 169	1 610
Direct taxation	2 168	1 610
Taxation on non-trading and capital items	1	
Taxation on revaluation of investment properties	[1]	
Profit for the year	6 467	5 506
Other comprehensive income net of taxation	113	267
Exchange differences on translating foreign operations	35	48
Fair value adjustments on available-for-sale assets	39	(27)
(Loss)/gains on property revaluations	39	246
Total comprehensive income for the year	6 580	5 773
Profit attributable to:		
Ordinary and preference equity holders	6 438	5 483
Non-controlling interest – ordinary shareholders	29	23
Profit for the year	6 467	5 506
Total comprehensive income attributable to:		
Ordinary and preference equity holders	6 551	5 750
Non-controlling interest – ordinary shareholders	29	23
Total comprehensive income for the year	6 580	5 773
Headline earnings reconciliation		
Profit attributable to ordinary and preference equity holders	6 438	5 483
Less: Non-headline earnings items	(50)	(48)
Non-trading and capital items	(48)	(48)
Taxation on non-trading and capital items	(1)	
Fair value adjustments on investment properties	(1)	
Headline earnings attributable to ordinary and preference equity holders	6 488	5 531

[1] *Represents amounts less than R1m.*

NEDBANK LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

Rm	2012	2011
Assets		
Cash and cash equivalents	12 587	11 514
Other short-term securities	37 575	31 715
Derivative financial instruments	14 660	14 314
Government and other securities	26 194	29 991
Loans and advances	520 116	493 107
Other assets	4 528	3 989
Current taxation receivable	241	629
Investment securities	3 196	3 549
Non-current assets held for sale	508	8
Investments in associate companies and joint ventures	665	565
Deferred taxation asset	222	66
Investment property	84	488
Property and equipment	6 171	6 082
Long-term employee benefit assets	2 153	2 027
Mandatory reserve deposits with central banks	12 641	11 862
Intangible assets	3 830	3 634
Total assets	645 371	613 540
Total equity and liabilities		
Ordinary share capital	27	27
Ordinary share premium	17 422	14 422
Reserves	26 463	24 856
Total equity attributable to equity holders of the parent	43 912	39 305
Preference share capital and premium	3 561	3 561
Minority shareholders' equity attributable to ordinary shareholders	142	121
Total equity	47 615	42 987
Derivative financial instruments	13 475	13 791
Amounts owed to depositors	542 671	516 540
Other liabilities	9 273	8 286
Current taxation liabilities	67	27
Other liabilities held for sale	36	
Deferred taxation liabilities	355	997
Long-term employee benefit liabilities	1 584	1 473
Long-term debt instruments	30 295	29 439
Total liabilities	597 756	570 553
Total equity and liabilities	645 371	613 540

Integrated Sustainability Highlights

> 'As custodians of the nation's wealth, banks play a pivotal role in delivering economic, social and environmental upliftment. Delivery on this social purpose will ensure resilient growth and enhanced shareholder value over the medium-and long-term'
>
> **Mike Brown**
> *Chief Executive, Nedbank Group.*

According to our research, companies which have integrated sustainability into their strategies and operations have demonstrated greater resilience and agility when responding to external and internal drivers, as well as optimising their long-term profitability. The Nedbank strategy takes full cognisance of this and sustainability matters are integrated throughout our operations. Whilst we acknowledge that this is a journey, we are pleased with our 2012 progress in this regard. Below are some of the integrated highlights from across the business.

NEDBANK CAPITAL

- Introduced the Nedbank Capital Sustainable Business Awards to the market, with the first awards ceremony to take place in May 2013
- Grew 'green economy' business through funding, investment and advisory. Products include renewable energy financing and mining rehabilitation funds. Played a pivotal role in SA's first ever Corporate Green Bond
- Leading player in financing South Africa's renewable energy programme, as well as key infrastructure developments
- Expanded the outreach of Spell It, whilst providing more focussed support for the ChessKids initiative

NEDBANK BUSINESS BANKING

- Enterprise development spend of R5m, in 2012, to assist emerging black small and medium enterprises through training, business mentorship, incubators and flexible lending structures. Support benefited 2503 entrepreneurs and supported the creation of 612 jobs
- Initiation of the Small Business Friday™ campaign in association with the National Small Business Chamber and sponsorship of the Business Accelerator programme to increase awareness and drive traffic to small businesses. Participation in numerous social sponsorships and upliftment programmes in the local communities, ranging from financial donations and fund raisers to hands-on involvement by the cluster's teams
- Ongoing efforts to reduce paper consumption and increase environmental awareness among clients and staff
- Skills development continued to be a focus for Business Banking, with almost 50 people taken through Business Banking Academy or placed in the graduate programme and Letsema & Kuyasa learnership programmes

NEDBANK RETAIL

- ☐ Holistic, community-driven approach to area expansion, ensuring full stakeholder involvement, local recruitment and community engagement
- ☐ Enhanced offerings for the entry level banking market to provide affordable solutions addressing client needs - Ke Yona, Personal Loans < R1 000
- ☐ Effective rehabilitation of distressed clients, keeping over 16 800 families in their homes since 2009
- ☐ Greater accessibility for clients across South Africa as a bank for all, following R1,4bn investment over 4 years to grow branches by 98 and ATMs by 1 301, while optimising micro markets presence, thereby translating Nedbank's smaller footprint into a strength
- ☐ Promoting financial fitness for all in SA through relevant tools & campaigns, including Small Business Seminars and Youth Market days to encourage entrepreunership; the 4me Youth offering to establish a culture of saving; MyFinancialLife™ facilitating an comprehensive view of individuals or household's financial affairs and appropriate budgeting; financial fitness conversations offered as part of Personal Relationship Banking

NEDBANK WEALTH

- ☐ The consolidation of the high-net-worth offerings of BoE Private Clients and Fairbairn Private Bank under the new brand of Nedbank Private Wealth was completed and launched in late 2012
- ☐ Financial advisors achieved exemplary FAIS regulatory exam pass rates in excess of 99%
- ☐ Nedgroup Investments delivered excellent fund performance across all ranges and continues to attract strong net inflows both locally and internationally
- ☐ Nedgroup Investments now participates in the Old Mutual Group Responsible Investment Committee which aims to integrate environmental, social and governance criteria into all investment making decisions
- ☐ Increased client take up of the solar geyser proposition that offers clients the option to replace a burst geyser with a solar water heater
- ☐ Increased staff participation in volunteerism projects - 1 992 people and 600 animals were supported in 2012

Group Environmental and Social Highlights

ENVIRONMENTAL

- ☐ Sponsored the WWF-SA Sustainable Agriculture programme (3-year partnership)
- ☐ Won Financial Times Sustainable Bank of the Year 2012: Africa and Middle East
- ☐ Won Environmental Sustainability category in Africa Business Award 2012
- ☐ Successfully addressed operational water usage in the first year as part WWF-SA Water Balance Programme:
  - Clearing of 131 hectares of invasive alien plants preventing loss of 271 000kl of water
  - Financial support for several dedicated farmers in the area
  - Creation of 12 366 person days of work
  - Support secondary economies: 298 tons of charcoal and 345 tons of pulp wood
- ☐ Included in Dow Jones World Sustainability Index (2012:82%; 2011 80%)
- ☐ Carbon Neutrality maintained – scope expanded and footprint responsibly managed
- ☐ Scored extremely well in the Harvard run Sustainability Culture and Leadership Awareness (SCALA) survey. Results confirmed that Nedbank has a corporate culture that is strongly supportive of continued success of setting and meeting sustainability goals
- ☐ Opened the first green building in SA's first green precinct – Menlyn Maine

SOCIAL

- ☐ Skills Development – 77.3% (R258m) of training spend was awarded to black people of which 60.5% (R156m) went to black women.
- ☐ Enterprise Development – R336m spent on various initiatives
- ☐ Socio-Economic Development – Spent R116m supporting 584 projects and initiatives benefitting more than 103 719 beneficiaries.
- ☐ Access to Financial Services –
  - R35m of Black Agriculture Financing to 87 beneficiaries of which 30 are new clients
  - R1 136m of Black SME loans granted to 2 989 beneficiaries of which 1 152 were new clients.

SUMMARISED dti CODES SCORECARD AS AT 31 DECEMBER 2012

NEDBANK LIMITED

Ownership	Voting rights		Economic interest			Employee schemes/ Broad-based schemes, etc	Net equity value	Total score	Weighting
	Black people	Black women	Black people	Black women	Designated groups				
	34,61%	14,62%	32,03%	12,85%	18,81%	29,28%	32,03%	23,00	20%

Management	Board	Black executive directors	Senior top management	Other top management	Bonus: Independent directors	Total score	Weighting
	51,67%	41,67%	28,13%	n/a	80,00%	9,19	10%

Employment equity	Senior management	Middle management	Junior management	Disabled as % of total	Total score	Weighting
	29,11%	55,41%	80,86%	1,97%	10,71	15%

Skills development	Skills spend %	Disabled skills spend %	Category B, C and D programmes	Total score	Weighting
	3,03%	0,06%	5,56%	12,59	15%

Preferential procurement	% spend	% spend on QSEs[1] and EMEs[2]	% spend black-owned	% black-women-owned	Total score	Weighting
	103,57%	32,46%	13,90%	5,50%	19,38	20%

Enterprise development	% contributions	Total score	Weighting
	5,62%	15,00	15%

Socio-economic development	% contributions	Total score	Weighting
	1,60%	5,00	5%

Non-scoring performance

Product/Area	Mzansi	FSC[3] branches	Black SMMEs[4]	Black agriculture	Affordable housing	Targeted invest-ments	BEE5 transaction financing	Consumer education	Weighting
Achieved	245 899	7	R5 003	R186	R5 527	R13 553	R6 061	0,23%	0%
Growth vs 2010	(15,48%)	(12,50%)	27,74%	13,77%	69,92%	27,97%	(17,52%)	(59,98%)	

Total B-BBEE score	Audited and verified by SizweNtsalubaGobodo.	94,87	100%
B-BBEE level		2	

Updated annually.

Contents

Highlights

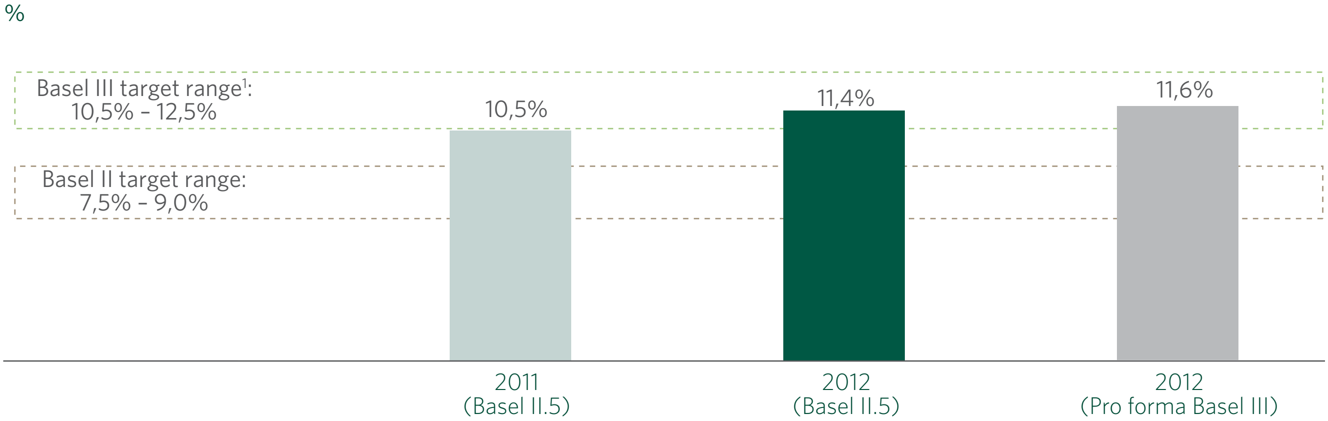
BASEL III

Basel III has been successfully implemented in South Africa from 1 January 2013 and Nedbank is extremely well positioned, in particular with regard to the capital, liquidity and leverage components.

Capital adequacy

- Nedbank Group's Common Equity Tier 1 (CET1) capital adequacy ratio (CAR) strengthened in 2012 under Basel II.5 from 10,5% to 11,4%. Basel II.5 became effective in South Africa from 1 January 2012.
- On a pro forma Basel III basis, Nedbank Group's CET1 CAR is even stronger than under Basel II.5, increasing further to 11,6%.

Strong Common Equity Tier 1 ratio



[1] *New range based on 2019 minimum South African Reserve Bank (SARB) requirement.*

- Nedbank Group's revised target CAR range for CET1 under Basel III is 10,5% – 12,5% (Basel II: 7,5% – 9,0%). This is set based on the final, fully phased-in 2019 Basel III set of minimum regulatory requirements, and constitutes a full through-the-cycle (TTC) target range.
  - Under Basel III Nedbank Group's 11,6% CET1 CAR is already in the middle of our new target range, and approximately at the level we intend operating at, excluding any countercyclical capital buffer (CCB) add-on that may be introduced from 2016; we see this CCB as unlikely to be required in the foreseeable future as it is not anticipated that there will be excess aggregate credit growth over the medium term.
  - Importantly, Nedbank is very well positioned with both high capital ratios and a high risk-weighted asset (RWA) density (total RWA: total assets) percentage of 53% (2011: 54%) under Basel III.

- The return on average shareholders' equity (ROE) excluding goodwill increased to 16,4% (2011: 15,3%), while the return on average risk-weighted assets (RORWA) increased to 2,1% (2011: 1,9%).

Regulatory capital		Basel III		2012		2011		
Key ratio[2]		SARB 2013 minimum[9]	New target TTC range[7]	Pro forma Basel III[4]	Actual Basel II.5[3]	Pro forma Basel III[4]	Pro forma Basel II.5[3]	Actual Basel II
CET1 CAR	(%)	4,5	10,5 – 12,5	11,6	11,4	10,5	10,5	11,0
Surplus CET1 capital[8,9]	(Rm)			10 331	22 032	5 259	18 150	18 975
Total capital ratio[5]	(%)	9,5	14,0 – 15,0	15,1	14,9	15,0	14,6	15,3
Total RWA	(Rm)			364 682	359 658	350 679	347 684	331 980
Total RWA: total assets ratio	(%)		> 50	53	53	54	54	51
Dividend cover[6]	(times)		1,75 – 2,25		2,19			2,26
Return on equity (ROE) (excluding goodwill)	(%)				16,4			15,3
Return on RWA (RORWA)	(%)				2,1			1,9

2 *Including unappropriated profits.*
3 *Basel II.5 was effective from 1 January 2012.*
4 *Basel III is effective from 1 January 2013 but the new requirements will be phased in over the period 2013 – 2019.*
5 *R1 770m of Tier 2 debt capital was called and not replaced in 2012.*
6 *Together with Nedbank's revised Basel III target capital adequacy ratios and the new dividend tax regime, the group's dividend cover policy has been revised to 1,75 – 2,25 from 2,25 – 2,75 times.*
7 *Nedbank's internal TTC target range is based on final minimum regulatory requirements of 2019 for CET1 CAR and 2015 for the Total CAR.*
8 *Based on a regulatory minimum CET1 of 5,25% for 2012 actual ratio and 2019 end-state Basel III minimum capital requirements for pro forma Basel III ratio.*
9 *Excluding any specific Pillar 2B add-on and countercyclical buffer.*

- Economic capital is the group's comprehensive internal measurement of risk and capital requirements, and forms the basis of the group's annual Internal Capital Adequacy Assessment Process (ICAAP). This includes a best-practice stress and scenario testing framework and process to confirm the robustness of the group's capital adequacy position and capital buffers, as well as the forward capital projections and related capital planning activities.
- Management and the board of directors are satisfied that the capital levels [both regulatory capital and Nedbank's internal capital assessment (economic capital)] are conservative and appropriate, and both Nedbank Group and Nedbank Limited are strongly capitalised relative to their business activities, strategy, risk appetite, risk profile and the external environment in which the group operates, and their liquidity profiles remain sound.

Economic Capital and Nedbank's ICAAP		2012	2011[10]
Available financial resources (AFR): economic capital ratio	(%)	140	132
Surplus AFR over minimum economic capital requirements[11]	(Rm)	14 969	11 369

10 *December 2011 has been restated to reflect the updated economic capital methodology implemented in 2012. For detail refer to page 27b.*
11 *Economic capital requirements include the 10% capital buffer determined by the surplus ICAAP.*

Solvency II and SAM (for South Africa)

- Solvency Assessment and Management (SAM) is the Financial Services Board's (FSB's) new economic risk-based solvency regime for South African insurers, which closely follows international regulatory trends, in particular Solvency II.
- SAM affects the Nedbank Wealth Cluster within Nedbank Group and implementation, which is set for 1 January 2015 (previously 2014), is on track, with the impact on the group's existing solvency or capital levels expected to be immaterial.

Liquidity

- On 6 January 2013, the Basel Committee on Banking Supervision (Basel Committee) announced final revisions to, and confirmed the implementation of, the liquidity coverage ratio (LCR).
  - The LCR will be phased in between 2015 and 2019.
    - Previously 100% compliance was required from 2015, whereas now the minimum LCR requirement will be phased in starting at 60% in 2015, and increasing by 10% each year to 100% in 2019.
  - The definition of 'high quality liquid assets (HQLA)' has been widened and 'Level 2' assets now include a new '2B' sub-category.
  - The definitions of net cash outflows have been relaxed.
  - The Basel Committee will continue to examine the role of central bank facilities [ie the SARB Committed Liquidity Facility (CLF)].
- The Basel committee also announced that work to revise the net stable funding ratio (NSFR) will commence in 2013 and span over 12 to 24 months. Across the globe, fundamental changes to the NSFR are expected.
- Nedbank's strong liquidity and funding position is illustrated by the following:
  - Based on the current level of qualifying HQLA, Nedbank's LCR is already in excess of 60%, excluding any use of the SARB's CLF. Assuming targeted access to the currently available CLF on a pro forma basis at 2012 year-end, Nedbank is above the 100% requirement of 2019.
  - Nedbank has maintained significant sources of quick liquidity of R105,4bn, representing 15,4% of total assets and underpinned by R24,4bn of surplus statutory liquid assets.
  - A long-term funding ratio of 25% at December 2012 up from 18% in December 2009. The Q4 2012 average is 26% (2011: 25%).
  - A loans-to-deposits ratio consistently below 100%, at 95,7% (2011: 95,2%).
  - A strong focus on growing 'Basel III-friendly' retail and commercial deposits, and reducing reliance on negotiable certificates of deposit (NCDs) which declined to 14,0% of total deposits (2011: 18,8%) .
- The annual Internal Liquidity Adequacy Assessment Process (ILAAP) and ICAAP were signed off by the board of directors on 7 July 2012.

Liquidity and funding profile		2012	2011
Total sources of quick liquidity	(Rm)	105 420	103 571
Surplus statutory liquid assets	(Rm)	24 375	23 736
Statutory liquid assets and cash reserves (ie SARB prudential minimum)	(Rm)	39 525	37 751
Other sources of quick liquidity[12]	(Rm)	41 520	42 084
Total sources of quick liquidity as a % of total assets	(%)	15,4	16,0
Long-term funding ratio (Q4 average)	(%)	26,0	25,0
Senior unsecured debt	(Rm)	18 776	17 026
Retail Savings Bond[13]	(Rm)	6 385	3 945[17]
Green Retail Savings Bond[13]		886	
Money Trader product[13]		3 344	
Reliance on NCDs[14]	(%)	14,0	18,7
Loans:deposits ratio	(%)	95,7	95,2
Basel III pro forma liquidity ratios			
LCR (effective date – 2015 to 2019) including targeted access to the CLF[15]	(%)	>100	
NSFR (effective date – 2018)[16]	(%)	WIP	

12 *This includes corporate bonds, listed equities and other marketable securities.*

13 *These represent Nedbank's Retail Savings Bonds with tenures of two, three and five years. During 2012 Nedbank launched the Green Retail Savings Bond, the proceeds of which are earmarked for renewable-energy projects, and a very competitive Money Trader product to help meet retail client needs and enhance our product offering.*

14 *As a % of total deposits.*

15 *A 60% minimum LCR is required from 2015, increasing 10% per annum to 100% by 2019.*

16 *Finalisation of the NSFR by the Basel Committee is still 12 to 24 months away. Globally, it is expected that the ratio will be significantly revised and that a pragmatic approach will ultimately be followed.*

17 *December 2011 number has been restated.*

Leverage

- South African banks, including Nedbank, compare favourably to most international banks on leverage.
  - Deleveraging, which is continuing among most international banks after the global financial crisis, is not a factor in South Africa.
  - South Africa's banking system as a whole is less risky than banking sectors elsewhere, and has much lower leverage than most other countries.
- Nedbank Group's gearing or daily average accounting based leverage ratio remains at a prudent level of 13,08 times (2011: 13,71 times).
- Nedbank is also well positioned for the new Basel III leverage ratio.
  - Under Basel III, which includes off-balance-sheet exposure, the ratio would increase to 16,4 times against a risk appetite target of less than 20 times.
  - The Basel III limit in accordance with the revised South African regulations is 25 times more conservative than Basel III at 33,3 times.

EXTERNAL CREDIT RATINGS

Nedbank was upgraded by Fitch in July 2012 and now aligns with peers, while Standard & Poor's was engaged for a third formal rating in late 2012.

- On 19 July 2012 the Nedbank Group Limited (NBG) and Nedbank Limited (NBL) long-term foreign currency and local issuer default ratings were upgraded by Fitch to BBB+ from BBB, viability ratings to bbb+ from bbb and the national long-term ratings to 'AA(zaf)' from 'AA-(zaf)'.
- This upgrade to Nedbank's ratings reflects Fitch's positive view that these entities' credit profiles have converged with their peers.
- However, on 15 January 2013 Fitch subsequently downgraded NBG and NBL long-term foreign currency and local issuer default viability ratings by one notch in line with all the other South African banks, following the downgrade of the South African sovereign rating.
- Nedbank Limited extended its external credit ratings coverage in 2012 by engaging Standard & Poor's to also provide formal ratings.
- On 10 December 2012 Standard & Poor's assigned its bbb/A-2 long- and short-term counterparty credit rating to Nedbank Limited in line with both FirstRand Bank Limited and Standard Bank of South Africa Limited. Standard & Poor's also assigned its zaAA/zaA-1 South African national scale ratings to Nedbank Limited.

BALANCE SHEET

Nedbank's strong balance sheet continued to strengthen in 2012.

- Portfolio tilt forms part of the four key strategic focus areas of Nedbank Group, and is carefully structured, integrated and holistic component of the group's 'manage for value' emphasis, involving balance sheet optimisation, strategic portfolio management and client value management.
- The key objectives of Portfolio Tilt are to:
  - Target an optimal balance sheet and income statement shape and mix.
  - Maximise economic profit (EP), return on assets (ROA) and ROE by optimising EP rich activities.
  - Optimise the strategic impact of Basel III, including growing Basel III friendly deposits.
  - Reduce TTC earnings volatility.
  - Optimise the risk profile versus return of the group, while operating within the group's risk appetite framework.
  - Optimally allocate/use scarce resources [ie capital, term-liquidity, information technology (IT) innovation spend and expenses], while also investing for the future to grow the franchise.

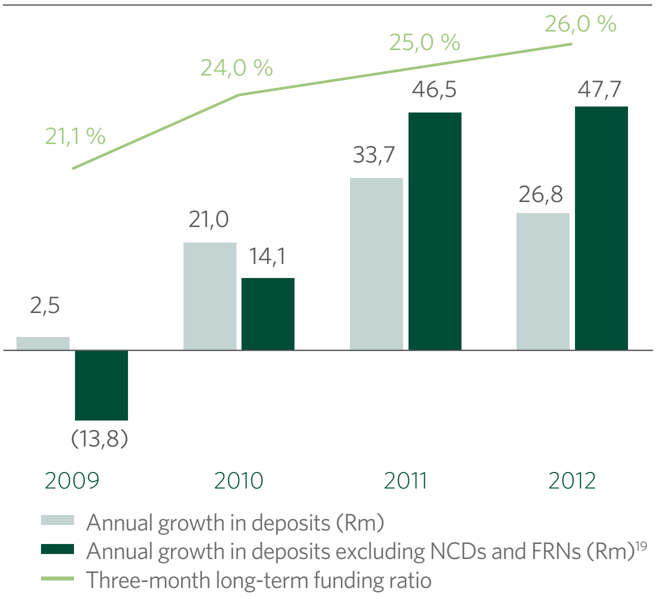
Highlights (CONTINUED)

Summarised balance sheet	% change	2012 Rm	2011 Rm
Cash and securities	6,3	97 332	91 571
Net advances[18]	5,6	527 166	499 023
Other assets[18]	1,6	58 481	57 533
Total assets	5,4	682 979	648 127
Total equity	9,6	57 730	52 685
Deposits[18]	5,1	550 878	524 130
Long-term debt instruments	2,9	30 298	29 442
Other liabilities[18]	5,3	44 073	41 870
Total equity and liabilities	5,4	682 979	648 127

[18] *Clients' indebtedness for acceptances and liabilities for acceptances have been reclassified as loans and advances and amounts owed to depositors respectively in order to achieve improved comparability with the majority of the group's South African banking peers. These items were previously separately disclosed in the group's statement of financial position.*

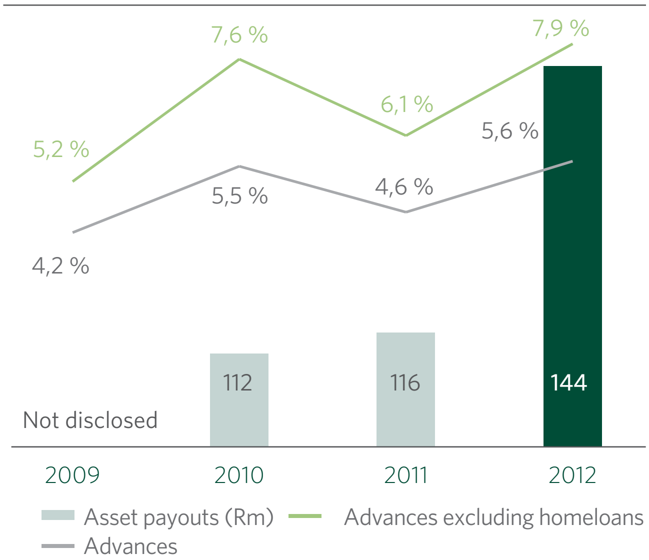
- Higher growth in 'cash and securities' is due to growth of the cash reserves and prudential liquid assets held with the SARB in line with balance sheet growth and the ongoing build-up of surplus liquid assets to enable pro forma Basel III LCR compliance.
- Net loans and advances grew 5,6% to R527bn (2011: R499bn), while excluding Retail Home Loans net advances grew at 7,9%.
- Pleasing growth in gross advances in Card of 16,1% (2011: 9,2%) and in MFC of 10,3% (2011: 9,7%), while tightening criteria resulted in personal loans growing at a reduced rate of 28,7% (2011: 36,5%). Low consumer demand for homeloans in conjunction with selective advances growth and the roll off of the back book, led to a 5,5% reduction in the Retail Home Loans book, with single-product home loans being de-emphasised in line with Portfolio Tilt.
- The strong growth in ordinary shareholders' equity is aligned with the continued strong earnings growth, contributing to the strong capital ratios.
- The low growth in net long-term debt instruments (Tier 2 capital, senior unsecured debt and securitisation) is due to the impact of R1 770m of subordinated debt redemptions during the year in line with the group's capital management strategy, and the issue of further senior unsecured debt as part of the group's Basel III liquidity planning.
- Key items in other assets include derivative financial instruments, investment securities, property and equipment, long-term employee benefit assets and intangible assets. Key items in other liabilities include derivative financial instruments, long-term employee benefit liabilities, investment contract liabilities and insurance contract liabilities.

