MAKE THINGS HAPPEN

NEDBANK GROUP

NEDBANK GROUP LIMITED

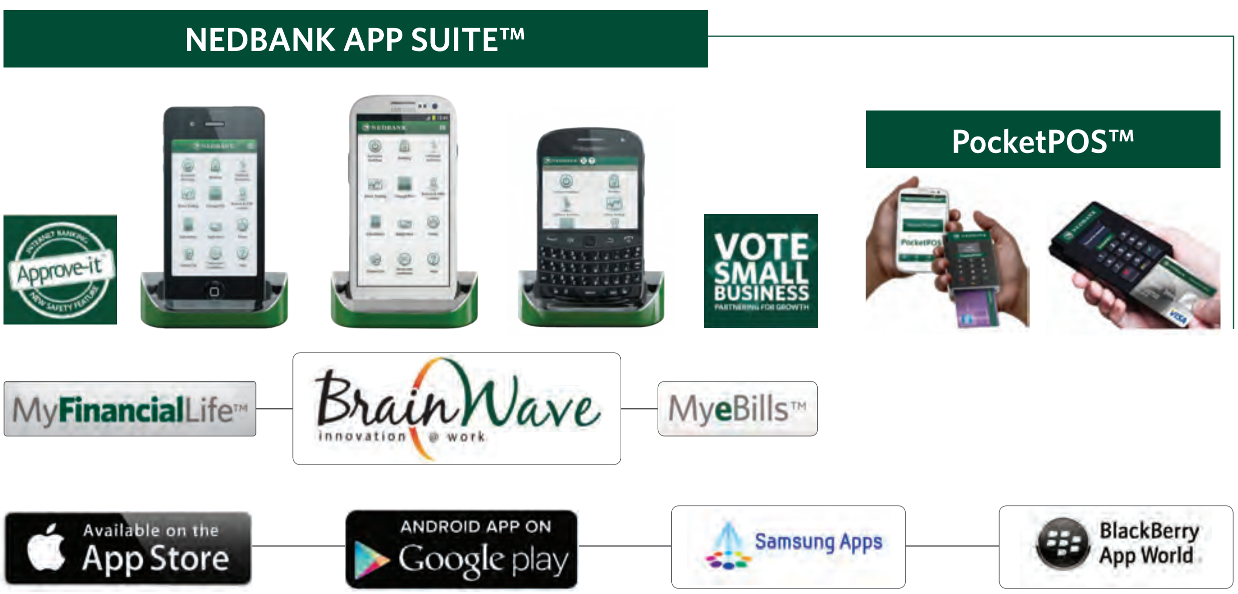
RESULTS BOOKLET

for the six months ended 30 June 2013

OLDMUTUAL

Contents

WELCOME TO
anytime, anywhere banking from Nedbank



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2013 Interim Highlights

DILUTED HEADLINE EARNINGS PER SHARE
831 cents
up **12,6%**

ROE (EXCLUDING GOODWILL)
increased to
16,1%

HEADLINE EARNINGS
R3,9bn
up **13,3%**

CAPITAL ADEQUACY
further strengthened
Common-equity tier 1:
11,8%

ECONOMIC PROFIT
R749m
up **28,7%**

NET ASSET VALUE PER SHARE
12 180 cents
up **7,9%**

NIR
up **15,4%**
to R9,5bn

INTERIM DIVIDEND PER SHARE
390 cents
up **14,7%**

'In a tougher economic environment Nedbank Group delivered a solid performance in the first six months of 2013. Strong NIR growth and disciplined expense management resulted in the NIR-to-expense ratio target of over 85% being exceeded for the first time and the return on equity increasing.

The group benefited from its portfolio of diverse businesses and strong performances in the wholesale and wealth businesses resulted in overall headline earnings growth of 13,3%.

Despite the more challenging economic environment and increasing consumer credit stress that has led to higher retail banking impairments, Nedbank Group is targeting, for the full year, growth in diluted headline earnings per share to meet its medium-to-long-term target.'

Mike Brown
Chief Executive

NEDBANK GROUP

INTERIM RESULTS

for the six months ended 30 June 2013

NOTES:

Strategy & overview

Mike Brown

Strong foundations & continued momentum in tougher macro environment

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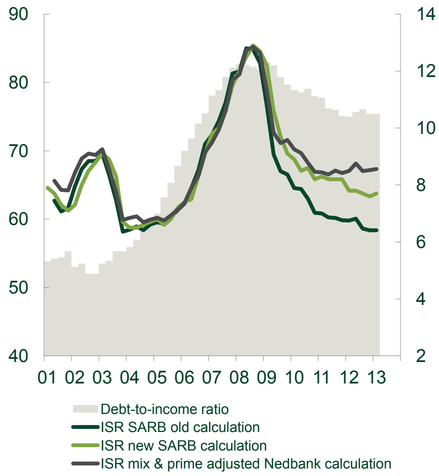
NOTES:

Macro environment tougher than anticipated

- Global economy remains volatile & uncertain
- South Africa:
  - 2013 GDP growth expectations lowered to 2,0%
  - interest rates volatile in bond & forward markets, but repo rate unchanged
  - inflation pressures & Rand devaluation
  - ongoing labour tensions
  - credit demand weak
  - consumer stress evident, particularly unsecured lending
  - customer-focussed regulation increasing

Consumer debt
Personal debt as a % of disposable income
Interest service costs as % of PDI (ISR)



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NOTES:

Key performance indicators

	Jun 2013	Jun 2012
ROE (excl goodwill)	16,1%	15,8%
Diluted HEPS growth	12,6%	23,0%
Credit loss ratio	1,31%	1,11%
NIR : expense ratio	88,7%	83,0%
Efficiency ratio	54,2%	55,6%
Common equity tier 1 CAR	11,8%	10,6%[1]

1. CAR for June 2012 on Basel II.5 basis, June 2013 on Basel III basis

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NOTES:

Internal growth momentum underpinned by strong foundations

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Momentum from growth drivers

- **Continued client gains & cross-sell**
  - Total clients above 6,4m, up 10%
- **Expansion of footprint**
  - New outlets up 46% & ATMs up 81% since 2009
- **New innovations** – accelerating delivery in past 18 months
- **Leveraging strength of wholesale franchises**
- **Delivering on growth prospects in Wealth**

Preprovisioning operating profit up 14,6%
Headline earnings up 13,3%

Strong foundations in place

- **Well diversified universal bank**
- **Strong capital levels**
- **Strong liquidity position**
  - Lengthened funding profile & liquid asset buffers maintained
  - Pro-forma LCR compliant
- **Prudent provisioning**
  - Historic early action in HL, now PL
  - Increased coverage ratios & portfolio impairments
- **Selective origination in higher risk portfolios**
- **Hedged liquid asset portfolio**

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NOTES:

Continue building Africa's most admired bank by delivering sustainably to all stakeholders

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BUILDING AFRICA'S MOST ADMIRED BANK BY OUR:

STAFF

- Created 211 new jobs
- R148m training spend
- Long-term focus on corporate culture
- High staff morale

CLIENTS

- New loan payouts R83bn
- AUM up 33% to R167bn
- Continued investment in footprint & launched branch of the future
- Total client numbers, up 10% yoy to 6,4m
- New innovations – accelerated delivery in past 18 months
- NPS at multi-year highs
- Bank of China alliance agreement

SHAREHOLDERS

- EP up 28,7%
- Dividend of 390c, up 14,7%
  - Rights to 20% in ETI
  - Agreement to acquire 36,4% stake in Banco Unico (& pathway to control)

REGULATORS

- Strong capital & liquidity ratios
- Basel III successfully implemented
- Commitment to responsible banking practices
- One of SA's largest tax contributors: R3,4bn

COMMUNITIES

- More accessible & affordable banking
- Level 2 dti contributor for 4th year
- Ranked #1 in M&G dti code survey
- R47m spent on SED in H1 2013
- Africa's only carbon neutral bank
- Leader in socially responsible banking (African Banker awards)

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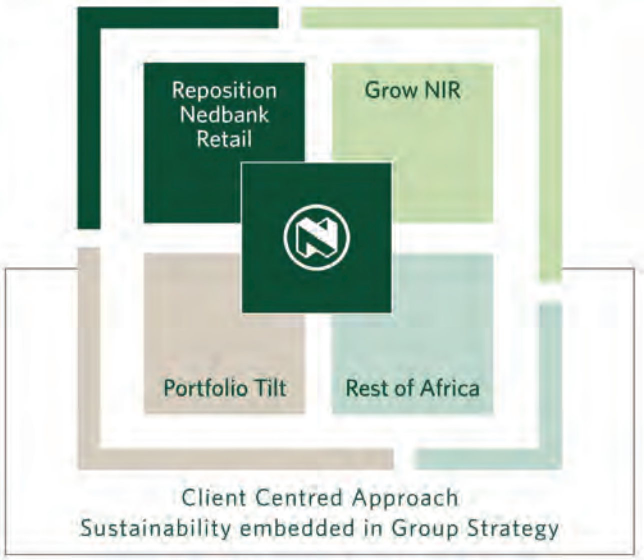
NOTES:

Maintaining progress on our strategic focus areas



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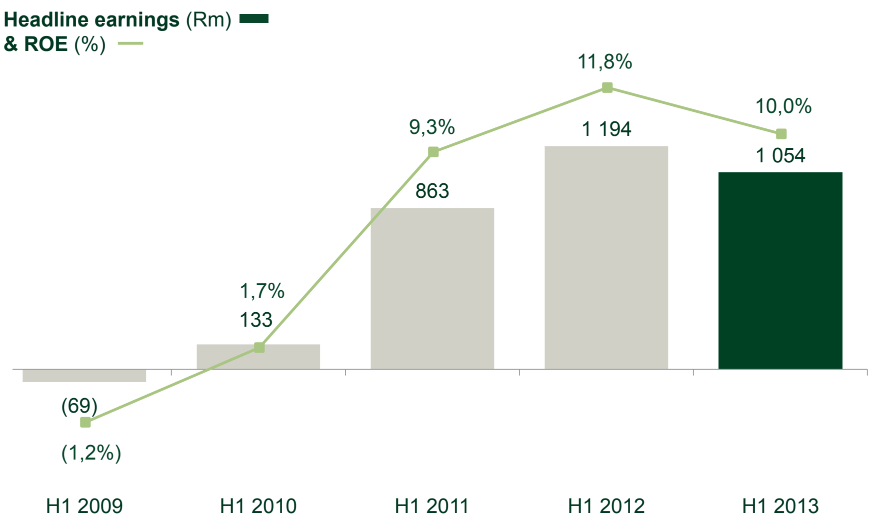
NOTES:

Reposition Nedbank Retail

Resilient performance in challenging times



2011 restated for enhancements to economic capital allocation methodologies in 2012

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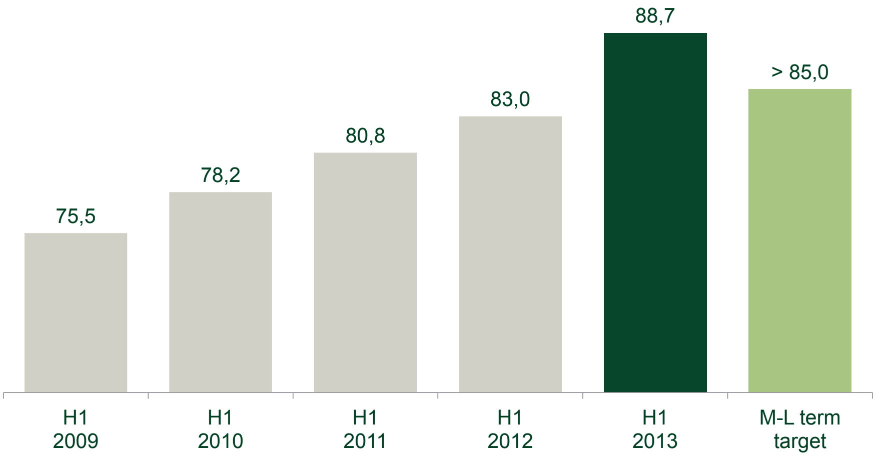
NOTES:

Grow NIR

Good momentum in NIR

NIR-to-expense ratio (%)



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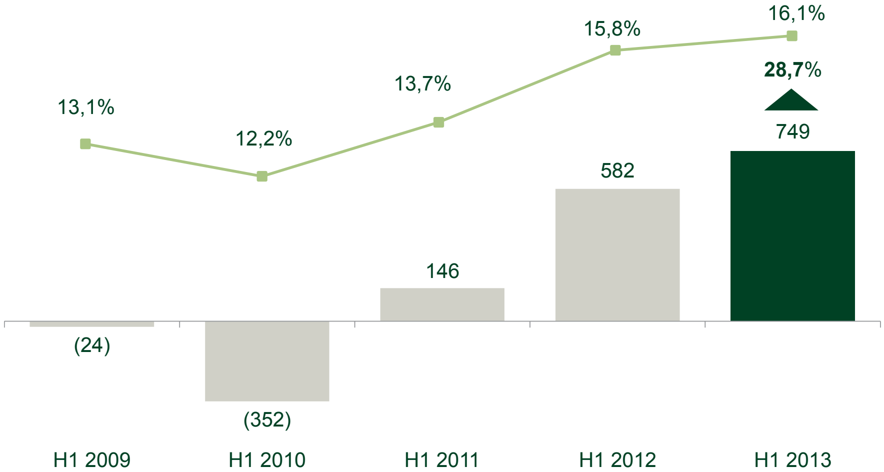
NOTES:

Portfolio Tilt

Continued growth in economic profit

Group economic profit (Rm)
& ROE (excl goodwill) (%)



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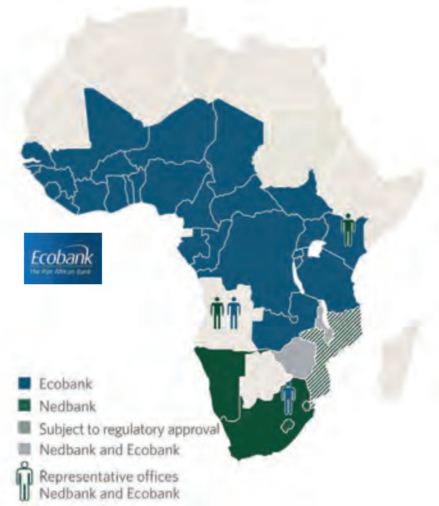
NOTES:

Rest of Africa

A client-centred, risk-mitigated, capital-efficient, longer-term strategy

'One bank' experience for clients across 37 countries & >2 000 staffed outlets



- Standardised operating model & IT system approach
- Agreement for initial 36% interest in Banco Unico
  - pathway to control
  - access to fast growing Mozambique market
  - regulatory applications submitted
- Rights to acquire up to 20% equity stake in ETI (Nov '13 – Nov '14)
- Ecobank building its franchise
  - profit attributable to ordinary shareholders up 116% to US$149m in H1 2013
  - increasing number of Nedbank wholesale clients now transacting with Ecobank

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NOTES:

Financial Overview

Raisibe Morathi

Solid performance driven by good top-line revenue growth

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NOTES:

Financial highlights

Six months ended	% change	June 2013	June 2012
Headline earnings (Rm)	13,3	**3 914**	3 454[1]
Economic profit (Rm)	28,7	**749**	582
HEPS (cents)	12,4	**852**	758
Diluted HEPS (cents)	12,6	**831**	738
Preprovisioning operating profit (Rm)	14,6	**8 652**	7 550[1]
ROA (%)		**1,15**	1,07
ROE (excluding goodwill) (%)		**16,1**	15,8
ROE (%)		**14,6**	14,2
Tangible NAV per share (cents)[2]	10,7	**10 444**	9 435
Assets under management (Rm)	33,2	**167 163**	125 516
Common equity Tier 1 capital ratio (%)		**11,8**	10,6[3]
Dividend per share (cents)	14,7	**390**	340

[1]June 2012 restated by R14m to reflect the adoption of IAS 19 Employee Benefits (2011)
[2]Annualised
[3]Basel II.5

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NOTES:

Positive trends continued

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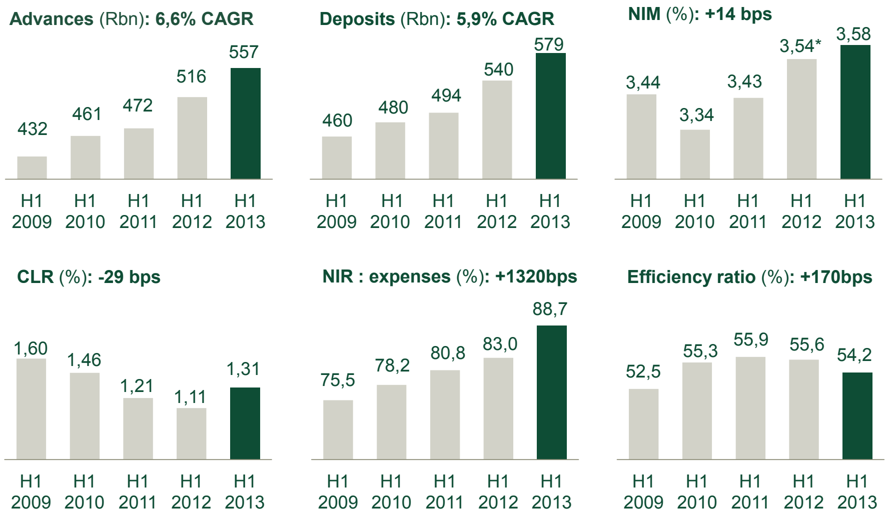

** Restated to include Acceptances*

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NOTES:

ROE continues to benefit from ROA uplift

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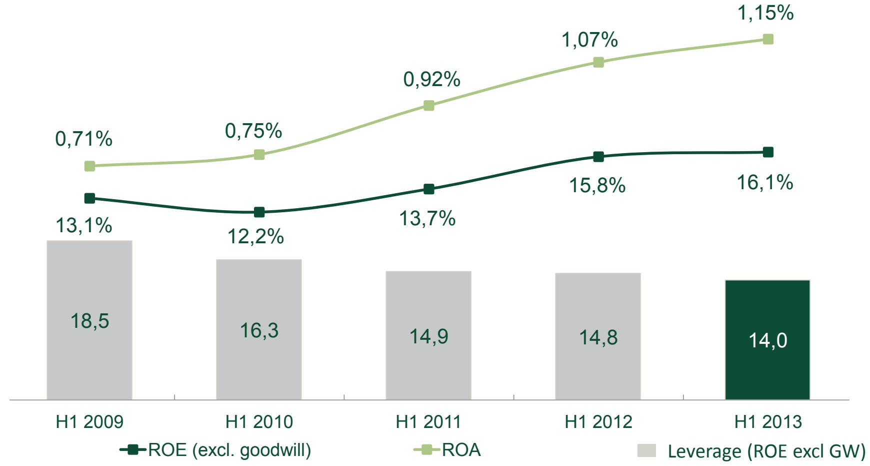
ROE (excl GW) & ROA (%)
Leverage (x times)



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NOTES:

Consolidated statement of comprehensive income

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Six months ended (Rm)	% change	**June 2013**	June 2012
Net interest income	6,9	**10 309**	9 642
Impairments	23,1	**(3 325)**	(2 702)
Income from lending activities	0,6	**6 984**	6 940
Non-interest revenue	15,4	**9 535**	8 265
Total expenses	8,0	**(10 750)**	(9 957)[1]
Indirect taxation	25,5	**(305)**	(243)
Headline profit before taxation	9,2	**5 464**	5 005
Direct taxation	1,4	**(1 413)**	(1 394)
Minorities & preference shares	(12,7)	**(137)**	(157)
Headline earnings	13,3	**3 914**	3 454[1]
Attributable earnings	12,3	**3 910**	3 483

[1]June 2012 restated by R14m to reflect the adoption of IAS 19 Employee Benefits (2011)

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NOTES:

Headline earnings growth drivers

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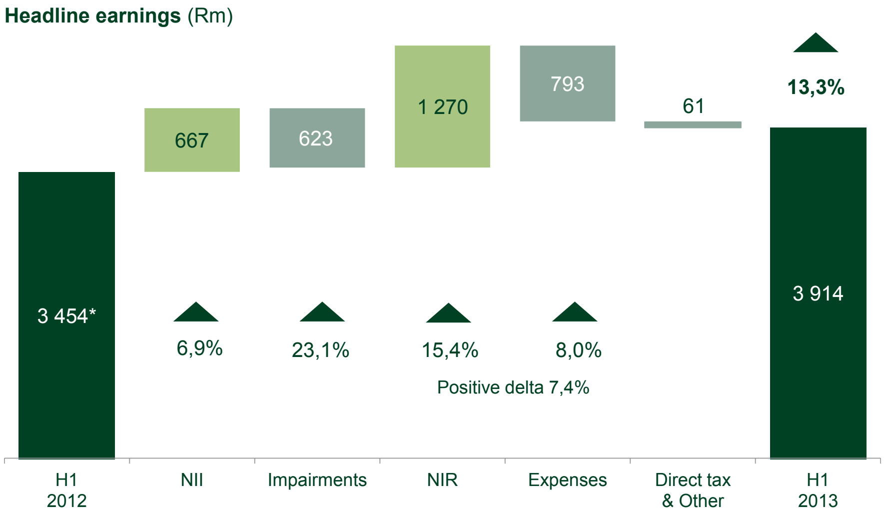

June 2012 restated by R14m to reflect the adoption of IAS 19 Employee Benefits (2011)

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NOTES:

Cluster headline earnings & ROEs

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		Headline earnings (Rm)		ROE (%)	
Six months ended	% change	**June 2013**	June 2012*	**June 2013**	June 2012
Nedbank Capital	16,9	**801**	685	**28,4**	24,1
Nedbank Corporate	23,7	**1 069**	864	**25,9**	22,2
Nedbank Business Banking	(19,4)	**349**	433	**15,2**	20,5
Nedbank Retail	(11,7)	**1 054**	1 194	**10,0**	11,8
Nedbank Wealth	17,9	**421**	357	**35,9**	29,3
Line clusters	4,6	**3 694**	3 533	**17,6**	17,5
Centre & Rest of Africa	>100,0	**220**	(79)		
Group	13,3	**3 914**	3 454[1]	**14,6**	14,2
Group (excl goodwill)				**16,1**	15,8

[1]June 2012 restated by R14m for the updated IFRS 19 accounting policy relating to employee benefits

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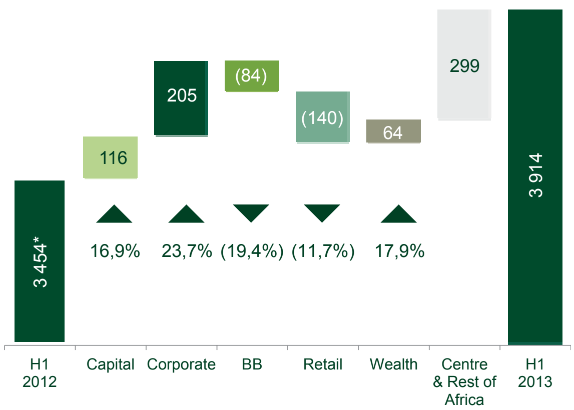
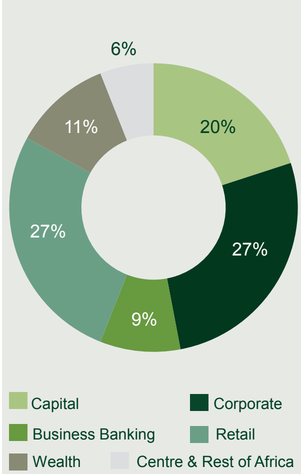
NOTES:

Benefits of a diversified portfolio

Headline earnings (Rm)



Contribution (%)



** June 2012 restated by R14m to reflect the adoption of IAS 19 Employee Benefits (2011)*

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NOTES:

NII – margin analysis

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% of daily average interest-earning banking assets	%	Rm
December 2012	**3,53**	**19 680**
Growth in banking assets		**831**
Asset mix & pricing movements	0,02	**137**
Change in marginal cost of funding	0,02	**125**
Cost of enhancing liquidity risk profile (Basel III)	(0,00)	**(12)**
Reliance on long-term debt	0,01	**57**
Liability mix movements	0,02	**109**
Impact of interest rates	(0,02)	**(123)**
Other	(0,00)	**(15)**
30 June 2013	**3,58**	**20 789***

** Annualised*

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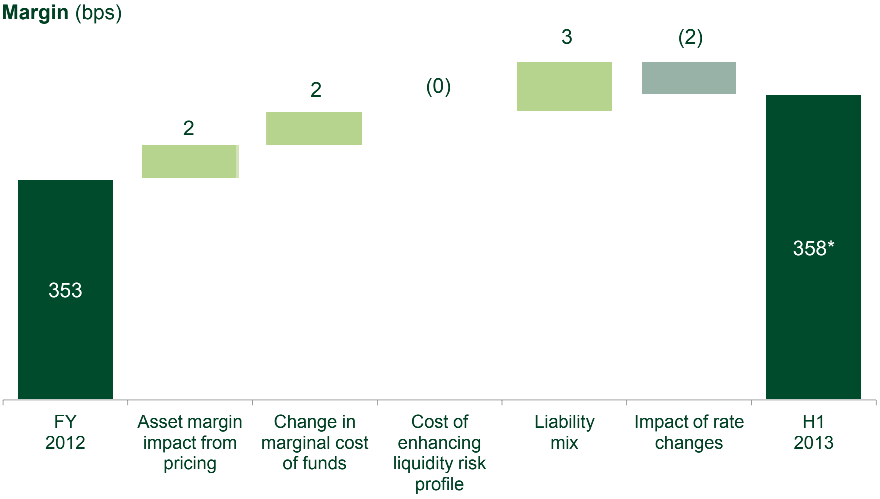
NOTES:

Margin analysis

Margin (bps)



** Annualised*

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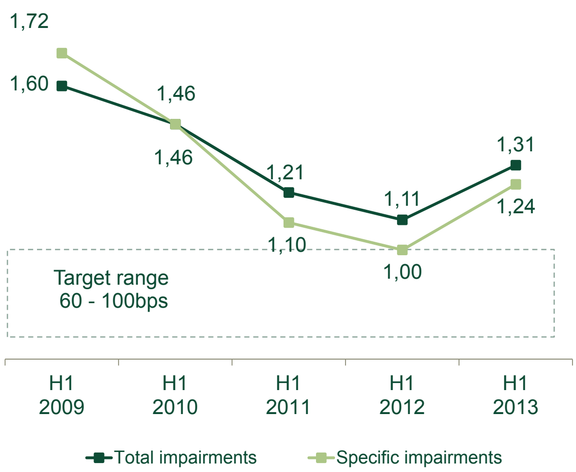
NOTES:

Credit loss ratio

CLR (%)



Key drivers in H1 2013

- Asset mix change
- Improvement in Capital & Wealth
- Corporate within TTC range
- Retail impacted by more prudent provisioning policies in PLs
- Single client specific impairment in Business Banking
- Central portfolio provisioning reduced by R60m (*in duplum*) to R140m

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NOTES:

Credit loss ratio

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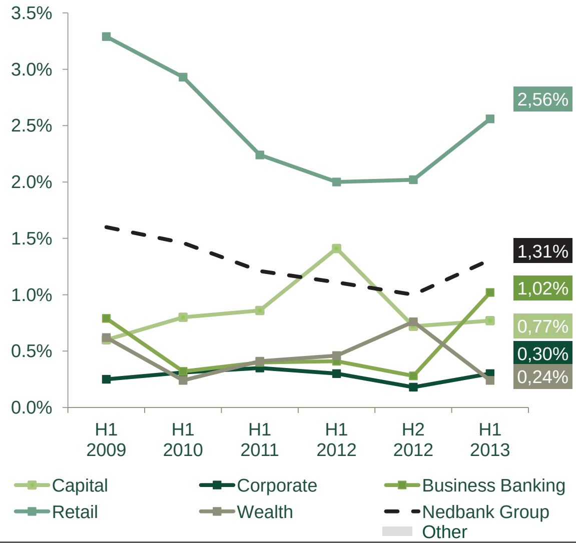
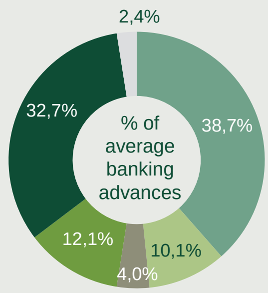
CLR (%)



Cluster	Range
Capital	0,10 – 0,55
Corporate	0,20 – 0,35
Bus Banking	0,55 – 0,75
Retail	1,50 – 2,20
Wealth	0,20 – 0,40
Group	0,60 – 1,00



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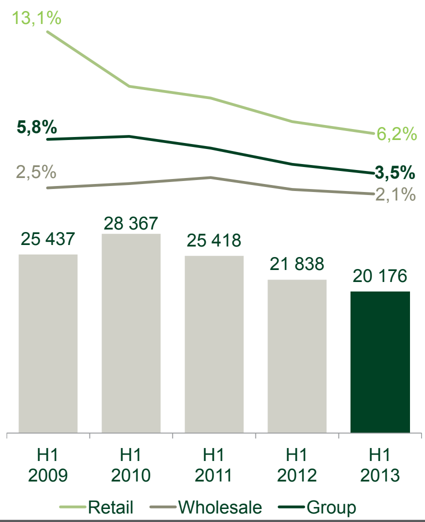
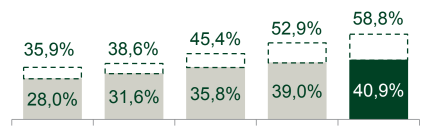
NOTES:

Prudent provisioning & early action

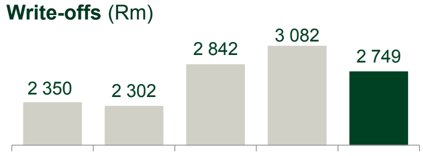
Defaulted advances (Rm)
Defaulted advances as % of book (%)



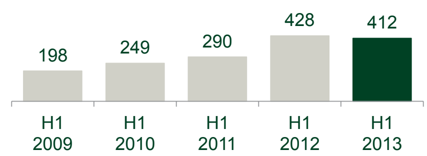
Total & specific coverage (%)



Write-offs (Rm)



Post write-off recoveries (Rm)



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NOTES:

Non-interest revenue

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Six months ended (Rm)	% change	June 2013	June 2012
Commission & fees	14,2	**6 771**	5 928
Insurance income	15,4	**950**	823
	14,4	**7 721**	6 751
Trading income	1,6	**1 272**	1 252
Private equity income	(54,7)	**63**	139
Other income	55,2	**385**	248
	12,5	**9 441**	8 390
Fair value adjustments	>100,0	**94**	(125)
Credit spread on Nedbank bonds		**4**	–
Designated asset & liability hedged portfolios		**90**	(125)
	15,4	**9 535**	8 265

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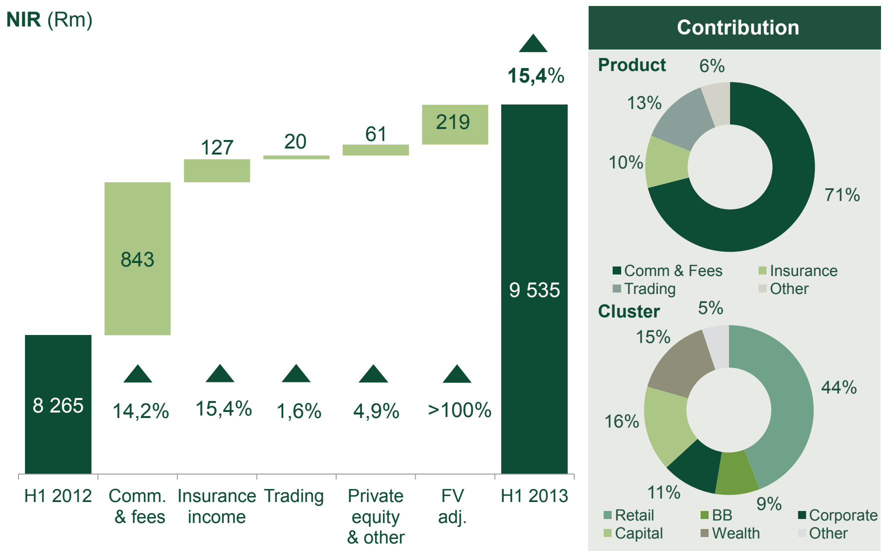
NOTES:

Strong commission & fee income growth



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NOTES:

Expenses well managed

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Six months ended (Rm)	% change	**June 2013**	June 2012
Salaries, wages & other staff costs	8,0	**4 996**	4 626
Incentive costs	11,7	**1 043**	934
STI	5,6	**777**	736
LTI	34,3	**266**	198
Computer processing	7,4	**1 296**	1 207
Marketing & PR	15,6	**667**	577
Fees & insurance	9,6	**967**	882
Other	2,8	**1 781**	1 731
Total operating expenses	8,0	**10 750**	9 957*

…efficiency ratio 54,2% (H1 2012: 55,6%)

June 2012 restated by R18m to reflect the adoption of IAS 19 Employee Benefits (2011)

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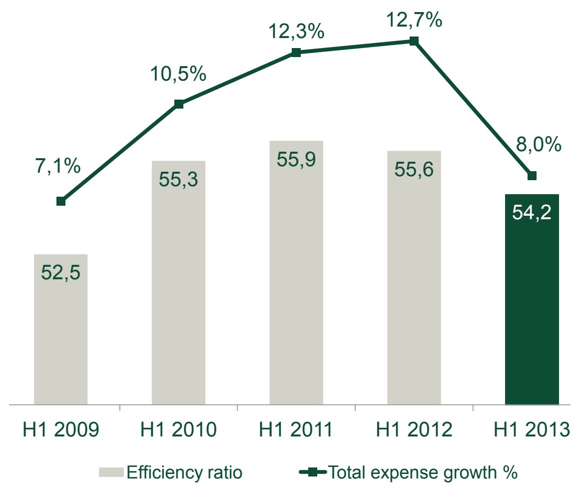
NOTES:

Expenses well managed together with continued investment in the franchise



Capex of R1,4bn since 2009

Together with:

- Distribution footprint
- Innovation
- Frontline headcount
- New products launched
- Nedbank Private Wealth rebranding

June 2012 restated by R18m to reflect the adoption of IAS 19 Employee Benefits (2011)

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NOTES:

NIR growth & expense management key differentiators

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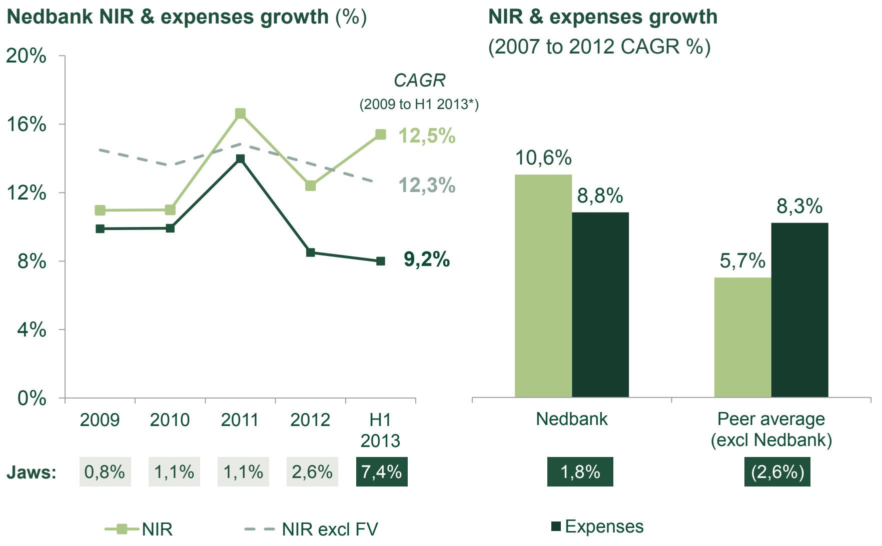

* H1 2013 annualised on 2009 FYE

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NOTES:

Tax analysis

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Six months ended (%)	**June 2013**	June 2012
Standard tax rate	**28**	28
Dividend income[1]	**(2,8)**	(3,6)
Capital items	**0,2**	(2,3)
Secondary taxation on companies (STC)	**-**	3,6
Change in CGT rate[2]	**-**	1,4
Foreign income	**(0,8)**	(0,8)
Other	**1,3**	1,6
Effective tax rate	**25,9**	27,9

1. Lower levels of dividend income received
2. Increase in capital gains tax (CGT) rate from 14,0% to 18,65%

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NOTES:

Consolidated statement of financial position

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Period ended (Rm)	Annualised % change	**Jun 2013**	Dec 2012
Cash & securities	1,8	**98 180**	97 332
Advances	11,5	**557 349**	527 166
Other	1,2	**58 801**	58 460
Total assets	9,3	**714 330**	682 958
Ordinary shareholders' equity	9,5	**56 126**	53 601
Minorities & preference shareholders		**3 691**	3 774
Deposits	10,2	**578 807**	550 878
Long-term debt instruments	(25,4)	**26 479**	30 298
Other		**49 227**	44 407
Total equity & liabilities	9,3	**714 330**	682 958

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NOTES:

Strong balance sheet

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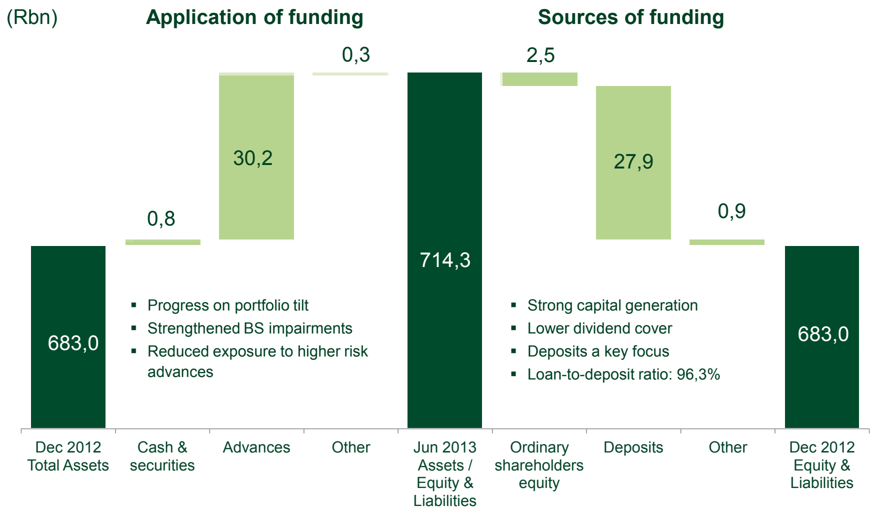

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NOTES:

Advances

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Period ended (Rm)	Annualised % change	Jun 2013	Dec 2012
Home loans	(0,4)	**136 035**	136 301
Commercial mortgages	1,2	**98 331**	97 732
Properties in possession	18,6	**627**	574
Term loans	12,8	**93 954**	88 354
Personal loans	(4,9)	**22 412**	22 969
Other term loans	19,0	**71 542**	65 385
Leases & instalment sales	10,2	**79 597**	75 764
Credit cards	19,7	**10 997**	10 019
Overnight loans	25,4	**20 653**	18 341
Overdrafts	14,6	**14 685**	13 694
Other	35,4	**114 329**	97 257
Impairment of advances	18,3	**(11 859)**	(10 870)
	11,5	**557 349**	527 166

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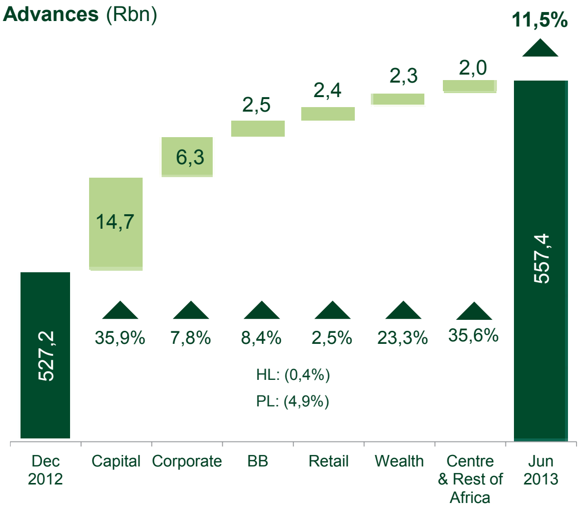
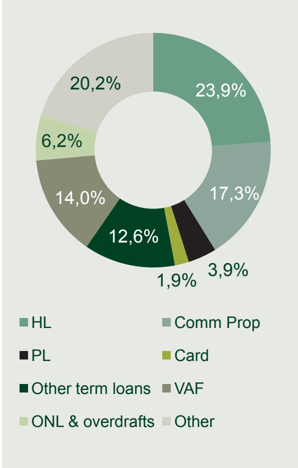
NOTES:

Advances growth & contribution

Advances (Rbn)



Contribution (%)



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NOTES:

Deposits

BOOKLET ONLY SLIDE

Period ended (Rm)	Annualised % change	**Jun 2013**	Dec 2012
Current accounts	2,3	**56 482**	55 843
Savings accounts	27,5	**19 743**	17 373
Term deposits & other	10,4	**393 345**	374 052
Call & term deposits	13,8	**231 139**	216 333
Fixed deposits	13,6	**35 123**	32 911
Cash management deposits	2,8	**57 396**	56 609
Other deposits	4,4	**69 687**	68 199
Foreign currency liabilities	94,3	**14 912**	10 161
NCDs	16,8	**83 278**	76 888
Deposit repurchase agreements	(67,1)	**11 047**	16 561
	10,2	**578 807**	550 878

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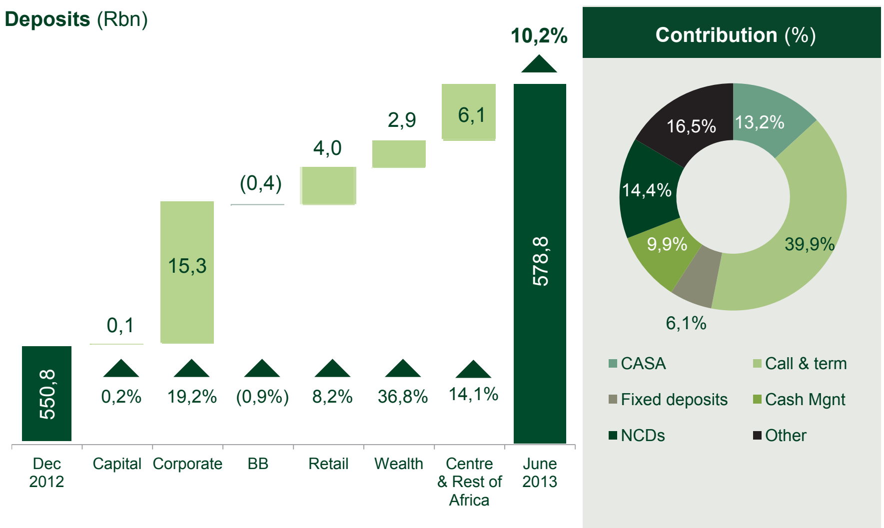
NOTES:

Deposit growth & contribution



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NOTES:

Strong Basel III position

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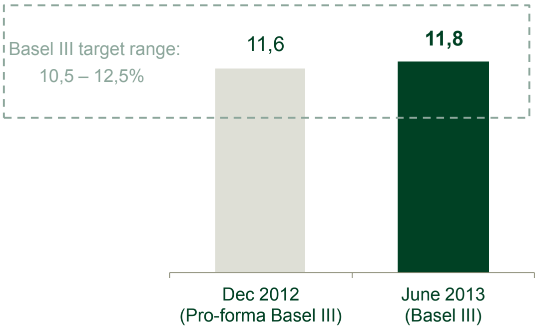
Capital: ✓

Common equity tier 1 ratio (%)



R1,8bn new style Basel III compliant tier 2 capital issued (Jul 2013), replacing Tier 2 debt maturing in Sept 2013

LCR: Phased in from 2015 ✓

- Pro-forma ratio: compliant

NSFR: Only 2018

- Anticipate pragmatic approach

Funding: ✓

- Ave. LT funding ratio: 28,0%
- Surplus liquidity buffer R25bn
- R2,0bn CMBS (Mar 2013)
- R3,2bn 3-year senior unsecured debt (July 2013)

Leverage: ✓

- Pro-forma leverage ratio 16,3x vs. SARB max (25,0) & BIII max (33,3x)

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NOTES:

MAKE THINGS HAPPEN | NEDBANK CAPITAL

Nedbank Capital

Brian Kennedy

Strong & consistent performance benefiting from being client centred

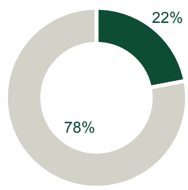
38

NOTES:

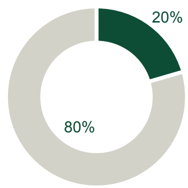
Nedbank Capital – financial highlights

Six months ended	% change	June 2013	June 2012
Headline earnings (Rm)	16,9	**801**	685
Operating income (Rm)	14,0	**2 102**	1 844
NIR : expense ratio (%)		**144,3**	150,2
Efficiency ratio (%)		**46,4**	43,3
Credit loss ratio (%)		**0,77**	1,41
Average banking advances (Rm)	15,3	**56 494**	48 986*
Average deposits (Rm)	20,1	**98 399**	81 962*
Headline economic profit (Rm)	38,7	**434**	313
Allocated economic capital (Rm)	(0,2)	**5 697**	5 708
ROE (%)		**28,4**	24,1

Nedbank Capital
Other clusters



Assets



Headline earnings

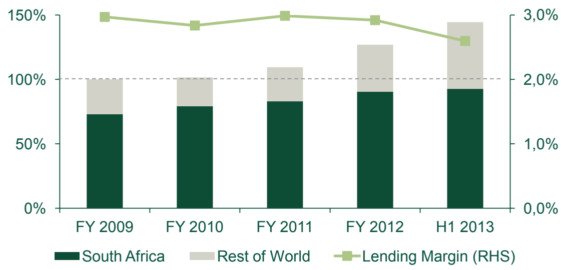
** Restated to include Acceptances*

39

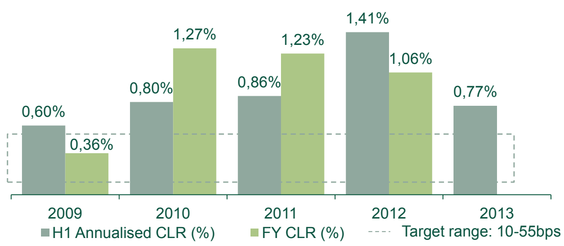
NOTES:

Strong performance in Investment Banking underpinned by a quality asset base

Average loans & advances



Credit loss ratio from lending activities (%)



Key drivers

- Strong asset growth in Investment Banking, with 11,1% CAGR since 2009
- Margins impacted by growth of the book outside SA & focus on high quality assets
- Strong management action & a quality asset base have resulted in improved CLR of 0,77%
- Continue to enhance client value management & cross-sell

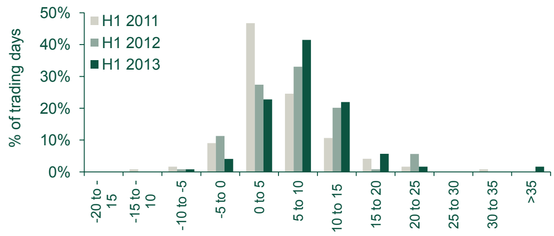
40

NOTES:

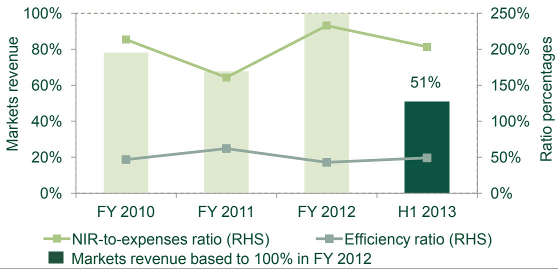
Excellent results from Markets businesses, benefiting from being client centred

MAKE THINGS HAPPEN | NEDBANK CAPITAL

Markets income distribution (Rm)



Markets revenue & performance (%)



	H1 2011	H1 2012	H1 2013
VaR[1] (Rm)	11,7	17,8	**7,0**
Days profit (%)	89%	87%	**95%**

- Strong performance from Markets businesses, notably FICC
- VaR has reduced in H1 2013 due to lower volatility of risk factors & management strategies
- Successful cross-sell achieved by leveraging strong primary business asset growth into flow opportunities

Note 1: Average VaR (99%, one day)

41

NOTES:

Prospects

MAKE THINGS HAPPEN | NEDBANK CAPITAL

Investment Banking	▪ Aim to maintain market share in next round of renewable energy (REIPPP). ▪ Continued focus on quality of assets & further improvement of credit loss ratio to within the target range.
Markets business	▪ Continue with client centric focus, pursuing mutually beneficial cross-sell opportunities by serving client needs holistically across the bank.
Rest of Africa	▪ Strengthen & build out product platform capability to capture African opportunities together with Ecobank. ▪ Specific focus on strengthening strategic businesses to leverage opportunity: Coverage; Mining; Oil & Gas; Trade Finance; Markets.

Cautiously optimistic for H2 2013

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NOTES:

MAKE THINGS HAPPEN
NEDBANK CORPORATE

Nedbank Corporate

Mfundo Nkuhlu

Solid track record in delivering sustainable growth & quality returns

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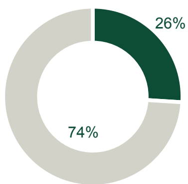
NOTES:

Nedbank Corporate – financial highlights

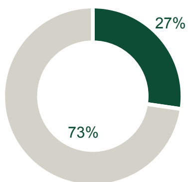
MAKE THINGS HAPPEN
NEDBANK CORPORATE

Six months ended	% change	June 2013	June 2012
Headline earnings (Rm)	23,7	**1 069**	864
Margin (%)		**2,05**	2,04*
Credit loss ratio (%)		**0,30**	0,30
NIR : expense ratio (%)		**95,3**	77,2
Efficiency ratio (%)		**38,6**	39,9
Average banking advances (Rm)	3,7	**163 478**	157 601*
Average deposits (Rm)	12,9	**163 700**	145 018*
Allocated economic capital (Rm)	6,3	**8 336**	7 839
Headline economic profit (Rm)	50,7	**532**	353
ROE (%)		**25,9**	22,2

Nedbank Corporate
Other clusters



Assets



Headline earnings

** Restated to include Acceptances*

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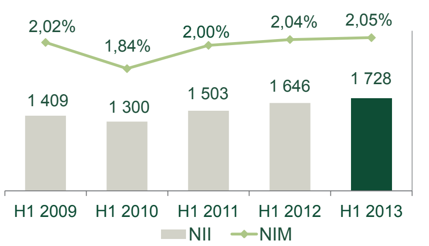
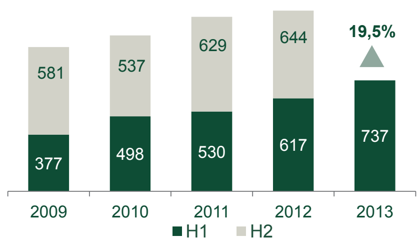
NOTES:

Sustained delivery of good returns

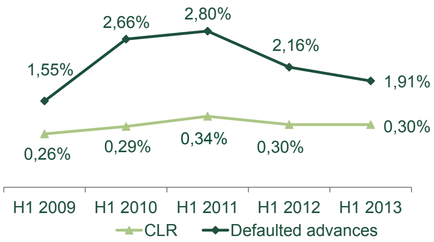
NII (Rm) **& NIM** (%)



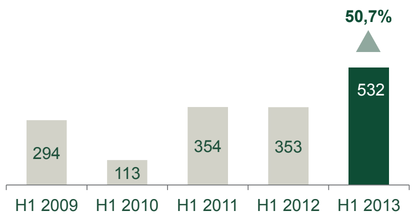
Core NIR (Rm)



Defaulted advances as % of total advances & CLR (%)



Economic profit (Rm)



2011 & prior years restated to exclude Nedbank Africa.
Core NIR = NIR less Fair Value & Investment Income.

