

# Stakeholder Overview

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



GRI FSSS: FS5



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

## STAFF

### Great place to work



#### Reasons for engagement

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

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

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



Cultural Sustainability Pg 69 - 73

#### Types of engagement

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



#### Feedback received

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

**Nedbank staffmember**



#### Seeing the results

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

## CLIENTS

### Great place to bank



#### Reasons for engagement

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

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

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

To ensure accuracy of personal information.



Stakeholder Overview Pg 20 - 23

#### Types of engagement

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



#### Feedback received

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

**Business Banking client**



#### Seeing the results

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

## SHAREHOLDERS

### Great place to invest



#### Reasons for engagement

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



Stakeholder Overview  
Pg 24 - 25



#### Feedback received

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



#### Seeing the results

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

#### Types of engagement

Local and international roadshows.  
Ad hoc communications and answering investor and analyst questions.  
Annual general meeting and other investor meetings.  
Conferences and presentations.  
Securities Exchange News Service (SENS) announcements.  
Media releases.  
Investment analyst briefings.  
Feedback via broker reports and the corporate website.  
Detailed information on all published documents to ensure full disclosure of relevant information.  
In addition to the above, Nedbank Group regularly engages with its holding company, Old Mutual Group, to ensure alignment of policies and methodologies, the effective capturing of synergies and leveraging of opportunities.

## REGULATORS

### Worldclass at managing risk



#### Reasons for engagement

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



Stakeholder Overview  
Pg 26 - 27



#### Feedback received

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

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

#### Types of engagement

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



#### Seeing the results

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

## COMMUNITIES

### Highly involved in the community and environment



#### Reasons for engagement

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

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

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

To create awareness of our integrated sustainability commitment and initiatives.



Stakeholder Overview  
Pg 28 - 33



#### Feedback received

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

Enver Surty, Deputy Minister of Education

#### Types of engagement

Nedbank Foundation - ongoing support of projects and interaction with a wide variety of non-profit and governmental organisations.  
Environmental/Sustainability partnerships with the World Wide Fund for Nature SA, Cambridge Programme for Sustainability Leadership, Sustainability Institute and the United Nations Environment Programme Finance Initiative (UNEP FI).



#### Seeing the results

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



## REVIEW OF 2012

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

# Staff

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

 Cultural Sustainability Pg 69 - 73

 GRI 3.1: 4.4, 4.17

 Transformation Report

 Supplementary content online

 Exceeded

 Achieved

 Not achieved

## TARGETS FOR 2013

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



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



## OBJECTIVES FOR 2013 AND BEYOND

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



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



## REVIEW OF 2012

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

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

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

# Clients

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



## TARGETS FOR 2013

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



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

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

 Exceeded  
 Achieved  
 Not achieved

## STRATEGIC FOCUS AREAS AND OBJECTIVES FOR 2013 AND BEYOND

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

## DATA PROTECTION AND PRIVACY

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

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

## RESPONSIBLE PRODUCT/INFORMATION LABELLING

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

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



GRI  
FSSS: FS15



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



# Shareholders

## REVIEW OF 2012

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

## STRATEGIC FOCUS AREAS FOR 2013

- Further progressing towards meeting the medium-to-long-term financial targets.
- Delivering on our strategic focus areas (refer to the investment case on page 12 for more details).
  - Reposition Nedbank Retail.
  - Grow NIR.
  - Portfolio tilt.
  - Rest of Africa.

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

Governance and Ethics Review Pg 140 - 145

Financial Report Pg 76 - 83

GRI 3.1: 4.17

<sup>1</sup> Return on equity.

<sup>2</sup> Cost of equity.

<sup>3</sup> Headline earnings per share.

<sup>4</sup> Consumer price index excluding mortgage bond interest cost.

<sup>5</sup> Gross domestic product.

<sup>6</sup> Non-interest revenue.

<sup>7</sup> Capital adequacy ratio.

<sup>8</sup> Internal Capital Adequacy Assessment Process.