Enhanced funding and liquidity profile



[19] *NCD = negotiable certificate of deposit. FRN = floating rate note.*

Good quality advances growth



Asset quality and credit risk

- Nedbank's asset mix and quality improved again in 2012 in line with the group's Portfolio Tilt strategy, as discussed above, and strong credit risk management.

Summary of asset quality profile		2012	2011[26]
Return on assets (improved)	(%)	1,13	0,99
Total loans and advances[26]	(Rm)		
New loans advanced to clients (significant credit extension)		144 319	116 156
Gross loans and advances (good pockets of growth)		538 036	510 520
Net loans and advances (closing balance)		527 166	499 023
Total balance sheet impairments (coverage strengthened)	(Rm)	10 870	11 497
Total impairments coverage ratio[20,23,24, 27] (strengthened)	(%)	56,4	49,5
Total wholesale[22]		41,9	42,8
Nedbank Retail[20,25, 27]		63,3	53,0
Home loans[23]		39,5	34,4
Personal loans[27]		83,6	73,0
Total balance sheet portfolio impairments (strengthened)	(Rm)	3 427	2 748
Total portfolio impairments coverage ratio – performing advances (strengthened)	(%)	0,7	0,6
Total balance sheet specific impairments (improved)	(Rm)	7 443	8 749
Total defaulted advances[20,21, 27] (improved)	(Rm)	19 273	23 210
Total wholesale[22]		6 141	8 219
Nedbank Retail[20,25, 27]		12 449	14 350
Home loans[23]		6 242	8 652
Personal loans[27] (deteriorated)		2 607	1 725
Total defaulted advances to gross loans and advances[20,21, 27] (improved)	(%)	3,6	4,5
Total wholesale[22]		2,0	2,9
Nedbank Retail[20,25, 27]		6,3	7,5
Home loans[23]		7,4	9,7
Personal loans[27]		11,7	10,0
Total specific coverage ratio – defaulted advances[20,21, 27] (strengthened)	(%)	38,6	37,7
Total wholesale[22]		27,4	33,5
Nedbank Retail[20,25, 27]		45,2	41,2
Home loans[23]		30,7	28,8
Personal loans[27]		59,4	56,6

[20] *A distinction has been drawn in 2012 between distressed restructures and debt arrangements in the MFC portfolio. This has resulted in a redistribution of assets across the delinquency buckets. 2011 comparatives have been adjusted to take account of this change.*

[21] *Includes Nedbank Wealth Cluster.*

[22] *Total wholesale includes Nedbank Capital, Nedbank Corporate and Nedbank Business Banking.*

[23] *Home loans as discussed here represents a specific business unit within Nedbank Retail, and excludes the Nedbank Relationship Banking and Business Banking business units.*

[24] *Total impairments as a percentage of total defaulted advances.*

[25] *Nedbank Retail book does not include Nedbank Wealth Cluster's retail exposures.*

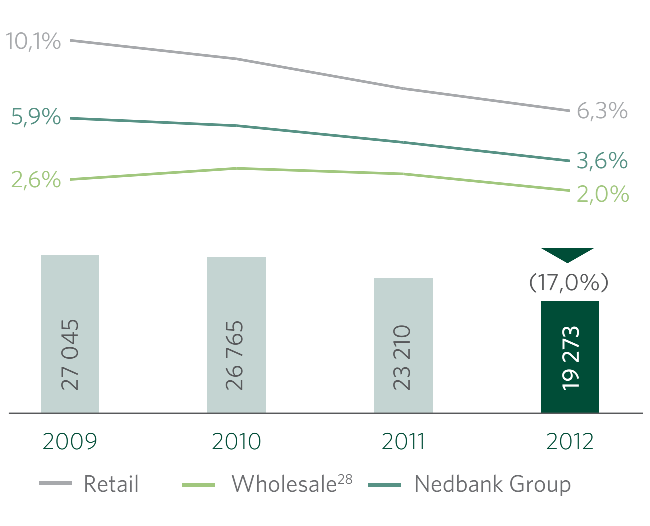
[26] *2011 numbers have been restated due to clients' indebtedness for acceptances and liabilities for acceptances have been reclassified to loans and advances and amounts owed to depositors, respectively in order to achieve improved comparability with the majority of the group's South African banking peers. These items were previously separately disclosed in the group's statement of financial position.*

[27] *The Personal loans defaulted advances at December 2011 have been restated to take account of the policy showing debt counselling and debt counselling restructured accounts as defaults.*

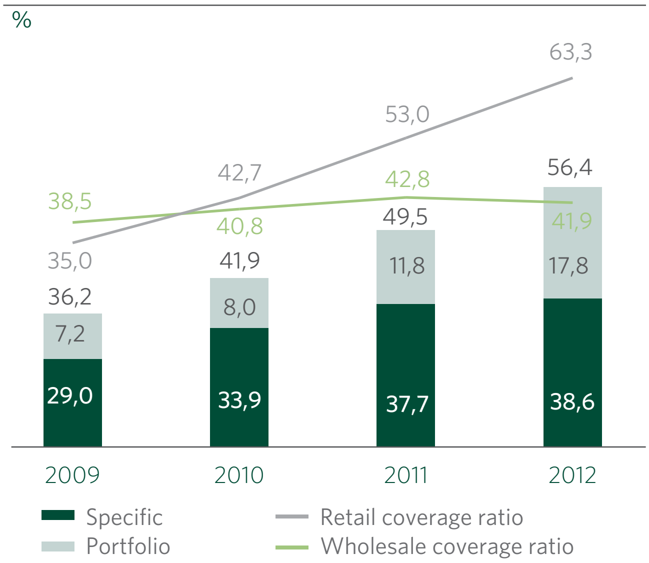
Highlights (CONTINUED)

- The total impairment coverage ratio increased to 56,4% (2011: 49,5%) despite the reduction in defaulted advances, largely due to asset mix changes in the group's banking book.
- The group's total specific coverage ratio increased to 38,6% (2011: 37,7%), mainly driven by changes in product mix in the Nedbank Retail portfolio, while the total portfolio coverage ratio increased to 17,8% (2011: 11,8%), due to strengthened portfolio impairmants in Personal Loans, and MFC, and Home loans .
- Specific coverage levels in Nedbank Retail increased from 41,2% to 45,2%, largely due to the asset mix between secured and unsecured lending changing.
- Wholesale specific coverage levels have decreased overall to 27,4% from 33,5%, mainly due to a number of partial write-offs in the commercial lending portfolio as well as reductions in Nedbank Capital defaulted advances as a direct result of resolutions.
- Nedbank's very low exposure to banks in the Eurozone was maintained at 1,4% (2011: 1,6%) of total group credit exposure, with immaterial exposure to Portugal, Italy, Ireland, Greece, and Spain (the PIIGS).
- Nedbank has no material non-core assets.

Defaulted advances (Rm) and as a % of book



Total, specific and portfolio impairment coverage ratios



[28] *Wholesale includes Nedbank Capital, Nedbank Corporate and Nedbank Business Banking.*

- The credit loss ratio improved to 1,05% for the year (2011: 1,13%), remaining above the group's through-the-cycle (TTC) range of 60 to 100 basis points (bps) partially due to the asset mix change over the past three years.
- The reduction in specific impairments to 0,91% (2011: 1,01%) was driven by a 17,0% decrease in defaulted advances to R19 273m (2011: R23 210m), while the portfolio impairments charge strengthened further to 0,14% (2011: 0,12%), mainly on the performing Personal Loans, MFC and Home loans books.
- The increased level of portfolio impairments represents model alignment and growth in personal loans as well as the lengthening of the emergence period in the MFC book.
- The group retained the R200m central portfolio provision set aside last year for unknown events that may have already occurred but which will only be evident in the future.
- Collections processes, enhanced by additional collections staff and more effective collections processes, generated a 35,1% increase in bad-debt recoveries amounting to R866m (2011: R641m).

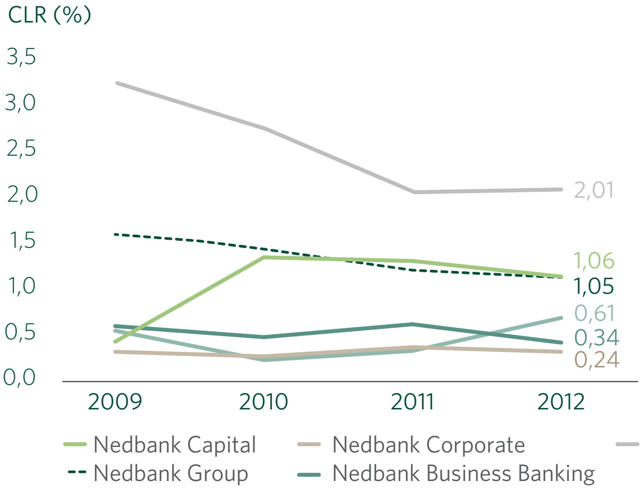
Summary of credit risk profile	% of average banking advances 2012 %	2011[30] %	Impairment charge 2012 %	2012 Rm	2011 %	2011 Rm	Credit loss ratios 2012 %	2011[30] %	TTC target ranges[29] %
Group	100,0	100,0	100,0	5 199	100,0	5 331	1,05	1,13	0,60 – 1,00
Nedbank Capital[29]	10,0	9,5	10,1	526	10,3	549	1,06	1,23	0,10 – 0,55
Nedbank Corporate	32,4	32,1	7,4	385	8,2	439	0,24	0,29	0,20 – 0,35
Nedbank Business Banking	12,2	12,9	4,0	206	6,1	324	0,34	0,53	0,55 – 0,75
Nedbank Retail	39,6	39,9	75,5	3 928	70,0	3 729	2,01	1,98	1,50 – 2,20
Home loans	17,6	19,3	9,8	510	21,6	1 149	0,59	1,26	
Vehicle finance	10,9	10,3	10,8	562	14,1	752	1,05	1,54	
Personal loans	4,2	3,1	43,5	2 263	21,3	1 137	11,02	7,74	
Card	1,9	1,8	7,0	367	5,1	270	3,90	3,23	
Transactional and investment	0,2	0,3	1,1	55	1,3	68	5,03	5,54	
Other	4,8	5,1	3,3	171	6,6	353			
Nedbank Wealth	3,9	3,8	2,3	118	0,8	45	0,61	0,25	0,20 – 0,40
Central Management[31]	1,9	1,8	0,7	36	4,6	245			

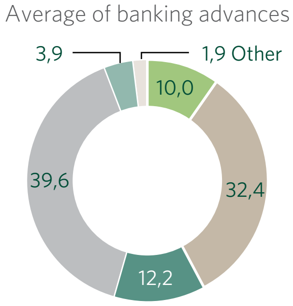
29 *The Nedbank Capital target range was amended in H2 2012.*

30 *Clients' indebtedness for acceptances and liabilities for acceptances have been reclassified as loans and advances and amounts owed to depositors respectively in order to achieve improved comparability with the majority of the group's South African banking peers. These items were previously separately disclosed in the group's statement of financial position.*

31 *Includes Rest of Africa.*

Ongoing improvement in specific impairments while continuing to build portfolio impairments





- In line with the group's Portfolio Tilt strategy, the asset mix of the group – and especially within Nedbank Retail – has changed materially since 2009. The table below illustrates what the 2012 CLR would have been had the 2009 asset mix remained the same.

Impact of Nedbank Retail advances mix change on the group's and Nedbank Retail's CLR

Nedbank Retail advances mix				**Credit loss ratio (CLR)**		
	2012 %	2011 %	2009 %		Nedbank Group %	Nedbank Retail %
Home loans	42,7	48,5	54,5	Actual 2012 CLR	1,05	2,01
Vehicle finance	28,5	25,9	21,8	Illustrative 2011 CLR based on 2012 portfolio mix	1,24	2,22
Personal loans	11,3	7,8	4,5	Actual 2011 CLR	1,13	1,98
Card	5,1	4,4	4,2	Illustrative 2009 CLR based on 2012 portfolio mix	1,63	3,85
Other	12,4	13,4	15,0	Actual 2009 CLR	1,52	3,17
	100,0	100,0	100,0			

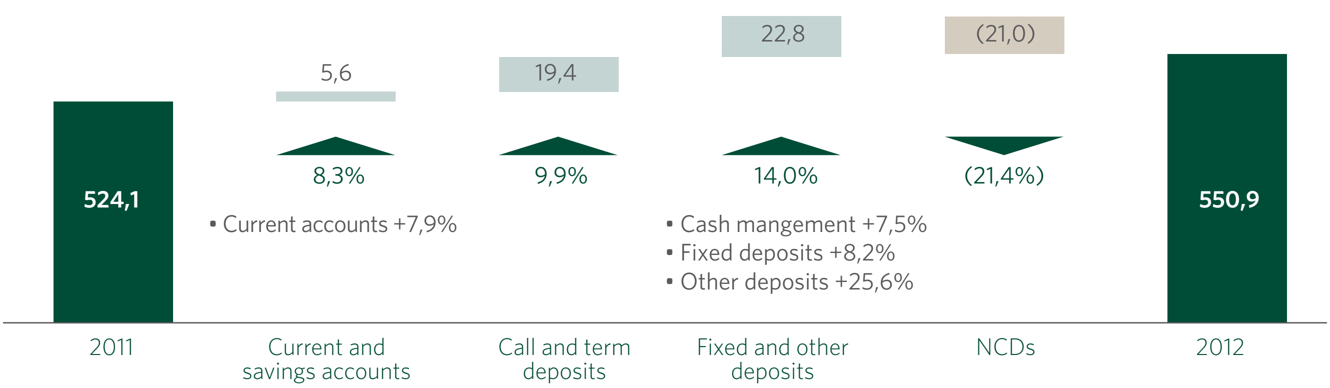
- Based on the 2012 Nedbank Retail asset mix, the 2009 Nedbank Retail CLR would have been 68bps higher at 3,85% rather than the reported 3,17%. At a Nedbank Group level this translates into a 11bps deterioration to 1,63% rather than the reported 1,52%.
- These mix changes suggest the need to review these target TTC CLR ranges, which we plan to do in 2013.

Deposits and funding

- Deposits grew by a healthy 5,1% to R551bn (2011: R524bn), maintaining a strong loans-to-deposits ratio of 95,7% (2011: 95,2%). Excluding NCDs, deposits grew strongly at 11,2% (2011: 12,2%).
- The lengthening of the funding profile was primarily due to ongoing growth in call and term deposits of 9,9% and in fixed deposits of 8,2% as a result of a strong uptake in the Retail Savings Bond of R3,3bn and wholesale deposit offerings such as Corporate Saver and Step-up.
- Cash management deposits grew 7,5%, boosted by net primary banking client gains, whereas the more volatile NCD category decreased 21,4%.
- Current and savings accounts grew well, increasing 7,9% and 9,3% respectively, underpinned by Nedbank's strong franchise. Altogether, these improvements in the funding profile ensured that, at 18,1% (compared with the industry average of 16,0%), Nedbank continued to have a proportionately larger household deposit market share as a percentage of its deposit base.
- However, strong competition for deposits in 2012 resulted in some loss of overall market share in household deposits. The launch of innovative new products such as Nedbank Money Trader, investments in ATMs, worldclass internet and mobile banking applications and various other initiatives will contribute to the positioning of Nedbank for strong and sustainable growth in savings and investment deposits.

Increased term funding, lower reliance on NCDs and conservative loans-to-deposits ratio

Deposits (Rbn)[32]



[32] *Restated for the reclassification of acceptances.*

Market risks

- Other than Interest Rate Risk in the Banking Book (IRRBB) the group does not have significant risk appetite for or exposure to market risk.
  - Nedbank's IRRBB is positioned for an upward interest rate cycle, but has been reduced to protect against downside risk in the short term.
  - The focus of the trading businesses is to continue to develop the flow model by leveraging the deal flow from clients. Proprietary trading has been scaled down.
  - Equity risk in the banking book, or investment risk, is low relative to the rest of the balance sheet.
  - All transactions with hedge funds are executed out of a specialist unit with a primary focus on risk mitigation.

Summary of market risk profile		2012	2011
IRRBB (high)			
NII sensitivity to 1% decline in interest rates (equal and opposite positive NII impact for an increase in interest rates)	(Rm)	(813)[33]	(843)
% of ordinary shareholders' equity (board limit: 2,25%)	(%)	1,5	1,7
Trading market risk (low)			
% of total group economic capital	(%)	1,3	1,4[36]
Total value at risk (VaR) (99%, one-day VaR) exposure (average)	(Rm)	14,7	12,0
Total stressed VaR exposure as per Basel II.5[35] (99%, one-day VaR at year-end)	(Rm)	17,1	32,5
Equity risk in the banking book (low)			
Total equity portfolio	(Rm)	4 493	4 385
% of total assets	(%)	0,7	0,7
% of total group economic capital	(%)	3,9	4,7[36]
Foreign currency translation (FCT) risk (low)			
Impact on group's total regulatory capital ratio for 10% change in the value of the rand[34]	(%)	0,1	0,1

[33] *Positioned for an upward interest rate cycle.*
[34] *Due to FCT reserves currently being excluded from qualifying regulatory capital. This changes in 2013 under Basel III.*
[35] *Basel II.5 was effective from 1 January 2012.*
[36] *Restated for enhancements to 2012 economic capital methodologies.*

Net interest margin

Net interest margin (NIM) improved in a tough economic environment, on the back of the group's Portfolio Tilt strategy and strong margin management, by 5bps from 3,48%[37] to 3,53% for the year, having improved by 12bps in the previous financial year.

		Change	2012	2011
NII margin	(bps)	5	353	348[37]
Interest earning banking assets (YTD average)	(Rm)	39 052	556 846	517 794

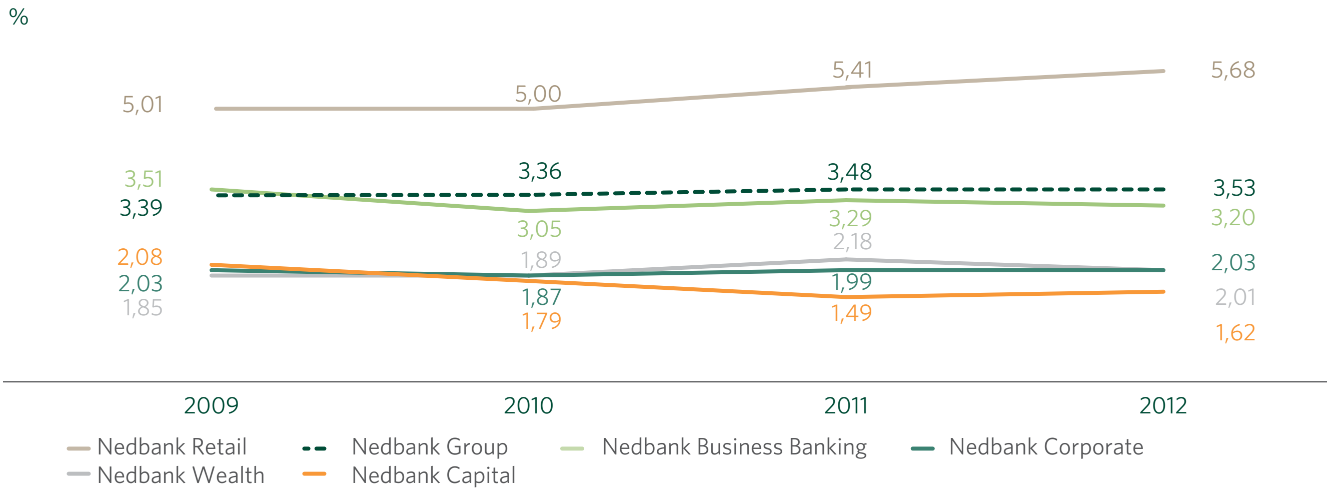
	2012 bps	2011[37] bps
Nedbank Group	353	348
Nedbank Capital	162	149
Nedbank Corporate	203	199
Total Nedbank RBB	487	471
Nedbank Business Banking	320	329
Nedbank Retail	568	541
Nedbank Wealth	201	218
Central Management including Rest of Africa	74	65

Margin breakdown (bps)	2012	2011[37]
Opening margin	348	336
Improved asset pricing and mix benefits	15	8
Cost of enhancing liquidity risk profile – in line with Basel III	(6)	(7)
Impact due to interest rate change	(3)	(9)
Marginal cost of funds	1	9
Liability pricing and mix	(2)	8
Other	–	3
Closing margin	353	348

[37] 2011 NIM has been adjusted for the reclassification of acceptances, the impact being a 0,02% increase.

- Margin improved further in 2012 due to better asset pricing, back-book runoff and further benefits of advances mix changes as unsecured lending continued to grow faster than secured lending.
- The cost of Basel III increased further in 2012 as a result of higher liquid asset buffers and a longer funding profile causing further dilution to margin.
- The unexpected rate cut of 50bps in July 2012 caused a squeeze in margin.
- There was little improvement in the cost of marginal cash as deposit margins started to squeeze in 2012 as banks competed more aggressively for deposits under Basel III. The deposit mix benefit was also limited in 2012, although NCDs levels declined as holders of negotiable paper preferred other innovative deposit products.

Strengthening NIM trends across all by business clusters[39]



[38] 2010-2011 NIM has been adjusted for the reclassification of acceptances.

COMPREHENSIVE PUBLIC DISCLOSURE REPORT (PILLAR 3)

The review in this report is merely a summary, focusing mainly on the key risks and balance sheet management components of the group. For the group's comprehensive disclosure on risk and balance sheet management in line with Regulation 43 of the regulations relating to banks in South Africa, kindly refer to the group's updated Pillar 3 Report that will be released on the group's website at www.nedbankgroup.co.za by 31 March 2013.

Basel III Overview

- Since our June 2012 interim results report there have been significant Basel III developments:
  - Final minimum regulatory capital ratios for South Africa announced by the South African Reserve Bank (SARB) in October 2012.
  - Final and significant revisions to the liquidity coverage ratio (LCR), including new phase-in provisions, announced by the Basel Committee on 6 January 2013.
  - Europe and the USA have both delayed their Basel III implementations, whereas other jurisdictions including South Africa, Australia, Canada, China, Japan and Singapore have gone live on 1 January 2013.
  - There are still many work-in-progress (WIP) items under Basel III and some new items have been added.
- Nedbank has successfully implemented both Basel II.5 (effective 1 January 2012) and Basel III (effective 1 January 2013), and is extremely well positioned.

SUMMARY OF BASEL III REGULATORY TIMELINES

Key component		2013	2014	2015	2016	2017	2018	2019
Capital	Improved quality and definition of capital		■	■	■	■	■	
	Higher risk-weighted asset (RWA) requirements	■	■					
	Higher minimum ratios	■	■	■	■	■	■	■
	New capital buffers				■	■	■	■
	Fully loss-absorbency capital instruments	■	■	■	■	■	■	■
Leverage	Leverage ratio			■				
Liquidity	Liquidity Coverage Ratio (LCR)			■ 60%	■ 70%	■ 80%	■ 90%	■ 100%
	Net stable funding ratio (NSFR) – subject to change						■ 100%	
	Liquidity risk management standards	■						
Risk and Basel's three pillars	Pillar 1 counterparty credit risk (CCR) and centralised clearing counterparties (CCPs)	■	■					
	Securitisation framework review (version 2)		■					
	Trading book review (version 2)		■					
	Recovery and resolution plan	■	■					
	Pillar 3 – enhancements to disclosure	■	■					
	Other items		■	■	■	■	■	■

■ = implementation/phasing-in

SUMMARY OF BASEL III REQUIREMENTS

MARKET RISK AND SECURITISATION (BASEL II.5) – 2012

Introduction of a stressed value-at-risk (VaR) capital requirement for trading risk.

Introduction of an incremental risk charge (IRC).

Increase of capital requirements for complex securitisations.

Improved process and modeling of securitisation risk.

COUNTERPARTY CREDIT RISK (CCR) – 2013/2014

Introduction of additional capital charges for CCR credit exposures arising from banks' derivatives, repo and securities financing activities, based on stressed inputs, a credit valuation adjustment (CVA) charge, large exposures to financial institutions, wrong-way risk, etc.

Centralised clearing counterparties (CCPs) introduced.

Extensive new CCR risk management requirements.

CREDIT RISK (BANKING BOOK)

Basel II 1,06 credit risk-weighted asset (RWA) (Internal Ratings-based) scaler (Basel II.5) – 2012.

Forward-looking provisions International Financial Reporting Standard (IFRS) 9, integrated credit risk measurement framework with Basel II – WIP[1].

LEVERAGE RATIO – 2015

Introduction of a non-risk-based supplementary measure.

Includes off-balance-sheet exposure in total exposure/Tier 1 capital.

Minimum Tier 1 ratio of 3% [South African Reserve Bank (SARB) minimum 4%].

REGULATORY AND ACCOUNTING CONVERGENCE – WIP[1]

Valuations.
Forward-looking provisions (IFRS 9).
Hedge accounting.