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NOTES:

Segmental analysis

BOOKLET ONLY SLIDE

	Headline earnings (Rm)			ROE (%)	Average banking advances (Rbn)	
Six months ended	% change	**June 2013**	June 2012	**June 2013**	**June 2013**	% change
Corporate Banking	11,4	547	491	27,2	80 237	2,7
Property Finance	37,7	493	358	27,4	81 286	4,3
Subtotal	22,5	1 040	849	27,3	161 523	3,5
Other*	93,3	29	15	9,1	1 955	31,4
Corporate Total	23,7	1 069	864	25,9	163 478	3,7

** Other includes Nedbank Investor Services, International Financial Institutions, Transactional Banking, Shared Services & Central costs*

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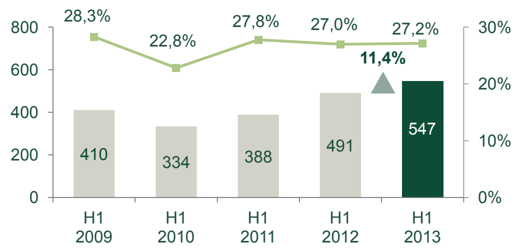
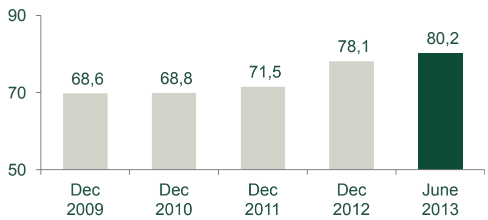
NOTES:

Corporate Banking – sustained performance over time

Headline earnings (Rm) **& ROE** (%)



Average banking advances (Rbn)



Solid performance with good returns

- **Advances growth slowing**
  - Highly competitive market
  - Pressure on lending margins
  - Market share impacted
- **Risk a key differentiator**
- **Continued NIR growth**
  - Transactional volumes under pressure
  - Gains in fair value
- **Broadening share of wallet through collaboration**
- **Innovative wholesale offerings**

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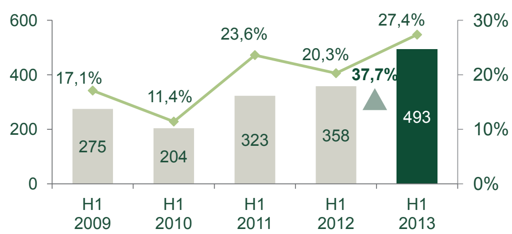
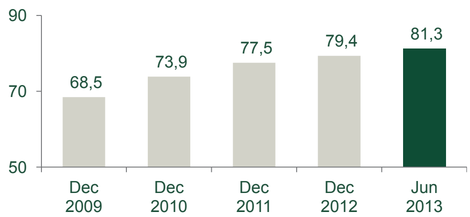
NOTES:

Property Finance – quality portfolio delivering good returns

Headline earnings (Rm) **& ROE** (%)



Average banking advances (Rbn)



Market leader in property finance

- **Active market but slowing**
  - Leadership position enables selective origination
  - Opportunities in regional shopping centres
- **Risk mitigated approach**
  - CLR below TTC target range
  - Ave LTV below 50%
  - Exposure to client-owned vacant land: <4%

48

NOTES:

Prospects

Economic environment	▪ Weakening credit demand in the corporate market ▪ Slowdown impacting on activity levels & margins
Strategy execution	▪ Focus on building momentum for sustainable growth in the period ahead
Financial	▪ Strong performance in H1 2013 ▪ On track for solid performance in H2 2013

Strong, consistent & highly performing business

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NOTES:

Nedbank Retail & Business Banking

Ingrid Johnson

Resilient performance in challenging times

50

NOTES:

Nedbank Retail & Business Banking – highlights

Resilient performance

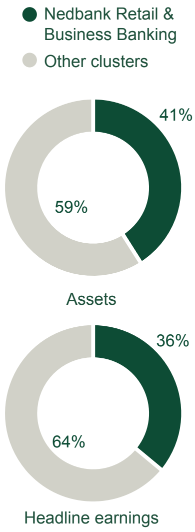
- Headline earnings of R1,4bn down 13,8%
- Strong NIR growth of 10,2% YoY to R5bn
- Increased CLR to 2,20% from a single client specific impairment in BB & more prudent provisioning policies in PL's

Quality asset portfolios at higher margins

- Proactive de-risking and re-pricing of personal loans
- Reducing downside risk from home loans (down to 52% of Retail assets)
- Consistent strategy of lending to primary banked clients in BB, with proactive risk management

Sustainable investment in core differentiators

- Client-centred innovations enhancing CVPs
- Integrated channels strategy ensuring relevance and accessibility for all in SA
- Accelerating client gains and cross-sell



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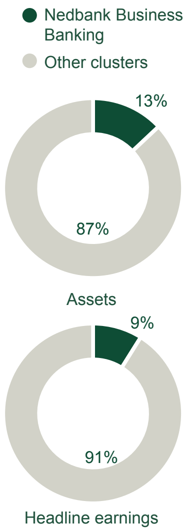
NOTES:

Nedbank Business Banking – financial highlights

Six months ended	% change	June 2013	June 2012
Headline earnings (Rm)	(19,4)	**349**	433
Preprovisioning operating profit (Rm)	6,8	**797**	746
Margin (%)		**3,24**	3,19*
Credit loss ratio (%)		**1,02**	0,41
NIR : expenses ratio (%)		**54,0**	52,5
Efficiency ratio (%)		**65,0**	65,4
Average banking advances (Rm)	4,6	**60 949**	58 241*
Average deposits (Rm)	2,8	**88 634**	86 255*
Allocated economic capital (Rm)	9,0	**4,639**	4 255
Headline economic profit (Rm)	(67,9)	**50**	156
ROE (%)		**15,2**	20,5

** Restated to include Acceptances*



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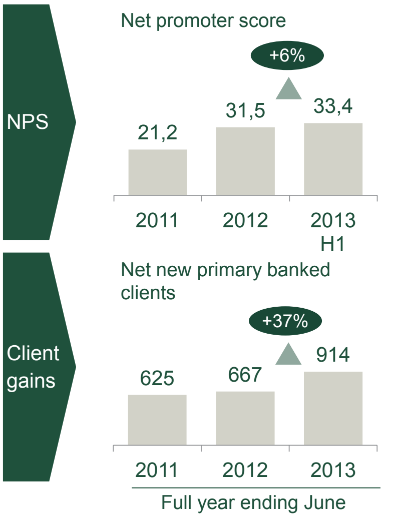
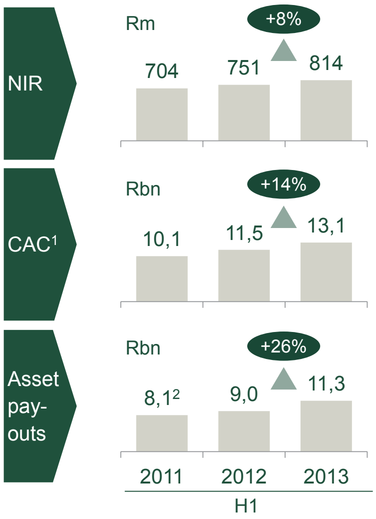
NOTES:

Strong momentum driven by distinctive decentralised business model

Quality client relationships…



…driving momentum



1 CAC – Current Account Creditors
2 Restated for rule refinements

NOTES:

Investing and innovating for SMEs

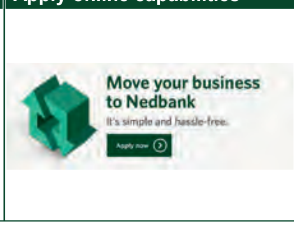
PocketPOS™

e-Commerce

Nedbank App Suite Business

Cash or rewards revolve card

Apply online capabilities

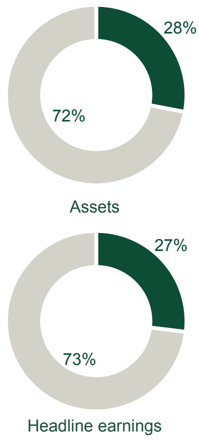


Small Business Campaigns

NOTES:

Nedbank Retail – financial highlights

Six months ended	% change	June 2013	June 2012
Headline earnings (Rm)	(11,7)	1 054	1 194
Preprovisioning operating profit (Rm)	9,3	4 010	3 668
Margin (%)		5,82	5,61
Credit loss ratio (%)		2,56	2,00
NIR : expenses ratio (%)		75,0	72,5
Efficiency ratio (%)		57,5	58,3
Average banking advances (Rm)	3,2	191 770	185 895*
Average deposits (Rm)	8,5	97 864	90 197*
Allocated economic capital (Rm)	4,0	21 203	20 391
Headline economic profit (Rm)	(133,6)	(313)	(134)
ROE (%)		10,0	11,8

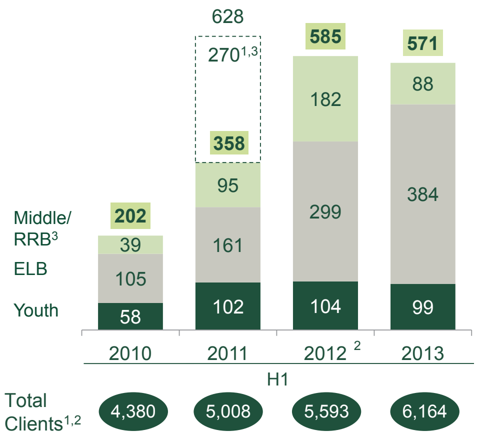


** Restated to include Acceptances*

NOTES:

Strong client growth through more enduring relationships with all in SA

Client growth
('000)



Imperatives as a bank for all in SA

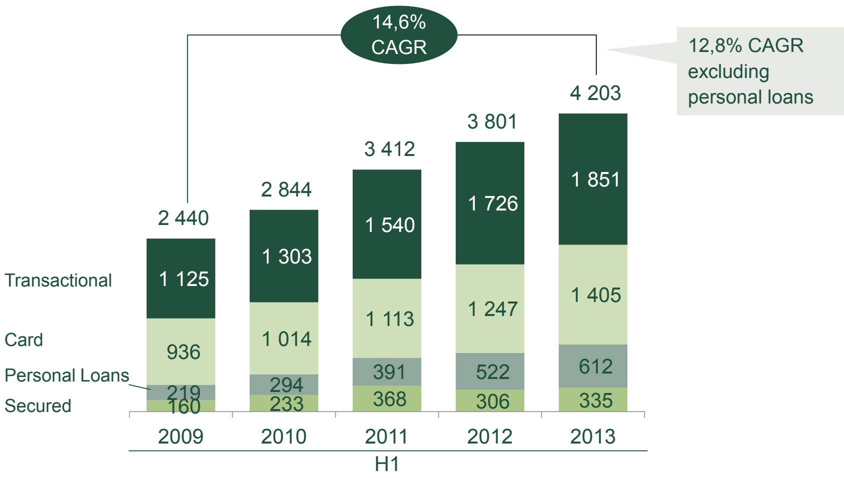
- **Invest in growing Youth & Entry Level Banking :**
  - Nedbank under represented in ELB (only 8% share in 2009)
  - ELB & Youth are foundation for future middle market growth (50% of SA population aged 25 or below)
- **Restore strength in Middle to Upper, including seniors:**
  - Accounts for greater than 60% of industry EP pool for banked population
- **Grow small businesses**
  - Benefits of virtuous circle, employs ~45% of SA workforce
  - Future Business Banking clients

1 2011 includes 270K clients acquired as part of MFC
2 Acquired approximately 49k customers from Ackerman's base (Jan'12)
3 The majority of MFC clients fall in the middle market, increasing the base of clients with a single product holding

NOTES:

Significant strengthening of transactional revenues

Total NIR
Rm



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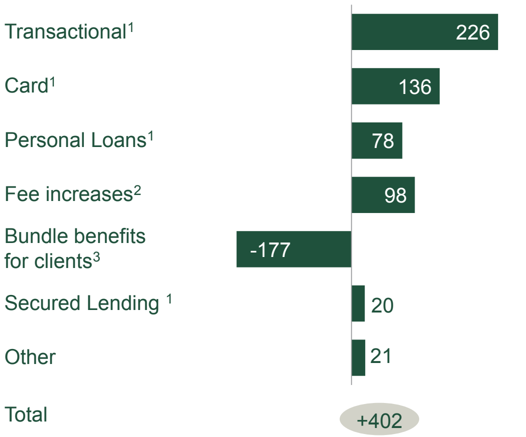
NOTES:

NIR growth driven by volume gains and deepening cross-sell

Drivers of YoY NIR growth of 10,6%
Rm



Client insight led value proposition: Nedbank Savvy

1 Reflects volume related drivers
2 Reflects all pricing uplifts. Net average annual fees increase equates to 4,35%
3 Taking into account lower transactional activity & change in mix of transactions

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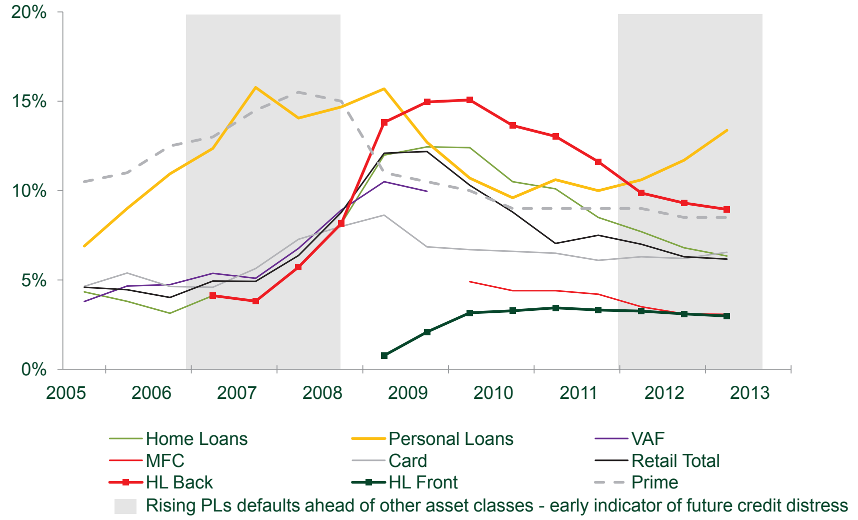
NOTES:

Preparing for next cycle of consumer credit stress - personal loans an early indicator

MAKE THINGS HAPPEN NEDBANK

Defaults over time

Default % of total advances per category



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NOTES:

Asset pay-outs aligned to risk appetite & pricing dynamics

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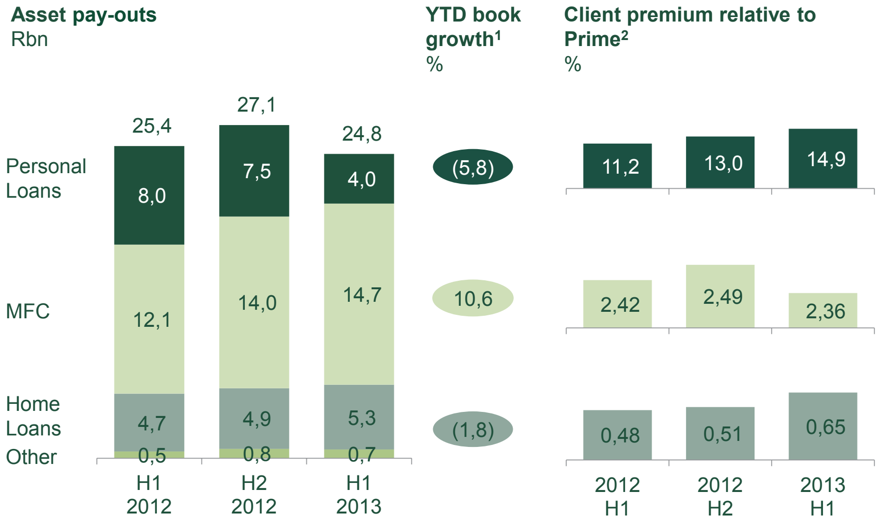

1 Annualised
2 Home loans excludes staff and re-advances

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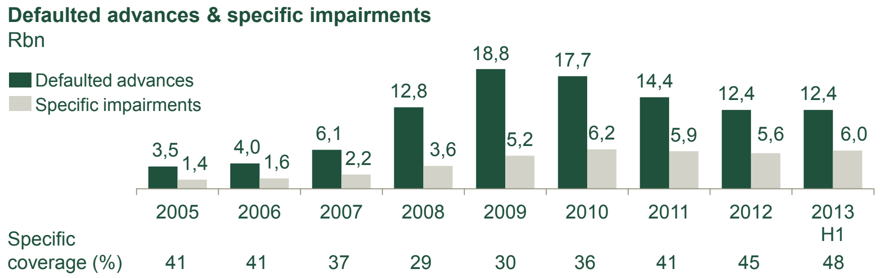
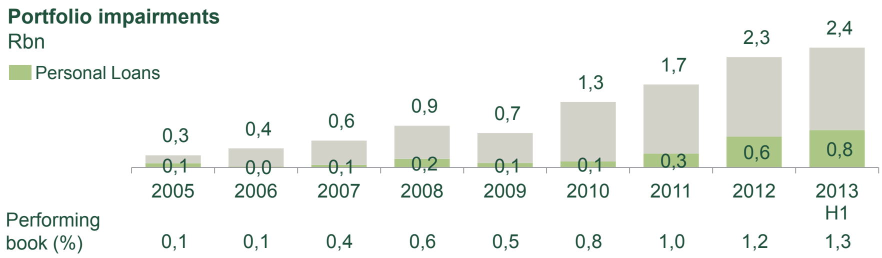
NOTES:

Defaulted loans proactively reduced while strengthening impairments





2005 to 2008 numbers exclude MFC

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NOTES:

Sustainably redefining home loans competitive positioning

Emphasising buyer advocacy & own channels...

…to ensure new business written at appropriate risk & competitive margins:

- ~10% of new business now via online applications giving bond approval within hours
- ~55% of monthly group home loan pay-outs from relationship businesses
- Streamlined in-store processes & same day approval promise
- >85% of new business originated through own channels

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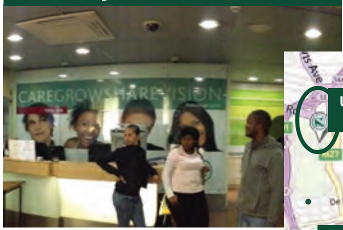
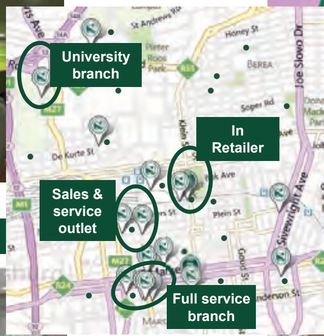
NOTES:

Sustainably transforming micro market presence

University branch



Jozi CBD micro-market



In-Retailer

Sales & service outlet

Full service branch

LEGEND
- Branch, Sales & service outlet or PL kiosk
- In-retailers (Pick n Pay, Boxer, Cashbuild or Agency)
- ATM's

63

NOTES:

Prospects

Strategic Momentum	▪ Business Banking's decentralised accountable business model & 'influencer' strategy a compelling differentiator ▪ Retail evolved to a more innovative, client centred & integrated business with a step change in distribution ▪ R5bn of NIR, following strong compound NIR growth of 14% p.a. since '09
Risk Mitigation	▪ Early actions taken since '09 to position for weak economic fundamentals - High-quality advances CAGR for 4 yrs of 5,5% at higher margins - R5,8bn reduction in defaulted loans to R15,3bn since '09 peak - R3,4bn strengthening of balance sheet impairments to 3,75% on R256bn of net advances
Financial Outlook	▪ Business Banking CLR anticipated to revert within range for the full year ▪ Retail CLR anticipated to moderate towards the upper end of CLR range – targeting full year headline earnings similar to 2012[1] ▪ Retail targeting an RoE > CoE by 2014, in line with original commitment

Strategically well positioned with downside risk protection

1 Risk to the downside should levels of consumer financial distress deteriorate further

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NOTES:

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Nedbank Wealth

Dave Macready

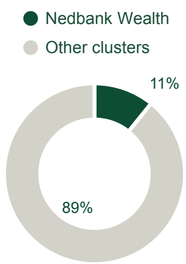
Growing shareholder value

NOTES:

Nedbank Wealth – financial highlights

MAKE THINGS HAPPEN | NEDBANK

Six months ended	% change	**June 2013**	June 2012
Headline earnings (Rm)	17,9	**421**	357
Margin (%)		**1,91**	2,08*
Credit loss ratio (%)		**0,24**	0,46
NIR : expense ratio (%)		**138,0**	136,2
Efficiency ratio (%)		**62,0**	61,4
Assets under management (Rm)	33,2	**167 163**	125 516
Life embedded value (Rm)	12,9	**2 063**	1 827
Life value of new business (Rm)	(28,0)	**201**	279
Allocated economic capital (Rm)	(3,6)	**2 361**	2 448
Headline economic profit (Rm)	35,4	**268**	198
ROE (%)		**35,9**	29,3



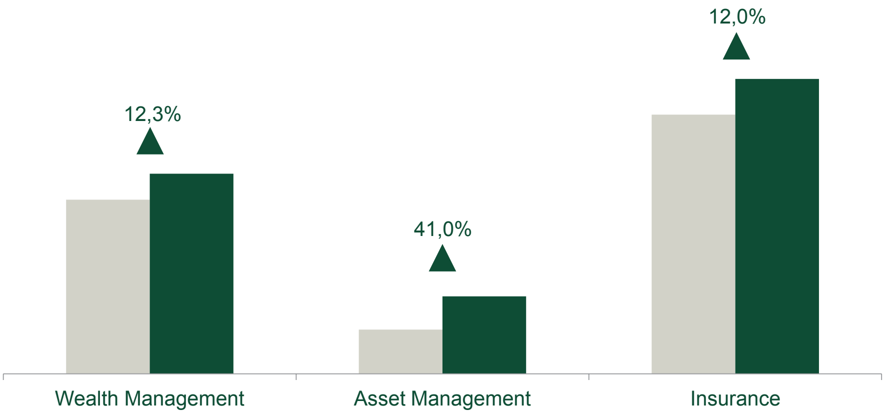
- **AUM net inflows** **R8,4bn**
- **Life APE** **-29,2%**
- **ST insurance premium** **+9,7%**

** Restated to include Acceptances*

NOTES:

NIR growth of 16,1% to R1,5bn

Relative divisional NIR contribution & growth



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NOTES:

Operational highlights underpinning growth

Wealth Management	**Positioned for growth** ▪ Integrated international HNW proposition ▪ Top quartile investment performance ▪ Stockbroking turnaround & record planner productivity
Asset Management	**Leveraging scale benefits** ▪ Momentum in performance & net flows ▪ Market share growth ▪ Brand profiling taking effect
Insurance	**New product opportunities** ▪ Expanded direct offering ▪ Significant growth in new niche offerings ▪ Investment in systems, skills & key IP

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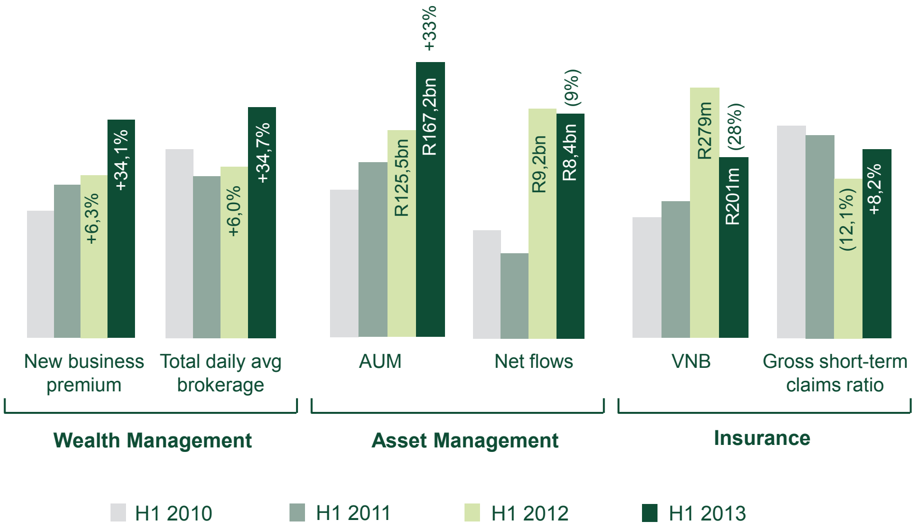
NOTES:

KPI's reflecting growth bias



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NOTES:

Prospects

Wealth Management	▪ Net client cash-flow growth improving ▪ Leverage record productivity levels ▪ Momentum in turnaround
Asset Management	▪ Performance & flows momentum ▪ Unique proposition & ethos ▪ Alternative complementary offerings
Insurance	▪ New PL direct & bundled offerings ▪ Innovative & differentiated credit life ▪ Increased cross-sell & collaboration

Growth momentum & high ROE

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NOTES:

Summary & prospects

Mike Brown

Continued progress to build Africa's most admired bank

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NOTES:

Macro & industry environment

Global macro environment	▪ Global growth slowing ▪ Developed equity markets outperforming emerging markets ▪ Monetary policy impacting market volatility
Domestic macro environment	▪ 2013 GDP growth now forecast at 2,0% (2014: 3,2%) ▪ Inflation pressure from weaker Rand ▪ Repo rate likely to remain unchanged until late 2014 ▪ Government infrastructure spend increasing
SA banking industry	▪ Asset growth slow & competition puts pressure on margins ▪ Consumer credit stress increasing notwithstanding low interest rates ▪ Unsecured lending & associated credit life products to remain under pressure ▪ Volatility in debt, equity & FX markets likely to continue ▪ Regulatory: Financial Sector Code finalised & Basel III implemented

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NOTES:

Nedbank Group H1 2013 performance & outlook for FY 2013

H1 2013

- Benefits of a diverse portfolio
- Credit losses higher than expected in Personal Loans & Business Banking
- Solid performance:
  - Preprovisioning operating profit up 14,6%
  - DHEPS up 12,6%
  - Interim dividend per share up 14,7%

Outlook for FY 2013

- Strong capital ratios
- Prudent provisioning
- Surplus liquidity
- Aiming to meet our medium-to-long-term DHEPS target in a volatile macro environment

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NOTES:

Thank you

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NOTES:

BOOKLET ONLY SLIDES

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NOTES:

2013 guidance

2013 SA GDP growth: Revised from 2,5% to 2,0%	Interest rates: Increase in late 2014	Inflation: Upper-end of SARB range

NII
- Advances growth at mid-to-upper single digits
- Margin to remain at levels similar to 2012

CLR
- Improve from the June 2013 level, but remain above the top end of the through-the-cycle target range (60 – 100bps) — Revised

NIR
- Low double digit growth (excluding fair-value adjustments)

Expenses
- Mid-to-upper single digit growth

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NOTES:

Medium-to-long-term targets

Metric	2012		Medium-to-long-term target	2013 outlook vs 2012	
ROE (excl goodwill)	16,4%	×	5% above COE	Improving, remaining below target	
Diluted HEPS growth	19,0%	✓	≥ CPI + GDP growth + 5%	Meet target	
Credit loss ratio	1,05%	×	0,60% - 1,00%	Below June 2013, but above target	Revised
NIR : expenses	84,4%	×	> 85%	Meet target	
Efficiency ratio	55,6%	×	< 50%	Improving, remaining above target	
Core Tier 1 CAR Tier 1 CAR Total CAR	B III 11,6% 13,1% 15,1%	✓	Basel III basis: 10,5% - 12,5% 11,5% - 13,0% 14,0% - 15,0%	Strengthening	
Economic capital	✓	✓	Internal Capital Adequacy Assessment Process (ICAAP): A debt rating (including 10% capital buffer)		
Dividend cover	2,18x	✓	1,75 to 2,25 times		

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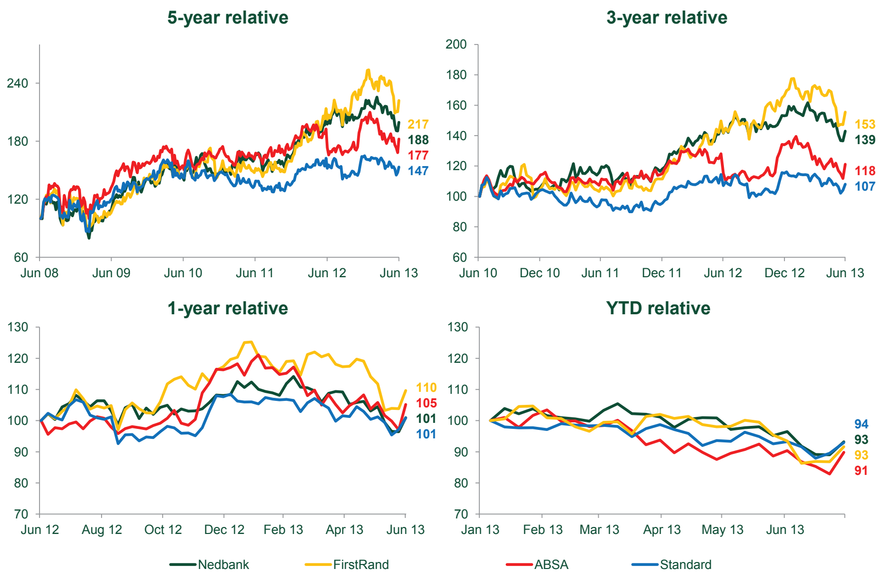
NOTES:

Relative share price performance



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NOTES:

Nedbank Business Banking

Consistent, quality performance through challenging cycle while delivering on aspirational vision to be the leader in business banking for SA

MAKE THINGS HAPPEN | NEDBANK

	2005	2006	2007	2008	2009	2010	2011	2012	2013	
RoE (%)	21,3	25,2	30,1	34,8	23,8	29,1	22,8	20,5	15,2	(H1 YTD)
										Change 2008-2013
Gross Operating Income (Rm, H1)	1 403	1 531	1 837	2 149	2 045	1 835	2,086	2 188	2 319	
Endowment income	371	398	609	858	745	466	437	478	494	-364
Income excl endowment	1 032	1 133	1 228	1 291	1 300	1 369	1,649	1 710	1 825	+534
Costs (Rm, H1)										
Impairments	134	46	81	92	218	81	119	121	315	+223
Operating costs	769	806	955	1 000	1 051	1 110	1 288	1 430	1 508	+508
Headcount (#, as at Jun)						133[2]	133[2]	133[2]	133[2]	
	2 028	2 184	2 334	2 281	2 282	2 226	2 278	2 204	2 196	-85
	2005[1]	2006[1]	2007[1]	2008	2009	2010	2011	2012	2013	
Avg Prime (%)	10,8	10,6	12,6	14,8	13,2	10,2	9,0	9,0	8,5	(Jun YTD)
GDP growth (%)	5,3	5,0	6,1	4,1	(1,8)	2,7	3,3	2,3	1,5[3]	(Jun YTD)

1 Restated for internal transfers to align with Corporate Saver / TB moves in 2008
2 Imperial Bank staff
3 Based on Q1 actual (0,9)and Q2 forecast (2,1)

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NOTES:

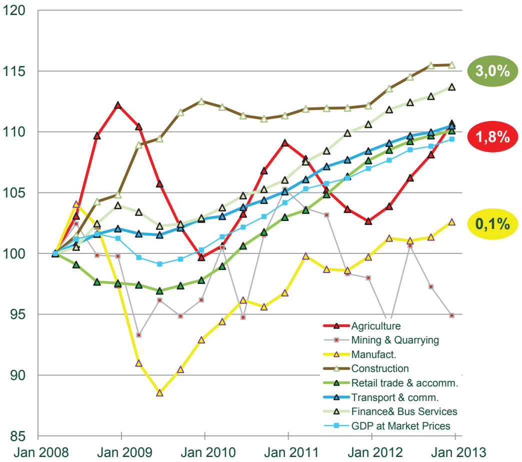
Nedbank Business Banking

Diverse asset portfolio with balanced exposure to all sectors of business, all of which have been impacted by fragile economic environment

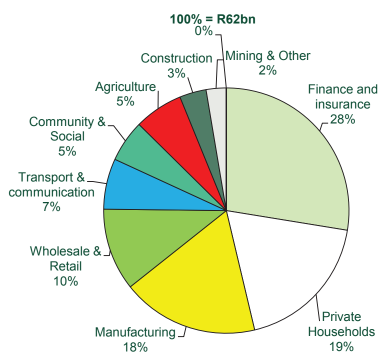
MAKE THINGS HAPPEN | NEDBANK

GDP growth by sector
Indexed performance

CAGR
for period



Advances portfolio by sector
% of total client assets as at May 2013



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NOTES:

Nedbank Retail

Repositioning Retail to build deep enduring banking relationships with all in SA, underpinned by effective risk management & clients' financial fitness

MAKE THINGS HAPPEN | NEDBANK

	2005	2006	2007	2008	2009	2010	2011	2012	2013	Change 2008-2013
RoE (%)	17,8	22,1	22,8	12,3	(3,3)	2,1	9,9	11,8	10,0	(H1 YTD)
Gross Operating Income (Rm, H1) – total	3 999	4 100	5 112	5 689	5 740	7 081	8 091	8 987	9 737	
Endowment income	543	676	733	1 437	1 414	1 225	1 115	1 225	1 183	-254
Income excl endowment	3 456	3 424	4 378	4 252	4 326	5 856	6 976	7 762	8 554	+4,302
Costs (Rm, H1) – Impairments	443	492	781	1 383	2 299	2 613	2 081	1 926	2 542	+1,159
Operating costs	2 822	2 675	3 163	3 460	3 587	4 147	4 696	5 243	5 603	+2,143
Headcount (#, as at Jun)	11 211	11 443	16 345	15 846	15 958	16 625	17 639	18 492	18 513	+2,667
Avg Prime (%)	10,8	10,6	12,6	14,8	13,2	10,2	9,0	9,0	8,5	(Jun YTD)
GDP growth (%)	5,3	5,0	6,1	4,1	(1,8)	2,7	3,3	2,3	1,5	(Jun YTD)

Note: Excludes Bancassurance & Wealth; 2009 & 2010 numbers restated to exclude Saf & Prof; 2005 to 2009 numbers exclude MFC. Estimate used for 2005

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NOTES:

Nedbank Retail

Segmental analysis

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	Headline earnings - Rm		ROE %		Advances avg, - Rm	Capital Rm	Credit loss ratio - %	
Period ended	Jun 2013	Jun[1] 2012	Jun 2013	Jun[1] 2012	Jun 2013	Jun 2013	Jun 2013	Jun 2012
Secured lending	**647**	611	**12,3**	11,5	**137 906**	**10 623**	**0,84**	0,91
Home loans[2]	**76**	16	**3,9**	0,7	**81 328**	**3 906**	**0,62**	0,85
MFC	**571**	595	**17,1**	18,7	**56 577**	**6 717**	**1,15**	1,00
Card	**367**	328	**27,9**	25,6	**9 544**	**2 651**	**5,09**	4,52
Consumer Banking	**(67)**	218	**(2,3)**	8,9	**20 849**	**5 866**	**13,96**	9,61
Relationship Banking	**67**	49	**7,2**	4,8	**23 451**	**1 893**	**0,61**	1,01
Other	**40**	(11)	**33,6**	(17,0)	**20**	**170**	**-**	-
Nedbank Retail	**1 054**	1 194	**10,0**	11,8	**191 770**	**21 203**	**2,56**	2,00
Nedbank Retail excl HL backbook[2]	**1 044**	**1 234**	**11,3**	14,2	**140 153**	**18 692**	**3,20**	**2,48**

1 2013 includes adjustments to internal transfer pricing which have positively impacted Secured Lending and negatively impacted Card & Relationship Banking, 2012 adjusted for revised internal cost allocations
2 Retail Home loan book excluding Retail Relationship Banking, Business Banking & Wealth

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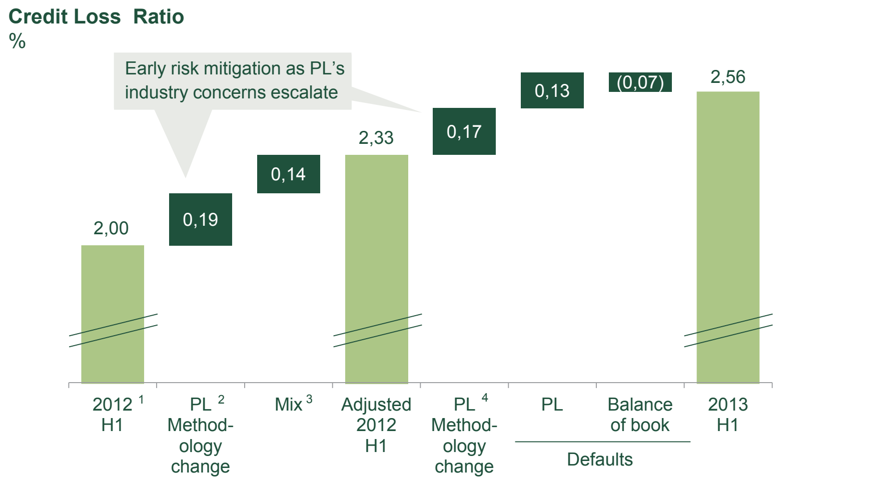
NOTES:

Nedbank Retail

HE impacted by changes in PL's provisioning methodology, asset mix & credit cycle



1 Includes pre-emptive overlay of R135m
2 Strengthened in H2 by R188m as methodology changes were implemented
3 Mix adjustment to align to H1 2013 balance sheet
4 Additional R60m overlay for in-duplum & R105m as a result of the higher predicted inherent risk of default that is masked by market dynamics

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NOTES:

Nedbank Retail

Delivering on 2010 strategy commitments

Commitment	Key deliverables by 2014	Cumulative Progress over 2,5 years to June 2013
Cost efficiencies	○ **R600m** (run rate)	○ **R775m**
Re-invest in new outlets	○ **R400m** cumulative capex ○ 340 new outlets ○ 1 000 new ATMs	○ **R521m** invested ▪ 224 new outlets, 142 closures, 37 refurbishments ▪ 1 248 new ATMs, 249 closures
A leader in digital	○ **High usage** ○ **Innovative** offerings	○ Clients using **digital up 80%** cumulatively to ~1.33m ○ Nedbank App Suite™, MyFinancialLife™, ApproveIT™, Home loans online channel
Embed effective risk culture	○ Quality asset portfolios **in line** with **TTC risk appetite**	○ Broken through upper end of target range mainly from increasing portfolio impairment methodologies in PL's– sensitive to the balance sheet mix. B/S impairments **strengthened to 48% coverage**
Unsecured lending	○ **Broaden** client profile ○ Enable **primary client growth**	○ Ke Yona CVP - **PL's from R1 000,** PAYT[1] at R5 ○ 31% increase in transactional clients
Home loans	○ **Primary** interface ○ **Restore** economics[2]	○ **>85%** payouts via **own channels & relationship bankers** - good credit quality, priced for risk ○ 10% of new business registrations via digital
Increase primary banked clients	○ **>30% of total clients** ○ Strong growth through Nedbank@Work	○ **>32% of total clients primary banked** ○ 264,798 new transaction accounts from wholesale relationships through Nedbank@Work (9% of net new client gains)
Strong relationship offering in branch	○ **Small business in ~70% of branches, multi-skill in rest** ○ Holistic offering for **household & business**	○ **Stronger relationship capability in branch** - dedicated RRB representation at 54% from 38% of branches, multi-skilling in rest ○ NIC/RRB alignment to optimise area management ○ BB/RRB alignment to optimise client-centred offerings including value adds such as PocketPOS, Small Business Friday, Small Business Seminars & SimplyBiz.co.za

1 PAYT = Pay as you transact, includes R2,000 free funeral cover (T&C's apply)
2 The under-priced pre-2009, higher-risk backbook will continue to generate economic losses well into the future and could influence over 50% of future impairments. Economic capital allocated at 5% and funding based on MMFTP

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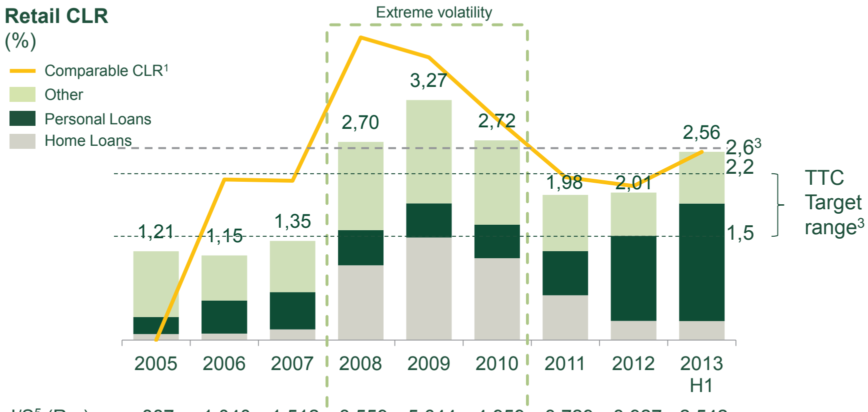
NOTES:

Nedbank Retail

Embedding effective risk culture with adequate impairments - CLR impacted by advances mix, methodology changes & credit cycle



	2005	2006	2007	2008	2009	2010	2011	2012	2013 H1
I/S[5] (Rm)	887	1,040	1,512	3,559	5,644	4,959	3,729	3,927	2,542
NPLs[2] (%)	4,6	4,0	4,9	8,8	10,1	8,9	7,5	6,3	6,2
Specific coverage[4] (%)	41	41	37	29	30	36	41	45	48

1 Actual CLR re-calculated assuming June 2013 asset mix
2 Percentage defaulted advances including legal and non legal
3 Sensitive to advances mix, Upper Range adjusted using 2013 mix vs 2009
4 2005 to 2008 numbers exclude MFC
5 Income statement impairments

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NOTES:

Nedbank Retail – Personal Loans

Conservative strategies on growth & risk are taking effect in response to concerning industry dynamics

Selective origination aligned to strategic intent & risk appetite

- Maximum loan size and tenor unchanged since 2009 at R120 000 and 60 months
- Credit policy tightenings halve **new business volumes with better risk and higher pricing**
  - **Reduced disbursal rate** of 20.3% in June 2013 vs 35% in June 2012 **on reduced monthly application volumes** of 114 282 (June 2012:127 898)
  - **Negative book growth since Dec 12 peak of –R488m** relative to industry growth over the same period of R7,4bn - the industry has subsequently reduced growth
  - **Reduction in average loan size** across the different risk categories between 5 and 15%
- **Pre-screening of low risk customers** through direct acquisition campaigns
- **Tracking subsequent lending behaviour** guided by Debt Service Ratio and credit bureau data, **now an integral part of decision making processes**
- **Strong gains in transactional clients** through offering personal loans as part of the holistic Ke Yona CVP, committed to enabling clients' financial fitness. 54% of PL clients now have transactional accounts and cross-sell enhanced to attract clients declined for credit

R165m additional impairments in H1 2013 (FY12: R333m)

- Methodology changes from June 2012 in anticipation of true underlying risks emerging
  - 2013 not comparable to 2012 due to increased prudency – cumulatively additional R498m impairments raised (R306m for performing portfolio), including R60m for in-duplum
  - **Specific impairment coverage** increased by 4.5pp to 63.5% since Dec 12, **portfolio** up by 0,9pp
- **Defaulted loans** increased R259m since Dec 2012 (Up 1.6% to 13.3%); defaults peak after 12-18 months of origination and a worsening consumer credit health & slower book growth affects this further
- Performing DC of R238m moved out of defaulted loans to performing with related impairments of R107m
- Industry pressures remain, as recent risk performance shows a **worsening in H2 2012 vintages**

PL product line not reflecting all related economics

- **PL's June YTD HE of R66m** (ROE of 3.3%) on R4.0bn capital allocated, at 5.6 times geared
- **YTD HE of R141m relating to PL insurance income** shown in **Nedbank Wealth** increases **Group HE to R207m and ROE to 10,1%**
- **Transactional cross-sell revenue** reflected in client segments
- **Earnings resilience in high stress-testing scenarios –** minor headline loss noted in a 1 in 25 year event with severe deflation

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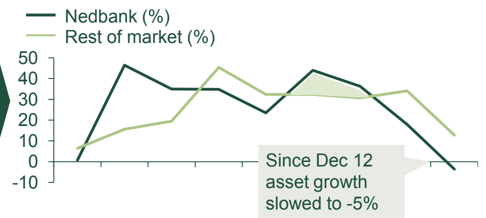
NOTES:

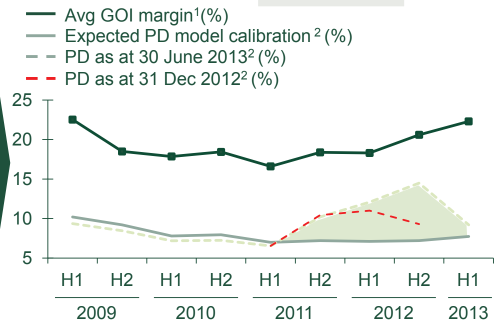
Nedbank Retail – Personal Loans

Aligning personal loans growth to strategic intent and risk appetite

PL asset growth



GOI Margin and risk over time



Early, comprehensive actions to mitigate risk as industry concerns escalate

- Warning signs observed late 2011
- Actual risk of vintages worse than expected
- Outcome achieved:
  - Book lower than Dec 12
  - Better quality risk at higher pricing
  - Additional R498m impairments raised since June '12 through methodology changes; R306m against performing portfolio

1 GOI margin is the total gross operating income (Net Interest Income and Non Interest Revenue) divided by average advances
2 PD is the probability of loan going into default based on early warning risk indicators

NOTES:

Nedbank Retail – Personal Loans

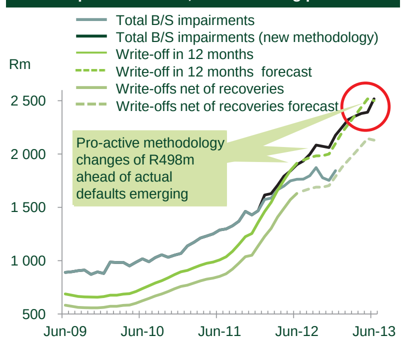
Adequacy of balance sheet impairments

Impairment methodology adjusted to cater for inherently higher risk profile and concerning industry dynamics

	Previous methodology [3]					Refined	
	2007	2008	2009	2010	2011	2012	H1'13
Performing loans - Rbn	5,5	5,9	8,0	11,3	15,5	19,6	18,7
Defaulted loans - Rbn	1,0	1,0	1,2	1,3	1,7	2,6	2,9
Defaulted loans - %	15,2	14,5	12,7	10,3	9,9	11,7	13,4
Portfolio impairments - Rm	54	175	90	128	283	629	763
Specific impairments - Rm	561	565	655	788	977	1 549	1 834
Total Coverage	56%	57%	56%	61%	57%	59%	63.5%
Defaulted loans mix by payment behaviour (%):							
Regular[1]			10%	5%	4%	4%	4%
Irregular[1]			10%	9%	7%	6%	7%
Partial[1]			48%	58%	34%	30%	33%
No Payment 0/3; 0/4 mths			16%	16%	14%	16%	17%
No Payment 0/5 mths			17%	12%	13%	14%	13%
Debt Counselling[1]					29%	30%	25%
Coverage ratio by payment behaviour [2] (%):							
Regular			16%	20%	12%	9%	11%
Irregular			24%	30%	21%	25%	28%
Partial			53%	57%	54%	55%	58%
No payment 0/3; 0/4 mths			68%	71%	73%	76%	82%
No payment 0/5 mths			75%	82%	83%	100%	100%
Debt Counselling[1]					59%	51%	53%

Refined methodology increased coverage on most buckets & portfolio. Given industry dynamics, future collections likely to be under pressure

Actual write-offs generally less than total balance sheet impairments held; now reflecting pressure



- 2013H1 reflects significant increase in anticipated future write offs as 2012H2 actual vintages performance crystallises. Defaults generally peak after 12-18 months
- Write-offs of R1,3bn in 2013H1 (2012H1: R0,6bn), up 102%
- The PV of post write off recoveries is ~ 23% i.e.: after discounting & costs 23% of the written off balance is recovered. This is only accounted for on receipt of cashflow

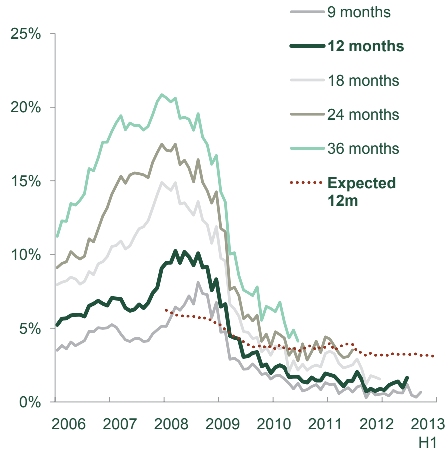
1 All Debt Counseling reclassified into default from 2011 reducing overall coverage ratio – generally higher payment experience.
2 Coverage adequacy determined by anticipated future cash-flow to be received based on client payment behavior, back tested for past actual experience
3 Pre 2009 provisioning buckets not comparable as they were not based on client missed payment profiles

NOTES:

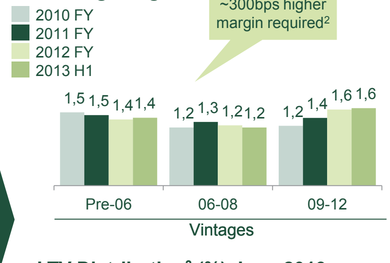
Nedbank Retail – Home Loans

Profile of vintages reflects higher quality front book utilising risk based pricing

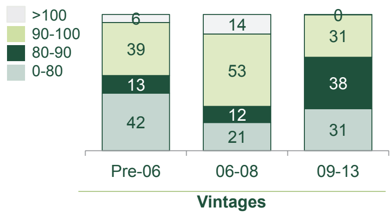
Default Vintages over time on R82.9 bn[4] of HL Advances (PD%)



Lending margin[1]



LTV Distribution[3] (%) June 2013



1 Based on Nedbank MMFTP, Liquidity & Balance Sheet Management charges, excluding endowment
2 Margin required for 06-08 profile to be EP neutral in 2010, assuming no drop-off due to higher price
3 LTV based on original loan amount and valuation at point of registration
4 Retail Home loan book excluding Retail Relationship Banking & Business Banking

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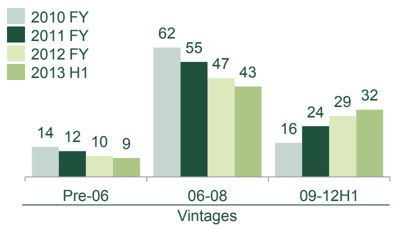
NOTES:

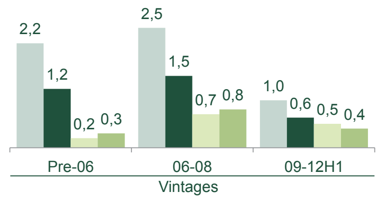
Nedbank Retail – Home Loans

Early & extensive actions taken since mid 2009 to resolve 2006-2008 vintages with adequate coverage, while judiciously growing new business

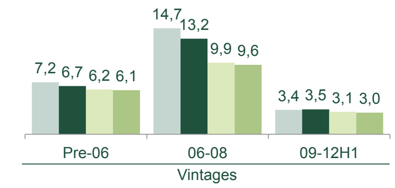
Average advances (Rbn)[1]



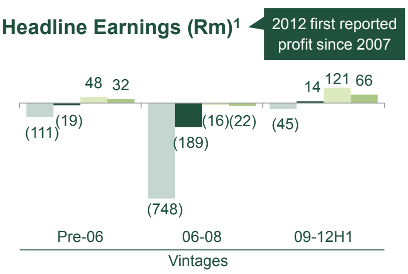
Credit Loss Ratio (%)[1]



Defaulted Loans (%)[1]



Headline Earnings (Rm)[1]



1 Retail Home loan book excluding Retail Relationship Banking & Business Banking

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NOTES:

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NEDBANK
GROUP

FINANCIAL RESULTS

for the six months ended 30 June 2013

Contents

2013 interim results commentary

DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS

Nedbank Group's foundations are strong, with diversified earning streams, strong capital ratios, sound funding and liquidity positions, well-managed liquid-asset portfolios, mitigated risks in higher-risk asset classes through ongoing selective origination and strengthened provisioning and coverage ratios through early action. The investment in the Nedbank franchise over the past few years is proving to be beneficial to all stakeholders and providing good support for revenue growth during more difficult macroeconomic circumstances.

We continue to deliver sustainably to all our stakeholders:

For staff – creating 211 new employment opportunities; investing R148m in training our people; 647 of our staffmembers participating in our Leading for Deep Green programme; supporting 160 external bursars across 17 universities; and progressing well on staff transformation initiatives.

For clients – significantly investing in our distribution footprint, with a 46% increase in new outlets and 81% new ATMs since the first half of 2009; accelerating delivery in innovation during the past 18 months, including launching the 'branch of the future', PocketPOS™, the eBill™ invoice issuing and payment system as well as a new, lower-price credit life product; increasing the value of loan payouts to R83bn (June 2012: R69bn) and client inflows in assets under management by 33,2% to R167,2bn (June 2012: R125,5bn).

Client satisfaction scores continue to reflect these investments, remaining at multiyear highs. This has led to overall group client numbers increasing to 6,4m, up 10,0%, since June 2012 and growing numbers of clients transacting through our channels.

BANKING AND ECONOMIC ENVIRONMENT

Globally, economic conditions in most developed markets improved during the first half of 2013, with the exception of the Eurozone. Emerging-market economies continued to post moderate but slower growth, with currencies and international commodity prices experiencing pressure following the US Federal Reserve's announcement on likely future monetary policy changes.

At the same time SA's economic growth deteriorated as weakness in production and exports persisted, leading to first-quarter GDP growth of 0,9%. Domestic financial markets were characterised by volatility and rand depreciation, reflecting lower levels of investor confidence primarily as a result of the current account and fiscal deficits, slow growth and ongoing labour tensions mainly in the mining sector.

Both household credit and corporate credit demand remained subdued. Consumer stress has become increasingly evident with pressure from increased living costs and weak job prospects.

In the corporate environment companies continued to postpone capacity expansion, given fragile global economies and lower domestic growth prospects. On the upside the recovery in government's capital expenditure continued, with the bulk of the increase in expenditure devoted to housing and other social infrastructure.

REVIEW OF RESULTS

Nedbank Group produced a solid set of results for the six months ended 30 June 2013 ('the period'). The results reflect the impact of a tougher-than-anticipated economic environment, offset by continued internal momentum in building the Nedbank franchise.

Headline earnings grew 13,3% to R3 914m (June 2012: R3 454m), driven by good revenue growth and disciplined expense management, countering the higher level of impairments.[1]

Diluted headline earnings per share increased 12,6% to 831 cents (June 2012: 738 cents) and diluted earnings per share increased 11,6% to 830 cents (June 2012: 744 cents).[1]

The group generated economic profit (EP) of R749m, up 28,7% (June 2012: R582m). The return on average ordinary shareholders' equity (ROE), excluding goodwill, increased to 16,1% (June 2012: 15,8%) and the ROE increased to 14,6% (June 2012: 14,2%), benefiting from an increased return-on-assets (ROA) ratio of 1,15% (June 2012: 1,07%).[1]

Nedbank Group is well capitalised, with the Basel III common-equity tier 1 ratio at 11,8 % (December 2012: Basel III pro forma ratio 11,6%). Funding and liquidity levels remained sound with the surplus liquidity buffer at R25,0bn (December 2012: R24,4bn), while the average long-term funding ratio increased to 28,0% (December 2012: 26,0%).

The net asset value per share continued to increase, growing 7,9% (annualised) to 12 180 cents from 11 721 cents in December 2012.[1]

For shareholders – delivering EP of R749m and increasing the interim dividend by 14,7% ahead of 12,4% growth in headline earnings per share (HEPS); our lower share price to June (down 6,6%) performing in line with the JSE Bank Index; creating shareholder value through our rights to acquire 20% in Ecobank Transnational Incorporated (ETI); entering into an agreement to acquire an initial stake of 36,4% of Banco Unico with a pathway to control, subject to regulatory approval; and signing an alliance agreement with the Bank of China to enable increased participation in China–Africa flows.

For regulators – implementing Basel III successfully on 1 January 2013, with the group's common-equity tier 1 strengthening further to 11,8%; making cash taxation contributions of R3,4bn relating to direct, indirect, PAYE and other taxation; continuing with our strong, open and transparent relationships with all regulators and our commitment to responsible banking practices.

For communities – expanding our branch footprint into peri-urban areas, resulting in increased accessibility to Nedbank's relevant product offerings for the community; since 2009 contributing R394m to socioeconomic development and R47m in the first half of 2013; ranking first among the top 100 companies in the *Mail & Guardian* dti Code Survey; sourcing 74% or R3,4bn of our procurement locally, improving on an already high benchmark; making good progress with our Sustainable Agriculture and Water Balance partnerships with WWF-SA; clients investing more than R1,6bn in our Nedbank Retail Green Savings Bond; and being recognised as a leader in socially responsible banking at the 2013 *African Banker* Awards.

CLUSTER PERFORMANCE

The business clusters generated an increased ROE of 17,6% (June 2012: 17,5%) and headline earnings growth of 4,6%, with strong performances across the Capital, Corporate and Wealth businesses.

	% change	Headline earnings (Rm)		ROE (%)	
		June 2013	June 2012	**June 2013**	June 2012
Nedbank Capital	16,9	**801**	685	**28,4**	24,1
Nedbank Corporate	23,7	**1 069**	864	25,9	22,2
Nedbank Business Banking	(19,4)	**349**	433	15,2	20,5
Nedbank Retail	(11,7)	**1 054**	1 194	10,0	11,8
Nedbank Wealth	17,9	**421**	357	35,9	29,3
Business clusters	4,6	**3 694**	3 533	17,6	17,5
Centre including Rest of Africa*	> 100,0	**220**	(79)		
Total	13,3	**3 914**	3 454	14,6	14,2

* *June 2012 restated by R14m to reflect the adoption of IAS 19 Employee Benefits (2011).*

Nedbank Capital's growth in earnings and ROE was driven by good pipeline conversion in investment banking, together with a solid performance from global markets, while impairments improved.

Nedbank Corporate produced strong earnings growth and an improved ROE, underpinned by increased cash and electronic banking volumes, a strong delivery from the listed-property investment portfolio together with fair-value gains and favourable deposit growth. This performance was achieved within a well-managed impairment and expense environment across its businesses.

Nedbank Business Banking reported a decrease in headline earnings and ROE following a R182m specific-impairments charge in June on a R240m exposure to a single client. The credit loss ratio (CLR) is expected to revert to the upper end of its through-the-cycle target range for the full year, enabling improved returns reflective of the quality of client advances, proactive risk management practices and underlying momentum in the business. Notwithstanding the protracted challenges facing the small-and-medium-enterprise (SME) sector in SA, Business Banking continued to deliver strong growth in asset payouts, current account creditors and non-interest revenue (NIR) on the back of new-client gains and deepening cross-sell.

Nedbank Retail generated headline earnings of R1,1bn, down 11,7%, which were impacted by the early and comprehensive risk-mitigating actions to address the concerning personal-loan industry dynamics observed in 2012, particularly in relation to the high industry growth rates that masked the true underlying level of consumer financial distress. Balance sheet impairments have been further strengthened to 4,2% of retail advances (June 2012: 4,0%), notably in personal loans where an additional R498m has been raised since June 2012 through methodology changes to increase prudency in provisioning policies, including

R60m for *in duplum,* with R306m of this provision reflected against the performing portfolio. Consequently, the Nedbank Retail CLR of 2,56% (June 2012: 2,00%) and ROE of 10,0% (June 2012: 11,8%) reflect these effects. The embedding of sound risk management practices ensured that the CLR for the balance of advances remained within expectations.

The excellent momentum in sustainably repositioning the Retail Cluster strategically and financially was maintained in a very challenging macroeconomic environment. Investment in distribution and distinctive client value propositions is yielding significant client gains, with good increases in related transactional, deposit and lending volumes, contributing to strong NIR growth of 10,6%, which is well ahead of expense growth of 6,9%.

Nedbank Wealth's earnings growth and ROE increase were supported by excellent performance in the asset management and life insurance businesses, offset by a normalisation in the short-term insurance claims environment. In addition, the CLR improved to within the cluster's through-the-cycle target range.

Headline earnings at the centre represents, inter alia, the after-tax effects of a release of R60m of the R200m central impairment provision to offset the R60m *in duplum* model overlay incurred in Retail, a reversal of R88m of insurance provisions following court rulings in our favour and an earnings uplift in the Rest of Africa Division.[1]

FINANCIAL PERFORMANCE

Net interest income

Net interest income (NII) grew 6,9% to R10 309m (June 2012: R9 642m), supported by growth in average interest-earning banking assets of 6,1%[1].

The net interest margin (NIM) of 3,58% increased from the comparative period (June 2012: 3,54%) and the prior year (December 2012: 3,53%). Margin gains were underpinned by advances and deposit mix changes, risk-adjusted pricing of new advances and backbook advances runoff.

Impairments charge on loans and advances

Impairments increased to R3 325m (June 2012: R2 702m) and the CLR to 1,31% (June 2012: 1,11%).

The CLR is comprised of a specific charge of 1,24% and a portfolio charge of 0,07% (June 2012: specific: 1,00% and portfolio: 0,11%)[1].

CLR (%)	**Jun 2013**[1]	Jun 2012	Dec 2012[1]
Specific impairments	1,24	1,00	0,91
Portfolio impairments	0,07	0,11	0,14
Total CLR	1,31	1,11	1,05

Total group defaulted advances decreased year on year to R20 176m (June 2012: R21 838m) from ongoing improvements in the residential- and commercial-mortgage books. Defaulted advances were up 9,4% (annualised) on year-end (December 2012: R19 273m) from increases in personal loans and in the wholesale businesses.

The coverage ratio for total and specific impairments increased to 58,8% (June 2012: 52,9%) and 40,9% (June 2012: 39,0%) respectively. Portfolio coverage on the performing book continued to strengthen to 0,7% (June 2012: 0,6%).

Our collections processes generated post-writeoff recoveries of R412m (June 2012: R428m), reflecting the prudent approach of cash accounting the recoveries on the written-off book. This includes personal-loan recoveries of R130m (June 2012: R114m).

CLR (%)	% banking advances	**Jun 2013**	Jun 2012	Dec 2012	Through-the-cycle target ranges
Nedbank Capital	11,3	0,77	1,41	1,06	0,10 – 0,55
Nedbank Corporate	32,1	0,30	0,30	0,24	0,20 – 0,35
Nedbank Business Banking	11,9	1,02	0,41	0,34	0,55 – 0,75
Nedbank Retail	38,2	2,56	2,00	2,01	1,50 – 2,20
Nedbank Wealth	3,8	0,24	0,46	0,61	0,20 – 0,40
Group		1,31	1,11	1,05	0,60 – 1,00

Asset quality remains sound. In Nedbank Corporate the CLR was maintained within its through-the-cycle target range, and both Nedbank Capital and Nedbank Wealth reported lower impairments. The Business Banking CLR was affected by the aforementioned impairment and is likely to revert to the through-the-cycle target range by year-end. The deterioration in Nedbank Retail's CLR reflects changes in advances mix, higher consumer credit stress and the outcome of the more prudent impairment methodologies and early risk mitigation actions taken in Personal Loans.

Non-interest revenue

NIR increased by 15,4% to R9 535m (June 2012: R8 265m)[1], due to the following:

- Commission and fee income of R6 771m was up 14,2% (June 2012: R5 928m)[1], driven by strong client gains, improved cross-sell, good volumes and higher levels of client activity.
- Insurance income of R950m increased 15,4% (June 2012: R823m)[1], benefiting from growth in personal loans offset by the base effect of the benign short-term claims experienced in H1 2012.
- Trading income increased to a robust R1 272m (June 2012: R1 252m)[1] from a high 2012 base as a result of ongoing strong performance within the fixed-income, commodities, credit and currencies and forex environments.
- Private equity generated income of R63m (June 2012: R139m)[1].
- Fair-value gains of R94m (June 2012: R125m loss)[1] were recognised mainly as a result of basis risk on centrally hedged banking book positions and accounting mismatches in hedged fixed-rate advances portfolios as market yields increased. This positive fair-value gain follows a period of cumulative fair-value losses of R583m since 2010. NIR, excluding fair-value gains, was up 12,5%.

The strong uplift from NIR resulted in the NIR-to-expense ratio increasing to 88,7% (June 2012: 83,0%) and for the first time Nedbank achieved its medium-to-long-term target of more than 85%.[1] The strength of the Nedbank franchise is reflected in the sustained growth in NIR, increasing 15,4% (15,7%, excluding fair-value adjustments) on a compound basis since June 2009.

Expenses

Disciplined cost management resulted in expenses growing at 8,0% to R10 750m [June 2012: R9 957m, restated by R18m to reflect the adoption of IAS 19 Employee Benefits (2011)[1]].

Growth in expenses was primarily driven by:

- staff-related costs increasing 8,6%, comprising remuneration cost growth of 8,0% following average inflation-related annual increases of 6,5% and 0,7% growth in predominantly frontline headcount; and
- marketing and computer processing cost growing 15,6% and 7,4% respectively, consistent with the group's focus on revenue-generating business activities and building the franchise.

