MAKE THINGS HAPPEN

NEDBANK GROUP

NEDBANK GROUP LIMITED

INTEGRATED REPORT

for the year ended 31 December 2014

A Member of the OLDMUTUAL Group

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

Online supplementary information (see page 5) can be accessed on our website or you can scan with the QR code reader of your smart device to access supplementary documents.

Available at **nedbankgroup.co.za**

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

HOW WE
CREATE VALUE

Commitment to creating value for all stakeholders

Unique client-centred culture

Market-leading wholesale bank

Growth-orientated strategy

Integrating sustainability throughout the group

2

COMMITTED TO **TRANSPARENT REPORTING**

DEMONSTRATING VALUE CREATION THROUGH INTEGRATED REPORTING

Nedbank Group is committed to and fully embraces the principles of integrated reporting. For us, integrated reporting involves more than merely adhering to an accepted reporting framework. Rather, integrated reporting allows our group to tell a clear and comprehensive story about our commitment to creating value for all our stakeholders, provide details of our successes and outline challenges in terms of realising that commitment during the year in review, as well as our plans and strategies going forward.

To this end this 2014 Nedbank Group Integrated Report demonstrates our continued commitment to integrating sustainability throughout our organisation and creating value for the benefit of our stakeholders.

SCOPE AND BOUNDARY OF REPORTING

The Nedbank Group Limited Integrated Report is produced and published annually and this report covers the period 1 January to 31 December 2014. Any material events after this date and up to the group's board of director's approval on 11 March 2015 have also been included.

This report covers the performance of all the operating businesses of Nedbank Group in SA and internationally. However, it excludes information on organisations in which we hold a minority stake.

The report is intended primarily to address the information requirements of long-term investors, but also presents details relevant to our primary stakeholders, including our staff, clients, shareholders, regulators and communities.

The content of this report is aligned with the requirements of the King Code of Governance Principles for SA (King III Code), the International Integrated Reporting Framework, and is in accordance with the 'core' level of the Global Reporting Initiative (GRI) G4.

Our ability to create value depends on certain forms of capital, how we use them and our impact on them. In this report we apply the capitals model, identified by the International Integrated Reporting Council, in managing and accessing our ability to create value over time. Our report aims to explain how we use and affect the capitals. We recognise that the capitals are interrelated and fundamental to the long-term viability of our business. Intellectual capital is integrated into the human, financial and manufactured capitals as this better reflects the nature of our business as a financial services organisation.

In assessing what is included in our integrated reporting we applied the principle of materiality. Accordingly the boundary of the report extends beyond financial reporting and includes non-financial performance, integrated sustainability development opportunities, risks, and outcomes attributable to or associated with all stakeholders that have a significant influence on the ability of Nedbank Group to create value.

ALWAYS LEARNING, ALWAYS PROGRESSING

This is the fourth integrated report we have produced and, as such, it builds on the previous report of 31 December 2013, enriching our engagement with our stakeholders.

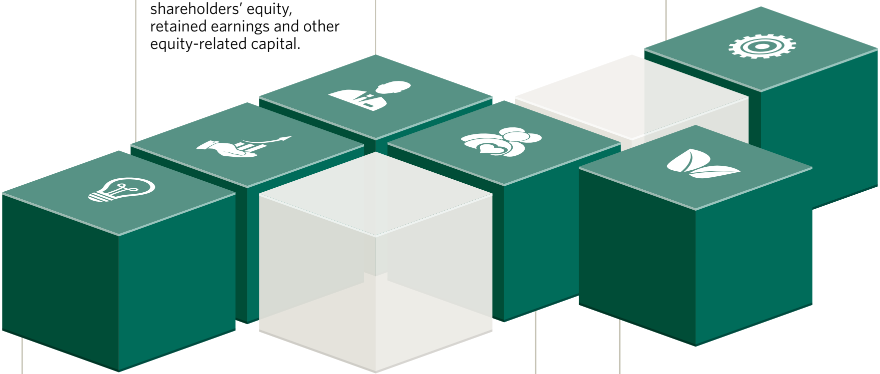
To ensure continued progress in terms of our success at integrated reporting, this report was compiled following extensive assessment of the feedback we received on our 2013 report from our stakeholders, industry peers and various professional evaluation panels.

OUR CAPITALS ARE INTERRELATED AND FUNDAMENTAL TO THE LONG-TERM VIABILITY OF OUR BUSINESS

Financial capital relates to the bank's capital from investors and funding from clients (liabilities) that is used to support our business and operational activities to generate earnings for shareholders. Capital includes ordinary and preference shareholders' equity, retained earnings and other equity-related capital.

Human capital is represented by our people; our investment in management and leadership development; and the knowledge, skills and experience they collectively bring to enable innovative, convenient and competitive solutions for our clients.

Manufactured capital embraces our business structure and operational processes, including our physical and digital infrastructure as well as information technology that provides the framework and mechanics of how we do business and make money.



Intellectual capital refers to our human capital and our intellectual assets, such as our brand and franchise value, research and development, innovation capacity as well as our reputation. This is integrated into the human and manufactured capitals.

Social and relationship capital reflects Nedbank's citizenship and the strong relationships we have with our stakeholders, including the communities we live in, as we recognise the important role that banks play in building a strong and thriving nation.

Natural capital refers to naturally occurring biological, physical, biophysical, chemical and mineral assets, as well as their interplay through healthy functioning ecosystems, on which all life depends. Within the financial sector the impact, both positive and negative, of our operations and business activity on natural resources is considered.

MATERIAL MATTERS

This report focuses particularly on those issues, opportunities and challenges that impact materially on Nedbank Group and its ability to be a sustainable business that consistently delivers value to its stakeholders. These material matters influence our group's strategy and also inform the direction of this report.

Material matters 18 – 24

RESPONSIBILITY, ASSURANCE AND INDEPENDENT ASSESSMENT

External assurance is the responsibility of a combined financial and non-financial assurance team from Deloitte & Touche and KPMG Inc. We believe that our report is in accordance with the 'core' level of the GRI G4 and the related principles of materiality, completeness and sustainability. Although no opinion is expressed, as part of the assurance process of specific indicators our auditors have read our reports and have not identified any material weaknesses in their management report relating to our GRI 'core' level disclosures.

It also confirms the use of the principles of inclusivity, materiality and responsiveness in accordance with AccountAbility's AA1000APS (2008).

Limited assurance is expressed over the specified key performance indicators, listed on page 12a, which are marked with a ✓ in the report.

The annual financial statements have been audited, and the report from our independent auditors appears on page 19a.

This integrated report also conforms to the requirements of the South African Companies Act, No 71 of 2008, and the JSE Listings Requirements.

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

An analysis of our compliance with the 'core' level of GRI G4 is available electronically at **nedbankgroup.co.za**.

Validating our sustainability journey 12a – 13a

RESPONSIBILITY **OF THE BOARD**

This 2014 Nedbank Group Integrated Report was approved by the Nedbank Group Board of Directors on 11 March 2015.

Statement of the Board of Directors of Nedbank Group

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

Dr Reuel Khoza
Chairman

11 March 2015

Mike Brown
Chief Executive

HOW TO READ THIS REPORT

This report should be read in conjunction with the many other supplementary reports and reviews we produce to cater for the needs of our diverse stakeholder groups, all of which are available at **nedbankgroup.co.za**.

In striving to distinguish between the needs of our various stakeholders, as well as the various regulatory requirements and integrated reporting guidelines, we have divided this 2014 integrated report into two sections. The front section (pages 2 to 95) serves as our integrated report aimed at providing a succinct read, while we have an additional section containing information required for compliance or regulatory purposes, specific shareholder requests and details pertaining to our annual general meeting.

We have also incorporated various links to videos that include personal insights and messages from our leadership, as well as content that reflects the heart and soul of Nedbank Group.

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

Comprehensive review of our 2014 performance available at **nedbankgroup.co.za.**

ONLINE SUPPLEMENTARY INFORMATION

- **2014 Nedbank Group Annual Consolidated Financial Statements**
  A full set of audited annual financial statements for the group, including the Group Audit Committee Report, is based on IFRS, the Companies Act, the JSE Listings Requirements and the King Code.
- **2014 Results Booklet**
  A detailed analysis of the group's financial results and risk and capital management for 2014.
- **2014 Nedbank Limited Annual Report**
  The annual report of Nedbank Limited, which is a wholly owned subsidiary of Nedbank Group Limited.
- **2014 Pillar 3 Risk and Capital Management Disclosure Report**
  A detailed report on how we manage strategic financial and non-financial risks related to the group's banking and insurance operations, as well as capital and liquidity management and regulatory developments. Selected information in this report forms part of the audited financial statements in the integrated report, annual financial statements, annual results booklet and Nedbank Limited Annual Report.
- **2014 Nedbank Group Transformation Report**
  Summarised view of our group's transformation commitments, actions and investments in 2014.
- **2014 Nedbank Group King III Principles**
  Overview of the application of King III and details of any non-inclusions.
- **2014 Global Reporting Initiative G4**
  Reference document detailing Nedbank Group's compliance with the 'core' level G4 requirements, including those specific to the financial sector.
- **2014 Supplementary Information**
  Governance and Ethics Review
  Detailed information regarding our governance and ethics commitments.

  Sustainability Review
  Detailed information regarding the integration of sustainability into our business in 2014.

  Operational Overview
  Detailed review of performance by all clusters and business areas in 2014.

OVERVIEW OF OUR GROUP

PROFILE OF OUR BUSINESS

WHO WE ARE

Nedbank Group is one of SA's four largest banking groups by assets and deposits, with Nedbank Limited being our principal banking subsidiary. We are a JSE Top 40 company with our ordinary shares listed on the JSE since 1969 and on the Namibian Stock Exchange since 2007. Our market capitalisation was R124bn at 31 December 2014. Old Mutual plc is our majority shareholder, with a 54,0% ownership of the group.

We provide a wide range of wholesale and retail banking services and a growing insurance, asset management and wealth management offering through five main business operations, namely Nedbank Capital, Nedbank Corporate, Nedbank Business Banking, Nedbank Retail and Nedbank Wealth. From 31 December 2014 we simplified these clusters into Nedbank Corporate and Investment Bank, Nedbank Retail and Business Banking, and Nedbank Wealth. Our Rest of Africa Division, which is small but growing in bottomline contribution, is housed within the Chief Operating Officer's portfolio.

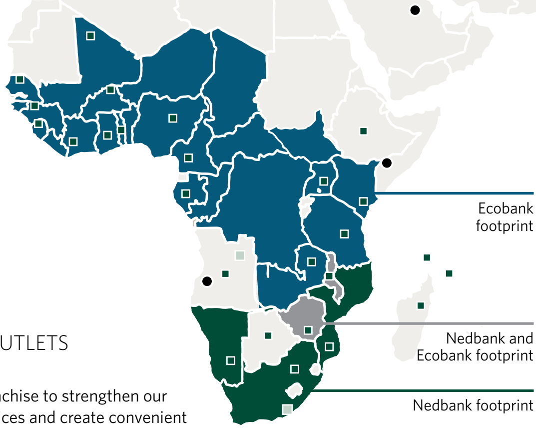
Our growth-orientated strategy is underpinned by a strong wholesale business, growing retail franchise as well as our business into the rest of Africa. More detail on this can be found on pages 25 to 35. We are a market-leading wholesale bank and are well positioned in commercial property finance, business banking, investment banking, vehicle finance, card-acquiring, deposit-taking, and asset and wealth management.

WHERE WE OPERATE

Nedbank Group's primary market remains SA, however, we are continuing to expand into the rest of Africa. Outside SA we have a presence in six countries in the Southern African Development Community (SADC) and East Africa region where we own subsidiaries and banks in Namibia, Swaziland, Malawi, Mozambique, Lesotho, Zimbabwe, as well as representative offices in Angola and Kenya.

In West and Central Africa we have a partnership strategy and concluded the acquisition of an approximate 20% shareholding in Ecobank Transnational Incorporated (ETI) in 2014, enabling a unique one-bank experience to our clients across the largest banking network in Africa, comprising more than 2 000 branches in 39 countries.

Outside Africa we have presence in key global financial centres to provide international banking services for SA-based multinational and high-net-worth clients in the Isle of Man, Guernsey, Jersey and London, Toronto and Dubai (UAE).



3 711[1]
ATMs

1 185[1]
STAFFED OUTLETS

We have invested significantly in our franchise to strengthen our brand, offer market-leading banking services and create convenient access for all through our 1 185[1] staffed outlets, 3 711[1] ATMs and electronic channels across SA and the rest of Africa.

[1] *Include rest of Africa.*

TOTAL ASSETS	HEADLINE EARNINGS	CLIENTS	TOTAL PERMANENT STAFF
R810bn	R9,9bn	7,1m	30 499

OUR VISION AND VALUES

We have a vision-led, values-driven philosophy to leading and managing our business, because how we achieve our vision is as important to us as what we achieve.

OUR VISION

To be Africa's most admired bank by all our stakeholders – our staff, clients, shareholders, regulators and the communities that we live in.

Our vision statement implies that:

- We will continue to build our franchise in SA, while expanding into the rest of Africa. Our strategic focus areas provide more insight into our progress and outlook.
- We want to be most admired by our stakeholders. Without passionate and motivated staffmembers we won't be able to attract and retain the clients that are key to the delivery of sustainable profits for our shareholders. As a bank we operate in a regulated environment and we aim to be admired by our regulators. Lastly, as a bank we can play a major part in our communities and as 'the green bank', we are a strong advocate and influencer on environmental matters. More on this can be found in our stakeholder section.

Our vision is supported by our Deep Green aspirations. These are: to be a great place to work; a great place to bank; a great place to invest; worldclass at managing risk; and a green and caring bank.

Strategic focus areas 25 – 35

Sustainability Review

Engaging with our stakeholders 56 – 77

OUR VALUES

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

Integrity – Be honest, trustworthy, truthful, consistent and open in all of our conduct and decisions.

Respect – Recognise the inherent worth of every human being and treat all people accordingly.

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

People-centred – We invest in our people and create empowering environments through development, support, mentoring, coaching, valuing diversity, recognition and reward.

OUR VALUE-CREATING BUSINESS MODEL

Annual Consolidated Financial Statements

Summarised Annual Financial Statements 20a – 27a.

The primary role of our bank is to facilitate the movement of capital and flow of money from where it is to where it is required to meet stakeholder needs. It is through the meeting of these needs that we enable a thriving society and create long-term value. Our business model can be understood from multiple perspectives.

The primary lens is through the various activities that a financial services institution performs. This is explained in more detail below.

OUR SIX CAPITALS ARE OUR ENABLERS

FINANCIAL CAPITAL

- R70,9bn capital
- R653,5bn deposits

HUMAN CAPITAL

- 30 499 talented employees
- Unique client-centred culture

MANUFACTURED CAPITAL

- 176 core IT systems
- 1 185 staffed outlets[1]
- 3 711 ATMs[1]
- Market-leading digital channels and products

INTELLECTUAL CAPITAL

- Nedbank brand the sixth most valuable in SA
- Leadership in areas such as wholesale banking, commercial property finance and vehicle financing
- Market-leading innovations
- Strategic partnerships, including Ecobank, Bank of China and Canadian Imperial Bank of Commerce (CIBC)

SOCIAL AND RELATIONSHIP CAPITAL

- Stakeholder engagement
- Leader in transformation
- Leader in sustainability
- Leader in social responsibility

NATURAL CAPITAL

- Long-term Goals that address the tilt of our lending in line with carbon emissions and water extraction limits
- Operations are carbon neutral

A definition of our capitals can be found on page 3.

[1] *Including rest of Africa*

FLOW OF MONEY	WHAT WE DO
Interest income and impairments charges	The money we lend to clients creates assets from which we earn interest income. Our capital and low-yielding deposits produce endowment income in line with the level of interest rates. Impairments are raised on loans due to lower-than-expected loan and interest repayments or a decrease in security values.
Interest expense	Funding is sourced from clients and debt investors, which generates liabilities on which we pay interest, and which enables lending.
Fee and commission income	Income is generated from clients utilising and transacting on our transactional banking platforms as well as franchise and knowledge-based activities.
Insurance income	Income is generated from the provision of short-term and long-term insurance products.
Trading income	We undertake flow-trading activities for clients to mitigate foreign exchange, commodity, interest rate and market risk.
Other income	This includes private-equity income and fair-value adjustments among others. Private-equity income is from the realisation or revaluation of investments and dividends received. Fair-value adjustments arise from the hedging of our balance sheet to mitigate fixed-interest-rate and basis risk. Associate income is generated primarily though our investments in non-controlling shareholdings of which Ecobank is becoming the most material.
Expenses	We invest in developing, retaining and motivating our people and in our operations, including technology, marketing and infrastructure to service our clients (eg outlets and digital channels).
Tax	Taxation is the regulatory requirement to pay direct and indirect taxes in the various jurisdictions in which we operate.

More detail on the strategic positioning and performance of the business clusters can be found in the online supplement, 2014 Operational Overview, that is available at **nedbankgroup.co.za.**

THE BUSINESSES THROUGH WHICH WE PROVIDE **PRODUCTS AND SERVICES**

Through all our frontline clusters we provide loans, savings and investment, and transactional banking services to retail and wholesale clients:

- Loan products, including home loans, motor finance, personal loans, credit cards, term loans, commercial property and trade finance.
- Transactional products, including transactional banking, investor services, savings and deposits.

Nedbank Wealth offers wealth management, asset management and insurance solutions that are sold primarily through retail and business banking channels.

Nedbank Capital provides investment banking, hedging and trading services to clients.

- Investment banking: Advisory, structured finance, debt and equity capital markets.
- Global markets: Fixed income, commodities and equities.
- Private-equity investments.

Private-equity income is also generated through our commercial property finance investments.

Nedbank Group holds an approximate 20% shareholding in Ecobank Transnational Incorporated.

Through frontline and support business clusters, including human resources, marketing, information technology, group hedging and funding activities.

RISKS RELATED TO ACTIVITIES

Economic risk
Interest rate risk
Credit risk
Capital management risk
Funding and liquidity risk
Market risk
Equity risk
Operational risk
Business risk
Social and environmental risk

Other risks:

- Regulatory
- Competitive environment
- Attracting and retaining skilled people

2014 Results Booklet

2014 Pillar 3 Risk and Capital Management Disclosure Report

Worldclass at managing risk 28a – 45a

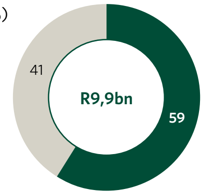
In addition, we also view our group from segment and geographic perspectives.

In 2014 we generated a larger proportion of profits from our wholesale than retail businesses. This is likely to remain the trend for the foreseeable future.

Chief Executive's Review 10 – 15

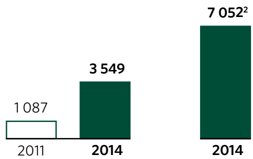
WHOLESALE VS REST OF BANK CONTRIBUTION TO HEADLINE EARNINGS

(%)



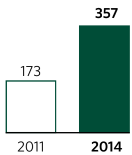
From a geographic perspective we are expanding our exposure to the rest of Africa where gross domestic product growth is likely to be higher than in SA – for more information on this refer to pages 34 to 35 relating to the strategic focus area on the Pan-African banking network. We expect profit contribution from the rest of Africa to increase over the next few years.

REST OF AFRICA DIVISION CAPITAL DEPLOYED[1] (Rm)



[1] *Year-to-date averages.*
[2] *Year-end capital deployed into the Rest of Africa Division and to deals written on the continent by Nedbank Capital and Nedbank Corporate.*

REST OF AFRICA DIVISION HEADLINE EARNINGS (Rm)



OUR **STAKEHOLDERS**

HOW WE CREATE VALUE
DELIVERING VALUE TO OUR STAKEHOLDERS
ENSURING SUSTAINABLE VALUE CREATION

2 066 cents

DILUTED HEADLINE EARNINGS PER SHARE

UP 13,0%

1 028 cents

FULL-YEAR DIVIDEND PER SHARE

UP 14,9%

CHIEF EXECUTIVE'S REVIEW

'In 2014 we took an important step towards fulfilling our vision to be Africa's most admired bank by investing R5,9bn to secure a shareholding of approximately 20% in ETI, thereby deepening our long-standing strategic alliance that enables our clients to access the largest Pan-African banking network across 39 countries.'

2014 was a milestone year for the group as we positioned ourselves to continue to grow in a volatile economic environment. We announced various executive leadership changes that have introduced fresh energy into our business. The integration of the Nedbank Corporate and Nedbank Capital Clusters into a corporate and investment bank will enable us to service our wholesale clients better and unlock future income growth opportunities. We gained traction in numerous efficiency and cost optimisation programmes that are important in a slower-growth environment. We took a significant step forward in our Pan-African banking network strategy as we became a 20% shareholder in our alliance partner Ecobank Transnational Incorporated (ETI), offering our shareholders increasing access to higher economic-growth rates in the rest of Africa.

From a financial perspective Nedbank Group produced a strong set of results in 2014 as headline earnings increased 14,0% to R9,9bn, which was supported by good net-interest-income growth and a lower credit loss ratio, despite strengthening central provisioning and increasing coverage levels. Non-interest-revenue (NIR) growth was slower in the first half as a result of a number of deliberate strategic actions, but grew in early double digits in the second half.

MIKE BROWN
CHIEF EXECUTIVE

14 395 cents

NAV
PER SHARE

(2013: 13 143 cents)

2014 highlights
video from our CE,
Mike Brown.

OUR **VALUE-ENHANCING** STRATEGY

2014 Pillar 3 Risk and Capital Management Disclosure Report

Diluted headline earnings per share (DHEPS) increased 13,0%, ahead of our expectations communicated to the market at the beginning of the year, and met our medium-to-long-term target of consumer price index (CPI) plus gross domestic product (GDP) plus 5% – estimated at 12,5%.

Our focus on creating shareholder value continued as we increased net asset value by 9,5% and maintained a return on equity (ROE) (excluding goodwill) at 17,2%, well ahead of our cost of equity of 13,5% (2013: 13,0%). As a result we delivered R2,1bn of economic profit. Given our sound balance sheet, we were once again able to increase our full-year dividend per share by 14,9% to 1 028 cents, ahead of HEPS growth of 12,9%, as we move towards the mid-point of our dividend cover range of between 1,75 and 2,25 times.

The group's common-equity tier 1 (CET1) ratio at 11,6% is just above the mid-point of our 2019 target range and is where we expected it to be following the regulatory capital impact from our investments in the rest of Africa. We increased our liquidity buffers in anticipation of the liquidity coverage ratio coming into effect on 1 January 2015 to ensure day-one compliance. Strengthening of our provisioning over the past few years may have appeared to some investors to be overly conservative, but today I believe we are far better positioned to weather a difficult environment, with a strong total coverage ratio of 70,0%.

A tough macro environment

In line with much of the global and domestic banking industry, Nedbank faces a difficult macroeconomic environment, an increasing regulatory agenda and strong competition. These are not new to us and are the cornerstones of what we refer to as the material matters that influence our strategy.

I reflect below on these material matters and our strategic responses:

Globally, economic conditions remain challenging and very difficult for anyone to forecast accurately. SA's GDP growth in 2014 was severely impacted by a five-month-long strike in the platinum belt. Early in the year the rand weakened and the resultant worsening of the inflation outlook contributed to interest rates increasing by 75 basis points. Infrastructure limitations, and in particular the worsening electricity supply, constrained growth and reduced business confidence. 2014 GDP growth in SA was 1,5% – the lowest GDP growth rate since the financial crisis and well below SA's potential.

Visibility remains limited, underpinned by global market and economic policy uncertainties, local energy constraints, rand volatility, oil price weakness and its impact on inflation, as well as the risk of further credit ratings downgrades in SA. The tough economic environment places pressure on our clients, leading to lower levels of credit demand and transactional banking activity. For banks this has a negative effect on earnings growth potential while increasing the risk of higher levels of bad debts. The quality of our loan origination is vital. Our wholesale clients are impacted by delays in infrastructural investment, particularly electricity constraints. As a result, investment appetite in SA remains muted and the domestic growth outlook appears constrained over the medium term.

Retail clients have remained highly indebted since the financial crisis of 2008. Lower oil prices which feed into lower inflation may prove beneficial to consumers in 2015 if sustained for longer.

Economic growth in the rest of Africa is strong, albeit off a low base, as evidenced by the International Monetary Fund's (IMF's) GDP growth forecast of 4,9% for 2015. In the short term we expect volatility in these frontier markets, particularly those that are over-reliant on oil revenues. Higher returns are not possible without higher risk, but we remain confident that over the longer term growth in the rest of Africa will be sustained, which has led to many SA firms expanding into and investing in the rest of Africa.

Competition is intensifying among banks as both established and new entrants aggressively target the same client base. Changing consumer behaviour, where more consumers are multibanked and are technologically skilled, has increased awareness of the various bank offerings, quality of service and pricing, and has led to higher expectations of banks. We expect this trend to continue.

The global financial crisis brought the onset of increased regulation to ensure the soundness of banks and protect consumers, the most prominent of which are the Basel III regulations on capital adequacy and liquidity and the increase in market conduct legislation. Given trends in international financial markets, the risk of potential penalties and fines due to non-compliance has increased in SA, particularly in the areas of market conduct and anti-money-laundering. SA's implementation of the Twin Peaks regulatory framework and increased focus on consumer protection will continue to place new demands on financial services organisations to ensure outcomes for their clients are fair.

The past two centuries have seen rapid global population growth but even faster economic growth, with average per capita income increasing by a factor of more than 10. Higher living standards have also been coupled with improvements in life expectancy for billions of people. This progress has come at a significant environmental cost and there is mounting evidence that current patterns of human consumption are exceeding the planet's supply limits and is therefore unsustainable. Furthermore, high levels of poverty and inequality remain in many regions, including sub-Saharan Africa. As a bank we can play a major role in making the countries and societies we operate in a better place. Simply put, we have to ensure that our operations of today are not a cost to society in the future.

Skills shortages in SA, attributable to the poor outcomes of the country's educational system, present a serious risk to economic growth and stability for the country. In addition, banking is a large employer in the financial services sector and we require highly-skilled employees to service clients. Increasing competition means we have to work even harder to retain our best people and to mitigate the cost of replacing skilled staff. Our approach to remuneration, in support of these initiatives, is set out in the Remuneration Report. Transformation remains an imperative and we continue to place this high on our agenda given our goal to stay at the forefront of transformation.

Remuneration Report 46a – 79a

These material matters bring many challenges and risks that have to be managed. There are also opportunities to build on the platform we have created to respond to this environment and to continue to grow our franchise and generate value for our stakeholders.

Material matters 18 – 24

PROGRESS ON OUR **STRATEGIC FOCUS AREAS**

2014 marked the fifth year of my tenure as Chief Executive of the Nedbank Group and I am pleased to report that we have made significant progress on our five key strategic focus areas of client-centred innovation, growing our transactional banking franchise, optimise to invest, strategic portfolio tilt and the Pan-African banking network.

STRATEGIC FOCUS AREAS

For more detail on our progress and outlook refer to pages 25 to 35 of the report. I summarise my reflections on our strategic progress below:

CLIENT-CENTRED INNOVATION

remains core to everything we do and I believe Nedbank has made significant strides in its ability to deliver products to our clients that make a real difference to their lives and enable them to achieve their goals. We have delivered more innovation in the past two years than in the previous five combined. In 2014 we continued to introduce innovative products, particularly in the digital and mobile space. This has made banking more convenient, more affordable and safer. We were pleased that our progress in this area was also externally acknowledged by Nedbank receiving the 2014 *African Banker* Award for Innovation.

OPTIMISE TO INVEST was incorporated in response to a more challenging environment for revenue growth, but also being cognisant that we need to invest for the future. During 2014 we made progress on numerous cost and efficiency optimisation initiatives, ranging from our 'rationalise, standardise and simplify' information technology strategy, through which we are decreasing our core systems from 250 to 60, to implementing our SAP enterprise resource planning (ERP) replacement system for finance, procurement and human resources. The first two components were successfully implemented on 1 January 2015 on time and within scope and budget – with human resources to follow in September 2015. Additionally, we are working on a range of synergies within Old Mutual Group [Old Mutual (South Africa), Nedbank and Mutual & Federal)] in SA and have made substantial progress towards achieving the Old Mutual Group R1bn pretax target for collaborative initiatives by 2017.

Investment in outlets and digital channels, new value propositions and technology is funded as far as possible through cost savings. To date 171 outlets in the 'branch of the future' format have been converted and we plan to convert 75% of all outlets by 2017, investing a further R2,1bn. In addition, we will continue to build our franchise in the rest of Africa for the long term, which will require investment in areas such as IT and our people.

GROWING OUR TRANSACTIONAL BANKING FRANCHISE has been a focus of the group for many years and we have established a proven track record of delivering and, as a result, growing NIR above the SA industry average over an extended period. In 2014 we took the strategic decision to slow down our growth in personal loans and to keep our bank fees at 2013 levels, while reducing pricing in some businesses – a deliberate investment in the future. While this reduced our 2014 NIR growth by approximately 3,5%, we do enter 2015 much better positioned to grow our client numbers. Given our lower share of main-banked clients, we believe we still have significant room for growth, and our medium-to-long-term NIR-to-expenses ratio target of >85% remains a focus.

Turning to the rest of Africa, 2014 was a milestone year for us building our PAN-AFRICAN BANKING NETWORK. We embarked on new growth opportunities and significantly increased the level of capital deployed in the rest of Africa, where revenue growth is expected to be faster than in SA.