OFF BALANCE SHEET ITEMS – AS ABOVE

Included in RWA, leverage and liquidity ratios.

OTHER ITEMS

Enhancements to Pillar 2 (risk management) and International Capital Adequacy Assessment Process (ICAAP) (Basel II.5) – 2012 and 2013.

Remuneration (risk-based, deferrals, etc) – 2013.

Recovery and resolution plans – 2013.

Fundamental review of trading book (version 2) – 2014.

WIDER REGULATORY FRAMEWORK

A safer financial sector to serve South Africa better

Twin peaks
Financial stability
Consumer protection
Access to financial services
Combating financial crime

LIQUIDITY

Liquidity coverage ratio (LCR) – 2015 to 2019.

Short-term liquidity resilience in 'stressed' scenario.

Phased in from 60% in 2015 to 100% by 2019.

Net stable funding ratio (NSFR) – 2018

Long-term funding encouraged; long-term lending implications.

Single biggest issue in Basel III; expect significant revision of NSFR.

Liquidity risk monitoring metrics – 2013

CAPITAL – 2013 TO 2019

Minimum capital ratios

Significant increase of the minimum capital adequacy ratios (CARs), especially Common Equity Tier 1.

Pillar 2A systemic risk add-on for South Africa.

Systemically important bank add-ons [global (G-SIB) versus domestic systemically important bank (D-SIB)].

Pillar 2B bank-specific add-on.

Capital conservation and countercyclical buffers

Introduction of capital conservation and countercyclical buffers.

An extension to Common Equity Tier 1 minimum above.

Capital quality

Common Equity Tier 1 capital is the predominant focus.

Fully loss absorbent capital instruments required (Additional Tier 1 and Tier 2).

Tier 2 instruments to contain no step ups or incentives to redeem

Grandfathering of existing capital instruments at 10% pa from 2013.

Phase-out of hybrid debt capital in SA by 2015.

Approach on preference shares still WIP[1] in South Africa.

Regulatory capital deductions

Tighter definitions, more deductions, enhanced quality of capital

Qualifying capital – now includes other disclosed reserves: SBP/FCT/AFS/PR[1] reserves and insurance capital up to 10% of CET1.

Minority interest up to 7% of bank's CET1 qualifies, but Additional Tier 1 and Tier 2 issued out of subsidiary not taken into account at group level (to resolve with the Basel Committee).

OTHER ITEMS

Consolidated supervision enhancements – 2013.

Integrated balance sheet management required – 2013.

New data and regulatory reporting requirements – 2013.

Shadow banking – WIP[1].

Use of external credit ratings – 2013.

SUMMARY OF BASEL III WORK-IN-PROGRESS ITEMS

- Unlike Basel II implemented in 2008, Basel III will be phased-in over several years until 2019 and as such there are several key Basel III items that are work-in-progress, such as:
  - Fundamentally revisit the NSFR liquidity standard.
  - Fundamental review of the Trading book (Version two).
  - Revisions to leverage ratio.
  - Recovery and resolution plans.
  - Shadow banking.
  - Centralised clearing counterparties (CCPs).
  - Forward-looking impairments (IFRS9)
    - Aligned to Basel's expected loss approach
  - Large exposure rules/concentration risk
  - Use of external credit ratings
  - Risk-weighted assets comparability project.
  - Peer reviews of Basel III implementation.
  - New items recently added -
    - Interest rate risk in the banking book.
    - Fundamental review of Securitisation Framework (version two).
    - Revision to the Operational Risk Basel II Framework.
    - Simplification Task Force – addressing the 'complexity' issues raised, but no major changes are expected.
    - Enhancing the risk disclosures of banks (Pillar 3).

[1] *SBP = Share-based payments. FCT = Foreign currency translation. AFS = Available-for-sale. PR = Property revaluation. WIP = Work in progress.*

SUMMARY OF NEW, MINIMUM SOUTH AFRICAN CAPITAL REQUIREMENTS

Classes of capital[4]	Basel II.5 2012	Basel III 2013	Basel III 2014	Basel III 2015	Basel III 2019
COMMON EQUITY TIER 1 (CET1) RATIO					
Minimum CET1		3,50	4,00	4,50	4,50
Pillar 2A/D-SIB for CET1[1]		1,00	1,50	2,00	2,00
Minimum CET1 plus Pillar 2A/D-SIB for CET1		4,50	5,50	6,50	6,50
Capital conservation buffer[2]					2,50
TOTAL CET1 (excluding Pillar 2B[3] and countercyclical buffer)	**5,25**	4,50	5,50	6,50	9,00
Countercyclical buffer (assume maximum percent, if imposed)[2]					2,50
Total CET1 (excluding Pillar 2B[3], including maximum countercyclical buffer in 2019)	**5,25**	4,50	5,50	6,50	11,50
ADDITIONAL TIER 1 (T1) RATIO					
Minimum additional T1	**1,75**	1,00	1,50	1,50	1,50
Pillar 2A/D-SIB for T1[1]		0,50	0,00	0,00	0,50
TOTAL T1 RATIO (excluding Pillar 2B[3], including maximum countercyclical buffer in 2019)	**7,00**	6,00	7,00	8,00	13,50
SUMMARY OF TOTAL CAPITAL RATIO					
Minimum Total Capital	**8,00**	8,00	8,00	8,00	8,00
Pillar 2A/D-SIB for Total Capital[1]	**1,50**	1,50	2,00	2,00	3,50
Minimum Total Capital plus Pillar 2A/D-SIB for Total Capital	**9,50**	9,50	10,00	10,00	11,50
Capital conservation buffer[2]					2,50
TOTAL CAPITAL RATIO (excluding pillar 2B[3] and countercyclical buffer)	**9,50**	9,50	10,00	10,00	14,00
Countercyclical buffer (assume maximum percent, if imposed)					2,50
Total capital ratio (excluding pillar 2B[3], including maximum countercyclical buffer[2])	**9,50**	9,50	10,00	10,00	16,50
Capital instruments that are not Basel III compliant and no longer qualify as Additional Tier 1 or Tier 2 capital	**Phased out over 10-year horizon beginning 2013**				

1 The aggregate requirement for Pillar 2A and D-SIB will not exceed 2,0% for CET1, 2,5% for Tier 1 and 3,5% in respect of the Total capital adequacy ratio. SARB will advise banks of their D-SIB surcharge in 2013.

2 The capital conservation buffer together with the countercyclical buffer will be applied at CET1 level and will also be required to be met at both a Total Tier 1 and Total capital level. The countercyclical buffer will only be applied when the SARB deem there to be excessive credit growth in the system, not expected for the foreseeable future.

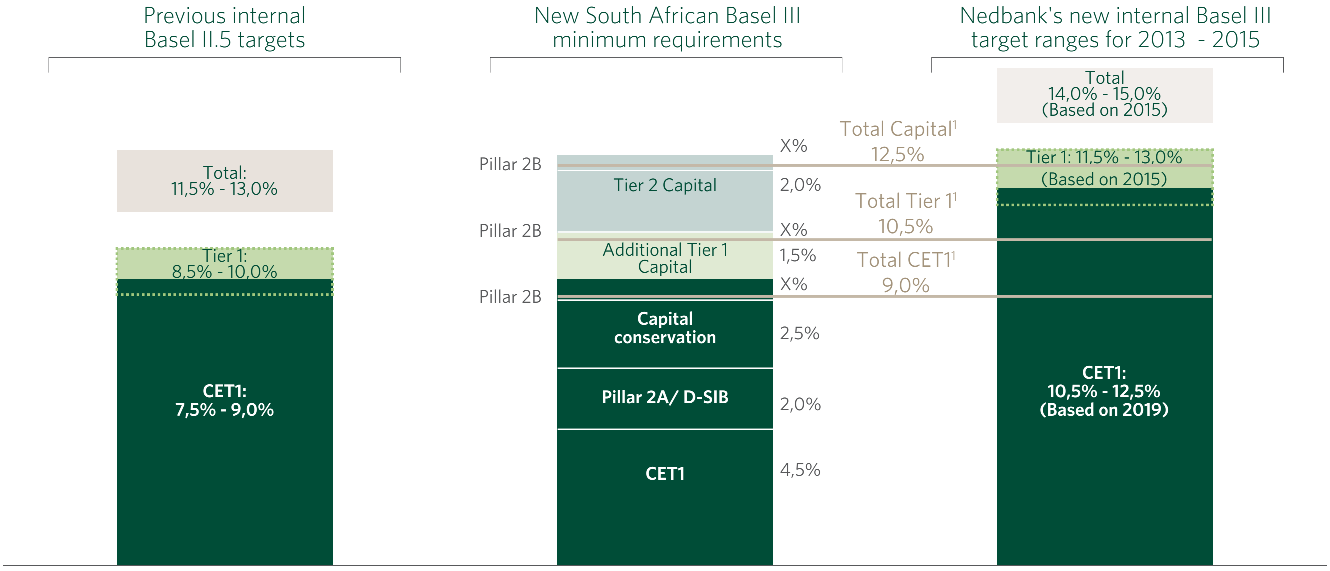
3 Any bank specific Pillar 2B add on is at the sole discretion of the SARB, and may not be disclosed to the public. Any Pillar 2B add on is allocated 50% to Total CET1, 75% to Tier 1 and 100% to Total and Nedbank's new Basel III target ranges include a conservative add-on for any Pillar 2b.

4 All dates are as of 1 January.

- Nedbank's 2013 – 2015 planning CET1 target ranges have been set using final 2019 requirements, however, Total Tier 1 and Total capital target ranges have been set using 2015 requirements but using the minimum 9,0% CET1 for 2019 as the starting base. Total Tier 1 and Total 2015 requirements are used for now, given that there are outstanding matters such as treatment of minority interests, preference shares and South Africa's resolution regime.
- Therefore, the minimum regulatory ratios used for Nedbank's capital planning are as follows:
  - CET1: 9,0% (2009)
  - AT1: 1,5% (2015)
  - Total Tier 1: 10,5%
  - Tier 2: 2,0% (2015)
  - Total: 12,5%

Basel III Overview (CONTINUED)

Summary of Nedbank's new Basel III capital structure and target capital range ratios



[1] *Excludes any Pillar 2B add-on (as per the SARB, banks may not disclose this to the public) and any countercyclical capital buffer.*

- Nedbank's 2013 – 2015 capital planning is set incorporating full compliance with end state 2019 Basel III CET1 requirements, while Total Tier 1 and Total requirements are based on the 2015 position due to outstanding matters such as minority interests, preference shares and South Africa's resolution regime.
- Minimum regulatory capital requirements applied through this 2013 – 2015 planning period are thus 9,0%, 10,5% and 12,5% for CET1, Tier 1 and Total CAR, respectively.
  - This excludes any Pillar 2B add-on. However, Nedbank's target range makes provision for a conservative add-on.
- These minima have been used to set Nedbank's revised target capital adequacy ranges as follows:

	NEW (Basel III) (2013 – 2015)	**OLD (Basel II.5) (To end 2012)**
CET1[1]	10,5% – 12,5%	7,5% – 9,0%
Tier 1	11,5% – 13,0%	8,5% – 10,0%
Total CAR	14,0% – 15,0%	11,5% – 13,0%

[1] *An additional Asset and Liability Committee guideline is that the CET1 ratio will be managed at or about the midpoint of the range (ie 11,5%), while capital allocated to the business clusters will be maintained at an effective 11% level.*

Nedbank's actual capital ratios under Basel III

- CET1 strengthens in 2012 to 11,4% (pro forma 10,5% at December 2011) under Basel II.5 and even further on a December 2012 Basel III pro forma basis to 11,6%, mainly due to the net impact of:
  - Certain reserves [ie share-based payments (SBP), foreign currency translation (FCT), available for sale (AFS) and property revaluation (PR) reserves] that will qualify under Basel III (R3,4bn additional capital supply).
  - More favourable treatment of the 'investments in other financial entities' under the 'threshold deductions', resulting in R1,4bn additional qualifying capital and reserves, offset to a lesser degree by additional RWA (ie 250% risk weighting of the investment up to the 10% of CET1 limit).
  - New capital deductions (R1,9bn) and increased risk coverage resulting in higher RWA (R5,0bn).
- Given the predominant focus on the CET1 ratio by Basel III and financial markets, and the new Basel III requirements to ensure all classes of capital instruments fully absorb losses, as well as in consideration of Nedbank's very high Total CAR of 14,6% (pro forma Basel II.5) at the 2011 year-end, Nedbank Group called R1 770m Tier 2 capital during 2012 and did not replace it.
- Internationally, there is a concern around the understatement of RWA, and so a major workstream to have this investigated and reviewed by the Basel Committee is underway. However, in South Africa, in addition to having higher capital ratios, the local big four banks all have high RWA-to-total-asset ratios above 50%. At 31 December 2012 Nedbank's ratio was 53%.

Nedbank's major remaining Basel III capital-related work

- Issuing new Tier 2 debt capital instruments that comply with the Basel III loss absorbency requirements over 2013 – 2022.
- Fully phasing out existing hybrid capital instruments in 2015.
- Fully resolving with SARB the treatment of minority interests' implications for the group's capital ratios in respect of Additional Tier 1 and Tier 2 capital instruments issued out of wholly-owned subsidiaries (eg Nedbank Limited).
- Awaiting SARB's finalisation of preference share capital treatment in a Basel III world/South African resolution regime.
- Recovery plan (for Nedbank).
- Resolution plan (for South Africa – SARB).

BASEL III LIQUIDITY RATIOS

- A key challenge under Basel III for South Africa and globally has been in respect of the two proposed liquidity ratios, the LCR previously for implementation in 2015, and the NSFR for implementation in 2018.
  - This is no longer the case in respect of the LCR for which Nedbank itself is well positioned, and on a pro forma basis is already compliant with the 2019 100% required LCR [assuming access to the SARB's committed liquidity facility (CLF)].

Liquidity Coverage Ratio (LCR)

- On 6 January 2013 the Basel Committee announced significant revisions to the LCR and confirmed its implementation in 2015.
- The LCR will be phased-in between 2015 and 2019.
  - Previously 100% compliance was required from 2015, whereas now the minimum LCR requirement will be phased starting at 60% in 2015, and increasing by 10% each year to 100% in 2019.
  - Based on the current level of qualifying 'high quality liquid assets (HQLA)', Nedbank is already above 60%, excluding access to the SARB's CLF. Assuming its anticipated access to the currently available CLF, on a 2012 pro forma basis Nedbank is already above the 100% requirement of 201.
- The definition of HQLA has been widened and 'level 2' assets now include a new '2B' sub-category with broader eligibility criteria.
  - Under certain conditions, residential mortgage-backed securities (≥AA; 25% haircut), equities (50% haircut) and corporate bonds (A+ to BBB-; 50% haircut) can be included as 'level 2B' assets, which in aggregate are limited to 15% of total HQLA requirements.
  - The combined maximum of all 'level 2A' and 'Level 2B' assets remains at 40% of HQLA.
  - Local rating scales will apply to level 2 assets, broadening the eligibility of assets in emerging markets.
- The definitions of net cash outflows have been relaxed.
  - For example, outflows for non-operational corporate clients' deposits have been lowered from 75% to 40%.
- Banks will be allowed to utilise their highly liquid assets during times of stress.
  - LCR ratios may therefore fall below 100% during a crisis, based on guidance from regulators.
- The Basel Committee will continue to examine the role of central bank facilities (ie SARB's CLF).
  - The SARB will have to motivate the need for a CLF in South Africa, and be subject to a peer review by the Basel Committee.
  - It is likely that the extent of the available CLF will be reduced in the medium to long term.
- Liquidity and funding profile disclosure (Pillar 3) requirements will be developed soon by the Basel Committee.
- Nedbank actions taken to date to help meet the LCR requirements include:
  - Purchasing additional ('surplus') level 1 assets, high-quality liquid assets above the current prudential minimum (surplus statutory liquid assets: R24,4bn).
  - Increasing the quantum of long-term funding (long-term funding ratio – December 2012: 25%, compared with 18% in December 2009).
  - Investigating opportunities to structure new corporate lending in the form of corporate bonds versus traditional advances to increase the potential market capacity of level two assets. This is now even more pertinent given the recently announced changes in LCR requirements by the Basel Committee.
  - Portfolio tilt and strategic portfolio management as discussed earlier in this report, changing the balance sheet mix and shape.
  - Focusing on growing retail and commercial deposits.
  - Utilising domestic markets including the domestic capital market to lengthen the funding profile and reduce short-term wholesale funding reliance when pricing offers value. Since December 2009 net senior unsecured debt issuance of R18,8bn, issuance under the GreenHouse securitisation programme of R1,8bn and growth in the retail savings bonds of R7,3bn all contributed to the longer funding profile achieved in 2012.

Net stable funding ratio

- The impact of NSFR compliance by South Africa and most banking industries worldwide would be punitive if implemented as the draft requirements currently stand, significantly impacting in a negative way on economic growth and job creation negatively.
- Recent changes made by the Basel Committee to the LCR requirements suggest that the Basel Committee will be pragmatic in its finalisation of these requirements, which would be finalised over the next two years.
- The structural challenges within the South African financial markets add to the local challenge of complying with the NSFR ratio. However, this is being proactively tackled by the SARB and National Treasury in conjunction with the financial services industry.
- On 6 January 2013 the Basel Committee also announced that having now finalised the LCR it will in 2013 begin work on revising the NSFR which it expects to be completed over 12 – 24 months. The NSFR is currently only due to be implemented in 2018.

SOME OTHER KEY ASPECTS OF BASEL III

Counterparty credit risk

- Additional RWA arising from banks' derivatives and repurchase and securities financing transactions.
  - Strong focus on over the counter (OTC) derivatives.
  - Based on stressed inputs, a credit valuation adjustment (CVA) charge, large exposures to financial institutions and wrong-way risk.
- Simple, plain vanilla derivative transactions are predominantly used at Nedbank so the impact is not significant.
- CCPs/Exchanges are introduced under Basel III but are still to be finalised in South Africa in 2013.
- As a result, this aspect is still WIP in South Africa going into 2013 therefore in December 2012 SARB announced in December 2012 a 0% capital requirement for CVA risk exposure in respect of ZAR-OTC and local OTC derivatives for 2013.
- There are extensive new CCR risk management requirements are required under Basel III.

Pillar 3 public disclosure

- An enhanced Disclosure Task Force has been put in place by the Basel Committee – to improve and enforce transparency and comparability of banks, and enhance risk disclosure globally.
- Remuneration disclosure requirements have been an important focus of the Basel Committee, and are addressed in Nedbank's 2012 year-end Remuneration Report.

STRATEGIC IMPLICATIONS OF BASEL III

- The strategic impact of Basel III internationally is very significant, changing business models, necessitating extensive deleveraging and negatively impacting ROEs to a material extent.
- South Africa is rated number two in the world by the World Economic Forum in the 'Soundness of Banks' category and not surprisingly, as with Basel II implementation, South African banks are well positioned for Basel III and business model changes seem limited and manageable.
  - However, the strategic impact is also quite significant locally, mainly driven by the much higher capital and liquidity costs.

Nedbank's five point master plan for Basel III strategic optimisation (followed since 2010)

1 Implementation (compliance)

- New Basel III and Basel II.5 compliance requirements
- Solvency II (Solvency Assessment Management)

2 'Smart' implementation and optimism

- Basel II (eg RWA optimisation)
- Basel III (eg proactive phase-in since 2010 to optimise Nedbank's financial returns and position in 2013 and beyond)

3 Balance sheet restructuring

- Target balance sheet mix/shape via Portfolio Tilt
- Capital and funding plans (eg grow retail and commercial deposits)
- Margin management and optimisation

4 Business portfolio refinement

- Portfolio Tilt

5 Business unit strategy refinement

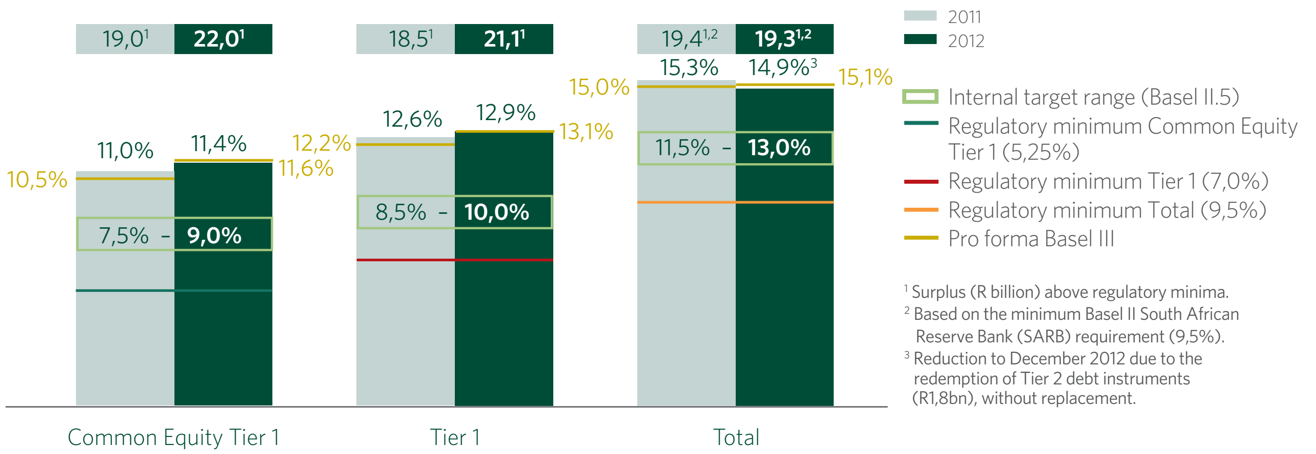
- Mix change (eg selective origination in Home loans)
- Product, client, transaction pricing and costs strategies
- RWA (capital) and LCR/NSFR (liquidity) optimisation
- Risk transfer (eg securitisation)

- Since 2010, Nedbank has been implementing its Basel III plan to:
  - achieve full compliance from 1 January 2013 with the South African based Basel III regulations; and
  - respond strategically and proactively to min imise the impact on financial returns (eg net interest margin, return on equity and economic profit) and enhance the mix/structure and strength of its balance sheet, using Portfolio Tilt as a key strategic focus area.

Capital Adequacy

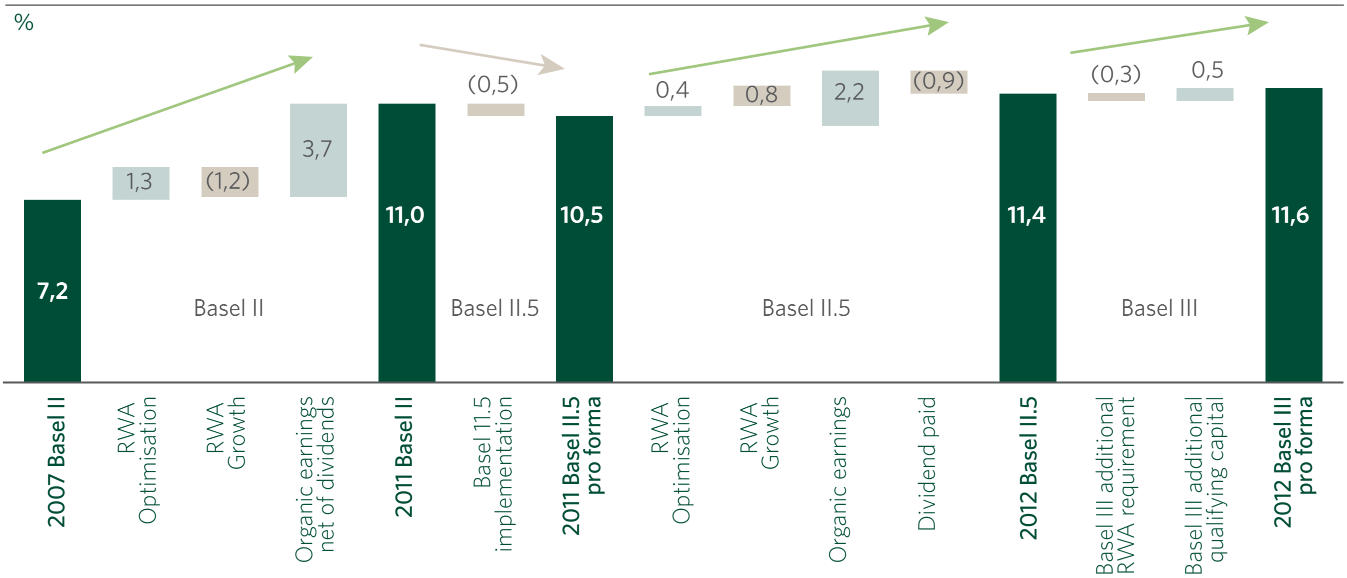
REGULATORY CAPITAL ADEQUACY

Nedbank Group regulatory capital adequacy



[1] Surplus (R billion) above regulatory minima.
[2] Based on the minimum Basel II South African Reserve Bank (SARB) requirement (9,5%).
[3] Reduction to December 2012 due to the redemption of Tier 2 debt instruments (R1,8bn), without replacement.

Historical trend of increasing Common Equity Tier 1[1]



[1] *Including unappropriated profits.*

- The graphs above demonstrate Nedbank's track record of consistent strong organic capital generation from solid earnings growth and returns, risk-weighted assets (RWA) optimisation and strategic portfolio management within the group's key strategic focus area of Portfolio Tilt.
- The impact of Basel II.5, implemented on 1 January 2012, was fully absorbed with Common Equity Tier 1 (CET1) at 11,4% at year-end (2011: pro forma 10,5%).
  - During 2012 the SARB approved migration from the Standardised Approach (TSA) to the Advanced Internal Ratings-based (AIRB) Approach for measuring credit risk for the Motor Finance Corporation (MFC) portfolio, resulting in R8,8bn of RWA optimisation (reduction).
  - This was offset by the impact of Basel II.5, specifically increases in RWA due to the 1,06 scaling factor for credit risk (R11,6bn) and stressed Value at Risk (VaR) for market risk (R3,4bn), as well as an increase in operational risk RWA (R5,9bn) due to an update in the calculation of the Advanced Measurement Approach (AMA) floor.