Taxation[1]

The base effect of capital gains tax and secondary tax on companies in June 2012, combined with lower levels of dividend income, resulted in an effective tax rate of 25,9% (June 2012: 27,9%)[1].

STATEMENT OF FINANCIAL POSITION

Capital

Strong balance sheet management resulted in all capital adequacy ratios remaining well above the Basel III minimum regulatory capital requirements and well within the group's new Basel III internal target ranges.

The group's capital ratios are expected to be maintained at these strong levels in 2013 through projected earnings growth and the portfolio tilt strategy, offset by risk-weighted asset growth.

A total of R1,8bn of new-style, fully loss-absorbent, Basel III-compliant, tier 2 subordinated-debt capital was successfully issued during July 2013 to replace the R1,8bn Basel II tier 2 capital that matures in September 2013.

Further detail on risk and capital management is available in the Risk and Balance Sheet Management Review section of the group's results booklet and the Pillar 3 Report to be published on the website at nedbankgroup.co.za in September 2013.

Nedbank Group	June 2013 (Basel III)	June 2012 (Basel II.5)	December 2012 (Pro forma Basel III)	Internal target range (Basel III)	Regulatory minimum[1] (Basel III)
Common-equity tier 1 ratio	11,8%	10,6%	11,6%	10,5% – 12,5%	9,00%
Tier 1 ratio	13,0%	12,1%	13,1%	11,5% – 13,0%	10,5%
Total capital ratio	14,8%	14,4%	15,1%	14,0% – 15,0%	12,5%

(Ratios calculated include unappropriated profits.)

[1] *The Basel III regulatory minima include minimum regulatory requirements for common-equity tier 1 in 2019 and tier 1 and total ratios in 2015, including a prudent add-on for Pillar 2A and domestic systemically important financial institutions (D-SIFIs). These requirements exclude Pillar 2B add-ons and any countercyclical capital buffer requirements.*

Funding and liquidity

Nedbank Group remains well funded, with a strong liquidity position that is underpinned by a well-diversified and lengthened funding profile, a surplus liquid-asset buffer of R25,0bn in anticipation of the Basel III liquidity coverage ratio (LCR), a strong loan-to-deposit ratio and low reliance on interbank and foreign currency funding. The average long-term funding ratio for the second quarter of 28,0% (December 2012: 26,0%) was supported by growth in the Retail Savings Bond to R7,7bn.

The attractiveness of the Nedbank franchise as a capital market issuer was again demonstrated in that a R2,0bn five-year commercial-mortgage securitisation was successfully concluded in March 2013 as well as R3,2bn of three-year senior unsecured debt in July 2013.

Deposits

Deposits grew 10,2% (annualised) to R578,8bn (December 2012: R550,9bn)[1] and the loan-to-deposit ratio increased slightly to 96,3% (June 2012: 95,7%).

The growth in call and term deposits of 13,8%, fixed deposits of 13,6% and cash management deposits of 2,8% demonstrates the strong focus on portfolio tilt and attracting retail and corporate funding through competitive and innovative liability products.

Current and savings accounts increased by 2,3% and 27,5% respectively, with good contributions from Retail, Business Banking and Wealth. Ongoing improvements in the funding profile ensured that Nedbank continued to hold a higher proportion of household deposits relative to the size of its current retail transactional banking franchise.

Loans and advances

Loans and advances grew 11,5% (annualised) to R557,4bn (December 2012: R527,2bn)[1], underpinned by gross new-advances payouts increasing 20,3% to R83bn (June 2012: R69bn).

Loans and advances by cluster are as follows:

Rm	Jun 2013	Dec 2012	% change annualised
Nedbank Capital	97 161	82 494	35,9
Banking activity	59 897	52 732	27,4
Trading activity	37 264	29 762	50,8
Nedbank Corporate	169 066	162 730	7,8
Nedbank Business Banking	62 627	60 115	8,4
Nedbank Retail	193 027	190 647	2,5
Nedbank Wealth	22 138	19 864	23,3
Centre including Rest of Africa	13 330	11 316	35,6
	557 349	527 166	11,5

Nedbank Capital's banking advances growth was boosted by good drawdowns of the deal pipeline, including the first tranche of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). Growth in the trading advances book came largely from foreign-currency placements and deposits placed under reverse repurchase agreements related to the hedging of the group's liquid-asset portfolio.

In Nedbank Corporate, Corporate Banking recorded favourable growth in term loans of 13,4% (annualised), whereas commercial mortgages decreased 1,8% (annualised) as a result of higher levels of early settlements.

Good momentum in quality-client gains and support of existing relationship-banked clients led to the increase in Nedbank Business Banking's advances growth.

Retail banking advances grew by a modest 2,5% (annualised), reflecting the difficult consumer environment, selective origination in higher-risk asset categories in line with our portfolio tilt strategy, rolloff of the home loans backbook and early repayments. Advances growth arose from Card and MFC increasing advances 19,4% and 10,7% respectively, while personal-loans and home loan advances declined 5,8% and 1,9% respectively in line with the planned slowdown in both advances categories. Personal loans represent 3,9% of the overall group advances book.

Growth in advances at the centre was led by increased business activity in the Rest of Africa, consistent with the group's focus on deepening its Pan-African banking relationships and expanding its presence in Africa.

Group strategic focus

The group maintained progress in growing its franchise and delivering on the four key strategic initiatives of repositioning Nedbank Retail, growing NIR, implementing the portfolio tilt strategy and expanding into the rest of Africa.

- Nedbank Retail's revenue and preprovisioning operating profit continued to grow strongly. Momentum from investment in footprint, people, client value propositions, including integrated channels and new innovations, as well as collaboration with and leveraging wholesale relationships, continues to support growth in the number and quality of clients and related cross-sell. The deteriorating credit health of consumers in the last quarter of 2012 as indicated in the 2012 annual results and the implementation of a more prudent provisioning methodology for personal loans will likely result in Retail achieving its goal of an ROE at or above the cost of equity of 13,0% in line with the originial target date of 2014. Early risk-mitigating actions taken should enable the CLR to improve by year-end, being closer to the upper-end of the through-the-cycle target range, and in that event Nedbank Retail's headline earnings for 2013 could be similar to the 2012 earnings level. There is downside risk if levels of consumer financial distress deteriorate further.
- The NIR-to-expense ratio at a better-than-expected 88,7% exceeded our target of more than 85% for the first time. Momentum came from good-quality annuity income through growth in commission and fees from client gains and ongoing cross-sell, insurance income, a solid performance in trading as well as fair-value gains.
- The portfolio tilt strategy is evident in EP growth from R57m in 2009 to R582m in June 2012 and R749m in June 2013. We will continue to focus on growing EP-rich activities through Nedbank Wealth, deposits, and transactional and investment banking. We will maintain a selective growth approach in personal loans, home loans and commercial property finance as we proactively seek to limit downside risk in this challenging operating climate.
- Our Rest of Africa strategy represents a client-focused, risk-mitigated, capital-efficient growth lever for the medium to long term. The strategic alliance with Ecobank provides clients with access to the largest Pan-African banking network focused on Central and West Africa and the rights to acquire a shareholding of up to 20% in ETI, which can be exercised between November 2013 and November 2014. The agreement to acquire an initial stake of 36,4% of Banco Unico in Mozambique with the right to a majority shareholding over time, subject to regulatory approval, will contribute to strengthening our position in the Southern African Development Community and East Africa as planned.

Prospects

Financial performance for the full year as set out below is currently anticipated to remain broadly in line with the guidance communicated in the 2012 annual results, with the exception of the CLR that is now expected to be below the 1,31% in June 2013, but above 1,00%:

- Advances to grow at mid-to-upper single digits.
- NIM to remain at levels similar to 2012.
- The CLR to improve from the June 2013 level, but remain above the top end of group's through-the-cycle target range of 60 to 100 bps.
- NIR (excluding fair-value adjustments) to grow at low double digits and allow the group to meet the medium-to-long-term NIR-to-expense target of more than 85%.
- Expenses to increase by mid to upper single digits.

Nedbank Group is targeting full-year growth in diluted HEPS to meet our medium-to-long-term target in the context of a tougher-than-expected economic environment and ongoing market volatility. The group's medium-to-long-term targets remain unchanged and the 2013 outlook for these is highlighted below:

Economic outlook

Globally, economic growth is expected to be slightly firmer in the remainder of 2013. However, downside risk remains high, particularly in some key emerging markets, including China, where concerns of a credit crisis and economic slowdown have moderated growth momentum.

SA's GDP is forecast to grow by 2,0% in 2013 and 3,2% in 2014. The weakening rand will provide limited benefit to export growth in light of low productivity, soft commodity prices and infrastructural constraints, but will add to inflationary pressures. Overall, given the outlook of lower growth, interest rates are anticipated to remain unchanged until possibly the second half of 2014.

Household credit demand, including residential mortgages, is likely to remain muted, albeit with pockets of growth in areas such as instalment sales and leasing finance. Growth in unsecured loans will continue to slow down as consumer stress increases and lending risk appetite diminishes.

Infrastructure spending by the public sector is anticipated to increase, but corporate credit demand is expected to remain subdued, with increasing competition for fewer deals.

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 HEPS	19,0%	≥ Consumer price index + GDP growth + 5%	Meet target.
CLR	1,05%	Between 0,6% and 1,0% of average banking advances	Below June 2013, remaining above target range.
NIR-to-expenses ratio	84,4%	> 85,0%	Meet target.
Efficiency ratio	55,6%	< 50,0%	Improving, remaining above target.
Common-equity tier 1 capital adequacy ratio (Basel III)	11,6%	10,5% to 12,5%	Strengthening.
Economic capital		Internal Capital Adequacy Assessment Process (ICAAP): A debt rating (including 10% capital buffer)	
Dividend cover	2,18 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 CHANGES

Mr Don Hope resigned as a non-executive director of Nedbank Group and Nedbank Limited with effect from 30 June 2013 following his retirement from Old Mutual plc at the end of June 2013.

ACCOUNTING POLICIES[1]

Nedbank Group Limited is a company domiciled in SA. The condensed consolidated interim financial results of the group at and for the six months ended 30 June 2013 comprise the company and its subsidiaries (the 'group') and the group's interests in associates and jointly controlled entities.

Nedbank Group's condensed consolidated interim financial results have been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards (IFRS) and are presented in accordance with the disclosures prescribed by International Accounting Standards (IAS) 34: Interim Financial Reporting, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the Companies Act of SA.

Nedbank Group's principal accounting policies have been prepared in terms of IFRS of the International Accounting Standards Board (IASB) and have been applied consistently over the current and prior financial years, with the exception of changes mentioned below.

The following standards in particular have been newly adopted or amended with effect from 1 January 2013:

- IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interests in Other Entities, as well as the consequential amendments to IAS 27: Separate Financial Statements (2011) and IAS 28: Investments in Associates and Joint Ventures (2011).

As a result of adopting IFRS 10 the group has changed its accounting policy with respect to determining whether it has control over and consequently whether it is required to consolidate an investee. IFRS 10 introduces a new set of criteria for assessing control by referring to the investor's exposure or rights to variable returns from its involvement with the investee and the ability to affect those returns through its power over the investee.

IFRS 11 requires that the group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the group's rights to assets and obligations for the liabilities of the arrangements. There has been no change to the method of accounting for joint arrangements.

These standards have been applied retrospectively and have not required any material restatement in the groups' financial report.

- IFRS 13: Fair-value Measurement

IFRS 13 provides a revised definition of fair value and establishes a single source of guidance for the measurement of fair value that had previously been contained in various standards. The adoption of this standard did not have a material impact on the measurement of the group's assets and liabilities. The group has an established control framework with respect to the measurement of fair value, which includes an ongoing review of the valuation methodologies applied.

- Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7)

The group has adopted the amendments to IFRS 7, which requires extensive disclosures in respect of offsetting. The adoption had no impact on the measurement of the group's assets and liabilities.

- IAS 19: Employee Benefits (2011)

The group has adopted IAS 19: Employee Benefits (2011). The amendments include revised requirements for pensions and other postemployment benefits, termination benefits and certain other changes. The key amendments include:

  - requiring the recognition of changes in net defined-benefit liabilities/assets due to changes in determined expense/income in 'other comprehensive income' (eliminating the 'corridor approach' previously permitted in IAS 19);
  - modifying the accounting for termination benefits; and
  - clarifying various miscellaneous issues.

The amendments have been applied retrospectively and required certain restatements that are not material.

- IAS 1: Presentation of Financial Statements

Amendments to IAS 1 require identification of items that may be reclassified from 'other comprehensive income' to 'profit or loss', and those that may not be so reclassified. As a consequence of adopting the amendments to IAS 1, items that may be reclassified from 'other comprehensive income' to 'profit or loss' have been denoted as such in the statement of comprehensive income.

In the preparation of these condensed consolidated interim 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 six months ended 30 June 2013 were consistent with those applied during the 2012 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 Chief Financial Officer.

EVENTS AFTER THE REPORTING PERIOD[1]

A total of R1,8bn of new-style, fully loss-absorbent, Basel III-compliant, tier 2 subordinated-debt capital was successfully issued during July 2013 to replace the R1,8bn Basel II tier 2 capital that matures in September 2013. Furthermore, R3,2bn of three-year senior unsecured debt was also successfully issued.

REVIEWED RESULTS – AUDITORS' REPORT

KPMG Inc and Deloitte & Touche, Nedbank Group's independent auditors, have reviewed the condensed interim financial results of Nedbank Group Limited. The review was conducted in accordance with International Standards in Review Engagements 2410: Review of Interim Financial Information by the Independent Auditor. They have expressed an unmodified review conclusion on the results. The condensed consolidated interim financial results comprise the consolidated statement of financial position at 30 June 2013, consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cashflows for the six months then ended and selected explanatory notes. The related notes are marked with [1]. The review 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.

INTERIM DIVIDEND DECLARATION

Notice is hereby given that a gross interim dividend of 390 cents per ordinary share has been declared, payable to shareholders for the six months ended 30 June 2013. The dividend has been declared out of income reserves.

The dividend will be subject to a dividend withholding tax rate of 15% (applicable in SA) or 58,5 cents per ordinary share, resulting in a net dividend of 331,5 cents per ordinary share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of a applicable double-tax agreement.

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 510 204 377.

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)	Friday, 6 September 2013
Shares commence trading (ex dividend)	Monday, 9 September 2013
Record date (date shareholders recorded in books)	Friday, 13 September 2013
Payment date	Monday, 16 September 2013

Share certificates may not be dematerialised or rematerialised between Monday, 9 September 2013, and Friday, 13 September 2013, both days inclusive.

On Monday, 16 September 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, 16 September 2013, will be posted on that date.

Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 16 September 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
Chairman

Michael WT Brown
Chief Executive

6 August 2013

FINANCIAL HIGHLIGHTS

for the period ended 30 June 2013

Rm		% change	Jun 2013	Jun 2012*	Dec 2012*
Statistics					
Number of shares listed	m		510,2	507,5	507,5
Number of shares in issue excluding shares held by group entities	m		460,8	456,0	457,3
Weighted average number of shares	m		459,2	455,7	456,3
Diluted weighted average number of shares	m		471,2	468,0	470,7
Headline earnings	Rm	13,3	3 914	3 454	7 483
Profit attributable to equity holders of the parent	Rm	12,3	3 910	3 483	7 449
Preprovisioning operating profit	Rm	14,6	8 652	7 550	15 543
Economic profit	Rm	28,7	749	582	1 521
Headline earnings per share	cents	12,4	852	758	1 640
Diluted headline earnings per share	cents	12,6	831	738	1 590
Basic earnings per share	cents	11,4	851	764	1 632
Diluted basic earnings per share	cents	11,6	830	744	1 583
Ordinary dividends declared per share	cents		-	340	752
Interim			390	340	340
Final					412
Dividend paid per share	cents		412	340	680
Dividend cover	times		2,18	2,23	2,18
Total assets administered by the group	Rm	10,8	881 493	795 568	833 453
Total assets	Rm	6,6	714 330	670 052	682 958
Assets under management	Rm	33,2	167 163	125 516	150 495
Life assurance embedded value	Rm	12,9	2 063	1 827	2 030
Life assurance value of new business	Rm	(28,0)	201	279	563
Net asset value per share	cents	9,3	12 180	11 143	11 721
Tangible net asset value per share	cents	10,7	10 444	9 435	9 989
Closing share price	cents	0,9	17 553	17 389	18 800
Price/earnings ratio	historical		10,2	11,4	11,4
Market capitalisation	Rbn	1,6	89,6	88,2	95,4
Number of employees		0,7	28 889	28 678	28 748
Key ratios (%)					
Return on ordinary shareholders' equity (ROE)			14,6	14,2	14,8
ROE excluding goodwill			16,1	15,8	16,4
Tangible ROE			17,1	16,8	17,5
Return on total assets (ROA)			1,15	1,07	1,13
Net interest income to average interest-earning banking assets**			3,58	3,54	3,53
Non-interest revenue to total income			48,0	46,2	46,8
Non-interest revenue to total expenses			88,7	83,0	84,4
Credit loss ratio – banking advances			1,31	1,11	1,05
Efficiency ratio			54,2	55,6	55,6
Efficiency ratio (excluding BEE transaction expenses)			54,1	55,3	55,4
Effective taxation rate			25,9	27,9	26,8
Group capital adequacy ratios (including unappropriated profits):					
Common-equity tier 1***			11,8	10,6	11,4
Tier 1***			13,0	12,1	12,9
Total***			14,8	14,4	14,9

* *2012 restated to reflect the adoption of IAS 19 Employee Benefits (2011).*

** *Clients' indebtedness for acceptances was reclassified from interest-earning banking assets to other assets for the purposes of calculating the interest margin on interest-earning banking assets, which resulted in an increase in the ratio for June 2012 from 3,53% to 3,54%.*

*** *2012 is based on Basel II.5 and 2013 on Basel III.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2013

Rm	Note	% change	Jun 2013	Jun 2012	Dec 2012
Interest and similar income		0,2	22 400	22 362	44 730
Interest expense and similar charges		(4,9)	12 091	12 720	25 050
Net interest income	1	6,9	10 309	9 642	19 680
Impairments charge on loans and advances	2	23,1	3 325	2 702	5 199
Income from lending activities		0,6	6 984	6 940	14 481
Non-interest revenue	3	15,4	9 535	8 265	17 324
Operating income		8,6	16 519	15 205	31 805
Total expenses	4	8,0	10 750	9 957	20 563
Operating expenses**		8,3	10 729	9 911	20 485
BEE transaction expenses		(54,3)	21	46	78
Indirect taxation		25,5	305	243	561
Profit from operations before non-trading and capital items		9,2	5 464	5 005	10 681
Non-trading and capital items		> (100)	(8)	34	(18)
Profit on sale of subsidiaries, investments and property and equipment			5	29	33
Net impairment of investments, property and equipment and capitalised development costs			(13)	5	(51)
Revaluation of investment properties			4		(12)
Profit from operations		8,4	5 460	5 039	10 651
Share of profits of associates and joint ventures					1
Profit from operations before direct taxation		8,4	5 460	5 039	10 652
Total direct taxation	5	1,0	1 413	1 399	2 865
Direct taxation**		1,4	1 413	1 394	2 861
Taxation on non-trading and capital items		> (100)	(1)	5	4
Taxation on revaluation of investment properties			1		*
Profit for the period		11,2	4 047	3 640	7 787
Other comprehensive income net of taxation			358	(32)	171
Exchange differences on translating foreign operations			371	17	162
Fair-value adjustments on available-for-sale assets			(2)	(1)	43
Actuarial losses on long-term employee benefit assets				(38)	(76)
Gains on property revaluations			(11)	(10)	42
Total comprehensive income for the period		22,1	4 405	3 608	7 958
Profit attributable to:					
Equity holders of the parent			3 910	3 483	7 449
Non-controlling interest – ordinary shareholders	6		5	15	45
Non-controlling interest – preference shareholders	7		132	142	293
Profit for the period		11,2	4 047	3 640	7 787
Total comprehensive income attributable to:					
Equity holders of the parent			4 254	3 453	7 620
Non-controlling interest – ordinary shareholders			19	13	45
Non-controlling interest – preference shareholders			132	142	293
Total comprehensive income for the period		22,1	4 405	3 608	7 958
Headline earnings reconciliation					
Profit attributable to equity holders of the parent		12,3	3 910	3 483	7 449
Less: Non-headline earnings items			(4)	29	(34)
Non-trading and capital items			(8)	34	(18)
Taxation on non-trading and capital items			1	(5)	(4)
Fair-value adjustments on investment properties			3		(12)
Headline earnings		13,3	3 914	3 454	7 483

* *Represents amounts less than R1m.*

** *2012 restated to reflect the adoption of IAS 19 Employee Benefits (2011).*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2013

Rm	Note	Jun 2013	Jun 2012	Dec 2012
Assets				
Cash and cash equivalents		16 784	11 840	14 445
Other short-term securities		44 906	42 090	43 457
Derivative financial instruments		13 004	14 608	13 812
Government and other securities		25 022	26 693	26 753
Loans and advances*	8	557 349	516 088	527 166
Other assets		9 585	11 775	9 488
Current taxation receivable		455	976	246
Investment securities	9	18 145	15 825	16 577
Non-current assets held for sale		13	22	508
Investments in associate companies and joint ventures	10	527	602	668
Deferred taxation asset**		324	386	541
Investment property		210	617	205
Property and equipment		6 407	6 259	6 398
Long-term employee benefit assets**		2 132	2 099	2 095
Mandatory reserve deposits with central banks		11 468	12 384	12 677
Intangible assets	11	7 999	7 788	7 922
Total assets		714 330	670 052	682 958
Equity and liabilities				
Ordinary share capital		461	456	457
Ordinary share premium		16 343	15 955	16 033
Reserves**		39 322	34 399	37 111
Total equity attributable to equity holders of the parent		56 126	50 810	53 601
Non-controlling interest attributable to				
– ordinary shareholders**	6	220	180	213
– preference shareholders		3 471	3 561	3 561
Total equity		59 817	54 551	57 375
Derivative financial instruments		16 777	15 272	13 454
Amounts owed to depositors*	13	578 807	539 506	550 878
Other liabilities		16 046	16 246	15 526
Current taxation liabilities		114	116	193
Other liabilities held for sale				36
Deferred taxation liabilities**		596	1 039	793
Long-term employee benefit liabilities**		2 029	1 874	1 913
Investment contract liabilities		10 519	8 709	9 513
Insurance contract liabilities		3 146	2 683	2 979
Long-term debt instruments	14	26 479	30 056	30 298
Total liabilities		654 513	615 501	625 583
Total equity and liabilities		714 330	670 052	682 958

* *June 2012 reclassification of 'Clients' indebtedness for acceptances' to 'Loans and advances' and 'Liabilities under acceptances' to 'Amounts owed to depositors'.*

** *2012 restated to reflect the adoption of IAS 19 Employee Benefits (2011).*

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

for the period ended 30 June 2013

Rm	Jun 2013	Jun 2012	Dec 2012
Cash generated by operations	10 259	9 121	18 804
Change in funds for operating activities	158	(4 641)	(5 947)
Net cash from operating activities before taxation	10 417	4 480	12 857
Taxation paid	(1 896)	(2 431)	(3 914)
Cashflows from operating activities	8 521	2 049	8 943
Cashflows (utilised by) investing activities	(1 742)	(2 155)	(4 696)
Cashflows (utilised by) financing activities	(5 604)	(1 115)	(2 552)
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)	(45)	36	18
Net increase/(decrease) in cash and cash equivalents	1 130	(1 185)	1 713
Cash and cash equivalents at the beginning of the period*	27 122	25 409	25 409
Cash and cash equivalents at the end of the period*	28 252	24 224	27 122

* *Including mandatory reserve deposits with central banks.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2013

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency translation reserve	Property revaluation reserve
Balance at 31 December 2011	455 228 134	455	15 934	441	1 370
Adoption of IAS 19 adjustments					
Shares issued in terms of employee incentive schemes	79 500		13		
Shares acquired/cancelled by group entities	688 799	1	8		
Preference share dividend paid					
Dividends paid to ordinary shareholders					
Total comprehensive income for the period				17	(10)
Transfer (to)/from reserves					(1)
Share-based payments reserve movements					
Regulatory risk reserve provision					
Other movements					
Balance at 30 June 2012	455 996 433	456	15 955	458	1 359
Shares issued in terms of employee incentive schemes			1		
Shares acquired/cancelled by group entities	1 306 871	1	77		
Acquisition of subsidiary					
Preference share dividend paid					
Dividends paid to ordinary shareholders					
Total comprehensive income for the period				141	52
Transfer (to)/from reserves					(28)
Share-based payments reserve movements					
Regulatory risk reserve provision					
Balance at 31 December 2012	457 303 304	457	16 033	599	1 383
Shares issued in terms of employee incentive schemes	2 694 886	3	455		
Shares cancelled by group entities	3 354 760	4	345		
Shares acquired by group entities	(2 593 977)	(3)	(490)		
Sale of subsidiary					
Preference shares held by group entities					
Preference share dividend paid					
Dividends paid to ordinary shareholders					
Total comprehensive income for the period				358	(11)
Transfer (to)/from reserves					(14)
Share-based payments reserve movements					
Other movements					
Balance at 30 June 2013	460 758 973	461	16 343	957	1 358

* *Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves in order to comply with the Banks Act 1990.*

** *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*	Available-for-sale reserve	Other distributable reserves**	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
975	126	77	29 568	48 946	178	3 561	52 685
			(250)	(250)	(4)		(254)
				13			13
			19	28			28
				–		(142)	(142)
			(1 628)	(1 628)	(7)		(1 635)
		(1)	3 447	3 453	13	142	3 608
(9)	2	5	3	–			–
245				245			245
	1			1			1
			2	2			2
1 211	129	81	31 161	50 810	180	3 561	54 551
				1			1
			13	91			91
				–	2		2
				–		(151)	(151)
			(1 620)	(1 620)	(1)		(1 621)
		44	3 930	4 167	32	151	4 350
(28)	11	1	44	–			–
151				151			151
	1			1			1
1 334	141	126	33 528	53 601	213	3 561	57 375
				458			458
			7	356			356
				(493)			(493)
				–	(3)		(3)
				–		(90)	(90)
				–		(132)	(132)
			(1 974)	(1 974)	(9)		(1 983)
		(2)	3 909	4 254	19	132	4 405
(5)	(5)		24	–			–
(75)				(75)			(75)
			(1)	(1)			(1)
1 254	136	124	35 493	56 126	220	3 471	59 817

RETURN ON EQUITY DRIVERS

for the period ended 30 June 2013

	Jun 2013	Jun 2012	Dec 2012	
Net interest income	10 309	9 642	19 680	Net interest income/average interest-earning banking assets
Impairment of loans and advances	(3 325)	(2 702)	(5 199)	Impairments/average interest-earning banking assets
Non-interest revenue	9 535	8 265	17 324	Non-interest revenue/average interest-earning banking assets
Income from normal operations	16 519	15 205	31 805	
Total operating expenses	(10 750)	(9 957)	(20 563)	Total expenses/average interest-earning banking assets
Share of profits of associates and joint ventures			1	
Net profit before taxation	5 769	5 248	11 243	
Indirect taxation	(305)	(243)	(561)	
Direct taxation	(1 413)	(1 394)	(2 861)	1 – effective direct and indirect taxation rate
Net profit after taxation	4 051	3 611	7 821	
Non-controlling interest	(137)	(157)	(338)	Income attributable to minorities
Headline earnings	3 914	3 454	7 483	Headline earnings
Daily average interest-earning banking assets	580 394	547 175	556 846	Interest-earning banking assets/daily average total assets
Daily average total assets	684 189	651 788	664 663	Interest-earning banking assets/daily average total assets
				Return on total assets
Daily average shareholders' funds	54 146	49 078	50 513	Gearing
				Return on ordinary shareholders' equity
Daily average shareholders' funds excluding goodwill	49 090	44 083	45 503	ROE excluding goodwill

Averages calculated on a 365/366-day basis.

Jun 2013		Jun 2012		Dec 2012	
3,58%	*Impairments/NII*	3,54%	*Impairments/NII*	3,53%	*Impairments/NII*
less	32,4%	*less*	28,0%	less	26,3%
1,16%		0,99%		0,93%	
add	*NIR/Expenses*	*add*	*NIR/Expenses*	add	*NIR/Expenses*
3,31%	88,7%	3,04%	83,0%	3,11%	84,2%
5,73%		5,59%		5,71%	
less	*Efficiency ratio*	*less*	*Efficiency ratio*	*less*	*Efficiency ratio*
3,74%	54,2%	3,66%	55,6%	3,69%	55,6%
1,99%		1,93%		2,02%	
multiply		*multiply*		*multiply*	
0,70		0,69		0,70	
multiply		*multiply*		*multiply*	
0,97		0,96		0,96	
1,35%		1,28%		1,36%	
multiply				*multiply*	
84,8%		83,9%		83,8%	
=		=		=	
1,15%		1,07%		1,13%	
multiply		*multiply*		*multiply*	
12,64		13,28		13,16	
=		=		=	
14,6%		14,2%		14,8%	
16,1%		15,8%		16,4%	

OPERATIONAL SEGMENTAL REPORTING

for the period ended 30 June 2013

Consolidated statement of financial position

	Nedbank Group			Nedbank Capital			Nedbank Corporate			Nedbank Retail and Business Banking		
Rm	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
Assets												
Cash and cash equivalents	28 252	24 224	27 122	6 467	3 842	4 399	792	583	2 623	2 021	1 531	2 088
Other short-term securities	44 906	42 090	43 457	28 634	39 813	26 972				-	-	-
Derivative financial instruments	13 004	14 608	13 812	12 820	14 428	13 672	(52)	(96)	(99)	-	-	-
Government and other securities	25 022	26 693	26 753	7 745	8 757	7 820	4 519	6 197	5 989	-	-	-
Advances and other accounts	557 349	516 088	527 166	97 161	80 212	82 494	169 066	158 408	162 730	255 654	247 271	250 762
Other assets	45 797	46 349	44 648	6 512	10 017	6 933	3 793	3 640	3 830	5 459	4 843	5 463
Intergroup assets	-	-	-				7 686			28 979	29 850	31 885
Total assets	714 330	670 052	682 958	159 339	157 069	142 290	185 804	168 732	175 073	292 113	283 495	290 198
Equity and liabilities												
Total equity	59 817	54 551	57 375	5 697	5 708	5 632	8 336	7 839	8 089	25 842	24 646	25 478
Derivative financial instruments	16 777	15 272	13 454	16 689	15 244	13 419				-	-	-
Amounts owed to depositors	578 807	539 506	550 878	100 986	84 685	100 908	175 873	156 923	160 618	189 669	179 728	186 125
Other liabilities	32 450	30 667	30 953	8 935	9 116	8 480	1 595	1 723	2 266	4 197	3 939	3 743
Long-term debt instruments	26 479	30 056	30 298	996	821	849				2 136	1 408	2 216
Intergroup liabilities	-	-	-	26 036	41 495	13 002		2 247	4 100	70 269	73 774	72 636
Total equity and liabilities	714 330	670 052	682 958	159 339	157 069	142 290	185 804	168 732	175 073	292 113	283 495	290 198

Consolidated statement of comprehensive income

	Nedbank Group			Nedbank Capital			Nedbank Corporate			Nedbank Retail and Business Banking		
Rm	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
Net interest income	10 309	9 642	19 680	767	766	1 521	1 728	1 646	3 326	7 040	6 624	13 583
Impairments charge on loans and advances	3 325	2 702	5 199	217	344	526	248	235	385	2 856	2 047	4 134
Income from lending activities	6 984	6 940	14 481	550	422	995	1 480	1 411	2 941	4 184	4 577	9 449
Non-interest revenue	9 535	8 265	17 324	1 552	1 422	3 049	1 006	732	1 469	5 017	4 552	9 540
Operating income	16 519	15 205	31 805	2 102	1 844	4 044	2 486	2 143	4 410	9 201	9 129	18 989
Total expenses	10 750	9 957	20 563	1 076	946	1 974	1 055	948	1 968	7 113	6 674	13 788
Operating expenses	10 729	9 911	20 485	1 073	943	1 969	1 053	946	1 964	7 105	6 668	13 775
BEE transaction expenses	21	46	78	3	3	5	2	2	4	8	6	13
Indirect taxation	305	243	561	19	16	31	18	15	29	134	68	196
Profit/(Loss) from operations	5 464	5 005	10 681	1 007	882	2 039	1 413	1 180	2 413	1 954	2 387	5 005
Share of profits of associates and joint ventures	-	-	1				(2)		(2)	-	-	-
Profit/(Loss) before direct taxation	5 464	5 005	10 682	1 007	882	2 039	1 411	1 180	2 411	1 954	2 387	5 005
Direct taxation	1 413	1 394	2 861	217	196	603	342	316	594	548	740	1 472
Profit/(Loss) after taxation	4 051	3 611	7 821	790	686	1 436	1 069	864	1 817	1 406	1 647	3 533
Profit attributable to:												
Non-controlling interest – ordinary shareholders	5	15	45	(11)	1	5				-	-	-
Non-controlling interest – preference shareholders	132	142	293							3	20	37
Headline earnings	3 914	3 454	7 483	801	685	1 431	1 069	864	1 817	1 403	1 627	3 496
Selected ratios												
Average interest earning banking assets (Rm)	580 394	547 175	556 846	92 187	94 594	93 949	169 700	161 900	163 639	285 370	276 311	278 965
ROA (%)	1,15	1,07	1,13	1,14	0,92	0,96	1,23	1,03	1,07	0,97	1,16	1,22
ROE (%)	14,6	14,2	14,8	28,4	24,1	25,4	25,9	22,2	22,5	11,0	13,3	13,7
Interest margin (%)*	3,58	3,54	3,53	1,68	1,63	1,62	2,05	2,04	2,03	4,97	4,82	4,87
Non-interest revenue to gross income (%)	48,0	46,2	46,8	66,9	65,0	66,7	36,8	30,8	30,6			40,4
Non-interest revenue to total expenses (%)	88,7	83,0	84,3	144,3	150,2	154,3	95,3	77,2	74,6	70,5	68,2	69,2
Credit loss ratio banking advances (%)	1,31	1,11	1,05	0,77	1,41	1,06	0,30	0,30	0,24	2,20	1,62	1,62
Efficiency ratio (%)	54,2	55,6	55,6	46,4	43,3	43,2	38,6	39,9	41,1	59,0	59,7	59,6
Efficiency ratio (excluding BEE) (%)	54,1	55,3	55,4	46,3	43,1	43,1	38,5	39,8	41,0	58,9	59,7	59,5
Effective taxation rate (%)	25,9	27,9	26,8	21,6	22,2	29,6	24,2	26,8	24,6	31,0	31,0	31,0
Contribution to group economic profit/(loss) (Rm)	749	582	1 521	434	313	693	532	353	758	(263)	22	159
Number of employees	28 889	28 678	28 748	681	729	705	2 225	2 201	2 188	18 920	18 757	18 872

* *Cluster margins include internal assets.*

Nedbank Retail			Nedbank Business Banking			Nedbank Wealth			Shared Services			Central Management, including Rest of Africa		
Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
2 021	1 531	2 088				784	452	433	62	38	58	18 126	17 778	17 521
						5 414	5 405	5 042				10 858	(3 128)	11 443
						(2)						238	276	239
												12 758	11 739	12 944
193 027	187 640	190 647	62 627	59 631	60 115	22 138	19 053	19 864				13 330	11 144	11 316
5 291	4 718	5 337	168	125	126	18 878	16 043	16 931	6 696	6 526	5 990	4 459	5 280	5 501
			28 979	29 850	31 885							(36 665)	(29 850)	(31 885)
200 339	193 889	198 072	91 774	89 606	92 126	47 212	40 953	42 270	6 758	6 564	6 048	23 104	13 239	27 079
21 203	20 391	21 077	4 639	4 255	4 401	2 361	2 448	2 420	1 507	1 526	1 532	16 074	12 384	14 224
						3	2					85	26	35
102 892	94 973	98 935	86 777	84 755	87 190	18 807	15 386	15 897	851	437	486	92 621	102 347	86 844
3 839	3 343	3 208	358	596	535	15 674	13 042	14 276	107	120	51	1 942	2 727	2 137
2 136	1 408	2 216										23 347	27 827	27 233
70 269	73 774	72 636				10 367	10 075	9 677	4 293	4 481	3 979	(110 965)	(132 072)	(103 394)
200 339	193 889	198 072	91 774	89 606	92 126	47 212	40 953	42 270	6 758	6 564	6 048	23 104	13 239	27 079
5 535	5 187	10 659	1 505	1 437	2 924	250	246	494	(100)	(107)	(213)	624	467	969
2 542	1 926	3 928	314	121	206	25	44	118				(21)	32	36
2 993	3 261	6 731	1 191	1 316	2 718	225	202	376	(100)	(107)	(213)	645	435	933
4 203	3 801	7 962	814	751	1 578	1 470	1 266	2 617	176	96	217	314	197	432
7 196	7 062	14 693	2 005	2 067	4 296	1 695	1 468	2 993	76	(11)	4	959	632	1 365
5 604	5 243	10 849	1 509	1 431	2 939	1 065	929	1 912	(134)	(27)	(51)	575	487	972
5 598	5 238	10 839	1 507	1 430	2 936	1 064	928	1 909	(142)	(46)	(90)	576	472	958
6	5	10	2	1	3	1	1	3	8	19	39	(1)	15	14
121	57	171	13	11	25	55	39	90	65	97	195	14	8	20
1 471	1 762	3 673	483	625	1 332	575	500	991	145	(81)	(140)	370	137	373
						(1)		(2)				3		5
1 471	1 762	3 673	483	625	1 332	574	500	989	145	(81)	(140)	373	137	378
414	548	1 084	134	192	388	153	143	271	(11)	(91)	(180)	164	90	101
1 057	1 214	2 589	349	433	944	421	357	718	156	10	40	209	47	277
												16	14	40
3	20	37										129	122	256
1 054	1 194	2 552	349	433	944	421	357	718	156	10	40	64	(89)	(19)
191 768	185 819	187 598	93 602	90 492	91 367	26 331	23 897	24 586	2	(2)		6 804	(9 525)	(4 293)
1,07	1,25	1,32	0,75	0,96	1,03	1,92	1,84	1,78						
10,0	11,8	12,1	15,2	20,5	21,5	35,9	29,3	29,7						
5,82	5,61	5,68	3,24	3,19	3,20	1,91	2,08	2,02						
43,2	42,3	42,8	35,1	34,3	35,0	85,5	83,7	84,1						
75,0	72,5	73,4	54,0	52,5	53,7	138,0	136,2	136,8						
2,56	2,00	2,01	1,02	0,41	0,34	0,24	0,46	0,61						
57,5	58,3	58,3	65,0	65,4	65,3	62,0	61,4	61,4						
57,5	58,3	58,2	65,0	65,3	65,2	61,9	61,3	61,4						
28,1	31,1	29,5	27,7	30,7	29,1	26,6	28,7	27,5						
(313)	(134)	(209)	50	156	368	268	198	401	59	(89)	(161)	(281)	(215)	(329)
16 593	16 422	16 568	2 327	2 335	2 304	2 055	2 022	2 028	3 428	3 419	3 436	1 580	1 550	1 519

GEOGRAPHICAL SEGMENTAL REPORTING

for the period ended 30 June 2013

Consolidated statement of financial position

Rm	Nedbank Group Jun 2013	Jun 2012	Dec 2012
Assets			
Cash and cash equivalents	28 252	24 224	27 122
Other short-term securities	44 906	42 090	43 457
Derivative financial instruments	13 004	14 608	13 812
Government and other securities	25 022	26 693	26 753
Loans and advances	557 349	516 088	527 166
Other assets	45 797	46 349	44 648
Intergroup assets	–	–	–
Total assets	714 330	670 052	682 958
Total equity	59 817	54 551	57 375
Derivative financial instruments	16 777	15 272	13 454
Amounts owed to depositors	578 807	539 506	550 878
Provisions and other liabilities	32 450	30 667	30 953
Long-term debt instruments	26 479	30 056	30 298
Intergroup liabilities	–	–	–
Total liabilities	714 330	670 052	682 958

Consolidated statement of comprehensive income

Rm	Nedbank Group Jun 2013	Jun 2012	Dec 2012
Net interest income	10 309	9 642	19 680
Impairments charge on loans and advances	3 325	2 702	5 199
Income from lending activities	6 984	6 940	14 481
Non-interest revenue	9 535	8 265	17 324
Operating income	16 519	15 205	31 805
Operating expenses	10 729	9 911	20 485
BEE transaction expenses	21	46	78
Indirect taxation	305	243	561
Profit from operations	5 464	5 005	10 681
Share of profits of associates and joint ventures	–	–	1
Profit before direct taxation	5 464	5 005	10 682
Direct taxation	1 413	1 394	2 861
Profit after taxation	4 051	3 611	7 821
Profit attributable to:			
Non-controlling interest – ordinary shareholders	(5)	(15)	(45)
Non-controlling interest – preference shareholders	(132)	(142)	(293)
Headline earnings	3 914	3 454	7 483

* *Includes all group eliminations.*

South Africa*			Rest of Africa			Rest of world		
Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
20 605	21 118	21 350	2 383	1 883	2 061	5 264	1 223	3 711
37 531	34 896	35 972	1 423	1 187	1 319	5 952	6 007	6 166
12 618	14 309	13 468	97	20	12	289	279	332
21 305	23 507	23 259	410	113	452	3 307	3 073	3 042
517 654	485 581	494 262	10 866	10 100	10 221	28 829	20 407	22 683
41 234	42 625	40 721	1 014	844	929	3 549	2 880	2 998
(13 095)	(10 729)	(11 354)	1 697	1 429	1 195	11 398	9 300	10 159
637 852	611 307	617 678	17 890	15 576	16 189	58 588	43 169	49 091
51 644	47 676	50 219	2 500	2 074	2 273	5 673	4 801	4 883
16 115	14 764	12 961	78	14	25	584	494	468
538 249	507 797	514 892	12 671	12 016	12 603	27 887	19 693	23 383
31 159	29 599	29 915	829	721	700	462	347	338
26 476	30 053	30 295	3	3	3			
(25 791)	(18 582)	(20 604)	1 809	748	585	23 982	17 834	20 019
637 852	611 307	617 678	17 890	15 576	16 189	58 588	43 169	49 091
9 700	9 102	18 546	375	338	716	234	202	418
3 135	2 654	5 011	34	32	29	156	16	159
6 565	6 448	13 535	341	306	687	78	186	259
8 950	7 769	16 213	314	278	572	271	218	539
15 515	14 217	29 748	655	584	1 259	349	404	798
9 974	9 328	19 280	449	372	773	306	211	432
20	44	75	1	2	3			
291	233	538	9	6	16	5	4	7
5 230	4 612	9 855	196	204	467	38	189	359
					1			
5 230	4 612	9 855	196	204	468	38	189	359
1 368	1 307	2 688	55	62	131	(10)	25	42
3 862	3 305	7 167	141	142	337	48	164	317
12	1	(5)	(17)	(16)	(40)			
(132)	(142)	(293)						
3 742	3 164	6 869	124	126	297	48	164	317

BUSINESS PROFILE

Nedbank Capital

NEDBANK CAPITAL

- Investment banking, global markets and treasury solutions to institutional and corporate clients.
- Offices: SA and London.
- Representative offices: Angola and Toronto.

Key strategic drivers

- Strong Investment Banking pipeline.
- Leverage industry expertise and maintain market share in renewable energy.
- Strategic growth in Africa and leverage Ecobank relationship.
- Leverage trading systems.

Nedbank Corporate

NEDBANK CORPORATE

- Lending, deposit-taking, transactional banking and property finance to South African corporates with a turnover > R700m pa.

Key strategic drivers

- Strong client relationships.
- Continued product and NIR growth through enhanced capabilities and primary-client growth.
- Leverage Ecobank relationship.
- Risk as a key differentiator.

Nedbank Business Banking

NEDBANK

- Commercial banking to small to medium-sized businesses with turnover of R7,5m to R700m pa.
- Holistic offering for the business, business owners/ households and employees.

Nedbank Retail

NEDBANK

- A bank for all financial needs of individuals and small businesses with a turnover < R7,5m pa. Transactional, card, lending, deposit-taking, risk management and investment products/services, as well as card-acquiring services for businesses.

Key strategic drivers

- A choice of distinctive client-centred banking experiences through compelling client value propositions delighting in moments of truth.
- A rigorous approach to capturing a virtuous circle and interdependencies between client segments.
- Integrated-channels strategy including digitial to accelerate growth across more mircomarkets, while optimising presence, systems and processes.
- Robust risk management for quality asset portfolios through economic cycles in line with the target at risk appetite.
- Liabilities innovation sustaining historical strength.
- Collaborative, networked people-centred culture.
- Client-centred innovation to be a leader in digital.

Nedbank Wealth

NEDBANK

- Insurance, asset management and wealth management
- Offices: SA, London, Isle of Man, Jersey, Guernsey, Dubai and the Middle East.

Key strategic drivers

- Wealth management:
  Integrated international high-net-worth proposition and distinct service offering.
- Asset management:
  Momentum in flows and consistant investment performance. Further investment in brand profiling.
- Insurance:
  Expanded direct offering through new strategic partnerships.

Nedbank Capital

Nedbank Capital produced a strong set of results, growing headline earnings by 16,9% to R801m (June 2012: R685m) and generating an increased return on equity (ROE) of 28,4% (June 2012: 24,1%). Economic profit increased by 38,7% to R434m. Growth was driven by greater participation in originated deals and conversion of fee opportunities on the back of balance sheet extension.

Lending advances, the key driver of client-led net interest income (NII) growth, grew on average by 21,8%, with a small reduction in margins earned, as a result of increased USD-denominated exposures and a continued focus on high-quality assets. Lower average interest rates impacted endowment earned on capital, and some once-off benefits originating from the change from secondary tax on companies (STC) to withholding tax in 2012 limited year-on-year NII growth.

Impairments of R217m compares with R344m for the first half of 2012. Although the cluster's credit loss ratio (CLR) of 0,77% improved, it is outside the through-the-cycle target range. We expect that this ratio will improve in the second half of 2013 and fall within the top end of our target range of 10 to 55 bps.

Providing our clients with professional, bespoke banking solutions contributed to strong fee revenue growth that supported non-interest revenue (NIR) growth of 9,1% to R1 552m (June 2012: R1 422m). Our focus on providing our clients with a holistic solution tying in balance sheet extension, advisory, hedging, transactional and other services enabled solid NIR performance following very strong growth in the first half of 2012. Expenditure increased by 13,7% to R1 076m (June 2012: R946m) with the key long-term drivers being continued investment in our people and information technology. Expenditure growth includes some once-off items which, if removed, indicate an underlying expense growth of 9,5%.

The cluster's NIR-to-expense ratio of 144,3% is lower than the 150,2% in June 2012, but remains well above the group's long-term target. The effective tax rate of 21,6% improved slightly from 22,2% in H1 2012, which included adjustments for changed capital gains tax rates and the change from STC to dividend withholding tax.

Looking forward

Given our consistent and stable earnings platform and the quality lending, the focus of our business in the coming six months 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 as markets are expected to remain volatile. In addition, we will place emphasis on strengthening existing and providing additional services to complement our expertise in our key focus sectors to capture African opportunities together with Ecobank.

Financial highlights

	June 2013	June 2012	December 2012
Headline earnings (Rm)	**801**	685	1 431
ROE (%)	**28,4**	24,1	25,4
ROA (%)	**1,14**	0,92	0,96
CLR (%)	**0,77**	1,41	1,06
NIR to total expenses (%)	**144,3**	150,2	154,3
Efficiency ratio (%)	**46,4**	43,3	43,2
Impairments charge on loans and advances (Rm)	**217**	344	526
Total assets (Rm)	**159 339**	157 069	142 290
Average total assets (Rm)	**141 833**	149 234	149 557
Total advances (Rm)	**97 161**	80 212	82 494
Average total advances (Rm)	**86 925**	68 681	73 077
Total deposits (Rm)	**100 986**	84 685	100 908
Average total deposits (Rm)	**98 399**	81 962	87 784
Allocated capital (Rm)	**5 697**	5 708	5 632

Nedbank Corporate

Nedbank Corporate performed well in the first half of the year, growing headline earnings for the period by 23,7% to R1 069m (June 2012: R864m). Our business again enhanced its track record of delivering solid returns, with an ROE of 25,9% (June 2012: 22,2%). Headline economic profit of R532m was R179m higher than that of H1 2012 – a 50,7% increase. The growth was underpinned by gains on fair value and from the listed-property investment portfolio together with favourable deposit growth. This performance was achieved within a well-managed impairment and expense environment.

The five-prong strategy of being client-driven, growing non-interest revenue, seeking opportunities for growth, project execution and the ongoing focus on transformation contained the impact of continuing tougher conditions against the backdrop of a subdued economic environment.

Collaboration across the group and businesses resulted in a number of significant deals and in retention and expansion of facilities with existing clients. The success of the thrust to build on our leadership positions in key areas was reflected by Nedbank Investor Services being rated as SA's best subcustodian bank and our property finance activities earning the bank PricewaterhouseCooper's vote as the best property finance bank in SA.

At R1 728m NII for the six months was 5,0% higher than in H1 2012 and the margin increased to 2,05% (2012: 2,04%). Growth was mainly driven by increased average deposit balances, up 12,9% from R145bn, while average advances grew by 3,7% to R164bn, with growth in the wholesale market being fairly subdued.

The CLR of 0,30% (2012: 0,30%) remained within our through-the-cycle target range of 0,20% to 0,35%, although the environment remains tough.

Gains in our property private-equity portfolio, together with the positive impacts of fair value, resulted in total NIR growing by 37,4% to R1 006m (June 2012: R732m). Growth in core NIR of 19,5% was achieved, largely driven by fee generation from new deal originations.

Expenses increased by 11,3% to R1 055m (June 2012: R948m), with the NIR-to-expenses ratio improving to 95,3% (June 2012:

Financial highlights

	Total		
	June 2013	June 2012	December 2012
Headline earnings (Rm)	**1 069**	864	1 817
ROE (%)	**25,9**	22,2	22,5
ROA (%)	**1,23**	1,03	1,07
CLR (%)	**0,30**	0,30	0,24
NIR to total expenses (%)	**95,3**	77,2	74,6
Efficiency ratio (%)	**38,6**	39,9	41,1
Interest margin (%)	**2,05**	2,04	2,03
Impairments charge on loans and advances (Rm)	**248**	235	385
Total assets (Rm)	**185 804**	168 732	175 073
Average total assets (Rm)	**174 667**	168 082	169 662
Total advances (Rm)	**169 066**	158 408	162 730
Average total advances (Rm)	**163 478**	157 601	158 978
Total deposits (Rm)	**175 873**	156 923	160 618
Average total deposits (Rm)	**163 700**	145 018	149 380
Allocated capital (Rm)	**8 336**	7 839	8 089

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

77,2%) and the efficiency ratio strengthening to 38,6% (June 2012: 39,9%).

Corporate Banking posted headline earnings of R547m, an 11,4% increase, supported by revenue growth of 9,5% and 24,4% in NII and NIR respectively. The CLR increased to 0,38% (2012: 0,24%), attributable mostly to a single client's inability to roll over a portion of a multibanked debt package, which resulted in a downgrading of the client and higher provisions. Expenses were up 11,0%.

ROE was 27,2%, up from the 27,0% at June 2012. The cost-to-income ratio improved to 45,2%.

Property Finance recorded a 37,7% increase in headline earnings to R493m (June 2012: R358m). This was driven by NIR growth of 73,5% on the back of the revaluations of the listed-property portfolio and fair-value gains, as well as a 31,5% decrease in impairments.

ROE for the period under review was 27,4% (June 2012: 20,3%) and the cost-to-income ratio improved to 28,3% from 29,6% in 2012.

Looking forward

Increased competition and a further slowdown in economic activity in the domestic wholesale market are increasingly evident. Lending opportunities have decreased, operational volumes have eased and there are limited signs of an uptick in activity to spur on the corporate market in the near term. However, we are still experiencing good traction in the commercial property sector.

Enhanced collaboration across the group, robust credit and operational risk management and continuing investment in staff skills and development are key in the current environment. Notwithstanding the muted economic outlook, Nedbank Corporate is well positioned to meet the expected headwinds in the second half of 2013.

Corporate Banking			Property Finance			Other*		
June 2013	June 2012	December 2012	**June 2013**	June 2012	December 2012	**June 2013**	June 2012	December 2012
547	491	1 057	**493**	358	716	**29**	15	44
27,2	27,0	28,3	**27,4**	20,3	19,3			
0,54	0,54	0,57	**1,00**	0,76	0,75			
0,38	0,24	0,11	**0,24**	0,37	0,37			
75,2	67,0	65,2	**120,4**	76,8	72,5			
45,2	46,5	47,3	**28,3**	29,6	30,2			
1,01	1,04	1,02	**1,51**	1,60	1,58			
150	92	86	**98**	143	299			
210 364	192 034	200 606	**102 318**	95 904	100 849	**(126 878)**	(119 206)	(126 382)
203 391	181 324	186 513	**99 079**	94 631	95 967	**(127 803)**	(107 873)	(112 818)
84 177	77 666	76 951	**82 997**	79 065	83 473	**1 892**	1 677	2 306
80 237	78 151	78 106	**81 286**	77 962	79 353	**1 955**	1 488	1 519
170 452	153 512	158 017	**2 143**	488	276	**3 278**	2 923	2 325
159 527	142 137	146 605	**1 352**	337	345	**2 821**	2 544	2 430
4 063	3 658	3 739	**3 632**	3 549	3 714	**641**	632	636

Nedbank Retail and Business Banking

Retail and Business Banking delivered headline earnings of R1,4bn (June 2012: R1,6bn), down 13,8%. The three main drivers were:

- A R182m once-off specific impairment in Business Banking that occurred in June.
- The early actions to address concerning personal-loan industry dynamics, which led to the strengthening of impairments by an additional R105m in H1 2013. This brings the cumulative increase in impairments relating to methodology changes to R438m over the past 13 months to June 2013, of which R306m is reflected in portfolio impairments and has contributed to specific coverage on defaulted personal loans increasing to 63,5% (June 2012: 60,3%).
- A once-off *in duplum* model overlay charge relating to personal loans of R60m.

The CLR of 2,20% (June 2012: 1,62%) and ROE at 11,0% (June 2012: 13,3%) reflect these effects, following two years of moderate impairments as the challenging competitive, regulatory and economic conditions highlighted in 2012 continued into 2013.

Strong growth in the underlying franchise is reflected in preprovisioning operating profit increasing 8,9% to R4,8bn.

Combined NIR grew strongly by R465m or 10,2% to R5,0bn (June 2012: R4,6bn), while expense growth was contained at 6,6%, which included continued investment in our people, distribution, innovation and client value propositions that enabled and accelerated new-client gains, deeper cross-sell and improved retention.

Retail and Business Banking continue to place emphasis on our six core differentiators as a source of distinctiveness relative to competitors and a platform for sustainable growth. These core differentiators are:

- **Distinctive client value propositions (CVPs)**, delighting clients 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 and appropriate pricing.
- **Client-centred innovations** to be a leader in digital, to grow the source and share of deposits, and to capture additional complementary revenues in the payment value chain.
- **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			Relationship Banking		
	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
Headline earnings (Rm)	1 403	1 627	3 496	349	433	944	1 054	1 194	2 552	67	56	161
ROE (%)	11,0	13,3	13,7	15,2	20,5	21,5	10,0	11,8	12,1	7,2	5,5	7,9
ROA (%)	0,97	1,16	1,22	0,75	0,96	1,03	1,07	1,25	1,32	0,36	0,32	0,45
CLR (%)	2,20	1,62	1,62	1,02	0,41	0,34	2,56	2,00	2,01	0,61	1,01	0,72
NIR to total expenses (%)	70,5	68,2	69,2	54,0	52,5	53,7	75,0	72,5	73,4	50,7	50,7	50,6
Efficiency ratio (%)	59,0	59,7	59,6	65,0	65,4	65,3	57,5	58,3	58,3	84,8	81,6	81,9
Interest margin (%)	4,97	4,82	4,87	3,24	3,19	3,20	5,82	5,61	5,68	3,43	3,76	3,71
Impairments charge on loans and advances (Rm)	2 856	2 047	4 134	314	121	206	2 542	1 926	3 928	73	118	170
Total assets (Rm)	292 113	283 495	290 198	91 774	89 606	92 126	200 339	193 889	198 072	23 490	23 092	23 262
Average total assets (Rm)	292 466	282 912	285 746	93 868	91 101	91 955	198 598	191 811	193 791	23 559	22 960	23 140
Total advances (Rm)**	255 654	247 271	250 762	62 627	59 631	60 115	193 027	187 640	190 647	23 407	23 006	23 175
Average total advances (Rm)	252 719	244 136	246 612	60 949	58 241	58 958	191 770	185 895	187 654	23 451	22 864	23 039
Total deposits (Rm)**	189 669	179 728	186 125	86 777	84 755	87 190	102 892	94 973	98 935	34 996	31 513	33 727
Average total deposits (Rm)	186 498	176 452	179 975	88 634	86 255	86 941	97 864	90 197	93 034	33 237	29 808	30 913
Allocated capital (Rm)	25 842	24 646	25 478	4 639	4 255	4 401	21 203	20 391	21 077	1 893	2 029	2 046

* *Includes Retail Central Unit, Marketing, Risk, Shared Services and Divisional Management.*

** *June 2012 total advances and total deposits have been restated to include acceptances in line with current year. The interest margin for Nedbank Business Banking has therefore also changed.*

There is good momentum in embedding these core differentiators, with the following significant benefits realised:

- **Continued strong transactional banking earnings growth at 10%** while containing fee increases and moving clients to more affordable bundles.
- **More clients, with deeper cross-sell across all segments,** leading to increased advances payouts and current account creditor balances. Our distinctive CVPs were enhanced further to ensure relevance and ease of use. Clients acquired through Nedbank @ Work (our value proposition for employees) have increased by 33% as we leverage our wholesale relationships more strongly through area collaboration.
- **Further strengthening of portfolio and specific impairments to 3,75% (June 2012: 3,63%) of total advances, while holding defaulted loans steady at R15,3bn in a more difficult risk environment.** Continued improvements in Business Banking and Home Loans defaulted advances offset the increase in all other portfolios, including Personal Loans. Proactive risk management continued in respect of R7,8bn in home loan restructures and R3,0bn MFC restructures and rearrangements due to higher inherent risk of redefault. Balance sheet impairments on these portfolios increased to 14% (June 2012: 11%).
- **Enhanced quality of the actual client experience,** as reflected in increased client and channel satisfaction metrics following investments in both physical and digital channels, while optimising micromarkets. The first 'branch of the future' network of formats was opened in the Johannesburg CBD micromarket and will serve as the blueprint for the planned refurbishment of the entire branch network in the future. In catering for changing client behaviour towards increased self-service and a more effective operating model, cost optimisation will continue to enable ongoing investment in the franchise.