We concluded the acquisition of an initial 36,6% shareholding (with a pathway to control in 2016) of Banco Único in Mozambique, in our Rest of Africa subsidiaries we have made good progress in implementing a standardised operating model, and our Flexcube core banking IT system is planned to be rolled out in Namibia in the first quarter of 2015. This has strengthened our franchise and client proposition in the Southern African Development Community (SADC) and East Africa. In this region we plan to increase our west and central presence from six to 10 countries over time.

In West and Central Africa our alliance with Ecobank continues to deliver value for the group and its clients. During October 2014 we exercised our rights to subscribe for a 20% shareholding in ETI. This follows six years of working closely together. Today we can offer our clients unmatched access to banking services across 39 countries, almost double that of our closest competitor. We continue to work closely together in our strategic and technical alliance, cross-selling products, leveraging each other's unique strengths such as our expertise in investment banking and Ecobank's deep incountry knowledge and relationships.

Ecobank was faced with a number of well-publicised governance challenges late in 2013 and early in 2014. We support the steps the Ecobank board has taken to resolve these and strengthen governance. More recently economies that are heavily reliant on oil revenues, such as Nigeria and Ghana, have come under pressure and this has translated into a position at 31 December 2014 where the market price of our 20% investment in ETI was just over 10% lower than the cost (29% lower than the cost at 19 February 2015). Given the long-term nature of our investment we should not be distracted by short-term price movements and look forward to working with Ecobank to generate long-term value for all shareholders.

STRATEGIC PORTFOLIO TILT aims to manage our portfolio of businesses and products proactively to improve our risk-and-return profile and to identify financial services opportunities that maximise economic profit growth while maintaining a strong balance sheet. This is particularly relevant in a tough economic environment with limited forward visibility. The benefits from the early action we took in reducing our home loan and personal-loan portfolios have been evident in our 2014 results. Personal loans in particular have delivered strong profits and returns in a year when African Bank Limited was placed under curatorship and many questions were asked about the health of the consumer. Growing economic-profit-generative activities such as transactional deposits, transactional banking and transactions in the rest of Africa remains high on the agenda. The benefit resulting from all our actions over the past four years has enabled the group to maintain a sound balance sheet and reduce impairments, while delivering dividend growth ahead of HEPS growth.

DELIVERING VALUE TO ALL OUR STAKEHOLDERS

Those of you who have been following Nedbank for a while will know that we see our people as our most important asset and our culture as a key differentiator. Without motivated and empowered staff we will not be able to delight and innovate for the benefit of our clients. More clients doing more business with Nedbank leads to value creation for our stakeholders. As I reflect on our progress in 2014, I have to reiterate that Nedbank Group has committed itself to operating on a sustainable basis and delivering value to all our stakeholders. In line with our vision to be Africa's most admired bank by staff, clients, shareholders, regulators and communities, I am pleased to report as follows:

For staff we created new employment opportunities at a time when unemployment rates in SA remain elevated. We continue to invest in training, leadership development and supporting external bursars. Staff transformation remains important and the shift in our employment equity profile remains positive. Lastly, we continue to invest in building a worldclass corporate culture and embedding our top three cultural values of accountability, client satisfaction and brand reputation to the benefit of all our other stakeholders.

For clients, in line with our strategic focus area of client-centred innovation, we are investing in exciting products – a list of these are contained in the stakeholder section of our report. We continue to make banking more accessible by adding 22 new outlets and 304 self-owned ATMs. We retained our competitive positioning on bank fees, having made some tough choices in 2014, which cost R355m of NIR, but increased our ability to grow into the future. We advanced R167bn of new loans to clients, and assets under management grew by 11% to R212bn. For the sixth consecutive year Nedgroup Investments was placed third overall in the Domestic Management Company category at the annual Raging Bull Awards. All of these have resulted in group client numbers increasing 7% to 7,1m since December 2013.

For shareholders we increased the full-year dividend 14,9%, ahead of 12,9% growth in HEPS, and generated a total shareholder return (TSR) of 23,2% since December 2013. Our investments into the rest of Africa offer our shareholders access to earnings growth from these higher-economic-growth markets, while also providing the diversification benefits of having a presence across 39 countries. For our SA broad-based black economic empowerment (BBBEE) shareholders we realised R5,5bn of value since inception in 2005, and an estimated R8,2bn at today's market prices. We retained our leadership position in transparent reporting and broadened our engagements with shareholders through our first governance roadshow, first non-deal roadshow into Asia and more than 350 investor engagements through the year.

For regulators we remain in compliance with Basel III phase-in requirements, including maintaining sound capital levels with a CET1 ratio of 11,6%. We, along with our peer banks, acknowledge our shortcomings in our anti-money-laundering administration after having been fined R25m in 2014, and remedial action is high on the agenda. We participated in the African Bank resolution and underwriting. We are maintaining strong, transparent relationships with all regulators, while contributing to working groups on new regulation and continuing to support responsible banking practices.

For communities and the environment we continue to make banking more accessible and affordable, having advanced R54bn in new loans to retail clients and R1,2bn to affordable-housing developments. We maintained carbon neutrality for five years and were included in the Dow Jones Sustainability Index for the ninth consecutive year, being only one of six SA companies, and on transformation we maintained our level BBBEE contributor status for the sixth consecutive year. Together with Old Mutual, we pledged a combined US$1m towards the African Union–Private Sector Ebola Fund.

In our 2013 integrated report we shared our Long-term Goals for a thriving bank in a thriving society and our response to these goals, namely our Fair Share 2030 strategy. Through this strategy a carefully calculated flow of money is committed each year to invest in future-proofing our business, society and the environment. This lending is additional to all the things we already do and we expect to make a decent financial return, while

CASE STUDY

Nedbank's longstanding 18-year relationship with Netcare continues as we embark on Netcare's energy reduction project. Nedbank provided energy efficiency and renewable-energy funding of R647m for the project in conjunction with the Agence Française de Développement (French Development Agency or AFD) and Nedbank Capital, of which Corporate Banking provided a seven-year R500m facility.

The Netcare project is an amalgamation of 52 individual energy-efficient hospital retrofit projects and 36 renewable-energy projects, with rooftop photovoltaic (PV) additions to existing hospital buildings as well as three newly built sites in SA.

From this single financing transaction, 91 projects will provide a cumulative greenhouse gas (GHG) emission saving of 70 000 tonnes of CO_2 per annum (once complete) and reduce the hospital group's annual energy consumption by roughly a third. This will assist Netcare to counter the instability of electricity generation as well as achieve anticipated cumulative savings of R1bn on electricity costs over 10 years.

Netcare is a prime example of how Nedbank, through responsible lending, is making things happen for clients, which highlights our ability to provide sustainable and innovative banking and lending solutions.

Our summarised five-year track record 48

Delivering value through our businesses 50 – 55

delivering a lasting impact. 2014 was a pilot year. During the pilot we learned that, although structuring and closing these types of business may be harder initially, it is possible to write loans that are good for us and our clients and that drive positive social and environmental impacts. The most notable of the pilot deals was a R500m loan to the Netcare Group, enabling the execution of multiple projects that delivered intentional non-financial impacts.

In conclusion, delivering value to all our stakeholders assisted in Nedbank once again being awarded SA Bank of the Year for 2014 by The Financial Times's, *The Banker* magazine, matching the achievements of 2011 and 2013.

OUTLOOK

The SA economy is likely to improve modestly off a low base, although growth will be constrained by disruptions to power supply and weaker growth in key export markets, particularly in the Eurozone and China.

Growth in GDP is currently forecast at 2,5% for 2015 as the economy recovers from the effects of strike action and exports are boosted by a weaker rand. Risk to this currently appears to be on the downside. The sharp drop in global fuel prices has improved the inflation outlook, and interest rates are expected to remain unchanged at current levels until late in the year. The softer interest rate outlook and lower borrowing costs should support consumer credit demand and limit credit defaults in 2015, notwithstanding the weak job market and high consumer debt levels.

Retail banking conditions are therefore likely to improve modestly, but growth in wholesale banking may moderate from current levels as fixed-investment plans and credit demand will be limited by the severity and extent of infrastructure constraints, rising production costs, soft global demand and low international commodity prices.

With substantial investment in infrastructure, an established management team and five years of consistent good performance, we are well placed to continue delivering on our strategic focus areas and to create value for all our stakeholders.

The group is a resilient and sustainable business with sound balance sheet metrics, and we are well positioned to grow despite the economic headwinds.

Chairman's Review 78 – 83

For the year ahead, although forecast risk remains high, we currently expect growth in diluted headline earnings per share above nominal GDP growth.

Chief Financial Officer's Review 36 – 47

More detailed guidance on our financial drivers and medium-to-long-term targets are included in our Chief Financial Officer's Review.

MANAGEMENT CHANGES

We announced various executive appointments during the year. All the appointments were internal and evidence of our well-thought-out succession planning processes and the depth of our talent pipelines.

Mfundo Nkuhlu, previously Managing Executive of Nedbank Corporate, succeeded Graham Dempster as Chief Operating Officer and joined the board as executive director with effect from 1 January 2015. In his new role, Mfundo has overall responsibility for the Rest of Africa Division; Balance Sheet Management; Information Technology; Human Resources; Marketing; Communications and Corporate Affairs; and Strategic Planning. Graham will continue to focus on our Rest of Africa Division until his retirement in May 2015.

Philip Wessels was appointed Managing Executive of Retail and Business Banking, following the appointment of Ingrid Johnson as Financial Director of our parent, Old Mutual plc. Trevor Adams succeeded Philip as Chief Risk Officer with effect from 1 August 2014. Following this, Mike Davis joined the Group Executive Committee as Group Executive of Balance Sheet Management with effect from 1 January 2015 to fill Trevor's previous role.

Following the announcement in November 2014 that Nedbank Capital and Corporate will be integrated into a single client-facing, wholesale business cluster, Brian Kennedy, Managing Executive of Nedbank Capital, will be accountable for the combined corporate and investment bank, including the implementation of the business structure and operating model with effect from 1 January 2015. This newly formed cluster will offer the full spectrum of wholesale products under one brand and one leadership team. Our objective is to create a wholesale business that combines the respective strengths of Nedbank Capital and Corporate to build a market-leading franchise with an even stronger client-centred focus.

Priya Naidoo joined the Group Executive Committee on 1 January 2015 and will succeed John Bestbier, Group Executive for Strategic Planning and Economics, on his scheduled retirement date of 30 June 2015.

APPRECIATION

I would particularly like to pay tribute to our Chairman, Reuel Khoza, for his exemplary leadership of the board over the past nine years. It has been a privilege to work alongside him.

I would also like to thank the board of directors and my colleagues in the Old Mutual Group for their guidance and support during the year.

I work with a talented Group Executive Committee, that always places the interests of Nedbank first. In particular I would like to thank Graham Dempster and John Bestbier for all that they have done for Nedbank over many years, and wish them both well in retirement from June 2015. You can be proud of your contributions to Nedbank's success.

The Executive Management team and I would like to express our gratitude to all our employees for their dedication and hard work during these challenging times, and to our clients for trusting us with their banking needs. Together we make Nedbank a great place to work, a great place to bank and a great bank to invest in.

Mike Brown
Chief Executive

DRIVERS GUIDING **OUR STRATEGY**

Nedbank acknowledges that, to remain successful in banking over the long term, the socioeconomic context in which we operate matters enormously. We understand that our future business prospects are greatly improved if society is flourishing, the conditions of which require that human needs are being served within the biophysical constraints imposed by our finite planet.

Even after many decades of growth and rising per capita incomes a series of stubborn social, environmental and economic challenges remain. In sub-Saharan Africa particularly, many of these issues are growing in both urgency and consequence.

Our recognition of the systematic interdependencies between economic success, societal wellbeing and environmental health led us to develop a set of eight long-term goals for SA to achieve by 2030. Together they describe a prosperous future for our country – the 'future we want' – and serve as a potent framework to inform our strategic decisions. We selected the Long-term Goals on the basis of materiality for SA, coupled with our ability to contribute through being a successful bank.

LONG-TERM **GOALS**

Atmospheric greenhouse gases are stabilised at a level that gives a more-than-50% probability of avoiding a 2°C temperature rise above the long-term preindustrial average.

Water resources are not being extracted beyond sustainable levels.

The **labour force** is employed at percentages comparable with those of other prosperous nations.

All citizens have affordable access to **clean water** and sanitation services.

All citizens have affordable access to **energy services** essential for development and prosperity.

Levels of **saving and investment** are sufficient to support national economic development objectives.

Good **health** outcomes are consistently being achieved for citizens at a cost that is comparable with that of other nations.

Good **educational** outcomes are consistently being achieved for citizens at a cost that is comparable with that of other nations.

The Nedbank strategy is informed by our vision and values, the Long-term Goals that guide how we create value for all our stakeholders, as well as our material matters.

TO BE **AFRICA'S MOST ADMIRED BANK**

KEY INPUTS

Material matters are derived from major macro (external) trends, our unique strategic context, an analysis of our business risks and opportunities and, most importantly, the needs of our key stakeholders – staff, clients, shareholders, regulators and the communities and environment in which we operate.

MAJOR MACRO TRENDS

NEDBANK'S UNIQUE STRATEGIC CONTEXT AND DYNAMICS AMONG SA BANKS

NEEDS OF OUR STAKEHOLDERS

Material matters 18 – 24

MATERIAL MATTERS

TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY

BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION

INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT

GROWTH OPPORTUNITIES IN THE REST OF AFRICA

TRANSFORMATION OF SOCIETY WITHIN PLANETARY BOUNDARIES

SCARCE SKILLS

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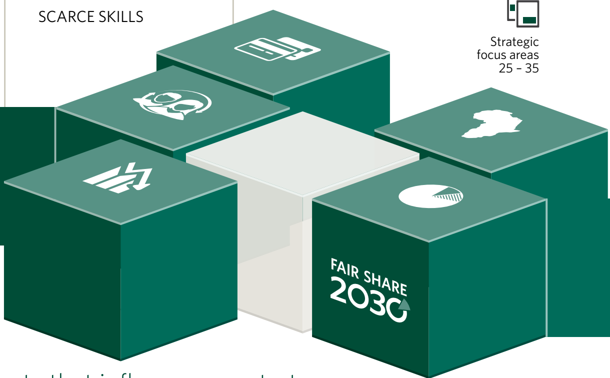
GROW OUR TRANSACTIONAL BANKING FRANCHISE

OPTIMISE TO INVEST

STRATEGIC PORTFOLIO TILT

PAN-AFRICAN BANKING NETWORK

Strategic focus areas 25 – 35



On the following pages
we discuss the key components that influence our strategy, followed by our strategic focus areas, the progress made up to and in 2014, and the outlook for the future.

MATERIAL MATTERS

Our material matters, which also represent our primary risks and opportunities, have been selected from a diverse range of key factors that could have a significant impact on our ability to deliver sustainably to our key stakeholders. Identifying and determining matters that are material to the group and our stakeholders is an ongoing process, involving analysis of the progress made on previous strategic priorities, including the study of all reports submitted for board or executive discussion, key business risk factors and identified opportunities, all formal and informal stakeholder feedback and integrated sustainability imperatives.

OUR APPROACH

INVESTIGATE

We identify all issues that have the potential to impact on our sustainability and our ability to create value for our stakeholders. The process of **identifying potential material matters** is a groupwide responsibility, requiring input from all business units and divisions, and taking into account input and feedback from our stakeholders. Potential areas of impact that are assessed include financial, environmental, social, strategic, competitive, legislative, reputational and regulatory (including policy matters) areas, and our stakeholders.

RANK

From the universe of identified issues we **prioritise those that have the greatest relevance and the highest potential to impact significantly** on the viability of our business and relationships with stakeholders. This is a collaborative effort, however, the ultimate responsibility for prioritising material matters rests with the executive management team and board of directors.

INTEGRATE

Once the material matters have been identified and prioritised, they **inform long-term business strategies** as well as short-to-medium-term business plans.

ASSESS

The process of identifying and prioritising material matters is an ongoing one. This means that **continuous assessment** of the previously identified material matters, while theoretically the last step in the process, is in fact the first step in the next cycle.

The Nedbank Group Executive Committee assumes responsibility for approval of the material matters prior to their endorsement by the Group Transformation, Social and Ethics Committee, a subcommittee of the board, and finally the Nedbank Group Board. Through this process we prioritised six material matters in 2013 that we believe remain relevant for the foreseeable future. All of these material matters are interrelated and together they inform our five strategic focus areas and actions. All six material matters apply across the group. As a financial services organisation our impact on the economy, society and the environment through the finance we provide is material, and is included within the boundary of our reporting.

TOUGH ECONOMIC CONDITIONS
WITH LIMITED FORWARD VISIBILITY

MACRO TRENDS

Globally and in SA economic conditions remain challenging. SA's gross domestic product (GDP) in 2014 was again impacted by a five-month strike in the platinum belt while interest rates increased by 75 basis points, contributing to SA's lowest GDP growth rate since the financial crisis. GDP growth below our country's potential is likely to remain for the next few years.

Visibility remains limited, underpinned by global market uncertainties and local energy constraints. (See page 16 for 2030 Long-term Goals.) Rand volatility, oil price uncertainties and its impact on inflation and the risk of further credit rating downgrades.

Although we expect a 25 basis point increase in SA interest rates for 2015, they may remain lower for longer.

STRATEGIC CONTEXT

The tough economic environment places financial pressure on our clients, leading to lower levels of credit demand and transactional banking activity – this is particularly prominent in the retail and small business segments of the market. For banks this has a negative effect on earnings growth potential, while increasing the risk of higher levels of bad debts. Developments in the personal-loan market have been evidence of this, as seen with African Bank Limited being placed under curatorship.

STAKEHOLDER NEEDS

Our wholesale clients are impacted by delays in infrastructural investment, particularly from electricity constraints. As a result longer-term investment appetite in SA remains muted.

Retail clients have remained highly indebted since the financial crisis of 2008, compounded by the recent increase in interest rates, higher inflation and administrative costs as well as high unemployment levels. Lower oil prices, feeding into lower inflation, may prove beneficial to consumers in 2015 if maintained for longer.

Our response to the material matters is covered in greater detail in our strategic focus areas. In summary, and as a quick reference, we have responded as follows:

STRATEGIC RESPONSE

- Retained sound capital levels and liquidity.
- Maintained a well-diversified business portfolio and risk framework.
- Grew our transactional banking client base and non-interest revenue (NIR).
- Strengthened our provisioning.
- Took early action, adopted selective origination and maintained prudent credit requirements in higher-risk portfolios such as Home Loans and Personal Loans.
- Positioned our book for rising interest rates.
- Implemented a countercyclical strategy to invest for growth while containing costs and driving efficiencies.
- Rationalise, standardise and simplify IT systems and streamline finance, human resources and procurement systems to unlock future cost savings.
- Proactively educate clients and facilitate client financial wellbeing.

2014 Pillar 3 Risk and Capital Management Disclosure Report

Chief Financial Officer's Review 36 – 47

BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION

MACRO TRENDS

Competition is intensifying among banks as both established and new entrants target the same client base.

Technological advances have enabled the entry of non-traditional players as they aim to cross-sell financial services to their existing client bases. These new entrants include online banks, microloan providers and virtual-payment and mobile-telephony providers, offering an increasing range of financial products and services to the consumer 24/7.

STRATEGIC CONTEXT

Increased competition for transacting clients and share of wallet has meant that banks must invest more in defending their competitive advantages while providing 24/7 client service, innovating more rapidly and pricing more competitively. This has increased the risk of lower revenue growth and a higher expense burden.

STAKEHOLDER NEEDS

Changing consumer behaviour, where consumers are often multibanked and technologically skilled, has increased awareness of the various bank offerings, quality of service and pricing, which has led to higher expectations of banks.

Our response to the material matters is covered in greater detail in our strategic focus areas. In summary, and as a quick reference, we have responded as follows:

STRATEGIC RESPONSE

- Adopted client-centred innovation as a strategic growth driver.
- Fully embraced digital and mobile banking, while embedding an integrated-channel strategy.
- Enabled seamless transactions across numerous channels.
- Expanded our footprint for increased convenience and access.
- Optimised our branch experiences.
- Increased our focus on cross-selling.
- Initiated greater crosscluster collaboration and integration of processes and systems.
- Committed ourselves to affordable and transparent banking – kept fees at the same levels as 2013 and implemented selected fee reductions in some segments.
- Launched various new product and service innovations to meet unmet clients needs.

Innovating for our clients 62 – 65

INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT

MACRO TRENDS

The global financial crisis brought the onset of increased regulation to ensure the soundness of banks and protect consumers, the most prominent of which are the Basel III regulations on capital adequacy and liquidity and the National Credit Act.

Given trends in international financial markets, the risk of potential penalties and fines due to non-compliance has also increased in SA.

SA's implementation of the Twin Peaks regulatory framework and increased focus on consumer protection will continue to place new demands on financial services organisations. Reduced credit life pricing and limiting interchange fees on card transactions are two recent examples.

STRATEGIC CONTEXT

Increased regulation has created greater complexity and higher compliance costs for banks. The cost of funding has increased, impacting the capacity for banks to lend to clients, while spending on staff and IT capability to implement and manage the regulatory requirements has also increased as has the time to deliver innovative and competitive products.

STAKEHOLDER NEEDS

Our regulators are one of our five key stakeholders. We continue to support governance and regulatory frameworks that have made it possible for SA's banking sector to be rated top 10 globally in the latest World Economic Forum Global Competitiveness Survey. Our governance and compliance track record is sound and reasonable, and we fully support sustainable banking practices.

Our response to the material matters is covered in greater detail in our strategic focus areas. In summary, and as a quick reference, we have responded as follows:

STRATEGIC RESPONSE

- Focus on our aspiration to be worldclass at managing risk.
- Ensured closer working relations and partnerships with regulators.
- Implemented the Basel III capital and liquidity requirements.
- Continued full support of sustainable banking practices.
- Guarding the independence and broadened the expertise of the board of directors.
- Through our strategic portfolio tilt strategy, focus not only on returns, but also on the risk and capital requirements for those returns.
- Took a leadership position in cybersecurity.

2014 Pillar 3 Risk and Capital Management Disclosure Report

Governance and Ethics Review

Partnering with our regulators 68 – 71

GROWTH OPPORTUNITIES IN THE REST OF AFRICA

MACRO TRENDS

Economic growth in the rest of Africa is surpassing that of many countries including SA, as evidenced by the International Monetary Fund's GDP growth forecast of 4,9% for sub-Saharan Africa and only 2,1% for SA for 2015. This faster economic growth on the back of a rich resource base, improvements in the political environment and governance, trade liberation and extension of trade corridors contribute to the increased need for investment in infrastructure. Banks play a key role in capital-intensive projects. In addition, this has led to SA firms expanding into and investing in the rest of Africa. In the short term we expect volatility in these frontier markets, particularly those that are over-reliant on oil revenues.

STRATEGIC CONTEXT

The rest of Africa presents growth opportunities for Nedbank, albeit at a higher cost of capital and cost of risk, and require upfront investment. With faster economic growth there is a pressing need for infrastructure and capital-intensive projects, with Nedbank having strong, specialised skills and being in a position to play a key role in funding and structuring. At the same time we are able to leverage our strategic partnership with Ecobank, which has an unmatched presence across the continent.

STAKEHOLDER NEEDS

Our growing African client base and our SA clients entering the rest of Africa seek to benefit from one-stop banking solutions. Shareholders, on the other hand, seek exposure to this higher-growth region through investment in well-managed SA banks that follow a risk-mitigated approach.

Our response to the material matters is covered in greater detail in our strategic focus areas. In summary, and as a quick reference, we have responded as follows:

STRATEGIC RESPONSE

- Continued to develop a Pan-African banking network.
- In West and Central Africa where we are following a partnership approach, we have strengthened our strategic alliance with Ecobank Transnational Incorporated, which is represented in 36 countries, through a shareholding of approximately 20%.
- In SADC and East Africa where we own, manage and control banks we invested in our existing rest of Africa subsidiaries and acquired an initial 36,6% stake in Banco Único in Mozambique with a pathway to control in 2016.
- Concluded investment banking deals in 24 countries across Africa.

Pan-African banking network 34 – 35

Delivering value through our businesses 50 – 55

TRANSFORMATION OF SOCIETY WITHIN PLANETARY BOUNDARIES

MACRO TRENDS

The past two centuries have seen rapid population growth, but even faster economic growth, with an increase in average per capita income by a factor of more than 10. Higher living standards have also been coupled with improvements in life expectancy for billions of people. This progress has come at a significant environmental cost and there is mounting evidence that current patterns of human consumption are exceeding the planet's supply limits, and is therefore unsustainable.

Furthermore, high levels of poverty and inequality remain in many regions, including sub-Saharan Africa. Millions of citizens lack access to formal employment opportunities, sufficient food, clean water and sanitation, safe and affordable transportation, suitable housing, modern healthcare, education and financial services.

STRATEGIC CONTEXT

Environmental, societal and economic sustainability are all inextricably linked. As a bank for all, Nedbank's business success is linked to the sustainability of the environment that we operate in. We understand that our future business prospects are greatly improved if society is flourishing, the conditions of which require that human needs are being served within the biophysical constraints imposed by our finite planet. We are committed to good corporate citizenship and contributing to the building of a strong and thriving nation in SA, entrenching a culture of diversity and transformation, and leading as a green bank.

STAKEHOLDER NEEDS

The economic effects of the unsustainable use of resources would be high and volatile commodity prices and increased risk of natural disasters. In an attempt to respond to these, stricter regulatory standards and prices on externalities could be implemented, which will lead to higher prices for things such as electricity, transport and water, among others.

Our response to the material matters is covered in greater detail in our strategic focus areas. In summary, and as a quick reference, we have responded as follows:

STRATEGIC RESPONSE

- Since 2009 we have maintained our BBBEE level 2✓ rating and we are rated as one of the JSE's most transformed companies.
- Developed Long-term Goals to guide our business strategy (see page 16). Fair Share 2030, our strategic business response, aims to address societal needs within critical environmental thresholds.
- Continued contribution through our own operations and corporate social investment (CSI).
- Strong sustainability leadership and advocacy.
- Took a leading position in funding SA renewable-energy programmes, with an estimated participation in more than 54% of megawatt capacity.
- Build on solid empowerment credentials in the interests of transformation.
- Carbon neutral for six consecutive years.
- Support the Financial Sector Code.
- On the back of the winding up of our Black Business Partner BEE schemes in early 2015, we have unlocked a cumulative value of approximately R8,2bn through all Eyethu schemes unwound since inception.

Sustainability Review
Transformation Report

SCARCE SKILLS

MACRO TRENDS

Skills shortages in SA, attributable to the poor outcomes of the country's educational system, are a serious risk to economic growth for the country. In the higher-education and training pillar of the 2014–2015 World Economic Forum Competitiveness Report, SA was ranked last of 144 countries in 'Quality of math and science education' and 140th in 'Quality of the educational system'. These education challenges place a greater emphasis on skills retention and development in order to improve our global competitiveness. As a result, SA continues to have high levels of unemployment.

The transformation imperative remains top of the agenda for all stakeholders and continued progress to a more equitable representation of the SA workforce.

STRATEGIC CONTEXT

Banking is a large employer in the financial services sector and we require highly-skilled employees to service our clients. We are therefore investing in attracting, retaining and developing the skills we need to grow our businesses, because the right people with the right skills are essential for the delivery of our strategy. However, increasing competition means we have to work even harder to retain our best people and to mitigate the cost of replacing skilled staff. Nedbank's leaders are among the most highly skilled in the industry and we have succession plans in place for all key positions.

Nedbank has taken a leadership position in transformation and we continue to place this high on our agenda, given our goal to stay at the forefront of transformation.

STAKEHOLDER NEEDS

Our staff and corporate culture is a key competitive advantage and differentiator in attracting and retaining staff. We measure staff entropy to understand the level of dissonance within the group, while seeking to create a closer fit between the existing and ideal culture.

Our response to the material matters is covered in greater detail in our strategic focus areas. In summary, and as a quick reference, we have responded as follows:

STRATEGIC RESPONSE

- Continued to emphasise our strong employee value proposition – being a great place to work.
- Offered appropriately competitive remuneration.
- Spent R491m on training and development.
- Optimise personal and team effectiveness through the Leading for Deep Green programme.
- Continue to transform our business to reflect the profile of society.
- Focus on improving educational outcomes in SA, with 50% of Nedbank Foundation's CSI geared towards this.
- Launched Nedbank Academies – focused on developing scarce skills for Nedbank and SA.
- Developed and launched our flagship Nedbank Graduate Development Programme in 2010, with a specific aim of providing graduates with a worldclass development experience, addressing both personal leadership and functional specialised competency requirements, thereby creating a talent pipeline for us and the industry as a whole.
- Focus on educational outcomes through Long-term Goals of Fair Share 2030.

Investing in our staff 58 – 61

STRATEGIC FOCUS AREAS

Our strategy is primarily aimed at creating value for our shareholders (long-term capital providers) and is defined by our five key strategic focus areas in the context of the material matters described on pages 18 to 24. In delivering sustainable results for the long term, we also aim to create value for our key stakeholders – for more on this refer to pages 56 to 77.

Our five strategic focus areas depicted below are discussed in more detail on the following pages.

CLIENT-CENTRED INNOVATION

GROW OUR TRANSACTIONAL BANKING FRANCHISE

PAN-AFRICAN BANKING NETWORK

TO BE **AFRICA'S MOST ADMIRED BANK**

OPTIMISE TO INVEST

STRATEGIC PORTFOLIO TILT

In improving our integrated reporting this year we have sought to be more explicit, yet concise, in our discussion on what the key strategic focus areas mean to us, how we performed against key financial and non-financial metrics in 2014, the value created for our stakeholders, the outlook going forward, and key risks and opportunities associated with each. Through our internal reporting mechanisms we track progress in detail, while for integrated reporting purposes we aim to provide stakeholders with a high-level overview.