Capital adequacy ratios

%	Basel II.5 SARB minimum	Basel II.5 target ranges	Basel III target ranges	Nedbank Group 2012 Basel III[1]	2012 Basel II.5	2011 Basel III[1]	2011 Basel II.5[2]	2011 Basel II	Nedbank Limited 2012 Basel II.5	2011 Basel II.5[2]	2011 Basel II
Including unappropriated profits											
Common Equity Tier 1		7,5 – 9,0	10,5 – 12,5	11,6	11,4	10,5	10,5	11,0	11,2	10,1	10,7
Tier 1		8,5 – 10,0	11,5 – 13,0	13,1	12,9	12,2	12,0	12,6	12,9	11,8	12,5
Total		11,5 – 13,0	14,0 – 15,0	15,1	14,9	15,0	14,6	15,3	15,3	14,9	15,8
Excluding unappropriated profits											
Common Equity Tier 1	5,25				11,2		9,8	10,3	11,1	9,5	10,1
Tier 1	7,00				12,7		11,4	11,9	12,8	11,2	11,9
Total	9,50				14,7		14,0	14,7	15,2	14,3	15,1

[1] *Pro forma Basel III.*

[2] *Pro forma Basel II.5.*

- Nedbank Group capital adequacy ratios (CARs) increased to a Basel II.5 CET1 of 11,4% (2011: 11,0% under Basel II) and Tier 1 of 12,9% (2011: 12,6% under Basel II). The Total CAR decreased to 14,9% (2011: 15,3% under Basel II) due to the redemption, without replacement of the following Tier 2 bonds: NED 07 (R650m) in February 2012, NED 10 (R500m) in August 2012, and NED 12A (R500m) and NED 12B (R120m) in December 2012.
- As discussed earlier, Nedbank's capital ratios strengthened significantly in 2012 after the implementation of Basel II.5, which had a negative impact on CET1 and Total CARs of 50 basis points (bps) to 70bps, respectively.
- In line with regulation 38(10) of the Banks Act, profits do not qualify as regulatory capital, unless formally appropriated by the board by way of a resolution. Accordingly, capital ratios are shown above, both including and excluding unappropriated profits.
- Consolidation of all entities for accounting purposes is in accordance with the International Financial Reporting Standards (IFRS) and for regulatory purposes is in accordance with the requirements of Basel II.5, the Banks Act and accompanying regulations. There are some differences in the basis of consolidation for accounting and regulatory purposes. These include the exclusion of certain accounting reserves [the foreign currency translation (FCT), shared-based payments (SBP), property revaluation (PR) and available for sale (AFS)], the deduction of the investment in insurance entities and the exclusion of trusts that are consolidated in terms of IFRS but are not currently subject to regulatory consolidation.
  - Refer to the table, 'Summary of qualifying capital and reserves' on page 23b for differences in the basis of consolidation for accounting and regulatory purposes. However, in accordance with the South African regulations incorporating the Basel III requirements, the FCT, SBP, PR and AFS reserves qualify as capital from 1 January 2013.
  - The FCT, SBP, PR and AFS reserves that arise in the consolidation of entities in terms of IFRS amounted to R3,4bn at year-end (2011: R2,9bn).

Summary of RWA, minimum required capital (MRC) and surplus capital adequacy position for Nedbank Group

Risk type Rm	2012[4] RWA	2012[4] Mix (%)	2012[4] MRC[1]	2011[5] RWA	2011[5] Mix (%)	2011[5] MRC[1]
Credit risk	265 930	74	25 263	249 960	75	23 746
Advanced Internal Ratings-based Approach	242 395	67	23 028	192 167	58	18 256
Corporate, sovereign, bank, SME[3]	123 927	34	11 773	107 379	32	10 201
Residential mortgages	42 987	12	4 084	41 618	13	3 954
Qualifying revolving retail	10 680	3	1 015	8 957	3	851
Other retail	64 801	18	6 156	34 213	10	3 250
Standardised Approach	23 535	7	2 236	57 793	17	5 490
Corporate, sovereign, bank, SME[3]	17 213	5	1 635	17 061	5	1 621
Retail exposures	6 322	2	601	40 732	12	3 870
Counterparty credit risk						
Current exposure method	3 403	1	323	2 352	1	223
Securitisation risk						
Internal Ratings-based Approach	1 542	<1	146	800	<1	76
Equity risk						
Market-based Simple Risk-weight Approach	15 775	4	1 499	14 451	5	1 373
Listed (300% risk weighting)	1 704	<1	161	2 387	1	227
Unlisted (400% risk weighting)	14 071	4	1 338	12 064	4	1 146
Trading market risk						
Internal Model Approach	5 295	1	503	3 775	1	359
Operational risk	52 135	15	4 953	46 251	14	4 394
Advanced Measurement Approach	48 956	14	4 651	38 567	12	3 664
The Standardised Approach	3 179	1	302	7 684	2	730
Other assets						
100% risk weighting	15 578	4	1 480	14 391	4	1 367
Total RWA	359 658	100		331 980	100	
Total MRC (9,5%)			34 168			31 538
Pillar 1 MRC (8,0%)			28 773			26 558
Pillar 2A MRC (1,5%)			5 395			4 980
Total qualifying capital and reserves[2]			53 483			50 894
Total surplus capital over MRC			19 315			19 356
Analysis of total surplus capital[2]						
Common Equity Tier 1			22 032			18 975
Tier 1			21 051			18 478
Total			19 315			19 356

1 *Total MRC is measured at 9,5% in line with SARB regulations and circular 5/2011.*
2 *Includes unappropriated profits.*
3 *SME = small and medium sized enterprises.*
4 *Basel II.5.*
5 *Basel II.*

- Total RWA increased by R27,7bn during 2012, representing 8% growth for the year, on the back of the following:
  - Credit risk (including counterparty credit risk and securitisation risk) RWA increased by R17,8bn mainly as a result of the implementation of the Basel II.5 1,06 scaling factor and advances growth of 5,6% for the year. This was offset to a degree by the migration of the MFC book from TSA to the AIRB Approach.
  - The significant increase in securitisation RWA over the period was based on the implementation of Basel II.5 in January 2012. Basel II.5 required higher risk weightings for resecuritised exposures as well as the inclusion of a 1,06 scaling factor to be applied to all AIRB exposures.
  - Equity risk RWA increased by R1,3bn mainly as a result of the revaluation of various equity holdings.

- Market risk RWA increased by R1,5bn mainly as a result of the implementation of the Basel II.5 stressed VaR requirements from 1 January 2012.
- Operational risk RWA increased by R5,9bn largely due to an update in the calculation of the AMA floor.
- RWA declined under TSA due to the migration of the Imperial Bank Limited portfolio from TSA to AMA in line with regulatory approval.

Summary of qualifying capital and reserves

Including unappropriated profits	Nedbank Group		Nedbank Limited	
Rm	2012	2011	2012	2011
Total Tier 1 capital (primary)	46 227	41 717	40 330	36 693
Common Equity Tier 1 capital	40 915	36 404	35 017	31 380
Ordinary share capital and premium	16 490	16 389	17 461	14 461
Minority interest: ordinary shareholders	220	178		
Reserves	37 460	32 558	23 077	21 913
Deductions	(13 255)	(12 721)	(5 521)	(4 994)
Impairments	(225)	(263)	(463)	(444)
Goodwill	(5 041)	(4 996)	(1 410)	(1 410)
Capitalised software development costs	(2 458)	(2 211)	(2 421)	(2 157)
Other intangibles	(422)	(571)		
Excess of downturn expected loss over provisions (50%)	(542)	(729)	(626)	(802)
AFS reserves	(126)	(77)	(9)	(9)
FCT reserves	(599)	(441)	(9)	(9)
SBP reserves	(1 334)	(975)	402	823
Property revaluation reserves	(1 383)	(1 370)	(985)	(969)
Capital held in insurance entities (50%)	(704)	(669)		
Other regulatory differences	(421)	(419)		(17)
Additional Tier 1 capital	5 313	5 313	5 313	5 313
Preference share capital and premium	3 561	3 561	3 561	3 561
Hybrid debt capital instruments	1 752	1 752	1 752	1 752
Tier 2 capital (secondary)	7 256	9 177	7 636	9 540
Long-term debt instruments	7 735	9 502	7 732	9 500
Property revaluation reserves (50%)	691	685	492	485
General allowance for credit impairments	76	401	38	370
Deductions	(1 246)	(1 411)	(626)	(815)
Capital held in insurance entities (50%)	(704)	(669)		
Excess of downturn expected loss over provisions (50%)	(542)	(729)	(626)	(802)
Other regulatory differences		(13)		(13)
Total qualifying capital and reserves	53 483	50 894	47 966	46 233
Excluding unappropriated profits				
Common Equity Tier 1 capital	40 206	34 206	34 829	29 440
Total Tier 1 capital (primary)	45 518	39 519	40 142	34 753
Total qualifying capital and reserves	52 774	48 696	47 778	44 293

- The Nedbank Group total qualifying capital and reserves increased by R2,6bn mainly on the back of strong organic headline earnings of R7,5bn for the year. This was partially offset by the following:
  - The payment of the 2011 final dividend in April 2012 (R1,7bn) as well as the 2012 interim ordinary dividend paid in September 2012 (R1,7bn).
  - The redemption of Tier 2 debt during the year, as detailed earlier, amounting to R1,8bn, without replacement.

- With the implementation of Basel III on 1 January 2013 the following changes arise in Nedbank Group's qualifying capital and reserves:
  - Reserves currently not qualifying as capital, ie FCT, AFS, SBP and PR, will qualify and will result in an additional capital supply of R3,4bn.
  - The revised treatment of Investments in financial and insurance entities as per Regulation 38(5)(b)(i), such that instead of a full deduction against capital, the investments will be recognised as capital up to a limit of 10% of CET1 capital (after application of specified adjustments). This will be a benefit for Nedbank Group.
  - Defined benefit pension fund assets will be introduced as a deduction against CET1 capital.
  - The excess of provisions over expected loss will be fully deducted against CET1 capital, as opposed to 50% against CET1 and 50% against Tier 2 under Basel II.
  - Existing preference shares will not qualify as Additional Tier 1 capital after 1 January 2013 as they do not meet the 'loss absorbent requirements'. They will, however, qualify for grandfathering with effect from this date, being phased out evenly over ten years.
  - The bank's current Tier 2 debt will not qualify for inclusion as capital because it does not meet the Basel III loss-absorbent requirements. It will, however, qualify for grandfathering and be phased out evenly over ten years from 1 January 2013.
  - Existing hybrid debt will no longer qualify as primary capital with effect from 1 January 2015 as per the South African regulations and is being phased out from 1 January 2012. This will, however, only impact Nedbank in 2015, due to hybrid debt levels being below the maximum 2012 – 2014 SARB limit.

Summary of regulatory capital adequacy of all banking subsidiaries

- The summary below provides all other banking subsidiaries' regulatory capital positions, reported based on their home country requirements.

Regulatory capital as % of RWA	Capital requirement (host country) %	2012 RWA Rm	2012 CET1 ratio %	2012 Total capital ratio %	2011 RWA Rm	2011 CET1 ratio %	2011 Total capital ratio %
Nedbank Namibia Limited[1]	10,0	5 423	14,4	16,6	5 590	11,4	14,3
Nedbank Private Wealth (IOM) Limited[3]	10,0	4 637	14,8	15,3	2 451	15,1	15,4
Nedbank Private Wealth Limited Jersey Branch[3]					1 484	16,7	17,3
Nedbank (Swaziland) Limited[1,2]	8,0	1 724		20,6	1 907		16,3
MBCA Bank Limited[1,2]	10,0	1 199		20,2	1 076		15,5
Nedbank (Lesotho) Limited[1,2]	8,0	1 102		23,6	961		24,2
Nedbank (Malawi) Limited[1,2]	10,0	165		26,2	212		31,8

[1] *Updated quarterly.*
[2] *CET1 ratios are not calculated/included in the host country capital adequacy returns being submitted in the respective jurisdictions.*
[3] *Consolidated in Nedbank Private Wealth (IOM) Limited from 31 December 2012 due to it no longer being a separate legal entity but a branch of Nedbank Private Wealth (IOM) Limited.*

- The capitalisation of all these banking entities is deemed adequate, all have conservative risk profiles and risk appetites, and are managed, monitored and integrated within the group's Enterprisewide Risk Management Framework (ERMF) and Internal Capital Adequacy Assessment Process (ICAAP).

EXTERNAL CREDIT RATINGS

Fitch ratings

- On 19 July 2012 the Nedbank Group Limited (NBG) and Nedbank Limited (NBL) long-term foreign currency and local issuer default ratings (IDRs) were upgraded by Fitch to BBB+ from BBB, viability ratings to bbb+ from bbb and the national long-term ratings to 'AA(zaf)' from 'AA–(zaf)'.
- This upgrade to Nedbank's ratings reflects Fitch's positive view that these entities' credit profiles have converged with their peers.
- However, on 15 January 2013, Fitch announced that the NBG and NBL long-term foreign currency and local currency IDR were downgraded to BBB from BBB+. The viability rating was downgraded to bbb from bbb+ and the national long-term rating was affirmed at AA(zaf).
- The downgrade of Nedbank's IDR and viability rating is in line with the downgrade of all the five major South African banks and follows the downgrade of the sovereign's rating. The downgrade of these entities' credit profiles is the result of their high concentration to South Africa given the high proportion of liquid assets in government securities and a weakening operating environment.
- The outlook on Nedbank's credit ratings is stable in line with that of the five major banks. The rating agency highlighted that the viability ratings and IDRs of the five major South African banks could be sensitive to a material weakening of asset quality and long-term earnings potential in an uncertain economic environment and/or reduction in capital.

	Nedbank Group Limited January 2013	**Nedbank Limited** January 2013
Support	2	2
Foreign currency		
Short-term	F3	F3
Long-term	BBB	BBB
Long-term rating outlook	Stable	Stable
Local currency		
Long-term	BBB	BBB
Long-term rating outlook	Stable	Stable
National		
Short-term	F1+(zaf)	F1+(zaf)
Long-term	AA(zaf)	AA(zaf)
Long-term rating outlook	Stable	Stable

Moody's ratings

- On 4 October 2012 Moody's Investors Service (Moody's) downgraded the five major South African banks by one notch due to the challenging operating environment.
- In December 2012 Moody's changed the outlook for South Africa's banking system to negative from stable. The rating agency quoted the following driving factors for the downgrade:
  - Weak macroeconomic conditions which will elevate credit risks and pressure asset quality and profitability.
  - Sizeable holdings of government securities which link the bank's credit profile to the sovereign's creditworthiness.
  - The bank's increasing reliance on short-term wholesale deposits, which underpins structural funding challenges likely to be exacerbated by Basel III funding requirements.

	Nedbank Limited October 2012
Bank financial-strength rating	C-
Outlook – financial-strength rating	Stable
Global local currency – long-term deposits	A3
Global local currency – short-term deposits	P-2
Outlook – local currency deposit ratings	Negative
Foreign currency – long-term bank deposits	Baa1
Foreign currency – short-term bank deposits	P-2
Outlook – foreign currency deposit rating	Negative
National scale rating – long-term deposits	Aa2.za
National scale rating – short-term deposits	P-1.za

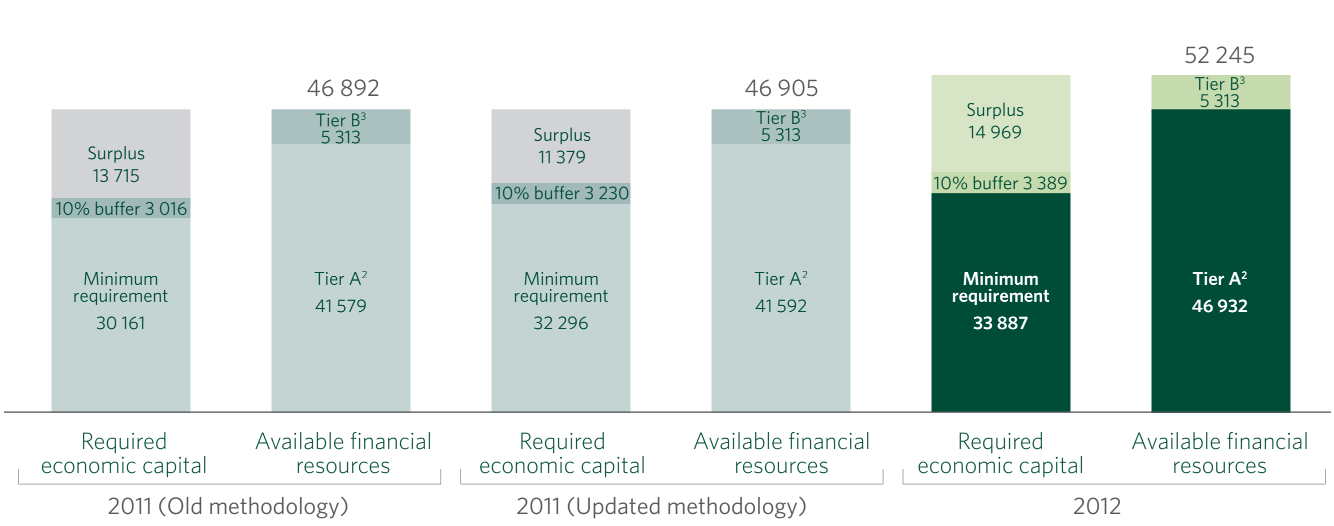
Standard & Poor's ratings

- In October 2012 Standard & Poor's Rating Services (Standard & Poors) downgraded South Africa's sovereign long-term foreign currency credit rating to BBB from BBB+. The negative outlook remained unchanged. The rating agency attributed the downgrade to the 'uncertain' global and domestic environment as well as the political, economic and social implications of widespread strikes.
- Nedbank Limited extended its external credit ratings coverage in 2012 by engaging Standard & Poors to also provide formal ratings.
- On 10 December 2012 Standard & Poors assigned its bbb/A-2 long- and short-term counterparty credit rating to Nedbank Limited, reflecting Nedbank's adequate business position, capital earnings, liquidity and risk position and average funding profile. This is in line with both FirstRand Bank Limited and Standard Bank of South Africa Limited. Standard & Poors also assigned its zaAA/zaA-1 South African national scale ratings to Nedbank Limited.
- As with its peer banks, the outlook on Nedbank's credit ratings is negative and reflects the outlook assigned to the sovereign. The rating agency believes that outside a sovereign downgrade, there is limited pressure on the ratings given Nedbank's stable business profile and improving capitalisation.

	Nedbank Limited December 2012
Counterparty credit rating – long and short term	BBB/A-2
Outlook – counterparty credit rating	Negative
South Africa national scale	zaAA/zaA-1

ECONOMIC CAPITAL ADEQUACY AND ICAAP

Nedbank Group economic capital adequacy[1]



[1] *Including unappropriated profits.*
[2] *Tier A AFR = CET1-type regulatory capital.*
[3] *Tier B AFR = Additional Tier 1-type regulatory capital but excludes Tier 2 regulatory capital.*

- Nedbank Group's ICAAP confirms that both Nedbank Group Limited and Nedbank Limited are capitalised above their current 'A' or 99,93% target debt rating (solvency standard) in terms of their proprietary economic capital methodology.
  - This includes a surplus of R15,0bn even after a 10% capital buffer is added, determined in accordance with the group's comprehensive Stress and Scenario Testing Framework.
- Several enhancements were made to the group's 2012 economic capital and capital allocation methodology. The 'old methodology' 2011 results, shown in the graph above and tables that follow, reflect the economic capital before implementing these changes, whereas the 'updated methodology' 2011 results reflect the impact on economic capital after incorporating these changes, and so are comparable with the 2012 results.

- The enhancements made to the group's economic capital methodology in 2012, and which impact the capital allocated to the business clusters, include the following:
  - Update of interest rate risk in the banking book (IRRBB) economic capital based on a new IRRBB model following the implementation of a more sophisticated calculation.
    - Due to Nedbank Group's conservative approach to risk management, the decision was taken to disregard inter-risk diversification for IRRBB.
  - Update of operational risk figures, which entails the update of AMA data, including the modelling of Nedbank Wealth as a separate cluster as it was previously included under Nedbank Retail.
  - Implementation of a refined transfer risk model.
    - Due to Nedbank Group's conservative approach to risk management, the decision was taken to disregard inter-risk diversification for transfer risk.
  - In addition to the above economic capital methodology changes, the following were implemented in allocating the group's total ordinary shareholders' equity to the various Nedbank business clusters:
    - The cap was increased from 10% to 11% to limit the maximum total capital allocated to the business clusters to the lower of actual capital and an equivalent 11% CET1 ratio of the group, with any excess above 11% being held at the centre. This is in response to the higher operating capital levels resulting from Basel III.
    - The regulatory deduction 'excess of downturn expected loss over eligible provisions' was allocated to the relevant generating business from where it arises.
    - Capital held against intangible assets is allocated to the relevant business from where it arises.
    - Capital held against goodwill acquired after 1 January 2012 will be allocated to the relevant business in which the investment resides.
- In line with Basel III, capital held in insurance entities is no longer deducted from available financial resources (AFR).
- Definitions and details on Nedbank Group's risk types and economic capital methodology are contained in the group's Pillar 3 Report.

Economic capital requirements and available financial resources

Nedbank Group	2012 Rm	2012 Mix (%)	2011 (Updated methodology) Rm	2011 (Updated methodology) Mix (%)	2011 (Old methodology) Rm	2011 (Old methodology) Mix (%)
Credit risk	19 765	58	18 936	59	18 997	63
Counterparty credit risk	195	1	55	<1	55	<1
Securitisation risk[1]	33	<1	47	<1	47	<1
Transfer risk	6	<1	8	<1	118	<1
Market risk	5 193	15	5 375	17	3 499	12
Trading risk	442	1	447	1	447	2
IRRBB	1 871	6	1 902	6	22	<1
Property risk	1 505	4	1 428	4	1 430	5
Equity investment risk	1 305	4	1 532	5	1 533	5
FCT risk	70	<1	66	<1	67	<1
Business risk	5 467	16	4 670	15	4 664	16
Operational risk	2 435	7	2 390	7	1 966	7
Insurance risk	256	1	188	1	188	1
Other assets risk	537	2	627	2	627	2
Minimum economic capital requirement	33 887	100	32 296	100	30 161	100
Add: capital buffer (10%)[2]	3 389		3 230		3 016	
Total economic capital requirement	37 276		35 526		33 177	
AFR	52 245	100	46 905	100	46 892	100
Tier A capital[4]	46 932	90	41 592	89	41 579	89[3]
Tier B capital[5]	5 313	10	5 313	11	5 313	11
Total surplus AFR	14 969		11 379		13 715	

[1] *Nedbank Retail 2011 securitisation economic capital is now separately disclosed. This was previously included under credit risk.*
[2] *Determined based on the group's ICAAP, approved by the board of directors.*
[3] *Tier A capital restated for 'Other adjustments'.*
[4] *Tier A AFR = CET1-type regulatory capital.*
[5] *Tier B AFR = Additional Tier 1-type regulatory capital, but excludes Tier 2 regulatory capital.*

- When comparing the December 2011 results, updated versus old methodology, Nedbank Group total economic capital requirement (including a 10% buffer) increased by R2,3bn, largely due to the following:
  - The impact of the more granular stochastic modelling of IRRBB (an additional R1,9bn in economic capital), including the disregard of inter-risk diversification for this risk type.
  - The R0,4bn increase in operational risk following the December 2011 AMA update.
  - The marginal changes in other risk types were mainly as a result of the impact of inter-risk diversification.
- When comparing December 2012 results to December 2011 based on the updated methodology, total Nedbank Group economic capital requirements (including a 10% buffer) increased by R1,8bn largely due to the following:
  - Business risk increased by R0,8bn following an annual update of business risk parameters and the 12-month rolling income and expense forecasts, given the stronger earnings growth.
  - Credit risk economic capital increased by R0,8bn over the period mainly due to asset growth.
- AFR increased by R5,4bn for Nedbank Group and was mainly due to increased organic earnings growth for the year and an improvement in the excess of IFRS provisions over through-the-cycle (TTC) expected loss. The reduction in TTC expected loss was due to the decreases in defaulted advances over the period as well as the implementation of the AIRB Approach for the Motor Finance Corporation (MFC) portfolio. For economic capital purposes MFC was always on the AIRB Approach, however the new model, which is now used for regulatory purposes, replaced the previous model used. The new model lowered the loss-given default (LGD) on this portfolio.

Nedbank Group AFR analysis

Rm	2012	2011[1] (Updated methodology)	2011[1] (Old methodology)
Tier A capital	46 932	41 592	41 579
Ordinary share capital and premium	16 490	16 389	16 389
Minority interest: ordinary shareholders	220	178	178
Reserves	37 460	32 558	32 558
Retained income	33 877	29 569	29 569
Non-distributable reserves	141	126	126
AFS reserves	126	77	77
FCT reserves	599	441	441
SBP reserves	1 334	975	975
PR reserves	1 383	1 370	1 370
Deductions	(8 567)	(8 473)	(8 473)
Impairments	(225)	(263)	(263)
Goodwill	(5 041)	(4 996)	(4 996)
Capitalised software development costs	(2 458)	(2 211)	(2 211)
Other intangibles	(422)	(571)	(571)
Other adjustments	(421)	(432)	(432)
Excess of IFRS provisions over TTC expected loss	1 329	940	927
Tier B capital	5 313	5 313	5 313
Preference shares	3 561	3 561	3 561
Hybrid debt capital instruments	1 752	1 752	1 752
Total AFR	52 245	46 905	46 892

[1] *December 2011 for Nedbank Group has been restated.*

- From a Basel III perspective 'Capital held in insurance entities (50%)' will no longer be treated as an impairment to capital. AFS, FCT, SBP and PR reserves will qualify as Common Equity Capital under Basel III. These changes have already been taken into consideration for ICAAP AFR purposes.