## CHALLENGES IN DELIVERING ON OBJECTIVES IN 2012

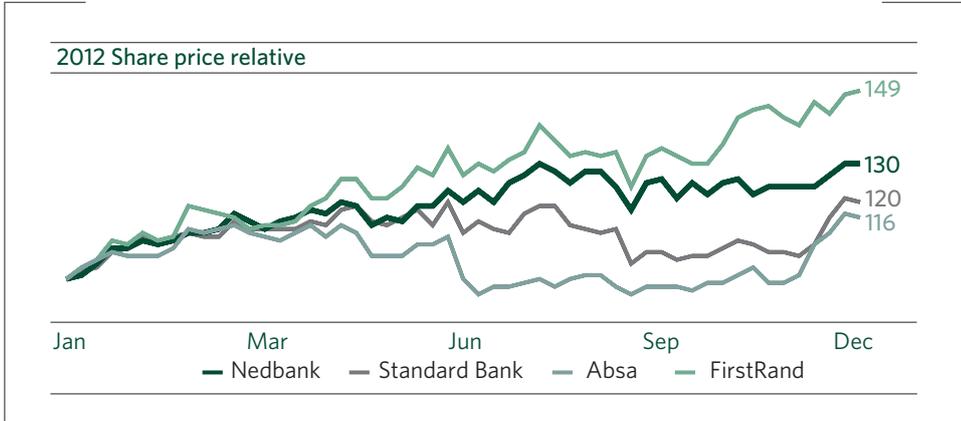
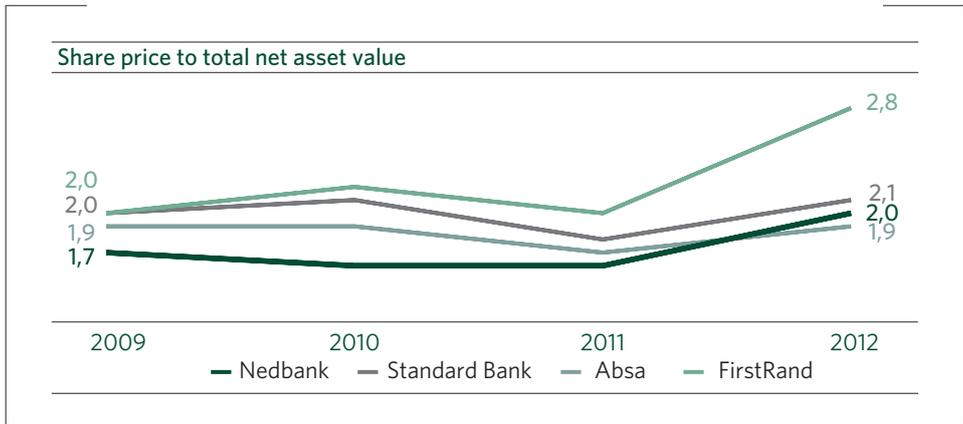
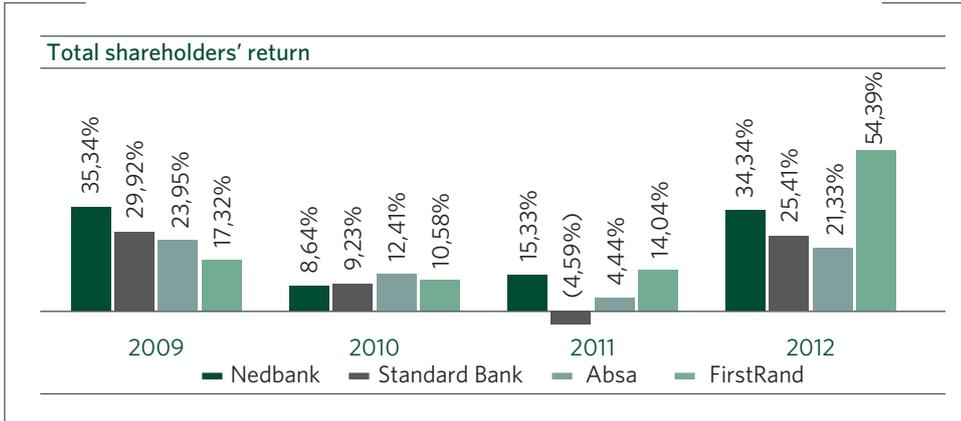
- Weak global economic environment resulting in SA's low GDP growth of 2,5% for 2012 compared with 3,1% in 2011.
- A 50 basis point interest rate cut in July 2012 led to endowment income pressure.

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

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

✓ Achieved

✗ Not achieved



HOT TOPICS	RESULTING DEVELOPMENTS
Unsecured lending	Personal loan book growth slowed down in H2 2012. The portfolio impairment charge strengthened. Selective risk-based origination enabled our client's financial fitness.
Bank fees	We kept increases below inflation. We provided bundled benefits for clients (R163m in 2012). We simplified pricing and communication.
Impact of deteriorating environment	We managed our expenses well, with growth at 8,5% (2011: 14%). Increased portfolio impairment charge and strengthened coverage. Capital ratios and liquidity positioning strengthened.
Progress on Nedbank Retail	Refer to Retail strategic drivers on page 53. We gained a significant amount of new clients, achieved higher cross-sell ratios, continued investment in the footprint, introduced new innovative CVPs and products, and continued proactive risk management.
Potential for further return on equity	Improvements were experienced across all key performance indicators. A sustainable approach was maintained by continuing to invest for future growth and strengthening the balance sheet.



## REVIEW OF 2012

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

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

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

# Regulators

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

Risk and Balance Sheet Management Pg 130 - 139

GRI 3.1: 4.17

Exceeded  
 Achieved  
 Not achieved

## TARGETS FOR 2013

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



## KEY STRATEGIC OBJECTIVES FOR 2013 AND BEYOND

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

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

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

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



## REVIEW OF 2012

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

# Communities

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



Sustainable Development Performance Review Pg 58 - 73



GRI 3.1: 4.17



Exceeded



Achieved



Not achieved

## TARGETS FOR 2013

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



2012 Objective	Making things happen in 2012	2012 Scorecard
----------------	------------------------------	----------------

### Lead as a 'green bank'

#### Integrated sustainability step change:

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