It is anticipated that the worsening macro environment and credit cycle will impact more consumers than before, with 18 million credit-active consumers in total compared with two million mortgage consumers affected in the previous home loan stress cycle. We are also seeing impairments rise ahead of any potential interest rate rises, resulting in no protection from rising endowment earnings. Nedbank Retail and Business Banking have been preparing for downside risk in an economy with weak fundamentals through moderate high-quality advances growth at higher margins, strengthening balance sheet impairments, strengthening transactional banking revenue and sustainable investment in the franchise.

With distinctive strategies, a committed and 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.

Consumer Banking			Secured Lending			Home Loans			Vehicle Finance			Card			Other*		
Jun 2013	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012	**Jun 2013**	June 2012	Dec 2012
(67)	206	293	**647**	599	1 346	**76**	7	153	**571**	592	1 193	**367**	344	778	**40**	(11)	(26)
(2,3)	8,4	5,6	**12,3**	11,2	12,3	**3,9**	0,3	3,6	**17,1**	18,6	18,0	**27,9**	26,8	28,8	**47,0**	(17,0)	(19,1)
(0,14)	0,49	0,33	**0,87**	0,82	0,93	**0,18**	0,02	0,18	**1,79**	2,05	2,02	**5,50**	6,02	6,70	**(0,08)**	0,03	0,03
13,96	9,61	10,72	**0,84**	0,91	0,76	**0,62**	0,85	0,59	**1,15**	1,00	1,05	**5,09**	4,52	3,90			
73,2	72,5	72,3	**37,0**	34,7	36,8	**21,5**	19,4	19,0	**50,5**	49,7	54,7	**124,8**	123,8	126,2	**(1,3)**	10,6	(11,6)
63,0	65,0	64,5	**36,0**	35,3	35,4	**52,0**	51,5	53,3	**28,3**	27,0	26,5	**59,2**	59,3	58,6		522,8	(699,5)
5,22	4,93	5,02	**2,82**	2,85	2,84	**1,63**	1,64	1,64	**4,39**	4,72	4,62	**7,92**	8,39	8,50			
1 618	969	2 319	**591**	635	1 072	**258**	373	510	**333**	262	562	**260**	204	367			
23 295	22 424	24 483	**141 506**	137 915	139 255	**81 491**	85 094	83 063	**60 015**	52 821	56 192	**11 090**	9 517	10 129	**958**	941	943
24 064	21 338	22 648	**139 699**	137 493	137 628	**82 151**	86 249	85 068	**57 548**	51 244	52 560	**10 326**	9 084	9 432	**950**	936	943
19 717	19 499	20 839	**139 753**	136 441	137 387	**80 688**	84 367	82 097	**59 065**	52 074	55 290	**10 137**	8 672	9 222	**13**	22	24
20 849	18 559	19 728	**137 905**	136 019	136 121	**81 328**	85 468	84 308	**56 577**	50 551	51 813	**9 544**	8 435	8 745	**21**	18	21
66 694	62 356	64 359	**12**	3	2	**2**	2	1	**10**	1	1	**1 190**	1 101	845			2
63 702	59 532	61 233	**21**	(5)	(1)	**2**	1	1	**19**	(6)	(2)	**903**	862	889	**1**		
5 867	4 942	5 263	**10 623**	10 708	10 939	**3 906**	4 309	4 295	**6 717**	6 399	6 644	**2 651**	2 581	2 696	**169**	131	133

Nedbank Business Banking

Nedbank Business Banking's headline earnings declined 19,4% to R349m (June 2012: R433m) at an ROE of 15,2% (June 2012: 20,5%) and a CLR of 1,02% (June 2012: 0,41%) following a R182m once-off specific impairment in respect of a single client in June, with limited potential of recovery. Economic profit declined to R50m (June 2012: R156m).

Excluding this once-off impairment, impairment headline earnings growth would have been 10,8% and the CLR 0,43%, reflecting the underlying quality of the client portfolio, proactive risk management practices and momentum in the business. Given the timing and consequential impact of this impairment on a six-month CLR, it is anticipated that the CLR will be within Business Banking's range for the full year, in keeping with its outstanding long-term CLR experience.

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 2 300 people over many years, performed well across all key metrics, including risk, clients and staff.

The good momentum built in new-client acquisition in 2012 was carried forward, with the rate of net new primary-client gains increasing from 667 to 914 (37%) for the 12 months ended June, coupled with an increase in the cross-sell of transactional products. This was driven by a set of comprehensive management actions, including a more holistic approach to client reviews, preassessed credit lines, proactive calling programmes specifically designed to target potential clients, and the launch of client self-service capabilities, such as online application and the client feedback tool. Continued collaboration to unlock cross-cluster lead flow and optimise activities in each area also contributed to client growth.

Together with Retail, specific emphasis was placed on enhancing the offering to the small-business segment, which is an important future growth market for Business Banking, with several client-centred innovations launched, tailored to the needs of small business. These include PocketPOS™ (the first mobile EMV-certified chip and PIN card acquiring solution in SA, Africa and the Middle East), the Nedbank revolve cards (a business credit card with flexible payment terms and cash or reward benefits) and an end-to-end e-commerce solution (to enable small businesses to sell their goods online).

As a consequence of increased marketing spend and an enhanced overall client experience, bonding scores for the business segment increased, and client satisfaction metrics reached multiyear highs.

The significant benefits of diligent client engagement and effective risk management were:

- A 26% increase in new-loan disbursements of R11,3bn for the period, translating to a 4,6% growth in overall average advances, while maintaining the risk quality of the book at appropriate asset margin pricing.
- Strong current account creditor balances growth, up 14% yoy, while call and term deposit growth was impacted by competitor pricing, yielding a total average liability growth of 2,8%. Business Banking continues to be a strong generator of funding, placing net surplus funds of R33,4bn with the group.
- An increase of 5 bps in our overall margin to 3,24% (June 2012: 3,19%), mainly driven by improved asset pricing and volume gains in higher-yielding assets and current accounts creditors, which more than offset the R27m negative endowment impact of the reduction in interest rates in July 2012 to 40-year lows.
- NIR growth of 8,4% (June 2012: 6,7%) on the back of strong fee generation, muted by lower transactional volumes given the slower economic climate.
- An improvement in the defaulted portfolio to 4,46% of actual advances from 4,65% in June 2012.

Overall expense growth was contained at 5,5% through increased operational effectiveness.

Nedbank Business Banking maintained its high-performance culture, as measured by the Barrett Survey. The resilience of our 2 300 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

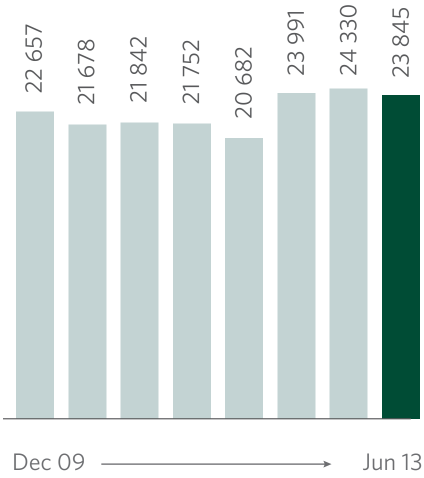
Although current economic conditions remain challenging, Nedbank Business Banking remains committed to delivering quality growth and sustainable returns. Our decentralised, accountable business service model and 'influencer' strategy to unlock the virtuous circle of business owners, their business and 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.

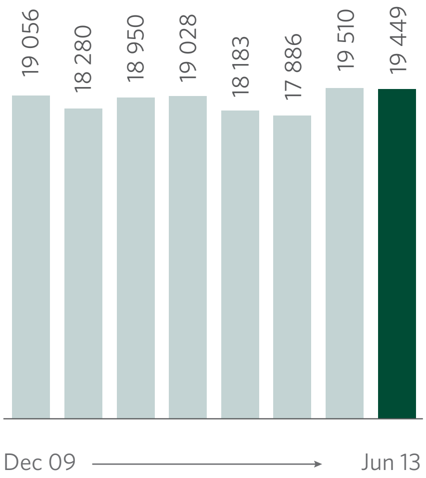
With our highly committed, values-driven team of people, Nedbank Business Banking remains outwardly focused to partner with its clients for growth for a greater SA.

Nedbank Business Banking – operational statistics

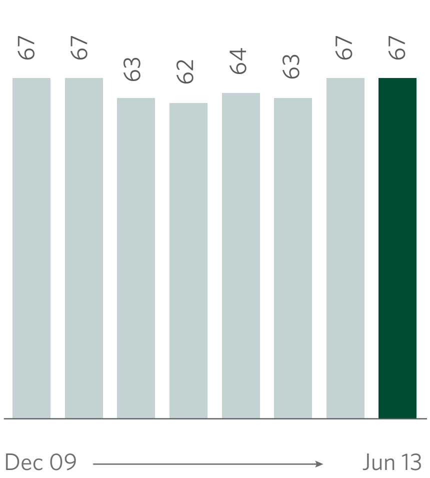
Number of clients



Number of electronic banking clients/profiles



Number of locations



Nedbank Retail

Nedbank Retail continues to make excellent progress in its delivery of the strategic intent to chart a new path to sustainable profitable growth. This repositioning of Retail incorporates the embedding of effective risk management; rebuilding the client franchise across the important growth segments of youth, entry-level banking, middle-market and small business; investing in CVPs, including integrated channels and client-centred innovation; and optimising costs to invest in clients, people and organisational effectiveness as retail evolves to be a more client-centred and integrated business.

Overall the business delivered a performance of inherent quality, with headline earnings impacted by proactively addressing the concerning personal-loan industry dynamics observed during 2012. Headline earnings of R1 054m (June 2012: R1 194m) are down 11,7%, with ROE at 10,0% (June 2012: 11,8%) on an allocated economic capital ratio of 11,1%. Preprovisioning operating profit increased by 9,3% to R4 010m (June 2012: R3 668m), driven by strong revenue growth in NII and NIR of R750m (up 8,3% on 2012), and a moderate increase in expenses of R361m (up 6,9%).

Balance sheet impairments have been further strengthened to 4,2% of total advances (June 2012: 4,0%) notably in Personal Loans, where an additional R498m has been raised over the past 13 months to June 2013 through methodology changes to increase conservatism in provisioning policies, of which R306m is reflected against the performing portfolio. Good revenue growth and improved financial returns in most of the underlying lines of business and an increased NIR-to-expenses ratio of 75,0% (June 2012: 72,5%) are reflective of good momentum in the businesses.

Key financial drivers of performance in 2013 included:

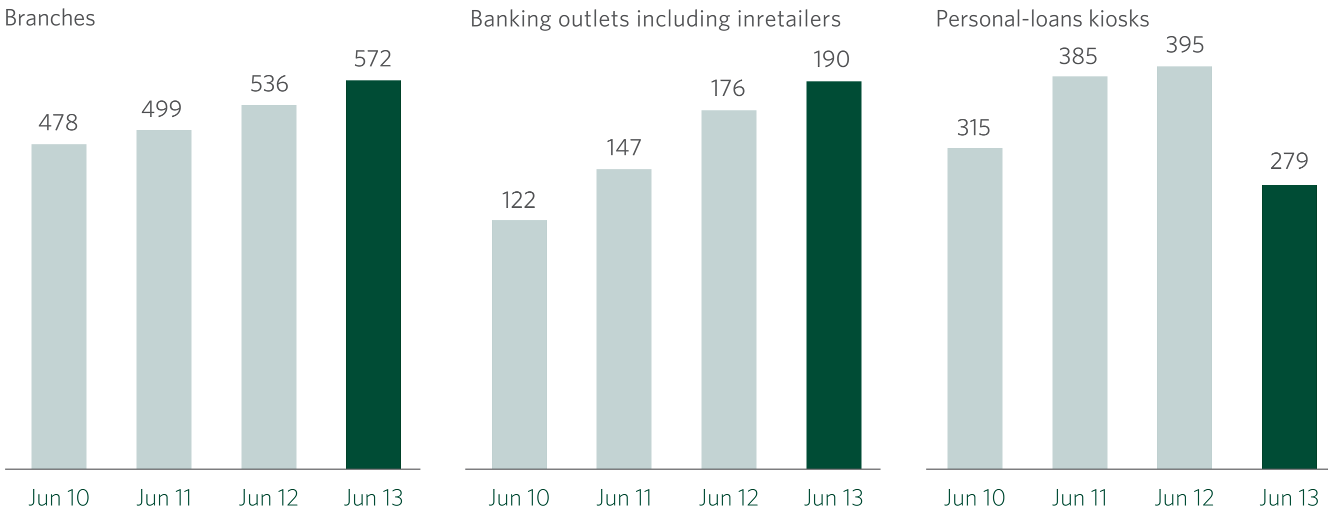
- Overall margin increasing strongly by a net 21 bps after absorbing a 21 bps reduction due to endowment on lower interest rates, offset by the strategic rebalancing of the portfolio to higher-yielding assets of better risk quality. NII has grown by 6,7% to R5 535m (June 2012: R5 187m), of which R95m was in relation to the repricing of personal loans.
- Excellent growth in NIR of R402m (up 10,6% to R4 203m), which was driven by higher volumes and quality of transactional clients (R226m), Card transactional revenue (R136m) and Personal Loans (R78m), and moderate annual fee increases (R98m). This strong growth was moderated lower by proactive measures to educate clients on transactional behaviour changes and to move clients to relevant lower-priced transacting bundles (R177m). The net average annual fee increase equated to 4,35%. Clients grew by 10,2% yoy with deepening cross-sell as measured by the 12,1% increase in the number of clients who have two or more Nedbank products.
- Overall average advances increasing 3,2% to R191,8bn (June 2012: R185,9bn). This growth is after the writedown of R2,3bn in defaulted advances (June 2012: R2,1bn) after all collection alternatives had been exhausted. Cumulative advances growth of R24bn since 2009 is approximately 10% of the total industry growth of R241bn for the same period.
- Defaulted advances declining to R12,4bn (June 2012: R13,7bn) or 6,2% 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) and higher-quality new business in attractive economic profit pool products.
- CLR increasing to 2,56% (June 2012: 2,00%), which is above the upper end of the through-the-cycle target range of 150 to 220 bps, reflecting changes in the balance sheet mix, methodology changes to increase prudency in personal loans provisioning policies and the effects of a deterioration in the credit environment relative to a more benign prior year. Adjusting the H1 2012 CLR to reflect the changes in asset mix and personal-loan provisioning methodology, the June 2012 comparable CLR would be 2,33%. The comparable increase in the CLR to 2,56% is therefore 23 bps yoy and is effectively made up of the additional R105m as a result of the higher inherent risk of personal-loans default that is masked by industry dynamics, R60m for the effect of *in duplum* and a worsening in defaults of almost all asset classes, offset by improvements in home loan defaults.
- Overall average deposits increasing 8,5% to R97,9bn (June 2012: R90,2bn). The Retail Savings Bond and the Retail Green Bond, launched in March 2011, continued to attract additional flows of new term deposits, cumulatively reaching R7,7bn at June 2013. The Nedbank Money Trader investment offering, launched in October 2012, also captured new inflows of R8,2bn. Heightened competitive pressure and the impact of Basel III on the pricing of retail deposits make it challenging to hold on to our strong household sector deposits market share at 20,6% (June 2012: 21,2%). 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.
- Expenses increasing 6,9% to R5 604m (June 2012: R5 243m). This includes operating costs pertaining to the investment in expanding and refurbishing distribution (R72m). A R142m benefit in operating efficiencies was also unlocked, principally through integrated channels and lean processes. Organic cost growth was up by 5,8%, adjusted for the impact of distribution and other investments. Since June 2012 overall headcount, including temporary staff, was tightly managed and increased by only 0,1% while distribution grew by 466 ATMs, 17 branches and 14 Nedbank inretailer outlets.

Looking forward

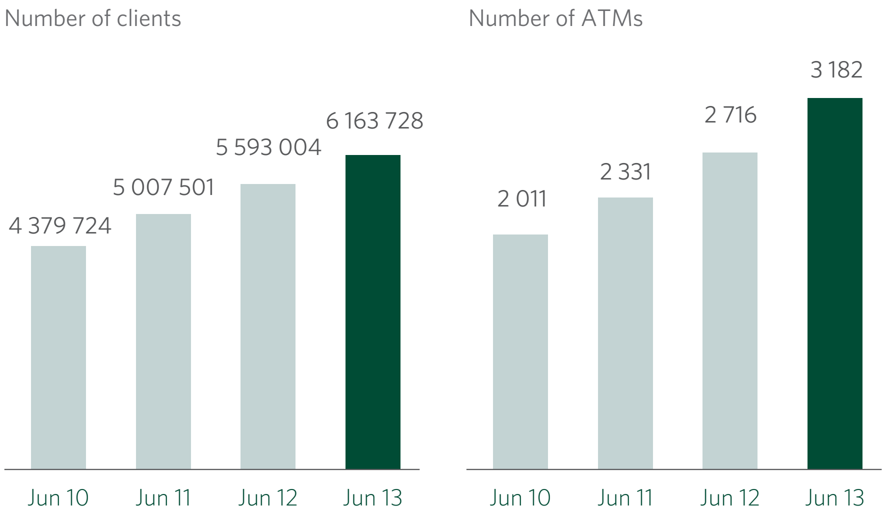
Nedbank Retail is focused on continuing to deliver on its strategy to reposition the business sustainably, notwithstanding the challenging economic conditions.

The worsening of the macroeconomic climate for consumers, which started in the last quarter of 2012, and the implementation of a more prudent provisioning methodology for personal loans are impacting the pace of Retail's financial progress despite early turnaround gains. We are therefore targeting to deliver a return at or above the cost of equity of 13% in line with the original commitment of 2014. The early risk-mitigating actions taken are anticipated to enable the CLR to moderate towards the upper end of the target range for year-end and in that event headline earnings for the full year could be similar to the 2012 level, albeit with risk to the downside should levels of consumer financial distress deteriorate further. 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 18 500 people in building deep, enduring banking relationships with all in SA and enable our clients to achieve their aspirations and financial goals.

Nedbank Retail operational statistics



Nedbank Retail operational statistics



Product segmentals combined Nedbank Retail and Business Banking

	Headline earnings Rm			ROE %			ROA %			CLR %			Efficiency %		
	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
Home loans	91	(11)	176	2,9	(0,3)	2,6	0,1		0,1	0,3	0,5	0,5	60,1	57,6	60,4
Vehicle finance	502	571	1 156	13,5	16,1	15,7	1,4	1,8	1,8	0,6	0,9	1,0	40,5	37,8	34,8
Personal loans	66	219	413	3,3	14,0	12,2	0,6	2,2	1,9	14,3	10,0	11,0	26,2	31,5	29,0
Cards	367	344	777	27,9	26,8	28,8	5,5	6,0	6,7	5,0	4,5	4,5	59,2	59,3	58,6
Transactional and investment	353	479	979	14,1	20,5	20,0	1,7	2,6	5,3	1,0	0,7	0,7	83,7	80,5	83,4
Other	24	25	(5)										88,0	73,0	33,6
Total	1 403	1 627	3 496	11,0	13,3	13,7	1,0	1,2	1,2	2,2	1,6	1,6	59,0	59,7	59,6

Secured Lending

Secured Lending's headline earnings increased by R48m to R647m at an ROE of 12,3% (June 2012: 11,2%) on R11bn of allocated capital. Headline earnings were positively impacted by an internal cost reallocation adjustment of R12m.

Home Loans increased headline earnings to R76m (June 2012: R7m) with an ROE of 3,9% driven mainly by a 23 bps reduction in the CLR to 0,62% (June 2012: 0.85%). MFC also maintained strong results in the face of increased competition and related pricing pressure, achieving headline earnings of R571m (June 2012: R592m). The business operating model and service excellence for dealerships continue to be strong differentiators. The results are reflecting an impairments charge of 1,15%, up 15 bps on the previous year, as well as reduced margins of 32 bps. The business remains well positioned to take advantage of its efficiency ratio of below 30%, having successfully completed the technology systems integration in May this year.

Balance sheet impairments of R1,47bn have been retained on R10,8bn of cumulative restructures and rearrangements in secured lending, with total balance sheet impairments of 14% (June 2012: 11%) 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 6,3% of home loan advances (June 2012: 8,0%) and is encouragingly now at R6,6bn (June 2012: R8,6bn). The balance sheet performing and specific-coverage ratios improved to 0,72% (June 2012: 0,66%) and 31,69% (June 2012: 29,53%) respectively, providing protection in the rehabilitation of defaulted advances in a subdued property market and continued high levels of consumer indebtedness. The following management actions contributed to this improved position:

- Cumulatively restructuring R11,4bn (June 2012: R8,2bn) of home loans since July 2009, while retaining a balance sheet impairment ratio on these loans of 12% (June 2012: 9%). This enabled over 22 628 households to retain their homes through effective rehabilitations, and nurtured clients towards improved financial fitness.
- Actively honouring debt counselling commitments, causing a 10% reduction in the home loan debt counselling portfolio to R1,38bn (June 2012: R1,5bn).
- Increasing security realisations through the voluntary sales process, Nedbank-assisted Sales, which are now at 53% of distressed sales and have resulted in a R82m benefit to impairments in June 2013. This reduces the loss severity experienced on a distressed sale to 15% of the outstanding balance as compared with sales in execution (SIEs) of 38% on average. This solution has provided a fresh start to a further 4 744 families since inception.
- Launching the Home Loan Payment Problems link on the Nedbank website, which has been viewed by 22 700 people and generated 826 email leads to date, empowering clients to understand the range of choices available to address their financial distress.
- Proceeding expeditiously to SIE where no other alternatives are available. The average age of the default book is now 15,5 months.

The home loans portfolio continued 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 economic profit contribution from other operations in Nedbank Retail.

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. Grants are up 35% yoy and as a result market share has held steady. Over 7 000 home loan digital applications have been received since the launch in September 2012, representing 10% of new business originated, of which 1 500 applications have been successful. The weighted-average loan-to-value figure on new registrations has increased to 87% (June 2012: 85%) as a result of increased, higher-quality business through internal channels and from existing clients.

This formed the foundation of the repositioning of Home Loans and is reflected in product line pricing of an average of 65 bps above the prime rate on new business as well as low new-business default rates in line with credit policy expectations, which have contributed to product line earnings of R76m at an ROE of 4% on 5% allocated economic capital. Over 85% of originations are sourced through Nedbank's own network, including branches and relationship bankers, with 55% of total group home loan registrations now emanating from Business Banking, Retail Relationship Banking and Wealth.

Card

Nedbank Card again performed strongly in the first half, with headline earnings increasing 6,7% to R367m at an ROE of 27,9% (June 2012: 26,8%) and EP growth of 11,6% to R196m. Good NIR growth of 12,6% (with cost growth at 11,8%, including internal reallocations of R22m or 2%), was underpinned by 17% volume gains in acquiring and additional consumer cards issued, 81% of which were 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 contributed 6,9% to acquiring volume growth. Payment innovation continues to deliver new solutions for Nedbank clients, with PocketPOS™ being an example of

Interest margin %			Average total advances excl impairments Rbn			Average total liabilities Rbn			Allocated capital Rbn			Defaulted book Rbn			Impairments Rbn			Coverage ratio %		
Jun 2013	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012
1,7	1,6	1,7	**132,9**	135,4	134,6				**6,3**	6,7	6,7	**8,1**	9,8	8,6	**3,4**	3,6	3,3	**33,7**	30,9	32,2
4,5	4,7	4,7	**70,2**	64,8	65,8				**7,5**	7,1	7,4	**2,5**	2,9	2,3	**2,4**	2,4	2,3	**64,3**	61,2	67,8
14,5	13,4	14,1	**19,9**	17,6	18,8				**4,0**	3,2	3,4	**2,9**	2,2	2,6	**2,6**	1,7	2,2	**63,5**	60,3	59,4
7,9	8,4	8,5	**9,5**	8,4	8,7				**2,7**	2,6	2,7	**0,7**	0,6	0,6	**0,8**	0,7	0,7	**93,5**	99,1	98,0
2,1	1,9	2,2	**20,8**	18,7	18,3	**182,7**	171,5	176,3	**5,0**	4,7	4,9	**1,1**	1,0	0,9	**0,8**	0,7	0,6	**66,2**	72,2	70,1
			(0,6)	(0,7)	0,2	**3,8**	5,0	3,7	**0,3**	0,3	0,4									
5,0	4,8	4,9	**252,7**	244,2	246,4	**186,5**	176,5	180,0	**25,8**	24,6	25,5	**15,3**	16,5	15,0	**10,0**	9,1	9,1	**49,9**	44,6	45,7

directly attracting the smaller SME merchant at attractive pricing and a lower cost to serve. Nedbank Greenbacks membership grew by 28% (June 2012: 30%) since the inclusion of this loyalty and rewards programme in the Nedbank Savvy product bundle.

Consumer Banking

Consumer Banking headline earnings declined to a loss of R67m (June 2012: R206m) at a negative ROE of 2,3% (June 2012: 8,4%). This is mainly a result of higher impairments in personal loans, reduced endowment and continued investment in distribution and marketing.

The concerns noted at the year-end results announcement regarding industry dynamics in unsecured lending, particularly in relation to high growth rates masking the true underlying level of consumer financial distress, as well as the increased stress that started to emerge in the second half of 2012, have continued into 2013.

Early comprehensive risk-mitigating actions have been taken to address these concerns in line with the detailed strategic review of personal loans completed in June 2012. These included:

- Further increasing our conservatism in impairment methodologies by adopting a defaulted approach in preference to a recency-based approach, with R498m raised in total over the past 13 months to June 2013, of which R306m relates to portfolio impairments.
- Maintaining our strategy of selective risk-based origination, which enables our clients' financial fitness and our gaining more transactional clients in the middle-market and entry-level banking segments through such credit extension and client interaction.
- Holding daily review meetings during the past six months, which enabled accelerated delivery against many initiatives, including increasing collections staff by 34% and improving right-party contact by 10%; excluding high-risk clients by consistently tightening and simplifying risk scorecards as well as addressing model calibrations; aligning affordability calculations across Retail with higher minimum-expense assumptions and considering optimal client indebtedness based on the debt service ratio metric; proactive tracking of subsequent lending behaviour by clients across all asset classes, guided by the debt service ratio and credit bureau data; moving away from commission-based remuneration to balanced scorecards aligned with those of the frontline teams; fully integrating distribution with the rest of Retail; reevaluating credit life as an effective risk mitigant; and significantly improving risk-based NII pricing.

These comprehensive actions to deliver on our strategic intent within the desired risk appetite have combined to slow new-advances growth to well below current industry levels and improve the quality of risk at higher gross operating income margins. Margins for the overall personal-loans book have increased by 106 bps yoy to 14,5% (June 13,4%), while loan payouts halved in the six months to R4bn (June 2012: R86m).

The personal loans book has declined by R644m or 5,8% on an annualised basis from December 2012 compared with the overall market, which has grown by R7,4bn or 10,6% to May 2013. The average loan sizes for the higher-risk clients in entry-level banking and middle-market segments have also declined to R14 934 and R40 822, compared with R16 726 and R45 720 respectively, for business written in the current year.

The Personal Loans CLR increased to 14,3% in June 2013 from 9,9% in June 2012, but is more aligned with the 12,1% CLR in H2 2012. This reflects both the changes referred to above and our concerns relating to the underlying health of the consumer.

Personal Loans, including the economics reflected in the Wealth Cluster, has generated an ROE of 10,1% (June 2012: 20,1%).

Net new-client growth stands at 571 000 or 10,2%, reflecting continuing momentum and benefits of Retail's client-centred growth strategy, notwithstanding slower growth in personal loans. Digitally enabled clients are up 30% yoy and engaged users on all Nedbank social platforms are up 29%, with Nedbank leading the number of 'Likes' on Google+ relative to peers.

Retail Relationship Banking

Retail Relationship Banking (RRB) achieved headline earnings of R67m (June 2012: R56m) on R1,9bn of allocated capital at an improved ROE of 7,2%. A strong focus on collections has reduced impairments by R46m, resulting in an improvement to the CLR of 40 bps from 1,01% in June 2012 to 0,61% in June 2013.

RRB delivers the strategy of banking the 'influencer' and his or her household and small business through a strong relationship capability in branch, multiskilling of staff and leveraging Business Banking's client-centred offerings, systems and processes.

In our efforts to improve the client experience, streamline frontline effectiveness and optimise costs by R38m on an annualised basis, our 229 sales and operation roles in RRB and Nedbank Integrated Channels were aligned, resulting in 90 people being affected. To date only two people still need to be placed, with R4m of savings already achieved and early gains noted in the focus on service, client acquisition and cross-sell. The business is gaining momentum but is being impacted by the slowdown in the economy as clients transact less. Strong risk management has, however, compensated for this, while costs are negatively impacted by the internal reallocation of R10m.

The number of registered users of the online digital platform, SimplyBiz, has continued to grow since the relaunch in January 2012. This can be attributed to innovations such as Small Business Friday™ and PocketPOS™, as well as the Nedbank Business Accelerator programme in partnership with Primedia, which have all combined to elevate awareness of Nedbank's commitment to enabling small businesses to be key creators of employment and drivers of sustainable economic growth for SA.

Nedbank Retail – advances and impairments

	Daily gross average advances Rm			Current %		
	June 2013	June 2012	December 2012	June 2013	June 2012	December 2012
Home loans*	104 508	108 041	107 043	90,5	88,9	90,5
Vehicle finance	60 489	54 953	56 079	91,8	92,1	92,1
Personal loans**	22 350	19 107	20 532	79,7	83,8	81,3
Cards	10 552	9 036	9 366	89,6	90,2	90,5
Overdrafts and other loans***	2 005	2 520	2 426	87,8	83,4	84,5
Total	199 904	193 657	195 446	89,6	89,3	89,8

Balance sheet impairment as a % of book

	Total impairments Rm			Current %		
	June 2013	June 2012	December 2012	June 2013	June 2012	December 2012
Home loans*	2 796	3 203	2 848	0,38	0,33	0,37
Vehicle finance	2 003	1 933	1 895	0,71	0,65	0,78
Personal loans**	2 598	1 682	2 178	1,67	0,70	0,80
Cards	780	673	698	0,54	0,52	0,53
Overdrafts and other loans***	273	310	262	0,50	0,58	0,65
Total	8 450	7 801	7 881	0,62	0,47	0,55

Balance sheet

	Total advances Rm			Performing Rm		
	June 2013	June 2012	December 2012	June 2013	June 2012	December 2012
Home loans*	104 041	107 178	105 023	97 435	98 547	97 858
Vehicle finance	62 533	56 384	59 393	60 605	54 372	57 597
Personal loans**	21 580	20 394	22 221	18 693	18 229	19 614
Cards	10 832	9 316	9 879	10 122	8 732	9 265
Overdrafts and other loans***	2 491	2 169	2 012	2 222	1 856	1 745
Total	201 477	195 441	198 528	189 077	181 736	186 079

Income statement

	Income statement impairments charge Rm			Portfolio impairment Rm		
	June 2013	June 2012	December 2012	June 2013	June 2012	December 2012
Home loans*	316	460	614	46	74	77
Vehicle finance	325	265	566		(34)	109
Personal loans**	1 587	946	2 263	134	91	345
Cards	260	204	367	20	21	23
Overdrafts and other loans***	54	51	118	(9)	3	3
Total	2 542	1 926	3 928	191	155	557

* *The PIPs have been included in the defaulted advances.*

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

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

Impaired %			Defaulted %			% of total advances		
June 2013	June 2012	December 2012	June 2013	June 2012	December 2012	June 2013	June 2012	December 2012
3,2	3,0	2,7	6,3	8,01	6,8	51,6	54,8	52,9
5,1	4,3	4,9	3,1	3,6	3,0	31,0	28,8	29,9
6,9	5,6	7,0	13,4	10,6	11,7	10,7	10,5	11,2
3,8	3,5	3,3	6,6	6,3	6,2	5,4	4,8	5,0
1,4	2,2	2,2	10,8	14,4	13,3	1,3	1,1	1,0
4,2	3,7	3,9	6,2	7,0	6,3	100,0	100,0	100,0

Impaired %			Defaulted %			% of total		
June 2013	June 2012	December 2012	June 2013	June 2012	December 2012	June 2013	June 2012	December 2012
10,36	10,28	10,77	31,69	29,54	30,60	2,68	2,99	2,71
13,60	15,01	14,49	60,29	61,43	58,71	3,20	3,43	3,19
32,08	22,38	31,30	63,53	60,32	59,41	12,04	8,25	9,80
15,39	15,25	15,05	93,46	99,10	98,05	7,20	7,22	7,07
42,98	39,63	43,18	94,87	90,47	87,26	10,96	14,29	13,02
15,78	14,21	16,68	48,46	43,44	45,23	4,20	3,99	3,98

Defaulted Rm			Portfolio impairments Rm			Specific impairments Rm		
June 2013	June 2012	December 2012	June 2013	June 2012	December 2012	June 2013	June 2012	December 2012
6 606	8 631	7 165	702	654	656	2 094	2 549	2 192
1 928	2 012	1 796	841	697	841	1 162	1 236	1 054
2 887	2 165	2 607	764	376	629	1 834	1 306	1 549
710	584	614	117	94	96	663	579	602
269	313	267	18	27	28	255	283	234
12 400	13 705	12 449	2 442	1 848	2 250	6 008	5 953	5 631

Specific impairments Rm			Post-writeoff recoveries Rm			CLR %		
June 2013	June 2012	December 2012	June 2013	June 2012	December 2012	June 2013	June 2012	December 2012
308	425	617	(38)	(39)	(80)	0,61	0,86	0,57
416	397	658	(91)	(98)	(201)	1,08	0,97	1,01
1 583	969	2 161	(130)	(114)	(243)	14,32	9,96	11,02
333	261	507	(93)	(78)	(163)	4,97	4,53	3,92
85	68	159	(22)	(20)	(44)	5,36	4,21	4,85
2 725	2 120	4 102	(374)	(349)	(731)	2,56	2,00	2,01

Nedbank Wealth

Nedbank Wealth delivered strong year on year headline earnings growth of 17,9% to R421m (June 2012: R357m). Economic profit grew by 35,4% to R268m, while ROE significantly improved to 35,9% (June 2012: 29,3%). These results compare favourably with the prior year given the benign short-term insurance claims environment experienced in the first half of 2012.

The net-interest margin deteriorated as a result of the decrease in the domestic interest rate as well as the impact of the reduced LIBOR premium that affected our wealth management businesses internationally. However, the cluster saw a material improvement in the CLR from 0,46% to 0,24%, which is well within our through-the-cycle range. Noteworthy performances across all the divisions of Wealth Management, Asset Management and Insurance contributed to NIR growth of 16,1% to R1,5bn.

Expenses grew at 14,6% mainly due to continued investment in capacity, a significant increase in acquisition costs and the realisation of expenditure associated with the replacement of insurance systems. This resulted in a slight deterioration of the efficiency ratio from 61,4% to 62,0%. Notwithstanding this, the NIR-to-expenses ratio improved to 138,0%.

Results from local wealth management were supported by an improvement in stockbroking volumes as well as record-high productivity levels in financial planning. Margin pressure and continued subdued investor appetite partly offset the gains from lower impairments in Nedbank Private Wealth. Fiduciary activity remained suppressed in the first half of 2013.

Notwithstanding the depreciation of the rand, pressure on fees and reduced foreign exchange income impacted results from international wealth management.

Asset Management achieved outstanding earnings growth on the back of significant net inflows of R8,4bn, a robust market and an increased contribution from performance fees. Total assets under management increased by 33,2%, to R167,2bn. Nedgroup Investments maintained an overall third position in the domestic fund manager category of the Plexcrown Fund ratings for the second quarter of 2013.

Despite the normalisation of the short-term insurance claims environment, the Insurance Division recorded a respectable increase in overall earnings. For the current period, however, a slower rate of growth in retail unsecured lending as well as single-premium investment volumes negatively impacted the long-term insurance value of new business and annual premium equivalent, down 28,0% and 29,2% respectively. Life embedded value increased by 12,9% to R2,1bn. Short-term insurance recorded gross written premium growth of 9,7%, primarily as a result of the traction in new niche insurance products introduced over the past three years.

Financial highlights

	June 2013	June 2012	December 2012
Headline earnings (Rm)	**421**	357	718
ROE (%)	**35,9**	29,3	29,7
ROA (%)	**1,92**	1,84	1,78
CLR (%)	**0,24**	0,46	0,61
NIR to total expenses (%)	**138,0**	136,2	136,8
Efficiency ratio (%)	**62,0**	61,4	61,4
Interest margin (%)	**1,91**	2,08	2,02
Impairments charge on loans and advances (Rm)	**25**	44	118
Assets under management (Rm)	**167 163**	125 516	150 495
Life assurance embedded value (Rm)	**2 063**	1 827	2 030
Life assurance value of new business (Rm)	**201**	279	563
Total assets (Rm)	**47 212**	40 953	42 270
Average total assets (Rm)	**44 217**	39 064	40 360
Total advances (Rm)	**22 138**	19 053	19 864
Average total advances (Rm)	**20 657**	19 136	19 225
Total deposits (Rm)	**18 807**	15 386	15 897
Average total deposits (Rm)	**17 390**	14 611	15 452
Allocated capital (Rm)	**2 361**	2 448	2 420

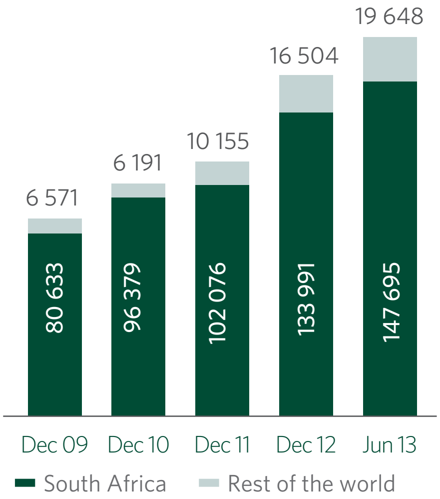
Looking forward

Further recovery in stockbroking as well as in fiduciary activities in Wealth Management, notwithstanding the protracted environment of low interest rates and subdued investor appetite, is anticipated. Nedbank Private Wealth is focusing on leveraging its enhanced client value proposition, together with the strength of the Nedbank brand, and is showing improved delivery of net client cashflow and market share growth. Further weakening of the rand will support earnings from our international operations.

Asset Management remains well positioned for continued growth and will focus on sustaining momentum achieved in its cash solutions and Best of Breed™ offerings. Nedgroup Investments is further investing in brand profiling, while exploring new growth opportunities in complementary offerings.

Opportunity exists in short-term insurance with the establishment of strategic partnerships, most notably with Mutual & Federal to deliver a Nedbank iWYZE-equivalent model. These partnerships will enable us to enhance our direct offering to Nedbank clients through the introduction of bundled and personal-lines solutions. The slowdown in Nedbank Retail unsecured lending and home loan volumes, together with the impact of new-business strain, will subdue insurance earnings growth. Nedbank is in the process of launching a differentiated and innovative credit life solution for unsecured lending that will be positioned as top quartile in benefits and bottom quartile in price, and will ensure the relevance and sustainability of the offering going forward.

Assets under management



Assets under management

Rm	June 2013	June 2012	December 2012
Fair-value of funds under management – by type			
Unit trusts	115 774	79 842	101 036
Third party	1 230	959	1 060
Private clients	50 159	44 715	48 399
	167 163	125 516	150 495
Fair-value of funds under management – by geography			
South Africa	147 695	113 908	133 991
Rest of the world	19 468	11 608	16 504
	167 163	125 516	150 495

Rm	Unit trusts	Third party	Private clients	Total
Reconciliation of movement in funds under management – by type				
Opening balance at 31 December 2012	101 036	1 060	48 399	150 495
Inflows	69 432	5	4 550	73 987
Outflows	(60 696)	(6)	(4 895)	(65 597)
Mark-to-market value adjustment	3 649	58	1 904	5 611
Foreign currency translation differences	2 353	113	201	2 667
Closing balance – 30 June 2013	115 774	1 230	50 159	167 163

Rm	South Africa	Rest of the world	Total
Reconciliation of movement in funds under management - by geography			
Opening balance at 31 December 2012	133 991	16 504	150 495
Inflows	72 075	1 912	73 987
Outflows	(62 995)	(2 602)	(65 597)
Mark-to-market value adjustment	4 624	987	5 611
Foreign currency translation differences		2 667	2 667
Closing balance - 30 June 2013	147 695	19 468	167 163

EARNINGS PER SHARE AND WEIGHTED AVERAGE SHARES

for the period ended 30 June 2013

Earnings per share	Basic	Diluted basic	Headline	Diluted headline
June 2013				
Earnings for the year	3 910	3 910	3 914	3 914
Weighted average number of ordinary shares	459 160 496	471 211 228	459 160 496	471 211 228
Earnings per share (cents)	851	830	852	831
June 2012				
Earnings for the year	3 483	3 483	3 454	3 454
Weighted average number of ordinary shares	455 660 716	468 027 350	455 660 716	468 027 350
Earnings per share (cents)	764	744	758	738
December 2012				
Earnings for the year	7 449	7 449	7 483	7 483
Weighted average number of ordinary shares	456 339 400	470 709 398	456 339 400	470 709 398
Earnings per share (cents)	1 632	1 583	1 640	1 590

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 66b).

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

Generally, potential shares are dilutive if the strike price + share-based payment (SBP) charge to come < average share price for the period of R186,29 (the SBP charge to come represents the value of services to be received by Nedbank Group in exchange for these potential shares).

	June 2013 Potential shares	June 2013 Weighted average dilutive shares	June 2012 Weighted average dilutive shares	December 2012 Weighted average dilutive shares
Traditional schemes	15 454	7 821	7 489	9 281
Nedbank Group restricted share scheme (2005)	14 123	7 242	7 030	8 627
Matched share scheme	1 331	579	459	654
BEE schemes – SA	14 151	4 090	4 686	4 919
Black Business Partners	7 891	1 387	1 845	2 061
Community	851	851	774	786
Black Executives	1 403	393	313	357
Black Management	4 006	1 459	1 754	1 715
BEE schemes – Namibia	393	140	191	170
Black Business Partners	200	70	68	78
Affinity Groups	74	26	25	29
Education	99	34	34	39
LTIP-Black			15	2
LTIP-White			32	4
Black Management	20	10	17	18
Total	29 998	12 051	12 366	14 370

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – BANKING/ TRADING CATEGORISATION

at 30 June 2013

	June 2013				June 2012				December 2012			
Rm	Banking	Trading	Elims	Total	Banking	Trading	Elims	Total	Banking	Trading	Elims	Total
Assets												
Cash and cash equivalents	16 780	4		16 784	11 838	2		11 840	14 441	4		14 445
Other short-term securities	32 430	18 144	(5 668)	44 906	31 756	15 363	(5 029)	42 090	33 067	16 691	(6 301)	43 457
Derivative financial instruments	215	14 650	(1 861)	13 004	220	17 809	(3 421)	14 608	203	17 710	(4 101)	13 812
Government and other securities	40 171	5 038	(20 187)	25 022	38 361	4 162	(15 830)	26 693	42 020	4 355	(19 622)	26 753
Loans and advances	520 085	37 264		557 349	485 414	30 674		516 088	497 404	29 762		527 166
Other assets	5 869	3 716		9 585	4 680	7 095		11 775	5 166	4 322		9 488
Current taxation receivable	455			455	976			976	246			246
Investment securities	17 395	750		18 145	14 949	876		15 825	15 711	866		16 577
Non-current assets held for sale	13			13	22			22	508			508
Investments in associate companies and joint ventures	527			527	602			602	668			668
Deferred taxation asset	149	175		324	76	310		386	286	255		541
Property and equipment	6 612	5		6 617	6 868	8		6 876	6 596	7		6 603
Long-term employee benefit assets	2 132			2 132	2 095	4		2 099	2 094	1		2 095
Mandatory reserve deposits with central banks	11 468			11 468	12 384			12 384	12 677			12 677
Intangible assets	7 974	25		7 999	7 753	35		7 788	7 891	31		7 922
Interdivisional assets		27 982	(27 982)			20 491	(20 491)			31 859	(31 859)	
Total assets	662 275	107 753	(55 698)	714 330	617 994	96 829	(44 771)	670 052	638 978	105 863	(61 883)	682 958
Total equity and liabilities												
Allocated capital	54 172	1 954		56 126	48 515	2 295		50 810	50 725	2 876		53 601
Non-controlling interest attributable to:												
– ordinary shareholders	220			220	180			180	213			213
– preference shareholders	3 471			3 471	3 561			3 561	3 561			3 561
Total equity	57 863	1 954	–	59 817	52 256	2 295		54 551	54 499	2 876		57 375
Derivative financial instruments	2 109	16 529	(1 861)	16 777	3 534	15 159	(3 421)	15 272	4 204	13 351	(4 101)	13 454
Amounts owed to depositors	523 497	62 265	(6 955)	578 807	489 351	55 184	(5 029)	539 506	494 877	62 302	(6 301)	550 878
Other liabilities	8 168	26 778	(18 900)	16 046	8 141	23 935	(15 830)	16 246	8 111	27 037	(19 622)	15 526
Current taxation liabilities	119	(5)		114	117	(1)		116	163	30		193
Other liabilities held for sale									36			36
Deferred taxation liabilities	401	195		596	782	257		1 039	526	267		793
Long-term employee benefit liabilities	1 992	37		2 029	1 874			1 874	1 913			1 913
Investment contract liabilities	10 519			10 519	8 709			8 709	9 513			9 513
Insurance contract liabilities	3 146			3 146	2 683			2 683	2 979			2 979
Long-term debt instruments	26 479			26 479	30 056			30 056	30 298			30 298
Interdivisional liabilities	27 982		(27 982)		20 491		(20 491)		31 859		(31 859)	
Total liabilities	604 412	105 799	(55 698)	654 513	565 738	94 534	(44 771)	615 501	584 479	102 987	(61 883)	625 583
Total equity and liabilities	662 275	107 753	(55 698)	714 330	617 994	96 829	(44 771)	670 052	638 978	105 863	(61 883)	682 958

NEDBANK GROUP CATEGORIES OF FINANCIAL INSTRUMENTS

at 30 June 2013

Rm	Total	At fair value through profit or loss Held for trading	Designated
Assets			
Cash and cash equivalents	16 784		
Other short-term securities	44 906	13 313	11 076
Derivative financial instruments	13 004	13 004	
Government and other securities	25 022	4 517	8 209
Loans and advances	557 349	37 210	56 973
Other assets	9 585	2 651	297
Current taxation receivable	455		
Investment securities	18 145	842	16 885
Non-current assets held for sale	13		
Investment in associate companies and joint ventures	527		485
Deferred taxation asset	324		
Investment property	210		
Property and equipment	6 407		
Postemployment assets	2 132		
Mandatory reserve deposits with central bank	11 468		
Intangible assets	7 999		
Total assets	714 330	71 537	93 925
Total equity and liabilities			
Ordinary share capital	461		
Ordinary share premium	16 343		
Reserves	39 322		
Total equity attributable to equity holders	56 126	–	–
Minority shareholders' equity attributable to ordinary shareholders	220		
Minority shareholders' equity attributable to preference shareholders	3 471		
Total equity	59 817	–	–
Derivative financial instruments	16 777	16 777	
Amounts owed to depositors	578 807	55 213	75 902
Other liabilities	16 046	6 281	1
Current taxation liabilities	114		
Deferred taxation liabilities	596		
Postemployment liability	2 029		
Investment contract liabilities	10 519		10 519
Insurance contract liabilities	3 146		3 146
Long-term debt instruments	26 479		5 512
Total liabilities	654 513	78 271	95 080
Total equity and liabilities	714 330	78 271	95 080

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
		16 784		
5 346	15 171			
2 205	8 205	1 886		
37		463 129		
		6 637		
				455
418				
				13
				42
				324
				210
				6 407
				2 132
		11 468		
				7 999
8 006	23 376	499 904	–	17 582
				461
				16 343
				39 322
–	–	–		56 126
				220
				3 471
–	–	–		59 817
			–	
			447 692	
			9 764	
				114
				596
				2 029
			20 967	
–	–	–	478 423	2 739
–	–	–	478 423	62 556

'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.

FAIR-VALUE HIERARCHY

Financial instruments carried at fair value

The fair value of a financial instrument is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an entity is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distressed sale.

The existence of published price quotations in an active market is the best evidence of fair value and, where they exist, they are used to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. These quoted prices would generally be classified as level 1 in terms of the fair-value hierarchy.

Where a quoted price does not represent fair value at the measurement date or where the market for a financial instrument is not active, the group establishes fair value by using a valuation technique. These valuation techniques include reference to the current fair value of another instrument that is substantially the same in nature (eg other short-term securities and government and other securities), reference to the value of the assets of underlying business (eg investment contract liabilities), earnings multiples (eg unlisted investments), discounted cashflow analysis (eg unlisted investments, loans and advances, other short-term securities, government and other securities and amounts owed to depositors) and various option pricing models (eg other short-term securities and government and other securities and derivatives). Valuation techniques applied by the group would generally be classified as level 2 or level 3 in terms of the fair-value hierarchy. The determination of whether an instrument is classified as level 2 or level 3 is dependent on the significance of observable inputs versus unobservable inputs in relation to the fair value of the instrument. Inputs typically used in valuation techniques

FINANCIAL ASSETS

Rm	Total financial assets 30 June 2013	Total financial assets 31 Dec 2012	Total financial assets recognised at amortised cost 30 June 2013	Total financial assets recognised at amortised cost 31 Dec 2012
Cash and cash equivalents	**28 252**	27 122	**28 252**	27 122
Other short-term securities	**44 906**	43 457	**15 171**	16 599
Derivative financial instruments	**13 004**	13 812		
Government and other securities	**25 022**	26 753	**10 091**	10 381
Loans and advances	**557 349**	527 166	**463 129**	441 407
Other assets	**9 585**	9 488	**6 637**	5 376
Investments in associate companies and joint ventures	**485**	636		
Investment securities	**18 145**	16 577		
	696 748	665 011	**523 280**	500 885
FINANCIAL LIABILITIES				
Derivative financial instruments	**16 777**	13 454		
Amounts owed to depositors	**578 807**	550 878	**447 692**	416 097
Provisions and other liabilities	**16 046**	15 526	**9 764**	9 148
Investment and insurance contract liabilties	**13 665**	12 492		
Long-term debt instruments	**26 479**	30 298	**20 967**	24 668
	651 774	622 648	**478 423**	449 913

Level 3 reconciliation

2013	**Opening balance at 1 January Rm**	**Gains/(Losses) in profit for the year Rm**	**Gains/(Losses) in comprehensive income for the year Rm**
FINANCIAL ASSETS			
Derivative financial instruments	**2**	**3**	
Loans and advances	**117**	**(66)**	**4**
Investment securities	**1 437**	**81**	**14**
Investments in associate companies and joint ventures	**636**	**(289)**	
	2 192	**(271)**	**18**
FINANCIAL LIABILITIES			
Derivative financial instruments	**1**		
	1	**–**	**–**

2012	Opening balance at 1 January Rm	Gains/(Losses) in profit for the year Rm	Gains/(Losses) in comprehensive income for the year Rm
FINANCIAL ASSETS			
Derivative financial instruments	29	2	
Loans and advances	91	29	
Investment securities	1 453	68	4
Investments in associate companies and joint ventures	545	(106)	
	2 118	(7)	4
FINANCIAL LIABILITIES			
Derivative financial instruments	5	(8)	
	5	(8)	–

include discount rates, appropriate swap rates, volatility, servicing costs, equity prices, commodity prices, counterparty credit risk, and the group's own credit on financial liabilities.

The group has an established control framework for the measurement of fair value, which includes formalised review protocols for the independent review and validation of fair values separate from the business unit entering into the transaction. The valuation methodologies, techniques and inputs applied to the fair-value measurement of the financial instruments have been applied in a manner consistent with that of the previous financial year (nedbankgroup.co.za).

Fair-value hierarchy

The financial instruments recognised at fair value have been categorised into the three input levels of the IFRS fair-value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Valuation techniques based on (directly or indirectly) market-observable inputs. Various factors influence the availability of observable inputs. These factors may vary from product to product and change over time. Factors include the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market, the maturity of market modelling and the nature of the transaction (bespoke or generic).

Level 3: Valuation techniques based on significant inputs that are not observable. To the extent that a valuation is based on inputs that are not market-observable, the determination of the fair value can be more subjective, depending on the significance of the unobservable inputs to the overall valuation. Unobservable inputs are determined on the basis of the best information available and may include reference to similar instruments, similar maturities, appropriate proxies or other analytical techniques.

There were no significant transfers between level 1 and 2 during the period under review.

Total financial assets classified at level 1		Total financial assets classified at level 2		Total financial assets classified at level 3	
30 June 2013	31 Dec 2012	**30 June 2013**	31 Dec 2012	30 June 2013	31 Dec 2012
740	818	**28 995**	26 040		
53	10	**12 951**	13 800		2
10 171	10 230	**4 760**	6 142		
62	67	**94 103**	85 575	55	117
2 948	3 783		329		
				485	636
566	534	**16 038**	14 606	1 541	1 437
14 540	15 442	**156 847**	146 492	2 081	2 192
19	6	**16 757**	13 447	1	1
		131 115	134 781		
6 151	6 318	**131**	60		
		13 665	12 492		
5 289	5 447	**223**	183		
11 459	11 771	**161 891**	160 963	1	1

Purchases and issues Rm	**Sales and settlements Rm**	**Transfers in/(out) Rm**	**Closing balance at 30 June Rm**
	(5)		–
			55
	(8)	17	1541
269	(131)		485
269	(144)	17	2081
			1
–	–	–	1

Purchases and issues Rm	Sales and settlements Rm	Transfers in/(out) Rm	Closing balance at 31 Dec Rm
	(29)		2
	(3)		117
49	(137)		1437
275	(78)		636
324	(247)	–	2192
	4		1
–	4	–	1

Gains and losses include fair-value gains or losses, translation gains or losses and, where applicable, dividends and interest income or expense.

Effect of changes in significant unobservable assumptions to reasonable possible alternatives

As discussed above, the fair value of financial instruments is, under certain circumstances, measured by means of valuation techniques based on assumptions that are not market-observable. Where these scenarios apply, the group performs stress testing on the fair value of the relevant instruments. In stress testing, appropriate levels are chosen for the unobservable input parameters so that they are consistent with prevailing market evidence and in line with the group's approach to valuation control.

The following information is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments, the valuation of which depends on unobservable input parameters. However, it is unlikely in practice that all unobservable parameters would simultaneously be at the extremes of their ranges of reasonably possible alternatives. Furthermore, the disclosure is neither predictive nor indicative of future movements in fair value.

June 2013	**Principal assumption stressed**	**Stress parameters %**
FINANCIAL ASSETS		
Loans and advances	Credit spreads	between (14) and 14
Investment securities	Valuation multiples, correlations, volatilities and credit spreads	between (25) and 25
Investments in associate companies and joint ventures	Valuation multiples	between (11) and 11
Total financial assets classified at level 3		
FINANCIAL LIABILITIES		
Derivative financial instruments	Correlations, volatilities and credit spreads	between (25) and 25

* *Represents amounts less than R1m.*

December 2012		
FINANCIAL ASSETS		
Derivative financial instruments	Correlations, volatilities and credit spreads	between (14) and 14
Loans and advances	Credit spreads	between (14) and 14
Investment securities	Valuation multiples, correlations, volatilities and credit spreads	between (25) and 25
Investments in associate companies and joint ventures	Valuation multiples	between (11) and 11
Total financial assets classified at level 3		
FINANCIAL LIABILITIES		
Derivative financial instruments	Correlations, volatilities and credit spreads	between (25) and 25

* *Represents amounts less than R1m.*

Value per statement of financial position Rm	Favourable change in fair value due to stress test Rm	Unfavourable change in fair value due to stress test Rm
55	6	(8)
1 541	155	(164)
485	57	(57)
2 081	218	(229)
1	*	*

2	*	*
117	13	(16)
1 437	151	(178)
636	70	(70)
2 192	234	(264)
1	*	*

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2013

1 AVERAGE BANKING BALANCE SHEET AND RELATED INTEREST

	June 2013			June 2012			Dec 2012		
Rm	Average balance	Margin statement interest		Average balance	Margin statement interest		Average balance	Margin statement interest	
	Assets	Received	%	Assets	Received	%	Assets	Received	%
Average prime rate			8,50			9,00			8,78
Assets									
Loans and advances									
Home loans (including properties in possession)	136 661	4 867	7,18	139 479	5 234	7,55	138 576	10 222	7,38
Commercial mortgages	94 664	3 913	8,34	90 258	3 947	8,79	91 594	7 883	8,61
Lease and instalment debtors	76 734	3 724	9,79	71 278	3 649	10,30	72 365	7 293	10,08
Credit card balances	10 737	710	13,34	9 207	639	13,96	9 546	1 311	13,73
Overdrafts	14 532	631	8,76	14 272	647	9,12	14 343	1 284	8,95
Term loans and other*	156 696	3 647	4,69	143 392	3 818	5,35	144 593	7 333	5,07
Personal loans	23 149	2 358	20,54	19 681	2 001	20,45	21 168	4 325	20,43
Impairment of loans and advances	(11 268)			(11 719)			(11 474)		
Government and public sector securities	40 255	1 736	8,70	36 864	1 608	8,77	38 538	3 360	8,72
Short-term funds and trading securities	38 234	814	4,30	34 463	819	4,78	37 597	1 719	4,57
Interest-earning banking assets	580 394	22 400	7,78	547 175	22 362	8,22	556 846	44 730	8,03
Net interdivisional assets – trading book	(21 251)			(12 291)			(14 520)		
Revaluation of fair value through profit and loss (FVTPL) designated assets	1 846			2 026			2 282		
Derivative financial instruments	224			190			199		
Insurance assets	13 317			11 023			11 521		
Cash and banknotes	3 161			3 014			3 063		
Other assets	6 880			7 934			5 503		
Associates and Investments	3 701			3 538			3 688		
Property and equipment	6 932			6 554			6 667		
Intangible assets	7 965			7 614			7 706		
Mandatory reserve deposit with central banks	13 099			12 906			12 960		
Total assets	616 268	22 400	7,33	589 683	22 362	7,63	595 915	44 730	7,51
	Liabilities	Paid	%	Liabilities	Paid	%	Liabilities	Paid	%
Deposit and loan accounts	312 758	7 119	4,59	285 270	7 079	4,99	291 478	14 078	4,83
Current and savings accounts	69 508	285	0,83	62 002	307	1,00	64 419	590	0,92
Negotiable certificates of deposit	84 943	2 429	5,77	101 657	3 144	6,22	95 755	5 867	6,13
Other interest-bearing liabilities**	34 257	1 111	6,54	30 482	924	6,10	33 346	1 998	5,99
Long-term debt instruments	28 222	1 147	8,19	30 051	1 266	8,47	29 998	2 517	8,39
Interest-bearing banking liabilities	529 688	12 091	4,60	509 462	12 720	5,02	514 996	25 050	4,86
Other liabilities	10 544			11 738			9 416		
Revaluation of FVTPL designated liabilties	1 846			2 026			2 282		
Derivative financial instruments	3 576			3 025			3 576		
Investment contract liabilities	13 085			10 879			11 359		
Ordinary shareholders' equity	53 788			48 788			50 521		
Minority shareholders' equity	3 741			3 765			3 765		
Total shareholders' equity and liabilities	616 268	12 091	3,96	589 683	12 720	4,34	595 915	25 050	4,20
Interest margin on average interest-earning banking assets	580 394	10 309	3,58	547 175	9 642	3,54	556 846	19 680	3,53

Where possible, averages are calculated on daily balances.