Chief Executive's Review 10 – 15

On pages 58a and 63a of our Remuneration Report we illustrate how our financial performance and delivery on the strategic focus areas inform remuneration and incentives.

Innovating for our clients 62 – 65

Delivering value through our businesses 50 – 55

CLIENT-CENTRED INNOVATION

Client-centred innovation is about developing solutions (products, services or processes) to address specific client needs, create value for our clients (by lowering their banking costs for example) or to enable a better overall client experience.

This strategic focus area is primarily in response to the material matter of banking relevance amid consumerism and increased competition. It is central to all of our other strategic focus areas, because innovation, whether technology-driven or not, is key to our success.

RELEVANT STAKEHOLDERS

Innovation is driven by our people and culture (human capital) to enhance our client value propositions and competitiveness in the market. We also innovate around the demands placed on us by our regulators and making a difference in our communities. We believe that by focusing on the major unmet needs in society, we can create value through innovation, benefiting our clients and thereby increasing shareholder value.

HOW DID WE CREATE VALUE?

Since 2013 we introduced various market-leading value-adding solutions such as **Send-iMali**™ (our cardless cash withdrawal capability), My**Financial**Life™ (a comprehensive personal financial management tool that provides account aggregation, net-worth tracking, spend analysis, budgeting and retirement planning functionality), **PocketPOS**™ (secure acceptance of 'CHIP and PIN' card transactions via mobile phones), the **Nedbank App Suite**™ (our mobile award-winning banking app), **ApproveIT**™ security (making our electronic platforms more secure) and Intelligent Depositor devices (allowing for self-service-rich functionality, including cash deposits). For our wholesale clients the **Plug and Transact**™ token has enhanced security on the NetBank Business electronic banking platform, providing greater flexibility and enhanced ease of use, while the recently launched **Market Edge**™ merchant analytics tool provides retailers with detailed analytics on their customer base and store performance.

These solutions are examples of innovations that have made banking more efficient, more secure and more affordable for our clients. Innovation successes have additionally resulted in increased staff morale, pride and loyalty. In 2014 we invested approximately R1,1bn in innovation and related development.

HOW DOES IT SET US APART?

Our client-centred approach has resulted in Nedbank delivering more innovations in the past two years than in the previous five years combined. Internally, innovation has increased the efficiency and cost-effectiveness of our structures, systems and processes, and this ultimately benefits our clients. Nedbank's reputation as an innovative bank is evident in us receiving the 2014 *African Banker* Award for Innovation.

RELEVANCE TO OUR BUSINESS MODEL

Through client-centred innovation we develop new innovative income streams and protect existing ones, while growing and retaining clients.

HOW DID WE MEASURE UP?

- Increased digitally-enabled clients 48% in 2014.
- Converted 171 outlets to our 'branch of the future' format, which equates to 22% of the total footprint.
- Increased the Nedbank brand value 15% to R12,6bn in 2014, as reported by Brand Finance SA's Top 50 Most Valuable Brands Survey.
- Continued to entrench innovation is in our culture, with staff survey feedback having shown continuous improvement for statements relating to innovation and over 1 500 ideas logged by staffmembers in 2014.
- Significantly enhanced internal processes and organisation to support innovation from idea generation and development to commercialisation, with faster delivery and more effective go-to-market strategies evidenced. However, this is an area that will require ongoing focus.

WHAT IS OUR OUTLOOK?

- We will continue to implement our integrated-channels strategy, emphasising innovation on mobile and digital capabilities as well as digital security. By providing convenient self-service capabilities both in our physical points of presence and on mobile and digital channels, we seek to provide clients with easier access and a better overall banking experience, while reducing our cost to serve.
- We aim to convert 75% of our outlets to the 'branch of the future' format by 2017.
- Nedbank will continue to explore opportunities for growth in the card and payment value chain, albeit in a highly competitive and regulated environment. The effective commercialisation of selective innovation opportunities leveraged off the new Postilion switch and the American Express® relationship as a differentiator will form the basis for continued success.
- Continue to extract value through Fair Share 2030 initiatives, servicing client needs using innovative financing with intentional non-financial benefits.

WHAT ARE THE RISKS AND OPPORTUNITIES OF DELIVERING ON THIS STRATEGIC FOCUS AREA?

- Ongoing investment is required over the next few years in an environment where the economy remains weak, growth in transaction volumes remains low and competition is increasing. Responsiveness to client needs and delivery remain important.
- Our biggest opportunities lie in establishing Nedbank as a leader in true client-centred innovation, enabling clients to direct and control much of their banking requirements, unlocking new revenue streams and reducing the cost of providing banking services, while creating resource efficiencies so that we can innovate and bring to market new offerings, more quickly and cost-effectively. This should enhance Nedbank's ability to continue growing our share of clients.
- Embracing Fair Share 2030 is required as a business opportunity and differentiator that simultaneously delivers on unmet client needs and human welfare imperatives within environmental considerations.

Innovating for our clients 62 – 65

Delivering value through our businesses 50 – 55

GROW OUR **TRANSACTIONAL BANKING FRANCHISE**

To mitigate the material effects of the economic cycle in the form of interest rate and credit risk it is important to build a sustainable buffer by increasing the contribution from non-interest revenue (NIR) to group revenue.

The main driver of NIR is gaining transactional banking clients and increasing volumes, which in turn supports growth in attractive household and commercial deposit categories, both of these attractive economic profit drivers. This is particularly relevant for Nedbank as we estimate that our main-banked market share in retail and corporate is only about 10% and about 15% respectively, well below our share of advances and deposits, which is above 18%.

Our focus is to grow across all segments of the markets we serve and to increase the depth of client relationships through compelling client value propositions.

RELEVANT STAKEHOLDERS

This strategic focus area is closely linked to client-centred innovation. It is therefore directly related to our clients' needs and the capabilities of our staff or human and intellectual capital and our social and relationship capital, which ultimately benefit our shareholders.

HOW DID WE CREATE VALUE?

Through a focus on growing our transactional banking franchise we have been able to increase NIR by a compound 11,3% between 2009 and 2014.

We created value for our clients in 2014 by keeping fees at or below 2013 levels in our retail, small business and business banking segments. Along with our planned strategic slowdown of personal loans, this had a short-term impact on NIR growth in 2014, but positions Nedbank favourably for the future.

In the past two years we have educated clients on transactional behaviour changes and moved clients to relevant lower-priced transacting bundles.

HOW DID WE MEASURE UP?

- Total clients increased 7,1% to 7,1m.
- Main-banked retail clients increased 7,0% to 2,5m✓, with cross-sell continuing to increase.
- Business Banking increased its primary client base by 752 and Nedbank Corporate added 20 new transactional clients.
- Given our deliberate strategic decisions to keep bank fees at or below 2013 levels and slow down personal-loan growth, our NIR-to-expenses ratio decreased to 82,8% (2013: 86,4%).
- For a more detailed analysis of the financial impact refer to the Chief Financial Officer's Report, on page 36.

HOW DOES IT SET US APART?

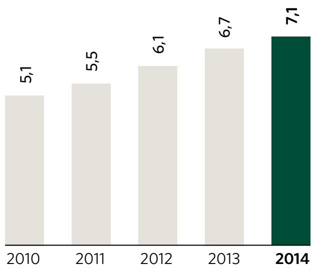
We have a proven track record of delivering on this strategic focus area, growing NIR above the SA industry average over an extended period. While growing pleasingly and given our lower share of main-banked clients (2013: 2,3m, 2014: 2,5m✓), we believe we still have significant room for growth. Our bank fees remain competitive and innovations have been leading the market. Our historical focus of growing youth and entry-level clients will benefit us in the future as some of them enter the middle-market segment over time. Our sustained investment in new branches and ATMs has resulted in a competitive footprint, with coverage of 82% of the bankable SA population.

RELEVANCE TO OUR BUSINESS MODEL

By growing our transactional banking franchise we increase our return on equity (ROE), as deposits and transactional revenue consume less capital. At the same time our earnings volatility is reduced as the contribution to more stable sources of income is increased.

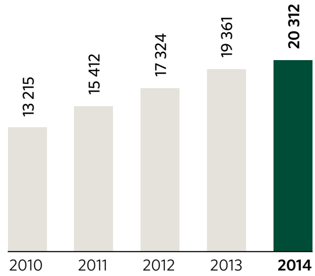
NUMBER OF CLIENTS (m)

Total clients grew 7,1% to 7,1m (retail clients: 7,2% to 6,9m).



NON-INTEREST REVENUE (Rm)

NIR increased 11,3% compound since 2009 and 4,9% in 2014.



WHAT IS OUR OUTLOOK?

- We will continue to focus on strongly growing revenue generated from transactional banking, targeting an NIR-to-expenses ratio of 85% in the medium to long term.
- We expect continued growth in client numbers, aiming to increase our main-banked market share over time and deepen cross-sell, while bank fees will increase at levels well below inflation.
- In 2015 we will bed down our new integrated client-centred wholesale banking structure announced in 2014, which should position us well for revenue growth over the medium to long term.
- We will continue to drive transactional client growth further through 'simplified client onboarding'. This will improve processes at the moment of application, resulting in a faster and simpler client experience.

WHAT ARE THE RISKS AND OPPORTUNITIES OF DELIVERING ON THIS STRATEGIC FOCUS AREA?

- Increased competition and regulation, particularly the impact of lower interchange fees in 2015, could mute NIR growth.
- Failure to innovate in areas that are critical to the client experience at a pace that is on par or ahead of competitors will over time limit our ability to gain and retain clients. Continued investments in marketing and distribution are required to keep Nedbank top of mind and accessible.
- Deeper client relationships can be forged through better engagement and retention.
- Increasing our NIR contribution will create a buffer against volatile external factors.

Chief Financial Officer's Review 36 – 47

OPTIMISE TO **INVEST**

The strategic focus area 'Optimise to invest' aims to fund our investment in our franchise to sustain future growth. We fundamentally believe in investing through cycles – the impact on staff morale and client service of cutting costs too aggressively is a hard lesson Nedbank learnt in the early 2000s.

Investment in outlets, digital channels, new value propositions and technology is funded through cost savings from optimisation, simplification and rationalisation processes – a key factor in tough times, as described in the material matter 'Tough economic environment conditions with limited forward visibility'.

RELEVANT STAKEHOLDERS

Our staff are key in identifying and implementing initiatives that simplify our processes, making the bank more cost-efficient. This impacts our manufactured capital (eg physical and digital infrastructure and IT systems) as we invest for the future. Our clients or social and relationship capital benefit from enhanced client experiences due to greater access to Nedbank channels and simplified processes. Shareholders benefit to the extent that cost savings are realised for reinvestment in areas of sustainable future growth.

HOW DID WE CREATE VALUE?

Through significant investment in outlets (+41%) and ATMs (+104%) since 2009, we have made banking more convenient for our clients. Our integrated-channel strategy enabled clients to transact seamlessly across their channels of choice, while the rollout of our 'branch of the future' resulted in a reduction of floor space, increase in sales volumes and reduced account opening times.

Our managed-evolution approach to technology aims deliberately to enhance our IT systems over time and deliver business benefits. In line with our 'rationalise, standardise and simplify' IT strategy, we set a target in 2010 to decrease our core systems from 250 to 60, of which 74 have been decommissioned to date. This is laying the foundation for future cost savings and vast efficiencies. We progressed well with our SAP enterprise resource planning (ERP) replacement system for finance and procurement (implemented 1 January 2015) with the remaining human resources modules to be implemented during 2015.

HOW DOES IT SET US APART?

Nedbank, in contrast with most of its peer group, has been investing consistently in our franchise over the past five years, unlocking new growth opportunities. Our ability to manage our cost base through the years has been an outstanding feature and is acknowledged by the investment community.

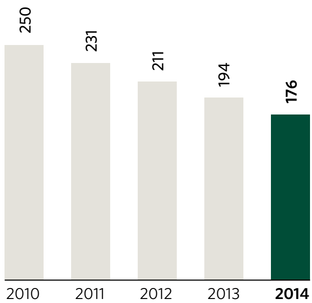
RELEVANCE TO OUR BUSINESS MODEL

Through 'Optimise to invest' we ensure that we invest sustainably in the franchise to unlock future growth opportunities, while managing our cost base by unlocking synergies and efficiencies.

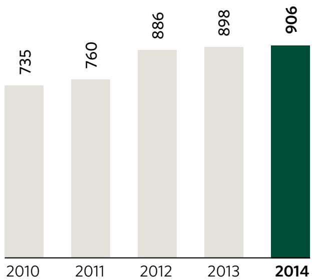
HOW DID WE MEASURE UP?

- Cost growth of 9,4% in 2014 includes continued investment in the franchise.

CORE SYSTEMS FROM 2010 TO 2014

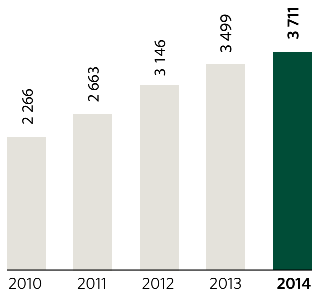


STAFFED OUTLETS[1]
(EXCLUDING PERSONAL-LOANS KIOSKS)



[1] *Including rest of Africa.*

ATMs[1]



WHAT IS OUR OUTLOOK?

- Invest a further R2,1bn by 2017 in refurbishing our outlets, additional ATMs and the rollout of our ‘branch of the future’ format.
- Investment in the rest of Africa.
- We have embarked upon a number of crosscluster initiatives to rationalise, standardise and simplify systems and processes. Our frontline clusters will continue to focus on product simplification by rationalising the number of products in the market; simplifying credit, compliance and legal processes as well as leaner standard documentation, among others.
- We have identified areas in the group’s support clusters where significant cost savings can be realised through our cost-reduction programmes.
- Together with the greater Old Mutual Group in SA, identifying and collectively unlocking R1bn of synergies, on a pretax basis, across Nedbank, Old Mutual (South Africa) and Mutual & Federal by 2017. Just under 30% of the synergies are estimated to accrue to Nedbank.
- In an environment of low interest rates, reaching our medium-to-long-term cost-to-income ratio target of 50% to 53% is challenging, but remains a focus.

WHAT ARE THE RISKS AND OPPORTUNITIES OF DELIVERING ON THIS STRATEGIC FOCUS AREA?

- The risks of not achieving our optimisation and investment targets are cost overruns or delays in project implementation and not extracting the expected benefits.
- The optimisation and cost savings we realise will create the opportunity to invest in other areas of strategic priority.
- Cost optimisation initiatives will enable investment in our people and the retention of scarce skills as well as support transformation at Nedbank.

Chief Executive's Review 10 – 15

2014 Pillar 3 Risk and Capital Management Disclosure Report

Sustainability Review

STRATEGIC **PORTFOLIO TILT**

Strategic portfolio tilt aims to manage our portfolio of businesses and products proactively to improve our risk-and-return profile and to identify financial services opportunities that maximise economic profit (EP) growth while maintaining a fortress balance sheet. This is particularly relevant in a tough economic environment with limited forward visibility.

This focus area seeks to respond to the material matters of increased demands on governance, regulation and risk management as well as transforming within planetary boundaries. The Basel III regulatory requirements for capital, funding and liquidity resulted in lower returns and EP from secured-lending products such as home loans, given the higher levels of capital and funding required and increase in associated costs. While client deposits become attractive, the competition among banks increases.

RELEVANCE TO OUR BUSINESS MODEL

Through strategic portfolio tilt we aim to leverage our strong wholesale banking position, while reducing downside risk in higher-risk products or businesses. We aim to maintain a strong balance sheet in tough and uncertain times to provide protection against unforeseen events.

Nedbank's Long-term Goals serve to guide strategic portfolio tilt in terms of direction and speed, ensuring the inclusion of non-financial considerations.

RELEVANT STAKEHOLDERS

Our staff, clients, shareholders, regulators and the relevant capitals – human and intellectual, manufactured and financial, natural, and social, and relationship capital – are all impacted by strategic portfolio tilt.

Staff are educated to understand and adapt to the change in the risk-and-return profile of products or even redeployed to business areas that we seek to grow more rapidly. Staff roles and processes change according to increased regulatory reporting and risk management requirements.

The change in the risk-and-return profile of various products has resulted in Nedbank adopting selective deposit and advances growth as well as risk-adjusted pricing strategies, which impact our clients.

The bank's social and relationship capital in relation to regulators is more important than ever, as systemic risk remains high on the agenda.

Shareholder returns are impacted by the increase in capital required. This results in lower ROE performance for the banking industry as well as the increased cost of funding, which reduce net interest margins. More importantly, shareholders are increasingly valuing investments that show lower propensity for downside risk.

The building or depleting of social and natural capitals is fundamental to our decisionmaking processes.

HOW DID WE CREATE VALUE?

We continue to benefit from the early action taken in reducing our home loan and personal-loan portfolios, while strengthening our focus on growing EP-generative activities such as transactional deposits and transactional banking, and in the rest of Africa.

The benefit resulting from our actions over the past four years has enabled the group to maintain a sound balance sheet, improve coverage ratios and reduce impairments, while delivering dividend-per-share growth ahead of headline earnings per share (HEPS) growth.

HOW DOES IT SET US APART?

Nedbank is widely acknowledged for taking early action in anticipating industry issues – this was evident particularly in home loans and personal loans.

The group's business model bias towards the wholesale market segments (60% of advances) positions us well in the current economic environment.

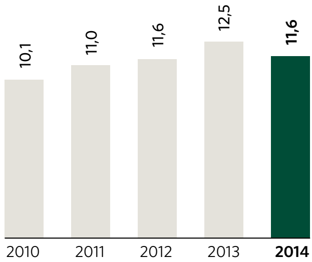
Our ability to generate economic profit has been beneficial to our shareholders, as is evident in our strong share price performance over one, three and five years.

It sees us taking a longer-term view on opportunities as opposed to being too reactive in the short term, while preparing and building the markets of the future.

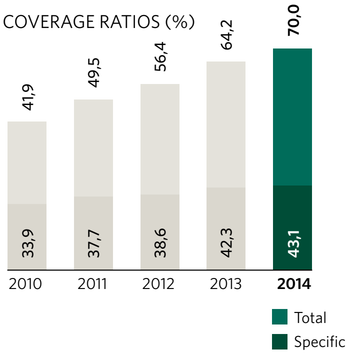
HOW DID WE MEASURE UP?

- Economic profit at R2,1bn.
- CET1 capital ratio at 11,6%, above mid-point of our medium-to-long-term target of 10,5% to 12,5%.
- Total specific coverage ratio at 43% and total coverage ratio at 70%.
- In 2014 Nedbank concluded a proof-of-concept phase of Fair Share 2030, a small-scale pilot through which we generated important insights that served to inform our business planning process and will prove invaluable as we scale up through 2015 and beyond.

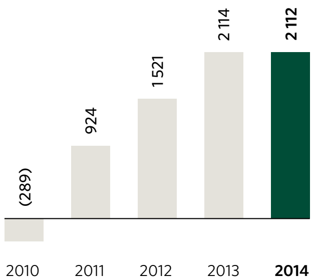
CET1 RATIO (%)



COVERAGE RATIOS (%)



ECONOMIC PROFIT (Rm)



WHAT ARE THE RISKS AND OPPORTUNITIES OF DELIVERING ON THIS STRATEGIC FOCUS AREA?

- Unemployment and an increase in consumer indebtedness could increase the risk of lending to the retail market and impact returns. Home loans remain the product that shows the biggest potential for downside risk in an environment of rising interest rates and higher unemployment – to this end Nedbank has been very conservative in its lending practices over time.
- The key considerations impacting delivery of Fair Share 2030 is the limited risk appetite for new, untested business opportunities that may require a comparatively greater time investment.
- Sustained lower oil prices could relieve the pressure on consumers through lower inflation, while interest rates could stay lower for longer.
- Broadening the bank's risk management perspective and diversification of credit risk of the lending book, while enhancing client-centredness and unlocking innovative solutions remain a focus.
- Fair Share 2030 encourages collaboration between Nedbank's businesses and builds a differentiated market position.

WHAT IS OUR OUTLOOK?

- We continue to be cautious in higher-risk portfolios, but are likely selectively to grow home loans and rightsize personal loans in the medium term. We expect continued strong advances growth across most of our wholesale portfolios, credit cards and vehicle finance.
- Deepening Fair Share 2030 through a vertical, crosscluster centre of excellence to help identify and realise new business opportunities that intentionally provide additional financial and non-financial benefits to stakeholders.
- Through Fair Share 2030 we have set ourselves a challenge to seek qualifying lending of no less than R6bn during 2015 (to be reviewed in future years). Fair Share 2030 also provides for a screening mechanism that will serve to reshape the carbon and water intensity of Nedbank's lending book over time.

Growth opportunities in the rest of Africa
22

Delivering value through our businesses
50 – 55

PAN-AFRICAN BANKING NETWORK

Our Pan-African banking network strategy represents a client-focused, risk-mitigated, capital-efficient growth lever for the medium to long term and primarily addresses the material matter of growth opportunities in the rest of Africa.

Together with Ecobank, a key player in West and Central Africa in which we acquired a shareholding of approximately 20% in 2014, we provide our clients with access to the largest Pan-African banking network of 39 countries. Investing in Ecobank – the number one bank in Ghana, a systemically important bank in Nigeria and ranked a top-three bank by assets in 14 countries in Africa – ensures diversification of country-specific risk while giving our shareholders access to the faster gross domestic product growth rates in the rest of Africa.

In the Southern African Development Community (SADC) and East Africa we have increased our presence with an initial acquisition of 36,6% in Banco Único, Mozambique, which was concluded in 2014. Our network presence in SADC and East Africa now comprises six countries, namely Lesotho, Swaziland, Namibia, Malawi, Mozambique and Zimbabwe. In addition, we have representative offices in Kenya and Angola.

RELEVANT STAKEHOLDERS

By increasing our footprint in Africa and creating a Pan-African banking network we are able to provide our clients with a broad range of banking solutions and banking services in the growing economies of Africa. In addition, expanding into the rest of Africa allows our shareholders the opportunity to benefit in the growth-earning potential of the African economies. Our Pan-African network also enables our staff to gain Pan-African exposure and share skills, knowledge and experience across the different regions.

HOW DID WE CREATE VALUE?

- Within SADC and East Africa, we have increased the momentum in positioning the business for growth by:
  - Investing in expanding our distribution channels
  - Laying the foundation for implementing a single integrated and cost efficient IT platform to enable innovation, optimisation of operations and better risk management.
  - Leveraging off our South African skills and capabilities in retail and business banking, corporate, capital and wealth.
  - Our acquisition of shareholding in Banco Único in Mozambique has strengthened the Nedbank franchise and client proposition in the SADC.
- In West and Central Africa, our investment in a 20% shareholding in Ecobank in early October has generated an estimated R146m of associate income, but more importantly provides our shareholders and clients access to the higher growth markets outside of SA. The strategic and technical alliance with Ecobank continues to deliver value for our clients and Nedbank. Approximately 70 Nedbank wholesale banking clients now bank with our alliance partner through collaboration efforts.
- We continue to identify investment opportunities for our clients expanding their operations into the rest of the continent through our wholesale banking franchise.

HOW DOES IT SET US APART?

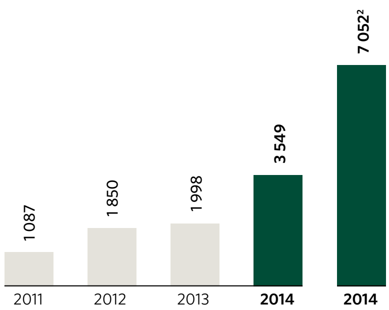
Our strategy for the rest of Africa is anchored by Nedbank's vision to build Africa's most admired bank through strong organic growth, prudent acquisitions and an alliance underpinned by a one-bank operating model across the continent. Our clients benefit from a bank with the largest banking network in SADC, East Africa and West Africa, which is intended to provide our clients with a seamless banking experience.

In addition, our clients are able to leverage off Ecobank's deep incountry knowledge. We have approached our expansion in a risk-mitigated manner as evidenced in the portfolio effect of spreading risk across various countries and following our rights after carefully assessing the investment case over a three-year period. We are cognisant of creating shareholder value and as such we see our strategy as capital-efficient and evidenced by acquiring our shareholding in Ecobank.

RELEVANCE TO OUR BUSINESS MODEL

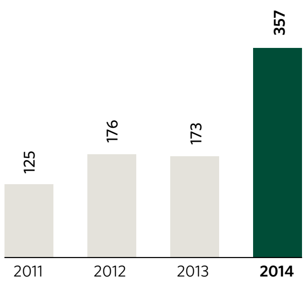
The strategic focus area of the Pan-African banking network aims to drive greater earnings contribution from faster growth in the economies of the rest of Africa, while also providing geographic diversification benefit.

REST OF AFRICA DIVISION
CAPITAL DEPLOYED[1] (Rm)



[1] *Year-to-date averages.*
[2] *Year-end capital deployed into the Rest of Africa Division and to deals written on the continent by Nedbank Capital and Nedbank Corporate.*

REST OF AFRICA DIVISION
HEADLINE EARNINGS (Rm)



HOW DID WE MEASURE UP?

- Expanded our own presence in SADC and East Africa from five to six countries.
- Laid the foundation to implement a standardised one-bank business operating model across our subsidiaries.
- Invested R6,3bn to become a strategic shareholder in Ecobank Transnational Incorporated (ETI) with a shareholding of about 20%, and in Banco Único, with a shareholding of 36,6%.

WHAT IS OUR OUTLOOK?

- In SADC and East Africa:
  - We aim to capture a growing share of the market in the rest of Africa where we have existing presence.
  - We will continue to invest in distribution channels, enhancing and adding new products.
  - We will continue to identify acquisition opportunities in SADC and East Africa to increase our presence from six to 10 countries over time.
- In West and Central Africa:
  - We will continue to strengthen our relationship with Ecobank, building on the strategic alliance we created in 2008 and benefiting from deepening our relationship as a shareholder and strategic and technical partner.

Across our franchise we will continue to align governance structures in the different regions with best international practice.

WHAT ARE THE RISKS AND OPPORTUNITIES OF DELIVERING ON THIS STRATEGIC FOCUS AREA?

- The associated risks of investing in the rest of Africa are higher and evolving, given less political, social and economic stability as well as regulation and governance regime when compared with developed markets and SA. In particular, this has a bearing on capital, investment and operational risk. The market value of ETI is less than the carrying value of the investment at 31 December 2014.
- A lower oil price could negatively impact the prospects of oil-exporting countries such as Nigeria, Angola and Ghana. Here Ecobank's diversified business model across 36 countries provides some buffer against excessive downside risk, compared with peers operating primarily in one of these countries.
- Skills shortages in the rest of Africa, similar to SA, could add to the risk of our strategy not being delivered on, targets missed, fraud and IT, systems and other risk-related operational activities.
- Overpaying for new acquisitions as we pursue inorganic growth opportunities is a risk.
- There is an opportunity to collaborate with our majority shareholder, Old Mutual plc, in respect of both the organic and acquisition scenarios.

DELIVERING VALUE TO OUR STAKEHOLDERS

Collaborative, innovative and **client-centred culture**

SA **2014 Bank of the Year**

Growth in earnings and dividends

Total shareholder value return of **23,2%**

Socioeconomic development delivering community growth and empowerment

36

R9,9bn

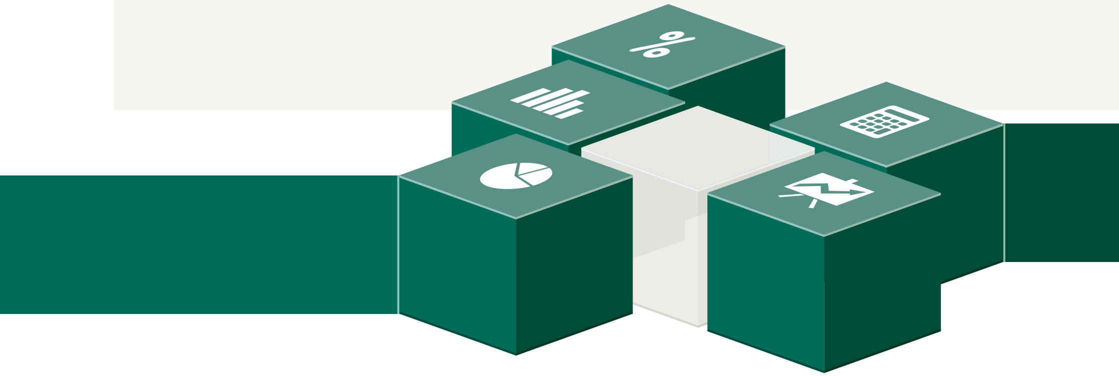
HEADLINE EARNINGS

UP 14,0%

82,8%

NIR/EXPENSES RATIO

(2013: 86,4%)



CHIEF FINANCIAL OFFICER'S REVIEW

'Nedbank Group delivered a solid financial performance while investing in our franchise and people.'

This review provides:

- An overview of the group's 2014 highlights and financial results and prospects for 2015
- An analysis of the impact of material matters on our business
- A detailed analysis of the group's financial performance and financial position
- Key accounting concepts

RAISIBE MORATHI
CHIEF FINANCIAL OFFICER

17,2%
RETURN ON EQUITY
(EXCLUDING GOODWILL)
(2013: 17,2%)

2014 financial performance and outlook video from our CFO, Raisibe Morathi.