Risk-based capital allocation to the business clusters[1]

Rm	Nedbank Capital			Nedbank Corporate			Nedbank Business Banking		
	2012	2011 New	2011 Old	2012	2011 New	2011 Old	2012	2011 New	2011 Old
Credit risk	**1 576**	1 574	1 579	**3 765**	2 944	3 405	**1 964**	1 995	2 000
Counterparty credit risk	**31**	37	41	**18**	15	16	**8**	10	10
Securitisation risk[3]	**9**	13	13						
Transfer risk	**1**	3	66	**2**	3	28			
Market risk	**1 191**	1 349	1 243	**534**	558	542	**384**	442	5
Trading risk	**419**	423	423			23			
IRRBB risk	**104**	113	2	**88**	94	4	**379**	439	2
Property risk						41	**5**	3	3
Investment risk	**632**	784	790	**446**	464	466			
FCT risk	**36**	28	28			8			
Business risk	**684**	714	713	**854**	632	702	**647**	483	483
Operational risk	**517**	524	530	**478**	454	515	**273**	277	419
Insurance risk									
Other assets risk	**37**	37	37	**88**	68	89	**7**	6	7
Minimum economic capital requirement	**4 046**	4 251	4 222	**5 739**	4 674	5 297	**3 283**	3 214	2 924
Intangible assets	**378**	328		**367**	478		**80**	81	
Excess of downturn expected loss over Provisions	**(31)**	(8)		**(8)**	2		**65**	81	
Goodwill									
Excess of CET1 over 11% of Total RWA[4]									
Residual allocated buffer[5]	**1 239**	857	1 113	**1 991**	1 272	1 399	**973**	689	772
Total capital allocated	**5 632**	5 428	5 335	**8 089**	6 426	6 696	**4 401**	4 066	3 696

[1] *Summary of average year-to-date capital allocation at December 2012 versus December 2011 based on updated methodology (by business cluster) using average year-to-date capital consumption.*
[2] *Rest of Africa reported as a part of Central Management from January 2012.*
[3] *Nedbank Retail 2011 securitisation economic capital separately disclosed.*
[4] *Excess of CET1 over 10% of total RWA for December 2011 (ie Old methodology).*
[5] *The residual capital allocation is made to align the capital allocated to business clusters fully with the ordinary shareholders' equity of the group, taking into account a capital buffer for stress testing.*

- Risk-based economic capital allocation to the business clusters has been in place since 2008 for risk-adjusted performance measurement and remuneration purposes. It is a fundamental component in the measurement of the businesses' contributions to economic profit and risk-based return on equity (ROE).
- The economic capital enhancements in 2012, as discussed earlier, resulted in an overall increase in capital allocated to the frontline clusters, with a corresponding decrease to capital held centrally but with no effect on Nedbank Group. This has resulted in a general reduction in cluster ROEs, offset to a degree by the related increase in endowment income.
  - Nevertheless, despite these higher capital levels mainly as a result of Basel III, all the above frontline clusters' ROEs remain above 20% except Nedbank Retail, which is being strategically repositioned and is building momentum with its ROE increasing from 10,8% to 12,1%.
  - Nedbank Wealth's ROE was impacted the most by the enhancements, due to relatively significant intangible assets allocated to the cluster resulting from the insurance entity acquisitions of 2009.
- Nedbank Corporate credit economic capital increased by R0,8bn year-on-year largely as a result of an upward revision of the overall capitalisation rate of the property finance portfolio including the former Imperial Bank property finance book, to a level management believed to be more appropriate (ie a qualitative overlay) similar to the revision for Retail Home Loans in 2010.
- Credit economic capital for Central Management, including Nedbank Rest of Africa, increased by R0,5bn when comparing December 2012 to December 2011 mainly as a result of the loan to Ecobank Transnational Incorporated (ETI) in November 2011. The loan was carried throughout 2012 and the associated credit economic capital increased due to a weakening ZAR as the loan is USD-denominated.

Nedbank Retail			Nedbank Wealth			Central Management including Rest of Africa[2]			Nedbank Group		
2012	2011 New	2011 Old	2012	2011 New	2011 Old	2012	2011 New	2011 Old	2012	2011 New	2011 Old
10 849	10 354	10 387	585	638	641	1 026	524	65	19 765	18 029	18 077
						71			128	63	67
29	40	40							38	53	53
						1		14	4	6	108
1 109	1 249	168	196	209	138	1 672	1 538	1 379	5 086	5 346	3 475
			2	2	2	22	23		443	448	448
993	1 094	13	52	77	1	96	85		1 712	1 903	22
111	150	150	9	6	6	1 398	1 272	1 232	1 523	1 431	1 432
5	5	5	112	106	111	144	146	141	1 339	1 506	1 513
			21	18	18	12	12	6	69	59	60
2 427	2 281	2 278	415	293	293	105	71	1	5 132	4 475	4 470
324	329	407	165	191	50	646	635	61	2 403	2 410	1 982
			194	201	201				194	201	201
147	151	150	44	41	43	249	293	267	572	597	593
14 885	14 405	13 430	1 599	1 574	1 366	3 770	3 062	1 787	33 322	31 180	29 026
839	814		508	555		645	299	2 544	2 817	2 554	2 544
655	710		10	7		(84)	(34)		607	757	
						5 011	4 974	4 974	5 011	4 974	4 974
						115		2 051	115		2 051
4 698	3 353	3 533	303	228	248	2 875	3 083	3 287	12 078	9 482	10 352
21 077	19 282	16 963	2 420	2 363	1 614	12 332	11 383	14 643	53 950	48 947	48 947

COST OF EQUITY

- Nedbank Group has applied a cost of equity (COE) of 13,1% in 2012 (2011: 13,0%) and revised its COE to 13,0% for 2013 following a review of the COE components, based on the Capital Asset Pricing Model (ie risk-free rate, beta, and equity risk premium) and in consideration of the approach followed by the group's parent company (Old Mutual plc), average investment analysts' consensus and management's judgement.

Credit Risk

- The global economic slowdown continued for most of 2012 with recessionary conditions in many advanced economies negatively affecting growth in leading emerging economies such as China, India and Brazil. Signs of improvement in various geographies emerged in the fourth quarter of the year, giving rise to cautious optimism that global economic conditions may stabilise and potentially start to improve in 2013.
- South Africa's gross domestic product (GDP) is expected to have grown at around 2,5% in 2012 after expanding 3,1% in 2011. Concerns around the operating environment and infrastructure constraints, the widening current account deficit, rising national debt, higher inflation, high levels of unemployment and declining trends in competitiveness with wage settlements outpacing productivity were included in the rationale by international rating agencies Moody's, Standard & Poor's and Fitch Ratings for the downgrade of South Africa's sovereign debt rating, placing pressure on the rand. Domestic bond yields have, however, remained stable.
- Households remained the primary driver of private sector credit demand with the unexpected 50 basis points (bps) reduction in interest rates in July 2012 providing some relief for highly indebted consumers against rising electricity, food and fuel costs. Growth rates in unsecured lending are slowing as expected.
- Corporate credit demand improved towards the end of the year as the recovery in public sector infrastructure spending supported industries producing capital goods and other inputs for local projects, although corporates on the whole remained cautious, contained by a weak Eurozone and a relatively sluggish domestic economic environment.

SUMMARY OF LOANS AND ADVANCES BY CLUSTER

2012 Rm	Gross[3]	Total impairments	Mix %	Net[3]	Mix %
Nedbank Capital	82 913	(419)	4	82 494	16
Trading book	29 762			29 762	6
Banking book	53 151	(419)	4	52 732	10
Nedbank Corporate[2]	163 626	(896)	8	162 730	31
Total Nedbank RBB[1]	259 903	(9 141)	84	250 762	47
Nedbank Business Banking	61 375	(1 260)	12	60 115	11
Nedbank Retail	198 528	(7 881)	72	190 647	36
Nedbank Wealth	19 976	(112)	1	19 864	4
Central Management including Rest of Africa[2]	11 618	(302)	3	11 316	2
Total	538 036	(10 870)	100	527 166	100
2011[3]					
Nedbank Capital	69 331	(821)	7	68 510	14
Trading book	19 952			19 952	4
Banking book	49 379	(821)	7	48 558	10
Nedbank Corporate[2]	158 462	(1 191)	10	157 271	31
Total Nedbank RBB[1]	251 711	(9 107)	79	242 604	49
Nedbank Business Banking	60 364	(1 508)	13	58 856	12
Nedbank Retail	191 347	(7 599)	66	183 748	37
Nedbank Wealth	19 701	(77)	1	19 624	4
Central Management including Rest of Africa[2]	11 315	(301)	3	11 014	2
Total	510 520	(11 497)	100	499 023	100

1 *RBB = Retail and Business Banking.*

2 *Rest of Africa is reported under Central Management from January 2012. December 2011 has been restated for transfer of the Rest of Africa Division from Nedbank Corporate to the centre.*

3 *Clients' indebtedness for acceptances and liabilities for acceptances have been reclassified as loans and advances and amounts owed to depositors respectively in order to achieve improved comparability with the majority of the group's South African banking peers. These items were previously separately disclosed in the group's statement of financial position.*

- Net loans and advances grew 5,6% to R527bn (2011: R499bn), with strong growth in trading advances of 49,2%.
  - Excluding trading advances, net banking advances growth of 3,8% was largely underpinned by advances growth in Nedbank Capital and Nedbank Retail.
  - Net loans and advances growth, excluding Retail Home Loans was higher at 7,9% which is consistent with the Portfolio Tilt selective origination strategy.

- Nedbank Capital's banking advances growth was driven by the successful conversion of its robust investment banking pipeline, and increased trading advances as the interbank funding desk experienced significantly better market conditions than in the year before.
- Nedbank Retail's advances growth came from strong gains in Cards of 16,1% (2011: 9,2%) and in MFC of 10,3% (2011: 9,7%), while tightening criteria resulted in personal loans growing at a reduced rate of 28,7% (2011: 36,5%). Low consumer demand for home loans in conjunction with selective advances growth and the roll-off of the back book, led to a 5,5% reduction in the retail home loans book, with origination through own client relationships and channels being emphasised.
- Nedbank Corporate recorded favourable gross advances growth in term loans and commercial mortgages of 8,4% and 5,3% respectively, while reducing the levels of lower-yielding overnight loans.
- Continuing pressure in the small and medium enterprise (SME) environment saw Nedbank Business Banking's clients defer expansion plans, deleverage further and transact less, which, together with judicious risk management, kept gross advances growth to 1,7%.

SUMMARY OF GROSS LOANS AND ADVANCES BY BUSINESS LINE

Rm	% Change	2012	2011[3]
Nedbank Capital	19,6	82 913	69 331
Nedbank Corporate	3,3	163 626	158 462
Corporate Banking	1,6	77 263	76 012
Property Finance	4,5	84 057	80 399
Other	12,5	2 306	2 051
Nedbank RBB	3,3	259 903	251 711
Nedbank Business Banking	1,7	61 375	60 364
Nedbank Retail	3,8	198 528	191 347
Motor Finance Corporation	10,3	57 111	51 772
Home loans[1]	(5,5)	84 563	89 455
Cards	16,1	9 921	8 542
Personal Loans	28,7	22 215	17 262
Relationship Banking[2]	2,1	23 748	23 263
Other	(7,9)	970	1 053
Nedbank Wealth	1,4	19 976	19 701
Central Management including Rest of Africa	2,7	11 618	11 315
Nedbank Group	5,4	538 036	510 520

1 *Home loans represents a specific business unit within Nedbank Retail. This excludes home loans in the Nedbank Retail Relationship Banking business unit.*
2 *Nedbank Retail Relationship Banking includes Small Business Services (SBS) and Personal Relationship Banking.*
3 *Clients' indebtedness for acceptances and liabilities for acceptances have been reclassified as loans and advances and amounts owed to depositors, respectively in order to achieve improved comparability with the majority of the group's South African banking peers. These items were previously separately disclosed in the group's statement of financial position.*

SUMMARY OF LOANS AND ADVANCES BY PRODUCT

Rm	2012 Change %	2012 Rm	2012 Mix %	2011[2] Rm	2011[2] Mix %
Home loans[1]	(2,6)	136 301	25,3	139 923	27,4
Commercial mortgages[1]	5,4	97 732	18,2	92 719	18,2
Leases and installment sales	6,5	75 764	14,1	71 168	13,9
Cards	15,6	10 019	1,9	8 666	1,7
Overdrafts	4,1	13 694	2,5	13 152	2,6
Properties in possession	(7,2)	574	0,1	619	0,1
Term loans	13,3	88 354	16,5	77 980	15,3
Personal Loans	28,7	22 969	4,3	17 847	3,5
Other term loans	8,7	65 385	12,2	60 133	11,8
Overnight loans	(4,0)	18 341	3,4	19 104	3,7
Other loans to clients	(1,9)	51 482	9,6	52 463	10,3
Preference shares and debentures	(5,6)	16 948	3,1	17 960	3,5
Factoring accounts	16,7	4 461	0,8	3 822	0,8
Deposits placed under reverse repurchase agreements	88,5	24 338	4,5	12 911	2,5
Trade, other bills and bankers' acceptances	(15,2)	28	<0,1	33	<0,1
Gross loans and advances	5,4	538 036	100,0	510 520	100,0
Total impairments	(5,5)	(10 870)		(11 497)	
Net loans and advances	5,6	527 166		499 023	

[1] *Certain mortgages within Nedbank Wealth Cluster, previously disclosed as home loans, have been reclassified and disclosed as commercial mortgages for the period ended December 2011. This reclassification has no effect on total loans and advances balances within the group.*

[2] *Clients' indebtedness for acceptances and liabilities for acceptances have been reclassified as loans and advances and amounts owed to depositors respectively in order to achieve improved comparability with the majority of the group's South African banking peers. These items were previously separately disclosed in the group's statement of financial position.*

SUMMARY OF EXPOSURE TO BANKS IN THE EUROZONE

- In view of the ongoing uncertainty and concerns in the Eurozone, a summary of Nedbank Group's exposure to that region, and specifically to banks in Portugal, Italy, Ireland, Greece and Spain (the PIIGS), is provided below.

Rm	2012	Exposure as a % of balance sheet credit exposure	2011	Exposure as a % of balance sheet credit exposure
Total exposure to banks in the PIIGS	161	0,03	261	0,04
Portugal	1	<0,01	14	<0,01
Italy	52	0,01	201	0,03
Ireland				
Greece				
Spain	108	0,02	46	<0,01
France	4 723	0,75	4 813	0,80
Other	3 666	0,58	4 663	0,78
Total exposure to banks in the Eurozone[2]	8 550	1,36	9 737	1,62
Sovereign exposure	45 502	7,23	49 613	8,25
South African government[1]	43 314	6,88	47 685	7,93
Other countries	2 188	0,35	1 928	0,32

[1] *Predominantly comprising statutory liquid asset requirements.*
[2] *Includes the 17 European Union member states that have adopted the Euro as their common currency.*

- Nedbank Group's exposure to the PIIGS countries remains very low, decreasing to R161m (2011: R261m).
- The extent of total Eurozone exposure is only 1,36% (2011: 1,62%) of total balance sheet credit exposure.
- The decrease in direct South African sovereign exposure is due to a decrease in the net trading positions of South African government bonds.

BALANCE SHEET CREDIT EXPOSURE ANALYSIS

Reconciliation of gross loans and advances to summarised Basel III balance sheet exposure[2] by business cluster and asset class

Rm	Nedbank Capital[1]	Nedbank Corporate[1]	Total Nedbank RBB
Advanced Internal Rating-based (AIRB) Approach	106 186	157 665	251 089
Corporate	30 102	82 195	8 792
Specialised lending – high-volatility commercial real estate (HVCRE)		5 158	
Specialised lending – income-producing real estate (IPRE)	2	47 747	3 271
Specialised lending – commodity finance	150		
Specialised lending – project finance	4 080		
SME – corporate	432	5 787	14 999
Public sector entities	6 803	9 610	162
Local governments and municipalities	826	6 751	1 161
Sovereign	16 774	35	
Banks	46 462	376	
Securities firms	343		
Retail mortgages			104 737
Retail revolving credit			10 456
Retail – other			80 246
SME – retail	34	6	26 889
Securitisation exposure	178		376
The Standardised Approach (TSA)[3]		5 467	5 292
Corporate		13	3
SME – corporate		5 454	1 451
Public sector entities			
Local government and municipalities			1
Sovereign			
Banks			
Securities firms			
Retail mortgages			3 132
Retail revolving credit			
Retail – other			367
SME – retail			338
Securitisation exposure			
Properties in possession		220	323
Non-regulated entities	19 380	5 529	2 074
Total Basel III balance sheet exposure[2]	125 566	168 881	258 778
Less assets included in Basel III asset classes	(42 653)	(1 462)	1 368
Derivatives	(14 558)	(99)	
Government stock and other dated securities	(14 696)	(5 537)	
Short-term securities	(13 075)		
Call money	(1 002)		116
Deposits with monetary institutions	(3 396)		
Remittances in transit	1	32	55
Fair-value adjustments	(534)	(2 546)	(198)
Other assets net of fair-value adjustments on assets	4 607	6 688	1 395
Setoff of accounts within IFRS[6] total gross loans and advances[7]		(3 793)	(243)
Total gross loans and advances[5]	82 913	163 626	259 903

[1] *Nedbank Corporate and Nedbank Capital include London Branch (AIRB Approach).*

[2] *Balance sheet credit exposure includes on-balance sheet, repurchase and resale agreements, and derivative exposure (refer to next page for details).*

[3] *A portion of the legacy Imperial Bank book, excluding the MFC book which is now on the AIRB Approach, Fairbairn Private Bank (UK) and the non-South African banking entities in Africa are covered by TSA.*

[4] *Rest of Africa reported under Central Management from January 2012.*

Nedbank Business Banking	Nedbank Retail	Nedbank Wealth	Central Management including Rest of Africa[4]	Total 2012	Mix (%)	Change (%)	Total 2011[5]	Mix (%)
55 626	195 463	13 274	29 401	557 615	88,5	15,5	482 778	80,3
8 675	117			121 089	19,2	8,8	111 309	18,5
				5 158	0,8	(15,8)	6 123	1,0
3 271		1 328		52 348	8,3	9,2	47 955	8,0
				150	<0,1	5,0	143	<0,1
				4 080	0,6	79,7	2 270	0,4
14 999		772		21 990	3,5	10,8	19 841	3,3
162				16 575	2,6	1,3	16 358	2,7
1 161				8 738	1,4	20,5	7 249	1,2
			26 891	43 700	6,9	(9,4)	48 209	8,0
			2 510	49 348	7,8	16,2	42 477	7,1
				343	0,1	>100,0	36	<0,1
5 879	98 858	9 739		114 476	18,2	(4)	119 185	19,8
	10 456	56		10 512	1,7	11,2	9 455	1,6
481	79 765	588		80 834	12,8	>100,0	25 518	4,2
20 998	5 891	791		27 720	4,4	7,3	25 829	4,3
	376			554	0,1	(32,5)	821	0,1
5 162	130	10 828	14 222	35 809	5,6	(56,5)	82 255	13,7
2	1	2	4 863	4 881	0,8	34,1	3 639	0,6
1 369	82		36	6 941	1,1	(34,3)	10 569	1,8
			110	110	<0,1	>100,0	48	<0,1
1			48	49	<0,1	48,5	33	<0,1
		179	1 623	1 802	0,3	28,3	1 404	0,2
		6 515	2 627	9 142	1,4	29,8	7 043	1,2
3 089	43	3 110	3 516	9 758	1,5	2,2	9 545	1,6
			285	285	<0,1	(99,4)	46 556	7,7
367		1 022	1 114	2 503	0,4	(26,8)	3 418	0,6
334	4			338	0,1	>100,0		
16	307	31		574	0,1	(7,3)	619	0,1
565	1 509	655	8 383	36 021	5,7	2,0	35 315	5,9
61 369	197 409	24 788	52 006	630 019	100,0	4,8	600 967	100,0
249	1 119	(4 812)	(40 388)	(87 947)		1,0	(86 853)	
			(464)	(15 121)		13,4	(13 340)	
			(12 943)	(33 176)		14,7	(28 933)	
		(5 042)	(11 444)	(29 561)		(14,4)	(34 530)	
	116	(468)	(143)	(1 497)		(58,3)	(3 592)	
			(1 061)	(4 457)		76,2	(2 529)	
5	50		105	193		(4,9)	203	
(154)	(44)			(3 278)		34,2	(2 443)	
398	997	698	(14 438)	(1 050)		(37,2)	(1 689)	
(243)				(4 036)		12,3	(3 594)	
61 375	198 528	19 976	11 618	538 036		5,4	510 520	

[5] Clients' indebtedness for acceptances and liabilities for acceptances have been reclassified as loans and advances and amounts owed to depositors respectively in order to achieve improved comparability with the majority of the group's South African banking peers. These items were previously separately disclosed in the group's statement of financial position.

[6] IFRS = International Financial Reporting Standards.

[7] Relates to the difference in the level of setoff applied under IFRS, when compared to the setoff applied to the balance-sheet-credit-exposure under Basel III.

Detailed analysis of Basel III balance sheet exposure by business cluster and asset class

- Nedbank Limited and the Nedbank London Branch now make up 95% of the total credit extended by Nedbank Group. During the second half of 2012 Nedbank received approval from the South African Reserve Bank (SARB) to use the AIRB Approach for the MFC portfolio from the legacy Imperial Bank book. This has resulted in 95% (2011: 88%) of the total credit extended by Nedbank Group being covered by the Basel III AIRB Approach.
- The remaining portion of the legacy Imperial Bank (ie in Property Finance and Nedbank Business Banking), Fairbairn Private Bank (UK) and the non-South African Nedbank African subsidiaries' credit portfolios remain on TSA, however, the group plans to move the remaining legacy Imperial Bank Business Banking and Property Finance exposures to the AIRB approach during 2013.

Summary of the components of the total Basel III balance sheet credit exposure by business cluster and asset class

December 2012 **Rm**	On-balance-sheet exposure AIRB	 TSA	Off-balance-sheet exposure AIRB	 TSA
Nedbank Capital	68 032		19 914	
Corporate	25 175		13 018	
Specialised lending – IPRE				
Specialised lending – commodity finance	150			
Specialised lending – project finance	3 764		6	
SME – corporate				
Public sector entities	6 006		210	
Local governments and municipalities	132			
Sovereign	12 554		13	
Banks	20 073		960	
Securities firms				
SME – retail				
Securitisation exposure	178		5 707	
Nedbank Corporate	157 665	5 467	66 879	30
Corporate	82 195	13	54 074	
Specialised lending – HVCRE	5 158		493	
Specialised lending – IPRE	47 747		2 477	
SME – corporate	5 787	5 454	727	30
Public sector entities	9 610		4 268	
Local governments and municipalities	6 751		635	
Sovereign	35			
Securities firms			757	
Banks	376		3 428	
SME – retail	6		20	
Nedbank Business Banking	55 626	5 162	22 423	510
Corporate	8 675	2	4 603	
Specialised lending – IPRE	3 271		401	
SME – corporate	14 999	1 369	7 480	95
Public sector entities	162		17	
Local governments and municipalities	1 161	1	1	
Retail mortgages	5 879	3 089	2 026	415
Retail – other	481	367	82	
SME – retail	20 998	334	7 813	

Repurchase and resale exposure	Derivative exposure		Total credit extended[1]		Total Basel III balance sheet credit exposure[4]		Exposure at default (EAD)	Downturn expected loss[2]	BEEL[3]
AIRB	AIRB	TSA	AIRB	TSA	AIRB	TSA	AIRB	AIRB	AIRB
24 337	13 817		126 100		106 186		96 956	116	135
2 386	2 541		43 120		30 102		40 439	75	112
	2		2		2		2	<1	
			150		150		154	<1	
	316		4 086		4 080		4 298	20	21
	432		432		432		527	7	
21	776		7 013		6 803		6 875	<1	
	694		826		826		321	<1	
4 043	177		16 787		16 774		12 845	<1	2
17 544	8 845		47 422		46 462		25 538	14	
343			343		343		21	<1	
	34		34		34		51	<1	
			5 885		178		5 885	<1	
			224 544	5 497	157 665	5 467	204 605	327	400
			136 269	13	82 195	13	119 094	160	64
			5 651		5 158		5 651	40	117
			50 224		47 747		51 700	98	51
			6 514	5 484	5 787	5 454	6 447	28	51
			13 878		9 610		13 493	<1	113
			7 386		6 751		7 257	1	
			35		35		36	<1	
			757				791	<1	
			3 804		376		118	<1	
			26		6		18	<1	4
			78 049	5 672	55 626	5 162	76 508	460	757
			13 275	2	8 675	2	12 591	75	121
			3 672		3 271		3 712	8	8
			22 479	1 464	14 999	1 369	22 320	120	104
			179		162		176	<1	
			1 162	1	1 161	1	1 206	<1	
			7 905	3 504	5 879	3 089	7 446	36	146
			563	367	481	367	518	3	18
			28 811	334	20 998	334	28 539	218	360

Summary of the components of the total Basel III balance sheet credit exposure by business cluster and asset class (continued)

December 2012 Rm	On-balance-sheet exposure AIRB	 TSA	Off-balance-sheet exposure AIRB	 TSA
Nedbank Retail	195 463	130	39 437	20
Corporate	117	1	1 479	
SME – corporate		82		14
Retail mortgages	98 858	43	18 237	6
Retail revolving credit	10 456		15 016	
Retail – other	79 765		864	
Banks				
SME – retail	5 891	4	3 841	
Securitisation exposure	376			
Nedbank Wealth	13 274	10 828	4 157	1 591
Specialised lending – IPRE	1 328	2	219	
SME – corporate	772		55	
Sovereign		179		
Banks		6 515		1 184
Retail mortgages	9 739	3 110	3 451	1
Retail revolving credit	56		203	
Retail – other	588	1 022	109	406
SME – retail	791		120	
Central Management including Rest of Africa[5]	29 401	13 980	55	2 555
Corporate		4 624		2 070
SME – corporate		36		23
Public sector entities		110		38
Local governments and municipalities		48		14
Sovereign	26 891	1 623		
Banks	2 510	2 624	55	139
Retail mortgages		3 516		1
Retail revolving credit		285		268
Retail – other		1 114		2
Total	519 461	35 567	152 865	4 706
Downturn expected loss (AIRB Approach)				
IFRS impairment on AIRB loans and advances				
Excess of downturn expected loss over eligible provisions				

1 *Total credit extended includes on-balance-sheet, off-balance-sheet (includes unutilised facilities), repurchase and resale agreements, and derivative exposure.*
2 *Downturn expected loss in relation to performing loans and advances.*
3 *Best estimate of expected loss (BEEL) is in relation to non-performing loans and advances.*
4 *Balance sheet credit exposure includes on-balance sheet, repurchase and resale agreements, and derivative exposure.*
5 *Rest of Africa reported in Central Management from January 2012.*