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

** *Includes: foreign currency liabilities.*

June 2012 margin has been restated as a result of the reclassification of 'Client indebtedness for acceptances' from 'Interest-earning banking assets' to 'Other assets'.

2 IMPAIRMENT OF LOANS AND ADVANCES

Rm	June 2013	June 2012	Dec 2012
Opening balance	10 870	11 497	11 497
Specific impairment	7 443	8 749	8 749
Specific impairment excluding discounts	5 976	7 468	7 468
Specific impairment for discounted cashflow losses	1 467	1 281	1 281
Portfolio impairment	3 427	2 748	2 748
Impairments charge/(release)	3 737	3 130	6 065
Statement of comprehensive income charge net of recoveries	3 325	2 702	5 199
Specific impairment	2 943	2 331	4 331
Net increase/(decrease) in impairment for discounted cashflow losses	213	88	186
Portfolio impairment	169	283	682
Recoveries	412	428	866
Amounts written off/other transfers	(2 748)	(3 082)	(6 692)
Specific impairments	(2 757)	(3 078)	(6 689)
Portfolio impairment	9	(4)	(3)
Total impairments	11 859	11 545	10 870
Specific impairment	8 254	8 518	7 443
Specific impairment excluding discounts	6 574	7 149	5 976
Specific impairment for discounted cashflow losses	1 680	1 369	1 467
Portfolio impairment	3 605	3 027	3 427
Total gross advances	**569 208**	**527 633**	**538 036**

Details on segmental impairments and defaulted loans and advances are disclosed in the credit risk section on pages 26c to 44c.

Reconciliation of specific impairment for discounted cashflow losses

Rm	June 2013	June 2012	Dec 2012
Opening balance	1 467	1 281	1 281
Net increase/(decrease) in impairment for discounted cashflow losses	213	88	186
Interest on specifically impaired loans and advances	(491)	(587)	(1 124)
Net specific-impairment charge for discounted cashflow losses	704	675	1 310
Closing balance	**1 680**	**1 369**	**1 467**

Notes to the consolidated statement of comprehensive income (CONTINUED)

for the period ended 30 June 2013

3 NON-INTEREST REVENUE

Rm	Nedbank Group Jun 2013	Nedbank Group Jun 2012	Nedbank Group Dec 2012	Nedbank Capital Jun 2013	Nedbank Capital Jun 2012	Nedbank Capital Dec 2012	Nedbank Corporate Jun 2013	Nedbank Corporate Jun 2012	Nedbank Corporate Dec 2012	Nedbank Retail and Business Banking Jun 2013	Nedbank Retail and Business Banking Jun 2012	Nedbank Retail and Business Banking Dec 2012
Commission and fee income	6 771	5 928	12 538	317	144	491	707	586	1 194	4 719	4 317	9 016
Administration fees	301	325	677				7	6	11	188	252	514
Cash-handling fees	402	385	794				57	54	108	293	281	586
Insurance commission	295	244	519							214	173	368
Exchange commission	190	179	367				54	51	103	103	97	202
Fees	1 088	715	1 688	298	114	430	191	110	214	33	30	62
Guarantees	81	74	157				54	46	103	22	24	45
Card income	1 301	1 177	2 479							1 292	1 170	2 459
Service charges	1 769	1 640	3 390				18	18	36	1 689	1 556	3 227
Other commission	1 344	1 189	2 467	19	30	61	326	301	619	885	734	1 553
Insurance income	950	823	1 695							235	195	421
Fair-value adjustments	94	(125)	(265)	8	(1)	1	184	(13)	(37)	(38)	(41)	(70)
Fair-value adjustments	90	(125)	(244)	8	(1)	1	184	(13)	(37)	(38)	(41)	(70)
Fair-value adjustments – own debt	4	–	(21)							–	–	–
Trading income	1 272	1 252	2 644	1 170	1 149	2 443	–	8	8	71	70	147
Foreign exchange	548	483	1 027	446	380	826		8	8	71	70	147
Debt securities	648	587	1 242	648	587	1 242				–	–	–
Equities	71	176	352	71	176	352				–	–	–
Commodities	5	6	23	5	6	23				–	–	–
Private-equity income	63	139	211	27	65	13	36	74	198	–	–	–
Security dealing – realised	2	95	187		90	65	2	5	122	–	–	–
Security dealing – unrealised	(73)	22	(49)	(105)	(47)	(103)	32	69	54	–	–	–
Dividends received	134	22	73	132	22	51	2		22	–	–	–
Investment income	20	69	107	8	53	83	5	5	5	3	4	10
Dividends received	17	65	100	8	53	85	5	5	5	–	–	1
Long-term assets sales	3	4	7			(2)				3	4	9
Sundry income	365	179	394	22	12	18	74	72	101	27	7	16
Non-banking subsidiary	–	–	(7)							–	–	–
Other sundry income*	365	179	401	22	12	18	74	72	101	27	7	16
Total non-interest revenue	**9 535**	8 265	17 324	**1 552**	1 422	3 049	**1 006**	732	1 469	**5 017**	4 552	9 540

* *Sundry Income includes inter alia, the reversal of insurance provisions, Bankseta rebate and unclaimed balances*

Nedbank Retail			Nedbank Business Banking			Nedbank Wealth			Shared Services			Central Management, including Rest of Africa		
Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
3 964	3 613	7 544	755	704	1 472	775	647	1 361	15	17	37	238	217	439
186	247	507	2	5	7	94	55	127	5	5	14	7	7	11
122	116	242	171	165	344	1	1	1				51	49	99
212	171	364	2	2	4	78	68	144				3	3	7
42	37	77	61	60	125	21	19	37	2	1	3	10	11	22
			33	30	62	522	420	892				44	41	90
2	6	8	20	18	37	1						4	4	9
1 255	1 136	2 390	37	34	69							9	7	20
1 428	1 315	2 734	261	241	493	6	6	12				56	60	115
717	585	1 222	168	149	331	52	78	148	8	11	20	54	35	66
235	195	421				715	628	1 274					–	
(36)	(37)	(63)	(2)	(4)	(7)	–	–	–	–	–	–	(60)	(70)	(159)
(36)	(37)	(63)	(2)	(4)	(7)							(64)	(70)	(138)
												4		(21)
25	23	49	46	47	98	–	–	–	–	–	–	31	25	46
25	23	49	46	47	98							31	25	46
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	1	3	4	9	–	–	–	–	–		4	7	9
		1										4	7	9
			3	4	9									
15	7	10	12	–	6	(20)	(9)	(18)	161	79	180	101	18	97
											(7)			
15	7	10	12		6	(20)	(9)	(18)	161	79	187	101	18	97
4 203	3 801	7 962	814	751	1 578	1 470	1 266	2 617	176	96	217	314	197	432

Notes to the consolidated statement of comprehensive income (CONTINUED)

for the period ended 30 June 2013

4 EXPENSES

Rm	Nedbank Group Jun 2013	Nedbank Group Jun 2012	Nedbank Group Dec 2012	Nedbank Capital Jun 2013	Nedbank Capital Jun 2012	Nedbank Capital Dec 2012	Nedbank Corporate Jun 2013	Nedbank Corporate Jun 2012	Nedbank Corporate Dec 2012	Nedbank Retail and Business Banking Jun 2013	Nedbank Retail and Business Banking Jun 2012	Nedbank Retail and Business Banking Dec 2012
Staff costs	6 039	5 560	11 424	534	471	987	567	494	1 030	2 990	2 844	5 870
Salaries and wages	4 912	4 600	9 348									
Short-term incentives	777	736	1 581									
Long-term employee benefits	84	26	46									
Share-based payment expenses – employees	266	198	449									
Computer processing	1 296	1 207	2 461	83	72	157	131	128	255	262	230	518
Depreciation for computer equipment	181	176	362									
Amortisation of computer software	282	260	526									
Operating lease charges for computer equipment	114	98	204									
Other computer processing expenses	719	673	1 369									
Communication and travel	395	387	793	53	52	106	58	52	104	196	189	384
Depreciation for vehicles	2	3	5									
Other communication and travel	393	384	788									
Occupation and accommodation	908	841	1 730	29	31	64	64	71	137	742	665	1 383
Depreciation for owner-occupied land and buildings	67	67	135									
Operating lease charges for land and buildings	353	323	642									
Other occupation and accommodation expenses	488	451	953									
Marketing and public relations	667	577	1 282	21	19	48	16	15	37	321	266	667
Fees and insurances	967	882	1 801	65	33	75	187	191	390	413	381	755
Office equipment and consumables	220	214	449	4	4	9	26	25	48	111	107	232
Depreciation for furniture and other equipment	192	184	376									
Operating lease charges for furniture and other equipment	4	4	7									
Other office equipment and consumables	24	26	66									
Other sundries	205	211	481	21	19	42	18	16	30	98	122	253
Amortisation of intangible assets	32	32	64									
Activity-justified transfer-pricing	–	–	–	263	242	481	(14)	(46)	(67)	1 972	1 864	3 713
Operating expenses	10 729	9 911	20 485	1 073	943	1 969	1 053	946	1 964	7 105	6 668	13 775
BEE transaction expenses	21	46	78	3	3	5	2	2	4	8	6	13
BEE share-based payments expenses	21	33	53									
Fees		13	25									
Total operating expenses	10 750	9 957	20 563	1 076	946	1 974	1 055	948	1 968	7 113	6 674	13 788

Nedbank Retail			Nedbank Business Banking			Nedbank Wealth			Shared Services			Central Management, including Rest of Africa		
Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
2 393	2 280	4 705	597	564	1 165	534	457	964	1 074	1 023	2 065	340	271	508
244	208	464	18	22	54	48	51	82	737	689	1 387	35	37	62
176	169	340	20	20	44	30	29	54	38	47	108	20	18	37
679	603	1 257	63	62	126	53	55	106	(35)	(34)	(74)	55	53	114
286	253	607	35	13	60	57	55	126	257	233	428	(5)	(11)	(24)
375	352	682	38	29	73	85	67	134	118	139	266	99	71	181
106	102	221	5	5	11	9	8	16	53	54	111	17	16	33
95	117	243	3	5	10	17	11	26	27	25	65	24	18	65
						32	32	64						
1 244	1 154	2 320	728	710	1 393	199	163	337	(2 411)	(2 222)	(4 446)	(1)		(18)
5 598	5 238	10 839	1 507	1 430	2 936	1 064	928	1 909	(142)	(46)	(90)	576	472	958
6	5	10	2	1	3	1	1	3	8	19	39	(1)	15	14
5 604	5 243	10 849	1 509	1 431	2 939	1 065	929	1 912	(134)	(27)	(51)	575	487	972

5 TAXATION CHARGE

Rm	June 2013	June 2012	December 2012
SA normal taxation			
Current	1 312	1 339	2 965
Deferred	42	(194)	(470)
Secondary taxation on companies (STC)		181	181
Foreign taxation	44	74	132
Current and deferred taxation on income	1 398	1 400	2 808
Prior-year overprovision – current	(84)	29	145
Prior-year underprovision – deferred	99	(35)	(92)
Total taxation on income	1 413	1 394	2 861
Tax on non-trading and capital items	(1)	5	4
Total	1 412	1 399	2 865

%			
Taxation rate reconciliation (excluding non-trading and capital items)			
Standard rate of SA normal taxation	28,0	28,0	28,0
Reduction of taxation rate:			
Dividend income	(2,8)	(3,6)	(2,9)
Capital items	0,2	(2,3)	(0,6)
Change in capital gains tax rate		1,4	0,6
Foreign income	(0,8)	(0,8)	(0,6)
STC		3,6	1,7
Other	1,3	1,6	0,6
Total taxation on income as percentage of profit before taxation	25,9	27,9	26,8

6 NON-CONTROLLING INTEREST

	June 2013		June 2012		December 2012	
Rm	Balance sheet	Income statement	Balance sheet	Income statement	Balance sheet	Income statement
Nedbank (Swaziland)	119	11	102	12	121	29
Nedbank (Namibia) – various subsidiaries	6	1	5		6	1
Nedbank (Malawi)	3		3		3	
MBCA Bank (Zimbabwe)	88	5	55	5	69	12
Ideas Nedbank AIIF Investors Trust	4	(11)	11	1	15	5
REIT Investments (Pty) Ltd		(1)	4	(3)	5	(2)
	220	5	180	15	213	45

7 PREFERENCE SHARES

Dividends declared	Number of shares	Cents per share	Amount Rm
2012			
Nedbank – Final declared for 2011 – paid March 2012	358 277 491	34,02740	122
Nedbank – Interim declared for 2012 – paid August 2012	358 277 491	37,29507	134
			256
2013			
Nedbank – Final declared for 2012 – paid March 2013	358 277 491	35,82649	128
			128
Nedbank – Interim declared for 2013 – payable September 2013	358 277 491	35,12556	126

Dividends declared calculations	Days	Rate	Amount Rm
2013			
Nedbank			
1 January 2013 – 30 June 2013	181		125,8
1 January 2013 – 30 June 2013	181	7,083%	125,8
Total declared			125,8

Dividends paid calculations	Days	Rate	Amount Rm
2012 (Paid March 2013)			
Nedbank			
1 July 2012 - 31 December 2012	184		128,4
1 July 2012 - 19 July 2012	19	7,500%	14,0
20 July 2012 - 31 December 2012	165	7,083%	114,4
Nedbank (MFC) – Participating preference shares*			3,3
Profit attributable to preference shareholders			131,7
2011 (Paid March 2012)			
Nedbank			
1 July 2011 – 31 December 2011	184		121,9
1 July 2011 – 31 December 2011	184	6,750%	121,9
2012 (Paid Aug 2012)			
Nedbank			
1 January 2012 – 30 June 2012	182		133,6
1 January 2012 – 30 June 2012	182	7,500%	133,6
Nedbank (MFC) – Participating preference shares*			37,5
Profit attributable to preference shareholders			293,0

* *Profit share calculated on an annual basis.*

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the period ended 30 June 2013

8 LOANS AND ADVANCES

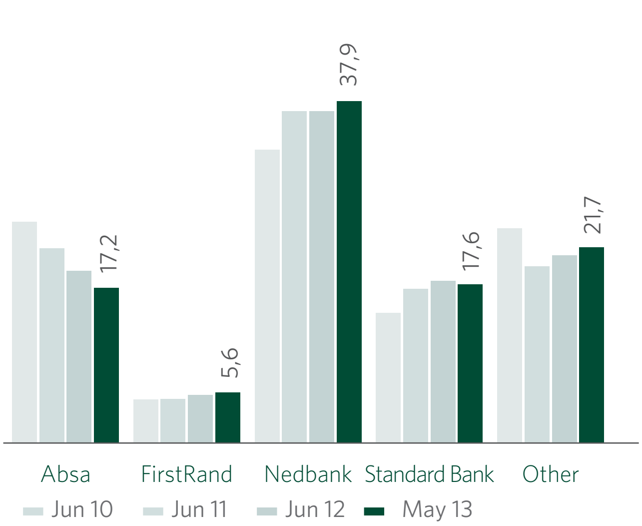
Segmental breakdown

Rm	Nedbank Group			Nedbank Capital			Nedbank Corporate			Nedbank Retail and Business Banking		
	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
Home loans	136 035	138 156	136 301		1	1	528	330	464	120 263	123 412	121 310
Commercial mortgages	98 331	93 058	97 732				78 697	75 453	79 421	14 937	13 855	14 233
Properties in possession	627	664	574				334	237	220	273	401	323
Credit cards	10 997	9 483	10 019							10 986	9 460	10 008
Overdrafts	14 685	13 504	13 694	94	98	18	2 320	1 681	1 935	9 644	9 176	9 009
Term loans	93 954	84 501	88 354	10 360	6 876	8 297	58 098	53 782	54 485	23 338	22 018	23 936
Personal loans	22 412	21 071	22 969							21 582	20 397	22 224
Other term loans	71 542	63 430	65 385	10 360	6 876	8 297	58 098	53 782	54 485	1 756	1 621	1 712
Overnight loans	20 653	16 091	18 341				19 666	15 376	17 412	748	577	567
Other loans to clients	66 276	54 468	51 482	50 400	40 113	39 353	1 388	3 457	1 008	5 377	4 676	4 586
Foreign client lending	12 304	12 344	5 760	7 334	8 622	2 125	748	489	406	480	280	380
Remittances in transit	790	200	193	2	3	1	5	7	32	681	18	55
Other loans*	53 182	41 924	45 529	43 064	31 488	37 227	635	2 961	570	4 216	4 378	4 151
Leases and instalment debtors	79 597	73 098	75 764				3 429	3 279	3 250	74 448	68 217	70 897
Preference shares and debentures	18 261	19 684	16 948	11 983	12 942	10 893	5 647	6 008	5 416	570	646	573
Factoring accounts	5 041	4 149	4 461							5 041	4 149	4 461
Deposits placed under reverse repurchase agreements	24 742	20 765	24 338	24 742	20 765	24 338				-	-	-
Trade, other bills and bankers' acceptances	9	12	28	9	12	13			15	-	-	-
Loans and advances before impairments	569 208	527 633	538 036	97 588	80 807	82 913	170 107	159 603	163 626	265 625	256 587	259 903
Impairment of advances	(11 859)	(11 545)	(10 870)	(427)	(595)	(419)	(1 041)	(1 195)	(896)	(9 971)	(9 316)	(9 141)
Total loans and advances	557 349	516 088	527 166	97 161	80 212	82 494	169 066	158 408	162 730	255 654	247 271	250 762
Comprises:												
– Loans and advances to clients	529 936	499 855	508 134	65 835	58 771	60 150	169 116	158 078	160 877	264 944	256 569	259 848
– Loans and advances to banks	39 272	27 778	29 902	31 753	22 036	22 763	991	1 525	2 749	681	18	55
Loans and advances before impairments	569 208	527 633	538 036	97 588	80 807	82 913	170 107	159 603	163 626	265 625	256 587	259 903

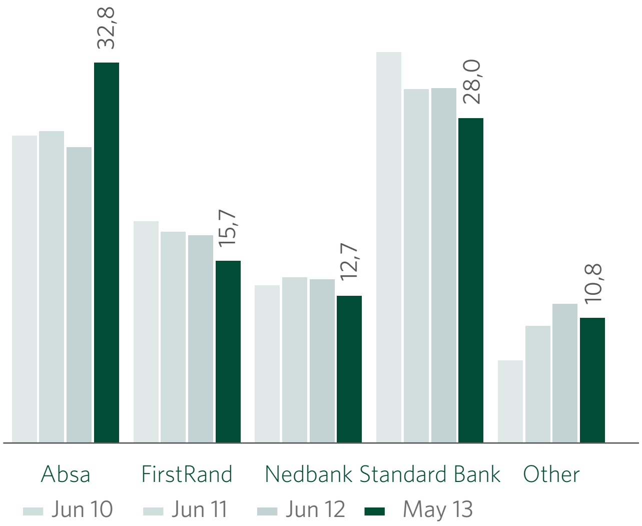
* *Represents mainly loans relating to Specialised Finance and Debt Capital Markets in Nedbank Capital and other loans in Nedbank Corporate and Nedbank Retail.*

Nedbank Retail			Nedbank Business Banking			Nedbank Wealth			Shared Services			Central Management, including Rest of Africa		
Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
103 132	106 182	104 128	17 131	17 230	17 182	12 518	11 933	11 926				2 726	2 480	2 600
651	611	588	14 286	13 244	13 645	4 335	3 790	4 125				362	(40)	(47)
258	385	307	15	16	16	20	23	31					3	
10 832	9 316	9 879	154	144	129		23	9				11		2
1 677	1 824	1 721	7 967	7 352	7 288	113	105	115				2 514	2 444	2 617
21 580	20 396	22 224	1 758	1 622	1 712	761	572	583	-	-	-	1 397	1 253	1 053
21 580	20 394	22 221	2	3	3	2	23	2				828	651	743
	2	3	1 756	1 619	1 709	759	549	581				569	602	310
1	1		747	576	567							239	138	362
813	342	288	4 564	4 334	4 298	4 226	2 426	2 892	-	-	-	4 885	3 796	3 643
1	1	1	479	279	379							3 742	2 953	2 849
676	19	50	5	(1)	5	6						96	172	105
136	322	237	4 080	4 056	3 914	4 220	2 426	2 892				1 047	671	689
62 533	56 384	59 393	11 915	11 833	11 504	299	294	294				1 421	1 308	1 323
			570	646	573	1	22	1				60	66	65
			5 041	4 149	4 461									
201 477	195 441	198 528	64 148	61 146	61 375	22 273	19 188	19 976	-	-	-	13 615	11 448	11 618
(8 450)	(7 801)	(7 881)	(1 521)	(1 515)	(1 260)	(135)	(135)	(112)				(285)	(304)	(302)
193 027	187 640	190 647	62 627	59 631	60 115	22 138	19 053	19 864	-	-	-	13 330	11 144	11 316
200 801	195 422	198 478	64 143	61 147	61 370	19 253	17 532	18 068				10 788	8 905	9 191
676	19	50	5	(1)	5	3 020	1 656	1 908				2 827	2 543	2 427
201 477	195 441	198 528	64 148	61 146	61 375	22 273	19 188	19 976	-	-	-	13 615	11 448	11 618

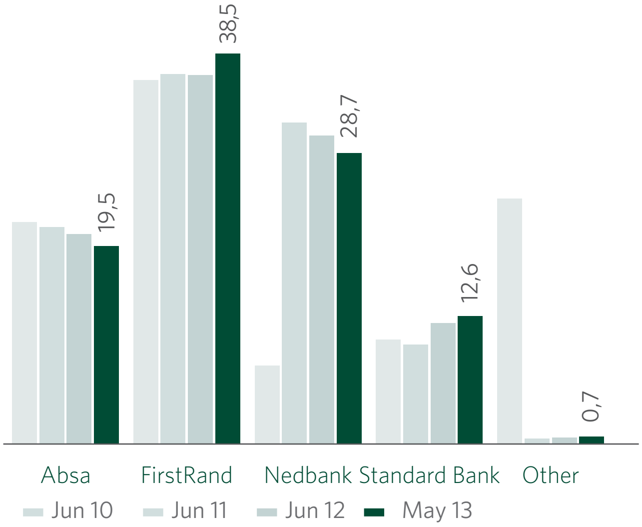
Commercial mortgage loans – market share (%)



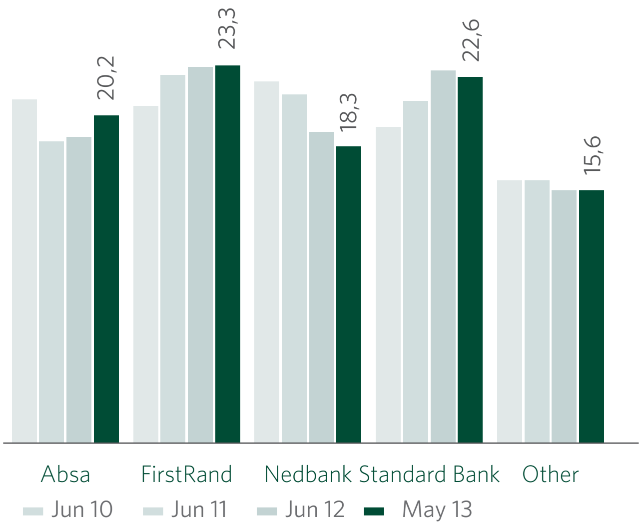
Credit cards – market share (%)



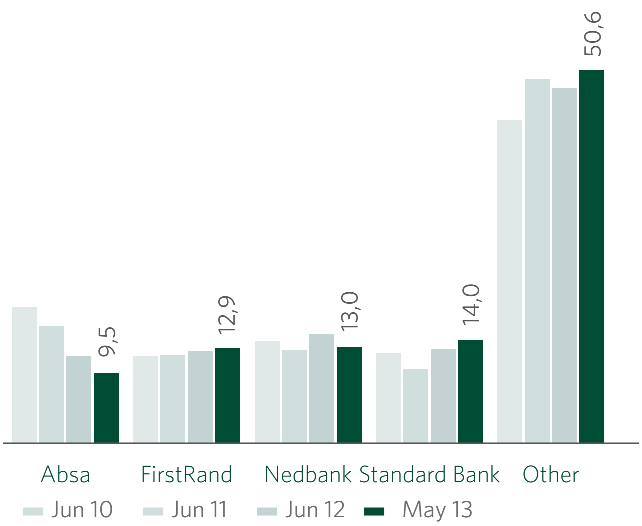
Instalment credit – market share (%)



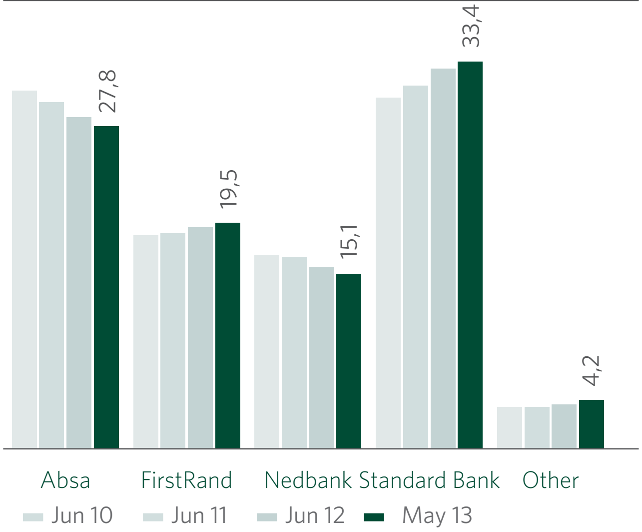
Corporate loans – market share (%)



Personal loans – market share (%)



Home loans – market share (%)



Source data: BA 900

9 INVESTMENT SECURITIES

Rm	June 2013	June 2012	December 2012
Listed investments	566	859	533
Private-equity portfolio	559	824	527
Other	7	35	6
Unlisted investments	3 658	3 540	3 320
NES Investments (Pty) Ltd	362	258	349
Morning Tide Investments 168 (Pty) Ltd	245	285	282
Strate Ltd	43	36	39
Private-equity portfolio	1 081	1 074	1 064
Other	1 927	1 887	1 586
Total listed and unlisted investments	4 224	4 399	3 853
Listed policyholder investments at market value	9 926	8 343	8 917
Equities	228	176	205
Government, public and private sector stock	504	551	512
Unit trusts	9 194	7 616	8 200
Unlisted policyholder investments at directors' valuation	4 056	3 147	3 853
Negotiable certificates of deposit, money market and other short-term funds	4 056	3 147	3 853
Net policyholder liabilities	(61)	(64)	(46)
Total policyholder investments	13 921	11 426	12 724
Total investment securities	18 145	15 825	16 577
Summary of total private-equity investments			
Investment securities	1 640	1 898	1 591
Property investments	713	921	676
Listed investments	559	797	527
Unlisted investments	154	124	149
Other investments	927	977	915
Listed investments		27	
Unlisted investments	927	950	915
Investment in associates			
Unlisted property investments	498	571	639
Private equity shareholder loans and mezzanine debt facilities	2 051	1 446	1 567
Total private equity investments	4 189	3 915	3 797

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Name of company and nature of business	Percentage holding 30 Jun 2013	Percentage holding 31 Dec 2012	Acquisition date
Unlisted			
Abacus Holdings Management (Pty) Ltd	24	24	Mar 12
Billion Property Developments (Pty) Ltd	20	20	Nov 12
Bond Choice (Pty) Ltd**	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) Ltd	49	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) Ltd	30	30	Jul 09
Friedshelf 113 (Pty) Ltd	20	20	Aug 02
Golden Pond Trading 350 (Pty) Ltd	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**	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
The Waterbuck Trust	40	40	Oct 07
Whirlprops 33 (Pty) Ltd**	49	49	Sep 06
Other***			

These associate companies are all property-related companies. There are regulatory constraints, apart from the provisions of the Companies Act, 71 of 2008, that restrict the distribution of funds to the shareholders. Distribution of funds may, however, be restricted by loan agreements the entities have entered into.

* *Represents amounts less than R1 million.*

** *These associates are equity-accounted.*

*** *Represents various investments each with a value of less than 1% of the total portfolio.*

Year-end	Equity-accounted earnings Rm 30 Jun 2013	Equity-accounted earnings Rm 31 Dec 2012	Carrying amount Rm 30 Jun 2013	Carrying amount Rm 31 Dec 2012	Market value/ Directors' valuation Rm 30 Jun 2013	Market value/ Directors' valuation Rm 31 Dec 2012	Net indebtedness of loans to/(from) associates Rm 30 Jun 2013	Net indebtedness of loans to/(from) associates Rm 31 Dec 2012
	–	1	527	668	527	668	812	582
Jun			24	6	24	6		
Aug			–	134	–	134	236	134
Feb			25	25	25	25		
Mar			9	12	9	12	8	11
Dec			55	55	55	55		–
Feb			3	3	3	3	3	3
Feb			45	41	45	41	5	5
Feb			37	36	37	36	2	1
Dec			8	8	8	8		
Feb			72	72	72	72	43	43
Feb			*	17	*	17		
Jun			11	11	11	11	8	8
Feb			71	65	71	65	24	25
Dec		1	3	3	3	3		(3)
Jun			17	16	17	16		
Jun			91	93	91	93	40	36
Jun			20	21	20	21	17	17
Jun			9	9	9	9		1
Jun			–	12	–	12		
Feb			12	14	12	14	28	26
Feb			*	*	*	*		
			15	15	15	15	398	275
	–	1	527	668	527	668	812	582

Notes to the consolidated statement of financial position (CONTINUED)

for the period ended 30 June 2013

11 INTANGIBLE ASSETS

Rm	Note	June 2013	June 2012	December 2012
Computer software and capitalised development costs	11.1	2 533	2 247	2 459
Goodwill	11.2	5 076	5 003	5 041
Other intangible assets		390	538	422
		7 999	7 788	7 922

11.1 Computer software and capitalised development costs – carrying amount

Rm	Amortisation periods	June 2013	June 2012	December 2012
Computer software	2-10 years	1 768	1 525	1 587
Client product systems		669	614	583
Infrastructure and supporting systems		663	654	615
Risk management systems		274	169	224
Channel systems		162	88	165
Capitalised development costs	none*	765	722	872
Client product systems		231	366	279
Infrastructure and supporting systems		466	286	522
Risk management systems		58	33	71
Channel systems		10	37	
		2 533	2 247	2 459
Computer software				
Opening balance		1 587	1 567	1 567
Additions		131	55	190
Commissioned during period		332	163	382
Foreign exchange and other moves				(2)
Amortisation charge for the period		(282)	(260)	(526)
Impairments				(24)
Closing balance		1 768	1 525	1 587
Capitalised development costs				
Opening balance		872	644	644
Additions		239	242	640
Commissioned during period		(332)	(164)	(382)
Disposals and retirements				(1)
Foreign exchange and other moves		(1)		(6)
Impairments		(13)		(23)
Closing balance		765	722	872

* *Assets not yet commissioned and only begin amortisation once transferred to computer software.*

11.2 Goodwill – carrying amount

Rm	June 2013	June 2012	December 2012
Carrying amount at the beginning of the year	5 041	4 995	4 995
Acquisition	2		19
Foreign currency translation	33	8	27
Carrying amount at the end of the year	5 076	5 003	5 041

11.2 Goodwill – carrying amount (CONTINUED)

Rm	June 2013 Cost	June 2013 Accumulated impairment losses	June 2013 Carrying amount	December 2012 Cost	December 2012 Accumulated impairment losses	December 2012 Carrying amount
Major subsidiary companies						
Nedbank Private Wealth Limited (Isle of Man)/Nedgroup Trust Ltd (Guernsey)*	482	(138)	344	449	(138)	311
Peoples Mortgage Ltd	198	(198)	–	198	(198)	–
IBL Asset Finance and Services Ltd	285	(25)	260	285	(25)	260
Nedbank Ltd	3 938	(1 114)	2 824	3 938	(1 114)	2 824
Old Mutual Bank	206		206	206		206
Nedgroup Private Wealth (Pty) Ltd	725		725	725		725
Nedgroup Life Assurance Company Ltd	401		401	401		401
Nedbank Namibia Ltd	136	(2)	134	134	(2)	132
Capital One	82		82	82		82
American Express	81		81	81		81
Visigro Investments (Pty) Ltd	19		19	19		19
	6 553	(1 477)	5 076	6 518	(1 477)	5 041

* *Formerly Fairbairn Private Bank (Jersey) Ltd/Fairbairn Trust Company Ltd (Guernsey).*

11.3 Intangible assets – ratios

Rm	June 2013	June 2012	December 2012
Total assets	714 330	670 052	682 958
Ordinary shareholders' equity	56 126	50 810	53 601
Intangible assets	7 999	7 788	7 922
Capitalised software (Refer note 11.1)	2 533	2 247	2 459
Goodwill (Refer note 11.2)	5 076	5 003	5 041
Other intangible assets	390	538	422
Intangible assets/Total assets (%)	1,12	1,16	1,16
Intangible assets/Ordinary shareholders' equity (%)	14,3	15,3	14,8

12 ORDINARY SHARE CAPITAL AND PREMIUM

	Price R	2013 Number of shares m	2013 Total Rm	2013 Ordinary share capital Rm	2013 Ordinary share premium Rm	2012 Number of shares m	2012 Total Rm	2012 Ordinary share capital Rm	2012 Ordinary share premium Rm
Total shares listed		510,2	20 999	510	20 489	507,5	20 540	508	20 032
Less Treasury shares held		49,4	4 195	49	4 146	50,2	4 050	51	3 999
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		23,5	1 212	23	1 189	23,8	1 208	24	1 184
Other shares held by group entities									
Nedbank Namibia		0,1	4	–	4	0,1	4		4
Restricted share plan		11,1	1 366	11	1 355	11,6	1 225	12	1 213
Net shares reported		460,8	16 804	461	16 343	457,3	16 490	457	16 033

Notes to the consolidated statement of financial position (CONTINUED)

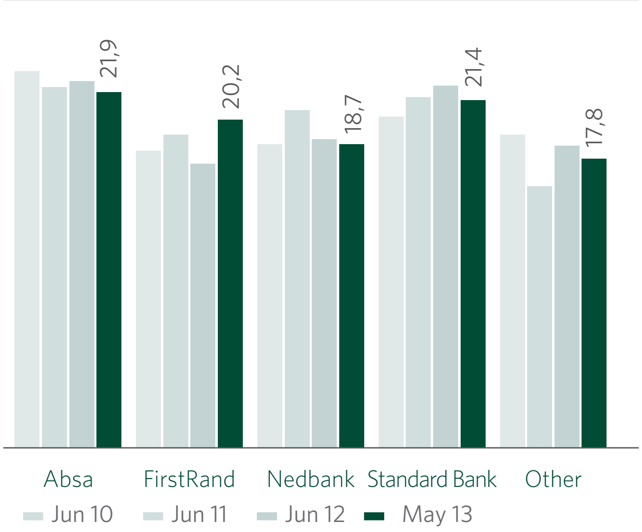
for the period ended 30 June 2013

13 AMOUNTS OWED TO DEPOSITORS

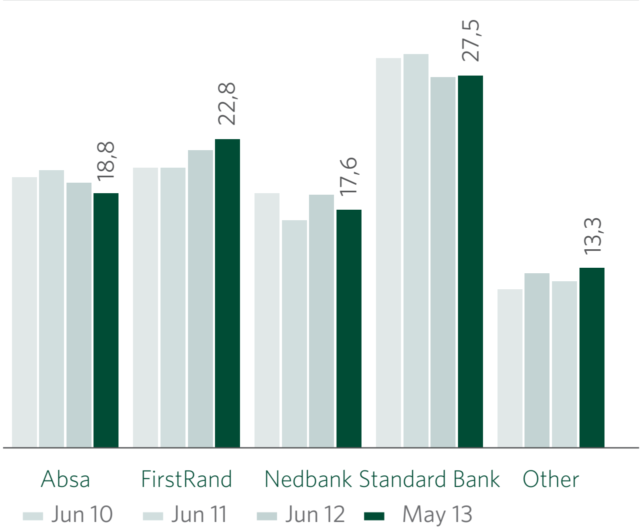
Segmental breakdown

	Nedbank Group			Nedbank Capital			Nedbank Corporate			Nedbank Retail and Business Banking		
Rm	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
Current accounts	56 482	50 419	55 843	1 328	197	1 123	3 412	2 884	3 457	47 140	43 081	46 866
Savings accounts	19 743	16 421	17 373				2	2	2	8 855	8 721	8 858
Other deposits and loan accounts	393 345	361 085	374 052	81 640	70 364	80 366	167 543	151 573	152 985	130 936	125 741	128 239
Call and term deposits	231 139	204 861	216 333	10 422	5 471	10 547	112 724	94 760	99 842	97 939	93 826	96 104
Fixed deposits	35 123	30 819	32 911	4 772	2 998	3 839	2 170	1 141	1 742	26 956	25 427	25 761
Cash management deposits	57 396	58 701	56 609	95	141	172	52 225	53 805	51 158	4 216	4 240	4 940
Other deposits	69 687	66 704	68 199	66 351	61 754	65 808	424	1 867	243	1 825	2 248	1 434
Foreign client liabilities	14 912	7 133	10 161	6 742	2 149	3 313	4 916	2 464	4 174	2 738	2 185	2 162
Negotiable certificates of deposit	83 278	92 044	76 888	710	1					-	-	-
Deposits received under repurchase agreements	11 047	12 404	16 561	10 566	11 974	16 106				-	-	-
Total amounts owed to depositors	578 807	539 506	550 878	100 986	84 685	100 908	175 873	156 923	160 618	189 669	179 728	186 125
Comprises:												
– Amounts owed to clients	556 077	513 921	520 832	82 742	63 676	74 371	171 907	153 104	157 286	189 197	179 268	186 045
– Amounts owed to banks	22 730	25 585	30 046	18 244	21 009	26 537	3 966	3 819	3 332	472	460	80
Total amounts owed to depositors	578 807	539 506	550 878	100 986	84 685	100 908	175 873	156 923	160 618	189 669	179 728	186 125

Wholesale deposits – market share (%)



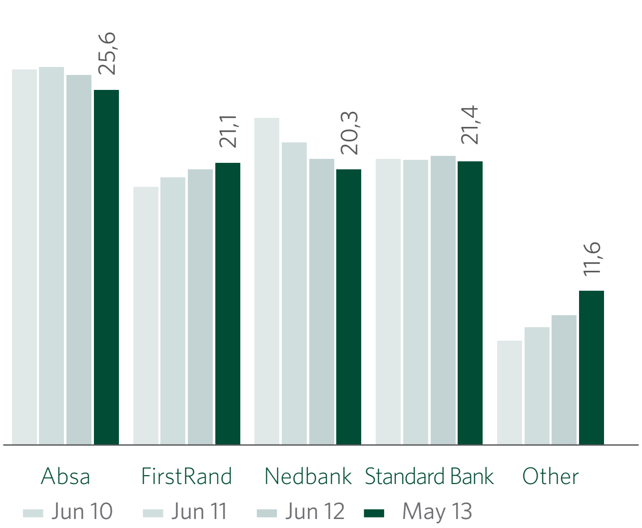
Commercial deposits – market share (%)



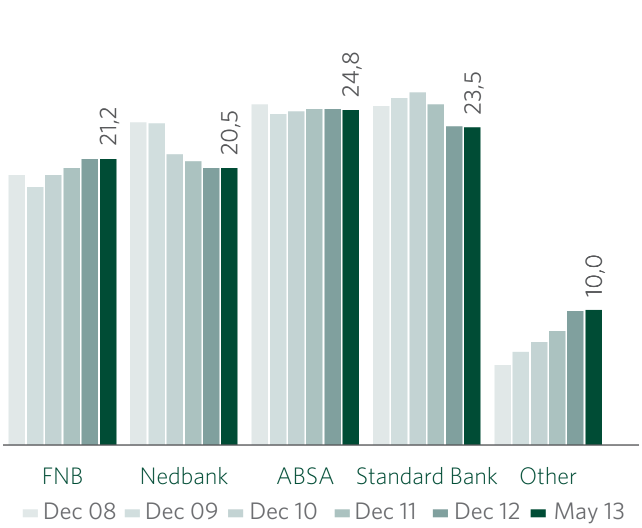
Source data: BA 900

	Nedbank Retail			Business Banking			Nedbank Wealth			Shared services			Central Management, including Rest of Africa		
	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
	28 671	26 545	27 850	18 469	16 536	19 016	1 090	890	991	16	1		3 496	3 366	3 406
	8 639	8 516	8 625	216	205	233	10 183	7 084	7 857				703	614	656
	65 234	59 632	62 147	65 702	66 109	66 092	7 534	7 412	7 049	354	6	31	5 338	5 989	5 382
	38 042	34 236	36 517	59 897	59 590	59 587	7 175	6 992	6 723				2 879	3 812	3 117
	25 914	24 128	24 690	1 042	1 299	1 071	156	132	141				1 069	1 121	1 428
	19	20	16	4 197	4 220	4 924	207	288	183	344	(1)	21	309	228	135
	1 259	1 248	924	566	1 000	510	(4)		2	10	7	10	1 081	828	702
	348	280	313	2 390	1 905	1 849							516	335	512
													82 568	92 043	76 888
										481	430	455			
	102 892	94 973	98 935	86 777	84 755	87 190	18 807	15 386	15 897	851	437	486	92 621	102 347	86 844
	102 427	94 513	98 805	86 770	84 755	87 240	18 807	15 386	15 897	841	430	476	92 583	102 057	86 757
	465	460	130	7		(50)				10	7	10	38	290	87
	102 892	94 973	98 935	86 777	84 755	87 190	18 807	15 386	15 897	851	437	486	92 621	102 347	86 844

Household deposits – market share (%)



Household sector deposits – market share (%)



14 LONG-TERM DEBT INSTRUMENTS

	Nominal value	Instrument terms	Jun 2013	Jun 2012	Dec 2012
Subordinated debt			7 907	8 985	7 848
Rand-denominated	Rm		6 908	8 161	6 996
Callable bonds repayable on 4 December 2013 (IPB3) (a)	300	JIBAR + 2,5% per annum[2]	151	151	151
Callable notes repayable on 20 September 2018 (NED6) (c)	1 800	9,84% per annum[1]	1 866	1 923	1 898
Callable notes repayable on 8 February 2019 (NED8) (c)	1 700	8,90% per annum[1]	1 785	1 831	1 811
Callable notes repayable on 6 July 2022 (NED9) (e)	2 000	JIBAR +0,47% per annum[2]	2 026	2 027	2 026
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]	1 080	1 102	1 110
Callable notes repayable on 14 December 2017 (NED12A) (b)[5]	500	JIBAR + 0,70% per annum[2]		501	
Callable notes repayable on 14 December 2017 (NED12B) (b)[5]	120	10,38% per annum[1]		122	
Namibian dollar-denominated	NAM$m				
Long-term debenture repayable on 15 September 2030	40	17% per annum until 15 September 2000 – thereafter zero coupon	3	3	3
US dollar-denominated	US$m				
Callable notes repayable on 3 March 2022 (EMTN01) (h)	100	3-month USD LIBOR	996	821	849
Hybrid subordinated debt					
Rand-denominated	Rm		1 836	1 834	1 865
Callable notes repayable on 20 November 2018 (NEDH1A) (f)	487	15,05% per annum[1]	557	555	586
Callable notes repayable on 20 November 2018 (NEDH1B) (f)	1 265	JIBAR + 4,75% per annum[2]	1 279	1 279	1 279
Securitised liabilities			1 722	898	1 798
Rand-denominated	Rm				
Callable notes repayable on 18 November 2039 (GR1A2A) (g)[6]	1 407	JIBAR + 0,60% per annum[2]		772	
Callable notes repayable on 18 November 2039 (GRN1B) (g)[6]	98	JIBAR + 0,85% per annum[2]		75	
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]	359		441
Callable notes repayable on 25 October 2039 (GRH1A2) (i)	336	JIBAR + 1,25% per annum[2]	340		339
Callable notes repayable on 25 October 2039 (GRH1A3) (i)	900	JIBAR + 1,54% per annum[2]	911		907
Callable notes repayable on 25 October 2039 (GRH1B) (i)	110	JIBAR + 1,90% per annum[2]	112		111

JIBAR = Johannesburg Interbank Agreed Rate
LIBOR = London Interbank Offered Rate

Senior unsecured debt					
Rand-denominated	**Rm**		15 002	18 331	18 776
Senior unsecured notes repayable on 9 September 2012 (NBK1B)	1 690	JIBAR + 1,50% per annum[2]		1 036	
Senior unsecured notes repayable on 15 September 2015 (NBK2A)	3 244	10,55% per annum[1]	3 347	3 347	3 347
Senior unsecured notes repayable on 15 September 2015 (NBK2B)	1 044	JIBAR + 2,20% per annum[2]	1 053	1 053	1 053
Senior unsecured notes repayable on 9 September 2019 (NBK3A)	1 237	11,39% per annum[1]	1 402	788	1 407
Senior unsecured notes repayable on 31 March 2013 (NBKI1)	1 750	3,9% real yield base CPI ref 106,70667[1]		2 032	2 080
Senior unsecured notes repayable on 28 October 2024 (NBK4)	660	Zero coupon	223	199	226
Senior unsecured notes repayable on 31 March 2013 (NBKI1U)	98	3,8% real yield base CPI ref 108,68065[1]		112	114
Senior unsecured notes repayable on 19 April 2013 (NBK5B)	1 552	JIBAR + 1,48% per annum[2]		1 574	1 572
Senior unsecured notes repayable on 19 April 2015 (NBK6A)	478	9,68% per annum[1]	487	487	487
Senior unsecured notes repayable on 19 April 2015 (NBK6B)	1 027	JIBAR + 1,75% per annum[2]	1 041	1 042	1 041
Senior unsecured notes repayable on 19 April 2020 (NBK7B)	80	JIBAR + 2,15% per annum[2]	81	81	81
Senior unsecured notes repayable on 24 March 2014 (NBK8A)	450	8,39% per annum[1]	460	460	460
Senior unsecured notes repayable on 24 March 2014 (NBK8B)	988	JIBAR + 1,05% per annum[2]	969	969	969
Senior unsecured notes repayable on 23 March 2016 (NBK9A)	1 137	9,36% per annum[1]	1 166	1 166	1 166
Senior unsecured notes repayable on 23 March 2016 (NBK9B)	677	JIBAR + 1,25% per annum[2]	678	678	678
Senior unsecured notes repayable on 21 April 2014 (NBK10B)	500	JIBAR + 1,00% per annum[2]	455	506	455
Senior unsecured notes repayable on 27 October 2014 (NBK11B)	1 075	JIBAR + 0,94% per annum[2]	1 086	1 087	1 086
Senior unsecured notes repayable on 20 February 2015 (NBK12B)	1 297	JIBAR + 1,00% per annum[2]	1 306	1 306	1 306
Senior unsecured notes repayable on 21 February 2017 (NBK13B)	405	JIBAR + 1,30% per annum[2]	408	408	408
Senior unsecured notes repayable on 27 August 2015 (NBK14B)	250	JIBAR + 1,00% per annum[2]	251		251
Senior unsecured notes repayable on 27 August 2017 (NBK15B)	786	JIBAR + 1,31% per annum[2]	589		589
Other					
Rand-denominated	**Rm**				
Unsecured debentures repayable on 30 November 2029	200	Zero coupon	12	8	11
Total long-term debt instruments in issue			26 479	30 056	30 298

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 15 August 2012.*

[4] *The debt instrument was redeemed on its call date on 14 December 2012.*

[5] *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, being 15 August 2007, 14 December 2007 and 14 December 2007 (ie 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 1,45%, 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 Nov 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 (RF) 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 coverts to a floating three-month USD LIBOR rate, plus a spread of 3,00 %.

(i) Callable by the issuer, Greenhouse Funding (RF) 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 2012 Actuals m	Dec 2013 Forecast m	Dec 2014 Forecast m	Dec 2015 Forecast m	Dec 2016 Forecast m
Gross shares in issue	507,5				
Treasury shares	50,2				
BEE	23,9	23,2	21,7	12,6	11,0
Other	26,3				
Net shares in issue	457,3				
Weighted average number of shares	456,3				
Dilutive shares*	14,4				
BEE	5,1	4,4	4,5	2,1	0,9
Other	9,3				
Fully diluted weighted average shares	470,7				
Estimated future dilutive BEE shares**					
5%		4,2	3,9	1,9	0,7
10%		4,4	4,5	2,1	0,9
15%		4,6	5,1	2,3	1,1
20%		4,8	5,5	2,4	1,2
30%		5,1	6,4	2,7	1,4
Number of BEE shares vesting per year		0,8	1,5	9,2	1,6
Estimated income statement charge**	Rm	Rm	Rm	Rm	Rm
5%	52,5	33,8	41,4	36,1	28,8
10%	52,5	33,8	42,1	36,9	29,8
15%	52,5	33,8	42,9	37,7	30,7
20%	52,5	33,8	43,6	38,6	31,6
30%	52,5	33,8	45,3	40,4	33,6

* *Forecast calculated on 10% share price growth.*

** *Sensitivity calculated in various share price growth assumptions.*

NEDBANK GROUP EMPLOYEE INCENTIVE SCHEMES

for the period ended 30 June 2013

Movements	Jun 2013		Dec 2012	
Instruments outstanding at the beginning of the year	12 239 342		12 732 254	
Granted	3 911 613		4 204 482	
Exercised	(3 726 272)		(949 007)	
Expired	–			
Surrendered	(154 427)		(3 748 387)	
Instruments outstanding at the end of the year	12 270 256		12 239 342	
Analysis				
Performance based – restricted shares	5 524 564	P	5 660 881	P
Non-performance based – restricted shares	5 524 564		5 660 880	
Performance based – matched shares	610 564	P	458 791	P
Non-performance based – matched shares	610 564		458 790	
Instruments outstanding at the end of the year	12 270 256		12 239 342	
Summary by scheme				
Nedbank Group restricted share scheme (2005)	11 049 128		11 321 761	
Nedbank Group matched share scheme (2005)	1 221 128		917 581	
Instruments outstanding at the end of the year	12 270 256		12 239 342	

Nedbank Group (2005) restricted and matched share scheme

Restricted shares:

The following instruments granted had not been exercised at 30 June 2013:

Instrument expiry date	Number of shares	
6 Aug 2013	88 119	P
7 Aug 2013	88 119	
8 Mar 2014	1 824 505	
9 Mar 2014	1 824 505	P
5 Aug 2014	148 685	P
6 Aug 2014	148 685	
18 Oct 2014	12 539	
18 Oct 2014	12 539	P
8 Mar 2015	1 711 400	P
9 Mar 2015	1 711 400	
7 Aug 2015	58 136	P
8 Aug 2015	58 136	
7 Mar 2016	1 681 180	P
8 Mar 2016	1 681 180	
Total	11 049 128	

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 June 2013:

Instrument expiry date	Number of shares
1 Apr 2014	256 022
1 Apr 2015	450 684
1 Apr 2016	514 422
Total	1 221 128

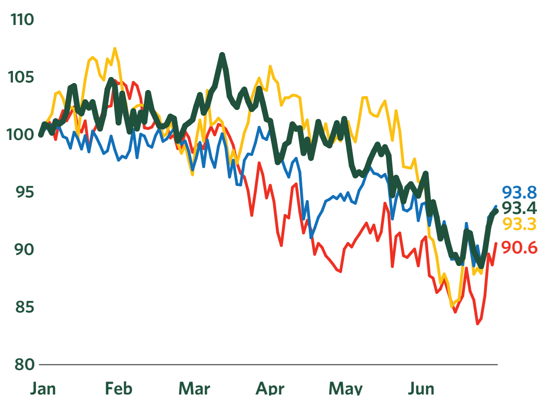
P = Performance-based instruments.

SHAREHOLDERS' ANALYSIS

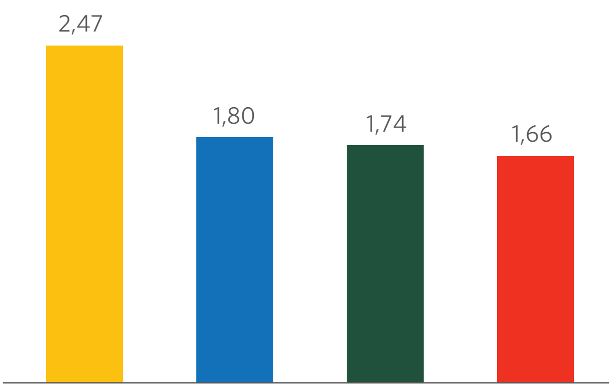
Register date: 28 June 2013
Authorised share capital: 600 000 000 shares
Issued share capital: 510 204 377

	Number of shares	June 2013 % holding	June 2012 % holding	Dec 2012 % holding
Major shareholders/managers				
Old Mutual Life Assurance Company (SA) Ltd and associates	264 687 823	51,88	51,89	52,13
Nedbank Group treasury shares	49 445 404	9,69	10,16	9,90
BEE trusts:				
– Eyethu scheme – Nedbank SA	22 748 201	4,46	4,64	4,55
– Omufima scheme – Nedbank Namibia	750 014	0,15	0,15	0,15
Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme	11 184 628	2,19	2,46	2,29
Nedbank Group Limited and associates (Capital Management)	14 715 049	2,88	2,90	2,90
Nedbank Namibia Ltd	47 512	0,01	0,01	0,01
Public Investment Corporation (SA)	33 353 142	6,54	7,27	7,27
Coronation Fund Managers (SA)	25 899 140	5,08	2,96	2,68
Lazard Asset Management (US and UK)	14 454 016	2,83	2,91	2,93
Sanlam Investment Management (SA)	9 973 706	1,95	2,25	1,96
Dimensional Fund Advisors	7 431 572	1,46	1,38	1,40
BlackRock Inc	7 300 312	1,43	1,43	1,45
Major beneficial shareholders				
Old Mutual Life Assurance Company (SA) Ltd and associates (SA)	264 687 823	51,88	51,89	52,13
Government Employees Pension Fund (SA)	39 756 008	7,79	8,69	8,22
Geographical distribution of shareholders				
Domestic	444 861 727	87,20	86,75	86,37
– South Africa	433 686 942	85,00	84,07	83,64
– Namibia	7 034 618	1,38	1,67	1,90
– Unclassified	4 140 167	0,82	1,01	0,83
Foreign	65 342 650	12,80	13,25	13,63
– United States of America	39 070 254	7,66	8,13	8,17
– United Kingdom and Ireland	6 238 503	1,22	1,64	1,58
– Europe	7 516 860	1,47	1,21	1,60
– Other countries	12 517 033	2,45	2,27	2,28
	510 204 377	100,00	100,00	100,00

2013 Share price performance – 30 June 2013



2013 Tangible price-to-book analysis – 30 June 2013



Nedbank ABSA Standard FirstRand

NEDBANK LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2013

Rm	June 2013	June 2012	Dec 2012
Interest and similar income	21 358	21 520	42 900
Interest expense and similar charges	11 506	12 298	24 102
Net interest income	9 852	9 222	18 798
Impairments charge on loans and advances	3 299	2 741	5 239
Income from lending activities	6 553	6 481	13 559
Non-interest revenue	7 583	6 764	14 151
Operating income	14 136	13 245	27 710
Total expenses	9 703	8 980	18 601
Operating expenses	9 683	8 948	18 539
BEE transaction expenses	20	32	62
Indirect taxation	244	197	460
Profit from operations before non-trading and capital items	4 189	4 068	8 649
Non-trading and capital items	(8)	4	(48)
Net loss on sale of subsidiaries, investments, property and equipment	5	(1)	3
Net impairment of investments, property, equipment and capitalised development costs	(13)	5	(51)
Revaluation of investment properties	4		(1)
Profit from operations	4 185	4 072	8 600
Share of profits of associates and joint ventures			
Profit before direct taxation	4 185	4 072	8 600
Total direct taxation	1 031	1 085	2 159
Direct taxation	1 031	1 084	2 158
Taxation on non-trading and capital items	(1)	1	1
Taxation on revaluation of investment properties	1		
Profit for the period	3 154	2 987	6 441
Other comprehensive income net of taxation	(31)	24	42
Exchange differences on translating foreign operations	37	11	35
Fair-value adjustments on available-for-sale assets	(57)	60	39
Actuarial losses on long-term employee benefit assets		(36)	(71)
(Loss)/Gains on property revaluations	(11)	(11)	39
Total comprehensive income for the period	3 123	3 011	6 483
Profit attributable to:			
Ordinary and preference equity holders	3 155	2 976	6 410
Non-controlling interest – ordinary shareholders	(1)	11	31
Profit for the period	3 154	2 987	6 441
Total comprehensive income attributable to:			
Ordinary and preference equity holders	3 124	3 003	6 456
Non-controlling interest – ordinary shareholders	(1)	8	27
Total comprehensive income for the period	3 123	3 011	6 483
Headline earnings reconciliation			
Profit attributable to ordinary and preference equity holders	3 155	2 976	6 410
Less: Non-headline earnings items	(4)	3	(50)
Non-trading and capital items	(8)	4	(48)
Taxation on non-trading and capital items	1	(1)	(1)
Fair-value adjustments on investment properties	3		(1)
Headline earnings attributable to ordinary and preference equity holders	3 159	2 973	6 460

* *Represents amounts less than R1m.*

NEDBANK LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2013

Rm	June 2013	June 2012	Dec 2012
Assets			
Cash and cash equivalents	14 618	10 038	12 587
Other short-term securities	38 567	35 974	37 575
Derivative financial instruments	13 616	15 792	14 660
Government and other securities	24 508	26 473	26 194
Loans and advances	541 298	509 217	520 116
Other assets	5 290	5 290	4 528
Current taxation receivable	404	940	241
Investment securities	3 144	3 722	3 196
Non-current assets held-for-sale	13	22	508
Investments in associate companies and joint ventures	523	596	665
Deferred taxation asset	176	154	362
Investment property	87	488	84
Property and equipment	6 175	6 037	6 171
Long-term employee benefit assets	2 022	2 007	1 992
Mandatory reserve deposits with central banks	11 439	12 365	12 641
Intangible assets	3 915	3 678	3 830
Total assets	665 795	632 793	645 350
Total equity and liabilities			
Ordinary share capital	27	27	27
Ordinary share premium	17 422	17 422	17 422
Reserves	26 801	23 813	26 140
Total equity attributable to equity holders of the parent	44 250	41 262	43 589
Preference share capital and premium	3 471	3 561	3 561
Minority shareholders' equity attributable to ordinary shareholders	124	118	136
Total equity	47 845	44 941	47 286
Derivative financial instruments	16 770	15 250	13 475
Amounts owed to depositors	563 175	530 245	542 671
Other liabilities	9 263	9 734	9 273
Current taxation liabilities	20	28	67
Other liabilities held for sale			36
Deferred taxation liabilities	256	699	367
Long-term employee benefit liabilities	1 990	1 842	1 880
Long-term debt instruments	26 476	30 054	30 295
Total liabilities	617 950	587 852	598 064
Total equity and liabilities	665 795	632 793	645 350

MAKE
THINGS
HAPPEN

NEDBANK
GROUP

RISK AND BALANCE SHEET MANAGEMENT REVIEW

for the six months ended 30 June 2013

Contents

COMPREHENSIVE PUBLIC DISCLOSURE REPORT (Pillar 3)

This report is a summary, focusing on the key risks and balance sheet management components of Nedbank Group. For the group's comprehensive public 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 nedbankgroup.co.za in September 2013.