DEMONSTRATING **OUR VALUE CREATION**

2014 HIGHLIGHTS

DILUTED HEPS	FULL-YEAR DIVIDEND PER SHARE	COMMON-EQUITY TIER 1 RATIO
▲ 13,0%	▲ 14,9%	▼ 11,6%
2 066 CENTS	1 028 CENTS	(2013: 12,5%)

HEPS	NAV PER SHARE	CREDIT LOSS RATIO
▲ 12,9%	▲ 9,5%	▼ 79 bps
2 127 CENTS	14 395 CENTS	(2013: 106 BPS)

REVIEW OF **2014 FINANCIAL RESULTS**

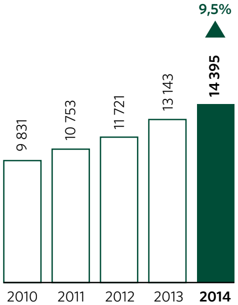
Nedbank Group produced a strong set of results in 2014, supported by good performance across all the clusters. This was evident in the increase in net interest income (NII), improvements in impairments and growth in non-interest revenue (NIR), particularly in the second half of the year. For the first time our earnings included associate income from our shareholding in Ecobank Transnational Incorporated (ETI), effective for the last quarter of the year.

We continued to create value for our shareholders by delivering:

- headline earnings growth of 14,0% to R9,9bn; and
- return on average ordinary shareholders' equity (ROE), excluding goodwill, of 17,2%, resulting in economic profit (EP) of R2,1bn against our cost of equity of 13,5% (2013: 13,0%);
- net asset value per share (NAV) increase of 9,5% to 14 395 cents per share;
- full-year dividend of 1 028 cents per share, up 14,9% year-on-year; and
- total shareholder return of 23,2%, created through growth in dividends paid, together with the 18,6% increase in the group's share price.

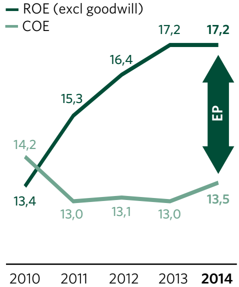
NAV

NAV per share (cents)



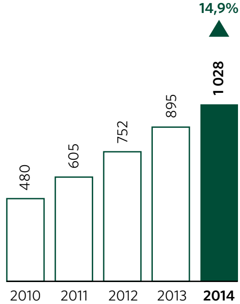
ROE>COE

ROE and COE (%)



DIVIDENDS

Full-year dividend per share (cents)



Diluted headline earnings per share (DHEPS) increased 13,0% to 2 066 cents, ahead of our 2014 guidance for DHEPS growth to be above nominal gross domestic product (GDP) (estimated at 7,5%), as well as our medium-to-long-term target of nominal GDP plus 5% (estimated at 12,5%). Excluding associate income from ETI and related funding costs, organic DHEPS increased 12,3%.

The group's balance sheet is well positioned with our Basel III common-equity tier 1 (CET1) ratio at 11,6% after acquiring approximately 20% of ETI. Funding and liquidity levels remained sound, with statutory liquid assets and cash reserves increasing 18,5% to R82,6bn, resulting in the group exceeding the 60% minimum liquidity coverage ratio (LCR) requirement on 1 January 2015.

KEY DEVELOPMENTS IN 2014

Our 2014 financial results reflect both the benefits of strategic actions taken over the past few years and the impact of strategic actions implemented this year, as we build for the future.

Today, we can see the benefits of selective advances growth and strengthening balance sheet provisioning in anticipation of continuing economic headwinds over the past few years. We are in a far more resilient position – our credit loss ratio (CLR) decreased to 79 basis points (bps) (2013: 106 bps), below the lower end of our through-the-cycle-target range of 80 to 120 bps; our total coverage ratio is at 70% and our home loans frontbook now reflects good asset quality and improved profitability. (For more information refer to 'Strategic portfolio tilt' on pages 32 to 33.)

Similarly, in 2014 we took the strategic decision to maintain transactional banking fees at 2013 levels, implement selected fee reductions and lower credit life pricing. While these actions impacted NIR by an estimated R684m, the benefits are starting to come through in record personal-loan profits for the year.

In addition, we are seeing good transactional banking progress with net client gains of 7,1% to 7,1m clients and good takeup of our digital-banking suite. (For more information refer to 'Growing our transactional banking franchise' on pages 28 to 29.)

We also recognise that in this economic climate our investment for growth needs to be supported by cost efficiencies. To this end, since 2010 we have decommissioned 74 core systems as we rationalise our IT systems from 250 to 60. We are integrating backoffice functions within Nedbank Retail and Business Banking and initiating various crosscluster optimisation programmes. We also implemented the finance and procurement modules of our SAP enterprise resource planning (ERP) on 1 January 2015. (For more information refer to 'Optimise to invest' on pages 30 to 31.)

We completed the acquisition of an initial 36,6% stake in Banco Único and an approximate 20% investment in ETI, offering our shareholders an opportunity to participate in the higher-earnings-growth potential of the rest of Africa. (For more information refer to our strategic focus area of 'Pan-African banking network' on pages 34 to 35.)

THE **IMPACT OF MATERIAL MATTERS** ON OUR BUSINESS

As a bank, we do not operate in isolation and are an integral part of the economy and society as a whole. The material matters (described in detail on pages 18 to 24) were identified as the most influential external factors in relation to the group's operational and financial performance. The table below presents the impact of the material matters on the group performance in 2014 and the anticipated impact in 2015.

Key performance indicators (KPIs)	Material matters that impact KPIs	How material matters impacted KPIs in 2014
ADVANCES GROWTH 8,1% EXCLUDING TRADING ADVANCES	TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY	■ Our strategic portfolio tilt strategy in response to a challenging environment underpinned wholesale advances growing faster than retail advances. ■ Nedbank's strong positioning in commercial property finance, infrastructure expertise and SA's renewable-energy rollout assisted local wholesale advances growth. ■ High levels of consumer indebtedness limited retail advances growth at 2,6%.
	GROWTH OPPORTUNITIES IN THE REST OF AFRICA	■ Opportunities in the rest of Africa resulted in strong wholesale advances growth.
NET INTEREST MARGIN (NIM) 352 bps (2013: 357 bps)	TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY	■ Wholesale advances growth ahead of retail contributed to a 12 basis points reduction in asset margin. ■ The 75 basis points (bps) increase in SA interest rates added 10 basis points to NIM.
	BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION	■ Increased competition for Basel III-friendly deposits compressed liability margins by 3 basis points.
	INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT	■ Preparation for Basel III LCR implementation and higher cost of funding placed pressure on funding costs, leading to 1 basis points margin pressure.
CREDIT LOSS RATIO 79 bps (2013: 106 bps)	TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY	■ Despite a challenging environment and consumer stress, early actions resulted in the group's CLR improving. ■ We increased the central provision from R200m to R350m in anticipation of a tougher environment.

Value-added statement 56

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THE IMPACT OF MATERIAL MATTERS ON OUR BUSINESS (continued)

Key performance indicators (KPIs)	Material matters that impact KPIs	How material matters impacted KPIs in 2014
NON-INTEREST REVENUE (NIR) R20 312m UP 4,9%	TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY	■ Clients transacting less reflected in slower transactional volume growth as well as small and medium enterprise (SME) and business banking growth compared with 2013.
	BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION	■ Our strategic decision not to increase fees in Retail and Business Banking, and selected fee reductions in the second half of the year cost us R355m in lost revenue. Initial benefits are seen in client gains while positioning the franchise favourably for the future. ■ An increasing number of clients are transacting through lower-fee digital channels vs branches.
	INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT	■ Responsible lending, the reduction of our personal-loans book and lower credit life pricing decreased NIR by an estimated R329m. However, despite this impact personal loans delivered record profits for the year, driven primarily by lower credit losses.
	TRANSFORMATION OF SOCIETY WITHIN PLANETARY BOUNDARIES	■ Renewable-energy transactions and financing clean alternative energy sources contributed to good NIR income. ■ Higher levels of weather-related claims, particularly in the first half of the year, impacted insurance income.
OPERATING EXPENSES R24 534 UP 9,4%	TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY	■ Inflationary pressures on the cost base estimated at 6,1%.
	BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION	■ Continued investment in our franchise, including client-centred innovation, new products, channels and IT systems.
	INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT	■ The cost of monitoring, ensuring compliance and managing risk increased in line with the increase in regulatory reforms.
	SCARCE SKILLS	■ Competition for skilled people increased employment costs, with our 2014 annual salary increases at an average of 6,5%. ■ Training spend increased 24,5% to R491m (2013: R396m).
	GROWTH OPPORTUNITIES IN THE REST OF AFRICA	■ Investment in people, footprint and IT systems.

Key performance indicators (KPIs)	Material matters that impact KPIs	How material matters impacted KPIs in 2014
CET1 RATIO 11,6%	INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT	■ Disqualification of hybrid-funding instruments. ■ Grandfathering and redemption of non-qualifying Basel II instruments and issue of new Basel III-compliant instruments.
	GROWTH OPPORTUNITIES IN THE REST OF AFRICA	■ Our investments in the rest of Africa resulted in a 90 bps reduction in our CET1 ratio.
FUNDING AND LIQUIDITY 8,4% DEPOSITS UP	BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION	■ Increased competition for deposits increased the cost of funding.
	INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT	■ Compliance with the LCR requirement resulted in an 18,5% increase in statutory liquid assets and cash reserves.

Segmental reporting 26a – 27a
Strategic focus areas 25 – 35

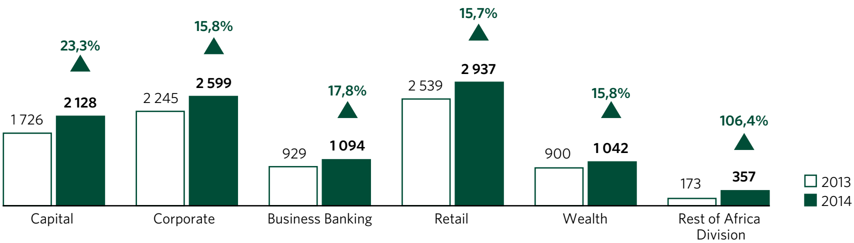
ANALYSIS OF OUR **FINANCIAL PERFORMANCE**

The following analyses of the key performance drivers should be read in conjunction with the strategic focus areas covered in this integrated report.

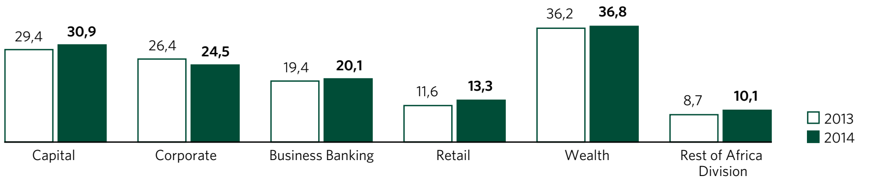
STRONG PERFORMANCE ACROSS ALL CLUSTERS

Our business clusters have developed competitive client value propositions and market positioning, producing strong headline earnings growth of 19,3% and an increased ROE of 19,7%. Our wholesale and wealth clusters produced an ROE of well above 20% and Nedbank Retail's ROE of 13,3% reflects continued progress. Our Rest of Africa Division, now reported on separately, achieved an increase in headline earnings of 106,4% and an ROE of 10,1%. Further details on cluster performance are covered in the Segmental Overview in this integrated report.

Headline earnings (Rm)



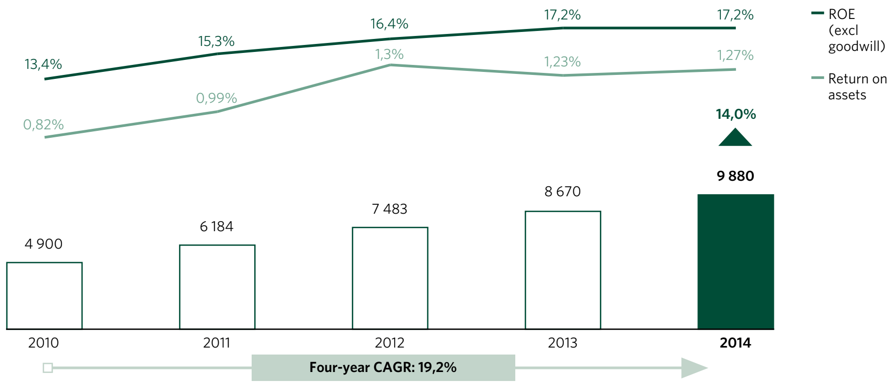
ROE (%)
Return on equity



STRONG EARNINGS GROWTH TREND WITH ROE AND ROA UPLIFT

Over the past four years headline earnings (HE) has more than doubled from R4,9bn to R9,9bn, representing a compound average growth rate (CAGR) of 19,2%. This strong growth trend was underpinned by an ROE, excluding goodwill, increasing to 17,2% from 13,4% and a return on assets (ROA) improving from 0,82% to 1,27%.

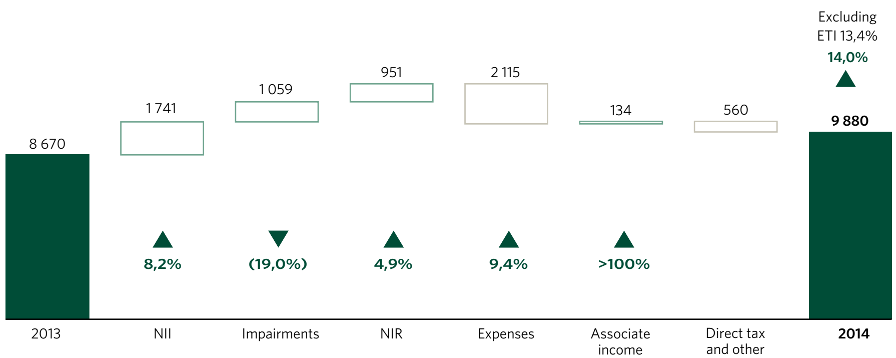
Headline earnings (Rm)



HEADLINE EARNINGS GROWTH DRIVERS

Growth was supported by NII, improvements in impairments and growth in NIR, particularly in the second half. Headline earnings included associate income from our shareholding in ETI, effective for the last quarter of the year.

Headline earnings (Rm)

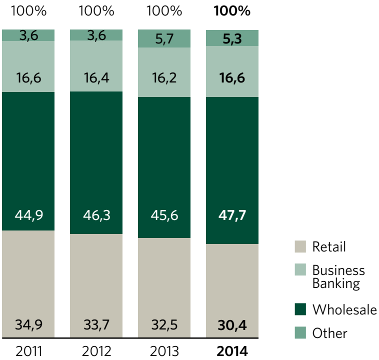


NET INTEREST INCOME

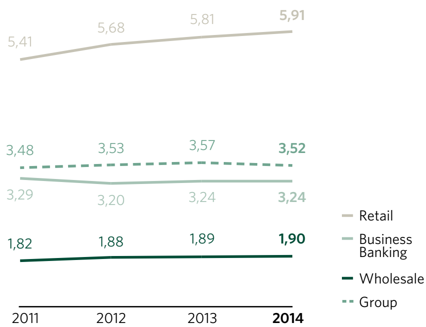
NII grew at a four-year CAGR of 8,4% and 8,2% in 2014, while NIM improved from 3,48% to 3,57% in 2013, but narrowed in 2014 to 3,52% as the benefit of endowment income was offset by asset and liability margin compression.

Asset margins were impacted by the higher proportion of lower-margin wholesale interest-earning assets that had increased from 45% to 48% since 2010, relative to higher margin retail assets decreasing from 34,9% to 30,4%. In addition, higher levels of lower-yielding, high-quality liquid assets are held as the LCR requirements increase 10% annually to reach 100% on 1 January 2019. Liability margin compression arose from higher levels of competition for Basel III-friendly deposits.

Contribution to average interest-earning assets (AIEA) (%)



Net interest margin (%)



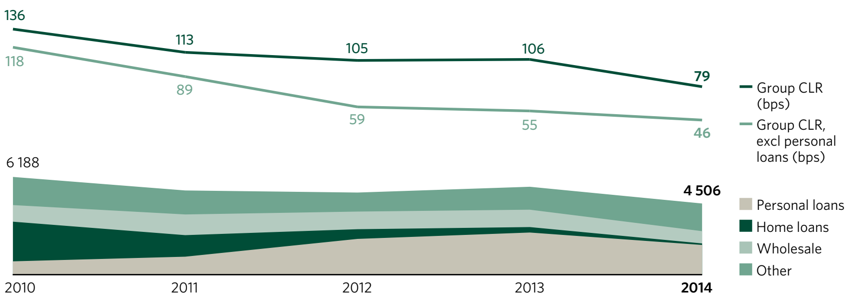
Note: 2010 data not available on a like-for-like basis.

IMPAIRMENTS CHARGE ON LOANS AND ADVANCES

Impairments improved 19,0% to R4 506m and the CLR to 79 bps, despite increased coverage levels and the strengthening of central provisions to R350m from R200m, in line with the group's view of a protracted weak economic environment.

The declining CLR trend is largely due to improvements in home loans and personal-loan impairments. Excluding personal loans, the group's CLR was 46 bps for the year.

Group credit loss (bps)



Since 2010 total group defaulted advances decreased by 40,8% to R15 846m, driven by ongoing improvements in asset quality, prudent credit granting and strong collections. Total defaulted advances now constitutes 2,5% (2013: 3,0%) of the book.

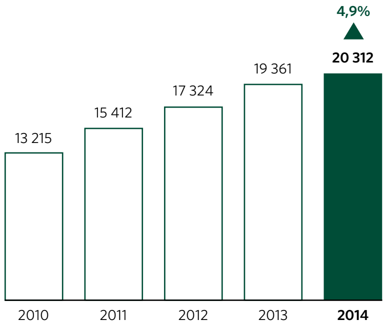
Coverage ratios for total impairments strengthened to 70,0%, from 41,9% in 2010, driven by specific coverage increasing to 43,1% from 33,9%, while portfolio coverage also increased.

Writeoffs have been reducing along with the decrease in the size of the personal-loan book and lower rate of growth. Similarly, our collections processes generated postwriteoff recoveries of R941m on a conservative cash-accounted basis, of which a third relates to personal loans.

NON-INTEREST REVENUE

NIR grew at an average compound rate of 11,3% from 2010 to 2014, supported by continued progress in transactional banking growth and net client acquisitions.

NIR (Rm)



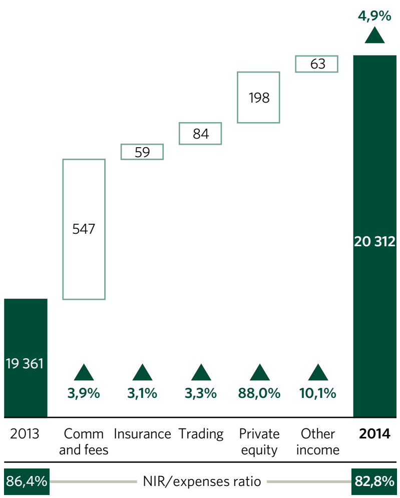
In 2014, as a result of a number of strategic actions, NIR increased by 4,9% to R20 312m. These actions included the slowdown in growth of personal loans, reducing the pricing of our credit life product (but with increased benefits), maintaining transactional fees at 2013 levels, and implementing selected fee reductions in Retail Relationship Banking and Business Banking.

The underlying drivers of NIR growth included:

- Commission and fee income increasing 3,9% to R14 570m, notwithstanding the effect of no fee increases and fee reductions amounting to R355m.
- Insurance income growing 3,1% to R1 986m, achieved mainly in the second half of the year through a better claims experience offset by lower volumes in retail products.
- Trading income growing 3,3% to R2 648m off a high 2013 base.
- Private-equity income increasing 88,0% to R423m following higher profits realised on listed investments of R434m.
- Fair-value gains of R35m primarily as a result of basis risk on centrally hedged banking book positions and accounting mismatches in the hedged fixed-rate advances portfolios.

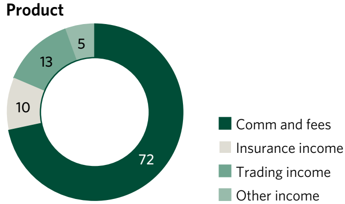
Our NIR-to-expenses ratio of 82,8% declined due to the modest NIR growth; however, we remain committed to our medium-to-long-term target ratio of greater than 85%.

NIR contribution (Rm)



Contribution

Product



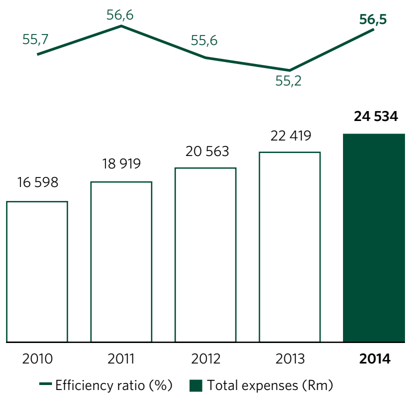
EXPENSES

Expenses growth of 9,4% to R24 534m is reflective of continued investment in the group's franchises, including electronic and physical channels, regulatory requirements and our expansion into the rest of Africa as well as groupwide synergies focused on rationalising and simplifying operations.

The main contributors were:

- Staff-related costs increasing 9,6%, comprising –
  - Growth in remuneration and other staff costs of 8,8%.
  - A 14,6% increase in short-term incentives in line with the group's strong financial performance and 7,4% in long-term incentives. More details can be found in our Remuneration Report on pages 48a to 55a of the supplementary section of this report.
- Computer processing costs growing 13,9% to R3 097m, including amortisation costs of R655m, up 12,0%.
- Fees and insurance costs increasing 10,7% in line with higher volumes of revenue-generating activities such as cash handling, card issuing and acquiring, and client acquisition costs in Nedbank Wealth.

Efficiency ratio and expenses growth



Efficiency ratio and expense growth (%)

The efficiency ratio, including associate income from ETI, increased to 56,5%, largely as a result of lower growth in NIR due to the strategic actions implemented. Excluding associate income, the efficiency ratio was 56,7%.

Associate income

Associate income increased to R161m (2013: R27m), largely driven by the Nedbank estimate of income from our shareholding of approximately 20% in ETI, effective from 1 October 2014. This associate income was a Nedbank estimate, as the publication dates of ETI results are not aligned with those of Nedbank Group, and was based on the average of the reported and published first nine months of ETI's earnings, adjusted for foreign currency and a prudency discount.

BALANCE SHEET – STRONG METRICS AND WELL POSITIONED FOR ECONOMIC HEADWINDS

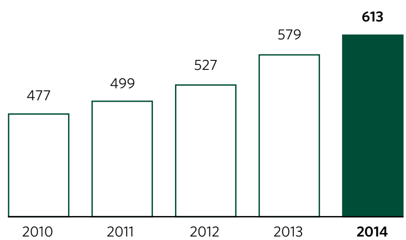
Loans and advances

The positive growth trend in loans and advances continued into 2014, resulting in a four-year CAGR of 6,5%. For the year advances grew 5,8% to R613,0bn, underpinned by gross new payouts of R166,8bn.

Banking advances growth of 8,1% was primarily driven by strong growth from our wholesale businesses, underpinned by good growth in property finance and term loans. Advances growth in the Rest of Africa Division was boosted by solid performance from our regional subsidiaries, offset by the settlement of the ETI loan.

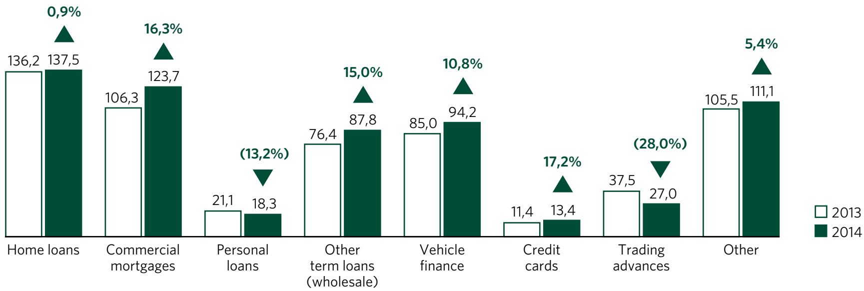
Modest growth in retail advances reflects planned reduction in the personal-loans book of 16,3%, resulting in this book constituting only 2,9% of the total advances book, while Card and MFC (vehicle finance) grew strongly at 17,1% and 12,1% respectively.

Advances (Rbn): 6,5% CAGR



Trading advances are volatile and dependent on market and economic conditions. The decline of 28% was largely as 'deposits under repo balances' were withdrawn in the normal course of business.

Advances (Rbn)



FUNDING AND LIQUIDITY

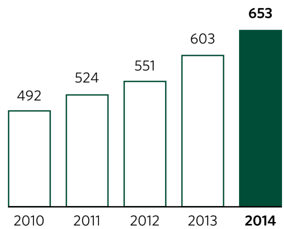
The group's balance sheet remains well funded, with deposits increasing 8,4% to R653,5bn and the loan-to-deposit ratio strengthening to 93,8%.

Deposit growth was supported by current and savings accounts increasing 11,3%, which is reflective of our progress in growing transactional banking clients.

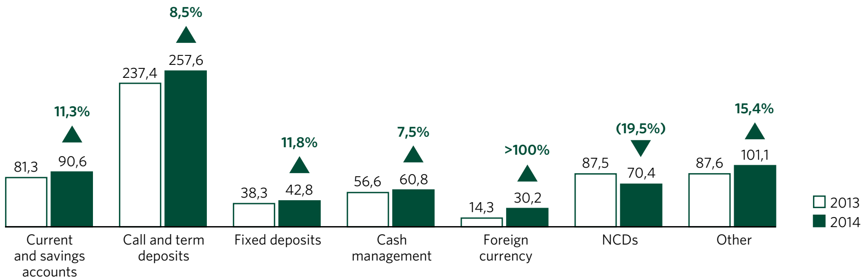
Call and term deposits grew strongly at 8,5%, while fixed deposits and cash management increased 11,8% and 7,5%, respectively.

The reduction in expensive negotiable certificates of deposit (NCDs) is reflective of our portfolio tilt strategy and reduced appetite from asset managers.

Deposits (Rbn): 7,3% CAGR



Deposits (Rbn)



Our strategy of growing retail and commercial deposits and maintaining a conservative term funding profile continues to be reflected in the group's average long-term funding ratio of 25,4%, for the fourth quarter, which has tended to be above the industry average.

The group maintained a sound liquidity position, with contingent liquidity well in excess of prudential liquidity requirements. The statutory liquid assets and cash reserves, combined with the surplus liquid-asset portfolio of R37,0bn, increased 18,5% to R82,6bn.

Liquidity coverage ratio

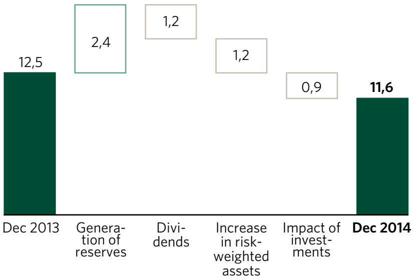
The South African Reserve Bank adopted the Basel Committee's LCR phase-in arrangements where, from 1 January 2015, SA banks must meet the minimum regulatory requirement of 60%, which increases by 10% annually to reach 100% on 1 January 2019.

Nedbank has met the minimum LCR requirement of 60%, and implemented an appropriately conservative buffer. The group is well positioned to meet the ongoing LCR requirements throughout the transitional period.

Capital

The group remains well capitalised, with all capital adequacy ratios well above the Basel III minimum regulatory capital requirements and within the group's Basel III internal target ranges.

Common-equity tier 1 ratio (%)



Our CET1 ratio of 11,6% is above the mid-point of our Basel III 2019 internal target range. The decrease in the ratio since June 2014 is largely as a result of the expected 0,9% capital impact from our investments in ETI and Banco Único.

The tier 1 and total capital ratios reflect the progressive grandfathering of old-style instruments in accordance with Basel III transitional arrangements. Because of this only 80% of Nedbank's preference shares and hybrid debt qualified as tier 1 capital in 2014. In addition, NED 8, a R1,7bn old-style tier 2 subordinated-debt instrument, was called in February 2014 and replaced with R2,5bn of new-style Basel III-compliant tier 2 instruments.

Basel III[1] ratio	Dec 2014	Dec 2013	Internal target range	Regulatory minimum[1]
CET1 ratio	**11,6%**	12,5%	10,5% – 12,5%	5,5%
Tier 1 ratio	**12,5%**	13,6%	11,5% – 13,0%	7,0%
Total capital ratio	**14,6%**	15,7%	14,0% – 15,0%	10,0%

(Ratios calculated include unappropriated profits.)
[1] The Basel III regulatory requirements (excluding unappropriated profits) are being phased in between 2013 and 2019 and exclude the Pillar 2b add-on.

Further details on risk and capital management will be 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 March 2015.

ENGAGEMENT WITH **AUDIT COMMITTEE**

We remain accountable to the Audit Committee concerning the adequacy of processes and controls, the quality of financial results and significant judgement and accounting issues. We are pleased to report that the Audit Committee 'considers the accounting practices and internal financial controls that have led to the compilation of the annual financial statements to be appropriate'.

PROSPECTS FOR **2015**

Despite a tough macro environment, increased competition and continued regulatory uncertainty, we remain confident of the group's prospects and our ability to generate strong and sustainable returns for our shareholders in the medium to long term.

Performance against our medium-to-long-term targets

Metric	2014 performance	Medium-to-long-term targets	2015 full-year outlook
ROE (excluding goodwill)	**17,2%**	5% above cost of ordinary shareholders' equity	Below target
Growth in diluted DHEPS Growth in organic diluted HEPS	**13,0%** **12,3%**	≥consumer price index + GDP growth + 5%	>consumer price index + GDP growth
CLR	**0,79%**	Between 0,8% and 1,2% of average banking advances	At lower end of our target range
NIR-to-expenses ratio	**82,8%**	>85%	Below target
Efficiency ratio [1]	**56,5%**	50,0% to 53,0%[2]	Above target
CET1 capital adequacy ratio (Basel III)	**11,6%**	10,5% to 12,5%	Within target range
Economic capital	Internal Capital Adequacy Assessment Process (ICAAP): A debt rating (including 10% capital buffer)		
Dividend cover	**2,07 times**	1,75 to 2,25 times	1,75 to 2,25 times

[1] Includes associate income in line with industry accounting practices.
[2] Target will be reviewed for the impact of inclusion of associate income.