Repurchase and resale exposure	Derivative exposure		Total credit extended[1]		Total Basel III balance sheet credit exposure[4]		Exposure at default (EAD)	Downturn expected loss[2]	BEEL[3]
AIRB	AIRB	TSA	AIRB	TSA	AIRB	TSA	AIRB	AIRB	AIRB
			234 900	150	195 463	130	225 353	3 497	5 598
			1 596	1	117	1	470	13	
				96		82			
			117 095	49	98 858	43	118 726	656	2 014
			25 472		10 456		17 273	600	697
			80 629		79 765		80 608	2 104	2 655
			9 732	4	5 891	4	7 899	124	232
			376		376		377	<1	
			17 431	12 419	13 274	10 828	18 941	42	82
			1 547	2	1 328	2	1 708	5	3
			827		772		894	4	
				179		179			
				7 699		6 515			
			13 190	3 111	9 739	3 110	13 897	24	63
			259		56		520	2	2
			697	1 428	588	1 022	799	4	2
			911		791		1 121	3	12
		242	29 456	16 777	29 401	14 222	29 486	38	14
		239		6 933		4 863			14
				59		36			
				148		110			
				62		48			
			26 891	1 623	26 891	1 623	26 891	<1	
		3	2 565	2 766	2 510	2 627	2 595	38	
				3 517		3 516			
				553		285			
				1116		1 114			
24 337	13 817	242	710 480	40 515	557 615	35 809	651 849	4 480	6 986
									11 466
									10 383
									1 083

SUMMARY OF IMPAIRMENTS, CREDIT LOSS RATIOS, DEFAULTED ADVANCES AND COVERAGE RATIOS

Summary of key credit risk ratios

%	Nedbank Capital	Nedbank Corporate[1]	Total Nedbank RBB	Nedbank Business Banking	Nedbank Retail	Nedbank Wealth	Total
2012							
Impairments to gross loans and advances							
Total impairments	0,51	0,55	3,52	2,05	3,97	0,56	2,02
Specific impairments	0,31	0,33	2,51	1,46	2,84	0,44	1,38
Portfolio impairments	0,20	0,22	1,01	0,59	1,13	0,12	0,64
Impairment charge as a percentage of NII	35	12	30	7	37	24	26
Credit loss ratio target range	0,10 – 0,55[2]	0,20 – 0,35		0,55 – 0,75	1,50 – 2,20	0,20 – 0,40	0,60 – 1,00
Total credit loss ratio	1,06	0,24	1,62	0,34	2,01	0,61	1,05
Specific credit loss ratio	0,99	0,23	1,38	0,28	1,73	0,61	0,91
Portfolio credit loss ratio	0,07	0,01	0,24	0,06	0,28		0,14
Defaulted advances to gross loans and advances	0,94	1,69	5,79	4,23	6,27	2,78	3,58
Properties in possession to gross loans and advances		0,13	0,12	0,03	0,15	0,16	0,11
2011[3]							
Impairments to gross loans and advances							
Total impairments	1,18	0,75	3,62	2,50	3,97	0,39	2,25
Specific impairments	1,04	0,54	2,82	1,96	3,09	0,27	1,71
Portfolio impairments	0,14	0,21	0,80	0,54	0,88	0,12	0,54
Impairment charge as a percentage of NII	46	14	32	11	38	9	30
Credit loss ratio target range	0,10 – 0,35	0,20 – 0,35		0,55 – 0,75	1,50 – 2,20	0,20 – 0,40	0,60 – 1,00
Total credit loss ratio	1,23	0,29	1,63	0,53	1,98	0,25	1,13
Specific credit loss ratio	1,27	0,33	1,45	0,46	1,77	0,26	1,01
Portfolio credit loss ratio	(0,04)	(0,04)	0,18	0,07	0,21	(0,01)	0,12
Defaulted advances to gross loans and advances[2, 4]	2,10	2,32	6,93	5,10	7,50	2,25	4,55
Properties in possession to gross loans and advances		0,12	0,16	0,02	0,21	0,12	0,12

1 *Rest of Africa is reported in Central Management from January 2012. December 2011 numbers are restated for the transfer of the Rest of Africa Division from Nedbank Corporate to the centre.*

2 *The Nedbank Capital target range was amended in 2012*

3 *Clients' indebtedness for acceptances and liabilities for acceptances have been reclassified to loans and advances and amounts owed to depositors respectively in order to achieve improved comparability with the majority of the group's South African banking peers. These items were previously separately disclosed in the group's statement of financial position.*

4 *The personal loans defaulted advances as at December 2011 have been restated to take account of the policy showing debt counselling and debt counselling restructured accounts as defaults.*

- Lower levels of income statement impairments at R5 199m (2011: R5 331m) were reported.
- The credit loss ratio improved to 1,05% for the year (2011: 1,13%), remaining above the group's through-the-cycle (TTC) range of 60 to 100 bps partially due to the asset mix change over the past three years.
- The reduction in specific impairments to 0,91% (2011: 1,01%) was driven by a 17,0% decrease in defaulted advances to R19 273m (2011: R23 210m), while further strengthening the portfolio impairments charge to 0,14% (2011: 0,12%) mainly on the performing personal loans, MFC and home loans books.

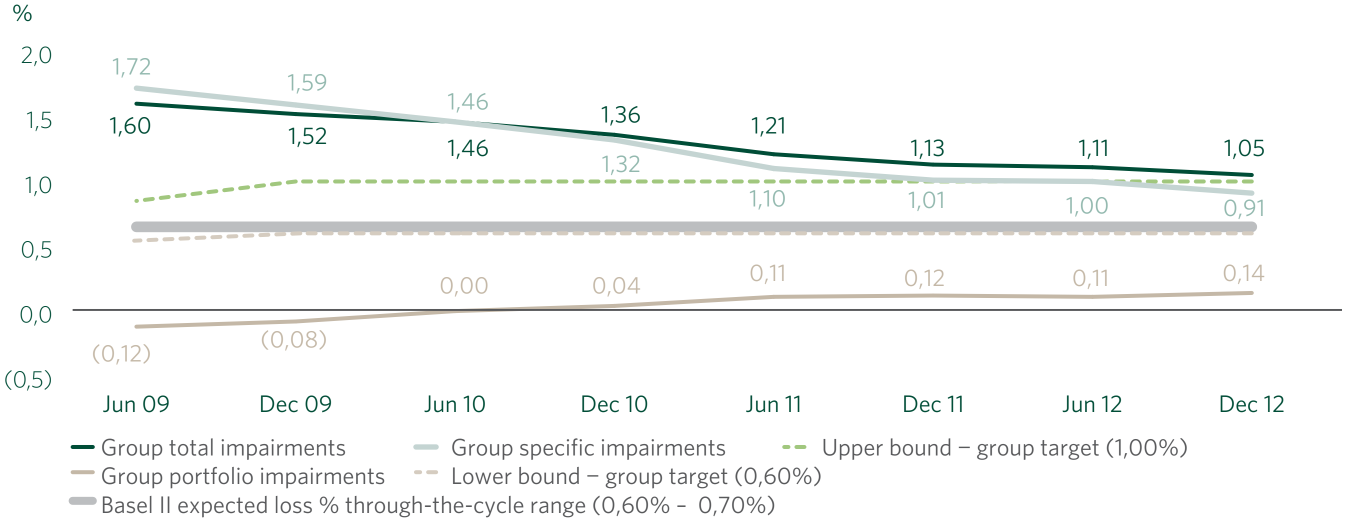
- The increased level of portfolio impairments was mainly as a result of further model conservatism and book growth in personal loans as well as the lengthening of the emergence period in the MFC book.
- The group retained the R200m central portfolio provision set aside last year for unknown events that may have already occurred but which will only be evident in the future.
- Collections processes, enhanced by additional collections staff and more effective collections processes, generated a 35,1% increase in bad-debt recoveries amounting to R866m (2011: R641m).
- Credit loss ratios in the wholesale clusters improved in the second half of the year.
- Nedbank Retail's credit loss ratio was maintained within its through-the-cycle range and at levels similar to those in the first six months of the year, reflecting the effect of asset mix changes as unsecured lending attracts higher levels of impairments than secured lending.
- Nedbank Wealth's credit loss ratio deteriorated mainly due to the impact of a subdued property market.

Reconciliation of balance sheet impairments by business cluster

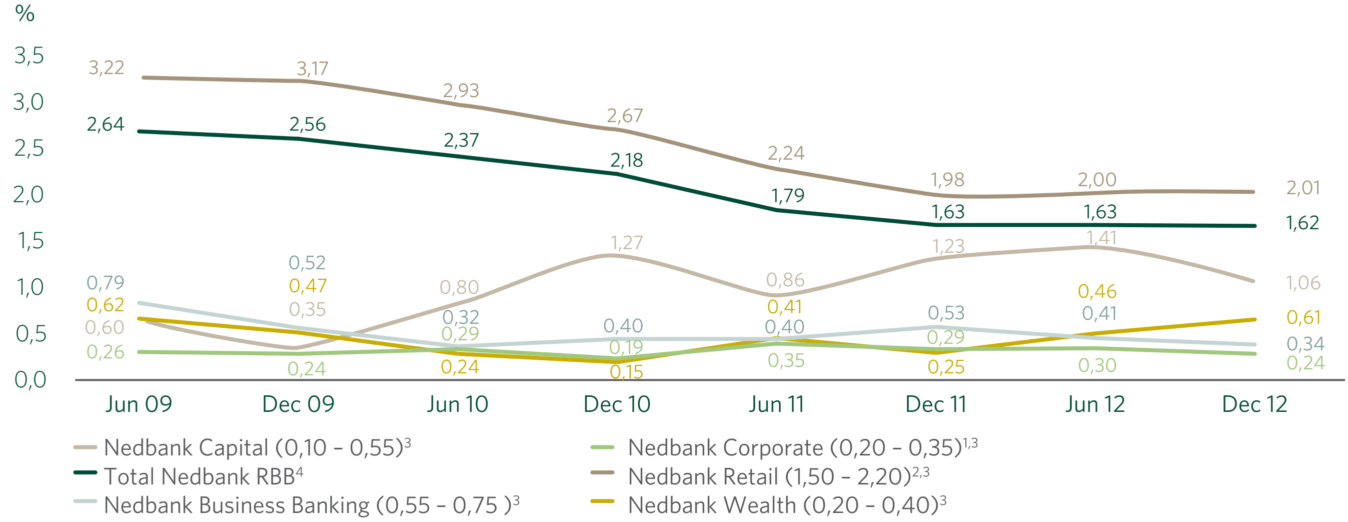
Rm	Nedbank Capital	Nedbank Corporate	Total Nedbank RBB	Nedbank Business Banking	Nedbank Retail	Nedbank Wealth	Central Management [1]	2012	Change %	2011
Opening balance	821	1 191	9 107	1 508	7 599	77	301	11 497	2,4	11 226
Specific impairments	722	852	7 087	1 181	5 906	53	35	8 749	(3,6)	9 072
Specific impairments excluding discounts	675	592	6 163	986	5 177	3	35	7 468	(3,5)	7 740
Specific impairments for discounted cashflow losses	47	260	924	195	729	50		1 281	(3,8)	1 332
Portfolio impairments	99	339	2 020	327	1 693	24	266	2 748	27,6	2 154
Income statement impairments charge (net of recoveries)	526	385	4 134	206	3 928	118	36	5 199	(2,5)	5 331
Specific impairments	532	381	3 377	182	3 195	87	(46)	4 331	(9,8)	4 805
Net increase/decrease in impairments for discounted cashflow losses	(43)	(20)	161	(15)	176	31	57	186	>100,0	(51)
Portfolio impairments	37	24	596	39	557		25	682	18,0	577
Recoveries	61	22	763	33	730	5	15	866	35,1	641
Amounts written off and other transfers	(989)	(702)	(4 863)	(487)	(4 376)	(88)	(50)	(6 692)	17,4	(5 701)
Specific impairments	(1 013)	(703)	(4 863)	(487)	(4 376)	(88)	(22)	(6 689)	17,0	(5 719)
Portfolio impairments	24	1					(28)	(3)	>(100,0)	18
Closing balance	419	896	9 141	1 260	7 881	112	302	10 870	(5,5)	11 497
Specific impairments	259	532	6 525	894	5 631	88	39	7 443	(14,9)	8 749
Specific impairments excluding discounts	255	292	5 440	714	4 726	7	(18)	5 976	(20,0)	7 468
Specific impairments for discounted cashflow losses	4	240	1 085	180	905	81	57	1 467	14,5	1 281
Portfolio impairments	160	364	2 616	366	2 250	24	263	3 427	24,7	2 748
Total gross loans and advances	82 913	163 626	259 903	61 375	198 528	19 976	11 618	538 036	5,4	510 520
Total average gross banking book loans and advances	49 596	160 178	255 854	60 407	195 447	19 327	9 248	494 203	5,6	467 916
Total average gross loans and advances	73 711	160 178	255 854	60 407	195 447	19 327	9 248	518 318	4,9	494 041

[1] *Rest of Africa is reported in Central Management from January 2012.*

Nedbank Group credit loss ratio



Credit loss ratio by business cluster

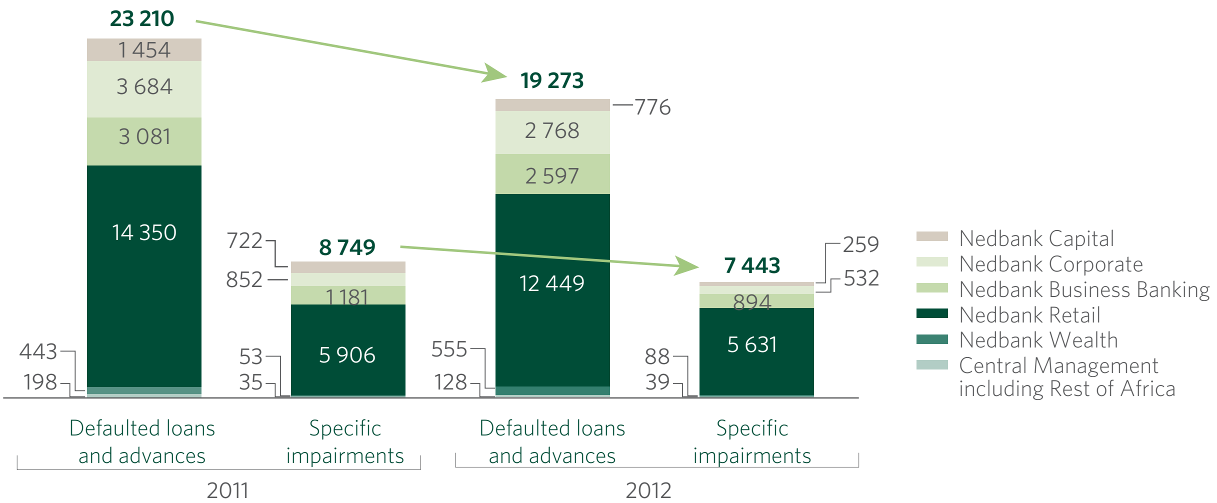


[1] *Nedbank Corporate restated due to migration of Nedbank Africa to Central Management as well as the Imperial Book integration in 2012.*
[2] *Nedbank Retail CLRs restated due to the Imperial Bank integration in 2010.*
[3] *TTC target range.*
[4] *RBB = Retail and Business Banking.*

Defaulted loans and advances and coverage ratios

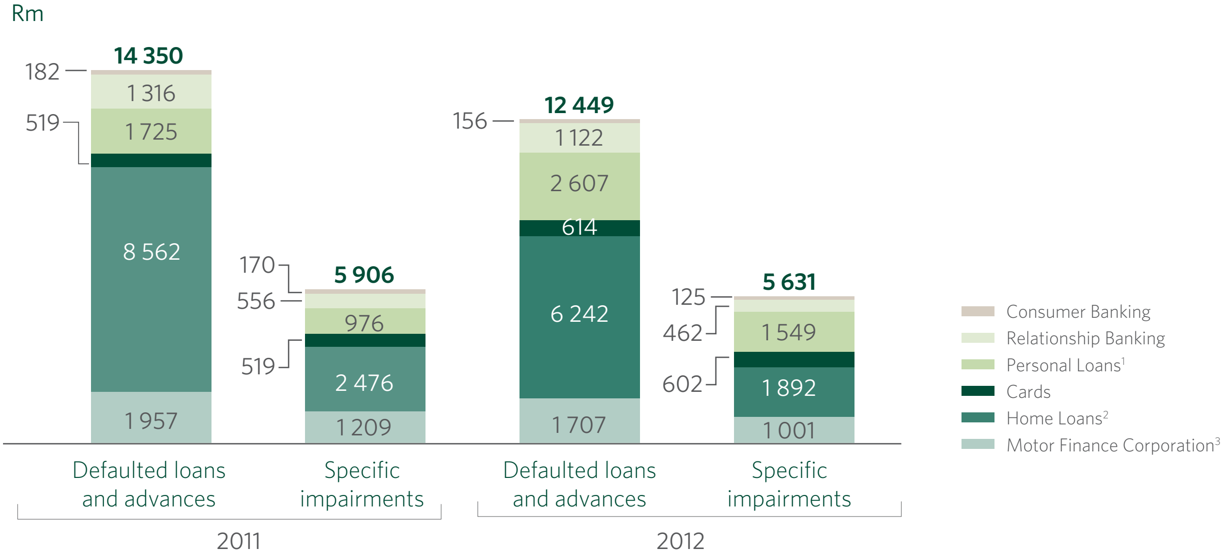
- The specific coverage ratio is the amount of specific impairments that have been raised for total defaulted loans and advances. This is the inverse of the expected recoveries ratio. Expected recoveries are equal to defaulted loans and advances less specific impairments as specific impairments are raised for any shortfall that would arise after all recoveries are taken into account. Expected recoveries of defaulted loans and advances include recoveries as a result of the liquidation of security or collateral as well as recoveries as a result of a client curing or partial client repayments.
- The absolute value of expected recoveries on/from defaulted accounts (which includes security values) will generally increase as the number of defaults increase. The expected recovery amount will in most instances be less than the total defaulted exposure as 100% of the defaulted loan is seldom recovered.
- A decrease in the coverage ratio (or increase in the expected recoveries ratio) may arise as a result of the following:
  - Expected recoveries improving due to improved market conditions and therefore lower loss given default (LGD).
  - Higher curing levels.
  - A change in the defaulted product mix with a greater percentage of products that have a higher security value and therefore a lower specific impairment, such as secured products (home loans and commercial real estate).
  - An increase in the value of collateral that is an input into the LGD calculation and would result in a decrease in the LGD and decrease in specific impairments.
  - A change in the mix of new versus older defaults as in most products the recoveries expected from defaulted clients decrease over time.
  - A change in the write off policy, eg if the period is extended prior to writing off a deal, there will be a longer period in which recoveries can be realised.

Defaulted advances declining driving lower specific impairments in all business clusters



- Total defaulted advances declined 17,0% to R19 273m (2011: R23 210m), driven by further decreases in defaults in home loans and commercial mortgages as well as reductions in Nedbank Capital as a direct result of the resolutions of defaulted advances.
- Nevertheless, the total impairment coverage ratio increased to 56,4% (2011: 49,5%) despite the reduction in defaulted advances, largely due to asset mix changes in the group's banking book.
- The group's total specific coverage ratio increased to 38,6% (2011: 37,7%), mainly driven by changes in product mix in the Nedbank Retail portfolio, while the total portfolio coverage ratio increased to 17,8% (2011: 11,8%) for the reasons discussed earlier around the CLR
- Specific coverage levels in Nedbank Retail increased from 41,2% to 45,2%, largely due to the asset mix between secured and unsecured lending changing.
- Wholesale specific coverage levels have decreased overall to 27,4% from 33,5%, mainly due to the commercial lending portfolio where there were a number of partial write-offs as well as reductions in defaulted advances in Nedbank Capital as a direct result of resolutions.

Defaulted advances declining driving lower specific impairments in all Retail business lines except Personal Loans

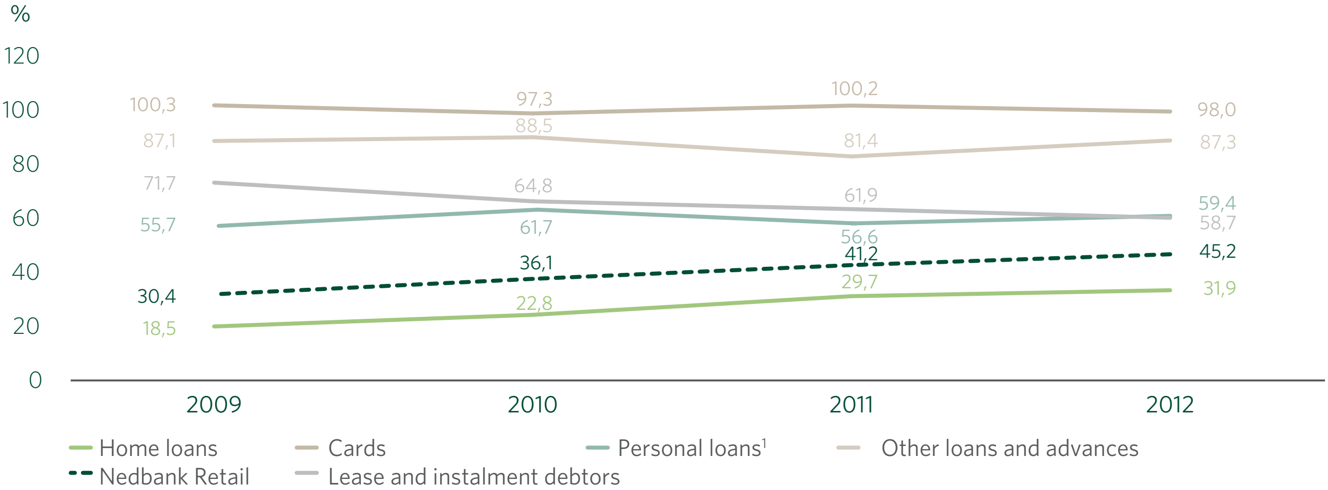


[1] *The Personal Loans defaulted advances at December 2011 have been restated to take account of the policy showing debt counselling and debt counselling restructured accounts as defaults.*

[2] *Home Loans as discussed here represents a specific business unit within Nedbank Retail, and excludes the Nedbank Relationship Banking and Business Banking business units.*

[3] *A distinction has been drawn in 2012 between distressed restructures and arrangements in the MFC portfolio. This has resulted in a redistribution of assets across the delinquency buckets. 2011 comparatives have been adjusted to take account of this change.*

Summary of specific coverage ratios by major retail product



- Specific coverage levels in Nedbank Retail increased from 41,2% to 45,2%, largely due to the mix between secured and unsecured lending changing.
  - The contribution of unsecured lending (including personal loans and cards) to Nedbank Retail's defaulted advances increased to 28,0% (2011: 18,5%), with an average specific coverage of 68,4%.
- Personal loans defaulted advances increased to 20,9% of total Nedbank Retail defaulted advances (2011: 12,0%), while specific coverage strengthened to 59,4% (2011: 56,6%) following a move to provide fully for loans after five consecutive missed payments rather than after six consecutive missed payments, as was the practice previously.
- Nedbank Retails home loans product specific coverage ratio continued to increase to 31,9% (2011: 29,7%) providing protection for the rehabilitation of defaulted advances in a property market with negative real growth and continued high levels of consumer indebtedness.
- Cards specific coverage ratios remain high at 98,0%.
- The lease and instalment debtors specific coverage ratio declined to 58,7% in 2012 (2011: 61,9%) due to more restructured accounts, which hold a lower provision percentage than a defaulted account, being pushed into default in line with the group disclosure policy.