BALANCE SHEET MANAGEMENT

Nedbank has maintained its focus on actively managing and maintaining a strong, robust balance sheet, particularly important in view of the tough macro environment that continues to be challenging, volatile and uncertain, and which has helped enable the group to deliver another solid financial performance in the first six months of 2013.

- Portfolio tilt forms part of the four key strategic focus areas of Nedbank Group, and is a carefully structured, integrated and holistic component of the group's 'manage for value' emphasis, involving balance sheet structuring and optimisation, strategic portfolio management and client value management.
- The key objectives of portfolio tilt are as follows:
  - Target an optimal balance sheet shape and mix.
  - Maximise economic profit (EP) by emphasising and optimising EP-rich activities.
  - Optimise the strategic impact of Basel III.
  - Promote sustainable profitability through economic cycles and reduce earnings volatility risk.
  - Optimise the risk versus return profile of the group, while operating within the group's risk appetite framework.
  - Allocate/use scarce resources (eg capital, term liquidity, IT innovation spend and expenses) optimally, while also investing for the future to grow the franchise (eg Rest of Africa).

Balance sheet

Nedbank Group	% change[1]	Jun 2013 Rm	Jun 2012[4,5] Rm	Dec 2012[4] Rm
Cash and securities	1,8	98 180	93 007	97 332
Net advances	11,5	557 349	516 088	527 166
All other	15,5	457 685	413 210	425 032
Home Loans[3]	(3,5)	80 688	84 171	82 097
Personal Loans[3]	(10,7)	18 976	18 707	20 037
Other assets[2]	1,2	58 801	60 957	58 460
Total assets	9,3	714 330	670 052	682 958
Total equity	8,6	59 817	54 551	57 375
Deposits	10,2	578 807	539 506	550 878
Long-term debt instruments	(25,4)	26 479	30 056	30 298
Other liabilities[2]	21,9	49 227	45 939	44 407
Total equity and liabilities	9,3	714 330	670 052	682 958

1 *Change reflects December 2012 to June 2013 (annualised).*
2 *Other assets and other liabilities – 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.*
3 *Home Loans and Personal Loans represent specific business units within Nedbank Retail. These exclude Home Loans and Personal Loans in the Nedbank Retail Relationship Banking business unit.*
4 *2012 restated to reflect the adoption of IAS 19 Employee Benefits (2011).*
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 SA banking peers. These items were previously separately disclosed in the group's statement of financial position.*

Cash and securities

- Strong levels of cash and securities were maintained, including surplus liquid assets of R25,0bn in line with preparation for compliance with the liquidity coverage ratio (LCR) under Basel III from 2015.
- As part of the group's interest rate risk strategy, higher levels of short-dated securities were accumulated within cash and securities versus government bonds.

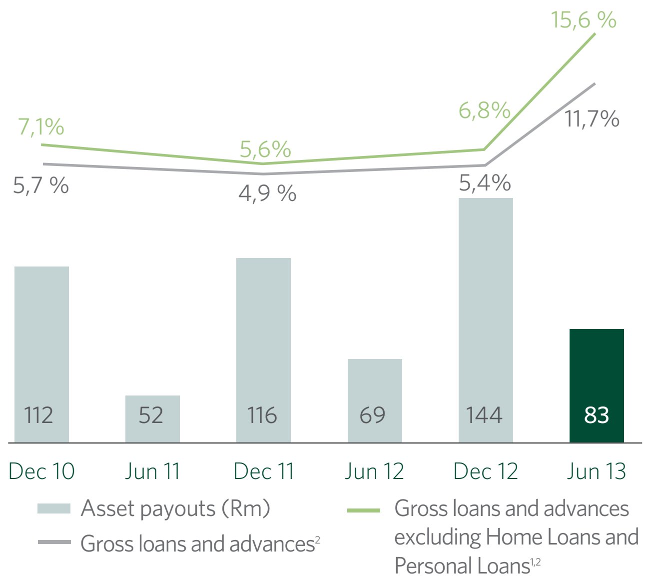
Advances

- While Personal Loans and Home Loans advances declined by 10,7% and 3,5% respectively in line with the planned slowdown in both advances Portfolio, growth in other advances of 15,5% (annualised), underpinned by wholesale banking, saw net loans and advances growing by 11,5% (annualised) to R557,3bn (December 2012: R527,2bn).
- Nedbank Group experienced good growth in gross advances as follows:
  - Leases and instalment debtors 10,2%
  - Overdrafts 14,6%
  - Overnight loans 25,4%
  - Term loans (excluding personal loans) 19,0%
  - Card 19,7%
  - Gross new advances payouts, which increased 20,3% to R83bn (June 2012: R69bn)

  These were offset by Retail banking net advances that grew by a modest 2,5% (annualised), reflecting the difficult consumer environment, selective origination in home loans and personal loans in line with the portfolio tilt strategy, rolloff of the backbook and early repayments.

- Continued consumer stress, further proactive strengthening of balance sheet impairments in Personal Loans and a once-off charge in Business Banking led to an increase in group's impairments to R3 325m (June 2012: R2 702m) and in the credit loss ratio (CLR) to 1,31% (June 2012: 1,11%). The CLR is comprised of a specific charge of 1,24% and a portfolio charge of 0,07% (June 2012: specific: 1,00% and portfolio: 0,11%). However, quality remains sound in the rest of the book.
- Total group defaulted advances decreased year on year to R20 176m (June 2012: R21 838m) from ongoing improvements in the residential- and commercial-mortgage books. Defaulted advances were up 9,4% (annualised) on the 2012 year-end (December 2012: R19 273m) from increases in Personal Loans and in the wholesale businesses.
- The coverage ratio for total and specific impairments increased to 58,8% (June 2012: 52,9%) and 40,9% (June 2012: 39,0%) respectively. Portfolio coverage on the performing book continued to strengthen to 0,7% (June 2012: 0,6%).

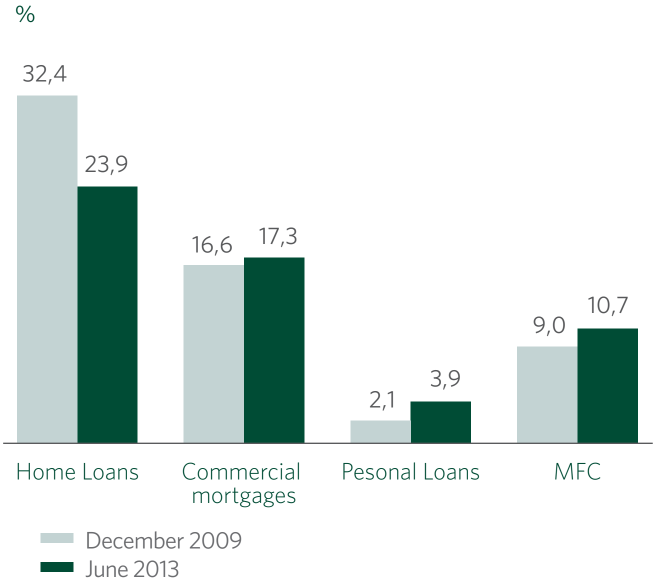
Sound asset quality, good advances growth and payouts



[1] *Home Loans and Personal Loans represent specific business units within Nedbank Retail. These exclude Home Loans and Personal Loans in the Nedbank Retail Relationship Banking business unit.*

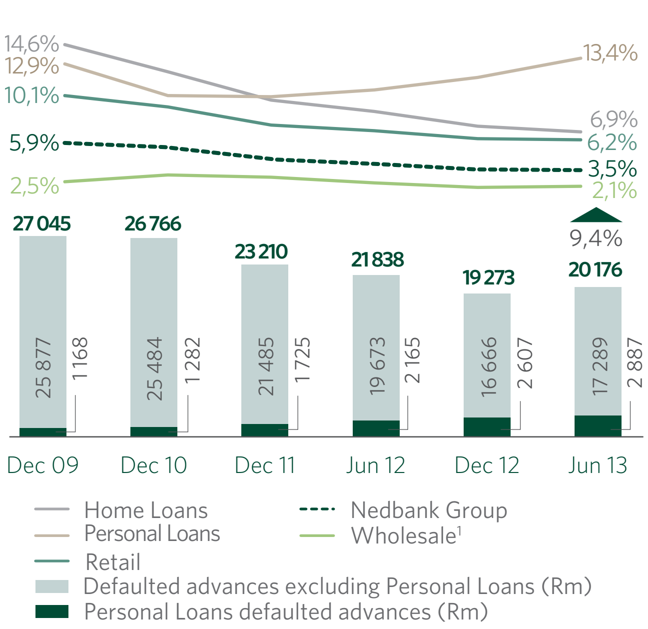
[2] *All growth percentages are per December year on year, with the exception of June 2013 which is the annualised percentage change on December 2012.*

Enhanced gross loans and advances mix

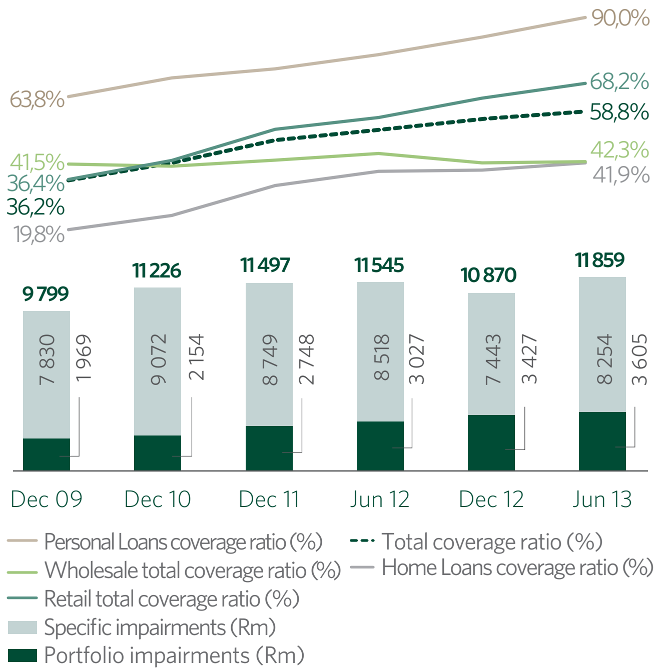


Declining non-performing loan ratios, except Personal Loans

Defaulted advances as a % of gross advances



Increasing balance sheet coverage ratios, except wholesale



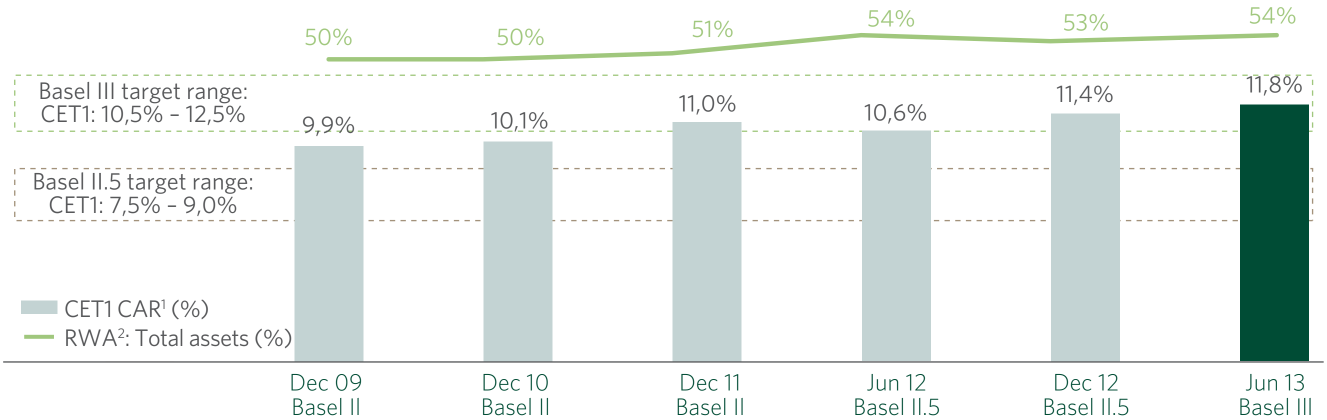
[1] *Wholesale includes Nedbank Capital, Nedbank Corporate and Nedbank Business Banking.*

Balance sheet management (CONTINUED)

Equity and capital adequacy ratios

- The growth in ordinary shareholders' equity is aligned with the continued solid growth in headline earnings and that, together with strong balance sheet management, resulted in all capital adequacy ratios remaining well above the Basel III (2019) minimum regulatory capital requirements and well within the group's new Basel III internal target ranges. This has facilitated the group increasing the interim dividend by to 390 cents per share ahead of HEPS growth of 12,4%.
- The common-equity tier 1 (CET1) capital ratio increased to 11,8% (December 2012: 11,6% pro forma Basel III), above the midpoint of the new Basel III target range of 10,5% – 12,5% as the group continues to build capital reserves in anticipation of exercising its subscription and topup rights in Ecobank Transnational Incorporated (ETI).

Strong common-equity tier 1 ratio



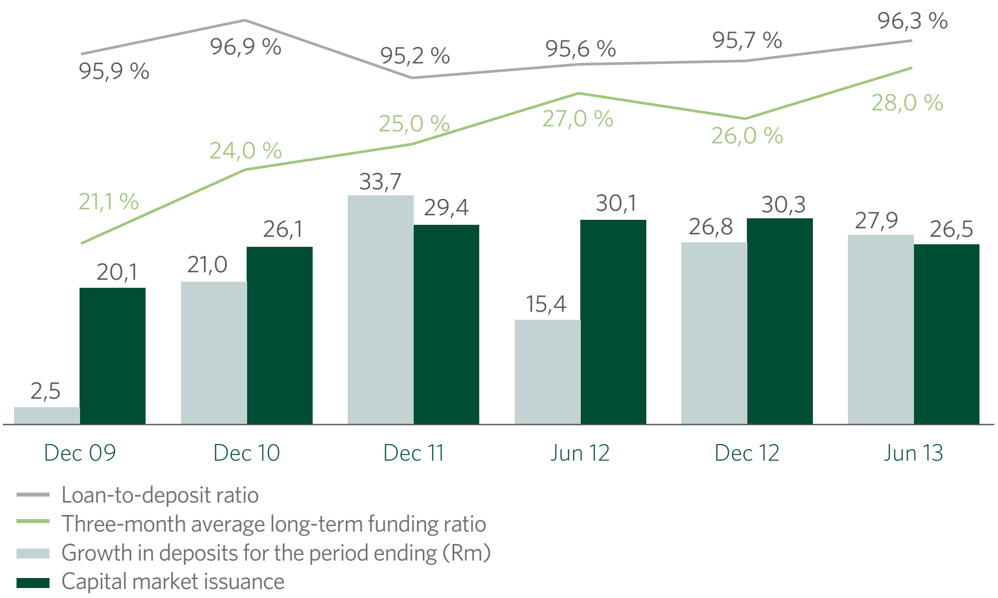
[1] *Capital adequacy ratio.*
[2] *Risk-weighted assets.*

- R1,8bn of new style, fully loss-absorbent Basel III-compliant tier 2 subordinated-debt capital was successfully issued during July 2013 to replace the R1,8bn Basel II tier 2 that matures in September 2013.

Deposits, funding and liquidity and long-term debt

- Nedbank Group remains well-funded with a strong liquidity position underpinned by a well-diversified and lengthened funding profile, a surplus liquid asset buffer of R25,0bn in anticipation of the Basel III LCR, a strong loans-to-deposits ratio consistently below 100% and low reliance on interbank and foreign currency funding. The average long-term funding ratio for the 2013 second quarter at 28,0% (December 2012: 26,0%) was supported by, inter alia, growth in the Retail Savings Bond to R7,7bn.
- The attractiveness of the Nedbank franchise as a capital markets issuer was again recently demonstrated, in that, in addition to the R1,8bn new-style Basel III tier 2 issue above, a R2,0bn five-year commercial mortgage securitisation in March 2013 and R3,2bn of three-year senior unsecured debt in July 2013 were successfully issued. In total, over the past four months, R7bn of long-term debt has been issued at competitive pricing by Nedbank.
- Deposits grew by a strong 10,2% (annualised) to R579bn (December 2012: R551bn), maintaining a strong loans-to-deposits ratio of 96,3% (December 2012: 95,7%).

Enhanced funding and liquidity profile, underpinned by competitive capital markets issuance



Net interest margin

- Net interest income (NII) grew 6,9% to R10 309m (June 2012: R9 642m), supported by growth in average interest-earning banking assets (IEA) of 6,1%.
- NIM has continued to improve in a challenging macroeconomic environment, on the back of the group's portfolio tilt strategy and strong margin management. NIM improved by 4bps from 3,54% in June 2012 to 3,58% in June 2013 and by 5bps from 3,53% in December 2012. Margin gains were underpinned by mix enhancements, sound risk-adjusted pricing of new advances and backbook advances runoff, offset to a degree by lower endowment margin as a result of lower interest rates following the interest cut in July 2012.
- The improvement in the marginal cost of funds is due to a small decrease in rates and deposit mix enhancements. Liability pricing improved due to the increase in mix contribution from current accounts in Corporate and Business Banking and strong growth in call, term and fixed deposits as a result of the increased focus on deposit strategies, allowing a reduced reliance on wholesale deposits.
- It is pleasing to highlight that all business clusters, with the exception of Nedbank Wealth (who experienced a squeeze across most advances categories as a result of very low interest rates in their offshore-related business and increasingly competitive markets), have grown NIM.

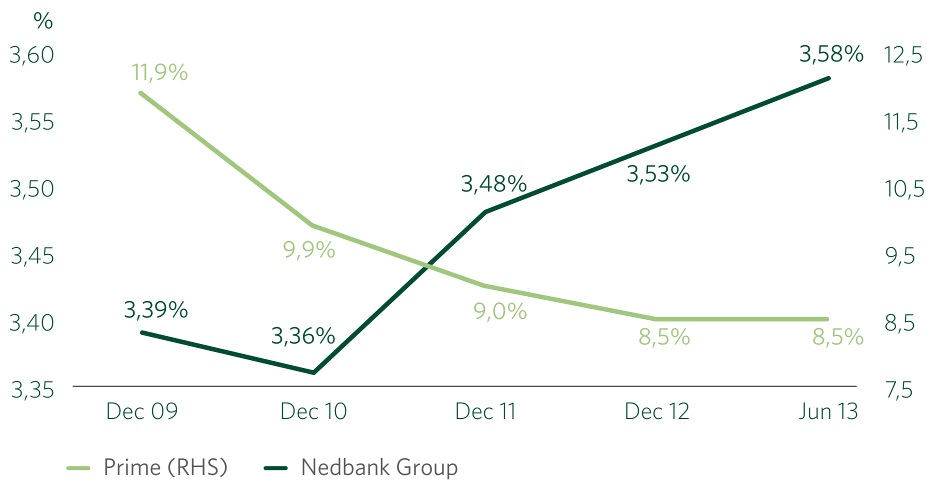
	Jun 2013		Jun 2012[1]		Dec 2012[1]	
	bps	Rm	bps	Rm	bps	Rm
Interest earning banking assets (year-to-date average)		580 394		547 175		556 846
Opening NIM	353	19 680	348	18 034	348	18 034
Growth in banking assets		831		1 023		1 361
Improved asset mix and pricing	2	137	11	604	15	834
Cost of enhancing liquidity risk (Basel III)		(12)	(4)	(248)	(6)	(330)
Impact due to interest rate change	(2)	(123)		13	(3)	(162)
Reduction in marginal cost of funds	2	125	1	39	1	44
Improved liability mix	2	109	(2)	(94)		
Lower reliance on long-term debt	1	57	(1)	(26)	(1)	(37)
Other		(15)	1	46	(1)	(64)
Closing NIM	358	20 789	354	19 391	353	19 680

[1] *Prior year's numbers restated to align with current period.*

NIM breakdown by business cluster
bps (Increase ↑ Decrease ↓)

		Jun 2013	Jun 2012	Dec 2012
Nedbank Group	↑	358	354	353
Nedbank Capital	↑	168	163	162
Nedbank Corporate	↑	205	204	203
Nedbank Business Banking	↑	324	319	320
Nedbank Retail	↑	582	561	568
Nedbank Wealth	↓	191	208	202
Central Management, including Rest of Africa	↑	104	68	74

Strengthening NIM trends[1] despite lower interest rates and continuing tough macro environment since 2009



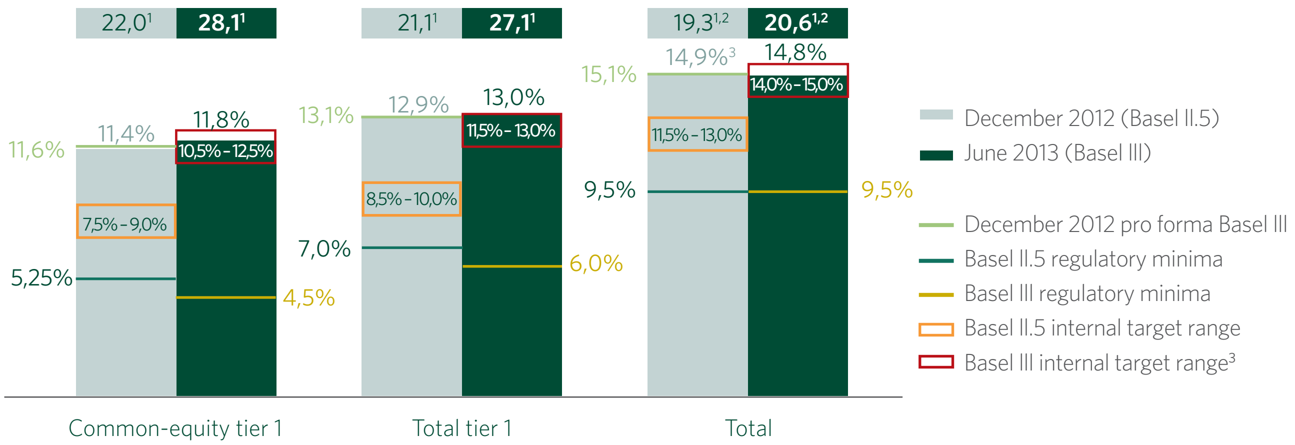
[1] *2010 – 2011 NIM has been adjusted for the reclassification of acceptances.*

CAPITAL ADEQUACY

Regulatory capital

Strong capital ratios[4], well within Basel III (2019) target ranges

Nedbank Group



[1] *Surplus (Rbn) above regulatory minima.*
[2] *Based on the minimum Basel II.5 South African Reserve Bank (SARB) requirement (9,5%).*
[3] *Basel III range based on 2019 SARB end state minimum requirements for common-equity tier 1 (CET1) and 2015 end state minimum requirements for total tier 1 and total.*
[4] *Including unappropriated profits*

Nedbank Group

- The graph above demonstrates Nedbank's strong capital position that is well within the group's new Basel III capital target ranges.
- Basel III was successfully implemented in South Africa on 1 January 2013 and resulted in an overall net increase in the capital supply available for Nedbank Group, with a 50bps improvement in the CET1 ratio. This was mainly the result of:
  - The inclusion of foreign currency translation (FCT), available-for-sale (AFS), share-based payments (SBP) and property revaluation (PR) reserves (ie R3,7bn in additional qualifying CET1 and tier 1 capital and R3,1bn in total capital) that previously did not qualify under Basel II.5.
  - The less punitive treatment of 'capital held in insurance entities' as per Regulation 38(5)(b)(i) (ie R656m less CET1 and R656m less tier 2 deductions) where the related investment is risk-weighted at 250% [ie R2,2bn additional risk-weighted assets (RWA)] up to a maximum of 10% of CET1 with only the excess deducted, compared to a full deduction from qualifying capital supply under Basel II.5.
  - The impact of the above was offset partially by:
    - The new capital deduction of 'defined-benefit pension fund assets, net of related deferred tax liabilities' (ie R1,3bn additional CET1 deduction).
    - The 'excess of downturn expected loss over provisions' being deducted 100% from CET1 capital (R468m additional CET1 deduction), as opposed to 50% against CET1 and 50% against tier 2 (R468m less tier 2 deduction) under Basel II.5.
    - Deferred tax assets now risk-weighted at 250% (ie R1,3bn additional RWA), up to a maximum of 10% of CET1, with the excess being deducted from qualifying capital supply.
    - Additional risk-weighted asset requirements for significant financial institutions (R845m) and the credit valuation charge (CVA) for counterparty credit risk (R474m).
- Nedbank Group's CET1 ratio increased to 11,8% (December 2012: 11,4% Basel II.5; 11,6% pro forma Basel III) on the back of the successful implementation of Basel III, aided by sound organic earnings growth during H1 2013 after taking into account the 2012 final dividend paid in April 2013.
- The total tier 1 ratio was 13,0% (December 2012: 12,9% Basel II.5; 13,1% pro forma Basel III) and was impacted by:
  - The grandfathering of preference shares evenly over 10 years as per Regulation 38(13) effective 1 January 2013, resulting in a R347m reduction in additional tier 1 capital; and
  - The derecognition of surplus tier 1 capital attributable to minority shareholders as per Regulation 38(16), an immaterial R20m reduction in additional tier 1 capital.
- The total capital adequacy ratio (CAR) was 14,8% (December 2012: 14,9% Basel II.5; 15,1% pro forma Basel III) and was impacted by:
  - The grandfathering of existing subordinated-debt capital tier 2 instruments issued before 1 January 2013, evenly over 10 years as per Regulation 38(14), a R773m reduction in qualifying tier 2 capital.

- Nedbank Group's revised target CAR ranges for CET1 under Basel III are 10,5% – 12,5% (Basel II.5: 7,5% – 9,0%), total tier 1 11,5% – 13,0% and total 14,0% – 15,0%. The revised CET1 range is set based on the final, fully phased-in 2019 Basel III minimum SARB regulatory requirements, and constitutes a full through-the-cycle (TTC) target range. Total tier 1 and total ranges have been set based on the phased-in 2015 Basel III minimum SARB regulatory requirements.
  - Under Basel III Nedbank Group's CET1 CAR of 11,8% is already above the middle of our new Basel III target range as the group continues to build capital reserves in anticipation of exercising its subscription and topup rights in Ecobank Transnational Incorporated (ETI).
  - The total tier 1 and total capital ratios of 13,0% and 14,8% respectively are also well within these new Basel III ranges, operating towards the top end.
  - Nedbank is well positioned with both high capital adequacy ratios and a high risk-weighted assets (RWA) density (total RWA : total assets) percentage of 54% under Basel III (December 2012: 53% under Basel II.5), and low leverage (refer page 20c) compared with international levels.
- Total RWA increased by R27,1bn during the first half of 2013, representing 15,2% (annualised) growth, in line with total assets, which increased by 9,3% (annualised).
  - Credit risk (including counterparty credit risk and securitisation RWA) increased by R20,5bn or 15,2% (annualised) due to the implementation of Basel III and advances growth of 11,7% (annualised).
  - The increase in securitisation RWA was largely driven by the introduction of the Precinct commercial-mortgage backed securitisation and growth in the Synthesis liquidity facility driven by asset growth in the programme.

Nedbank Limited

- The implementation of Basel III had a less favourable impact on Nedbank Limited compared with Nedbank Group due to:
  - the immaterial size of the net FCT, AFS, SBP and PR reserves held at bank level (ie only R363m in additional qualifying capital); and
  - there being no benefit of the more favourable treatment of 'capital held in insurance entities' as insurance entities are held at group level.
- Nedbank Limited's new Basel III target ranges are set 1% lower than those of Nedbank Group as;
  - surplus capital is held at group level to support potential strategic actions;
  - it is easy and efficient to distribute capital down the structure from Nedbank Group level (versus up the structure); and
  - there is a need to distinguish between bank and group capital adequacy levels to avoid over capitalisation of the bank.
- Nedbank Limited's CET1 is well within its new Basel III range at 10,1% (December 2012: 11,2% Basel II.5; 10,6% pro forma Basel III), and likewise the total tier 1 at 11,6% (December 2012: 12,9% Basel II.5; 12,3% pro forma Basel III) and the total CAR at 13,6% (December 2012: 15,3% Basel II.5; 14,8% pro forma Basel III).
- Nedbank Limited successfully placed R1,8bn of new style fully loss-absorbent Basel III-compliant subordinated-debt capital during July 2013 at competitive pricing, which effectively replaces the R1,8bn Basel II tier 2 capital that matures in September 2013.

Stress and scenario testing

Nedbank's approach to comprehensively cover stress and scenario testing, both for regulatory and economic capital purposes, comprises several levels, including macroeconomic stress testing, reverse stress testing (ie what would 'break the bank'), benchmarking to the latest and previously relevant international stress testing exercises, procyclicality tests (ie the extent to which Nedbank's capital levels fluctuate through economic cycles), cluster and business unit level stress testing, and ad hoc additional stress scenarios.

Nedbank's stress and scenario testing framework has been in place, and continuously enhanced since 2006 and is an integral part of the group's Internal Capital Adequacy Assessment Process (ICAAP) under Basel III, strategy and business plans. The impact of the stress scenarios on Nedbank's impairments, earnings, liquidity position, capital adequacy ratios and capital buffers is considered. The macroeconomic stress testing scenarios include a continuum of stress levels from mild to high stress levels, a 1-in-25-year stress event and, finally, both severe inflationary and severe deflationary stressed environments.

The additional stress scenarios cover a wide variety of important topics pertinent to South Africa at this time, including a possible further SA credit ratings downgrade; a triple-dip recession in Europe; a focus on stressed impairments at the group, cluster and business unit levels; a systemic liquidity crisis; political events; a property price crash (similar to the Spain and Irish property price crashes); stress testing of Personal Loans portfolio, credit concentration risk, and a major operational risk event (internationally there have been numerous examples of fines for money laundering and fraud).

Given the industry and Nedbank's increased focus on the Personal Loans portfolio during the past 18 months, and more recently the identified higher levels of consumer indebtedness and stress, stress testing of the Personal Loans portfolio is comprehensively incorporated in Nedbank's stress testing process and ICAAP. Although Nedbank started growing the Personal Loans portfolio strongly towards the end of 2009, Nedbank's market share and growth have been intentionally steadily decreasing since 2010 in line with the group's updated risk appetite and portfolio tilt strategy.

The 2013 stress and scenario testing ICAAP results confirm that the capital levels and capital buffers, both current and projected to 2016 (both regulatory capital and our internal capital assessment, economic capital), remain appropriate. We believe both Nedbank Group and Nedbank Limited are strongly capitalised relative to their business activities, strategy, risk appetite, risk profile and the difficult external macro environment in which the group operates.

Capital adequacy (CONTINUED)

Regulatory capital adequacy ratios

Nedbank Group		Basel II.5 SARB minimum	Basel III SARB minimum[5]	Basel II.5 internal target old ranges	Basel III internal target new ranges[4]	Jun 2013 Basel III	Jun 2012 Basel III[1]	Jun 2012 Basel II.5	Dec 2012 Basel III[1]	Dec 2012 Basel II.5
Including unappropriated profits										
CET1	(%)	5,25	4,50	7,5 – 9,0	10,5 – 12,5	11,8	10,6	10,6	11,6	11,4
Total tier 1	(%)	7,00	6,00	8,5 – 10,0	11,5 – 13,0	13,0	12,1	12,1	13,1	12,9
Total	(%)	9,50	9,50	11,5 – 13,0	14,0 – 15,0	14,8	14,7	14,4	15,1	14,9
Surplus CET1 capital[2, 3]	(Rm)					28 059	5 939	19 320	10 331	22 032
Total RWA	(Rm)					386 804	371 167	362 022	364 682	359 658
Total RWA : total assets	(%)				> 50	54	55	54	53	53
Dividend cover	(times)				1,75 – 2,25	2,18		2,23		2,18
Excluding unappropriated profits										
CET1	(%)	5,25	4,50			11,3		10,3		11,2
Total tier 1	(%)	7,00	6,00			12,5		11,8		12,7
Total	(%)	9,50	9,50			14,4		14,2		14,7

Nedbank Limited		Basel II.5 SARB minimum	Basel III SARB minimum	Basel II.5 internal target old ranges	Basel III internal target new ranges[4]	Jun 2013 Basel III	Jun 2012 Basel III[1]	Jun 2012 Basel II.5	Dec 2012 Basel III[1]	Dec 2012 Basel II.5
Including unappropriated profits										
CET1	(%)	5,25	4,50	7,5 – 9,0	9,5 – 11,5	10,1	10,0	10,5	10,6	11,2
Total tier 1	(%)	7,00	6,00	8,5 – 10,0	10,5 – 12,0	11,6	11,6	12,2	12,3	12,9
Total	(%)	9,50	9,50	11,5 – 13,0	13,0 – 14,0	13,6	14,6	15,0	14,8	15,3
Surplus CET1 capital[2, 3]	(Rm)					18 764	3 091	16 677	4 679	18 551
Total RWA	(Rm)					334 767	323 430	318 253	322 111	313 638
Total RWA:total assets	(%)				> 50	54	53	52	51	50
Excluding unappropriated profits										
CET1	(%)	5,25	4,50			9,7		10,2		11,1
Total tier 1	(%)	7,00	6,00			11,2		11,9		12,8
Total	(%)	9,50	9,50			13,3		14,8		15,2

1 *Pro forma Basel III.*
2 *Based on a 2019 end state Basel III minimum capital requirements for pro forma Basel III.*
3 *Excluding any specific Pillar 2B add-on and countercyclical buffer (CCB).*
4 *Nedbank's internal TTC target ranges are based on final minimum regulatory requirements of 2019 for CET1 and 2015 for the total tier 1 and total capital ratios.*
5 *The SARB minimum ratios are for 2013 and increase in line with Basel III phasing over 2013 – 2019.*

Basel III[1] SARB minimum capital adequacy ratios

	2013	2015	2019
Common-equity tier 1	4,50	6,50	9,00
Total tier 1	6,00	8,00	13,50
Total	9,50	10,00	14,00

1 *The aggregate requirement for Pillar 2A and domestic systemically important bank (D-SIB) will not exceed 2,0% for CET1, 2,5% for total tier 1 and 3,5% in respect of the total CAR. The SARB will advise banks of their D-SIB surcharge at a future date. The capital conservation buffer together with the CCB 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 CCB will only be applied when the SARB deems there to be excessive credit growth in the system, not expected for the foreseeable future. The impact of a CCB has been excluded. Any bank-specific Pillar 2B addon 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 prudent add-on for any Pillar 2B requirement.*

- ☐ 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.

Summary of regulatory capital requirements and risk-weighted assets

Nedbank Group Risk type Rm	Jun 2013 Basel III RWA	Jun 2013 Basel III Mix (%)	Jun 2013 Basel III MRC[1]	Jun 2012 Basel II.5 RWA	Jun 2012 Basel II.5 Mix (%)	Jun 2012 Basel II.5 MRC[1]	Dec 2012 Basel II.5 RWA	Dec 2012 Basel II.5 Mix (%)	Dec 2012 Basel II.5 MRC[1]
Credit risk	285 623	74	27 134	269 610	75	25 613	265 689	74	25 263
Advanced Internal Ratings-based Approach	263 183	68	25 002	209 357	58	19 889	242 154	67	23 028
Corporate, sovereign, bank, SME[3]	140 656	36	13 362	123 188	34	11 703	123 686	34	11 773
Residential mortgages	42 697	11	4 057	43 761	12	4 157	42 987	12	4 084
Qualifying revolving retail	13 657	4	1 297	10 394	3	988	10 680	3	1 015
Other retail	66 173	17	6 286	32 014	9	3 041	64 801	18	6 156
The Standardised Approach	22 440	6	2 132	60 253	17	5 724	23 535	7	2 236
Corporate, sovereign, bank, SME[3]	15 507	4	1 473	17 113	5	1 626	17 213	5	1 635
Retail exposures	6 933	2	659	43 140	12	4 098	6 322	2	601
Counterparty credit risk									
Current Exposure Method	3 187	1	303	2 243	1	213	3 403	1	323
Securitisation risk									
Internal Ratings-based Approach	2 543	1	242	1 455	< 1	138	1 783[4]	< 1	146
Equity risk									
Market-based Simple Risk Weight Approach	15 159	4	1 440	15 900	4	1 511	15 775	4	1 499
Listed (300% risk weighting)	1 630	< 1	155	2 577	1	245	1 704	< 1	161
Unlisted (400% risk weighting)	13 529	4	1 285	13 323	3	1 266	14 071	4	1 338
Trading market risk									
Internal Model Approach	5 318	1	505	7 747	2	736	5 295	1	503
Operational risk	55 853	14	5 306	48 645	13	4 621	52 135	15	4 953
Advanced Measurement Approach	53 056	14	5 040	45 679	13	4 339	48 956	14	4 651
The Standardised Approach	2 797	1	266	2 966	< 1	282	3 179	1	302
Other assets									
100% risk weighting	19 121	5	1 816	16 422	5	1 560	15 578	4	1 480
Total	386 804	100	36 746	362 022	100	34 392	359 658	100	34 168
Total MRC (9,5%)			36 746			34 392			34 168
Pillar 1 MRC (8,0%)			30 944			28 962			28 773
Pillar 2a MRC (1,5%)			5 802			5 430			5 395
Total qualifying capital and reserves[2]			57 354			52 213			53 483
Total surplus capital over MRC			20 608			17 821			19 315
Analysis of total surplus capital[2]									
CET1			28 059			19 320			22 032
Total tier 1			27 114			18 297			21 051
Total			20 608			17 821			19 315

1 *Total minimum required capital (MRC) is measured at 9,5% in line with SARB regulations and circular 5/2011.*

2 *Includes unappropriated profits. In line with regulation 38(10) of the Banks Act, profits do not officially qualify as regulatory capital, unless formally appropriated by the board by way of a resolution. Accordingly, capital ratios are shown both including and excluding unappropriated profits.*

3 *SME = small- and medium-sized enterprises.*

4 *RWA restated for the December 2012 Synthesis securitisation exposures due to a recalibration of the Supervisory Formula Approach model.*

Summary of regulatory capital requirements and risk-weighted assets

Nedbank Limited[3] Risk type Rm	Jun 2013 Basel III RWA	Jun 2013 Basel III Mix (%)	Jun 2013 Basel III MRC[1]	Jun 2012 Basel II.5 RWA	Jun 2012 Basel II.5 Mix (%)	Jun 2012 Basel II.5 MRC[1]	Dec 2012 Basel II.5 RWA	Dec 2012 Basel II.5 Mix (%)	Dec 2012 Basel II.5 MRC[1]
Credit risk	252 057	75	23 945	239 582	76	22 761	235 538	76	22 400
Advanced Internal Ratings-based Approach	245 021	74	23 277	192 630	61	18 301	226 846	73	21 574
Corporate, sovereign, bank, SME	123 081	37	11 693	107 249	34	10 189	109 018	35	10 380
Residential mortgages	42 107	13	4 000	42 988	14	4 084	42 345	14	4 023
Qualifying revolving retail	10 317	3	980	10 395	3	988	10 680	3	1 015
Other retail	69 516	21	6 604	31 998	10	3 040	64 803	21	6 156
The Standardised Approach	7 036	1	668	46 952	15	4 460	8 692	3	826
Corporate, sovereign, bank, SME	5 584	1	530	8 330	3	791	6 976	2	663
Retail exposures	1 452	< 1	138	38 622	12	3 669	1 716	1	163
Counterparty credit risk									
Current Exposure Method	2 904	1	276	2 205	1	209	3 087	1	293
Securitisation risk									
Internal Ratings-based Approach	2 543	1	242	1 455	< 1	138	1 783[4]	< 1	146
Equity risk									
Market-based Simple Risk Weight Approach	12 656	4	1 202	14 108	4	1 340	13 697	4	1 301
Listed (300% risk weighting)	1 778	1	169	2 715	1	258	1 676	< 1	159
Unlisted (400% risk weighting)	10 878	3	1 033	11 393	3	1 082	12 021	4	1 142
Trading market risk									
Internal Model Approach	4 106	1	390	6 223	2	591	3 615	1	344
Operational risk	46 855	14	4 451	41 512	13	3 944	43 854	14	4 166
Advanced Measurement Approach	46 816	14	4 447	41 473	14	3 940	43 815	14	4 162
The Standardised Approach	39	< 1	4	39	< 1	4	39	< 1	4
Other assets									
100% risk weighting	13 647	4	1 296	13 168	4	1 251	12 064	4	1 146
Total	334 767	100	31 803	318 253	100	30 234	313 638	100	29 796
Total MRC (9,5%)			31 803			30 234			29 796
Pillar 1 MRC (8,0%)			26 781			25 460			25 091
Pillar 2a MRC (1,5%)			5 022			4 774			4 705
Total qualifying capital and reserves[2]			45 691			47 782			47 966
Total surplus capital over MRC			13 888			17 548			18 170
Analysis of total surplus capital[2]									
CET1			18 764			16 677			18 551
Total tier 1			18 619			16 421			18 375
Total			13 888			17 548			18 170

1 *Total MRC is measured at 9,5% in line with SARB regulations and circular 5/2011.*
2 *Includes unappropriated profits. In line with regulation 38(10) of the Banks Act, profits do not officially qualify as regulatory capital, unless formally appropriated by the board by way of a resolution. Accordingly, capital ratios are shown both including and excluding unappropriated profits.*
3 *Nedbank Limited refers to the SA reporting entity in terms of Regulation 38 (BA700) of the SA banking regulations.*
4 *RWA restated for the December 2012 Synthesis securitisation exposures due to a recalibration of the Supervisory Formula Approach model.*

Summary of regulatory qualifying capital and reserves

Including unappropriated profits	Nedbank Group			Nedbank Limited		
Rm	Jun 2013 Basel III	Jun 2012 Basel II.5	Dec 2012 Basel II.5	Jun 2013 Basel III	Jun 2012 Basel II.5	Dec 2012 Basel II.5
Total tier 1 capital	50 322	43 639	46 227	38 705	38 699	40 330
CET1 capital	45 465	38 326	40 915	33 829	33 386	35 017
Ordinary share capital and premium	16 803	16 411	16 490	17 461	17 461	17 461
Minority interest: ordinary shareholders	224	185	220			
Reserves	39 322	34 699	37 460	23 182	20 988	23 077
Deductions	(10 884)	(12 969)	(13 255)	(6 814)	(5 063)	(5 521)
Goodwill	(5 076)	(5 003)	(5 041)	(1 410)	(1 410)	(1 410)
Capitalised software development costs	(2 534)	(2 246)	(2 458)	(2 506)	(2 202)	(2 421)
Other intangibles	(390)	(538)	(422)			
Excess of downturn expected loss over provisions (50% in 2012)	(936)	(551)	(542)	(1 118)	(596)	(626)
AFS reserves		(81)	(126)		(9)	(9)
FCT reserves		(459)	(599)		(9)	(9)
SBP reserves		(1 211)	(1 334)		608	402
Deferred tax assets, excluding temporary differences, net of related deferred tax liabilities	(194)	(281)	(225)	(560)	(466)	(463)
Defined-benefit pension fund assets	(1 332)			(1 220)		
Property revaluation reserves		(1 359)	(1 383)		(962)	(985)
Capital held in insurance entities (50%)		(794)	(704)			
Other regulatory differences[1]	(422)	(446)	(421)		(17)	
Additional tier 1 capital	4 857	5 313	5 313	4 876	5 313	5 313
Preference share capital and premium	3 105	3 561	3 561	3 124	3 561	3 561
Hybrid debt capital instruments	1 752	1 752	1 752	1 752	1 752	1 752
Tier 2 capital	7 032	8 574	7 256	6 986	9 083	7 636
Long-term debt instruments	6 959	8 854	7 735	6 959	8 851	7 732
Property revaluation reserves (50%)		679	691		481	492
General allowance for credit impairments	73	399	76	27	360	38
Deductions		(1 358)	(1 246)		(609)	(626)
Capital held in insurance entities (50%)		(794)	(704)			
Excess of downturn expected loss over provisions (50%)		(551)	(542)		(596)	(626)
Other regulatory differences		(13)			(13)	
Total qualifying capital and reserves	57 354	52 213	53 483	45 691	47 782	47 966
Excluding unappropriated profits						
CET1 capital	43 678	37 357	40 206	32 632	32 592	34 829
Total tier 1 capital	48 535	42 670	45 518	37 508	37 905	40 142
Total qualifying capital and reserves	55 566	51 244	52 774	44 493	46 988	47 778

[1] *Funds invested in the Holsboer Trust Fund.*

Capital adequacy (CONTINUED)

Reconciliation of Basel II.5 to Basel III at 30 June 2013

Rm	Nedbank Group	Nedbank Limited
Risk-weighted assets		
Basel II.5 equivalent RWA	381 951	333 459
Add: Basel III adjustments	4 853	1 308
Significant financial entity charge	845	845
Credit valuation adjustment	474	219
Threshold deduction risk-weighting[2]	3 534	244
Total Basel III RWA	386 804	334 767
Qualifying capital and reserves		
CET1 (Basel II.5 equivalent)	42 954	35 245
Add/(Deduct): Basel III adjustments	2 511	(1 416)
Excess of IFRS[1] provisions over downturn expected loss	(468)	(559)
Capital held in insurance entities (50%)	656	
Defined-benefit pension fund assets	(1 332)	(1 220)
Surplus attributable to minority shareholders	(40)	
SBP, FCT, AFS and PR reserves	3 695	363
CET1 (Basel III)	45 465	33 829
Additional tier 1 (Basel II.5 equivalent)	5 224	5 223
Add/(deduct): Basel III adjustments	(367)	(347)
Grandfathering – Preference shares	(347)	(347)
Grandfathering – Hybrid		
Surplus attributable to minority shareholders	(20)	
Additional tier 1 (Basel III)	4 857	4 876
Total tier 1 (Basel II.5 equivalent)	48 178	40 468
Total tier 1 (Basel III)	50 322	38 705
Tier 2 (Basel II.5 equivalent)	7 360	7 688
Add/(deduct): Basel III adjustments	(328)	(702)
Excess of IFRS[1] provisions over downturn expected loss	468	559
50% property revaluation reserve	(679)	(488)
Grandfathering – subordinated tier 2 debt capital	(773)	(773)
Capital held in insurance entities (50%)	656	
Tier 2 (Basel III)	7 032	6 986
Total capital (Basel II.5 equivalent)	55 538	48 156
Total capital (Basel III)	57 354	45 691
Total change in qualifying capital and reserves	1 816	(2 465)
Total change in RWA	4 853	1 563
Capital adequacy ratios (including unappropriated profits)		
Basel III capital ratios (as reported)		
CET1	11,8%	10,1%
Tier 1	13,0%	11,6%
Total	14,8%	13,6%
Basel II.5 equivalent capital ratios (%)		
CET1	11,2%	10,6%
Tier 1	12,6%	12,1%
Total	14,5%	14,4%

[1] *IFRS = International Financial Reporting Standards.*

[2] *Includes investments in insurance entities and deferred tax assets arising from temporary differences.*

- This reconciliation of the group and bank's capital ratios highlights the positive impact of Basel III of R1,8bn on the group's capital position and a negative impact of R2,5bn on the bank's capital position. This is mainly due to the qualification of previously disallowed reserves that now qualify and the benefit of the treatment of investments in insurance entities at the group level.
- Unlike Basel II implemented in 2008 and Basel II.5 implemented 2012, Basel III implementation effective from 1 January 2013 will be phased in over several years until 2019. As such there are also various aspects that remain work-in-progress and are still to be finalised, which could impact qualifying capital and reserves and/or RWA levels in the ensuing years. A summary of this is set out on page 60c.

Summary of regulatory capital adequacy of all other banking subsidiaries

Regulatory capital as % of RWA	Capital requirement (host country) %	June 2013 RWA Rm	June 2013 CET1 ratio %	June 2013 Total capital ratio %	June 2012 RWA Rm	June 2012 CET1 ratio %	June 2012 Total capital ratio %	December 2012 RWA Rm	December 2012 CET1 ratio %	December 2012 Total capital ratio %
Rest of Africa										
Nedbank Namibia Limited	10,0	6 052	15,2	16,5	5 552	14,0	16,2	5 423	14,4	16,6
Nedbank (Swaziland) Limited	8,0	1 640		21,6	1 500		21,3	1 724		20,6
Nedbank (Lesotho) Limited	8,0	1 169		25,0	1 078		24,1	1 102		23,6
Nedbank (Malawi) Limited	10,0	175		26,6	230		19,1	165		26,2
MBCA Bank Limited	10,0	1 619		19,0	1 261		14,8	1 199		20,2
United Kingdom										
Nedbank Private Wealth (IOM) Limited	10,0	5 087	15,9	15,9	2 829	13,5	13,8	4 637	14,8	15,3

The capitalisation of all these banking entities is deemed adequate, all have prudent risk profiles and risk appetites, and all are managed, monitored and integrated within the group's Enterprisewide Risk Management Framework and ICAAP.

External credit ratings

Nedbank engages three credit rating agencies, whose ratings are summarised below. Apart from Fitch's downgrade of all of SA banks in January 2013 on the back of the SA sovereign downgrade, there have been no changes since December 2012.

Fitch ratings

	Nedbank Group Limited August 2013	**Nedbank Limited** August 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

	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

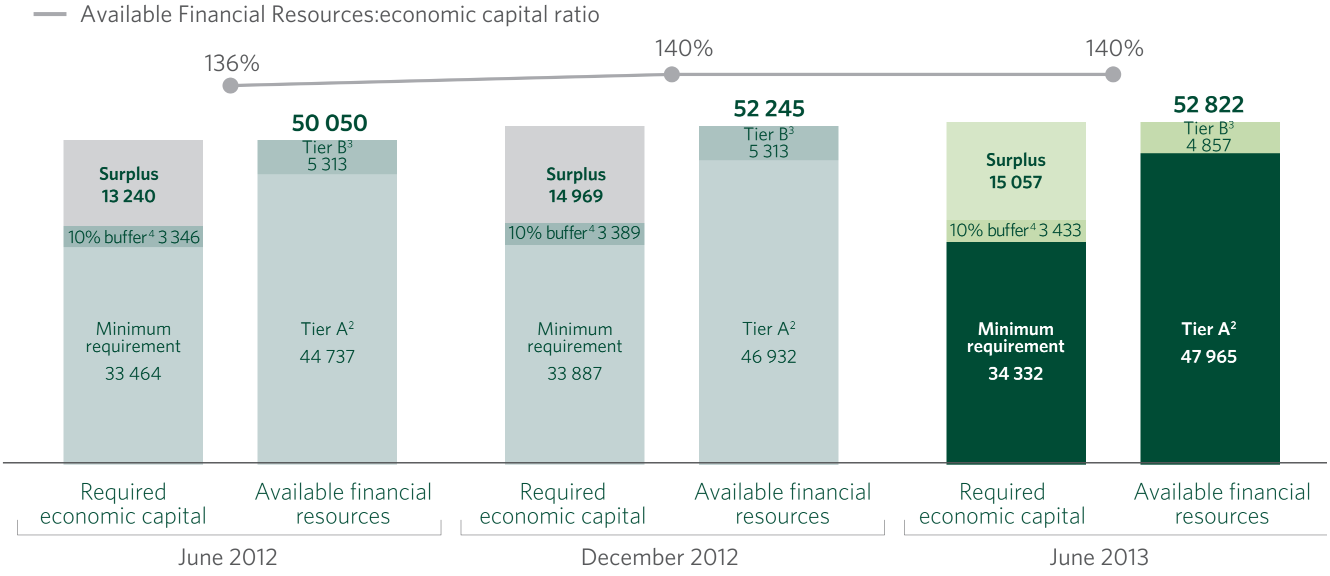
Standard & Poor's ratings

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

Economic capital

Strong economic capital adequacy[1] and ICAAP maintained (Rm)

Nedbank Group



[1] *Including unappropriated profits.*
[2] *Tier A AFR = CET1-type regulatory capital, adjusted further to take Basel III into account with effect from 1 January 2013.*
[3] *Tier B = Additional tier 1-type regulatory capital.*
[4] *10% buffer determined in accordance with the group's comprehensive stress testing and ICAAP.*

- Economic capital is the group's comprehensive internal measurement of risk and related capital requirements, and forms the basis of the group's annual ICAAP and allocation of risk-based capital to the business clusters.
- Nedbank's ICAAP confirms that both Nedbank Group and Nedbank Limited are well capitalised above their current 'A' or 99,93% target debt rating (solvency standard) in terms of the group's proprietary economic capital methodology, which is summarised on the next page.
  - Nedbank Group's ICAAP reflects a surplus available financial resources (AFR) of R15,1bn at 30 June 2013 after a 10% capital buffer is added, determined in accordance with the group's comprehensive stress and scenario testing framework, to the minimum required economic capital.
- In line with the implementation of Basel III from 1 January 2013 the following changes have been applied to Nedbank's AFR:
  - Capital held in insurance entities is no longer deducted from AFR.
  - Defined-benefit pension fund assets are now deducted from AFR.
  - The non-qualifying portion, as a result of grandfathering or other disqualification requirements, for perpetual preference shares and hybrid debt capital instruments are excluded from AFR.
  - New-style, fully loss-absorbent Basel III tier 2 instruments will now qualify as tier B AFR once issued, as they fully absorb losses on a going- and gone-concern basis.
- Further details on Nedbank's risk types and economic capital methodology are contained in the group's Pillar 3 Report.

SUMMARY OF NEDBANK'S ECONOMIC CAPITAL METHODOLOGY AND TARGET CAPITAL ADEQUACY USED FOR ICAAP

CREDIT RISKS			
Banking book credit risk	Credit concentration risk	Counterparty credit risk	Securitisation risk
Basel III Advanced Internal Ratings-Based (AIRB) credit methodology integrated with sophisticated credit portfolio modelling.	Nedbank's credit portfolio model incorporates concentration risk and intrarisk diversification for both large exposures and industry/ sector concentration.	Incorporates the current exposure method for exposure at default (EAD), probability of default (PD) and loss given default (LGD) from the Basel III credit methodology, which are all integrated with sophisticated credit portfolio modelling.	Basel III AIRB credit methodology integrated with sophisticated credit portfolio modelling.

+

TRANSFER RISK (closely related to credit risk but arises due to sovereign default and so separately modelled and quantified)
Similar to AIRB credit methodology, but dependent on the probability and extent of a transfer event (ie sovereign default), with no interrisk diversification recognised.

+

MARKET RISKS				
Trading (position) risk	Interest rate risk in the banking book (IRRBB) risk	Equity (investment) risk	Property risk	FX translation risks
Value at risk (VaR) scaled to one year using VaR limits (board-approved) with no intrarisk diversification recognised.	Simulation modelling of net interest income; economic value of equity also used.	300% and 400% risk weightings in line with Basel III equity risk. PD/LGD approach for property finance.		Multiple of exposure, based on rand volatility measures.

+

Operational risk	Business risk	Insurance underwriting risk	Other assets
Advanced Measurement Approach (AMA)	Earnings-at-risk methodology	Earnings-at-risk methodology	100% risk weighting

=

MINIMUM ECONOMIC CAPITAL REQUIREMENT
(after interrisk diversification benefits)

+

CAPITAL BUFFER
(10% buffer for procyclicality, stressed scenarios, etc)

=

TOTAL ECONOMIC CAPITAL REQUIREMENT

Measurement period/time horizon: one year (same as Basel III)
Confidence interval (solvency standard): 99,93% (A) (ie more prudent than Basel III at 99,90%)

versus

AVAILABLE FINANCIAL RESOURCES

AFR comprises:
Tier A = common-equity tier 1 regulatory capital and qualifying reserves
Tier B = includes additional tier 1 instruments like perpetual preference shares and hybrid debt; subject to grandfathering under Basel III, and new-style Basel III-compliant tier 2 subordinated debt.

Note: There are 14 quantifiable risk categories. Property and equity (investment) risk are treated as separate risks.

- Nedbank Group's total economic capital requirement (including a 10% buffer) increased by R1bn from June 2012 mainly due to the increase in credit economic capital in Corporate and Business Banking, partially offset by a R0,8bn decrease in operational risk economic capital due to modelling refinements and an update of the AMA scenarios, as well as a R0,3bn decrease in investment risk following the disposal of some investments.
- AFR increased by R2,8bn from June 2012 to June 2013 mainly due to headline earnings growth driving a R4,0bn increase in retained earnings, after the payment of a R2,1bn 2012 final dividend in April 2013, a R0,5bn increase in FCT reserves largely as a result of the year-on-year ZAR weakness relative to the USD and GBP, and a R0,4bn increase in share capital and premium due to employee share scheme issues.

  This was offset to some extent by the new deduction of defined-benefit pension fund assets of R1,3bn following the implementation of Basel III, and grandfathering of preference shares resulting in a R347m decrease in tier B capital.
- Nedbank remains well capitalised in spite of the additional conservatism introduced to AFR qualification in 2013.