APPRECIATION

I would like to thank the finance teams across the group who have contributed to making our financial disclosure worldclass.

Thank you to our shareholders for your support and confidence in us during the past several years, and to our stakeholders at large for the three awards recognising our previous integrated report.

Raisibe Morathi
Chief Financial Officer

OUR SUMMARISED
FIVE-YEAR TRACK RECORD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Rm	Four-year CAGR[1] %		2014	2013	2012	2011	2010
Net interest income	8,4		**22 961**	21 220	19 680	18 034	16 608
Impairments charge on loans and advances	(7,6)		**(4 506)**	(5 565)	(5 199)	(5 331)	(6 188)
Income from lending activities	15,4		**18 455**	15 655	14 481	12 703	10 420
Non-interest revenue	11,3		**20 312**	19 361	17 324	15 412	13 215
Total operating expenses	10,3		**(24 534)**	(22 419)	(20 563)	(18 919)	(16 598)
Indirect taxation	9,2		**(635)**	(601)	(561)	(505)	(447)
Share of profits of associate companies and joint arrangements	>100		**161**	27	1		1
Headline profit before direct taxation	20,2		**13 759**	12 023	10 682	8 691	6 591
Direct taxation	26,4		**(3 487)**	(3 033)	(2 861)	(2 194)	(1 366)
Non-controlling interest	4,8		**(392)**	(320)	(338)	(313)	(325)
Headline earnings	19,2		**9 880**	8 670	7 483	6 184	4 900
EP		Rm	**2 112**	2 114	1 521	924	(289)
Share statistics							
Earnings per share:							
– Headline	17,8	cents	**2 127**	1 884	1 640	1 365	1 104
– Diluted headline	17,9	cents	**2 066**	1 829	1 590	1 340	1 069
Dividends/Distributions:							
– Declared per share	21,0	cents	**1 028**	895	752	605	480
– Dividend cover		times	**2,07**	2,11	2,18	2,26	2,30

[1] *CAGR compound annual growth rate.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rm	Four-year CAGR[1] %		2014	2013	2012	2011	2010
Cash and securities	10,9		**123 323**	108 774	98 467	92 459	81 400
Loans and advances	6,5		**613 021**	579 372	527 166	499 023	477 226
Other assets	9,9		**72 969**	61 448	57 325	56 645	50 092
Total assets	7,4		**809 313**	749 594	682 958	648 127	608 718
Total equity attributable to equity holders of the parent	11,0		**67 024**	60 617	53 601	48 946	44 101
Non-controlling interest	1,2		**3 887**	3 719	3 774	3 739	3 713
Amounts owed to depositors	7,3		**653 450**	602 952	550 878	524 130	492 393
Provisions and other liabilities	3,8		**49 314**	49 038	44 407	41 870	42 407
Long-term debt instruments	8,1		**35 638**	33 268	30 298	29 442	26 104
Total equity and liabilities	7,4		**809 313**	749 594	682 958	648 127	608 718
Assets:							
– Assets under management	19,9	Rm	**212 013**	190 341	150 495	112 231	102 570
– Total assets administered by the group	9,5	Rm	**1 021 326**	939 935	833 453	760 358	711 288
Net asset value per share	10,0	cents	**14 395**	13 143	11 721	10 753	9 831
Tangible net asset value per share	11,4	cents	**12 553**	11 346	9 989	9 044	8 160
Key ratios							
Return on equity (ROE)		%	**15,8**	15,6	14,8	13,6	11,8
ROE (excluding goodwill)		%	**17,2**	17,2	16,4	15,3	13,4
Return on total assets		%	**1,27**	1,23	1,13	0,99	0,82
Net interest income to interest-earning banking assets		%	**3,52**	3,57	3,53	3,48	3,36
Credit loss ratio – banking advances		%	**0,79**	1,06	1,05	1,13	1,36
Non-interest revenue to total operating expenses		%	**82,8**	86,4	84,2	81,5	79,6
Efficiency ratio (including associate income)		%	**56,5**	55,2	55,6	56,6	55,7
Effective taxation rate		%	**25,3**	25,2	26,8	25,2	20,7

[1] *CAGR compound annual growth rate.*

2,2m DIGITALLY ENABLED CLIENTS

30 499 TOTAL STAFF

R8,5bn EMPOWERMENT FINANCING LOANS

NON-FINANCIAL KEY PERFORMANCE INDICATORS

			2014	2013	2012	2011	2010
Clients							
Total clients[2]	▲	millions	**7,1**	6,7	6,1	5,5	5,1
Main-banked clients	▲	millions	**2,49✓**	2,33[1]	2,41	2,24	2,08
Total digitally enabled clients	▲	millions	**2,22**	1,49	1,17	0,89	0,82
Number staffed outlets[2]	▶		**1 185**	1 185	1 199	1 145	1 098
Number of ATMs[2]	▲		**3 711**	3 499	3 146	2 663	2 266
Staff							
Total permanent staff	▲		**30 499**	29 513	28 748	28 494	27 525
Staff attrition	▲	%	**8,9✓**	8,7	8,2	7,6	9,3
Lost-time injury frequency rate (LTIFR)	▲		**0,17**	0,14	0,22	0,06	0,15
Women as a percentage of total staff complement	▶	%	**62,7**	62,7	63,0	62,1	62,7
Women in leadership (Group Exco)	▼	%	**6,7[3]**	12,5	12,5	11,8	15,3
Training investment	▲	Rm	**491**	396	352	301	244
Communities							
Environment							
Green Star-rated buildings	▲		**6**	3	3	2	1
Carbon footprint per fulltime employee	▼	tCO_2e	**7,08**	7,61	7,89	7,74	8,25
Offset through carbon emission reduction projects	▼	tCO_2e	**225 000**	230 000	240 000	240 000	220 000
Carbon status		tCO_2e	**Neutral**	Neutral	Neutral	Neutral	Neutral
Finance assessed under the Equator Principles	▼	US$	**319[4]**	965	938	172	25
Social							
Total socioeconomic spend – group	▲	Rm	**112**	111	116	89	80
Total socioeconomic spend – as a percentage of NPAT[5]	▼	%	**1,34**	1,54	1,94	1,99	1,48
Client education – group (participants)	▲		**400 000[6]**	54 000	25 000	22 000	18 000
Procurement							
Total procurement spend	▲	Rbn	**10,6**	9,6	9,4	8,3	6,7
Local procurement spend	▲	Rbn	**8,5**	6,9	6,9	6,4	
Local procurement spend as a percentage of total spend	▲	%	**80**	74	74	77	

Innovating for our clients 62 – 65

Investing in our staff 58 – 61

Leading in the communities we serve 72 – 77

Sustainability Review

Engaging with our stakeholders 56 – 77

[1] *Decrease in 2013 due to SASSA clients reducing their activity.*
[2] *Including rest of Africa.*
[3] *Drop due to timing of female executive appointment.*
[4] *Declined in line with industry experience.*
[5] *NPAT – net profit after tax.*
[6] *Including additional initiatives for youth.*

DELIVERING VALUE **THROUGH OUR BUSINESSES**

Material matters 18 – 24

Strategic focus areas 25 – 35

GROUP

Wholesale and retail banking services

Insurance

Asset management

Wealth management

NEDBANK CAPITAL

Comprehensive investment banking solutions to institutional and corporate clients.

Product strengths include investment banking, leverage financing, trading, broking, structuring and hedging.

Offices in SA and London and representative offices in Angola and Toronto.

Primary units:

- Investment banking
- Global markets
- Treasury
- Client coverage and origination

NEDBANK CORPORATE

Lending, deposit-taking, transactional banking to SA corporates with turnover >R700m pa and commercial property finance.

	GROUP	NEDBANK CAPITAL	NEDBANK CORPORATE
STAFF	30 499	665	2 123
FINANCIAL METRICS — ASSETS	100%	21%	26%
ROE[1]	15,8%	30,9%	24,5%
ECap[2]	R70,9bn (100%[3])	R6,9bn (9,7%[3])	R10,6bn (15,0%[3])
HEADLINE EARNINGS	100%	21,5%	26,3%
	R9,9bn (+14%)	R2,1bn (+23,3%)	R2,6bn (+15,8%)

[1] *ROE return on equity.*
[2] *ECap economic capital.*
[3] *% of group total.*

The following pages offer a broad overview of the various clusters making up Nedbank Group's core business. For detailed information on business activities and strategies, as well as a review of 2014, please see the supplementary information at **nedbankgroup.co.za** or through the **Nedbank App Suite**™.

NEDBANK BUSINESS BANKING

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

Holistic offering for the business, business owners/households and employees.

2 347

ASSETS

14%

ROE[1] 20,1%

ECap[2] R5,5bn (7,7%[3])

HEADLINE EARNINGS

11,1%

R1,1bn (+17,8%)

NEDBANK RETAIL

A bank for all financial needs of individuals and small businesses <R10m turnover pa.

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

18 026

ASSETS

26%

ROE[1] 13,3%

ECap[2] R22,1bn (31,2%[3])

HEADLINE EARNINGS

29,7%

R2,9bn (+15,7%)

NEDBANK WEALTH

Providing the broad-based financial services and solutions of wealth management, asset management and insurance to clients of Nedbank Group.

Offices in SA, London, Isle of Man, Jersey, Guernsey and the United Arab Emirates.

2 119

ASSETS

7%

ROE[1] 36,8%

ECap[2] R2,8bn (4,0%[3])

HEADLINE EARNINGS

10,5%

R1,0bn (+15,8%)

REST OF AFRICA DIVISION

This division has operations in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe (MBCA Bank) and operates a representative office in Kenya and Angola.

The division has investments in Banco Único (Mozambique) and Ecobank and is the custodian of the Ecobank-Nedbank Alliance.

1 605

ASSETS

3%

ROE[1] 10,1%

ECap[2] R3,5bn (5,0%[3])

HEADLINE EARNINGS

3,6%

R0,36bn (+106,4%)

OPERATIONAL **OVERVIEW** **2014**

GROUP

Nedbank Group Limited is a bank holding company and one of the four largest banking groups in SA, measured by assets, with a strong deposit franchise. Its principal banking subsidiary is Nedbank Limited.

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

NEDBANK CAPITAL

Clients among top 200 SA corporates and parastatals.

Industry expertise in:

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

NEDBANK CORPORATE

Top-two SA corporate bank

>600 large corporate clients.

Strong market share in public sector loans.

Continued market leadership in commercial property finance.

STRATEGIC **FOCUS** AREAS

GROUP

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

NEDBANK CAPITAL

- Strong investment banking pipeline, with more cross-sell across businesses.
- Strategic growth in Africa and leveraging Ecobank and Bank of China.
- Leveraging industry expertise.
- Leveraging trading systems.
- Leveraging leadership in renewable energy.

NEDBANK CORPORATE

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

NEDBANK BUSINESS BANKING

Approximately 25 100 client groups and strong primary-client gains.

A leader in Corporate Saver deposits and debtor management.

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

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

NEDBANK RETAIL

6,9m clients.

763 branches and alternate outlets, 279 kiosks and 3 585 ATMs.

Strong positioning in household motor finance (29% share), household deposits (19%) and compelling innovative client-value propositions for all segments.

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

NEDBANK WEALTH

Life embedded value: R2,4bn.

R212bn assets under management.

>12 000 high-net-worth clients.

Nedgroup Investments

Morningstar awards: Top-three SA Large Fund House.

Plexcrown ratings: Third best domestic fund manager.

Nedbank Private Wealth

Best international wealth provider in the offshore financial services industry.

Recognised for having the most integrated private client offering in the domestic market.

- Simplification and operational efficiencies.
- Investment in profiling, presence and self-help capability.
- Driving growth and unlocking collaboration potential.
- Broader financial services offering.

REST OF AFRICA DIVISION

Offers retail, small and medium enterprise (SME), business and corporate banking services across the rest of Africa.

Retail footprint distribution:

- Rest of Africa subsidiaries have close to 60 branches and 130 ATMs.
- Banco Único has 17 branches.

Banco Único: 'Fastest Growing Retail Bank in Mozambique 2014 and Best Bank CEO in Mozambique in 2014.' – *Global Banking and Finance Review* publication

The Ecobank-Nedbank Alliance has a footprint in 39 countries – the largest in Africa.

- Creating a Pan-African banking network by utilising our tiered approach for Rest of Africa expansion, which includes leveraging our investment in Ecobank.
- Optimising economic profit through strategic portfolio tilt.
- Optimising and investing initiative.
- IT systems rationalisation and replacement.
- Groupwide embedding of risk-based economics (economic capital allocation, funds transfer pricing, liquidity premiums and risk-adjusted performance management) in the business.

CASE **STUDIES**

NEDBANK BUSINESS BANKING

CONTINUING TO DELIVER VALUE TO OUR SMALL-BUSINESS CLIENTS

Our ability to achieve sustainable economic growth for SA is highly dependent on the success of our country's small businesses. Under the Vote Small Business banner Business Banking continued its efforts to support the sector in 2014 as a key contributor both through the funding we provide to small businesses, and equally in the solutions that go beyond banking, encompassing interventions and resources that give support to our clients through the various stages of their business growth.

We continued to be an important funder and supporter of emerging enterprises, with the following highlights:

- We partnered with the **Branson Centre for Entrepreneurship**, offering entrepreneurial development to startup and emerging businesses. Nedbank provided grant funding for 120 entrepreneurs in and around Gauteng to participate in the training course in 2014.
- Through the **SME incubator fund** that had been started in 2012, R12,1m was advanced in total, with R6,9m advanced in 2014.
- As part of the **black SME and Agricultural financing** we provided R40m in black agriculture financing for the year to date.
- R1 015bn worth of **black (SME) loans** had been granted to 2 479 272 beneficiaries at December 2014.
- We were the preferred banking partner for the implementation of the **Vuk'phile Learnership Programme** (an Expanded Public Works Programme initiative) to develop emerging contractors through the provision of free mentorship, and classroom and onsite training. Nedbank extended R21,8m of funding to learner contractors from January 2011 to December 2014, which led to the creation of 1 179 job opportunities.

We also focused on offering a range of Banking and Beyond™ solutions to empower small businesses with practical advice and tools, affording them more time to focus on growing their businesses. Noteably, in 2014 we drove the following:

- **The Nedbank 702 Business Accelerator**, in partnership with Primedia, which is a collaborative radio programme profiling businesses with a desire to accelerate growth.
- **SimplyBiz seminars**, through which we have provided training and practical advice to small-business owners since 2004. In 2014 altogether 10 seminars were successfully hosted nationally with key leaders in business across various industries.
- **Small Business Index**™, which was launched in 2013 and aims to provide a clearer measurement of the state of the small-business sector as a whole, a deeper understanding of the challenges that small businesses continue to struggle with and regular insights that small-business owners can use to make more informed decisions.
- **LaunchLab** is a partnership between Nedbank and Stellenbosch University that incubates small businesses and supports their growth. Through this partnership Nedbank has been involved in financing the actual LaunchLab facility, which is currently under construction and is part of the advisory board, which is and participates in mentoring participants.

NEDBANK CAPITAL

LAKE TURKANA WIND POWER PROJECT – KENYA

In keeping with Nedbank's African strategy, Nedbank Capital was involved in the historic Lake Turkana Wind Power Project based in Kenya. The project is the largest single private sector investment in Kenya. At up to 310 MW, it will be the biggest wind farm on the African continent and in the top 10 worldwide. Wind experts hail the quality of the wind as among the best in the world.

In addition to the 365 wind turbines, an electric grid collection system, a village and a high-voltage substation form part of the overall project. Road upgrades to over 200 km of Kenyan roads, as well as internal access roads on the project sites make up what is being paid for and financed by the project company.

Through Nedbank's involvement as a mandated co-lead arranger in the Lake Turkana Wind Power Project, we have successfully supported the production of low-cost electricity that will be provided to the Kenyan national grid. The electricity generated from the plant will be equivalent to nearly 20% of the currently installed generating capacity of Kenya and will be the cheapest form of electricity in the

NEDBANK CORPORATE

INNOVATION IN A HIGHLY COMPETITIVE CORPORATE MARKET

The real-time Account Verification Service (AVS-R) provides a mechanism to verify the validity of an account belonging to a specific individual or juristic entity. By using AVS-R our wholesale clients can validate an account before making a payment, thus assisting in the prevention of fraudulent redirection of payments. Alternatively, AVS-R can be used to validate an account before instituting debit order instructions.

In 2010 we launched a batch-version of AVS and pursued the idea of an industry real-time solution with BankServ™. The benefits of an industry solution lies in quicker response times, increased verification fields and enhanced data security and hosting options.

Nedbank was first to join the BankServ AVS resolution in 2013. BankServ™ was the preferred partner for hosting the industry solution as an extended service to being the Payments Clearing House in SA. Standard Bank, First National Bank, Absa and Capitec joined the solution in 2014.

One of the key drivers for this solution is the requirement for a real-time verification service. For example, in the mobile and insurance industries the confirmation of an account is required as part of the contracting process with clients. By affording these companies the ability to do account verifications in real time, Nedbank provided a competitive edge. Host-to-host connectivity provided a further advantage, as it is integrated into the client's own frontend systems. It enables a call centre agent at a mobile or insurance company to avoid having to switch systems when doing the account verification, while providing additional functionality.

country. The project further reduces the need to depend on unreliable hydro and on expensive, unpredictably priced fossil-fuel-based power generation. The Lake Turkana Wind Power Project will save the Kenyan government in excess of €100m a year in fuel import bills.

Nedbank is proud to be part of this project and will continue to act as a key enabler to providing sustainable success and continuous support to our clients across the African continent.

NEDBANK RETAIL

NEDBANK TALKS4SUCCESS INITIATIVE

Nedbank Talks4Success seminars are entrepreneurship and motivational seminars that were launched and rolled out in 2014, targeted at the youth of SA, with the aim to inspire and help enable their successes in various fields, whether entrepreneurially or academically.

The inspiration and motivation were communicated using young aspirational South Africans who have achieved success in their respective fields through hard work and in the face of adversity. These fields range from academia to entrepreneurship.

Through these seminars young South Africans are able not only to listen to inspirational stories, but also to meet likeminded peers. Thus they do not only look up to others who may be out of reach for success, but also to their peers, in their varying circumstances.

Based on research and the country's current statistics on socioeconomic factors affecting the youth, we know that young South Africans feel disenfranchised, with 60% of them unemployed. We know they are in need of resources, guidance and motivation to rise above their circumstances, which are often dire.

The Talks4Success seminars were free and aimed at students aged between 16 and 28 years, which predominantly covers students in tertiary institutions [traditional as well as non-traditional (Further Education and Training) universities]. This target market includes students who are starting their first jobs due to no access to funds to study further and students who have completed some tertiary qualification and/or certificate and are looking to start a business or get into the workforce.

The seminars were registration-based, with the only barrier to entry being the venue capacity for each event. These events were held in four cities across SA, namely Johannesburg, Cape Town, Durban and Pretoria, with each venue accommodating between 500 and 2 000 students, as well as an additional 4 000 students at national South Point residences that allowed Nedbank to showcase the seminar recordings on their premises.

Additional students were reached through our social media channels, such as Facebook and Twitter, as well as the distributed on-campus leaflets. The seminars took place from 13 May to 17 September throughout the country.

There had been great collaboration across the Retail business in ensuring these sessions were a success. The segment team has been critical to ensuring alignment with the overall Retail segment strategy, as well as appropriate strategic positioning of these events for this pipeline market (youth). The Retail Marketing team (including internal communications and social media) and the group Media team have been integral to the process in ensuring the selection of agency partners, overseeing the creative process, arranging keynote speakers and liaising with the media to leverage this great opportunity fully.

One of the key objectives of launching these Nedbank Talks4Success events was to immerse Nedbank in the education and development mindset of the youth of SA to increase their bonding and interaction with the bank, and ultimately positioning the youth brand as top of mind and Nedbank as the bank of choice for financial fitness and success.

ENGAGING WITH OUR **STAKEHOLDERS**

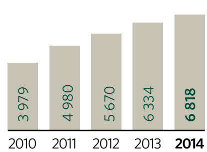
Our stakeholders are those individuals, groups of individuals or organisations that affect and/or could be affected by our organisation's activities, products or services and performance. Our primary stakeholders, as outlined in our vision, are our staff, clients, shareholders, regulators and communities,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

VALUE-ADDED STATEMENT

NET INTEREST INCOME R22 961m + IMPAIRMENT LOSSES ON LOANS AND ADVANCES (R4 506m) + OTHER BANKING INCOME R20 370m = VALUE ADDED R38 825m✓

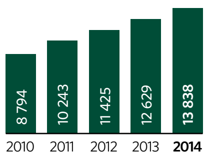
RETENTIONS FOR GROWTH

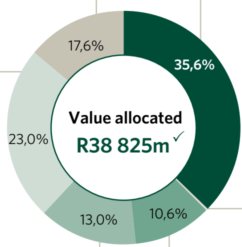
(Rm)



STAFF EXPENSES

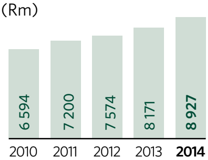
(Rm)





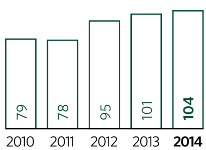
OTHER EXPENDITURE[1]

(Rm)



SOCIOECONOMIC DEVELOPMENT SPEND[4]

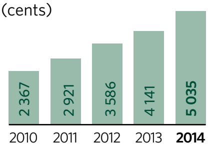
(Rm)



Our summarised five-year track record 48 – 49

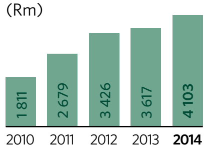
DIVIDENDS PAID TO SHAREHOLDERS[2]

(cents)



GOVERNMENT (TAXES)[3]

(Rm)



[1] Includes expenses relating to computer processing, communication and travel, occupation and accommodation, marketing and public relations as well as fees and insurance.
[2] Value is allocated to shareholders in respect of cash dividends (but does not include the underlying value of capitalisation shares awarded).
[3] Includes direct and indirect taxation.
[4] Financial Services Code qualifying spend.

Refer to
66 – 67

DELIVERING CONSISTENTLY TO **OUR SHAREHOLDERS**

'Time to shift the emphasis to costs, we were heartened to hear, though, that Nedbank will not abandon or slow its drive to gain greater scale in retail banking in the interest of short-term earnings growth.' *– Rated financial analyst*

'We see management as a strength and the depth at Nedbank as a positive' *– Shareholder*

'Ecobank is emerging a potential differentiator for Nedbank. Looks like they have dealt with their governance issues.' *– Investor*

'The stable outlook on Nedbank Limited reflects that of South Africa and our expectation that the bank's asset quality, profitability, and capitalisation will remain broadly stable over the next two years.' *– S&P credit ratings*

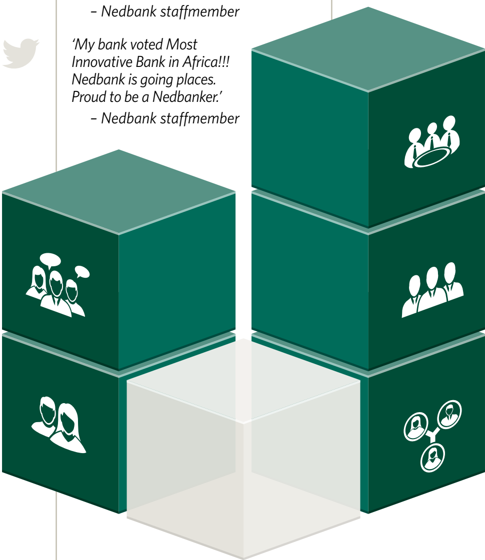
Refer to
58 – 61

INVESTING IN **OUR STAFF**

'Nedbank is a caring bank and great for personal development and career growth.'
– Nedbank staffmember

'Nedbank is an equal-opportunity bank, regardless of race, gender or religion.'
– Nedbank staffmember

'My bank voted Most Innovative Bank in Africa!!! Nedbank is going places. Proud to be a Nedbanker.'
– Nedbank staffmember



Refer to
68 – 71

PARTNERING WITH **OUR REGULATORS**

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

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

Refer to
72 – 77

LEADING IN THE **COMMUNITIES WE SERVE**

'Thanks to Nedbank I was given a wonderful opportunity to train in the hospitality industry at the Ray Mhlaba Skills Training Centre, as I could not afford to study after school.'
- Nokulunga Tatayi, a beneficiary of the training programme, who is now permanently employed at the Paxton Hotel in Port Elizabeth

'The partnership between Nedbank and WIPHOLD was pioneering in so many ways. When the deal was announced, it was the first transaction to include women as primary beneficiaries, signalling major progress towards increased involvement of women in the economy. The relationship has matured and has been rich with challenge, debate and shared values.'
- Gloria Serobe, founder of WIPHOLD and CEO of Wipcapital

'Africa's first 100% renewable-energy-powered bank branch.'
- GreenAfrica, Director

Refer to
62 – 65

INNOVATING FOR **OUR CLIENTS**

'It makes us feel so secure and a little less stressed to know our bank is there and behind us farmers all the way! Thank you for all that you do to help us farmers keep the wheels turning and thank you Nedbank for all the support!' *- Client*

*'Love My**Financial**Life™. It's a great tool. Please consider an Android version.'* *- Client*

'Nedbank have stepped up their game, which should keep FNB on their toes.' *- Client*

'Card collection done within 10 mins tops! Including queuing! Happy SAVVY customer! Thank you Nedbank Menlyn.' *- Client*

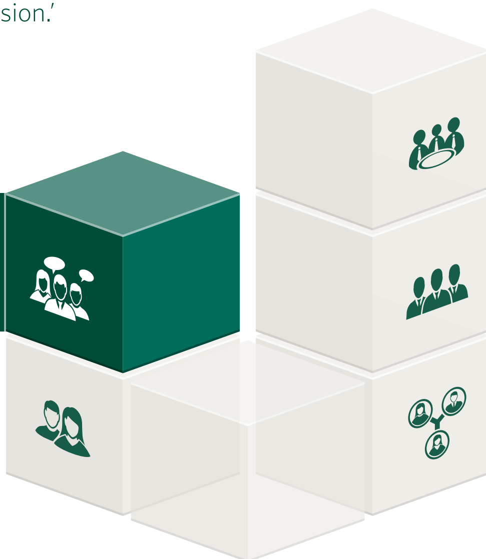
Sustainability Review

Transformation Report

2014 Nedbank highlights video.

'At Nedbank, we not only aspire to be an employer of choice; we are absolutely committed to investing in all our people to ensure that they have the skills required to perform at their peak, thereby delivering tangible benefits for themselves and their futures, while contributing to the growth and success of the business and the achievement of its vision.'

INVESTING IN **OUR STAFF**



WHO ARE OUR STAFF?

- 62,7% female staffmembers, 37,3% male staffmembers.
- 9,9% of our staff are younger than 26 years and 4,3% over 55 years.
- 25,3% of our staff have a tenure of more than 10 years.
- 3,8% of our staff have disabilities.
- 59,7% of our staff are employed in Gauteng.
- 4,8% of our staff are employed in the rest of Africa.
- High level of engagement among Nedbank staff at 72%.
- High level of staff morale, with staff satisfaction at 76,4%✓.
- Low levels of staff attrition at 8,9%✓.

WHAT ARE THEIR **NEEDS AND EXPECTATIONS** OF US?

A central component of the achievement of our vision to be Africa's most admired bank is delivery on our own sustainability objectives and commitments. Our staff play a key role in this, so we strive to create and maintain a positive and productive working environment that embraces and respects diversity and enables the personal and professional goals of all our employees.

In achieving this, we engage constantly with our workforce to establish their priorities, needs and expectations. In 2014 the following were identified as our employees' most significant needs and expectations:

- Career development opportunities.
- Effective performance management and recognition.
- A collaborative, innovative and client-centred culture.
- Promoting and enabling diversity and inclusion.
- Effective employee relations.
- Employee wellbeing.
- A healthy and safe work environment.

Sustainability Review

Material matters 24

TOTAL PERMANENT STAFF

30 499

SPENT ON TRAINING

R491m

STAFF WITH DISABILITIES

3,8%

STAFF ATTRITION

8,9%✓

HOW DID WE **DELIVER VALUE** TO OUR STAFF IN 2014?