Summary of defaulted loans and advances, specific impairments and specific coverage ratio by business cluster

	Defaulted loans and advances		Expected recoveries	Specific impairments				Specific coverage ratio	
						On defaulted loans and advances	For discounted cashflow losses	2012	2011[2,3]
	Rm	as % of total	Rm	Rm	as % of total			(%)	(%)
2012									
Nedbank Capital	776	4,0	517	259	3,5	255	4	33,4	49,7
Other loans and advances	776	4,0	517	259	3,5	255	4	33,4	49,7
Nedbank Corporate[1]	2 768	14,3	2 236	532	7,1	292	240	19,2	23,3
Home loans	63	0,3	53	10	0,1	6	4	15,9	28,0
Commercial mortgages	2 273	11,8	1 870	403	5,4	182	221	17,7	22,6
Leases and instalment debtors	9		6	3		3		33,3	38,5
Properties in possession	220	1,1	220						1,6
Other loans and advances	203	1,1	87	116	1,6	101	15	57,1	46,0
Nedbank Business Banking	2 597	13,5	1 703	894	12,0	714	180	34,4	38,3
Home loans	1 094	5,7	823	271	3,6	178	93	24,8	23,3
Commercial mortgages	379	2,0	303	76	1,0	44	32	20,1	20,1
Leases and instalment debtors	489	2,5	199	290	3,9	269	21	59,3	62,3
Cards	4		1	3		3		75,0	
Properties in possession	16	0,1	16						
Other loans and advances	615	3,2	360	254	3,4	220	34	41,4	51,9

Summary of defaulted loans and advances, specific impairments and specific coverage ratio by business cluster (continued)

	Defaulted loans and advances		Expected recoveries	Specific impairments				Specific coverage ratio	
						On defaulted loans and advances	For discounted cashflow losses	2012	2011[2,3]
	Rm	as % of total	Rm	Rm	as % of total			(%)	(%)
Nedbank Retail	12 449	64,7	6 818	5 631	75,7	4 726	905	45,2	41,2
Home loans	6 840	35,5	4 656	2 184	29,3	1 942	242	31,9	29,7
Commercial mortgages	18	0,1	10	8	0,1	6	2	44,4	55,9
Leases and instalment debtors	1 796	9,4	741	1 054	14,2	913	141	58,7	60,9
Cards	614	3,2	12	602	8,1	596	6	98,0	100,2
Personal loans	2 607	13,5	1 058	1 549	20,8	1 037	512	59,4	56,6
Properties in possession	307	1,6	307						11,1
Other loans and advances	267	1,4	34	234	3,1	232	2	87,3	93,0
Nedbank Wealth	555	2,8	468	88	1,2	7	81	15,9	12,0
Home loans	388	2,0	342	46	0,6	(35)	81	11,9	12,1
Commercial mortgages	123	0,6	91	32	0,4	32		26,0	
Leases and instalment debtors	6		1	5	0,1	5		83,3	60,0
Properties in possession	31	0,2	30	1		1		3,2	4,3
Other loans and advances	7		3	4	0,1	4		57,1	58,3
Central Management including Rest of Africa[1]	128	0,7	89	39	0,5	(18)	57	30,5	26,5
Home loans	49	0,3	37	12	0,2	1	11	24,5	26,3
Commercial mortgages	1		1			(4)	4		2,5
Leases and instalment debtors	18	0,1	8	10	0,1	1	9	55,6	32,1
Personal loans	18	0,1	10	8	0,1	(5)	13	44,4	57,5
Other loans and advances	42	0,2	33	9	0,1	(11)	20	19,6	21,8
Group	19 273	100,0	11 830	7 443	100,0	5 976	1 467	38,6	37,7
Home loans	8 434	43,8	5 911	2 523	33,9	2 092	431	29,9	28,4
Commercial mortgages	2 794	14,5	2 275	519	7,0	260	259	18,6	22,3
Leases and instalment debtors	2 318	12,0	955	1 363	18,3	1 192	171	58,8	61,7
Cards	618	3,2	13	605	8,1	599	6	97,9	99,6
Personal loans	2 625	13,6	1 068	1 557	20,9	1 032	525	59,3	56,7
Properties in possession	574	3,0	573	1		1		0,2	7,8
Other loans and advances	1 910	9,9	1 035	875	11,8	800	75	45,7	54,1
2011									
Group[2]	23 210	100,0	14 461	8 749	100,0	7 468	1 281		
Home loans	10 872	46,8	7 781	3 091	35,3	2 746	345		
Commercial mortgages	3 850	16,6	2 991	859	9,8	568	291		
Leases and instalment debtors	2 806	12,1	1 076	1 730	19,8	1 532	198		
Cards	521	2,2	2	519	5,9	516	3		
Personal loans[3]	1 742	7,5	755	987	11,3	651	336		
Properties in possession	619	2,7	571	48	0,6	47	1		
Other loans and advances	2 800	12,1	1 285	1 515	17,3	1 408	107		

1 *Rest of Africa is reported in Central Management from January 2012. December 2011 numbers are restated for the transfer of the Rest of Africa Division from Nedbank Corporate to the centre.*

2 *A distinction has been drawn between distressed restructures and arrangements in the MFC portfolio. This has resulted in a redistribution of assets across the delinquency buckets. The prior-year comparatives have been adjusted to take account of this change.*

3 *The personal loans defaulted advances at December 2011 have been restated to take account of the policy showing debt counselling and debt counselling restructured accounts as defaults.*

Properties in possession (PiPS)

Rm	Nedbank Capital	Nedbank Corporate	Total Nedbank RBB	Nedbank Business Banking	Nedbank Retail	Nedbank Wealth	Central Management[1]	Total Nedbank Group 2012	Total Nedbank Group 2011
Opening balance		186	409	12	397	24		619	662
Disposal/Writedowns/ Revaluations		(56)	(380)	(11)	(369)	(5)		(441)	(636)
PiPs acquired		90	294	15	279	12		396	593
Closing balance		220	323	16	307	31		574	619
Unsold		148	235	13	222	24		407	371
Sold awaiting transfer		72	88	3	85	7		167	248

[1] *Central Management including Rest of Africa. Rest of Africa is reported in Central Management from January 2012.*

- There has been a sustained decrease in PiPs to R574m (2011: R619m), with a decrease of R91m in Nedbank Retail, offset by a R34m increase in Nedbank Corporate in the commercial real estate portfolio.

Debt counselling

- The analysis below is Nedbank Group's debt counselling book within the Retail cluster, which shows both new applications in the year to date and the portfolio balance.

	New applications				Portfolio balance			
	2012		2011		2012		2011	
Product	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm
Cards	11 128	97	9 584	102	17 879	183	16 118	173
Personal loans	17 767	600	12 643	363	23 829	762	18 273	531
Mortgages	1 417	397	1 825	822	3 668	1 494	4 222	1 762
Overdrafts	6 208	16	4 406	21	5 981	31	5 359	39
Vehicle and asset finance	4 973	468	5 230	485	12 481	1 116	11 948	1 151
Total	41 493	1 577	33 688	1 793	63 838	3 585	55 920	3 656

- The total portfolio balance in rand value has decreased by 1,9% since 2011. While the continued decrease in rand value is attributed to the secured portfolio, mainly in home loans, the number of accounts has increased as a result of the growth in the unsecured portfolio, mainly in personal loans, which contains smaller loans.

CREDIT CONCENTRATION RISK

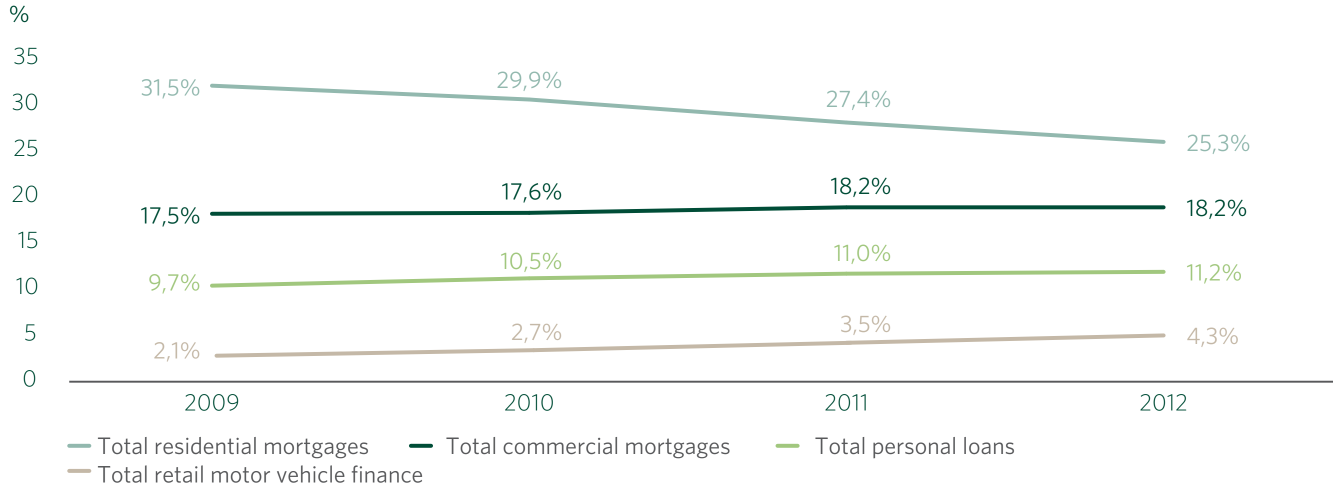
Within Nedbank Group, the credit concentration risk and associated risk appetite is actively managed, measured and ultimately capitalised for in the group's economic capital and Internal Capital Adequacy Assessment Process (ICAAP).

Single-name credit concentration risk

- Of the total group credit economic capital, only 4,2% is attributable to the top 20 largest exposures, excluding banks and government exposure, and 3,8% to the top 20 banks' largest exposures, highlighting that Nedbank Group does not have undue single-name credit concentration risk.
- Direct exposure to the South African government relates mainly to statutory liquid asset requirements and constitutes 7,2% of total balance sheet credit exposure.
- The group's credit concentration risk measurement incorporates the asset size of obligors/borrowers into its calculation of credit economic capital. Single-name concentration is monitored at all credit committees within the group's Enterprisewide Risk Management Framework (ERMF), which includes the applicable regulatory and economic capital per exposure.

Industry concentration risk

Gross loans and advances (% of total)



- Commercial mortgages lending has remained stable at 18,2% of gross loans and advances, and consequently Nedbank Group has maintained its dominant local market share position. This potentially high concentration is mitigated by high levels of collateral, low average loans to value (LTVs) (approximately 50%), the underpinning of corporate leases and a highly experienced management team.
- Although total mortgages exposure (ie residential and commercial) remains a significant part of the balance sheet at 43,5%, this has consistently been decreasing from its peak levels of 2009 at 48,9% in line with the selective origination in Retail Home loans, while Nedbank remains comfortable with its dominant commercial mortgages market share position in the industry.
- While Nedbank has the smallest residential mortgages portfolio among the local peer group, the contribution of these advances as a percentage of total gross loans and advances is substantial at 25,3% at 2012 (2011: 27,4%). Nedbank has adopted a selective origination, client-centric growth strategy as part of its Portfolio Tilt initiative resulting in a planned reduction of residential mortgages as a proportion of total credit exposure.
- Total retail motor vehicle finance exposure within Nedbank Group is only 11,2% of gross loans and advances while current market share is approximately 29,3%. Sound risk management principles are applied by an experienced management team and this was further enhanced with the approval by SARB in 2012 of the Basel III AIRB Approach for the MFC portfolio.
- Nedbank currently has the lowest market share in retail secured lending among its peers. However, it stands on 36,5% of total group loans and advances and has decreased slightly in line with the home loans Portfolio Tilt strategy.
- Given the continuing concerns in the mining sector, exposure to these clients is carefully monitored and is low at approximately 3% of total credit economic capital.

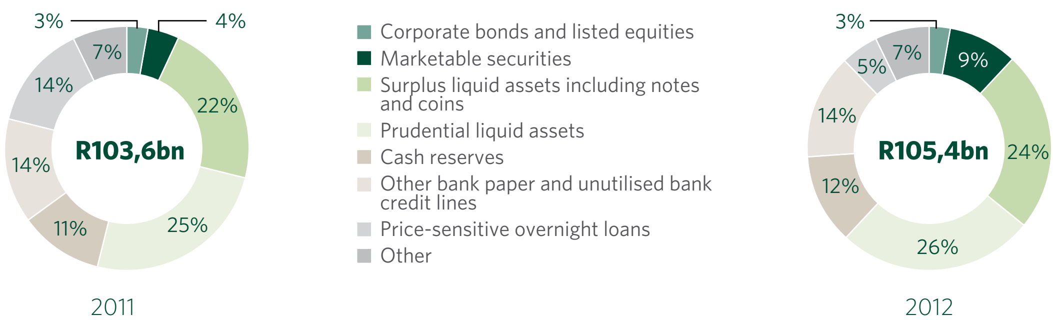
Geographic concentration risk

- Given that 94% of the group's loans and advances originate in South Africa, local geographic exposure is high. Practically, however, this concentration has proven positive for Nedbank Group, given the global financial crisis, and reflects its focus on its geographical area of core competence.
- The direct exposure of Nedbank Group to the banking sectors of Portugal, Italy, Ireland, Greece and Spain (PIIGS) is R161m, with total Eurozone exposure at R8 550m. This is monitored on an ongoing basis. The group holds no sovereign bonds issued by these countries. Direct lines to banks in Italy and Spain are restricted to systemically important banks.

Liquidity Risk

- Nedbank Group remains well funded with a strong liquidity position, underpinned by a further lengthening of the funding profile, a large surplus liquid asset buffer, a strong loans-to-deposits ratio and low reliance on interbank and foreign currency funding.
- The three-month average long-term funding ratio at December 2012 increased to 26%, compared with the three-month average of 25% at December 2011.
  - The increased long-term funding ratio was supported by the successful issuance of senior unsecured debt in February 2012 of R1,7bn, followed by a further issue of R1,5bn in August 2012.
  - Strong growth in the Nedbank Retail savings bonds of R3,3bn also contributed to a lengthening in the funding profile.
  - While Nedbank targets an average long-term funding ratio of 25%, the actual ratio does fluctuate around this target level, based on aggregate demand for long-term deposits and other term instruments.
- Advances grew by 5,6% in 2012 while deposits excluding negotiable certificates of deposits grew by 11,2%.
  - Overall, this resulted in a healthy loans-to-deposits ratio of 95,7% (2011: 95,2%), which remains consistently below 100%.
- The surplus liquidity buffer (a ringfenced pool of government bonds and treasury bills, in excess of prudential liquid asset requirements) ended the year on target at R24,4bn, a level deemed appropriate from the perspective of positioning Nedbank Group to meet the Basel III liquidity coverage ratio (LCR) pending requirement.
  - This contributed positively to the increase in the group's total sources of quick liquidity available for stress funding requirements, which amounted to R105,4bn at year-end (2011: R103,6bn). The graphs below reflect the size and composition of this portfolio.
- In May 2012 the South African Reserve Bank (SARB) issued Guidance Note 05/2012, stating that it would allow banks to include cash reserves in the calculation of the LCR and that it will provide a committed liquidity facility (CLF) for an amount up to 40% of the LCR requirements.
  - Taking into account Nedbank Group's cash reserves, the liquid assets held for regulatory purposes, the surplus liquidity buffer and Nedbank's anticipated access to the CLF, on a pro forma basis Nedbank is already compliant with the 2019 Basel III LCR requirement.
- Meeting the LCR requirement was further assisted by the announced amendments to the LCR by the Basel Committee on Banking Supervision (Basel Committee) on 6 January 2013. The amendments are positive in that they provide banks with the following:
  - A longer lead time to implement the LCR, starting at 60% in 2015 and increasing by 10% per annum until 2019.
  - A broader definition of qualifying high-quality liquid assets that can be held in the bank's liquidity buffers.
  - Reduced liquidity buffer requirements given refinements to various cash outflow assumptions in the LCR formula.
- Based on industry estimates, compliance with the net stable funding ratio (NSFR) remains structurally challenging. Consequently Nedbank will continue to work closely with the SARB, peer groups and National Treasury addressing the structural challenges, being mindful of the fact that the Basel Committee is likely to consider fundamental changes to the NSFR well ahead of its targeted implementation date of January 2018.
  - Having finalised the LCR, the Basel Committee also formally announced on 6 January 2013 that it will, as a matter of priority, focus on the NSFR over the next two years.

Nedbank Group's sources of quick liquidity



- The contractual and business as usual (BaU) liquidity mismatches of the group are presented below. Based on client behavioural attributes, it is estimated that 94% (2011: 81%) of the amounts owed to depositors is stable.

NEDBANK GROUP CONTRACTUAL LIQUIDITY GAP

2012 Rm	Next day	2 to 7 days	8 days to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 months	>12 months	Total
Cash and cash equivalents	22 782	135	4 205						27 122
Other short-term securities		1 078	7 675	3 652	4 545	9 080	13 572	3 855	43 457
Derivative financial instruments	16	94	361	471	472	653	829	10 916	13 812
Government and other securities	319		981	1 273	1 491	2 307	441	19 941	26 753
Loans and advances	31 851	6 416	60 883	11 913	8 032	20 084	36 570	351 417	527 166
Other assets								44 669	44 669
Total assets	54 968	7 723	74 105	17 309	14 540	32 124	51 412	430 798	682 979
Total equity								57 730	57 730
Derivative financial instruments	3	16	60	78	78	333	745	12 141	13 454
Amounts owed to depositors	245 068	18 068	67 834	38 528	20 894	46 271	38 185	76 030	550 878
Provision and other liabilities	9 513							21 106	30 619
Long-term debt instruments			66		1 837	1 592	1 937	24 866	30 298
Total equity and liabilities	254 584	18 084	67 960	38 606	22 809	48 196	40 867	191 873	682 979
Net liquidity gap – 2012	(199 616)	(10 361)	6 145	(21 297)	(8 269)	(16 072)	10 545	238 925	–
Net liquidity gap – 2011	(190 812)	(12 911)	(18 845)	(31 592)	(7 077)	(8 775)	(8 458)	278 470	–

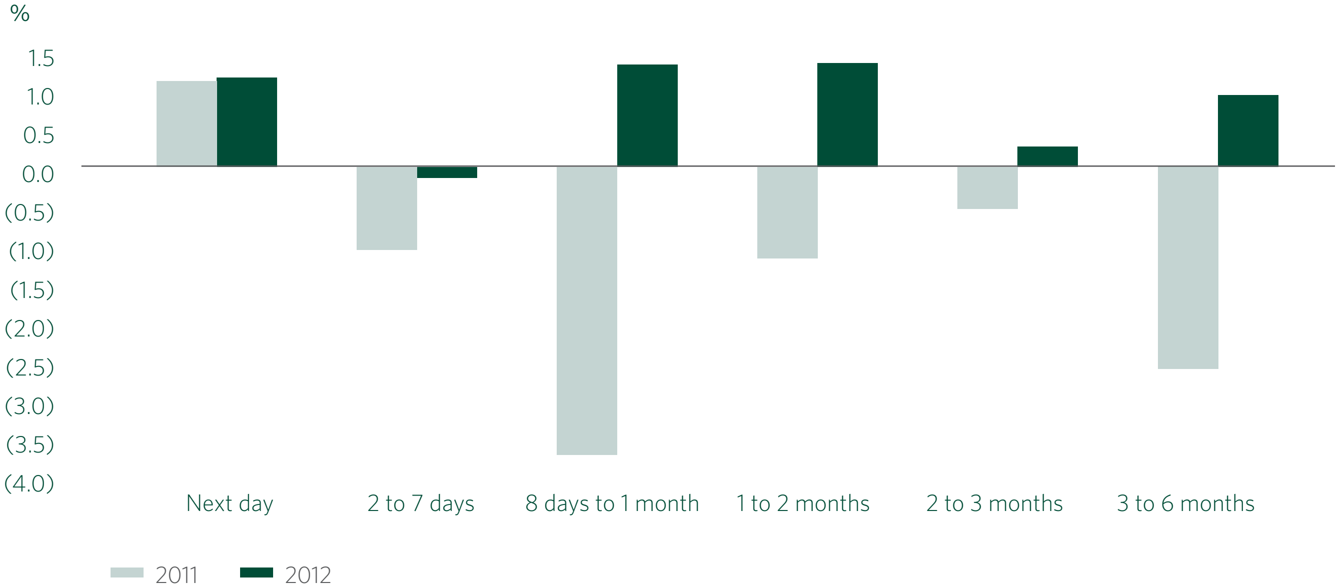
- The cumulative overnight to 1 month liquidity mismatch improved by R18,7bn as a result of the increase in the long-term funding ratio and management of the contractual mismatch between assets and liabilities. The increased long-term funding profile was supported by senior unsecured debt issuance, the Greenhouse securitisation issue and growth in Nedbank's retail savings bonds.

NEDBANK GROUP BUSINESS-AS-USUAL LIQUIDITY GAP

2012 Rm	Next day	2 to 7 days	8 days to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 months	>12 months	Total
Cash and cash equivalents								27 122	27 122
Other short-term securities		1 078	7 675	3 652	4 545	9 080	13 572	3 855	43 457
Derivative financial instruments	16	94	361	471	472	653	829	10 916	13 812
Government and other securities								26 753	26 753
Loans and advances	8 330	2 016	26 566	12 207	12 316	32 536	64 622	368 573	527 166
Other assets								44 669	44 669
Total assets	8 346	3 188	34 602	16 330	17 333	42 269	79 023	481 888	682 979
Total equity								57 730	57 730
Derivative financial instruments	3	16	60	78	78	333	745	12 141	13 454
Amounts owed to depositors	500	4 097	25 476	7 109	13 659	33 973	47 681	418 383	550 878
Provision and other liabilities								30 619	30 619
Long-term debt instruments			66		1 837	1 592	1 937	24 866	30 298
Total equity and liabilities	503	4 113	25 602	7 187	15 574	35 898	50 363	543 739	682 979
Net liquidity gap – 2012	7 843	(925)	9 000	9 143	1 759	6 371	28 660	(61 851)	–
Net liquidity gap – 2011	7 181	(6 909)	(24 098)	(7 642)	(3 532)	(16 907)	(17 430)	69 337	–

- The BaU table above shows the expected liquidity mismatch under normal market conditions after taking into account the behavioural attributes of stable deposits, savings and investment products, rollover assumptions associated with term deals, but excluding BaU management actions. The next day BaU liquidity mismatch is positive with cash inflows exceeding outflows.
- As illustrated overleaf, Nedbank Group's overnight-to-one-month liquidity position improved in 2012 compared with 2011 based on the BaU liquidity mismatch. This has been achieved through a strategy of lengthening the funding profile and managing the asset/liability composition from a behavioural perspective. Furthermore, Nedbank has enhanced its behavioural models using statistical approaches and assumptions that are more aligned with empirical historical data observed from Nedbank's balance sheet.

Nedbank Group's behavioral liquidity mismatch[1]



[1] *Expressed on total assets and based on maturity assumptions before rollovers and risk management.*

Interest Rate Risk

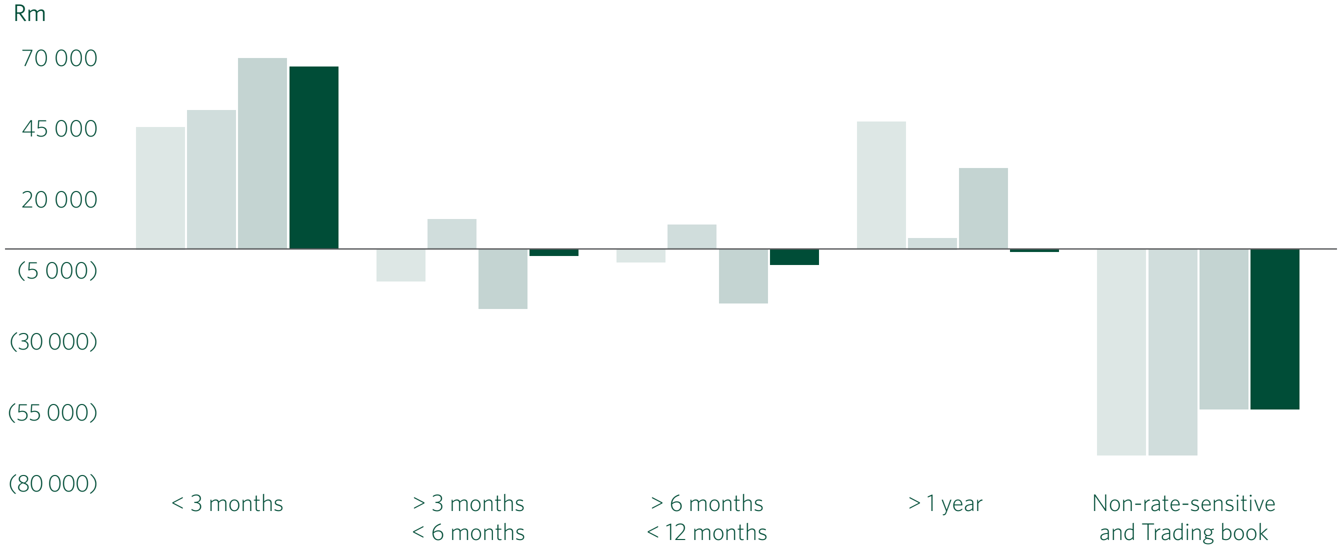
- Nedbank Group is exposed to interest rate risk in the banking book (IRRBB) primarily due to the following:
  - The bank writes a large quantum of prime-linked advances.
  - To lengthen the funding profile of the bank, term funding is raised across the curve at fixed-term deposit rates that reprice only on maturity.
  - Three-month repricing swaps and forward rate agreements are typically used in the risk management of term deposits and fixed-rate advances.
  - Short-term demand funding products reprice to different short-end base rates.
  - Certain non-repricing transactional deposit accounts are non-rate sensitive.
  - The bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not reprice for interest rate changes.
- IRRBB comprises:
  - Repricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and repricing (for floating rate) of bank assets, liabilities and off-balance sheet positions.
  - Reset or basis risk – imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
  - Yield curve risk – changes in the shape and slope of the yield curve.
  - Embedded optionality – the risk pertaining to interest-related options embedded in bank products.

NEDBANK GROUP – INTEREST RATE REPRICING GAP

Rm	< 3 months	> 3 months < 6 months	> 6 months < 12 months	> 1 year	Non-rate sensitive and Trading book
2012					
Net repricing profile before hedging	**43 185**	**(11 216)**	**(4 490)**	**45 061**	**(72 540)**
Net repricing profile after hedging	**49 034**	**10 723**	**8 718**	**4 065**	**(72 540)**
Cumulative repricing profile after hedging	**49 034**	**59 757**	**68 475**	**72 540**	**–**
2011					
Net repricing profile before hedging	67 431	(20 943)	(18 976)	28 717	(56 229)
Net repricing profile after hedging	64 461	(2 148)	(5 364)	(720)	(56 229)
Cumulative repricing profile after hedging	64 461	62 313	56 949	56 229	–

- The <3 months positive net repricing profile after hedging has decreased in 2012, with a corresponding increase in this position in the '>3 months <6 months' to '>1 year' repricing buckets as a result of the Asset and Liability Committee's (ALCO's) decision to reduce the group's sensitivity for a further interest rate cut in the short to medium term. This strategy was executed through the acquisition of Treasury Bills as part of the group's liquid asset buffer portfolio. These assets were subsequently not hedged, thereby exposing the group to receive fixed interest rate risk, thereby reducing interest rate sensitivity.
- The increase in the positive Non-interest rate sensitivity and Trading book position is largely the result of stronger capital levels and higher transactional deposit balances at year-end.

Nedbank Group interest rate repricing profile



EXPOSURE TO INTEREST RATE RISK

	Nedbank Limited		Other Group Companies		Nedbank Group	
Rm	**2012**	2011	**2012**	2011	**2012**	2011
Net interest income (NII) sensitivity						
1% instantaneous decline in interest rates	**(643)**	(715)	**(170)**	(128)	**(813)**	(843)
2% instantaneous decline in interest rates	**(1 325)**	(1 419)	**(340)**	(257)	**(1 665)**	(1 676)

- At year-end the NII sensitivity of the group's banking book for a 1% parallel reduction in interest rates is 1,51% of total group ordinary shareholders' equity (2011: 1,72%), which is well within the board's approved risk limit of 2,25%.
  - This exposes the group to a decrease in NII of approximately R813m before tax should interest rates fall by 1%, measured over a 12-month period. NII sensitivity, as currently modelled, exhibits very little convexity and results in an increase in pre-tax NII of approximately similar amounts should rates increase by 1%.
- During 2012 the group's NII sensitivity has been decreased through interest rate risk management strategies to mitigate the adverse impact on NII as a result of potential downside risk to interest rates in the short- to medium-term.
- IRRBB strategies are evaluated regularly to align with interest rate views and defined risk appetite. This ensures that optimal on– and off-balance sheet strategies are applied, either positioning the balance sheet or protecting interest income through different interest rate cycles, while aligning IRRBB sensitivity with through-the-cycle impairment sensitivity, which is seen as a natural economic net income hedge, but is subject to a time lag differential across financial reporting periods.
- Nedbank Limited's economic value of equity, measured for a 1% parallel decrease in interest rates, is a reduction in value of R81m at December 2012 (2011: R325m). The decrease this year is the result of strategies implemented to mitigate the adverse impact of downside risk to interest rates.