Economic capital requirement versus available financial resources

Nedbank Group	Jun 2013 Rm	Jun 2013 Mix (%)	Jun 2012 Rm	Jun 2012 Mix (%)	Dec 2012 Rm	Dec 2012 Mix (%)
Credit risk	21 033	61	19 850	59	19 765	58
Counterparty credit risk	209	< 1	69	< 1	195	1
Securitisation risk	44	< 1	10	< 1	33	< 1
Transfer risk	12	< 1	11	< 1	6	< 1
Market risk	5 171	15	5 405	16	5 193	15
Trading risk	440	1	445	1	442	1
IRRBB	1 955	6	1 828	5	1 871	6
Property risk	1 497	4	1 537	5	1 505	4
Equity investment risk	1 180	3	1 520	5	1 305	4
FCT risk	99	< 1	75	< 1	70	< 1
Business risk	5 357	16	5 031	15	5 467	16
Operational risk	1 588	5	2 370	7	2 435	7
Insurance risk	410	1	188	1	256	1
Other assets risk	508	2	530	2	537	2
Minimum economic capital requirement	34 332	100	33 464	100	33 887	100
Add: capital buffer (10%)	3 433		3 346		3 389	
Total economic capital requirement	37 765		36 810		37 276	
Available financial resources	52 822	100	50 050	100	52 245	100
Tier A capital	47 965	91	44 737	89	46 932	90
Tier B capital	4 857	9	5 313	11	5 313	10
Total surplus AFR	15 057		13 240		14 969	

Analysis of available financial resources

Nedbank Group

Rm	Jun 2013	Jun 2012	Dec 2012
Tier A capital	47 965	44 737	46 932
Ordinary share capital and premium	16 803	16 411	16 490
Minority interest: ordinary shareholders	224	185	220
Reserves	39 322	34 699	37 460
Retained income	35 491	31 460	33 877
Non-distributable reserves	136	129	141
AFS reserves	125	81	126
FCT reserves	957	459	599
SBP reserves	1 255	1 211	1 334
Property revaluation reserves	1 358	1 359	1 383
Deductions	(9 948)	(8 528)	(8 567)
Deferred tax assets, excluding temporary differences	(194)	(281)	(225)
Goodwill	(5 076)	(5 003)	(5 041)
Capitalised software development costs	(2 534)	(2 246)	(2 458)
Other intangibles	(390)	(538)	(422)
Other adjustments	(422)	(460)	(421)
Defined benefit pension fund assets	(1 332)		
Excess of IFRS provisions over TTC expected loss	1 564	1 970	1 329
Tier B capital	4 857	5 313	5 313
Preference shares	3 105	3 561	3 561
Hybrid debt capital instruments	1 752	1 752	1 752
Total AFR	52 822	50 050	52 245

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

Rm	Nedbank Capital Jun 2013	Nedbank Capital Jun 2012	Nedbank Capital Dec 2012	Nedbank Corporate Jun 2013	Nedbank Corporate Jun 2012	Nedbank Corporate Dec 2012	Nedbank Business Banking Jun 2013	Nedbank Business Banking Jun 2012	Nedbank Business Banking Dec 2012
Credit risk	1 749	1 633	1 576	4 169	3 737	3 765	2 174	1 934	1 964
Counterparty credit risk	41	27	31	25	23	18	10	11	8
Securitisation risk	12	9	9						
Transfer risk	5	4	1	2	3	2			
Market risk	1 176	1 336	1 191	493	547	534	417	395	384
Trading risk	417	421	419						
IRRBB risk	120	100	104	108	68	88	412	391	379
Property risk							5	4	5
Investment risk	597	781	632	384	479	446			
FCT risk	42	34	36	1					
Business risk	915	666	684	884	837	854	594	620	647
Operational risk	301	516	517	456	449	478	214	273	273
Insurance risk									
Other assets risk	26	36	37	90	76	88	5	6	7
Minimum economic capital requirement	4 225	4 227	4 046	6 119	5 672	5 739	3 414	3 239	3 283
Intangible assets	356	373	378	310	419	367	87	81	80
Excess of downturn expected loss over provisions	(49)	(47)	(31)	(21)	(22)	(8)	75	69	65
Goodwill									
Excess of CET1 over 11% of total RWA									
Allocated capital buffer[2]	1 163	1 155	1 238	1 925	1 770	1 991	1 062	866	973
Total capital allocated	5 695	5 708	5 631	8 333	7 839	8 089	4 638	4 255	4 401

[1] *Summary of average year-to-date capital allocation at June 2013 versus June 2012 and December 2012, using average year-to-date capital consumption.*

[2] *The allocated capital buffer aligns the capital allocated to business clusters and central functions with the ordinary shareholders' equity of the group, taking into account a 10% capital buffer for stress testing.*

- There were no material changes in the risk-based capital of the business clusters except:
  - Nedbank Corporate Cluster credit economic capital increased by R0,4bn yoy largely as a result of asset growth within the Corporate Banking portfolio and improvements to the modelling of LGD for leverage buyouts.
  - Credit economic capital for Business Banking increased by R0,2bn driven by asset growth as well as some increases in the risk profile in the Corporate SME asset class.
  - Business risk for Nedbank Capital increased due to increased income expectation from the business following the annual model update.
  - Operational risk for Nedbank Capital decreased on the back of the enhanced AMA scenario methodology.
  - Allocated buffer capital for central management increased on the back of growth in ordinary shareholders' equity.
- In addition to the risk-based economic capital allocation in place across Nedbank for several years now, the following other appropriate risk-based economics is embedded bankwide:
  - Funds transfer pricing.
  - Liquidity premiums.
  - Risk adjusted performance measurement (RAPM).
  - Risk appetite.
  - Risk strategy.

  All of the above are integrated into the group and each major business unit's strategy and business plans, as well as management's performance scorecards and remuneration. Furthermore there is a healthy qualitative overlay of experience, substance over form and common sense.

Cost of equity (COE)

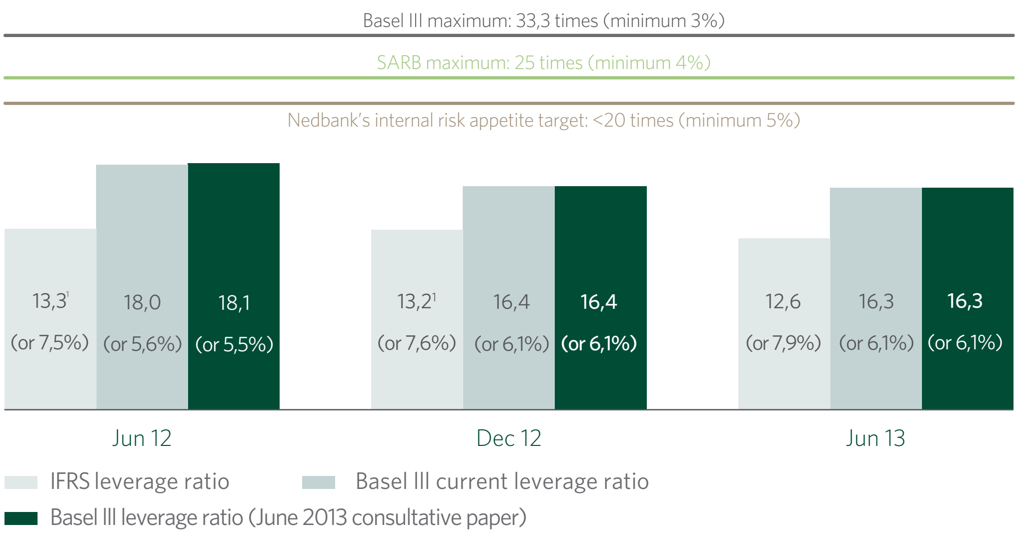
- Nedbank Group revised its COE to 13,0% for 2013 (December 2012: 13,1%) following a review of the COE components, based on the Capital Asset Pricing Model (ie risk-free rate, beta and equity risk premium) and in consideration of the approach followed by the group's parent company (Old Mutual plc), average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

Nedbank Retail			Nedbank Wealth			Central Management, including Rest of Africa			Nedbank Group		
Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
10 847	10 813	10 849	586	616	585	1 123	1 011	1 026	20 648	19 744	19 765
						139		71	215	61	128
30		29							42	9	38
						1	2	1	8	9	4
1 133	1 121	1 109	153	206	196	1 780	1 683	1 672	5 152	5 288	5 086
			2	2	2	22	22	22	441	445	443
1 043	998	993	44	62	52	157	94	96	1 884	1 713	1 712
85	118	111	9	9	9	1 411	1 409	1 398	1 510	1 540	1 523
5	5	5	71	113	112	173	145	144	1 230	1 523	1 339
			27	20	21	17	13	12	87	67	69
2 395	2 321	2 427	393	401	415	107	99	105	5 288	4 944	5 132
403	324	324	117	188	165	101	623	646	1 592	2 373	2 403
			319	188	194				319	188	194
138	138	147	54	40	44	208	253	249	521	549	572
14 946	14 717	14 885	1 622	1 639	1 599	3 459	3 671	3 770	33 785	33 165	33 322
1 014	837	839	475	516	508	682	515	645	2 924	2 741	2 817
578	620	655	9	11	10	(87)	(83)	(84)	505	548	607
						5 076	4 958	5 011	5 076	4 958	5 011
						227		115	227		115
4 665	4 217	4 698	255	282	303	4 538	1 408	2 875	13 608	9 698	12 078
21 203	20 391	21 077	2 361	2 448	2 420	13 895	10 469	12 332	56 125	51 110	53 950

LEVERAGE

- The Basel III leverage ratio has recently received significant attention with the US looking to use this ratio as a primary measure, proposing a minimum ratio of 5% to 6% compared with the current Basel III minimum of 3%.
- The leverage ratio is intended by the Basel Committee on Banking Supervision (Basel Committee) to serve as a simple, transparent, non-risk-based leverage ratio to supplement the risk-based capital requirements to:
  - avoid the buildup of excessive leverage; and
  - to capture both on- and off-balance-sheet exposure.
- SA banks, including Nedbank, compare favourably to most international banks on leverage.
  - SA's banking system generally has lower leverage than those of most other countries. As a consequence, deleveraging, which is continuing among most international banks after the global financial crisis, is not a factor in South Africa.
  - Nedbank Group's gearing under Basel III, which includes off-balance-sheet exposure, is 16,3 times (or 6,13%) at 30 June 2013 (quarterly average: 16,5 times or 6,08%) against an internal risk appetite target of less than 20 times (or > 5%), and well below the Basel III limit in accordance with the revised SA regulations of 25 times (or > 4%), which is more prudent than Basel III at 33,3 times (or > 3%).
- The differences between the Basel III leverage ratio and the IFRS accounting leverage ratio include differences in both the capital measure and the exposure measure.
- In terms of the capital measure, Basel III currently utilises total tier 1 qualifying regulatory capital including preference shares and tier 1 hybrid debt combined with relevant Basel III deductions such as goodwill and intangible assets, whereas the IFRS accounting leverage ratio utilises ordinary shareholders' equity. The Basel Committee is also considering the use of common-equity tier 1 capital as well as total capital in the calculation of the ratio and will assess the appropriateness thereof during the parallel run period from 2013 to 2017.
- In terms of the exposure measure, the main difference between the Basel III and IFRS accounting is the inclusion of off-balance-sheet exposure in the Basel III measurement.
- The Basel Committee published a consultative document in June 2013 entitled 'Revised Basel III leverage ratio framework and disclosure requirements'. Revisions to this framework relate primarily to the exposure measure of the leverage ratio.
  - The specification of a broad scope of consolidation and the inclusion of exposures, such as insurance assets. This is not anticipated to affect the current measurement of the leverage ratio in South Africa significantly, since exposures such as insurance assets are currently included in the measurement of the leverage ratio.
  - The exclusion of the deduction of collateral against the gross derivative exposure amount as well as clarification of the general treatment of derivatives. Currently collateral is deducted from the exposure measure for derivative transactions and this particular revision will therefore decrease the leverage ratio (and therefore increase gearing under Basel III). However, at Nedbank Group collateral associated with derivatives is approximately 0,1% of the total exposure measure and therefore is not expected to have any material impact.
  - The additional treatment for written credit derivatives through the inclusion of the notional value in the exposure measure. The notional value referenced by written credit derivatives is, however, already included in the measurement of the leverage ratio in South Africa and is therefore not anticipated to have any impact.
  - Further clarification on the treatment of securities financing transaction (SFTs) exposures. The current implementation of the leverage ratio in South Africa is considered consistent with the clarifications provided in the consultative paper.

Nedbank is well placed under the Basel lll leverage ratio

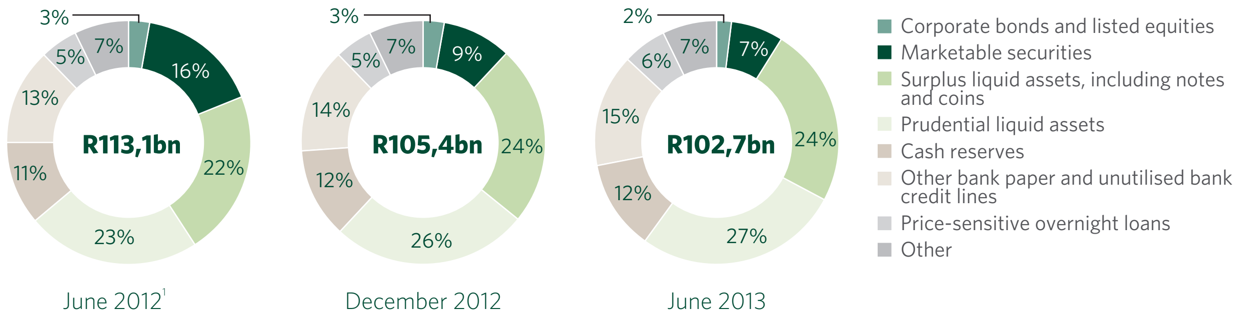


[1] *2012 restated to reflect the adoption of IAS 19 Employee Benefits (2011).*

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 loan-to-deposit ratio, low reliance on interbank and foreign currency funding, and a reduction in capital market issuance during the first half of 2013 as part of the group's capital planning.
- On 6 January 2013 the 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' subcategory.
  - The definitions of net cash outflows have been relaxed.
  - The Basel Committee will continue to do further work in terms of the role of central bank liquidity facilities in jurisdictions where there are insufficient HQLAs available for purposes of the LCR. In May 2012 the SARB, as per Guidance Note 05/2012, announced that it would provide a committed liquidity facility (CLF) for an amount up to 40% of the LCR requirements.
- 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 in addressing the structural challenges. The Basel Committee has, however, announced that work to revise the NSFR will commence in 2013 and span a period of up to 24 months. Across the globe market participants are expecting fundamental changes to the NSFR.
- Nedbank's strong liquidity and funding position is illustrated by the following:
  - Based on the current level of qualifying HQLA, Nedbank is well positioned to meet the minimum LCR requirement of 60% in 2015 excluding any use of the SARB's CLF. Assuming targeted access to the currently available CLF, Nedbank is well positioned to exceed the 100% requirement of 2019.
  - Nedbank has maintained significant sources of quick liquidity amounting to R102,7bn, representing 14,4% of total assets, which is underpinned by R25,0bn of surplus statutory liquid assets, ie an excess over and above the prudential statutory liquid-asset requirement. The surplus statutory liquid assets are aligned with internal targets and represent a level deemed appropriate from the perspective of already positioning Nedbank Group to meet the 2015 Basel III LCR requirement.

Nedbank Group has significant sources of quick liquidity



[1] *In June 2012 Nedbank had unusually large liquidity inflows as a result of a corporate action transaction where this surplus liquidity was parked in marketable securities.*

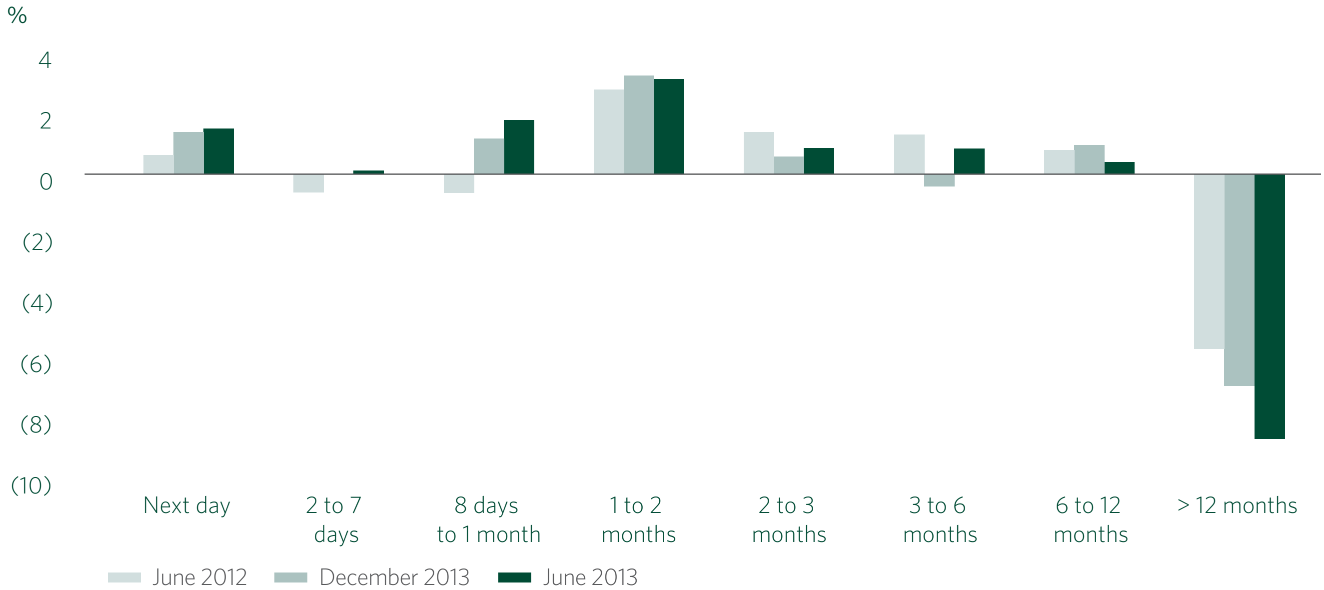
  - The three-month average long-term funding ratio increased to 28% in June 2013, compared with 26% in December 2012.
    - The successful commercial-mortgage-backed securitisation issue of R2bn in March 2013 contributed to the longer funding profile and further growth in the Nedbank Retail savings bonds of R0,5bn, bringing the total amount issued to R7,7bn, has contributed positively to diversifying Nedbank's long-term funding sources.
    - In addition to the issuances outlined above that supported the long-term funding profile in the first half of 2013, Nedbank successfully issued R3,2bn in senior unsecured debt in July 2013, positioning Nedbank well for the second half of 2013.
    - While Nedbank targets an average long-term funding ratio of no less than 25%, the actual ratio does fluctuate around this target level, based on aggregate demand for long-term deposits and other term instruments.
  - The loan-to-deposit ratio remains consistently below 100%, at 96,3%.
- The annual Internal Liquidity Adequacy Assessment Process (ILAAP) and Internal Capital Adequacy Assessment Process (ICAAP) were signed off by the board of directors through the Group Risk and Capital Management Committee on 8 July 2013.

Liquidity and funding profile		Jun 2013	Jun 2012	Dec 2012
Total sources of quick liquidity	(Rm)	102 700	113 109	105 420
Surplus statutory liquid assets	(Rm)	24 950	26 316	24 375
Statutory liquid assets and cash reserves (ie SARB prudential minimum)	(Rm)	39 756	38 648	39 525
Other sources of quick liquidity[1]	(Rm)	37 994	48 145	41 520
Total sources of quick liquidity as a % of total assets	(%)	14,4	16,9	15,4
Long-term funding ratio (three-month average)	(%)	28,0	27,0	26,0
Senior unsecured debt	(Rm)	15 002	18 331	18 776
Retail Savings Bond[2]	(Rm)	6 153	5 876	6 385
Green Retail Savings Bond[2]	(Rm)	1 573		886
Reliance on NCDs[3]	(%)	14,4	16,1	14,0
Capital market issuance	(Rm)	26 479	30 056	30 298
Loan-to-deposit ratio	(%)	96,3	95,6	95,7
Basel III pro forma liquidity ratios				
LCR (effective date – 2015 to 2019) including targeted access to the CLF[4]	(%)	Well positioned for minimum requirement	Well positioned for minimum requirement	Well positioned for minimum requirement
NSFR (effective date – 2018)[5]	(%)	WIP[6]	WIP[6]	WIP[6]

1 *This includes corporate bonds, listed equities and other marketable securities.*
2 *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.*
3 *As a % of total deposits.*
4 *A 60% minimum LCR is required from 2015, increasing 10% per annum to 100% by 2019.*
5 *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.*
6 *WIP = work in progress.*

☐ As illustrated below, Nedbank Limited's overnight-to-one-month liquidity position improved in 2013 compared with 2012 based on the business-as-usual (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.

Nedbank Limited's behavioural liquidity mismatch[1]



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

- The contractual and BaU liquidity mismatches of the group are presented below. Based on client behavioural attributes, it is estimated that 95% (December 2012: 94%) of the amounts owed to depositors are stable.

Nedbank Limited contractual liquidity gap

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
June 2013									
Contractual maturity of assets	58 037	22 795	48 189	24 368	17 028	33 473	48 734	379 812	632 436
Loans and advances	32 697	734	40 725	8 441	8 849	20 137	31 843	326 167	469 593
Trading, hedging and other investment instruments	5 206	22 061	7 464	15 927	8 179	13 336	16 891	29 456	118 520
Other assets	20 134							24 189	44 323
Contractual maturity of liabilities	256 641	22 928	36 985	36 056	19 066	26 964	70 649	163 147	632 436
Stable deposits	242 005	15 517	30 565	31 521	15 755	23 790	56 354	54 166	469 673
Volatile deposits	12 142	885	4 666	1 540	617	1 007	1 656	4 173	26 686
Trading and hedging instruments	2 494	6 526	1 754	2 995	2 694	2 167	12 639	51 637	82 906
Other liabilities								53 171	53 171
Net liquidity gap – Jun 2013	(198 604)	(133)	11 204	(11 688)	(2 038)	6 509	(21 915)	216 665	–
Net liquidity gap – Jun 2012	(182 836)	6 808	12 413	(17 403)	(3 458)	(10 125)	(30 059)	224 660	–
Net liquidity gap – Dec 2012	(179 124)	(12 538)	5 318	(19 564)	(8 490)	(17 170)	11 709	219 859	–

- The BaU table below shows the expected liquidity mismatch under normal market conditions after taking into account the behavioural attributes of Nedbank Limited's stable deposits, savings and investment products.

Nedbank Limited BaU liquidity gap

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
June 2013									
BaU maturity of assets	10 738	7 196	40 545	29 954	20 232	33 848	55 667	434 256	632 436
Loans and advances	9 882	1 827	22 266	11 269	12 590	30 733	52 885	328 141	469 593
Trading, hedging and other investment instruments	856	5 369	18 279	18 685	7 642	3 115	2 782	61 792	118 520
Other assets								44 323	44 323
BaU maturity of liabilities	1 229	6 421	29 216	10 070	14 772	28 451	53 070	489 207	632 436
Stable deposits	145	972	7 402	7 028	12 798	23 300	42 190	375 838	469 673
Volatile deposits	626	3 206	13 948	1 540	617	1 007	1 656	4 086	26 686
Trading and hedging instruments	458	2 243	7 866	1 502	1 357	4 144	9 224	56 112	82 906
Other liabilities								53 171	53 171
Net liquidity gap – Jun 2013	9 509	775	11 329	19 884	5 460	5 397	2 597	(54 951)	–
Net liquidity gap – Jun 2012	3 860	(3 536)	(3 618)	16 872	8 369	7 901	4 763	(34 611)	–
Net liquidity gap – Dec 2012	8 620	(19)	7 250	20 139	3 700	(2 434)	5 971	(43 227)	–

- Nedbank Limited's BaU inflows exceed outflows in the cumulative next-month time bucket taking into account behavioural assumptions, including rollover assumptions associated with term deals, but excluding BaU management actions.

SECURITISATION RISK

- Nedbank Group uses securitisation exclusively as a funding diversification tool and to add flexibility in mitigating structural liquidity risk.

  The group currently has three traditional securitisation transactions:
  - Precinct Funding 1 (RF) Limited (Precinct), a commercial-mortgage-backed securitisation (CMBS) programme launched in March 2013.
  - GreenHouse Funding (RF) Limited, Series 1 (GreenHouse), a residential-mortgage-backed securitisation (RMBS) 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

					Assets securitised[1]		
Rm	Year initiated	Rating agency	Transaction type	Asset type	Jun 2013	Jun 2012	Dec 2012
GreenHouse	2007	Fitch	Traditional securitisation	Home loans	2 049	2 000	2 049
Precinct	2013	Moody's	Traditional securitisation	Commercial mortgage loans	2 344		

[1] *This includes all assets identified for securitisation, including those home loans and commercial mortgages still awaiting registration of cession of the mortgage bond by the Deeds Office at 30 June 2013.*

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

Liquidity facilities provided to Nedbank's asset-backed commercial paper programme

Rm	Year initiated	Rating agency	Transaction type	Asset type	Programme size
Synthesis	2004	Fitch	ABCP programme	Asset-backed securities, corporate term loans and bonds	15 000

[1] *Risk-weighted assets restated for the December 2012 Synthesis securitisation exposures due to a recalibration of the Supervisory Formula Approach model.*

[2] *This does not include Nedbanks investments in third party securitisations.*

- In March 2013 Nedbank launched Precinct, a first commercial-mortgage-backed securitisation programme in South Africa, in terms of which long-term funding of R2bn was raised for Nedbank. The notes were rated by Moody's with R1,7bn AAA-rated notes and R0,3bn AA-rated notes, with tenors of up to five years, being successfully issued.
- 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 so far have involved the sale of the underlying assets to the special-purpose vehicles. Nedbank Group has not originated or participated in synthetic securitisations.

Assets outstanding			Amount retained/purchased[2]			Risk-weighted assets		
Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
1 890	1 359	1 320	377	210	377	274	232	296
306			500			351		

Face value of notes outstanding			Liquidity facilities			Risk-weighted assets		
Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012	Jun 2013	Jun 2012	Dec 2012
5 798	5 074	4 768	5 801	5 077	4 771	1 764[2]	1 076	1 487[1]

- Nedbank Group complies with IFRS in recognising and accounting for securitisation transactions.
  - In particular, the assets transferred to the GreenHouse securitisation vehicle and the Precinct securitisation vehicle continue to be recognised and consolidated in the balance sheet of the group and the securitisation vehicles are 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 in accordance with Basel II.5. The primary reasons for the increase in the risk-weighted assets of the liquidity facilities provided to Synthesis are the classification of securitisation exposures into normal securitisation exposures and resecuritisation exposures, together with the associated increase in the Supervisory Formula Approach risk weight floor from 7% to 20% for resecuritisation exposures.

CREDIT RISK

- Globally economic conditions in most developed markets improved during the first half of 2013, with the exception of the Eurozone. Emerging-market economies continued to post moderate but slower growth, with currencies and international commodity prices experiencing pressure following the US Federal Reserve's announcement on likely future monetary policy changes.
- At the same time South Africa's economic growth deteriorated as weakness in production and exports persisted, leading to first-quarter GDP growth of just 0,9%. Domestic financial markets were characterised by volatility and rand depreciation, reflecting lower levels of investor confidence primarily as a result of the current account and fiscal deficits, slow growth and ongoing labour tensions mainly in the mining sector.
- Both household credit and corporate credit demand remained subdued. Consumer stress has become increasingly evident with pressure from increased living costs and weak job prospects.
- In the corporate environment companies continued to postpone capacity expansion, given fragile global economies and lower growth prospects. On the upside the recovery in government's capital expenditure continued, with the bulk of the increase in expenditure devoted to housing and other social infrastructure.
- Net loans and advances grew 11,5% (annualised) to R557,3bn (December 2012: R527,2bn), underpinned by advances growth in wholesale banking of 16,6% (annualised).
  - Growth in the trading advances book came largely from foreign currency placements and deposits placed under reverse repurchase agreements related to the hedging of the group's liquid-asset portfolio.
  - Excluding trading advances, which exhibited strong growth of 50,8%, net banking book advances grew by 9,2% (annualised).
- Nedbank Capital's net banking advances growth of 27,4% (annualised) was boosted by good drawdowns of the deal pipeline.
- In Nedbank Corporate, Corporate Banking recorded favourable growth in term loans of 13,4% (annualised), whereas commercial mortgages decreased 1,8% (annualised) as a result of higher levels of early settlements.
- Good momentum in quality-client gains led to the increase in Nedbank Business Banking's net advances growth of 8,4% (annualised).
- Retail banking net advances grew by a modest 2,5% (annualised), reflecting the difficult consumer environment, selective origination in higher-risk asset categories in line with the group's portfolio tilt strategy, rolloff of the backbook and early repayments. Growth arose from Card and MFC increasing advances 19,4% and 10,7% respectively, while personal loans and home loans advances declined 5,8% and 1,9% respectively, in line with the planned slowdown in both advances categories.
- The strategy of selective origination of home loans has continued. As a result thereof, together with the backbook runoff, this book continued to shrink, in line with the portfolio tilt strategy. At June 2013 home loans comprised 23,9% of the total Nedbank Group lending book, down from 26,2% in June 2012 and 31,5% in December 2009 when the portfolio tilt strategy was first implemented.
- The credit policy for personal loans has been tightened and collection efforts intensified. New-business volumes have slowed materially and the book size has decreased slightly year to date. Application numbers have increased, but approval rates have declined from 58,7% to 36,4%.
- Personal loans represent only 3,9% of the overall group advances book, down from 4,3% in December 2012 and 4,0% at June 2012.
- Growth in advances at the centre was led by increased business activity in the Rest of Africa, consistent with the group's focus on deepening its Pan-African banking relationships and expanding its presence in Africa.
- Total group defaulted advances decreased year on year to R20 176m (June 2012: R21 838m) from ongoing improvements in the residential- and commercial-mortgage books. Defaulted advances were up 9,4% (annualised) on the 2012 year-end (December 2012: R19 273m) from increases in personal loans and the wholesale businesses.
- Continued consumer stress, further proactive strengthening of balance sheet impairments in Personal Loans and a once-off charge in Business Banking led to an increase in impairments to R3 325m (June 2012: R2 702m) and the credit loss ratio (CLR) to 1,31% (June 2012: 1,11%). The CLR is comprised of a specific charge of 1,24% and a portfolio charge of 0,07% (June 2012: specific: 1,00% and portfolio: 0,11%).
- The coverage ratio for total and specific impairments increased to 58,8% (June 2012: 52,9%) and 40,9% (June 2012: 39,0%) respectively. Portfolio coverage on the performing book continued to strengthen to 0,7% (June 2012: 0,6%).

Summary of loans and advances by business cluster

June 2013 Rm	Gross	Total impairments	Mix %	Net	Mix %
Nedbank Capital	97 588	(427)	4	97 161	18
Trading book	37 264			37 264	7
Banking book	60 324	(427)	4	59 897	11
Nedbank Corporate	170 107	(1 041)	9	169 066	30
Total Nedbank RBB[1]	265 625	(9 971)	84	255 654	46
Nedbank Business Banking	64 148	(1 521)	13	62 627	11
Nedbank Retail	201 477	(8 450)	71	193 027	35
Nedbank Wealth	22 273	(135)	1	22 138	4
Central Management, including Rest of Africa	13 615	(285)	2	13 330	2
Total	569 208	(11 859)	100	557 349	100
June 2012[2]					
Nedbank Capital	80 807	(595)	5	80 212	16
Trading book	30 674			30 674	6
Banking book	50 133	(595)	5	49 538	10
Nedbank Corporate	159 603	(1 195)	10	158 408	31
Total Nedbank RBB[1]	256 587	(9 316)	81	247 271	48
Nedbank Business Banking	61 146	(1 515)	13	59 631	12
Nedbank Retail	195 441	(7 801)	68	187 640	36
Nedbank Wealth	19 188	(135)	1	19 053	4
Central Management, including Rest of Africa	11 448	(304)	3	11 144	2
Total	527 633	(11 545)	100	516 088	100
December 2012					
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	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	11 618	(302)	3	11 316	2
Total	538 036	(10 870)	100	527 166	100

[1] *RBB = Retail and Business Banking.*

[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 SA banking peers. These items were previously separately disclosed in the group's statement of financial position.*

Summary of gross loans and advances by major business line

Rm	% change	Jun 2013	Jun 2012[3]	Dec 2012
Nedbank Capital	35,7	97 588	80 807	82 913
Nedbank Corporate	8,0	170 107	159 603	163 626
Corporate Banking	19,1	84 571	78 002	77 263
Property Finance	(1,0)	83 644	79 924	84 057
Other	(36,2)	1 892	1 677	2 306
Nedbank RBB	4,4	265 625	256 587	259 903
Nedbank Business Banking	9,1	64 148	61 146	61 375
Nedbank Retail	3,0	201 477	195 441	198 528
MFC	13,7	61 002	53 933	57 111
Home Loans[1]	(3,5)	83 084	87 144	84 563
Card	20,2	10 917	9 345	9 921
Personal Loans	(5,8)	21 574	20 390	22 215
Relationship Banking[2]	2,1	23 997	23 674	23 748
Other	(13,9)	903	955	970
Nedbank Wealth	23,2	22 273	19 188	19 976
Central Management, including Rest of Africa	34,7	13 615	11 448	11 618
Nedbank Group	11,7	569 208	527 633	538 036

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 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 SA banking peers. These items were previously separately disclosed in the group's statement of financial position.*

Summary of loans and advances by product

Rm	Jun 2013 % change	Jun 2013 Rm	Jun 2013 Mix %	Jun 2012[1] Rm	Jun 2012[1] Mix %	Dec 2012 Rm	Dec 2012 Mix %
Home loans	(0,4)	136 035	23,9	138 156	26,2	136 301	25,3
Commercial mortgages	1,2	98 331	17,3	93 058	17,6	97 732	18,2
Leases and instalment sales	10,2	79 597	14,0	73 098	13,9	75 764	14,1
Cards	19,7	10 997	1,9	9 483	1,8	10 019	1,9
Overdrafts	14,6	14 685	2,6	13 504	2,6	13 694	2,5
Properties in possession	18,6	627	0,1	665	0,1	574	0,1
Term loans	12,8	93 954	16,5	84 501	16,0	88 354	16,5
Personal loans	(4,9)	22 412	3,9	21 071	4,0	22 969	4,3
Other term loans	19,0	71 542	12,6	63 430	12,0	65 385	12,2
Overnight loans	25,4	20 653	3,6	16 091	3,0	18 341	3,4
Other loans to clients	57,9	66 276	11,6	54 468	10,3	51 482	9,6
Preference shares and debentures	15,6	18 261	3,2	19 684	3,7	16 948	3,1
Factoring accounts	26,2	5 041	0,9	4 149	0,8	4 461	0,8
Deposits placed under reverse repurchase agreements	3,3	24 742	4,3	20 765	3,9	24 338	4,5
Trade, other bills and bankers' acceptances	< 0,1	9	< 0,1	12	< 0,1	28	< 0,1
Gross loans and advances	11,7	569 208	100,0	527 633	100,0	538 036	100,0
Total impairments	18,3	(11 859)		(11 545)		(10 870)	
Net loans and advances	11,5	557 349		516 088		527 166	

[1] *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 SA banking peers. These items were previously separately disclosed in the group's statement of financial position.*

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	Nedbank Business Banking	Nedbank Retail
Advanced Internal Ratings-based (AIRB) Approach	119 991	165 130	257 231	59 385	197 846
Corporate	30 408	90 848	9 852	9 705	147
Specialised lending – high-volatility commercial real estate (HVCRE)		4 964			
Specialised lending – income-producing real estate (IPRE)	1	46 393	3 512	3 512	
Specialised lending – commodity finance					
Specialised lending – project finance	5 373				
SME – corporate	583	6 847	16 469	16 469	
Public sector entities	7 123	7 555	205	205	
Local governments and municipalities	717	7 411	1 246	1 246	
Sovereign	18 851	34			
Banks	55 395	761	3	3	
Securities firms	1 307				
Retail mortgage			103 755	6 046	97 709
Retail revolving credit			11 228		11 228
Retail – other			82 483	470	82 013
SME – retail	74	11	28 098	21 729	6 369
Securitisation exposure	159	306	380		380
The Standardised Approach (TSA)[3]		4 291	4 675	4 527	148
Corporate		7	4	1	3
SME – corporate		4 284	1 293	1 190	103
Public sector entities					
Local government and municipalities					
Sovereign					
Banks					
Retail mortgage			2 905	2 864	41
Retail revolving credit					
Retail – other			250	250	
SME – retail			223	222	1
Properties in possession		334	273	15	258
Non-regulated entities	24 316	5 767	1 954	563	1 391
Total Basel III balance sheet exposure[2]	144 307	175 522	264 133	64 490	199 643
Less assets included in Basel III asset classes	(46 719)	(1 804)	1 675	(159)	1 834
Derivatives	(14 561)				
Government stock and other dated securities	(23 202)	(4 228)			
Short-term securities	(4 286)				
Call money	(1 619)	(46)	116		116
Deposits with monetary institutions	(4 848)				
Remittances in transit	2	5	681	5	676
Fair-value adjustments	(733)	(2 261)	(181)	(155)	(26)
Other assets net of fair-value adjustments on assets	2 528	4 726	1 059	(9)	1 068
Setoff of accounts within IFRS total gross loans and advances[4]		(3 611)	(183)	(183)	
Total gross loans and advances	97 588	170 107	265 625	64 148	201 477

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 that is now on the AIRB Approach, Nedbank Private Wealth (UK) and the non-SA banking entities in Africa, are covered by TSA.*

	Nedbank Wealth	Central Management including Rest of Africa	Total Jun 2013	Mix (%)	Risk weighting	Change[6] (%)	Total Jun 2012[5]	Mix (%)	Total Dec 2012	Mix (%)
	13 531	29 076	584 959	88,0	39,1	9,9	497 404	80,3	557 615	88,5
	1	649	131 758	19,8	38,3	17,8	116 528	18,8	121 089	19,2
			4 964	0,7	> 100	(7,6)	5 831	0,9	5 158	0,8
	1 288		51 194	7,7	44,9	(4,4)	49 917	8,1	52 348	8,3
				< 0,1		< (100)	439	0,1	150	< 0,1
			5 373	0,8	53,2	63,9	2 266	0,4	4 080	0,6
	729		24 628	3,7	49,8	24,2	21 297	3,4	21 990	3,5
			14 883	2,2	3,6	(20,6)	16 323	2,6	16 575	2,6
			9 374	1,4	12,0	14,7	8 617	1,4	8 738	1,4
		25 436	44 321	6,7	2,3	2,9	43 074	6,9	43 700	6,9
		2 991	59 150	8,9	31,3	40,1	50 070	8,1	49 348	7,8
			1 307	0,2	21,9	> 100	1 105	0,2	343	0,1
	10 050		113 805	17,1	30,0	(1,2)	118 932	19,2	114 476	18,2
	54		11 282	1,7	55,6	14,8	10 072	1,6	10 512	1,7
	619		83 102	12,5	63,8	5,7	27 655	4,5	80 834	12,8
	790		28 973	4,4	43,8	9,1	24 872	4,0	27 720	4,4
			845	0,1	33,5	> 100	406	0,1	554	0,1
	13 542	15 706	38 214	5,7	58,7	13,5	85 615	13,7	35 809	5,6
		4 497	4 508	0,7	> 100	(15,4)	3 383	0,5	4 881	0,8
		51	5 628	0,8	> 100	(38,1)	9 575	1,5	6 941	1,1
		137	137	< 0,1	70,9	49,5	46	< 0,1	110	< 0,1
		60	60	< 0,1	74,4	45,3	35	< 0,1	49	< 0,1
	202	1 916	2 118	0,3	80,7	35,4	1 425	0,2	1 802	0,3
	8 487	2 978	11 465	1,7	21,4	51,2	9 392	1,5	9 142	1,4
	3 617	3 838	10 360	1,6	40,9	12,7	9 001	1,5	9 758	1,5
		317	317	< 0,1	> 100	22,6		< 0,1	285	< 0,1
	1 236	1 912	3 398	0,5	63,7	72,1	49 443	8,0	2 503	0,4
			223	< 0,1	64,6	(68,6)	3 315	0,5	338	0,1
	20		627	0,1		18,6	664	0,1	574	0,1
	865	8 168	41 070	6,2		28,3	36 393	5,9	36 021	5,7
	27 958	52 950	664 870	100,0		11,2	620 076	100,0	630 019	100,0
	(5 685)	(39 335)	(91 868)				(89 019)		(87 947)	
	2	(25)	(14 584)				(14 447)		(15 121)	
		(11 330)	(38 760)				(28 816)		(33 176)	
	(5 414)	(15 940)	(25 640)				(34 769)		(29 561)	
	(801)	(195)	(2 545)				(3 328)		(1 497)	
		(1 414)	(6 262)				(2 214)		(4 457)	
		96	784				200		193	
			(3 175)				(2 702)		(3 278)	
	528	(10 527)	(1 686)				(2 943)		(1 050)	
			(3 794)				(3 424)		(4 036)	
	22 273	13 615	569 208				527 633		538 036	

4 *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*

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 SA banking peers. These items were previously separately disclosed in the group's statement of financial position.*

6 *Relates to June 2013 on December 2012 annualised change.*

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

- During the second half of 2012 Nedbank received approval from the SARB to use the AIRB Approach for the MFC portfolio from the legacy Imperial Bank book. The remaining portion of the legacy Imperial Bank (ie in Property Finance and Nedbank Business Banking), Nedbank Private Wealth (UK) and the non-SA Nedbank African subsidiaries' credit portfolios remain on TSA. This has resulted in 94% of the total credit extended by Nedbank Group being covered by the Basel III AIRB Approach.

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

June 2013	On-balance-sheet exposure		Off-balance-sheet exposure		Repurchase and resale exposure
Rm	AIRB	TSA	AIRB	TSA	AIRB
Nedbank Capital	81 155		25 961		24 741
Corporate	27 158		17 960		1 246
Specialised lending – IPRE					
Specialised lending – commodity finance					
Specialised lending – project finance	5 084				
SME – corporate	159				
Public sector entities	4 194		336		2 380
Local governments and municipalities	127				
Sovereign	14 934		14		3 913
Banks	29 340		911		15 895
Securities firms					1 307
SME – retail			1		
Securitisation exposure	159		6 739		
Nedbank Corporate	165 130	4 291	66 721	17	
Corporate	90 848	7	52 814		
Specialised lending – HVCRE	4 964		193		
Specialised lending – IPRE	46 393		1 333		
SME – corporate	6 847	4 284	1 933	17	
Public sector entities	7 555		4 555		
Local governments and municipalities	7 411		805		
Sovereign	34				
Securities firms			1 180		
Banks	761		3 883		
SME – retail	11		25		
Securitisation exposure	306				
Nedbank Business Banking	59 385	4 527	22 805	547	
Corporate	9 705	1	4 407		
Specialised lending – IPRE	3 512		449		
SME – corporate	16 469	1 190	7 841	99	
Public sector entities	205		16		
Local governments and municipalities	1 246		2		
Banks	3				
Retail mortgages	6 046	2 864	2 124	448	
Retail – other	470	250	71		
SME – retail	21 729	222	7 895		

Derivative exposure AIRB	Derivative exposure TSA	Total credit extended[1] AIRB	Total credit extended[1] TSA	Total Basel III balance sheet credit exposure[4] AIRB	Total Basel III balance sheet credit exposure[4] TSA	Exposure at default (EAD) AIRB	Downturn expected loss[2] AIRB	BEEL[3] AIRB
14 095		145 952		119 991		113 314	124	200
2 004		48 368		30 408		46 325	79	132
1		1		1		1		
289		5 373		5 373		5 701	22	67
424		583		583		688	6	
549		7 459		7 123		5 080		
590		717		717		281		
4		18 865		18 851		14 086		1
10 160		56 306		55 395		34 144	17	
		1 307		1 307				
74		75		74		110		
		6 898		159		6 898		
		231 851	4 308	165 130	4 291	210 617	333	497
		143 662	7	90 848	7	126 432	176	77
		5 157		4 964		5 157	36	246
		47 726		46 393		49 076	88	44
		8 780	4 301	6 847	4 284	8 826	32	
		12 110		7 555		11 162		126
		8 216		7 411		8 030	1	
		34		34		36		
		1 180				167		
		4 644		761		1 393		
		36		11		26		4
		306		306		312		
		82 190	5 074	59 385	4 527	80 408	508	1 001
		14 112	1	9 705	1	13 345	71	182
		3 961		3 512		4 007	9	6
		24 311	1 289	16 469	1 190	24 032	135	267
		222		205		221		
		1 247		1 246		1 293	1	
		4		3		4		
		8 170	3 312	6 046	2 864	7 674	37	154
		540	250	470	250	505	7	13
		29 264	222	21 729	222	29 327	248	379

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

June 2013	On-balance-sheet exposure		Off-balance-sheet exposure		Repurchase and resale exposure
Rm	AIRB	TSA	AIRB	TSA	AIRB
Nedbank Retail	197 846	148	39 401	40	
Corporate	147	3	1 365		
SME – corporate		103		34	
Retail mortgages	97 709	41	18 429	6	
Retail revolving credit	11 228		15 036		
Retail – other	82 013		813		
Banks					
SME – retail	6 369	1	3 758		
Securitisation exposure	380				
Nedbank Wealth	13 531	13 542	4 494	203	
Corporate	1				
Specialised lending – IPRE	1 288		325		
SME – corporate	729		65		
Sovereign		202			
Banks		8 487			
Retail mortgages	10 050	3 617	3 682	1	
Retail revolving credit	54		208		
Retail – other	619	1 236	108	202	
SME – retail	790		106		
Central Management, including Rest of Africa	29 076	15 681	71	2 855	
Corporate	649	4 472		2 207	
SME – corporate		51		39	
Public sector entities		137		16	
Local governments and municipalities		60		48	
Sovereign	25 436	1 916			
Banks	2 991	2 978	71	155	
Retail mortgages		3 838		1	
Retail revolving credit		317		373	
Retail – other		1 912		16	
Total	546 123	38 189	159 453	3 662	24 741
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 (including unutilised facilities), repurchase and resale agreements, and derivative exposure.*

[2] *Downturn expected loss is 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.*

	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	TSA	AIRB	TSA	AIRB	TSA	AIRB	AIRB	AIRB
			237 247	188	197 846	148	227 415	3 471	5 974
			1 512	3	147	3	445	10	
				137		103			
			116 138	47	97 709	41	117 488	660	1 927
			26 264		11 228		18 029	626	780
			82 826		82 013		82 819	2 037	3 023
			10 127	1	6 369	1	8 254	138	244
			380		380		380		
			18 025	13 745	13 531	23 055	19 775	43	106
			1		1		1		
			1 613		1 288		1 846	8	4
			794		729		894	1	
				202		202			
				8 487		16 988			
			13 732	3 618	10 050	4 629	14 572	24	80
			262		54		529	2	2
			727	1 438	619	1 236	831	4	9
			896		790		1 102	4	11
		25	29 147	18 561	29 076	15 706	29 198	62	14
		25	649	6 704	649	4 497	664	17	14
				90		51			
				153		137			
				108		60			
			25 436	1 916	25 436	1 916	25 436		
			3 062	3 133	2 991	2 978	3 098	45	
				3 839		3 838			
				690		317			
				1 928		1 912			
	14 095	25	744 412	41 876	584 959	38 214	680 805	4 541	7 792
									12 333
									11 397
									936

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	Jun 2013	Change (%)	Jun 2012[1]	Dec 2012
Opening balance	419	896	9 141	1 260	7 881	112	302	10 870	(11,0)	11 497	11 497
Specific impairments	259	532	6 525	894	5 631	88	39	7 443	(30,1)	8 749	8 749
Specific impairments excluding discounts	255	292	5 440	714	4 726	7	(18)	5 976	(40,3)	7 468	7 468
Specific impairments for discounted cashflow losses	4	240	1 085	180	905	81	57	1 467	29,3	1 281	1 281
Portfolio impairments	160	364	2 616	366	2 250	24	263	3 427	49,9	2 748	2 748
Income statement impairments charge (net of recoveries)	217	248	2 856	314	2 542	25	(21)	3 325	23,1	2 702	5 199
Specific impairments	207	134	2 590	280	2 310	4	8	2 943	26,3	2 331	4 331
Net increase/decrease in impairments for discounted cashflow losses	20	104	51	10	41	22	16	213	> 100	88	186
Portfolio impairments	(10)	10	215	24	191	(1)	(45)	169	(40,3)	283	682
Recoveries	3	16	389	14	375		4	412	(3,7)	428	866
Amounts written off and other transfers	(212)	(119)	(2 415)	(67)	(2 348)	(2)	0	(2 748)	(10,8)	(3 082)	(6 692)
Specific impairments	(215)	(122)	(2 415)	(67)	(2 348)	(2)	(3)	(2 757)	(10,4)	(3 078)	(6 689)
Portfolio impairments	3	3					3	9	< (100)	(4)	(3)
Closing balance	427	1 041	9 971	1 521	8 450	135	285	11 859	18,3	11 545	10 870
Specific impairments	274	664	7 140	1 131	6 009	112	64	8 254	22,0	8 518	7 443
Specific impairments excluding discounts	250	320	6 004	941	5 063	9	(9)	6 574	20,2	7 149	5 976
Specific impairments for discounted cashflow losses	24	344	1 136	190	946	103	73	1 680	29,3	1 369	1 467
Portfolio impairments	153	377	2 831	390	2 441	23	221	3 605	10,5	3 027	3 427
Total gross loans and advances	97 588	170 107	265 625	64 148	201 477	22 273	13 615	569 208	11,7	527 633	538 036
Total average gross banking book loans and advances	56 494	164 383	262 148	62 244	199 904	20 778	9 864	513 667	7,9	487 565	494 203
Total average gross loans and advances	87 426	164 383	262 148	62 244	199 904	20 778	12 446	547 181	11,2	508 080	518 318

[1] *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 SA banking peers. These items were previously separately disclosed in the group's statement of financial position.*

- Continued consumer stress, led to an increase in the impairments charge to R3 325m (June 2012: R2 702m).
- Collections processes generated post-writeoff recoveries amounting to R412m (June 2012: R428m), reflecting the prudent approach of only-cash accounting the recoveries on the written-off book. Personal loans recoveries amounted to R130m.
- Retail collections processes generated an increase of 7,4% in bad-debt recoveries amounting to R375m (June 2012: R349m).
- Retail gross advances increased 3,0% to R201,5bn (June 2012: R195,4bn), this after R2,3bn in writedowns of defaulted advances (June 2012: R2,1bn) after all collection alternatives had been exhausted.
- The group retained some of its central portfolio provision set aside from unknown events that may have already occurred but which will only be evident in the future, however this was reduced from R200m to R140m with R60m transferred to Nedbank Retail for the once-off *in duplum*-related model overlay charge.

Credit asset quality summary analysis

Summary of Nedbank Group's asset quality profile

%	Jun 2013	Jun 2012	Dec 2012
Return on assets (improved)	1,15	1,07	1,13
Return on RoRWA[4] (improved)	2,1	2,0	2,1
Interest margin (improved)	3,58	3,54	3,53
Non-performing loans to gross loans and advances (improved)	3,54	4,14	3,58
Total wholesale[1]	2,13	2,43	1,99
Nedbank Retail	6,15	7,01	6,27
Home Loans[2]	6,87	8,72	7,38
Personal Loans	13,38	10,62	11,74
Properties in possession (improved)	0,11	0,13	0,11
Total impairments to gross loans and advances (improved yoy)	2,08	2,20	2,02
Portfolio impairments (decreased)	0,63	0,58	0,64
Total wholesale[1]	0,28	0,30	0,29
Nedbank Retail	1,21	0,95	1,13
Home Loans[2]	0,74	0,65	0,68
Personal Loans	3,54	1,84	2,83
Specific impairments (improved)	1,45	1,62	1,38
Total wholesale[1]	0,62	0,80	0,55
Nedbank Retail	2,98	3,04	2,84
Home Loans[2]	2,15	2,54	2,24
Personal loans	8,50	6,41	6,97
Total impairments coverage ratio[3] (coverage strengthened)	58,8	52,9	56,4
Total portfolio impairments coverage ratio – performing advances (stable)	0,7	0,6	0,7
Total wholesale[1]	0,3	0,3	0,3
Nedbank Retail	1,3	1,0	1,2
Home Loans[2]	0,8	0,7	0,7
Personal Loans	4,1	2,1	3,2
Total specific coverage ratio – defaulted advances (strengthened)	40,9	39,0	38,6
Total wholesale[1]	29,3	32,8	27,4
Nedbank Retail	48,5	43,4	45,2
Home Loans[2]	31,2	29,1	30,3
Personal Loans	63,5	60,3	59,4

1 *Wholesale includes Nedbank Capital, Nedbank Corporate and Nedbank Business Banking.*
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 *Total impairments as a percentage of total defaulted advances.*
4 *RoRWA = Return on risk-weighted assets.*

- The non-performing to gross loans and advances ratio decreased to 3,54% (June 2012: 4,14%), driven by ongoing improvements in the residential-and commercial-mortgage books, despite increased defaults experienced in the personal-loans book.
- The total and specific impairment coverage ratio increased to 58,8% (June 2012: 52,9%) and 40,9% (June 2012: 39,0%).
- Both specific and portfolio coverage ratios in the Nedbank Retail portfolio increased to 1,3% and 48,5% respectively (June 2012: 1,0% and 43,4%).
- Total impairments to gross loans and advances decreased to 2,08% (June 2012: 2,20%), driven by both lower specific impairments and growth in advances.
- Wholesale specific coverage levels have decreased overall to 29,3% (June 2012: 32,8%), mainly due to the commercial lending portfolio where there were a number of partial writeoffs as well as reductions in defaulted advances in Nedbank Capital as a direct result of resolutions.