- **Career development opportunities** – During 2014 we embarked on a project to reprofile all jobs across our organisation according to defined Job Family Frameworks. These included clear career streams that ensure alignment of all jobs to our strategic objectives, while fully articulating job responsibilities and requirements. These revised job profiles will help to improve career mobility for Nedbank employees across clusters and will result in clear career paths made available per job family.
- **People development** – We comply with all training and skills development legislation, but go beyond this in our efforts to drive high-quality education as a means of transforming our bank, industry and country. In 2014 we recorded an average of 51 hours of training per employee, with an average of 57,8 hours for females. This is higher than the industry average of 31 hours per employee, as stated in the 2012 State of the Industry Report. Our total investment in training in 2014 amounted to R491m.
- **Managing for performance** – Performance management is a key instrument used to establish and reinforce employee outputs and behaviours, through which our strategic business objectives and results can be achieved. A focus on constant performance improvement facilitates our business transformation and motivates our employees to focus on both business and personal objectives, deliver and sustain outstanding performance and consistently behave in accordance with our values. Our remuneration policy supports our performance-driven culture and our total remuneration is commercially competitive in the relevant markets within which we operate.
- **Recognising excellence** – Employees who demonstrate consistent performance, and exhibit our behaviours and values, are recognised through the Nedbank Achiever Recognition process, which comprises formal and ongoing recognition. During 2014 over 700 top performers were formally recognised as Nedbank Achievers.
- **Enhancing our employee value proposition (EVP)** – We have evolved our EVP to align better with our changing business context. Our approach to the EVP is that it is both a promise (what we offer employees) and an agreement (what employees contribute). The EVP was formally launched to employees at the staff roadshow in August 2014, and is currently being socialised through internal communications platforms. It is made up of five dimensions, namely: forefront of leadership and transformation; people-centred culture; excellence in execution; leader in sustainability; and client-centred collaboration.
- **Enabling a collaborative, innovative and client-centred culture** – In 2014 we continued to focus on building a collaborative and innovative culture and adopted an 'inside-out' approach to client service, which matches our employees' expectations with their actual experiences. This means making sure that whatever we promise externally (in public) we also deliver internally (in the business). The results of our employee surveys are analysed and used to inform our efforts. This year's results were:
  - Barrett Survey: Entropy levels of dysfunction in the system: 12%✓ (2013:11%). This result is slightly higher than the level displayed in worldclass organisations and therefore needs to be monitored. Pleasingly, however, the level of values alignment increased from five value matches to six✓.
  - The Nedbank Staff Survey (NSS) results stayed constant at 76%✓. Positive shifts were found in Change and Transformation, Ethics, Organisational Culture and Values, Rewards, Recognition and Performance Management, and Training and Development. This reveals wide agreement among our employees on the practices and policies that govern Nedbank and the consistent strength of our organisational climate – a good foundation for growth of the organisation.
  - The Hewitt Engagement Survey forms part of the NSS and assists us in understanding what proportion of our employees are saying positive things about working for Nedbank Group. The overall Nedbank engagement score remained at 72%, showing that Nedbank remains in the high-performance range of employers (66% to 100%).
- **Promoting and enabling diversity and inclusion** – We recognise the importance of creating an environment that promotes diversity and inclusion among our employees. To drive this we have operated, since 2008, a comprehensive diversity programme called Botho Pele. During 2014 a total of 3 396 employees attended the workshops (5 027 in 2013), which have a particular focus on engaging employees and encouraging them to embrace diversity fully.

HOW DID WE **DELIVER VALUE** TO OUR STAFF IN 2014? (continued)

- **Advancing women and people with disabilities (PWD)** – The advancement of disadvantaged groups such as women and PWD remains a key focus. In recent years we have maintained a female representation of over 62%, while our PWD representation has increased steadily, reaching 3,8% at the end of 2014. This is higher than the 1,6% average among SA government entities and ahead of the private sector average of 2%. We continue to create awareness through declaration campaigns, sensitisation workshops for line managers and HR managers and other communication channels.
- **Employment equity (EE)** – By the end of 2014 we had met and exceeded our numerical targets at junior management level, with the exception of targets for white males and females. Due to the low employee turnover at middle and senior management level and no growth in headcount at the senior management level, the targets for some of the designated groups at these levels were not met. At middle management level, although there has been a slight growth in headcount, we have been challenged in finding staff for these specialised positions. We continue to engage with our staff to gain a better understanding of the barriers and challenges involved in attaining all these targets.
- **Enabling our staff to be highly involved in communities** – We believe that social upliftment is everyone's responsibility. We therefore do everything we can to enable our employees and clients to be highly involved in giving back to communities. Volunteerism is promoted as a channel to support our corporate social investment (CSI) agenda and our efforts at facilitating and growing volunteerism are logical extensions of our vision-led, values-driven ethos, as well as our Deep Green aspiration of being highly involved in the community. Over the past 12 years we have invested more than R30m into our individual and team volunteerism programmes (2014: R5,5m), with approximately 28% of our workforce participating in programmes each year. This is far above the national average of 3,5%. These volunteerism programmes include the following:
  - Local Hero Programme – Staffmembers who do volunteer work can apply to receive a R15 000 donation towards their cause.
  - Team Challenge – In 2014 we invested R500 000 through Team Challenge, which saw 256 staffmembers assisting 45 community and environment projects across SA.
  - Saturday School – A team of Nedbank volunteers provides maths lessons for Zenzeleni Primary School learners in our offices.
  - Payroll Giving – Offers employees a means of contributing monthly to several established charities from their monthly salaries. The Nedbank Foundation then matches all the funds donated by staffmembers up to R1,5m.
  - Mandela Day – Our theme for this year's event was '67 to the power of 10' and it encouraged staffmembers to get involved in 67 projects with a minimum of 10 volunteers per project.
- **Effective employee relations** – Our approach to employee relations ensures that we recognise our employees' rights to fair and equitable employment practices and to freedom of association. The South African Society of Banking Officials (SASBO) and the Insurance and Banking Staff Association (IBSA) are the recognised collective bargaining agents at Nedbank, with a combined representation of 54,8% of employees in the bargaining unit. The bargaining unit comprises 18 308 employees. As in previous years, Nedbank did not experience any industrial action.
- **Employee wellbeing** – The Nedbank Employee Wellbeing Programme (EWP) provides our staffmembers with professional support and resources in their professional and personal lives. Our wellness strategy aims to create a 'culture of health', premised on the belief that healthy employees tend to be happier and more productive. EWP support covers a range of issues, including emotional and personal difficulties, family and relationship concerns, alcohol or drug abuse, stress and change management, financial matters, legal concerns, HIV/Aids, violence, bereavement and loss. Services are provided by the Independent Counselling and Advisory Services (ICAS).
- **A healthy and safe work environment** – The occupational health and safety of our employees, clients and contractors is a top priority as health and safety is ingrained in our corporate culture. All our SA businesses comply fully with the Occupational Health and Safety Act, 85 of 1993 (including all regulations), as well as the Compensation for Occupational Injuries and Diseases Act, 130 of 1993. Our subsidiaries have to comply with all relevant occupational health and safety laws and regulations in the countries in which they are located, as well as with the Occupational Health and Safety Policy of Nedbank Group.

RELATED **MATERIAL** MATTERS

TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY

SCARCE SKILLS

WHAT ARE THE GREATEST **RISKS AND OPPORTUNITIES**?

In 2014 the main risks and opportunities in terms of our ability to deliver value to our employees, and equip and enable them to realise their full potential, were identified as follows:

- **The ability to manage organisational change** – To manage the rapid rate of change in our industry and country we sought to evolve our strategic change capability with a view to supporting planned changes while developing long-term change management agility. A Change Capability Workshop was designed and implemented with the purpose of instilling a core level of consistency in the way change projects are approached across Nedbank.
- **Potential disruption and employee insecurity caused by organisational restructuring** – The restructuring of Nedbank Retail and Business Banking, as well as our Corporate and Capital business, has impacted on staff at a change management level. However, we do not anticipate large numbers of retrenchments as internal redeployment remains the first course of action. All restructuring initiatives are undertaken with a focus on transparency, employee engagement and ongoing change management.
- **The acquisition and retention of staff in a skills-constrained environment** – We have recently optimised our talent attraction and sourcing strategies by including social media as one of our recruitment platforms. This has given us access to top candidates who are both passive and active in the job market, across different regions, skills levels and career disciplines. Social media also offers the benefits of lower cost, quicker turnaround times and higher accuracy when matching candidates to available jobs.
- **The possible impact of lifestyle diseases, including HIV/Aids on our staff and our productivity levels** – Our holistic and inclusive wellness strategy covers chronic lifestyle diseases, including HIV/Aids. In the past year we deliberately moved away from focusing exclusively on HIV education and testing, and instead adopted a holistic lifestyle disease management approach. We believe this will go a long way towards destigmatising HIV. In 2014 a total of 3 176 employees underwent testing on selected wellness days. Of these, 1 366 elected to include HIV testing.
- **Ongoing skills shortages in the financial services industry** – Skills shortages continue to present a significant risk to our bank, and our entire industry. In line with our belief that it is required of all financial services stakeholders to contribute to a solution to these shortages, we remain committed to developing and upskilling our own employees to ensure they have the capacity to make a sustainable contribution to the growth of the industry in which they work.
  - Learnerships – We use learnerships as vehicles to address scarce skills in accordance with our Workplace Skills Plan. We have designed the programmes to allow participating employees to achieve South African Qualifications Authority (SAQA)-accredited qualifications. In 2014 eight learnerships were added to our portfolio, bringing the total number offered to 24, including our Advanced Certificate in Banking (NQF level 6) and the Eyethu Trust learnerships (NQF level 4).
  - The Nedbank Corporate University – This is progressing well, with eight active academies now in operation, covering leadership, human resources, risk, compliance, retail banking, business banking, marketing and property finance.

ACCOLADES IN 2014

- The Nedbank People Development Technology team was voted the best showcase of the use of Questionmark in SA.
- Duke University invited the Nedbank HR Executive: Organisational Effectiveness to be part of the Global Chief Learning Officer Round Table.
- Receive the 2014 South African Reward Association (SARA) Remuneration Report of the Year award.

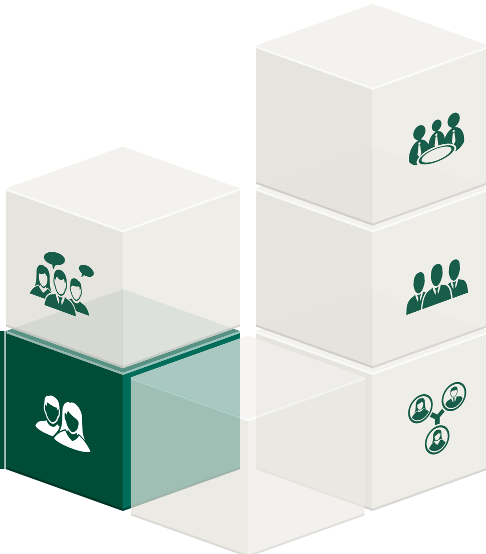
2015 FOCUS AREAS

- Review and enhancement of culture initiatives to enable 'Winning in 2020', including the piloting of a culture of inclusion.
- Review of performance management practices and supporting processes.
- Review of organisation design, grading and job evaluation principles, practices and processes.
- Review of talent and career management and succession processes to identify, develop and retain top talent.
- Full implementation of SAP human capital management (HCM) and technology and operations management (TOM) initiatives, and supporting HR practice changes.
- Targets for 2015:
  - EE – senior management black 38%, black females 15,4%; middle management black 58,5%, black female 30,4%, junior management black 85,3%, black female 56,7%
  - To support the changes that will continue to take place in the organisation, 1 000 change facilitators will be trained.
  - Entropy of 11%.
  - Six value matches.
  - NSS score ≥75%.

Transformation Report

‘Nedbank remains committed to offering relevant, quality and competitively priced banking solutions to all our clients across the continent, delivered seamlessly through a wide range of innovative digital and physical channels.’

INNOVATING FOR **OUR CLIENTS**



WHO ARE OUR CLIENTS?

- The full spectrum of individual demographics in SA – from children to seniors and from entry-level to high-net-worth individuals.
- Various legal entities from trusts, non-governmental organisations and associations, to small business up to the largest corporates and the public sector.
- Those who are fully banked or engage with us on single product classes, such as insurance, asset management, investment or finance solutions.
- Clients in SA, across the rest of Africa and selected international markets.

WHAT ARE THEIR NEEDS AND EXPECTATIONS OF US?

- Providing sound financial advice and financial education.
- Offering worldclass innovative solutions and services.
- Growing and protecting client investments and wealth.
- Financing the aspirations of clients, while protecting against overindebtedness.
- Providing convenient access to banking, less complexity and improved flexibility (channel of choice).
- Protecting clients and their assets through secure IT systems and infrastructure.
- Providing value banking that is competitive and transparent in pricing.

Sustainability Review

Delivering value through our businesses 50 – 55

TOTAL CLIENTS
(MAIN-BANKED: 2,5m✓)

7,1m

SMALL-AND-MEDIUM-ENTERPRISE (SME) CLIENTS

224 000

BUSINESS BANKING CLIENT GROUPS

25 100

HOW DID WE **DELIVER VALUE** TO OUR CLIENTS IN 2014?

- **Providing sound financial advice and financial education**
  - Wholesale and small-business clients benefit from Nedbank Business Banking's specialisation in, among other things, the franchising, medical and agriculture sectors, and that of Nedbank Corporate and Nedbank Capital in the mining, infrastructure and renewable-energy industries.
  - Specific educational initiatives include entrepreneurial days at 150 schools, sponsorship of television programmes and movies (eg Heartline's production of *Nothing for Mahala* and the *702 Business Accelerator* programme), various financial-fitness workshops and seminars attended by over 1 400 seniors, 1 600 entry-level banking clients, 10 000 learners at school, 3 800 university students and 500 small-business owners.
  - Nedbank fully embraces the Treating Customers Fairly (TCF) principles and is making necessary changes across the group.
  - Detailed product brochures that comply with all relevant legislation, such as the National Credit Act, are available for the group's clients. Relationship managers are also responsible for explaining the characteristics, benefits and implications of products to clients in accordance with the Financial Advisory and Intermediary Services (FAIS) Act. Product policies and procedures and product review committees are in place.
- **Offering worldclass innovative solutions and services**
  - New products were launched in 2014, including:
    - For retail clients – Send-iMali, prepaid airtime and electricity, My**Financial**Life™ retirement calculator and Greenbacks SHOP Card.
    - For wholesale clients – Plug and Transact™ token, integrated DocuSafe solution, Payroll Lite, dynamic notifications, Market Edge™ (merchant analytics).
    - While we are fully committed to meeting our clients' needs, they are able to approach the Ombudsman for Banking Services, the FAIS Ombudsman or the National Credit Regulator in cases where we are unable to resolve an issue to their satisfaction. The number of cases referred to the industry ombud, the Ombudsman for Banking Services, during the period remained relatively stable (2014: 635✓; 2013: 688), with an average of 74% of all cases referred to the Ombudsman for Banking Services found in Nedbank's favour. An amount of R13,8m✓ (2013: R10,9m) was claimed from Nedbank in 2014, with R2,2m✓ awarded (2013: R2,3m). This result demonstrates that our internal processes are robust and address clients' needs. The majority of the referrals to the FAIS Ombudsman, of which there were 51✓ cases in 2014, and to the National Credit Regulator of which there were 200✓, have been closed and corrective measures applied where required.
- **Growing and protecting client investments and wealth:**
  - Nedbank Wealth's Best of Breed (BoB™) funds continue to show stellar performance for our clients across our broad offering, and we were ranked third for the sixth consecutive year at the annual Raging Bull Awards.
  - Retail savings bond increased to R11,85bn.
- **Financing the aspirations and dreams of clients, while protecting against overindebtedness**
  - Altogether 17 000 new (first) home loans and 186 000 cars were financed and we supported many of our business clients in their endeavours to start and grow sustainable business.
  - Where income levels cannot support the desired level of debt, consumers are protected against overindebtedness as demonstrated in our proactive risk management in Personal Loans.
- **Providing convenient access to banking, less complexity and improved flexibility (channel of choice)**
  - Nedbank continued to invest in its physical distribution, expanding its footprint and ATM network from 3 499[1] to 3 711[1]. A total of 65 branches and 54 inretailer outlets have also been converted to the new 'branch of the future' design in 2014, many of these featuring state-of-the art queuing systems, video-banking facilities, cash deposit devices, bulk tellers as well as free internet banking and Wi-Fi access. Retail is on track to convert 75% of its branches to the new format by 2017.

[1] *Including rest of Africa.*

HOW DID WE **DELIVER VALUE** TO OUR CLIENTS IN 2014? (continued)

- Investments and partnerships across Africa are enabling us to offer our clients a uniquely 'one bank' experience across the continent in 39 countries.
- Ongoing enhancements to our existing processes, products and channels included fewer, simpler products, a rapid online application process for personal loans, and investment functionality on mobile channels.
- Delivery of service excellence with good progress was recorded on all metrics:
  - HelloPeter metrics tracking was the lowest among the big four banks.
  - Complaints, response and resolution times were well maintained within or below our benchmarks.
  - Net Promoter Score (NPS) – Nedbank Private Wealth, Retail✓, Corporate and Business Banking✓ experienced a marked increase in their NPS scores, with Retail, Corporate and Business Banking reaching historic high scores. Property finance saw a slight year-on-year decline in NPS, but off a record high base in 2013.
  - Corporate Startrack rated Nedbank Corporate Banking number one in client service and superior banking systems that integrate well with clients.
  - A client-centred cultural change programme with our staff has commenced and we are continuing with its rollout.
  - We established a bankwide Service Resolution Board for the sustainable addressing of root causes of service disruptions.

- **Protecting our clients and their assets, through secure IT systems and infrastructure**
  - Our internet banking platform and Nedbank App Suite™ remain highly secure, with approximately 960 unsuccessful attempts at online banking fraud.
  - As regards systems availability, the blended uptime score for both infrastructure and applications was 99,95%✓ (2013: 99,89%) against a target of 99,83%. It is important to note that this was achieved against a high number of complex changes deployed in the IT environment.
  - **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, which require that all personal client information be treated as private and confidential. During 2014 we did not receive any substantiated complaints regarding breaches of client privacy from any outside parties or from our regulators. Although various assets in the form of computers and cellphones were lost or stolen, most were encrypted and there were no breaches of client privacy that we have been alerted to. We are proactively working on our processes to track and identify losses of such data to ensure more detailed reporting in this regard.

- **Providing competitive and transparent pricing and giving value back to clients**
  - Our choice to maintain bank fees at 2013 levels for all clients, as well as reducing and simplifying certain fee items for business clients, has ensured that we remain competitive and transparent in our pricing approach.
  - Bundled offerings at fixed monthly fees are available for individual client segments, and are currently under development for small-business clients. Nedbank is positioned as one of the most affordable in the industry.
  - Our Greenbacks Rewards Programme continues to deliver a high earn rate, and has been enhanced with the introduction of the SHOP Card, allowing hassle-free redemption of points at American Express merchants and ATMs.

RELATED **MATERIAL** MATTERS

TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY

BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION

INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT

GROWTH OPPORTUNITIES IN THE REST OF AFRICA

WHAT ARE THE GREATEST **RISKS AND OPPORTUNITIES**?

Risks

- Increasing consumer indebtedness – mitigated by discerning origination strategies, especially in Personal Loans, applying affordability criteria to protect our clients against overindebtedness.
- Greater competition from new and existing players.
- Spiralling input costs for businesses, low local growth and continued shortages of electricity, weaker European Union and Chinese prospects as well as outflows due to rising interest rates in advanced markets, could jeopardise any possible recovery and pose greater credit risk for the wholesale portfolio, with a lag impact in Property Finance.

Opportunities

- Extracting benefits for our clients from the integration of Nedbank Corporate and Nedbank Capital.
- Leverage advantage through greater Old Mutual Group collaboration.
- Clients seeking convenience and increasing importance of digital channels:
  - Ongoing innovation and investment in digital channels.
  - Digital enablement as part of the onboarding process for all clients.
  - Client education at branches and through other channels to guide usage of self-service channels.
- Further opportunities exist for simplification and internal alignment to improve our client experience and business efficiency.
- Fair Share 2030 aims to develop products that respond to unmet client needs.

TRANSFORMATION OF SOCIETY WITHIN PLANETARY BOUNDARIES

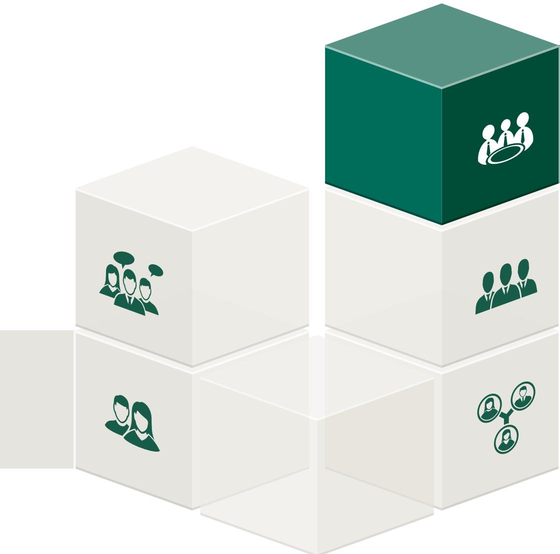
ACCOLADES IN 2014

- Best Improved Retail Bank in Africa – *The Asian Banker*
- Best Customer Relationship Management and Brand Building Initiative – *The Asian Banker*
- Award for Innovation in Banking – *African Banker* magazine
- Nedbank Savvy campaign voted by consumers third and seventh overall in SA – Millward Brown best-liked ad survey for 2013
- Retail Customer Management capabilities ranked among top five, and Business Banking ranked first globally – SCHEMA™
- South Africa 2014 Bank of the Year – Financial Times's *The Banker* magazine

2015 FOCUS AREAS

The notion of 'more clients doing more with us' is at the heart of Nedbank's strategy, and we continue to evolve the organisation to become more client-centred and integrated. Providing distinctive and relevant banking experiences for all in SA remains the core focus, which is underpinned by:

- A R2,1bn investment in physical distribution to rollout the 'branch of the future' format of branches and expand footprint by 7% to expose 75% of our clients to the new format by 2017.
- A client-centred innovation across process, product and channels to deliver seamlessly integrated digital solutions, effortless sales and service, and convenient 24/7 access.
- Competitive pricing – transparent, simplified and providing value for money, supported by below-inflation increases and moving clients proactively to lower priced products that suit their needs.
- Marketing that engages and resonates with all in SA, leveraging social media and digital communication channels.
- Leveraging scarce skills and the cost base through group collaboration.
- Continued pursuance of opportunities within Africa by working closely with and leveraging the Ecobank and Bank of China strategic alliances.
- We will drive transactional client growth further through 'simplified client on-boarding'. This will improve processes at the moment of application resulting in a faster and simpler client experience.



DELIVERING CONSISTENTLY TO **OUR SHAREHOLDERS**

'We strive to be a great place to invest – providing attractive and sustainable financial returns, protecting against downside risks and unlocking growth opportunities. At the same time we will remain fully transparent in our communication and disclosure with the investment community.'

WHO ARE OUR SHAREHOLDERS AND RELEVANT STAKEHOLDERS?

Stakeholders referred to in this section include not only our shareholders, but also the local and international investment community and comprise:

- 21 362 shareholders (86% domestic, 14% foreign);
- investment funds and retail investors;
- 18 sell-side analysts:
- three contracted credit ratings agencies, namely Fitch, Moody's and Standard & Poors; and
- financial media.

WHAT ARE THEIR **NEEDS AND EXPECTATIONS** OF US?

The core needs of our shareholders are as follows:

- Relevant timeous information on our strategy, prospects and financial and non-financial performance so that the Nedbank Group can be fairly valued and appropriate credit ratings assigned.
- Consistent financial performance, delivering attractive returns (increasing ROEs) and solid dividend income, underpinned by a sound balance sheet.
- Good and experienced management.
- An attractive and sustainable growth strategy.

See our investment case as part of the Chairman's Review on page 83 for more information on the attractiveness of Nedbank as an investment.

RELATED **MATERIAL** MATTERS

TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY

BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION

INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT

GROWTH OPPORTUNITIES IN THE REST OF AFRICA

TOTAL SHAREHOLDER RETURN

23,2%

INCREASE IN FULL-YEAR DIVIDEND

14,9%

RETURN ON EQUITY
(ROE) (EXCLUDING GOODWILL)

17,2%

HOW DID WE **DELIVER VALUE** TO OUR SHAREHOLDERS IN 2014?

- Achieved economic profit of R2,1bn despite cost of equity increasing from 13,0% to 13,5% and the impact of a challenging environment.
- Total shareholder return stood at 23,2%.
- Paid a full-year dividend of 1 028 cents, up 14,9%.
- Acquired an initial 36,6% stake (with pathway to control in 2016) of Banco Único in Mozambique and a shareholding of approximately 20% in ETI, providing Nedbank investors with access to markets with higher economic growth rates.
- Maintained worldclass transparent reporting and increased our disclosure around rest of Africa.
- Increased engagement with shareholders through our first governance roadshow, while sourcing feedback through our first investor perception survey and our 360 investor meetings.
- Experienced smooth leadership transitions, with one of the most experienced management teams in the SA banking industry.
- On the back of the winding up of our Black Business Partner BEE schemes in early 2015, we have unlocked a cumulative value of approximately R8,2bn through all Eyethu schemes unwound since inception.

Annual Consolidated Financial Statements

Governance and Ethics Review

2014 Pillar 3 Risk and Capital Management Disclosure Report

WHAT ARE THE GREATEST **RISKS AND OPPORTUNITIES**?

Risks

- Impact of a tougher macro environment, particularly low GDP growth.
- Dealing with the complexity and challenges of increased regulation.
- Greater competition from new and existing players in financial services.
- Volatility and uncertainty in the rest of Africa.

Opportunities

- Capital-efficient, risk-mitigated expansion into the rest of Africa.
- Nedbank gaining share of main-banked clients and transactional revenues.
- Impairments staying lower for longer.

ACCOLADES IN 2014

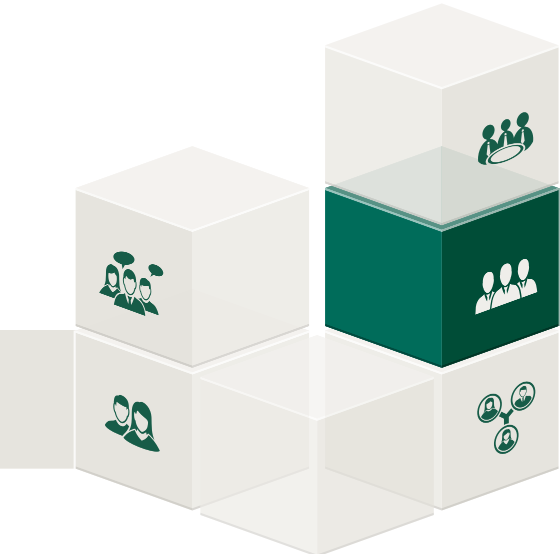
- Voted 2014 SA Bank of the Year by Financial Times's *The Banker* magazine.

TRANSFORMATION OF SOCIETY WITHIN PLANETARY BOUNDARIES

SCARCE SKILLS

2015 FOCUS AREAS

- Deliver on our strategic focus areas (page 25 to 35) and make progress towards our medium-to-long-term financial targets shown on page 47 of the CFO's Review.
- Ongoing improvement in quality investor engagements and financial reporting disclosure.
- Launch new Nedbank website.



'Compliance and regulatory risk has become increasingly significant given the more stringent regulatory environment in which Nedbank operates.

PARTNERING WITH **OUR REGULATORS**

The group sought to achieve compliance with applicable local and international laws, regulations and supervisory requirements, guided by an established comprehensive set of board-approved policies, procedures and governance structures.'

WHO ARE OUR REGULATORS?

The South African Reserve Bank (SARB) is responsible for bank regulation and supervision in SA. The purpose is to achieve a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole. This function is performed by issuing banking licences to banking institutions, and monitoring their activities in terms of the Banks Act and the regulations.

Other primary regulators include:

- Financial Services Board (FSB)
- National Credit Regulator (NCR)
- JSE Limited (the JSE)
- Financial Intelligence Centre (FIC)
- South African Revenue Services (SARS)
- National Treasury
- Department of Labour

Outside SA:

- Central banks of countries in which we have representation/operations
- Prudential Regulatory Authority (PRA) in London
- Jersey Financial Services Commission (JFSC)
- Isle of Man Financial Supervision Commission (IOMFSC)
- Financial Conduct Authority (FCA)

RELATED **MATERIAL** MATTERS

TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY	BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION	INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT	GROWTH OPPORTUNITIES IN THE REST OF AFRICA

IMPLEMENTED
1 JULY 2014

FATCA

FRAUD CASES
(2013: 6 026)

4 890

CREDIT LOSS RATIO
(2013: 1,06%)

0,79%

WHAT ARE THEIR **NEEDS AND EXPECTATIONS OF US**?

Due to the reliance of local (and global) economies on the banking industry, regulatory bodies have been established. They ensure that these institutions comply with certain standardised practices to control systemic risk, especially in terms of the 'too big to fail' notion, which holds that many financial institutions hold too much control over the economy to fail without enormous consequences.

Our regulators also ensure that we're cognisant of and take suitable measures to control our direct and indirect impact on our stakeholders and on the environment.

It is therefore crucial for us to:

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

HOW DID WE **DELIVER VALUE** TO OUR REGULATORS IN 2014?

- In line with international and local trends, Nedbank observed an increase in regulatory scrutiny and inspections. All regulatory reviews were attended to with significant attention to detail, professionalism and prompt reaction to matters raised.
- We maintained the alignment of our Enterprisewide Risk Management Framework (ERMF) with regulatory developments.
- Sound implementation and ongoing enhancement of the Advance Measurement Approach (AMA) for operational risk management were maintained and similarly the Internal Model Approach (IMA) for market risk continued to meet the regulators' requirements.
- Nedbank's economic capital and Internal Capital Adequacy Assessment Process (ICAAP) methodology is constantly reviewed and updated, taking cognisance of regulatory developments such as Basel III from 1 January 2013 and Solvency 2/SAM in 2016. Nedgroup Insurance remains well capitalised and is on track to meet Solvency 2 parallel-run requirements during 2015.
- With regard to new legislative developments, Nedbank has been involved in engaging with regulators through various industry associations.
- We implemented manual solutions for the Foreign Account Tax Compliance Act (FATCA) (US legislation) on 1 July 2014 and are well placed to comply with FATCA requirements.