Equity Risk

- The total equity portfolio for investment risk is R4 493m (2011: R4 385m).
  - A total of R3 212 (2011: R3 240m) of this portfolio is held for capital gain, while the rest mainly comprises strategic investments.

Investments	Publicly listed		Privately held		Total	
Rm	2012	2011	2012	2011	2012	2011
Fair value disclosed in balance sheet (excluding associates and joint ventures)	533	796	3 320	3 049	3 853	3 845
Fair value disclosed in balance sheet (including associates and joint ventures)	533	796	3 959	3 589	4 492	4 385

- Equity risk in the banking book is a very small component of the group's balance sheet, comprising only 0,7% of the group's total assets, 3,9% of the group's total economic capital requirement and 4,4% of the group's risk-weighted assets.

Equity investments held for capital gain (private equity) reported in non-interest revenue (NIR)

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	2012	2011	2012	2011	2012	2011
Securities dealing	138	(79)	(38)	152	176	(231)
Investment income – dividends received	73	402	51	97	22	305
Total	211	323	13	249	198	74
Realised	260	509[1]	116	230	144	279[1]
Unrealised	(49)	(186)[1]	(103)	19	54	(205)[1]
Total	211	323	13	249	198	74

[1] *December 2011 numbers have been restated.*

- Equity investments held for capital gain are generally classified as fair value through profit and loss, with fair-value gains and losses reported in NIR. Strategic investments are generally classified as 'available for sale', with fair-value gains and losses recognised directly in equity.

Foreign Currency Translation Risk

- Foreign currency translation risk (FCTR) is the risk that the bank's exposures to foreign capital will lose value as a result of shifts in the exchange rate. As Nedbank Group is a rand-reporting entity, its risk is in a strengthening of the rand.

Offshore capital split by functional currency

Nedbank Group	2012			2011		
$m (US dollar equivalent)	Forex-sensitive	Non-forex-sensitive	Total	Forex-sensitive	Non-forex-sensitive	Total
US dollar	136		136	138		138
Pound sterling	146		146	130		130
Swiss franc	7		7	17		17
Malawi kwacha	5		5	8		8
Other		569	569		539	539
Total	294	569	863	293	539	832
Limit	350			350		

- Equity in forex-sensitive foreign subsidiaries has increased marginally by 0,3% to $294m. Total offshore capital has also increased by 4% to $863m at year-end largely as a result of increased profits.
- FCTR remains relatively low and is aligned with the appropriate offshore capital structure of the group. The total RWA for the group's foreign entities is approximately R14,3bn, being low at approximately 4,0% of the group. The average capitalisation rate of the group's foreign denominated business is 18% and well above the regulatory requirements.
- Any foreign exchange rate movement will therefore have a small effect on Nedbank Group's capital adequacy.

Securitisation Risk

SECURITISATION ACTIVITIES OF THE GROUP

- Nedbank Group uses securitisation exclusively as a funding diversification tool and to add flexibility in mitigating structural liquidity risk. The group currently has two traditional securitisation transactions:
  - GreenHouse Funding (Pty) Limited, Series 1 (GreenHouse), a residential mortgage-backed securitisation programme launched in December 2007 and refinanced in November 2012.
  - Synthesis Funding Limited (Synthesis), an asset-backed commercial paper (ABCP) programme launched during 2004.

ASSETS SECURITISED AND RETAINED SECURITISATION EXPOSURE

Transaction					**Assets securitised**[1]		**Assets outstanding**		**Amount retained/ purchased**[2]		**Risk-weighted assets**	
Rm	Year initiated	Rating agency	Transaction type	Asset type	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
GreenHouse	2007	Fitch	Traditional securitisation	Home loans	**2 049**	2 000	**1 320**	1 462	**374**	218	**296**	220

[1] *This includes all assets identified for securitisation, including those home loans still awaiting registration of cession of the mortgage bond by the Deeds Office at year-end.*

[2] *This is the nominal amount of exposure and excludes accrued interest.*

LIQUIDITY FACILITIES PROVIDED TO NEDBANK'S ASSET-BACKED COMMERCIAL PAPER PROGRAMME

Transaction Rm	Year initiated	Rating agency	Transaction type	Asset type	Programme size	**Face value of notes outstanding 2012**	2011	**Liquidity facilities 2012**	2011	**Risk-weighted assets 2012**	2011
Synthesis	2004	Fitch	ABCP programme	Asset-backed securities, corporate term loans and bonds	15 000	**4 768**	4 044	**4 771**	4 047	**1 246**	580

- Nedbank Group refinanced GreenHouse in November 2012, redeeming all notes and subordinated loans on the scheduled maturity date. GreenHouse acquired a further R807m of home loans from Nedbank and financed the existing and new home loan portfolio of R2 049m through the issuance of R1 944m of new notes and subordinated loans from Nedbank of R256m.
  - There have been no downgrades of any of the commercial paper issued in Nedbank Group's securitisation transactions and the performance of the underlying portfolios of assets remains acceptable.
- Nedbank Group also fulfils a number of secondary roles as liquidity facility provider, hedge counterparty and investor in third-party securitisation transactions.
  - All securitisation transactions entered into thus far have involved the sale of the underlying assets to the special-purpose vehicles. Nedbank Group has not originated or participated in synthetic securitisations.
- Nedbank Group complies with International Financial Reporting Standards in recognising and accounting for securitisation transactions.
  - In particular, the assets transferred to the GreenHouse securitisation vehicle continue to be recognised and consolidated in the balance sheet of the group and the securitisation vehicle is consolidated under Nedbank Group for financial reporting purposes, as is Synthesis.
  - Securitisations are treated as sales transactions (rather than financing transactions). The assets are sold to the special-purpose vehicles at carrying value and no gains or losses are recognised.
- The regulations relating to banks were amended, effective 1 January 2012, to incorporate the revised market risk and securitisation proposals as per Basel II.5. The primary reasons for the increase in the liquidity facility risk-weighted assets are the classification of securitisation exposures into normal securitisation exposures and re-securitisation exposures, together with the associated increase in the Supervisory Formula Approach risk weight floor from 7% to 20% for re-securitisation exposures.

Trading Market Risk

- Most of Nedbank Group's trading activity is managed in Nedbank Capital. This includes market-making and the facilitation of client business in the foreign exchange, interest rate, equity, credit and commodity markets.
- Nedbank Capital focuses primarily on client activities and flow trading in these markets.

Nedbank Group Trading book Value at Risk (VaR)

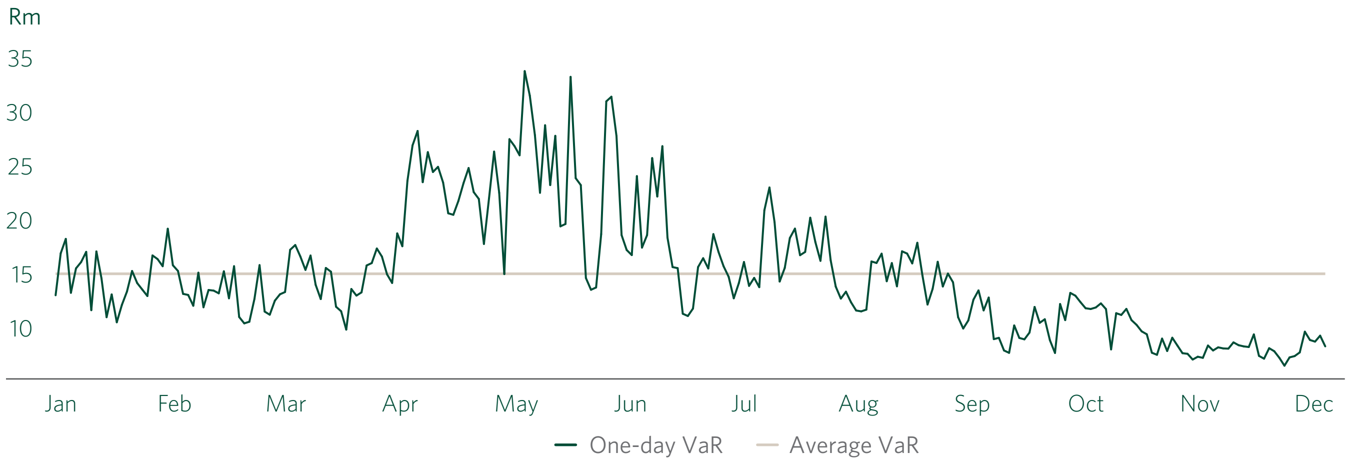
Risk type Rm	Historical VaR (99%, one-day VaR) Average	Minimum[1]	Maximum[1]	End of period
2012				
Foreign exchange	4,4	0,8	15,3	1,9
Interest rate	8,6	4,5	15,4	5,0
Equity	4,6	0,9	13,0	2,9
Credit	2,6	1,5	4,2	3,1
Commodity	0,9	0,1	3,1	0,6
Diversification[2]	(6,4)			(5,5)
Total VaR exposure	14,7	6,2	33,5	8,0
2011				
Foreign exchange	3,5	0,7	13,6	3,9
Interest rate	8,8	5,1	14,2	5,1
Equity	4,0	2,2	10,6	9,2
Credit	2,7	1,3	4,0	2,3
Commodity	0,3		1,1	0,8
Diversification[2]	(7,3)			(7,4)
Total VaR exposure	12,0	5,9	21,0	13,9

[1] *The maximum and minimum VaR values reported for each of the different risk factors do not necessarily occur on the same day. As a result a diversification number for the maximum and minimum values has been omitted from the table.*

[2] *Diversification benefit is the difference between the aggregate VaR and the sum of VaRs for the five risk types. This benefit arises because the simulated 99%/one-day loss for each of the five primary market risk types occurs on different days.*

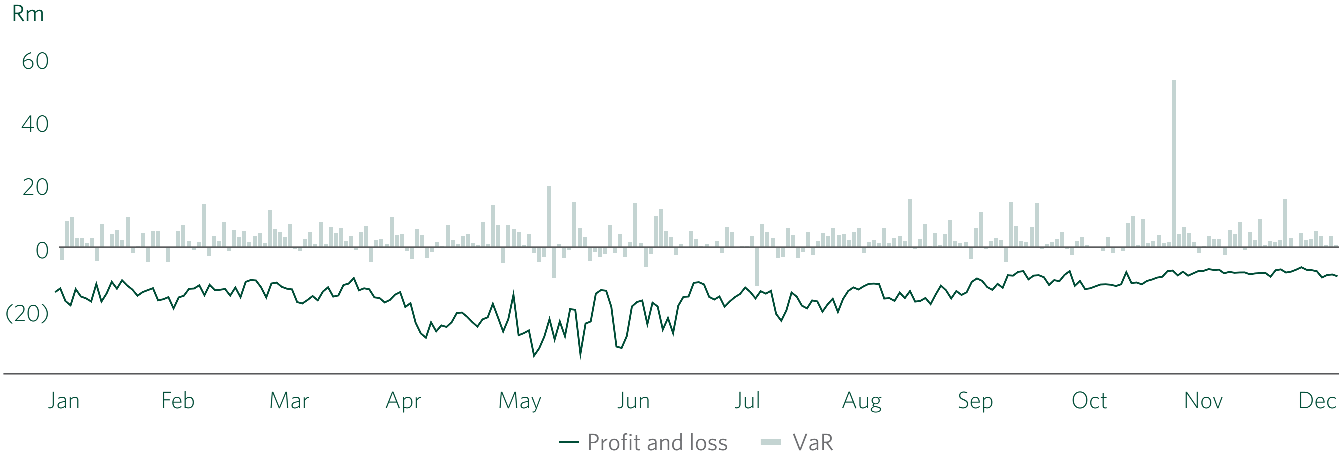
- In addition to applying business judgement, management uses a number of quantitative measures for managing the exposure to trading market risk. These measures include:
  - Risk limits based on a portfolio measure of market risk exposures referred to as VaR, including expected tail loss.
  - Scenario analysis, stress tests and other analytical tools that measure the potential effects on the trading revenue arising in the event of various unexpected market events.
- While VaR captures Nedbank Group's exposure under normal market conditions, sensitivity analysis and stress testing are used to add insight into the possible outcomes under abnormal market conditions.

Value-at-risk utilisation for 2012 (99%, one-day VaR)



- The graph above illustrates the daily VaR for the 12-month period to 31 December 2012. Nedbank Group remained within the approved risk appetite and the VaR limits allocated by the board, which remain low, with trading market risk consuming only 1,3% and 1,5% of group economic capital and regulatory capital respectively.
- During May and June 2012, the higher daily VaR was mainly due to the foreign exchange risk factor. During this period, the higher-than-usual directionality due to options in this risk factor resulted in an elevated potential risk as calculated by the VaR model. These positions during the latter part of the year were significantly reduced resulting in a decreased contribution from this risk factor.

Value-at-risk profit and loss for 2012



[1] In November 2012, Nedbank Capital facilitated a number of hedging transactions. These deals resulted in a significant positive trading income.

- VaR is an important measurement tool and the performance of the model is regularly assessed through a process called backtesting. This is done by comparing the daily VaR over a one-year period (on average of 250 trading days) to the actual and hypothetical daily trading revenue (including net interest income but excluding commissions and primary revenue) with the VaR estimate and counts the number of times the trading loss exceeds the VaR estimate.
- During 2012 the South African Reserve Bank (SARB) conducted its annual review of Nedbank's internal model for the calculation of regulatory capital for trading market risk. Nedbank's approval to use the Internal Model Approach (IMA) was renewed by the SARB with a reduction in the multiplier used in the capital calculation. This reflects positively on Nedbank Group's market risk control environment and the effectiveness of the VaR model.
- Nedbank Group's trading businesses (including net interest income, commissions and primary revenue credited to Nedbank Group's trading businesses) produced a daily revenue distribution that is skewed to the profit side, with trading revenue being realised on 225 days out of a total of 250 days in the period. The average daily trading revenue generated for the period, excluding that related to investment banking, was R7,61m (2011: R6,02m). In November 2012 Nedbank Capital facilitated a number of hedging transactions. These deals resulted in a significant positive trading income.
- As part of the Basel II.5 update to the Banks Act regulations, implemented in South Africa on 1 January 2012, the risk-weighted assets (RWA) for market risk now require an add-on for stressed VaR as opposed to being based purely on normal VaR as required by Basel II. This resulted in a significant increase of the RWA required for market risk from R3,8bn to R5,3bn and a small impact on normal capital adequacy ratios due to Nedbank Group's risk profile having a very low trading market risk component.

Nedbank Group Trading book stressed VaR

Risk type	Historical VaR (99%, 10-day VaR)			
Rm	Average	Minimum[1]	Maximum[1]	End of period
2012				
Foreign exchange	22,8	5,6	48,5	22,2
Interest rate	60,8	36,1	96,5	54,2
Equity	27,4	7,7	80,8	23,9
Credit	8,7	4,3	13,9	13,4
Commodity	2,4	0,2	8,3	2,0
Diversification[2]	(35,4)			(61,5)
Total stressed VaR exposure	86,7	53,1	171,6	54,2

[1] The maximum and minimum VaR values reported for each of the different risk factors do not necessarily occur on the same day, As a result a diversification number for the maximum and minimum values has been omitted from the table.

[2] Diversification benefit is the difference between the aggregate VaR and the sum of VaRs for the five risk types. This benefit arises because the simulated 99%/one-day loss for each of the five primary market risk types occurs on different days.

- During 2012 the Basel Committee on Banking Supervision published a consultation paper on the fundamental review of the Trading book, despite the new 2012 requirements of Basel II.5. Although the final form of the proposals will only be crystallised in 2013, it is clear that a major regulatory shift is expected. Nedbank is well positioned with its current market risk systems to implement the proposals currently considered.

Counterparty Credit Risk

- Counterparty credit limits are set at an individual counterparty level and approved within the Group Credit Risk Management Framework. Counterparty credit risk (CCR) exposures are reported and monitored at both a business unit and group level. To ensure that appropriate limits are allocated to large transactions, scenario analysis is performed within a specialised counterparty risk unit. Based on the outcome of such analysis, proposals regarding potential risk-mitigating structures are made prior to final limit approval. Limits for the group's Corporate and Business Banking businesses favour a nominal limit to facilitate monitoring.
- There is continued emphasis on the use of credit risk mitigation strategies, such as netting and collateralisation of exposures. Nedbank Group and its large bank counterparties have International Swaps and Derivatives Association (ISDA) and International Securities Market Association (ISMA) master agreements as well as credit support (collateral) agreements in place to support bilateral margining of exposures. Limits and appropriate collateral are determined on a risk-centred basis.
- Netting is applied only to underlying exposures where supportive legal opinion is obtained as to the enforceability of the relevant netting agreement in the particular jurisdiction. Margining and collateral arrangements are entered into in order to mitigate CCR. Haircuts, appropriate for the specific collateral type, are applied to determine collateral value. Margining agreements are pursued with interbank trading counterparties on a proactive basis. Margining thresholds constitute unsecured exposure to the counterparty and are assessed as such. To deal with a potential deterioration of CCR over the life of transactions thresholds are typically linked to the counterparty external credit rating.
- Nedbank Group applies the Current Exposure Method (CEM) for Basel II.5 CCR. The CEM results are also used as input in the economic capital calculations to determine credit economic capital.
- The Basel III regulatory standards for CCR contains significant enhancements and, in particular, introduce a credit valuation adjustment (CVA) capital charge. On 21 December 2012 the South African Reserve Bank (SARB) issued directive D3/2012 that has taken effect on 1 January 2013, which allowed a zero risk weight for CVA on ZAR based derivatives and derivatives with local counterparties pending the finalisation of a centralised counterparty for OTC derivatives in South Africa.
- Wrong-way risk is identified and monitored in line with internal risk processes, and as such no capital requirement is associated with this risk. No excessive wrong-way risk exists within the Nedbank Group.
- Potential collateral calls or postings are monitored with our various counterparties under a range of market movements and stress scenarios to provide senior management with a forward looking view of future collateral requirements.

OVER-THE-COUNTER DERIVATIVES FOR NEDBANK GROUP

OTC derivative products	2012		2011	
Rm	Notional value	Gross positive fair value	Notional value	Gross positive fair value
Credit default swaps	29 554	199	12 220	248
Embedded derivatives	3 501[1]	4	2 308	2
Trading	26 053	195	9 912	246
MarkIt iTraxx Europe	21 405[2]	174	6 714	229
Third Party	4 648[3]	22	3 198	17
Equities	2 884	1 682	1 305	1 976
Foreign exchange and gold	206 245	2 637	241 164	4 356
Interest rates	760 183	10 103	832 512	8 735
Other commodities			147	19
Total	998 866	14 621	1 087 348[4]	15 334

[1] *Credit default swaps embedded in credit-linked notes issued by Nedbank Group whereby credit protection of R1 804 million is purchased or credit linked notes purchased whereby credit protection of R1 697m is sold.*

[2] *Trading positions MarkIt iTraxx Europe through the purchase (R10 652m) and sale (R10 753m) of credit protection.*

[3] *Trading positions third party transactions through the purchase (R3 299m) and sale (R1 349m) of credit protection.*

[4] *2011 has been restated to include notional values on deals with no credit risk as these were previously excluded.*

OTC derivative netting

Rm	Gross positive fair value	Current netting benefits	Netted exposure (before mitigation)	Collateral	Netted exposure (after mitigation)	Exposure at default	Risk-weighted assets
2012	14 621	6 867	7 754	510	7 244	8 959	3 403
2011	15 334	8 806	6 299	900	5 542	9 437	2 353

SECURITIES FINANCING TRANSACTIONS

Rm	Gross positive fair value	Collateral value after haircut	Netted current credit exposure (after mitigation)	Exposure at default	Risk-weighted assets
2012					
Repurchase agreements	24 338	23 194	1 143	1 154	71
Securities lending	9 542	12 046	1 527	1 527	138
Total	33 880	35 240	2 670	2 681	209
2011					
Repurchase agreements	12 911	12 572	339	339	12
Securities lending	7 216	13 350	940	940	103
Total	20 127	25 922	1 279	1 279	115

Insurance Risk

- Insurance risk arises in the Nedbank Wealth Cluster and is assumed by Nedgroup Life Assurance Company Limited (Nedgroup Life) and Nedgroup Insurance Company Limited (Nedgroup Insurance).
  - Nedgroup Life offers credit life, simple-risk and savings solutions, as well as a set of differentiated underwritten individual risk life products supported by a wellness programme. A large part of the book is derived from the provision of life cover linked to Nedbank Group's lending activities.
  - Nedgroup Insurance is a short-term insurer that focuses predominantly on homeowner's insurance, personal accident and vehicle-related value-add products for the retail market.
- The Financial Services Board (FSB) is introducing a revised prudential regime for insurance, the Solvency Assessment and Management (SAM) regime, to ensure that regulation of the South African insurance sector remains in line with international best practice. SAM is based on Solvency II, a risk-based capital adequacy directive being implemented for European insurers and reinsurers in 2014. SAM, like Basel II, is based on three pillars and is intended to be implemented in 2015. The short-term insurance industry had interim measures that needed to be met in 2012 with regard to capital adequacy requirements. Nedgroup Insurance complies with these requirements and is still well capitalised. The group is on track to implement the regulatory requirements of SAM proactively, with a focus on the strategic intent in order to optimise the new regime.
- The Nedbank Wealth Cluster, which also provides banking and asset management services, is a capital and liquidity 'light' business that generates high returns off a low risk profile. Accordingly, it is considered a high-growth area in the group's Portfolio Tilt strategy. Insurance risk consumes only 0,8% (2011: 0,6%) of the group minimum economic capital requirement. The solvency ratios are reflected in the following table.

Solvency ratios	Regulatory minimum	Target range[1]	2012	2011
Long-term insurance (Nedgroup Life)	1,00x	> 1,5x	5,1x	4,1x
Short-term insurance (Nedgroup Insurance Company)	1,25x	> 1,3x	1,6x	1,4x

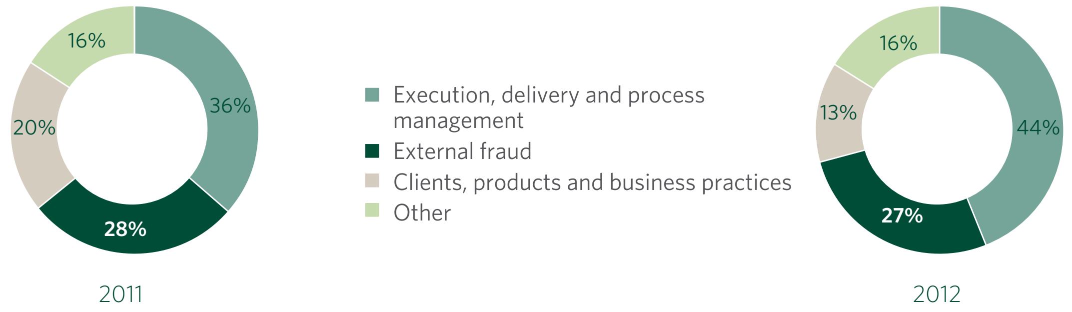
[1] *Management target range is based on the greater of regulatory and economic capital.*

- In South Africa, the regulators currently require insurers to hold capital at a minimum of 1 times cover for long-term insurance and 1,25 times for short-term insurance.
- The long-term insurance ratio is well above statutory and management target levels mainly due to strong organic earnings over the year and due to a change in the capital calculation methodology for investment guarantees. (This resulted in an R18m reduction of required capital.) The ratios improved from 4,1 times to 5,1 times at year-end.
- The short-term insurance ratio improved from 1,4 times to 1,6 times, well above the target level. This is largely due to the introduction of the SAM interim-measure capital calculations for short-term insurers. The group target has been revised to >1,3 times (previously >1,5 times) to align with the dividend policy.

Operational Risk

- Nedbank Group was granted approval in December 2010 by the SARB for the use of the Advanced Measurement Approach (AMA) with diversification, and calculates its operational risk regulatory and economic capital requirements using partial and hybrid AMA. Partial use refers to a bank, controlling company or banking group using AMA for some parts of its operations and The Standardised Approach (TSA) for the remainder of its operations. Hybrid AMA refers to the attribution of group operational risk capital to legal entities by means of an allocation mechanism.
- This approval reinforces the existence of sound operational risk governance practices across the group aimed at identifying, measuring, managing and mitigating operational risks. The group continues to invest in the enhancement of its operational risk measurement and management approaches.
- Four data elements are collected and used in managing and measuring operational risk. The data elements consist of:
  - Internal loss data
  - External loss data
  - Scenario analysis
  - Business, environment and internal control factors

Nedbank Group's operational risk loss profile from internal loss of data



- Internal loss data is generally classified in seven event-type categories. Nedbank Group's 2011 and 2012 operational risk loss profile, from internal loss data, is dominated by three event types, namely:
  - Execution, delivery and process management (EDPM)
  - External fraud (EF)
  - Clients, products and business practices (CPBP)
- In 2012 the EDPM contribution to the operational risk loss profile increased to 44% from the comparative period (2011: 36%), while the contribution to CPBP declined to 13% compared with 20% experienced in 2011. EF remained largely constant over the two-year period.
- A low percentage of operational risk loss experience (ie internal loss data) to gross operating income was maintained and significant material loss events were limited.

COMPANY DETAILS

NEDBANK GROUP LIMITED

Incorporated in the Republic of South Africa
Registration number: 1966/010630/06

Registered address:
Nedbank Sandton, 135 Rivonia Road, Sandown, 2196, Johannesburg
PO Box 1144, Johannesburg, 2000

Transfer secretaries:
SA:
Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

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

INSTRUMENT CODES

Nedbank Group Ordinary shares

JSE share code:	NED
NSX share code:	NBK
ISIN code:	ZAE000004875
ADR code:	NDBKY
ADR CUSIP:	63975K104

Nedbank Limited non-redeemable, non-cumulative preference shares

JSE share code:	NBKP
ISIN code:	ZAE000043667

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These results and additional information are available on the Nedbank Group website at www.nedbankgroup.co.za

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