Summary of impairments and credit loss ratios

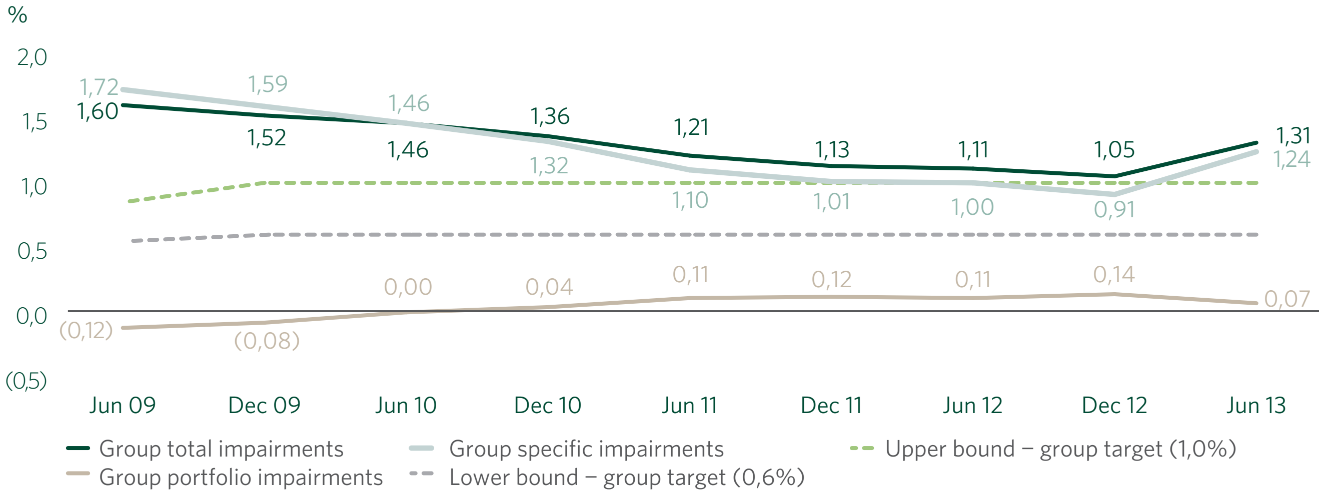
Summary of key credit risk ratios

%	Nedbank Capital	Nedbank Corporate	Total Nedbank RBB	Nedbank Business Banking	Nedbank Retail	Nedbank Wealth	Total
June 2013							
Impairments to gross loans and advances							
Total impairments	0,44	0,61	3,75	2,37	4,19	0,61	2,08
Specific impairments	0,28	0,39	2,69	1,76	2,98	0,50	1,45
Portfolio impairments	0,16	0,22	1,07	0,61	1,21	0,10	0,63
Impairments charge as a percentage of NII	28	14	41	21	46	10	32
Credit loss ratio target range	0,10 – 0,55	0,20 – 0,35		0,55 – 0,75	1,50 – 2,20	0,20 – 0,40	0,60 – 1,00
Total CLR	0,77	0,30	2,20	1,02	2,56	0,24	1,31
Specific CLR	0,81	0,29	2,03	0,94	2,37	0,25	1,24
Portfolio CLR	(0,04)	0,01	0,17	0,08	0,19	(0,01)	0,07
Defaulted advances to gross loans and advances	0,98	1,91	5,74	4,46	6,15	2,41	3,54
Properties in possession to gross loans and advances		0,20	0,10	0,02	0,13	0,09	0,11
June 2012							
Impairments to gross loans and advances							
Total impairments	0,74	0,76	3,64	2,50	3,99	0,70	2,20
Specific impairments	0,53	0,52	2,78	1,93	3,04	0,57	1,62
Portfolio impairments	0,21	0,24	0,86	0,57	0,95	0,13	0,58
Impairments charge as a percentage of NII	45	14	31	8	37	18	28
CLR target range	0,10 – 0,35[1]	0,20 – 0,35		0,55 – 0,75	1,50 – 2,20	0,20 – 0,40	0,60 – 1,00
Total CLR	1,41	0,30	1,62	0,41	2,00	0,46	1,11
Specific CLR	1,20	0,25	1,49	0,36	1,83	0,47	1,00
Portfolio CLR	0,21	0,05	0,13	0,05	0,17	(0,01)	0,11
Defaulted advances to gross loans and advances	1,34	2,18	6,46	4,65	7,01	3,25	4,14
Properties in possession to gross loans and advances		0,15	0,16	0,03	0,20	0,12	0,13
December 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
Impairments charge as a percentage of NII	35	12	30	7	37	24	26
Credit loss ratio target range	0,10 – 0,55[1]	0,20 – 0,35		0,55 – 0,75	1,50 – 2,20	0,20 – 0,40	0,60 – 1,00
Total CLR	1,06	0,24	1,62	0,34	2,01	0,61	1,05
Specific CLR	0,99	0,23	1,38	0,28	1,73	0,61	0,91
Portfolio CLR	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

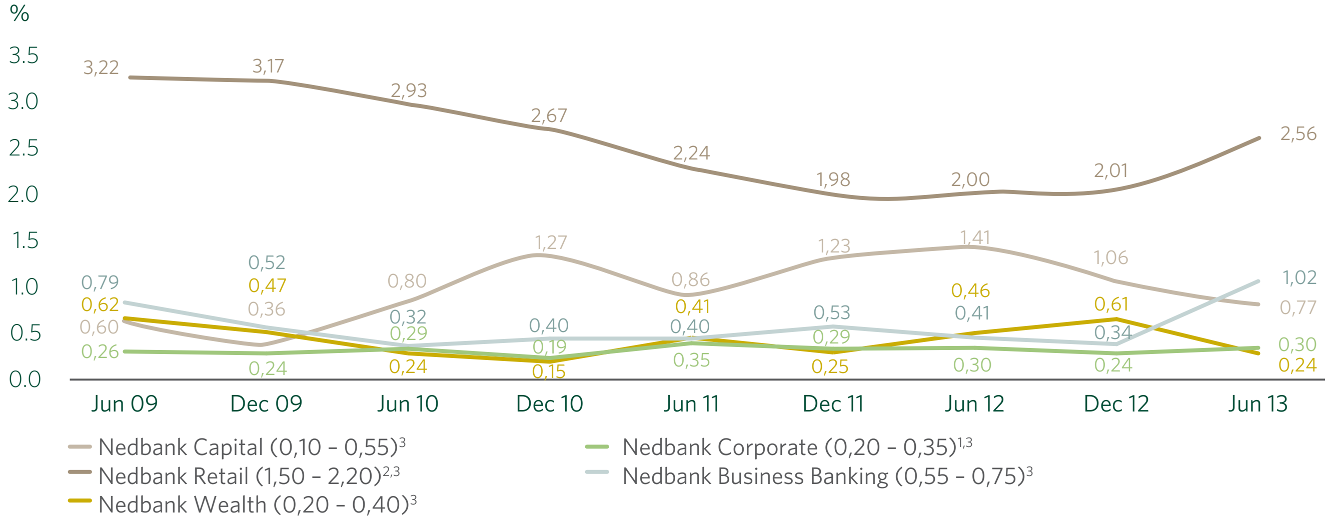
[1] *The Nedbank Capital target range was amended in Q4 2012.*

Credit loss ratio

Nedbank Group credit loss ratio trend



Business clusters[1] total credit loss ratio trends

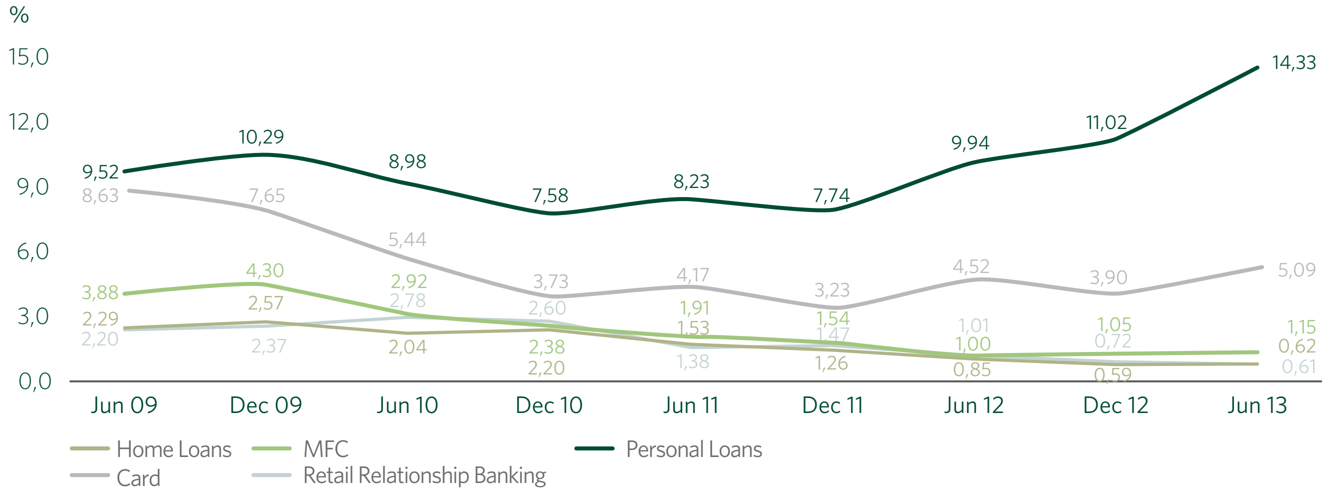


[1] *Nedbank Corporate restated due to the migration of Nedbank Africa to Central Management as well as the Imperial Book integration in 2012.*

[2] *Nedbank Retail CLR restated due to the Imperial Bank integration in 2010.*

[3] *Through-the-cycle (TTC) target range.*

Retail business lines credit loss ratio trends



- In Nedbank Corporate the CLR was maintained within its TTC target range, and both Nedbank Capital and Nedbank Wealth reported lower impairments. The Business Banking CLR was affected by the aforementioned once-off impairment charge and is likely to revert to the TTC target range by year-end (excluding the once-off impairment charge, the Business Banking CLR was 0,43% at 30 June 2013). The deterioration in Nedbank Retail's CLR reflects consumer stress and the outcome of the more conservative impairment methodologies and early risk mitigation actions taken in Personal Loans.
- The table below illustrates the impact of the 2009 asset mix on the June 2013 CLR.

Impact of Nedbank Retail advances mix change, Business Banking once-off charge and Personal Loans on the group's and Nedbank Retail's CLR, and related target range set in 2009

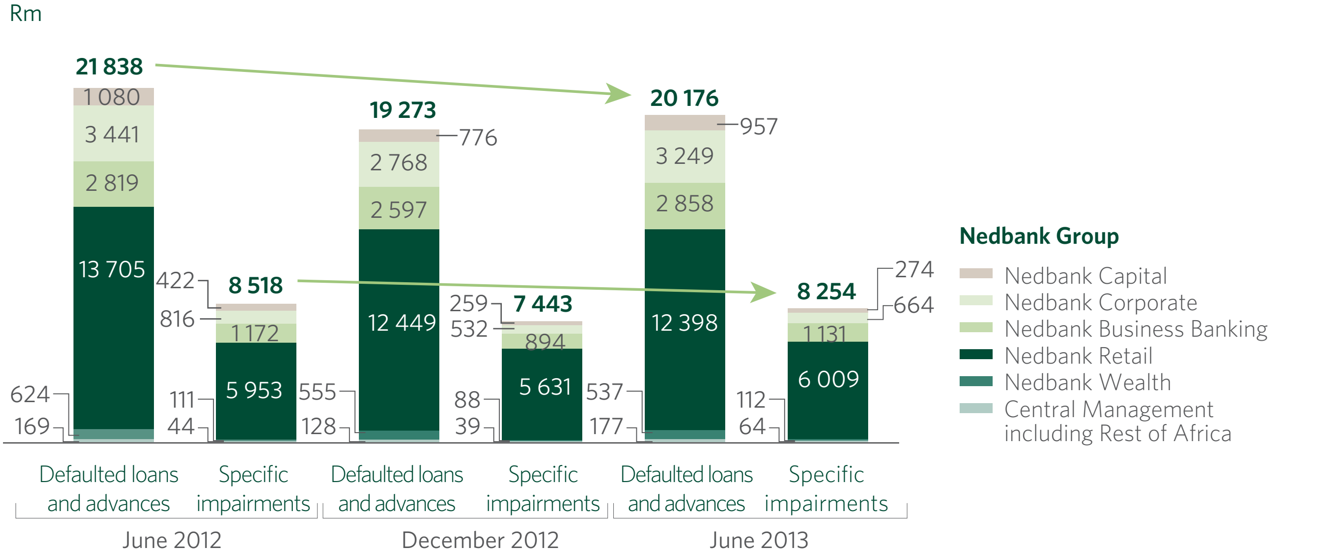
		Nedbank Retail advances mix				Credit loss ratio			
	TTC target range	Jun 2013 %	Dec 2012 %	Dec 2011 %	Dec 2009 %		Nedbank Group %	Nedbank Retail %	Nedbank Business Banking %
Home Loans	0,60 – 1,00	41,4	42,7	46,9	54,5	Actual June 2013 CLR	1,31	2,56	1,02
Vehicle Finance	1,40 – 2,00	29,6	28,5	26,8	21,8	Illustrative June 2013 CLR based on 2009 Retail portfolio mix	0,90	1,58	1,02
Personal Loans	6,00 – 8,00	11,0	11,3	9	4,5	Illustrative excluding Business Banking once-off charge	1,23	2,56	0,43
Card	4,50 – 7,00	5,4	5,1	4,5	4,2	Illustrative with Personal Loans at the top end of its CLR target range	1,03	1,86	1,02
Other		12,6	12,4	12,8	15,0				
Total	1,50 – 2,20	100,0	100,0	100,0	100,0				

- Based on the 2009 Nedbank Retail asset mix, the June 2013 Nedbank Retail CLR would have been 98bps lower at 1,58% rather than the reported 2,56%. At a Nedbank Group level this translates into a 41bps improvement to 0,90% rather than the reported 1,31%.
- These mix changes suggest the need to review these TTC target ranges for Retail and the group, which is anticipated to be done during the second half of 2013.
- Based on the effect of Personal Loans being at the upper end of its TTC target range of 8,00%, the Retail CLR would have been 70bps lower at 1,86%. This translates to a 28bps improvement at a group level.
- Adjusting for the effects of the once-off impairment charge of R182m in Business Banking, the CLR decreased to 0,43% from the reported 1,02%, a 59bps and 8bps improvement at a Business Banking and group level respectively.

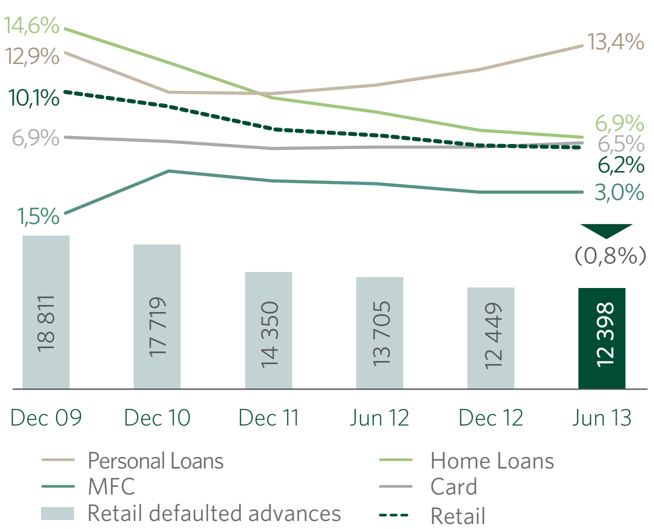
Defaulted loans and advances and coverage ratios

- 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 have been 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.
- Total coverage is defined as the amount of total impairments as value of defaulted advances.
- The absolute value of expected recoveries on or 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 writeoff 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.

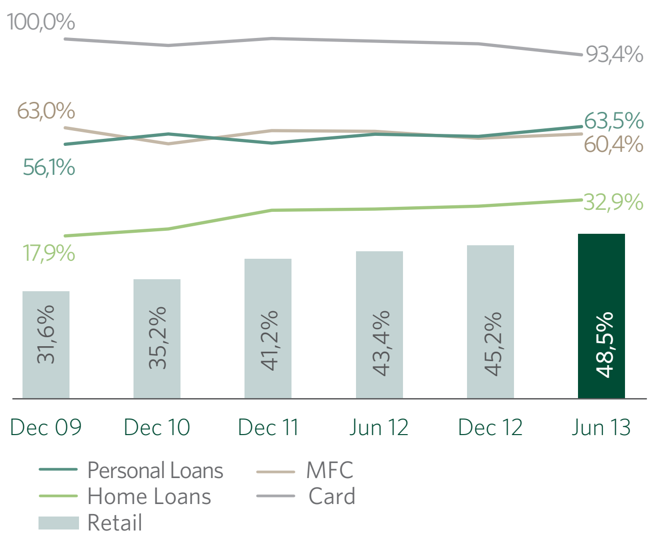
Defaulted loans and advances and specific impairments declining year-on-year



Retail defaulted advances (Rm) and as a % of book



Retail specific-coverage ratios



- Total group defaulted advances decreased year-on-year to R20 176m (June 2012: R21 838m) from ongoing improvements in the residential- and commercial-mortgage books.
- The total and specific impairment coverage ratio increased to 58,8% (June 2012: 52,9%) and 40,9% (June 2012: 39,0%).
- Specific-coverage levels in Nedbank Retail increased to 48,5% (June 2012: 43,4%), driven by secured/unsecured defaulted portfolio mix changes.
  - The contribution of unsecured lending (including Personal Loans and Card) to Nedbank Retail's defaulted advances increased to 29,0% (June 2012: 22,3%), with an average specific coverage of 69,4%.
- Home Loans specific coverage in Nedbank Retail improved to 32,9% (June 2012: 30,4%), providing protection in the rehabilitation of defaulted advances in a subdued property market and continued high levels of consumer indebtedness.
- While the ratio of non-performing loans to gross loans and advances for the secured home loans and vehicle finance products continued to decline, consumer stress is evident in the increases in the unsecured portfolios, with personal loans increasing to 13,4% (June 2012: 10,6%). In the personal loans portfolio specific coverage continued to strengthen to 63,5% (June 2012: 60,3%).

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

	Defaulted loans and advances		Expected recoveries
	Rm	as % of total	Rm
June 2013			
Nedbank Capital	957	4,7	683
Other loans and advances	957	4,7	683
Nedbank Corporate	3 249	16,1	2 585
Home loans	27	0,1	19
Commercial mortgages	2 130	10,6	1 637
Leases and instalment debtors	27	0,1	20
Properties in possession	334	1,7	334
Other loans and advances	731	3,6	575
Nedbank Business Banking	2 858	14,1	1 727
Home loans	1 047	5,2	780
Commercial mortgages	413	2,0	329
Leases and instalment debtors	570	2,8	226
Cards	5	< 0,1	
Properties in possession	15	0,1	15
Other loans and advances	808	4,0	377
Nedbank Retail	12 398	61,5	6 389
Home loans	6 316	31,3	4 271
Commercial mortgages	31	0,2	17
Leases and instalment debtors	1 928	9,6	766
Cards	710	3,5	47
Personal loans	2 887	14,3	1 053
Properties in possession	258	1,3	223
Other loans and advances	268	1,3	12
Nedbank Wealth	537	2,7	425
Home loans	387	1,9	324
Commercial mortgages	107	0,5	67
Leases and instalment debtors	6	< 0,1	3
Properties in possession	20	0,1	17
Other loans and advances	17	0,1	14
Central Management, including Rest of Africa[1]	177	0,9	113
Home loans	58	0,3	44
Commercial mortgages	1	< 0,1	1
Leases and instalment debtors	27	0,1	12
Cards	3	< 0,1	
Personal loans	20	0,1	8
Other loans and advances	68	0,3	48
Group	20 176	100,0	11 922
Home loans	7 835	38,8	5 438
Commercial mortgages	2 682	13,3	2 051
Leases and instalment debtors	2 558	12,7	1 027
Cards	718	3,6	47
Personal loans	2 907	14,4	1 061
Properties in possession	627	3,1	589
Other loans and advances	2 849	14,1	1 709
December 2012			
Group	19 273	100,0	11 830
Home loans	8 434	43,8	5 911
Commercial mortgages	2 794	14,5	2 275
Leases and instalment debtors	2 318	12,0	955
Cards	618	3,2	13
Personal loans	2 625	13,6	1 068
Properties in possession	574	3,0	573
Other loans and advances	1 910	9,9	1 035

[1] *Total coverage excluded for Central Management, including Rest of Africa, due to R140m central provisions set aside for unknown events that may have already occurred, but which will only be evident in the future.*

Specific impairments				Specific coverage ratio (%)			Total coverage ratio (%)		
Rm	as % of total	On defaulted loans and advances	For discounted cashflow losses	Jun 2013	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012
274	3,3	250	24	28,6	39,1	33,4	**44,8**	55,1	54,0
274	3,3	250	24	28,6	39,1	33,4			
664	8,0	320	344	20,4	23,7	19,2	**32,0**	34,7	32,4
8	< 0,1	4	4	29,6	29,4	15,9			
493	6,0	207	286	23,1	23,3	17,7			
7	< 0,1	7		25,9	59,1	33,3			
					0,8				
156	1,9	102	54	21,3	45,7	57,1			
1 131	13,7	941	190	39,5	41,6	34,4	**53,2**	53,8	48,5
267	3,2	172	95	25,5	28,0	24,8			
84	1,0	42	42	20,3	22,1	20,1			
344	4,2	324	20	60,4	67,2	59,3			
5	0,1	5		100,0	66,7	75,0			
431	5,2	398	33	53,2	51,7	41,4			
6 009	72,8	5 063	946	48,5	43,4	45,2	**68,2**	56,9	63,3
2 045	24,8	1 878	167	32,4	30,4	31,9			
14	0,2	12	2	45,2	55,0	44,4			
1 162	14,1	984	178	60,3	61,4	58,7			
663	8,0	655	8	93,4	99,1	98,0			
1 834	22,2	1 245	589	63,5	60,3	59,4			
35	0,4	35		13,6	9,6				
256	3,1	254	2	95,1	91,1	87,3			
112	1,4	9	103	20,9	17,8	15,9	**25,0**	21,5	20,2
63	0,8	(40)	103	16,3	17,3	11,9			
40	0,5	40		37,4	15,5	26,0			
3	< 0,1	3		50,0	60,0	83,3			
3	< 0,1	3		15,0	4,3	3,2			
3	< 0,1	3		17,6	66,7	57,1			
64	0,8	(9)	73	39,0	26,0	30,5			
14	0,2	1	13	24,1	26,8	24,5			
		(5)	5						
15	0,2		15	55,6	34,5	55,6			
3	< 0,1		3						
12	0,1	(2)	14	60,0	61,1	44,4			
20	0,2	(3)	23	36,8	13,3	19,6			
8 254	100,0	6 574	1 680	40,9	39,0	38,6	**58,8**	52,9	56,4
2 397	29,0	2 016	382	30,6	29,5	29,9			
631	7,6	296	335	23,5	23,1	18,6			
1 531	18,6	1 318	213	59,9	62,5	58,8			
671	8,1	660	11	93,5	99,0	97,9			
1 846	22,4	1 243	603	63,5	60,3	59,3			
38	0,5	38		6,1	6,0	0,2			
1 140	13,8	1 003	136	39,9	49,6	45,7			
7 443	100,0	5 976	1 467						
2 523	33,9	2 092	431						
519	7,0	260	259						
1 363	18,3	1 192	171						
605	8,1	599	6						
1 557	20,9	1 032	525						
1	< 0,1	1							
875	11,8	800	75						

Properties in possession (PiPs)

Rm	Nedbank Capital	Nedbank Corporate	Total Nedbank RBB	Nedbank Business Banking	Nedbank Retail	Nedbank Wealth	Central Management	Total Nedbank Group Jun 2013	Jun 2012	Dec 2012
Opening balance		220	323	16	307	31		574	619	619
Disposal/ Writedowns/ Revaluations		(37)	(141)	(1)	(140)	(11)		(189)	(72)	(391)
PiPs acquired		151	91		91			242	117	346
Closing balance		334	273	15	258	20		627	664	574
Unsold		159	220	12	208	17		397	545	407
Sold awaiting transfer		175	53	3	50	3		231	119	167

- There has been a sustained decrease in PiPs to R627m (June 2012: R664m), with a decrease of R48m in Nedbank Retail, offset by a R114m 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			
	June 2013		June 2012		June 2013		June 2012	
Product[1]	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm
Card	7 725	76	5 532	48	20 691	214	17 114	177
Personal loans	12 998	506	8 347	269	29 363	1 034	20 855	626
Mortgages	922	264	773	238	3 761	1 475	3 843	1 595
Overdrafts	4 286	9	2 960	9	6 665	29	5 919	35
Vehicle and asset finance	3 524	352	2 632	253	13 573	1 237	12 854	1 143
Total	29 455	1 207	20 244	817	74 053	3 989	60 585	3 576

[1] *All products include Nedbank Retail monoline, Retail Relationship Banking and Business Banking.*

- Overall, the portfolio continues to increase month-on-month, although inflows have slowed down in June. Portfolio performance is consistently above industry, with market marginally lower month-on-month. The rand value of secured products declined as a percentage of the total portfolio from 74% to 66% over the past 12 months.
- The portfolio is stable, with the majority of the matters finalised. Of all matters finalised, 56% are through court orders.

CREDIT CONCENTRATION RISK

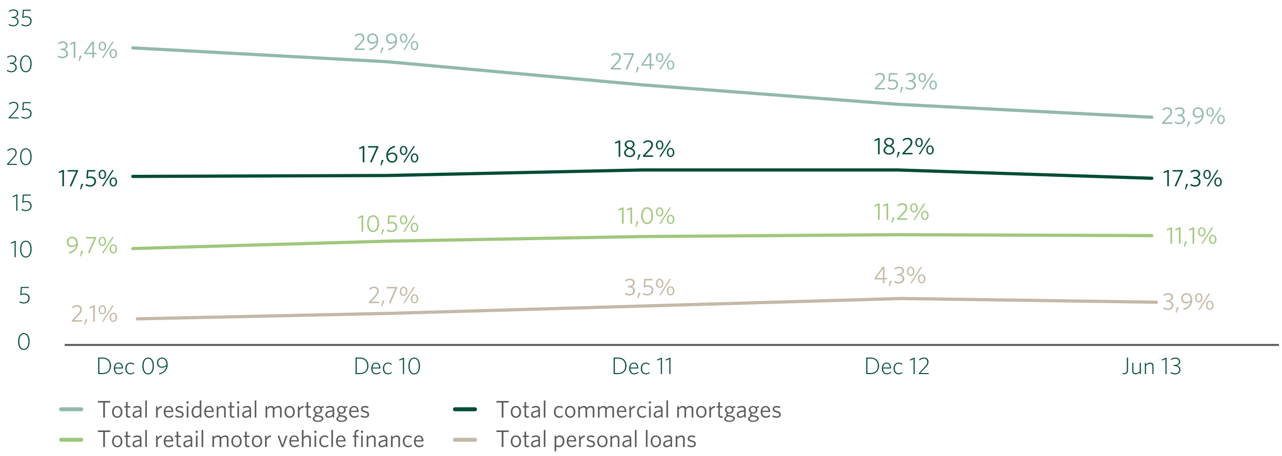
- Within Nedbank Group the credit concentration risk is actively managed, measured and ultimately capitalised for in the group's economic capital and Internal Capital Adequacy Assessment Process (ICAAP).

Single-name credit concentration risk

- Of the total group credit economic capital, only 5,6% is attributable to the top 20 largest exposures, excluding banks and government exposure, and 4,6% to the top 20 banks' largest exposures, highlighting that Nedbank Group does not have undue single-name credit concentration risk.
- Direct exposure to the SA government relates mainly to statutory liquid-asset requirements and constitutes 6,6% 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)



Nedbank Group concentration risk appetite

%	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Jun 2013
Retail motor vehicle finance: Total loans and advances	9,7	10,5	11,0	11,2	**11,1**
Residential mortgages: Total loans and advances	31,4	29,9	27,4	25,3	**23,9**
Commercial mortgages: Total loans and advances	17,5	17,6	18,2	18,2	**17,3**
Total mortgages: Total loans and advances	48,9	47,5	45,6	43,5	**41,2**
Personal loans: Total loans and advances	2,1	2,7	3,5	4,3	**3,9**

- Commercial-mortgage lending has remained relatively stable at 17,3% 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 (approximately 50%), the underpinning of corporate leases and a highly experienced management team.
- Although total mortgage exposure (ie residential and commercial) remains a significant part of the balance sheet at 41,2%, 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-mortgage market share position in the industry.

Credit concentration risk (CONTINUED)

- While Nedbank has the smallest residential-mortgage portfolio among the local peer group, the contribution of these advances as a percentage of total gross loans and advances is substantial at 23,9% at June 2013 (December 2012: 25,3%). 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 11,1% of gross loans and advances, while current market share is approximately 28,7%. Sound risk management principles are applied by an experienced management team and this was further enhanced with the approval by the SARB in 2012 of the Basel III Advanced Internal Ratings-based (AIRB) Approach for the MFC portfolio.
- Nedbank currently has the lowest market share in retail secured lending among its peers. However, it stands on 35,0% 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 4,4% of total credit economic capital.

Geographic concentration risk

- Given that 93% 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 area of core competence.
- 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 the PIIGS, is provided below.
- The direct exposure of Nedbank Group to the banking sectors of Portugal, Italy, Ireland, Greece and Spain (PIIGS) is low at R489m, with total Eurozone exposure at R12 087. 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.
- The extent of the total Eurozone exposure is only 1,82% (June 2012: 1,59%) of total balance sheet credit exposure.

Summary of exposure to banks in the Eurozone

Rm	Jun 2013	Exposure as a % of balance sheet credit exposure	Jun 2012	Exposure as a % of balance sheet credit exposure	Dec 2012	Exposure as a % of balance sheet credit exposure
Total exposure to banks in the PIIGS	489	0,07	200	0,03	161	0,03
France	4 099	0,62	2 634	0,42	4 723	0,75
Other	7 499	1,13	7 049	1,14	3 666	0,58
Total exposure to banks in the Eurozone[2]	12 087	1,82	9 883	1,59	8 550	1,36
Sovereign exposure	46 439	6,99	45 751	7,38	45 502	7,23
SA government[1]	43 612	6,56	42 910	6,92	43 314	6,88
Other countries	2 827	0,43	2 841	0,46	2 188	0,35

[1] *Predominantly comprising statutory liquid asset requirements.*

[2] *Includes the 17 European Union member states that have adopted the Euro as their common currency.*

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 significantly 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 from a specialist unit with a primary focus on risk mitigation.

Nedbank Group
Summary of market risk profile

		Jun 2013	Jun 2012	Dec 2012
IRRBB (high)				
Net interest income (NII) sensitivity to 1% decline in interest rates (equal and opposite positive NII impact for an increase in interest rates)	(Rm)	**(938)[1]**	(903)[1]	(813)[1]
NII sensitivity to 2% decline in interest rates (equal and opposite positive NII impact for an increase in interest rates)	(Rm)	**(1 901)**	(1 810)	(1 665)
% of ordinary shareholders' equity (board limit: 2,25%)	(%)	**1,67**	1,77	1,51
Trading market risk (low)				
% of group minimum economic capital requirement	(%)	**1,3**	1,3	1,3
Total value-at-risk (VaR) (99%, one-day VaR) exposure (average)	(Rm)	**7,0**	17,8	14,7
Total stressed VaR exposure (99%, one-day VaR at period-end)	(Rm)	**12,1**	31	17,1
Equity risk in the banking book (low)				
Total equity portfolio	(Rm)	**4 722**	4 972	4 492
% of total assets	(%)	**0,7**	0,7	0,7
% of group minimum economic capital requirement	(%)	**3,4**	4,5	3,9
Foreign currency translation (FCT) risk (low)				
Impact on group's total regulatory capital ratio for 10% change in the value of the rand	(%)	**0,1**	0,1	0,1

[1] *Positioned for an upward interest rate cycle.*

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 related to interest-related options embedded in bank products.
- At June 2013 the net interest income (NII) sensitivity of the group's banking book for a 1% parallel reduction in interest rates is 1,67% of total group ordinary shareholders' equity (December 2012: 1,51%), which is well within the board's approved risk limit of 2,25%.
  - This exposes the group to a decrease in NII of approximately R938m 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 pretax NII of approximately similar amounts should interest rates increase by 1%.
- Over the past 18 months the group's NII sensitivity has been actively managed through on- and off-balance sheet interest rate risk management strategies for the group's expected interest rate view.
- Nedbank Limited's economic value of equity (EVE), measured for a 1% parallel decrease in interest rates, remains at a low level of R113m at June 2013 (December 2012: R81m). The low level of EVE is the result of the group's risk management strategies, whereby assets and liabilities are generally positioned to reprice in the < 3 month repricing bucket and net working capital offsets the non-rate-sensitive transactional balances.
- The < 3 months positive net repricing profile after hedging has started to increase in 2013, with a corresponding decrease in this position between the > 3 months and < 12 months repricing buckets, as a result of the Group Asset and Liability Committees's strategy to reduce the group's sensitivity for a further interest rate cut, in the short to medium term, nearing maturity. This strategy was executed through the acquisition of treasury bills as part of the group's liquid-asset buffer portfolio. These assets were not hedged, thereby exposing the group to fixed interest rate risk, thus reducing interest rate sensitivity through a period of uncertainty in which there was increased downside risk to interest rates.

Nedbank Limited – interest rate repricing gap

Rm	< 3 months	> 3 months < 6 months	> 6 months < 12 months	> 1 year	Non-rate-sensitive and trading book
June 2013					
Net repricing profile before hedging	38 026	(9 060)	(21 091)	38 303	(46 178)
Net repricing profile after hedging	35 600	4 522	4 339	1 717	(46 178)
Cumulative repricing profile after hedging	35 600	40 122	44 461	46 178	–
June 2012					
Net repricing profile before hedging	54 212	(18 347)	(28 541)	30 454	(37 778)
Net repricing profile after hedging	40 723	665	(1 778)	(1 832)	(37 778)
Cumulative repricing profile after hedging	40 723	41 388	39 610	37 778	–
December 2012					
Net repricing profile before hedging	26 418	(14 112)	(5 279)	36 966	(43 993)
Net repricing profile after hedging	29 489	7 620	8 215	(1 331)	(43 993)
Cumulative repricing profile after hedging	29 489	37 109	45 324	43 993	–

Nedbank Limited – interest rate repricing profile

Liquid asset portfolios

- Nedbank's management of IRRBB comprehensively covers the interest rate risk associated with its prudential and buffer liquid-asset portfolios, including reprice risk and basis risk.
- Risk strategies comprise on- and off-balance-sheet components whereby the associated interest rate risk of the group's liquid-asset portfolios is used to reduce the reprice sensitivity associated with long-term debt or to manage opposing basis risk on such debt and/or is hedged using derivative positions removing the associated repricing risk. Alternatively, where the associated risk cannot be used within the banking book, such risk is transferred through market risk limits into the trading book.
- Sound risk management of this portfolio is a clear example of Nedbank's embedded interest rate risk management approach in managing risks within a clearly defined risk appetite. By way of reference, if this portfolio was not risk-managed, as articulated above, significant losses would have been realised on these portfolios as global bond yields spiked in May 2013. This followed a significant weakening of the rand as emerging markets fell out of favour and the reference made by Ben Bernanke as to a reduction in the pace of bond purchases this year.

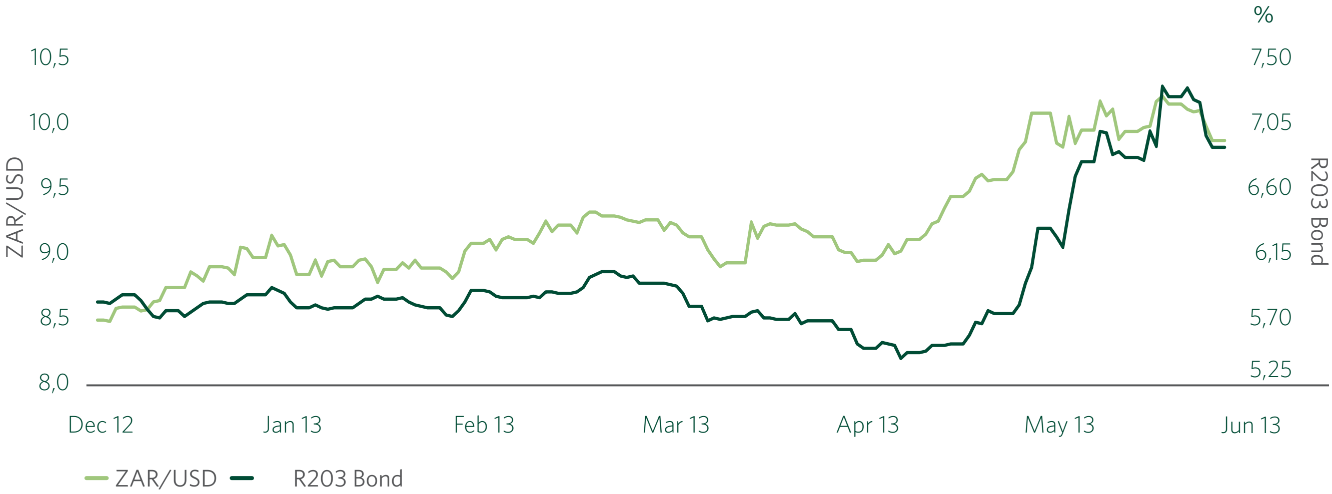
June 2013		At fair value through profit or loss		
Rm	Notional	Designated	Available-for-sale financial assets	Held-to-maturity investments
Government and other securities	27 550	19 976	40	7 534
Other short-term securities	25 150	9 765		15 385
Total	52 700	29 741	40	22 919

- Nedbank's liquid asset portfolios accounting treatment is determined by the group's interest rate risk management strategies as described above.

Sensitivity

June 2013 Rm	Notional	Portfolio sensitivity per bp Δ	H1 Δ in yield (bps) (portfolio average)	Sensitivity assuming no risk management	Maximum H1 Δ in yield (bps) (portfolio average)	Sensitivity assuming no risk management
Government and other securities	27 550	9,7	+77	(746)	+168	(1 628)
Other short-term securities	25 150	1,3	+30	(38)	+52	(65)
Total	52 700	11,0	+71	(783)	+155	(1 694)

ZAR and Bond yield volatility in 2013



- The fair value losses on these portfolios would have approximated R0,8bn at June 2013 and, at the height of bond yield moves during this period, could have been as high as R1,7bn had this portfolio not been appropriately risk-managed as described above.

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.
- In addition to applying business judgement, management uses a number of quantitative measures to manage the exposure to trading market risk. These measures include:
  - Risk limits based on a portfolio measure of market risk exposures referred to as value at risk (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 and stress and scenario analysis (and in particular stress testing) are used to add insight into the possible outcomes under abnormal market conditions.
- VaR is an important measurement tool and the performance of the model is regularly assessed through a process called backtesting. This is done by reviewing the daily VaR over a one-year period (on average 250 trading days) and comparing the actual and hypothetical daily trading revenue (including net interest income but excluding commissions and primary revenue) with the VaR estimate and counting the number of times the trading loss exceeds the VaR estimate.

Nedbank Group trading book value at risk

Risk type	Historical VaR (99%, one-day VaR)			
Rm	Average	Minimum[1]	Maximum[1]	End of period
January – June 2013				
Foreign exchange	2,5	0,6	5,8	2,1
Interest rate	4,6	2,6	10,2	3,6
Equity	2,1	0,9	5,4	0,9
Credit	3,5	3,1	4,7	3,4
Commodity	0,4	0,0	1,2	0,4
Diversification[2]	(6,1)			(4,4)
Total VaR exposure	7,0	5,1	11,4	6,0
January – June 2012				
Foreign exchange	5,3	2,0	15,3	2,4
Interest rate	8,9	4,5	13,8	10,6
Equity	6,1	0,9	13,0	0,9
Credit	2,7	1,6	4,2	2,8
Commodity	0,8	0,4	2,0	1,6
Diversification[2]	(6,0)			(7,2)
Total VaR exposure	17,8	9,6	33,5	11,1
January – December 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

[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 (Basel Committee) 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 crystalise 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 being considered.

Nedbank Group trading book stressed VaR

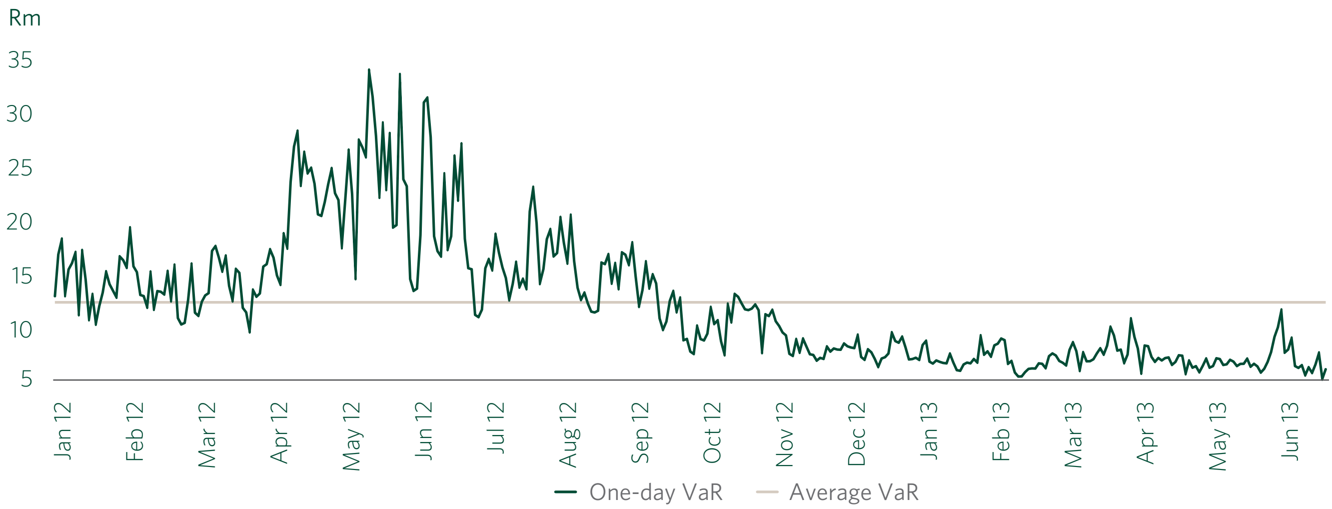
Risk type Rm	Historical stressed VaR (99%, 10-day VaR) Average	 Minimum[1]	 Maximum[1]	 End of period
January – June 2013				
Foreign exchange	22,5	3,5	59,8	9,7
Interest rate	46,1	25,4	81,0	30,4
Equity	24,4	6,7	44,5	6,7
Credit	24,3	13,9	29,7	22,5
Commodity	1,3	0,2	3,1	0,9
Diversification[2]	(51,9)			(31,8)
Total stressed VaR exposure	66,7	37,4	105,2	38,4

[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.*

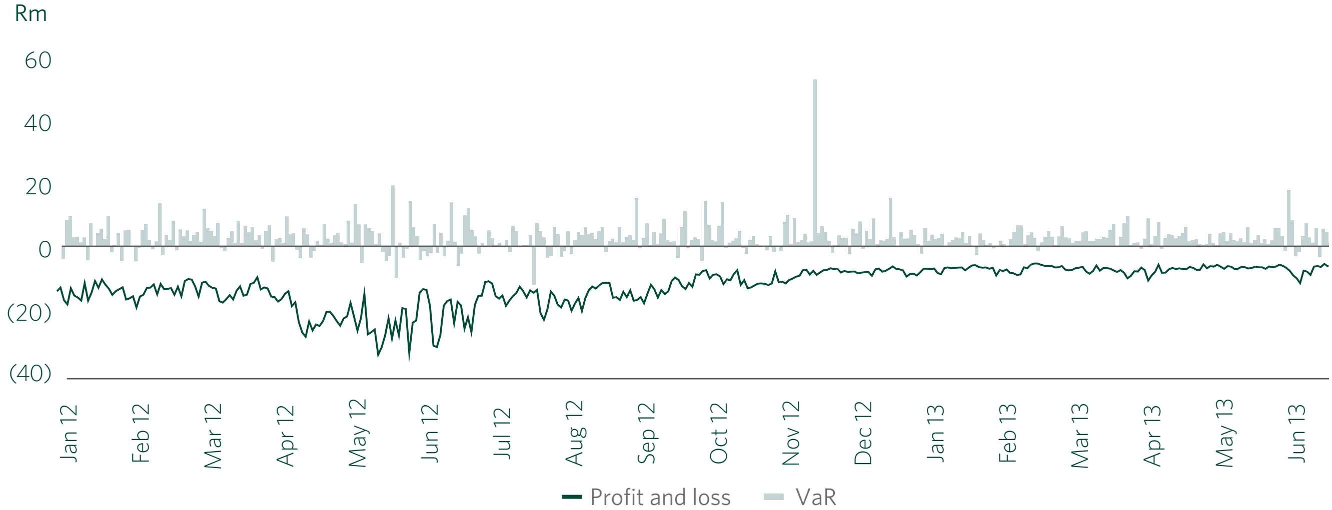
- Stressed VaR has been calculated for regulatory purposes since 1 January 2012 (following approval from the SARB in the 2011 IMA review). Stressed VaR is calculated weekly and is included on the daily BA325 and monthly BA320 that are submitted to the SARB. It is calculated using a 99% confidence interval for a one-day holding period and then scaled to a 10-day holding period. There have been no changes to this methodology in 2013. Furthermore, the stress period remains 1 July 2008 until 30 June 2009 (this is formally reviewed annually and monitored weekly).
- The graph below illustrates the daily normal VaR for the 18-month period to 30 June 2013. 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 were significantly reduced during the latter part of the year, resulting in a decreased contribution from this risk factor.
- The first quarter of 2013 was characterised by low market volatility. In contrast, the second quarter of 2013 saw a significant uptick in volatility across major risk types, largely due to weaker economic data globally and comments by the US Federal Reserve hinting at a reduction in quantitative easing.

VaR utilisation for the 18 months ended June 2013 (99%, one-day VaR)



- 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 342 days out of a total of 373 days in the period. The average daily trading revenue generated for the period, excluding that related to investment banking, was R8,03m (December 2012: R7,61m). In November 2012 Nedbank Capital facilitated a number of hedging transactions. These deals resulted in a significant positive trading income.

VaR profit and loss for the 18 months ended June 2013



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

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 III 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 contain significant enhancements and, in particular, introduce a credit valuation adjustment (CVA) capital charge. On 21 December 2012 the SARB issued directive D3/2012, which came into effect on the 1 January 2013, which allows a zero risk weight for CVA on ZAR-based derivatives and derivatives with local counterparties pending the finalisation of a centralised counterparty for over-the-counter (OTC) derivatives in SA.
- The Basel Committee published a consultative document in June 2013, for comment in September 2013, entitled the Non-internal Model Method for Capitalising Counterparty Credit Risk Exposures. The document relates to the introduction of a new model that will replace the CEM and Standardised Model (SM) with the intention to:
  - address the known deficiencies of both the CEM and the SM;
  - minimise the discretion used by national authorities and banks while helping both national authorities and banks to better understand banks' risk profiles relating to derivatives exposures; and
  - improve the risk sensitivity of the capital framework significantly without creating undue complexity.
- South Africa, as a member of the G20, has committed itself to OTC derivative reform aimed at reducing systemic risk and Nedbank is actively engaged with the industry and its regulators to achieve this objective.
- 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 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. Under a worst-case scenario or credit-rating downgrade, it is estimated that collateral would increase by less than 15%.

Over-the-counter derivatives for Nedbank Group

OTC derivative products	June 2013		December 2012	
Rm	Notional value	Gross positive fair value	Notional value	Gross positive fair value
Credit default swaps	33 387	613	29 554	199
Embedded derivatives	3 675[1]	36	3 501	4
Trading	29 712	577	26 053	195
MarkIt iTraxx Europe	24 879[2]	551	21 405	174
Third Party	4 833[3]	26	4 648	22
Equities	1 740	1 294	2 884	1 682
Foreign exchange and gold	199 771	4 423	206 245	2 637
Interest rates	727 255	9 651	760 183	10 103
Other commodities				
Total	962 153	15 981	998 866	14 621

1 *Credit default swaps embedded in credit-linked notes issued by Nedbank Group whereby credit protection of R716m is purchased or credit-linked notes purchased whereby credit protection of R2 959m is sold.*

2 *Trading positions MarkIt iTraxx Europe through the purchase (R12 440m) and sale (R12 439m) of credit protection.*

3 *Trading positions third-party transactions through the purchase (R1 133m) and sale (R3 700m) of credit protection.*

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
June 2013	15 981	9 403	6 578	1 504	5 074	9 230	3 187[1]
December 2012	14 621	6 867	7 754	510	7 244	8 959	3 403

[1] *Risk weighted assets for June 2013 consist of counterparty credit risk (CCR) of R2 713m and a CVA charge of R474m introduced in Basel III as per SARB-issued directive D3/2012.*

Securities financing transactions (SFTs)

Rm	Gross positive fair value	Collateral value after haircut	Netted current credit exposure (after mitigation)	Exposure at default	Risk-weighted assets
June 2013					
Repurchase agreements	24 742	23 570	1 172	1 182	102
Securities lending	7 572	12 405	971	971	127
Total	32 314	35 975	2 143	2 153	229
December 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

EQUITY RISK

- The total equity portfolio for investment risk is R4 722m (December 2012: R4 492m).
  - A total of R3 218m (December 2012: R3 414m) of this portfolio is held for capital gain, while the balance predominantly comprises strategic investments.

Investments	Publicly listed			Privately held			Total		
Rm	**Jun 2013**	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012
Fair value disclosed in balance sheet (excluding associates and joint ventures)	**566**	859	533	**3 658**	3 540	3 320	**4 224**	4 399	3 853
Fair value disclosed in balance sheet (including associates and joint ventures)	**566**	859	533	**4 156**	4 113	3 959	**4 722**	4 972	4 492

- 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, 3,4% of the group's total economic capital requirement and 3,9% 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	**Jun 2013**	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012	**Jun 2013**	Jun 2012	Dec 2012
Securities dealing	**(71)**	117	138	**(105)**	43	(38)	**34**	74	176
Investment income – dividends received	**134**	22	73	**132**	22	51	**2**		22
Total	**63**	139	211	**27**	65	13	**36**	74	198
Realised	**136**	117	260	**132**	112	116	**4**	5	144
Unrealised	**(73)**	22	(49)	**(105)**	(47)	(103)	**32**	69	54
Total	**63**	139	211	**27**	65	13	**36**	74	198

- 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 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.
- In accordance with the SARB circular 2/2012 foreign currency translation (FCT), share-based payments (SBP) and available-for-sale (AFS) reserves qualify as regulatory capital under Basel III with effect from 1 January 2013. The inclusion of FCT in qualifying regulatory capital and reserves results in an additional supply of common-equity tier 1 capital of R957m for the group at June 2013.

Nedbank Group – offshore capital split by functional currency

$m (US dollar equivalent)	Jun 2013			Jun 2012			Dec 2012		
	Forex-sensitive	Non-forex-sensitive	Total	Forex-sensitive	Non-forex-sensitive	Total	Forex-sensitive	Non-forex-sensitive	Total
US dollar	145		145	155		155	136		136
Pound sterling	126		126	133		133	146		146
Swiss franc	7		7	5		5	7		7
Malawi kwacha	5		5	7		7	5		5
Other		543	543		552	552		569	569
Total	283	543	826	300	552	852	294	569	863
Limit	350			350			350		

- Equity in forex-sensitive foreign subsidiaries has decreased marginally by 7,48% to $283m. Total offshore capital has also decreased by 8,58% to $826m at 30 June 2013, largely as a result of the weaker pound sterling relative to the US dollar (ie $1,5228/GBP relative to $1,6175/GBP at end of June 2013 and December 2012 respectively).
- Foreign currency translation risk remains relatively low and is aligned with the appropriate offshore capital structure of the group. The total risk-weighted assets for the group's foreign entities is approximately R17,3bn, being low at approximately 4,52% of the group. The average total tier 1 ratio for capital of the group's foreign-denominated business is 8,7% and well above the regulatory requirements.
- Any foreign exchange rate movement will therefore have a small effect on Nedbank Group's capital adequacy.

INSURANCE RISK

- Insurance underwriting activities are predominantly undertaken by Nedgroup Life Assurance Company Limited (Nedgroup Life) and Nedgroup Insurance Company Limited (Nedgroup Insurance) within the Nedbank Wealth Cluster.
  - 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 SA 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 2016. SAM, like Basel II, is based on three pillars and is intended to be implemented on 1 January 2016 (previously 2015). The FSB will be running light parallel runs in 2014 with more comprehensive parallel runs in 2015.

  The insurance businesses are on track with their SAM implementation. Through a proactive approach the regulations have been embedded in risk management frameworks, strategic initiatives and system enhancements. Nedbank is comfortable that these requirements will become part of our business as usual reporting as the regulations evolve further.

  SAM regulations have been embedded into existing risk frameworks with a heightened focus on governance structures and reporting. Governance committees, policies and processes have been optimised to cater for the new requirements within the existing business units and oversight. The approach taken by the businesses is to ensure strategic alignment of SAM by using risk management in the business decisionmaking framework and business planning processes. This is evident in a detailed Own Risk and Solvency Assessment (ORSA), process that is being embedded in the existing reporting structures. It is an integral component of the insurance companies Enterprisewide Risk Management Framework (ERMF), Capital Management Framework, strategy and business planning and day-to-day business operations and decisions.
- 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 1,2% (December 2012: 0,8%) of the group minimum economic capital requirement. The solvency ratios are reflected in the following table:

Solvency ratios	Regulatory minimum	Target range[1]	Jun 2013	Jun 2012	Dec 2012
Long-term insurance (Nedgroup Life)	1,00x	> 1,5x	5,3x	5,8x	5,1x
Short-term insurance (Nedgroup Insurance)	1,25x	> 1,3x	1,8x	2,0x	1,6x

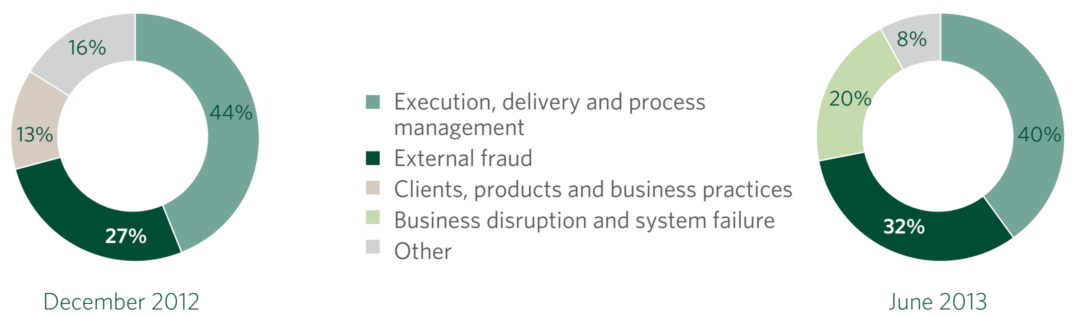
[1] *Management target range is based on the greater of regulatory and economic capital.*

- In SA 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. The ratios improved slightly from 5,1 times at year-end to 5,3 times at 30 June 2013.
- The short-term insurance ratio improved from 1,6 times (December 2012) to 1,8 times (June 2013), which is well above the target level.

OPERATIONAL RISK

- Nedbank Group has been 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 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 data



- Internal loss data is generally classified in seven event-type categories. Nedbank Group's June 2013 and December 2012 operational risk loss profile from internal loss data is dominated by two event types, namely:
  - Execution, delivery and process management (EDPM)
  - External fraud (EF)

  Clients, products and business practices that had been significant in 2012 were replaced in 2013 by business disruption and system failure as the third most significant loss event type.
- In June 2013 the EDPM contribution to the operational risk loss profile decreased to 40% from 44% in December 2012. EF increased from 27% to 32% over the six-month 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.

BASEL III UPDATE

- Nedbank successfully implemented Basel III with effect from 1 January 2013 and remains well positioned.
  - Strong capital ratios, well above minimum regulatory requirements and within new Basel III target ranges on day one.
  - Liquidity-coverage-ratio (LCR) -compliant.
  - Net stable funding ration (NSFR) still work in progress and most likely to be changed significantly over next two years.
  - No issue with the leverage ratio.
  - Strategic impact of Basel III has been proactively managed and planned for since 2010.
    - Using portfolio tilt as one of Nedbank's four key strategic focus areas.
  - Additional international regulatory reforms not anticipated to materially impact SA banks.
- Unlike Basel II implemented in 2008 as a 'big bang', Basel III is being phased in/implemented over several years from 2013 to 2019, and as such there are significant work-in-progress items as summarised on the next page.

Summary overview of Basel III and timelines

Key component	Basel I 1988	Basel II 2008	Basel II.5 2012	Basel III 2013 – 2019	2013	2014	2015	2016	2017	2018	2019
Capital	Tier 1 and tier 2 definitions and minimum ratios			Improved quality and definition of capital	■	■	■	■	■	■	
				Higher risk-weighted assets (RWA) requirements	■						
				Higher minimum ratios	■	■	■	■	■	■	■
				New capital buffers				■	■	■	■
				Fully loss-absorbent capital instruments	■	■	■	■	■	■	■
Leverage				Leverage ratio			■	■	■	■	
Liquidity				LCR			■ 60%	■ 70%	■ 80%	■ 90%	■ 100%
				NSFR – subject to change						■ 100%	
				Liquidity risk management standards and disclosure	■		■				
Risk and the three pillars	Pillar 1 credit risk	Pillar 1 credit risk (comprehensively revised)	AIRB[1] credit risk 6% scaling factor (South Africa)	Pillar 1 counterparty credit risk and centralised clearing counterparties	■	■	■				
	Pillar 1 market risk (revised 1998)	Pillar 1 equity risk	Pillar 1 securitisation revisions	Securitisation framework review (version 2)		■					
		Pillar 1 securitisation risk	Pillar 1 market risk trading book revisions	Trading book review (version 2)		■					
		Pillar 1 operational risk	Pillar 2 enhancements (risk management and governance)	Recovery and resolution plan	■	■					
		Pillar 2 Internal Capital Adequacy Assessment Processs (ICAAP)		Pillar 3 – enhancements to disclosure	■	■					
		Pillar 3 disclosure		Other items		■	■	■	■	■	■

■ = implementation/phasing-in

[1] *Advanced Internal Ratings-based.*

Summary of Basel III work-in-progress items

- Fundamentally revisit the NSFR
- Balancing risk sensitivity, simplicity and comparability
  - RWA comparability project
- LCR disclosure requirements
- Recovery and resolution plans
- Revisions to leverage ratio
- Centralised clearing counterparties
- Non-internal model (NIM) method for counterparty credit risk
- Large exposure rules/concentration risk
- Forward-looking impairments (IFRS 9)
- Fundamental review of the trading book
- Fundamental review of securitisation framework
- Revision to the Operational Risk Basel II Framework
- Interest rate risk in the banking book
- Enhancing the risk disclosures of banks (Pillar 3)
- Peer reviews of Basel III implementation

OTHER REGULATORY CHANGE

- ☐ **National Credit Act (NCA)**

  Provisions of this act together with relevant awareness, are well embedded within Nedbank following a successful NCA programme. The Department of Trade and Industry (dti) has issued an NCA Draft Amendment Bill for comment following the issue of a draft policy review document. Nedbank has submitted comments to the dti on the bill and will also form part of the broader industry feedback via The Banking Association of South Africa (BASA).

- ☐ **Consumer Protection Act (CPA)**

  Meeting the requirements of the CPA are a business-as-usual practice within the organisation. In addition to conforming to the compliance requirements as stipulated in the act, the group fully adopts its spirit and intention, with client satisfaction receiving enhanced focus.

- ☐ **Financial Intelligence Centre Act (FICA)**

  Nedbank has a designated Money Laundering Unit, as well as an independent money laundering control officer appointed in terms of section 43 (b) (ii) of FICA.

  This remains a constant focus for the group, in light of the increasing requirements of the Financial Intelligence Centre.

- ☐ **Companies Act**

  The new Companies Act has been successfully implemented within the group. Compliance with requirements of the act occurs on a business-as-usual basis. Nedbank remains constantly vigilant in respect of new developments and provisions.

- ☐ **Foreign Account Tax Compliance Act (FATCA)**

  A formal programme is currently underway to ensure compliance with the US Internal Revenue Service (US-IRS) regulation released in January 2013. The financial services industry awaits the signing of an intergovernmental agreement between South Africa and the US IRS, anticipated to be concluded during October 2013. Nedbank Group remains well positioned to meet the requirements of the act.

- ☐ **Protection of Personal Information (POPI)**

  The POPI Bill is yet to be signed into law. The bill in its current form provides for a one-year implementation phase-in from the date of promulgation. Nedbank has embarked on a formal programme to ensure compliance, which is designed to align the conditions of the draft bill with those of the UK Data Protection Act 9 (as required by Old Mutual plc).

- ☐ **Bribery/Corruption**

  Nedbank is committed to combatting bribery and corruption within the group. The requirements of the Prevention and Combating of Corrupt Activities Act (PRECCA) as well as the UK Bribery Act are successfully embedded within the organisation.

- ☐ **Banks Act**

  The Banks Act Amendment Bill seeks to align terminology with the new Companies Act and Basel III. Nedbank is compliant with the provisions and well positioned to meet the future capital and liquidity requirements.

  The various circulars, directives and consultative papers from the SARB are tracked to ensure ongoing compliance.

- ☐ **Tax Laws General Amendment Bill**

  With many of the provisions of the bill anticipated to be effective from March 2014, the bill is likely to be promulgated in October 2013. Nedbank is currently collating feedback on the bill and will accordingly provide this to the SA Revenue Services through BASA.

- ☐ **Treating Customers Fairly (TCF)**

  The Financial Regulatory Reform Steering Committee (FRRSC), comprising National Treasury, the Financial Services Board (FSB) and SARB, is in the process of consultation on the implementation of a 'twin peaks' model of financial regulation in South Africa. The model will result in a 'split' in the regulatory and supervisory authority between the FSB and SARB, which in effect will give the SARB authority over prudential matters and FSB a mandate over market conduct matters. TCF is a key driver of that market conduct mandate. Although not yet implemented, the FSB has published outcomes for its TCF programme and commenced with the drafting of regulatory and supervisory frameworks. Nedbank has actively participated in all consultation processes and requests.

- ☐ In conclusion, Nedbank is well positioned to meet all the necessary regulatory requirements specified.

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*Executive ** Senior independent non-executive director

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Reg No:	1966/010630/06
JSE share code:	NED
NSX share code:	NBK
ISIN:	ZAE000004875
Sponsors in SA:	Merrill Lynch South Africa (Pty) Limited
	Nedbank Capital
Sponsor in Namibia:	Old Mutual Investment Services (Namibia) (Pty) Limited

This announcement is available on the group's website at nedbankgroup.co.za, together with the following additional information:
Detailed financial information in HTML and PDF formats.
Financial results presentation to analysts.
Link to a webcast of the presentation to analysts.

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

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