Governance and Ethics Review

2014 Pillar 3 Risk and Capital Management Disclosure Report

Sustainability Review

TRANSFORMATION OF SOCIETY WITHIN PLANETARY BOUNDARIES

SCARCE SKILLS

HOW DID WE **DELIVER VALUE** TO OUR REGULATORS IN 2014? (continued)

- Nedbank maintains an up-to-date and relevant Recovery Plan (RP):
  - We maintain resilient business continuity management processes.
  - We have dynamic liquidity and capital management processes, including advanced stress testing.
  - We maintain robust contingency processes and plans that are regularly tested, facilitating an appropriate response to significant stress events.
- Increased focus on consumer protection:
  - We are well on track with our preparation for the new regulatory regime of Twin Peaks, and the Protection of Personal Information Act.
  - We had an onsite meeting with SARB to discuss market conduct risk.
  - We had meetings with the International Monetary Fund (IMF) and National Treasury regarding prudential and market regulation.
- With regard to industry requirements by the regulators, we benchmark our risk management performance against that of other banks and against feedback from SARB. No issues were raised on our ICAAP by SARB.
- We have invested significantly in IT, processes, procedures and resourcing in ongoing efforts to remedy administrative deficiencies noted by SARB during their anti-money-laundering and sanction regulatory reviews conducted on SA's big banks.
- National Credit Regulator – We invested time in managing our clients and any potential reputational risk associated with the R699 scheme.
- We participated in the scenario testing of the Financial Services Authority's Financial Stability Unit;
- We contributed to industry responses on the Fundamental Review of the Trading Book proposals and other Bank for International Settlement papers.
- We continued to implement our policy of responsible lending and reduced our market share proactively.
- In order to continue to strengthen confidence and trust in the banking system banks are urged to place a greater emphasis on the comprehensive public disclosure of their risk and capital position and risk management processes in relation to key business activities. The FSB established the Enhanced Disclosure Task Force (EDTF) to develop principles for enhanced disclosures by institutions. Nedbank has implemented the EDTF recommendations, where appropriate, in our quest continuously to enhance and drive improvement in the quality, clarity, consistency and comparability of risk disclosures, thereby allowing stakeholders to draw increased value, understanding and insight from the reports. The refinement of our Pillar 3 Report is an ongoing process to keep up with changing regulation and leading practice.

VALUE CREATED THROUGH REGULATORY COMPLIANCE

- Following industry concerns of regulators about SA banks' exposure to unsecured lending, our credit loss ratio for the year ended 31 December 2014 was 0,79%, which is below the target range of 0,8% to 1,2% and an improvement on the 1,06% achieved in 2013. Defaulted advances decreased by 11,2% (9,4% 2013).
- Regulatory compliance ensured strong capital adequacy levels supported by internal stress-testing results.
- Close cooperation with the SA Police Service and other law enforcement agencies continues. We have experienced a decrease in the number of fraud cases (4 890 in 2014, down from 6 026 in 2013), as well as a decrease in the overall value of these cases. The number of internal fraud cases has also decreased, evidence that preventing fraud rather than dealing with the consequences is a more effective strategy. As part of Nedbank's recruitment process, integrity checks are conducted on all potential staffmembers. Fraud awareness material for clients has been translated into five of the official languages, making the material accessible to a larger client base.
- Given the high levels of corruption currently experienced in SA, we added our anti-corruption interventions as a key performance indicator that is externally assured. This was done to give an extra level of assurance to our stakeholders that our actions in this regard are robust and that we do not contribute to this negative cycle. In 2014 all (100%✓) of our operations underwent corruption screening without any material concerns/issues being raised.

WHAT ARE THE GREATEST **RISKS AND OPPORTUNITIES**?

Risks

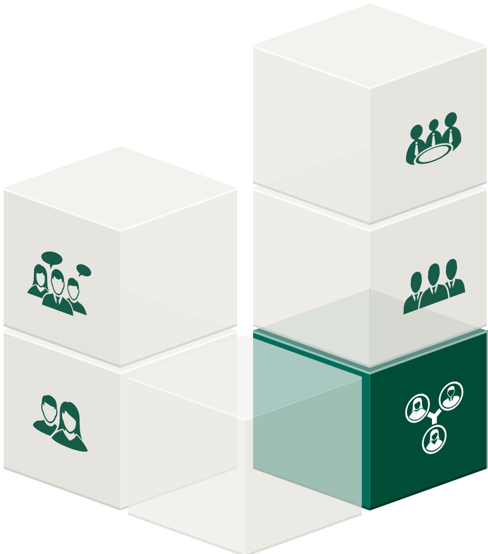
- International and local regulatory reform (in particular Basel III and Twin Peaks) has materially increased capital levels and liquidity costs, and is changing business models internationally. Regulatory risk remains high, but there is now less uncertainty because Basel III is substantially finalised by the Bank for International Settlements and SARB.
- Litigation activity in the US and Europe and fines on major banking institutions are likely to increase cautious lending practices and encourage shadow banking activity even further. Indications in SA are that regulators will take their lead from offshore regulators, and the risk of large fines for non-compliance, particularly in the conduct space, has escalated considerably.

Opportunities

- A continued integrated approach to governance, compliance, risk management, capital management, liquidity and financial control.
- Possible incease of Fair Share 2030 lending opportunities arising from continued publication of extensive new requirements dealing with waste, water, air, dangerous substances and land rehabilitation.

2015 FOCUS AREAS

- Although Basel III went live on 1 January 2013, the transitional capital and liquidity requirements/ratios will still be significant for Nedbank up to 2019 and 2022, and these receive management focus.
- Focus will be given to the Twin Peaks system of regulation, which places emphasis on a more harmonised system of licensing, supervision, enforcement, client complaints (including ombuds), appeal mechanisms (tribunal), consumer advice and education, as well as ensuring that clients are treated fairly.
- Regulatory non-compliance relating to anti-money-laundering continues to receive focus with a view to addressing the weaknesses identified.
- Much attention will be given to the Retail Distribution paper in terms of how financial products are distributed to consumers in SA.
- We are currently aligning to International Financial Reporting Standard 9 as the standard becomes mandatory from 1 January 2018.
- Nedbank will also be embracing a forward-looking approach to conducting risk and embracing client-centredness. The group has embarked on a programme to ensure that industry guidelines and best practice are embedded within its business and have already achieved certain milestones.
- There will be continued commitment to the development of legislation through regulatory advocacy and interaction with regulators and industry stakeholders to ensure a sound regulatory framework that adds economic and sustainable value to our clients, shareholders and stakeholders.
- We will invest further in IT, processes, procedures and resourcing to complete the Nedbank remedial plan agreed with SARB and to ensure efficient and effective compliance with the anti-money-laundering and sanction requirements.
- We will continue to meet the stringent requirements of all regulators in full.



'Our commitment to ongoing stakeholder engagement affords us insights into the needs and expectations of the communities in which we operate. Through this engagement we are able to position our business to respond appropriately.'

LEADING IN THE **COMMUNITIES WE SERVE**

WHO ARE THE COMMUNITIES WE SERVE?

- Society at large, including the environment.

WHAT ARE THE **NEEDS AND EXPECTATIONS** OF THE COMMUNITIES WE SERVE?

- Access to financial products and services
- Advice and guidance on how to achieve desired outcomes for themselves, their families and their businesses
- Socioeconomic development that delivers community growth and empowerment
- Two-way discourse that results in mutual benefits
- Collaboration that furthers social, environmental and other common agendas for the greater good

In 2014 our engagement with communities resulted in the identification of a number of key needs, requirements and pressing issues, including the following:

- **Strengthening the social fabric of our country –** We promote a culture of active citizenship. In 2014 28% of staffmembers participated in our volunteerism programmes, delivering immediate positive impacts to communities across the country.
- **Trust in the financial sector –** Our ongoing research indicates that trust in the financial sector is gradually being rebuilt. During 2014 we paid special attention to driving ethical behaviour of staff, appropriate financial advice for clients, excellent client service and stringently protecting client information. In 2014 97%✓ of staffmembers acknowledged our Code of Ethics policy and our Code of Conduct policy.
- **Playing a meaningful role in society –** We advanced R54bn to retail clients, lent R1,5bn into affordable-housing projects and R113m to enterprise development. From an operational perspective we ensured that 80% of our procurement spend was spent locally and helped to meet our transformation targets. We also continued our commitment to managing our operational impact and maintained our carbon-neutral status, as well as attracting shareholder funds by remaining on the Dow Jones Sustainability Index – one of only six SA companies.
- **Access to CSI funding –** We continue to make a sizeable contribution towards many issues facing SA. In 2014 our total CSI spend across our entire group amounted to R151m (2013: R117,9m). Despite this increase in our CSI commitment, we are not able to support all the applications we receive. The Nedbank Foundation therefore follows a stringent funding process to ensure the prudent and equitable allocation of our CSI investment across all our community support focus areas.
- **Non-traditional finance solutions** (for projects that drive significant long-term societal impact and are currently excluded by traditional funding models) – Through our Fair Share 2030 strategy we have adopted a R6bn lending target in 2015, to enable new businesses and innovations that deliver intentional non-financial results.
- **Combating the Ebola outbreak –** Together with Old Mutual, we donated US$1m towards the African Union's newly launched Ebola emergency response fund.

Value-added statement 56

TOTAL CSI SPEND	BBBEE PROCUREMENT VALUE	EMPOWERMENT FINANCING LOANS
R151m	R10,7bn	R8,5bn
(2013: R117,9M)		

HOW DID WE **DELIVER VALUE** TO COMMUNITIES IN 2014?

In line with our integrated sustainability strategy and approach, we strive to deliver value, across our business, through a three-pronged sustainability approach, comprising:

1 Enabling sustainability through our products and services

We see responsible banking as offering products and services that enable our clients to achieve their desired outcomes and objectives, while respecting environmental limits and broader societal needs. Nedbank has, over the years, expanded its range of products and services that reduces environmental footprint and/or grows the green economy. Over and above these products we set a lending target of R6bn per annum in 2014 for new products and offerings that intentionally focus on the socioeconomic and environmental problems addressed by our long-term goals. This is our Fair Share 2030 strategy.

- **Fair Share 2030 –** This initiative gets money working for the future. It provides an annual flow of funding – starting with a target of R6bn in 2015 – to be channelled through new products, services, and projects that promise to deliver intentional non-financial impact towards meeting the Long-term Goals.
- **The Nedbank Green Savings Bond –** This is SA's first and only green bond offered to retail clients. It allows regular members of society to contribute to environmental sustainability simply by investing, because the funds invested are earmarked for the support of renewable-energy projects in SA. Since its inception, R7,8bn has been invested in the Nedbank Green Savings Bond, of which R4,2bn flowed in during 2014 (2013: R2,7bn).
- **The Nedbank Affinity Accounts –** In the 24 years since its inception, the Nedbank Affinities programme has contributed more than R260m in support of more than 1 000 projects, ranging from arts and culture and sports development, to helping needy children and environmental conservation. For the 2014 financial year, the total donations grew by 17% to R32,9m (2013: R28,1 m) as the use of affinitised products grew well.
- **Empowerment financing –** Comprising the two main components of targeted investments and black economic empowerment (BEE) financing, we have invested R44,5bn into empowerment financing since 2009 (2014: R8,5bn).
- **Enterprise development –** We strive to create a balance between the provision of funding and access to support in the form of training, capacity building, mentorship and specialist support. In 2014 we invested R113m that directly impacted 694 small and medium enterprises in SA.
- **Financial inclusion:**
  - **Infrastructure:** We continue to grow our national presence both through traditional branch and ATM rollouts, as well as through various innovative banking offerings. The Imbizo Programme aims to ignite rural economic activity and build sustainable communities by facilitating the startup of job-creating microenterprises. The number of Imbizo branches has been steadily growing since inception and, at the end of 2014, stood at six.
  - **Education:** The Nedbank Consumer Education Programme was launched in 2004, and in the past 10 years it has provided invaluable information and insights to hundreds of thousands of South Africans, helping them to make informed decisions that contribute to their financial wellbeing. In 2014 we invested a further R10,9m (2013: R8,1m) into the programme, directly benefiting 120 000 consumers across all nine SA provinces.
  - **Product offering:** Driven by a number of innovative product solutions such as our Savvy Banking offering and our Nedbank Ke Yona suite, we are realising our strategic objective of making banking a reality for all South Africans. In 2014, through these products and services, we brought the benefits of transacting, saving, borrowing and insuring to many more individuals across SA, many of whom had previously not been banking consumers.

Governance and Ethics Review
Transformation Report
Sustainability Review

HOW DID WE **DELIVER VALUE** TO COMMUNITIES IN 2014? (continued)

2 Delivering value through collaboration and partnership

We recognise that the value of any person's or organisation's contribution to the community in which they exist or operate can be massively compounded if they are willing to partner with others who share their vision and commitment. As such, we proactively seek to unlock maximum sustainability value through effective partnerships that deliver long-term mutual benefits.

Education support – Approximately 50% of our socioeconomic investment goes into various education initiatives. In addition, we embrace our role as a strategic partner with government and education bodies in helping to address the challenges of education and skills development in SA. We deliver on this responsibility by various means, including our Nedbank Graduate Development Programme, Enactus SA, The Nedbank External Bursary Fund (144 bursaries granted and R13,8m invested in 2014), Investing in Accounting Excellence initiative (R7m invested since 2008), and numerous other programmes and initiatives.

Partnering with NGOs – Since 1990 we have partnered with the World Wide Fund for Nature SA (WWF-SA). Over the past three years, this partnership has prioritised food and water security programmes, including:

- **The WWF Nedbank Green Trust –** Now celebrating 25 years of existence, the WWF Nedbank Green Trust has proven that a strong people focus is imperative to achieve environmental sustainability and the protection of the planet's natural heritage. Since inception, we have donated more than R175m in support of over 200 environmental projects throughout SA.
- **The WWF Water Balance Programme –** Aimed at clearing alien vegetation at key water catchment areas around the country, it helps to promote maximum water catchment and delivers job creation. Our investment is taking place over a five-year period and, since inception in 2011, has resulted in 283 ha (2014: 90 ha) of alien vegetation being cleared, thereby releasing over 587 000 kl of water into the country's ecosystem. This water released helps to replace the water consumed through our operations. The labour-intensive process has also delivered more than 15 000 (2014: 7 258) workdays for members of communities in and around the targeted areas.
- **WWF-SA Sustainable Agriculture Programme –** Promotes innovative solutions to the resource challenges facing agriculture, while at the same time minimising the impact of agriculture on a finite resource base and within our landscapes. The programme focuses on the five key commodity sectors of fruit, wine, dairy, beef and sugar. We have committed ourselves to investing R8,3m in support of the programme over a three-year period.

Partnering with communities - Our partnerships with communities are aimed primarily at enabling them to derive maximum benefit from a greater understanding of sustainability principles and their application as a means of improving their lives and futures. Some of the community partnership programmes include:

- **Caring for Communities –** The Nedbank Caring for Communities Programme was established in 2010 and has grown steadily over the past four years. Using interactive workshops, the initiative successfully demystifies sustainability for these communities and guides them on how to put sustainable behaviours and practices to work to improve their own lives. Hundreds of Nedbank staffmembers are actively involved in educating learners, teachers and communities on all aspects of sustainable living.
- **Community support through volunteerism –** We believe that social responsibility is everyone's responsibility, so we therefore do everything we can to enable our employees and clients to be highly involved in giving back to communities. Over the past 12 years we have invested more than R30m into our individual and team volunteerism programmes (2014: R5,5m), with approximately 28% of our workforce participating in volunteerism programmes each year.
- **Effective sustainability education –** We believe that leadership in sustainability requires a willingness to collaborate and share opportunities in order to compound

RELATED **MATERIAL** MATTERS

TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY

TRANSFORMATION OF SOCIETY WITHIN PLANETARY BOUNDARIES

SCARCE SKILLS

the positive impact we are able to have on communities. In 2014 this philosophy continued to deliver a number of valuable outcomes, most notably:

- **The *Nedbank Green Living Guide* –** Produced in collaboration with the Sustainability Institute and endorsed by the Green Building Council South Africa, it encourages and equips all South Africans to adopt a more sustainable lifestyle. It was downloaded more than 20 000 times in 2014 and approximately 2 500 hard copies were distributed.
- ***Carbon Footprinting Guide* –** Africa's first carbon calculation guide, it focuses on demystifying carbon footprinting with the aim of assisting small, medium and large enterprises to calculate their greenhouse gas impact. Since its launch in February 2014, the free guide has been downloaded more than 54 000 times.

Partnering with our suppliers for a sustainable supply chain – Our procurement philosophy sees our suppliers as far more than providers of goods and services, but rather as enablers of our own business strategies and we see procurement as a key means of enabling transformation.

Details of our investment into SA's enterprise development through procurement in 2014 are as follows:

6 022
NUMBER OF SUPPLIERS SUPPORTED

R10,6bn
TOTAL PROCUREMENT SPEND

R8,55bn
(80,35% of total spend)
LOCAL PROCUREMENT SPEND

R10,7bn
BBBEE PROCUREMENT VALUE

In addition to investing into businesses across the country through procurement, we engage with our suppliers to guide them in terms of their incorporation of governance, environmental, social and economic sustainability considerations into their operations to drive their own sustainability journeys.

3 Managing and optimising our own impact

A central component of the achievement of our vision to be Africa's most admired bank is delivery on our own sustainability objectives and commitments. This extends across all aspects of sustainability leadership, from effectively limiting the impacts of our operations – primarily through effective carbon emissions management, to maximising our positive impact by creating a great place to work and enabling our employees to participate in our integrated sustainability efforts.

Creating a healthy, effective work environment – We aspire to be an employee of choice, and see our employees as one of the most important communities to which we have a sustainability responsibility. We are, therefore, committed to investing in our people to ensure that they are empowered to perform optimally, to further their own development, and equipped to contribute to the long-term sustainability of our bank. Details of the impact of this can be found on pages 59 and 60 of this report, as well as in our online 2014 Sustainability Review.

Our commitment to responsible finance

- Overseen by our sustainability governance process, our Social and Environmental Management System (SEMS) assessment tool provides an independent review of risk and compliance, thereby enabling sustainable lending decisions while helping clients refine their plans or projects to meet higher sustainability standards.
- Without compromising the ability of our qualifying clients to access the credit they need, our retail credit policies and scorecards allow for a fair, comprehensive and robust credit assessment in compliance with the standards set by both SARB and the National Credit Regulator (NCR).
- In all our lending transactions, we take a highly integrated and proactive approach to ensuring compliance. Key to this is compliance with the Equator Principles (EP), which ensures consistency in our environmental and social risk assessment and management within our project finance business. In 2014 a total of 22 new EP-relevant deals were screened, of which six reached financial close and four✓ drew down.
- We are committed to the United Nations-supported Principles for Responsible Investment (UNPRI) and the Code of Responsible Investing in South Africa (CRISA). In 2014 our efforts in this area focused on integrating environment, social and governance (ESG) factors into investment and ownership practices across all investment-oriented areas of our business, as well as meeting various ESG compliance requirements.

HOW DID WE **DELIVER VALUE** TO COMMUNITIES IN 2014? (continued)

Carbon measurement and management

Our achievement of carbon neutrality in 2010 not only evidenced our commitment to being an African sustainability leader, but also impressed on us the responsibility we have to leverage our position as Africa's first carbon-neutral bank.

In the years since then, we have made it a strategic priority to harness our carbon-neutral position to contribute to the development of SA's green economy, unlock and leverage synergies, partnerships and collaborations with like-minded organisations, and enhance our client value proposition.

We have also continued to extend the scope and positive impact of our carbon-neutral position through our established approach of reducing our own impact as much as possible by employing internal initiatives and behavioural change, before offsetting any remaining emissions through carbon credits. Targets are in place for carbon emissions, electricity, travel, paper and water.

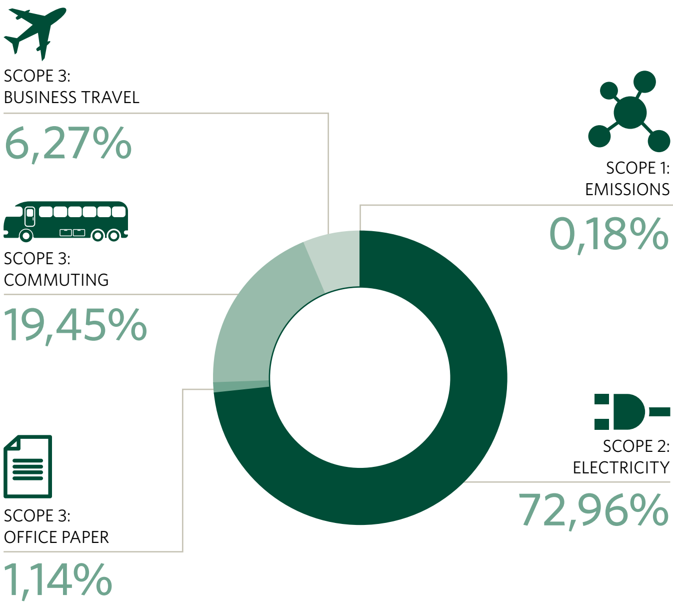
In line with our understanding of the need for strong social and environmental sustainability interconnectedness, we continue to acquire the carbon credits we need from projects that benefit the natural heritage and social structure of Africa.

Our carbon footprint

Our 2014 carbon footprint decreased by 3,72% from 2013 to 2014 (2014: 213 133 tCO_2e✓; 2013: 221 379 tCO_2e). In addition, the emission rate per fulltime employee (FTE) decreased by 7,06% year on year and was calculated as 7,08 tCO_2e per FTE (2013: 7,61 tCO_2e per FTE). Based on floor space, the GHG intensity rate also decreased by 9,75% to 0,30 tCO_2e/m^2 (2013: 0,33 tCO_2e/m^2).

This overall emissions decrease can primarily be attributed to various initiatives that led to a decrease in electricity used in our operations.

NEDBANK GROUP 2014 CARBON FOOTPRINT[1]



Carbon footprint in Sustainability Review

[1] *Resources consumption not reflected includes water consumption of 294 873 kl✓ (2013: 299 694 kl), 324 tonnes✓ (2013: 355 tonnes) of waste sent to landfill and 574 tonnes✓ (2013: 565 tonnes) of waste recycled.*

WHAT ARE THE GREATEST **RISKS AND OPPORTUNITIES**?

We recognise that we have a responsibility to limit our impact on our communities, while at the same time maximising our positive sustainability contribution. This means that, in many cases, what might initially be perceived as a sustainability risk can, and should, be transformed into an opportunity.

- **Compliance with social and environmental sustainability factors –** Our application of EP III continues to ensure greater consistency in the environmental and social risk management within our project finance and related advisory business. Our SEMS is one of the key processes we use to achieve sustainability collaboration with our clients and other stakeholders. During 2014 all credit risk reviews and new applications included the screening of high-risk clients and EP-relevant deals through the SEMS. Application of this was externally assured in 2014 for the first time.
- **Energy security in SA –** Energy constraints in SA not only have the potential to negatively influence the country's overall economic development but they can also impact negatively on our ability to deliver value to our clients over time. While we are absolutely committed to investing in SA's sustainable energy, the need to grow sustainable electricity supply while decarbonising the economy means we are sometimes unable to meet the immediate demands of some of our stakeholders. That said, we fully support government's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) and our investment bank, Nedbank Capital, has enabled the delivery of 54% of the total renewable-energy capacity awarded by the Department of Energy thus far.
- **Financing of fossil fuels –** SA's reliance on fossil fuels cannot be reduced overnight. Our approach to fossil fuel funding is therefore informed by our Long-term Goals for 2030. Going forward we will be adopting a Natural Resource Utilisation Screen that will guide the tilt of our lending book in line with the trajectory of the country's commitments to climate change mitigation and adaptation.
- **Scarce skills –** We have comprehensive training and development programmes to increase the employability and skills of our staffmembers. We also invest in graduate and bursary programmes as well as learnerships – all with the purpose of developing a talent pipeline for our own business as well as contributing to the overall African talent, leadership and skills pool.

ACCOLADES IN 2014

- 2014 *African Banker* Awards – Socially Responsible Bank of the Year award.
- 2014 *African Banker* Awards – Innovation in Banking award.
- 2014 ABSIP Company with Most Developmental Impact.
- 2014 Highest score in the IRAS Sustainability Data Transparency Index in Banking and Financial Services Sector.
- 2014 Inclusion in Robeco SAM's Yearbook of the most sustainable companies in the world – one of only six SA companies.

2015 FOCUS AREAS

- Embed strong sustainability into all aspects of the group's operations and approach to business:
  - Continue the integration of strong sustainability considerations into business activities and initiatives.
  - Continue with carbon measurement and reduction through the pursuit of electricity, paper, waste and business travel reduction targets and ongoing recycling initiatives.
  - Continue to maintain carbon neutral status while exploring off-grid opportunities for our operations.
- Identify and develop new markets and opportunities as well as key risks by applying the Long-term Goals as the guiding strategic lens:
  - Fair Share 2030 scaleup: R6bn lending target for 2015.
- Catalyse broader socioeconomic transformation by working with critical internal and external stakeholders:
  - Continue to deliver on transformation as a vital component of realising one of our aspirations, which is to be a bank for all South Africans.
  - Continue with staff engagement, training and leadership interventions.
- Enhance external stakeholder engagement, management and reporting.

ENSURING SUSTAINABLE VALUE CREATION

Worldclass governance standards

Highly **motivated** staff

Exciting **growth opportunities**

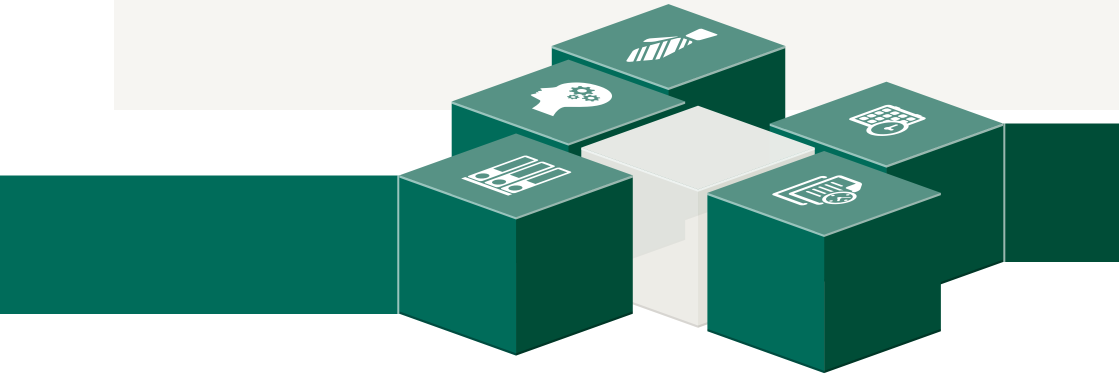
Diversified and resilient

Strong **ethical principles**

78

R124,3bn
MARKET CAPITALISATION
(2013: R107,2bn)

23,2%
TOTAL SHAREHOLDER RETURN
(2013: 16%)



CHAIRMAN'S REVIEW

'In 2014 Nedbank Group again delivered value to shareholders, with a total shareholder return of 23,2%. Our share price increased 18,6% and we declared a total dividend of 1 028 cents, up 14,9% and ahead of headline earnings per share growth of 12,9%. Despite a volatile and uncertain environment, the group continues to offer qualities that we believe are attractive to investors.'

An uncertain world

Significant developments over the past year in the international and local environments will make banking more challenging but, as always, will also present opportunities.

In the developed world deflationary forces have become more dominant, hurting efforts to reduce the impact of high public and private debt levels and further reducing potential economic growth. This has prompted ever more expansionary monetary policies in Japan and Europe, while interest rates have been maintained at historically low levels in the US. The US Federal Reserve has ended its quantitative easing programme and indicated that it wants to start moving short-term interest rates to more normal levels given that economy's stronger performance and concerns over unintended consequences for asset prices. However, one consequence of the diverging economic fortunes and monetary policy tendencies has been a strengthening US dollar, which – if it continues – could mute demand for US exports and reduce the US central bank's room for manoeuvre.

Deflationary forces are also affecting the developing world. The promise of the so-called commodity supercycle has faded, with many commodity prices collapsing further during 2014. This was partly due to an overenthusiastic supply response to sharply rising prices in the 2006–2008

DR REUEL KHOZA
NON-EXECUTIVE CHAIRMAN

Level 2✓
BEE RATING
SIXTH YEAR IN A ROW

2014 governance highlights video from our Chairman, Dr Reuel Khoza.

VALUE THROUGH **GOOD GOVERNANCE**

period, but is also due to perceptions of slower and different growth patterns in China. With the world's second largest economy becoming more consumer-oriented and increasing fears over the effects of overinvestment in the past, its appetite for commodities will change over time.

Most spectacular was the 48% fall in the dollar oil price during 2014. This will mostly be growth-supportive, as consumers everywhere will benefit, but for net oil exporters the effects could be severe if the fall is sustained. Several large economies in Africa are overwhelmingly dependent on oil revenues to meet fiscal shortfalls and balance of payments needs. This, together with the challenges such as those presented by religious fundamentalism and the sudden emergence of the Ebola virus, could test the region's attractiveness for investment in the short term. However, Africa's move towards better economic policies and regional integration should remain intact and longer-term economic prospects are still positive.

The prices of other commodities, such as iron and coal, also came under pressure. For a country such as SA the net gains to growth from the fall in energy prices will be partially offset by lower prices for other primary products, but there will likely be a negative impact on the fiscus. This will mean that the policies espoused in the National Development Plan and in last year's Medium Term Budget Policy Statement will have to be adhered to as the threat of further sovereign downgrades remain.

In particular, it has become increasingly clear that the private sector will have to be a major contributor in delivering development objectives and that this will have to be guided by market forces. This is clearly the case in electricity security, where unreliable delivery has now become a constraint on the economy and on increased investment, and will offset the benefits to growth from lower oil prices.

While this will not change in the short term, the good news is that, with the right regulatory and institutional changes, the government could unlock significant investment without damaging fiscal and external sustainability.

In the final analysis SA's entire citizenry, and particularly the leadership of the public and private sectors, should serve the national interest, and it behoves us to engage in open discourse with a bias for action. SA's economic challenges will not worsen for lack of intelligent, well-meaning citizens. However, this nation could suffer immeasurably for want of leaders of courage and determination in both the public and private sectors, who in dedicated pursuit of the cause of right and truth prioritise the national interest.

Together we have the responsibility to strictly adhere to the institutional forms that underpin our young democracy. We have to help define and articulate our national vision based on rigorous analysis allied to a compelling sense of destiny that should serve as a national rallying point for our pursuit of excellence and prosperity. We should diligently promote a nation built on moral values. We are duty-bound to guide, develop and imbue our youth with a sound and wholesome value system.

Overcoming poverty is the highest challenge facing all in our nation today and is a challenge across the globe. Youth are marginalised and the unemployed are desperate. Our challenge is to ensure that we have an inclusive society to provide hope and better prospects for the disadvantaged, as this is important to long-term stability. We must pay living wages, curb excess, improve the skills base of the undereducated, seek new ideas and markets, serve our stakeholders honestly and rise to SA's leadership challenge.

Banks reflect the general economic circumstances they operate in, but also act as agents for positive change in society. In 2015 we should see some bounceback from the disruptions caused by the long strikes in 2014, but there will be many challenges due to the ongoing infrastructure deficiencies and a still relatively highly indebted consumer. However, there should be some dividend from lower oil prices, and the resumption of interest rate hikes now looks increasingly further away, given the dramatically improved inflation outlook.

The SA banking system is particularly well placed in this increasingly uncertain world, having faced many challenges and much change in the past, and also being at the forefront of adopting global regulatory requirements that force best-practice risk assessment and mitigation.

It is in this context and in view of the material matters described on pages 18 to 24 that I believe that Nedbank Group's performance in 2014 has been outstanding. Headline earnings increased 14,0% to almost R10bn and we delivered a return on equity (ROE) (excluding goodwill) of 17,2%, well ahead of our cost of capital. Our market capitalisation at the end of 2014 was R124bn and increased 16% during the year. This strong financial performance arose from our continuing to deliver value to all our stakeholders. Today we have highly motivated staff, more clients doing more business with us, more exciting value propositions and innovations, a stronger balance sheet and exciting growth opportunities, particularly in the rest of Africa. Our Chief Executive's and Chief Financial Officer's Reports cover this in more detail.

Nedbank Group very different from the Nedcor of 10 years ago

In my final Nedbank Group Chairman's Review I would like to reflect on the group's journey over the past 10 years.

I joined the board in 2005 and assumed chairmanship in 2006.

In stark contrast to the group's strong performance and positioning in 2014, the Nedbank of the early 2000s was an organisation in distress following poor strategic choices that impacted the financial position and reputation of the company. The group's market capitalisation at 31 December 2003 was a mere R17bn, significantly down from its then peak of R43bn in 2001.

Decisive action was needed. Tom Boardman was appointed Chief Executive in October 2003, and key actions taken under his tenure included the appointment of a new executive team, a strategic review of the business, the successful completion of the merger and recovery programme (which included the sale of non-core assets), improved transparency and reporting, and a clear focus on client service.

The group set itself two key financial targets – to achieve an ROE of 20% and a cost-to-income ratio of 55% by 2007 to convince investors to invest R5bn by way of a rights issue undertaken in 2004. An ROE of 21,4% and cost-to-income ratio of 54,9% were delivered in 2007. These laid the foundations for our relentless focus on our clients, accountability, management information systems, risk management and strategic management.

In delivering on our turnaround strategy, in addition to those items listed above, there was significant focus on two key long-term foundations for sustainability.

The first was culture, with a focus on building a unique and appropriate culture, starting with our executive leadership team and cascading to management across the organisation. This has resulted in staff morale and culture metrics today being close to worldclass levels. The key culture elements of accountability and client-centredness have been embedded over time. Today our culture and our people are key differentiators for the group.

The second focus was on fundamentally transforming the organisation.

In 2005 we proudly landed our trail-blazing broad-based black economic empowerment (BBBEE) transaction, indirectly benefiting more than 500 000 South Africans through our partners, staff, community and client schemes. The net value created for our black economic empowerment (BEE) shareholders to date is approximately R5,5bn, which would be worth an estimated R8,2bn at prevailing market prices.

In addition, we transformed our staff profile, management team and the board. We voluntarily complied with the Financial Sector Charter, then the dti Codes and more recently the Financial Sector Code (FSC). In 2006 Nedbank had recorded a level 5 BBBEE status, but steadily improved, and since 2009 has maintained a level 2✓ rating. Nedbank has also regularly been rated as one of JSE Limited's (the JSE's) most transformed companies. This is also testament to our view that transformation transcends compliance and is seen as both a moral and business imperative to ensure that we remain relevant in the societies in which we operate.

The global credit crisis of 2008 had a major impact on banks throughout the world. SA banks, however, weathered the crisis well, remaining profitable with headline earnings declining less than 30%. As a result no SA bank had to be bailed out by government using taxpayers' money during the crisis. The global regulatory response, including materially increasing capital holdings through the various Basel regulations, also flowed through to SA, resulting in lower returns on equity after the crisis. We also changed our approach to remuneration in response to changing global governance in this regard.

Mike Brown took over as Chief Executive in early 2010 and the focus broadened to client-centredness and growing the franchise by building on the foundations laid under Tom. We repositioned our retail business and ensured sustained profitability, with Nedbank Retail moving from making a loss in 2009 to R2,9bn headline earnings in 2014. We invested in our transactional banking franchise and increased our retail client base from 4,2m to 6,9m and as a result non-interest revenue, excluding personal loans and the impact of pricing choices in 2014, grew by more than 9% since 2009. From a geographic perspective, and in line with our vision to be Africa's most admired bank, we expanded into the rest of Africa – in West and Central Africa by embedding the strategic alliance

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Transfor-mation Report

with Ecobank and negotiating rights to a 20% shareholding, and in the Southern African Development Community (SADC) and East Africa by expanding and improving the Nedbank presence. The lessons learnt from the global financial crisis also guided our strategic actions – particularly our strategic portfolio tilt strategy, designed to protect the group against downside risk while growing in products and businesses that offered attractive economic returns.

It is remarkable to reflect on the fundamental transformation that Nedbank has undergone since 2005. From a niche elitist bank to a bank for all, providing banking and financial services to all South Africans and expanding off this base into the faster-growing markets in the rest of Africa. Our business model has also progressed substantially. Today we are more diversified and resilient. We have a much higher transactional banking revenue contribution that provides an enhanced ROE and buffer against earnings volatility from external factors and a much stronger balance sheet, particularly with regard to capital ratios and provisioning, while also making extensive progress in unlocking growth opportunity in the rest of Africa. Externally Nedbank was once again rated as SA Bank of the Year in 2014 by Financial Times's esteemed *The Banker* magazine, matching the achievements of 2011 and 2013.

Estab-lished leadership teams 2a

Nedbank also retained its leadership position in being the green and caring bank throughout our journey. Today we are still Africa's only carbon-neutral bank, having the most 5-Star Green-star-rated buildings in SA, and are making a difference in environmental matters. This has assisted us to become a leader in funding SA's renewable-energy programme.

Through our Fair Share 2030 strategy we aim to continue making a meaningful difference to society and the environment. We will do this through our lending, operations, being an advocate and, most importantly, assisting our clients to make SA a better place for all.

The progress to date has been a function of the close collaboration and teamwork of the Nedbank board and management teams.

Over the years I have deliberated in my various Chairman's Reports on the importance of ethics and governance in both the private and public sectors. I can, with confidence, say that the achievements of Nedbank have been underpinned by strong ethical principles and a commitment to benchmarking ourselves to worldclass governance standards, leading the way as we adopted codes such as King III. This is what I personally stand for, and I am pleased to leave an organisation that has fully embraced this. We are not perfect, but we are continuously striving for the highest level of ethics and governance. Sadly, there are still private sector companies, as well as areas in government and in the public sector that are lacking in their aspirations in this regard.

Key board deliberations in 2014

I would like to reflect on four key areas of deliberation that stand out in 2014. These occupied significant discussion at board and board committee level and are material milestones and developments for the group, which will continue to be of significant importance into the future. These are the management and board changes, working closely with our parent company Old Mutual plc, broadening the group's presence in the rest of Africa and participating in the resolution of African Bank Limited.

In April 2014 I led the group's first governance roadshow to our large SA shareholders together with Malcolm Wyman, our Senior Independent Director. It was pleasing to note the continued high level of support for the group's strategy, management, board and governance practices, including our remuneration schemes. In the following paragraphs I will reflect on the valuable feedback received.

Leadership and board changes

During 2014 and into 2015 Nedbank Group will implement various changes to its board and management teams, all supported by well-thought-through succession planning and recruitment processes.

While Mike Brown covers the various changes to the Group Executive Committee (Exco) team in his Chief Executive Review, I would like to take the opportunity to wish the new Group Exco members success in their new roles.

Mustaq Brey, Gloria Serobe and I, having reached the end of our nine-year term as non-executive directors, will step down from the board in May 2015, in line with the board policy and principles of good governance. I would like to convey my appreciation to these fellow boardmembers and black business partners for the value added to the group.

During the year we had no resignations from the board.

'We live in a wonderful country with a vibrant democracy.
In a participatory democracy debate and discussion on substantive issues heighten awareness of the many needs we have to address in the socioeconomic, business and political spheres, which are vital for society as a whole. I firmly believe that leadership in the public and private sectors working constructively together can make a positive contribution. Part of my life's mission as a citizen and a business leader is to contribute, in a small way, to the upliftment of SA and help achieve a better life for all.'

Dr Reuel Khoza, April 2012

Graham Dempster (executive director) will reach the retirement age of 60 during May and also step down from the board at the close of our annual general meeting on 11 May 2015. Graham had been a Nedbank stalwart over many years and made a huge difference to the group, firstly in managing the group's corporate businesses and later as Chief Operating Officer, and also in developing our alliance with Ecobank, which has resulted in our becoming a 20% strategic shareholder in Ecobank during 2014. We wish him all the best going forward.

In line with these retirements and our board plans to ensure greater diversity, and specifically our desire to add more skills in the areas of banking, rest of Africa, information technology, innovation and resources, and infrastructure, a few new board appointments were made during 2014:

- David Adomakoh (independent non-executive director), who has 25 years' experience executive management and investment banking predominantly in Africa and Europe, and has served on the boards of a number of SA, Nigerian and Ghanaian companies;
- Brian Dames (independent non-executive director), who brings years of experience in energy and infrastructure;
- Mantsika Matooane (independent non-executive director), who has a strong background in financial services and IT systems in particular.
- Paul Hanratty (non-executive director), who is an executive director and the Chief Operating Officer (COO) of Old Mutual plc.
- Mfundo Nkuhlu (executive director) who took up the role of COO from 1 January 2015, succeeding Graham Dempster.

Vassi Naidoo will be appointed non-executive director with effect from 1 May 2015. The boards of Nedbank Group and Nedbank have resolved to elect Vassi as Chairman of the companies immediately following the conclusion of the Nedbank Group annual general meeting (AGM) scheduled to be held on 11 May 2015. Vassi´s expertise in banking and financial services and experience in the rest of Africa will benefit Nedbank Group. The timing of this announcement ensures that we will have the benefit of a smooth handover in the Chairman's Office over the next few months.

In line with the recommendations of King III, Malcolm Wyman will continue as the Senior Independent Director of Nedbank Group and Nedbank as a result of the board's view that Vassi is a non-executive, but not independent, chairman, given that he will join the board of Old Mutual plc.

Our board currently consists of 18 members, comprising eight independent non-executive directors, six non-executive directors and four executive directors. Following our AGM in May 2015, taking into account the retirements and the appointment of Vassi Naidoo, our board will continue to have a majority of independent non-executive directors. Transformation remains important – currently the majority of our board is black, at 56%, and 22% are female.

Old Mutual relationship

Nedbank has in recent years been a key contributor to the financial performance of our parent company Old Mutual plc. In reported currency Nedbank Group contributed 35% of Old Mutual's adjusted operating profit (posttax and non-controlling interests) in 2014.

Working closer together across the group has been a key focus of the various boards and management teams, and in 2013 Old Mutual plc communicated its objective to generate R1bn of pretax synergies in the next three years across its key African businesses, being Nedbank, Old Mutual (South Africa) (OMSA) and Mutual & Federal. As a board we are in full support of value that can be unlocked for shareholders while ensuring it makes commercial sense for Nedbank and minority shareholder rights are protected – an issue raised pertinently during our governance roadshow.

We wish Ingrid Johnson the best in her new role as Financial Director of Old Mutual plc after leading the successful repositioning of Retail since 2009.

Broadening our presence in the rest of Africa

While expansion into the rest of Africa has been on the board agenda for the past few years, 2014 was a milestone year.

In line with our strategy of expanding our own presence in SADC and East Africa, we acquired a 36,6% stake in Banco Único in Mozambique, with a pathway to legal control. This is our first expansion into lusophone territories, adding to the existing five countries we are already operating in.

We have adopted a partnership approach in West and Central Africa through the strategic alliance with the Pan-African Ecobank group since 2008, and the board had extensive deliberations in 2014 regarding our subscription right to become a 20% shareholder in the holding company, Ecobank Transnational Incorporated, as part of a longer-term strategy.

During our governance roadshow we took note of investors' feedback and understand the importance of addressing the well-publicised governance and strategic issues at Ecobank, which culminated in the adoption by Ecobank of a comprehensive governance action plan and a change in the profile of the board and management, including the Group Chief Executive. Our decision to exercise our rights to take up the shareholding follows a six-year period of working closely with Ecobank in the alliance and is part of a long-term, risk-mitigated strategy for growing in the rest of Africa.

'Leadership can only succeed over the longer term by sharing the values and aspirations of the followers, and this means being able to distinguish between that which is expedient and populist, and that which is serviceable and honest. It takes insight, empathy and discipline to achieve resonance with followers – and these are the personal and group qualities that we seek to promote.'

Dr Reuel Khoza, March 2011

Impact of the resolution of African Bank Investments Limited

Turning closer to home in SA, while the African Bank collapse was sudden, the signs of distress in the personal-loan consumer segment were clear for some time. Nedbank had taken early action commencing in 2012, and in 2014 was still the only bank to have reduced its advances book in this market segment. This follows the group's decision to hold maximum individual-loan sizes and tenors set in 2009, tighten credit criteria through 2012 and implement more conservative provisioning policies. It was pleasing to hear firsthand from investors that Nedbank is now known for taking early action on key industry issues and is selective in its loan origination practices during times of uncertainty and volatility, and that provisioning is regarded as prudent.

As we look back at the developments in August 2014, we acknowledge the swift and decisive actions of the Reserve Bank in crafting a solution to a potential systemic issue, embracing the principles of future regulation on bank resolution to be introduced this year through the Basel Accord. The collaboration between the Reserve Bank, the major clearing banks in SA and the Public Investment Corporation to support and underwrite the 'good bank' is evidence of our collective vision to retain the status of the SA banking industry as one of the most sound in the world. We wish Tom Winterboer all the best in his curatorship role and actions to revitalise African Bank Investments Limited (Abil).

A sound investment

In 2014 Nedbank Group again delivered value to shareholders, with a total shareholder return of 23,2%. Our share price increased 18,6% and we declared a total dividend of 1 028 cents, up 14,9% and ahead of headline earnings per share growth of 12,9%. Despite a volatile and uncertain environment, the group continues to offer qualities that we believe are attractive to investors. These include:

- Worldclass governance underpinned by an independent board striving to ensure value creation in a sustainable manner for all stakeholders.
- A wholesale-biased business model that positions us well in a tough macro environment. This is supported by a leadership position in corporate banking, holding the largest market share in commercial property finance and generating good returns with an excellent risk profile, as well as a lower-risk investment bank with strong growth prospects from government's infrastructure plans and growth on the continent. The newly announced integrated corporate and investment bank will aim to take client service to a new level and unlock further revenue growth opportunities.
- A strong, differentiated and decentralised business banking cluster.
- An innovative, client-centred retail banking cluster, with more clients choosing to bank with Nedbank.
- A well-positioned wealth, insurance and asset management business with a high return on equity.
- A client-centred, risk-mitigated, capital-efficient strategy in the rest of Africa over the long term, with the largest Pan-African geographical footprint.
- A strong balance sheet and defensive investment characteristics given the stable banking sector in SA.
- An experienced management team, a differentiated, values-based culture and high levels of staff morale.

Looking forward

Nedbank Group is ably led by Chief Executive, Mike Brown, backed by an experienced management team and staff. The outlook for the environment remains volatile and uncertain. We, the board, believe that Nedbank is well positioned given its strong balance sheet, progress in building the franchise, exciting growth strategies and a highly rated management team. This will continue to stand us in good stead as we retain and attract the best talent and as more clients choose to bank with Nedbank.

I believe that some fundamental challenges still remain. Creating a better life for all will require a greater focus on governance and ethics across all organisations – those in the private, public and government sectors. These organisations need to find ways to work closer together. Education remains the cornerstone of our future – we need to address the limitations that prohibit so many from upskilling themselves and finding jobs, but more importantly from becoming entrepreneurs. Transformation needs to remain high on the agenda to enable us to build an inclusive economy. As risks increase in a volatile and uncertain macro environment, banks would have to remain vigilant and continue the focus on worldclass risk management practices. We need to continue to look after our planet and care for those that are vulnerable. Lastly, I believe that in a vibrant democracy all voices must be heard as we build a successful society. We need to become a principled nation and a principle-centred continent.

Appreciation

Where do I begin to thank all the wonderful colleagues and stakeholders that have been part of my journey over the past 10 years? On a personal note I would like to thank Surina Breedt, my Personal Assistant, for consistently holding the administrative fort and for her professional interface with our various stakeholders.

I had the privilege of leading a diverse board of people, rich in wisdom, and I offer my sincere appreciation to the directors and management for their contributions over the years.

Much reliance is placed on the support of and cooperation with our various regulators and financial authorities governing our businesses. SA benefits greatly from the professional efficiency of these institutions, and I wish to note our appreciation for this cooperation and open relationship that is mutually beneficial in understanding and addressing the major issues affecting our industry.

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

And, finally, I thank our staff for their commitment, passion and hard work to create value for all our stakeholders.

Dr Reuel J Khoza

Chairman

COMMITTED TO **GOOD GOVERNANCE**

Sound governance practices, transparency and accountability are all non-negotiable components of the way we conduct our business. Our commitment to governance excellence underpins our decisionmaking abilities, enables us to deliver on our fiduciary responsibilities, informs our values and ethical culture and equips us to justify the faith that our clients and other stakeholders have in us and our brand.

At Nedbank Group we have a clearly defined governance and compliance framework, which is considered and approved by the board annually. This framework allows us to focus on providing long-term sustainable value for all stakeholders by, among other things:

- operating efficiently and profitably;
- maintaining an appropriate balance of interests between all stakeholders;
- complying with the many laws applicable to our business, and
- contributing to our country's economy by looking after the environment and our people.

The effectiveness of our governance processes in creating value is evidenced throughout the integrated report in, for example, the Ecobank transaction, the deliberate reduction of our personal-loans book, the management of Basel III requirements and more robust engagements with stakeholders.

ENGAGING WITH STAKEHOLDERS ON GOVERNANCE

In 2014 Chairman, Reuel Khoza and Senior Independent Non-executive Director, Malcolm Wyman hosted the first-ever Nedbank Group governance roadshow, making us one of a handful of SA companies that have proactively engaged with stakeholders on governance in this way.

The main objective of the roadshow was to build deeper relationships and encourage dialogue between minority shareholders and the Nedbank Board while, at the same time, obtaining valuable input and feedback on governance and strategic matters.

Feedback indicated that Nedbank Group was generally considered a leader in terms of governance and sustainability matters, and this reputation was well supported by shareholders.

COMPLIANCE WITH KING III

We endeavour at all times to apply the principles of King III in such a way that these requirements are met. King III is applied in all the group operations, which include our African subsidiaries. During the period under review the board again indicated that it was satisfied with the way in which the group applied the recommendations of King III, or put alternative measures in place where necessary.

There are 75 governance principles in King III that apply to our business, and a comprehensive statement outlining our approach to each is included in the 2014 Supplementary Governance and Ethics Review available for download at **nedbankgroup.co.za**.

INDEPENDENCE OF CHAIRMAN AND DIRECTORS

The Nedbank Group Chairman is not independent as defined by the governance codes, as he serves on the board of the group's parent company, Old Mutual plc. To address this situation the position of senior independent director was created in 2007 and is currently held by Malcolm Wyman. The current Chairman, Dr Reuel Khoza, retires in May 2015. A robust succession-planning process for the role of Chairman commenced in 2013, and the appointment of the Chairman designate is covered in the Chairman's Review on pages 81 and 82.

During 2014 the board internally assessed the status of the Nedbank Group independent non-executive directors and was satisfied that these boardmembers met the criteria of independent directors in terms of King III. Independence is debated by the Directors' Affairs Committee following detailed analysis of the circumstances of all the independent non-executive directors.

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

While compliance with King III has not always been met, the board is satisfied that the committees have been appropriately constituted given the expertise and experience of the committee chairmen and members, and this has been borne out by the results of the board and board committee evaluations conducted annually.

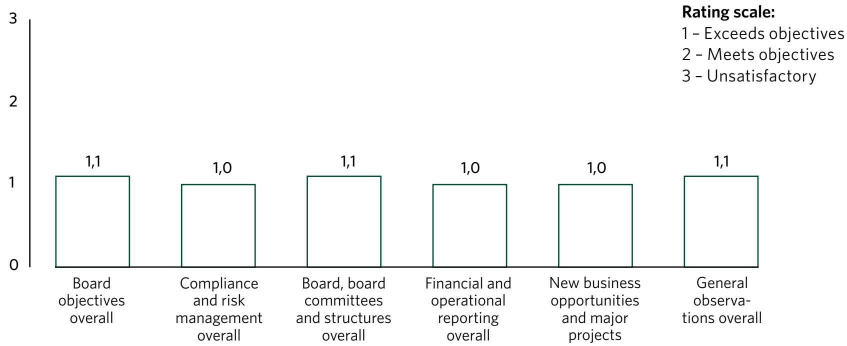
ENSURING GOOD GOVERNANCE THROUGH ONGOING EVALUATION

In the last quarter of 2014 internal evaluations of the full Nedbank Group Board and all board committees were conducted. Enterprise Governance and Compliance (EGC) also conducted evaluations of the Group Executive Committee (Group Exco), the Group Exco subcommittees and 23 other high-level governance committees in Nedbank Group, including those in our African and other subsidiaries.

Evaluations provide the committee members and attendees the opportunity to give honest and frank feedback on what is working or what can be improved on. EGC collates and analyses these results and ensures that comments are tracked and discussed at relevant follow-up meetings. A wide array of matters was assessed. The following graph depicts the results of the board evaluation as assessed by its members:

The Chief Executive's performance is evaluated according to his performance scorecard, which is approved annually by the Group Remuneration Committee. The feedback from this board evaluation process contributes to the production of the Regulation 39(18) Report addressing the state of our corporate governance and is submitted to our main regulator, the SA Reserve Bank, annually.

BOARD EVALUATION



BOARD COMMITTEES

The board committees assist the board in the discharge of its duties and responsibilities. Each board committee has formal written terms of reference that are reviewed annually and effectively delegated in respect of certain of the board's responsibilities. The board monitors these responsibilities to ensure effective coverage of, and control over, the operations of the group. Details of the Nedbank board committees and their key functions in the 2014 Governance and Ethics Review are available for download at **nedbankgroup.co.za**.

INTERNAL AUDIT

Group Internal Audit (GIA) is a centralised, independent assurance function. It was constituted in terms of the Banks Act, 94 of 1990 (as amended) and the regulations thereto, with its purpose, authority and responsibilities set out in the Banks Act and regulations and formally defined in a charter approved by the Group Audit Committee (GAC).

GIA forms part of the Enterprisewide Risk Management Framework as a third line of defence. The purpose of GIA is to provide independent, objective assurance to the board that the governance processes, management of risk and systems of internal control are adequate and effective to mitigate the most significant risks, both current and emerging, that threaten the achievement of the group's objectives, and in so doing help improve the control culture of the group. It is responsible for developing a 12-month-rolling-audit plan, using a risk-based methodology and taking into consideration specific regulatory requirements pertaining to internal audit, including any risks or control concerns identified by management and the board. This plan is approved by the GAC.

'It isn't the absence of conscience or values that prevents us from being all we should be, it is simply the lack of moral courage.'

Michael Josephson, American ethicist

OUR APPROACH TO ETHICS AND HUMAN RIGHTS

One of the primary reasons for corporate scandals and business failures globally is a lack of dedicated ethical leadership, which results in governance and compliance lapses. For this reason we at Nedbank Group place an absolute priority on putting ethical behaviour at the core of our business, and ensure that such a culture of ethics is built on a clear value system, a focus on sustainability, strong leadership, and a robust governance framework that guides decisionmaking and action.

We believe that such a strong, sustainable and proactive approach must include effective recruitment, ongoing awareness creation and training, and the constant monitoring of cultures and ethical behaviour to limit and address instances of misconduct.

GOVERNANCE OF ETHICS

The board assumes ultimate responsibility for the company's ethics performance. This responsibility is delegated to executive management.

Estab-lished leadership teams 2a – 11a

Governance and Ethics Review

Appointment of ethics officers in all business clusters

- The need to create capacity for ethical thinking in business is essential in the light of governance scandals in the financial services industry during the past decade. To promote such a culture of ethical thinking and awareness across our group we have appointed ethics officers in all our business clusters, including those of our subsidiaries. The appointment process was finalised in 2014, and the Ethics Office is now in the process of developing and implementing an ethics internship. We also established a Business Ethics Council, which held two meetings during 2014. This council will be responsible for:
  - providing input into strategy, policy and framework development from a business point of view;
  - acting as a sounding board for senior and executive management regarding ethical dilemmas in business; and
  - actively supporting and facilitating the implementation of the group ethics programme and the human rights in business project.

Promoting ethics among our suppliers

We use the Ethics Responsibility Index (ERI) to assess ethics, governance and human rights aspects of the vendors and suppliers who partner (or seek to partner) with us continually. In 2014 the ERI was enhanced with a number of ethics and human rights questions. We also created significant ethics awareness at our Vendor Indaba sessions, particularly around issues such as giving and receiving gifts, human rights in business, and the reporting of unethical behaviour.

Promoting ethics among our clients

Offering our business clients, particularly those operating small, medium and microenterprises (SMMEs), relevant support is vital to the sustainability of our supply chain and the creation of a robust and sustainable SA economy. In 2014 the Ethics Office launched a series of training and governance products as part of our client value proposition within our Retail Relationship Banking and Business Banking areas. These products are provided to clients free of charge and include the following:

- Ethics awareness training for staff
- Business etiquette training
- Human rights in business awareness
- Simplified tender submissions
- Governance framework implementation

This ethics and governance support initiative has generated a very positive response from our SMME clients, indicating the vital requirement that exists for this level of support and training in the SA market.

Promoting ethics among our staff

As part of ongoing efforts to raise awareness of the importance of ethical behaviour, we conducted more than 150 (2013: 90) training initiatives in 2014. Our electronic EGC Management System is integral to our ethics awareness and education efforts

BOARD ATTENDANCE

	Nedbank Group Limited Board	Nedbank Group Limited Board pre-scheduled	Nedbank Group Limited Board ad hoc	Nedbank Limited Board	Nedbank Limited Board pre-scheduled	Nedbank Limited Board ad hoc	Nedbank Group Directors' Affairs Committee	Nedbank Group Remu-neration Committee
Number of meetings	10	8	2	9	8	1	5	6
Directors								
David Adomakoh[1]	8/8	6/6	2/2	7/7	6/6	1/1		
Tom Boardman	10/10	8/8	2/2	9/9	8/8	1/1	5/5	
Mike Brown	9/10	8/8	1/2	8/9	8/8	0/1		
Brian Dames[3]	4/5	3/4	1/1	4/5	3/4	1/1		
Graham Dempster	9/10	7/8	2/2	8/9	7/8	1/1		
Mustaq Enus-Brey	9/10	8/8	1/2	8/9	8/8	0/1	4/5	
Ian Gladman	10/10	8/8	2/2	9/9	8/8	1/1		
Paul Hanratty[4]	4/4	3/3	1/1	4/4	3/3	1/1		
Reuel Khoza	10/10	8/8	2/2	9/9	8/8	1/1	5/5	
Mpho Makwana	8/10	7/8	1/2	7/9	7/8	0/1	5/5	5/6
Mantsika Matooane[2]	6/6	5/5	1/1	6/6	5/5	1/1		
Nomavuso Mnxasana	10/10	8/8	2/2	9/9	8/8	1/1	5/5	6/6
Raisibe Morathi	10/10	8/8	2/2	9/9	8/8	1/1		
Joel Netshitenzhe	8/10	7/8	1/2	7/9	7/8	0/1		
Julian Roberts	9/10	8/8	1/2	8/9	8/8	0/1	5/5	6/6
Gloria Serobe	8/10	7/8	1/2	7/9	7/8	0/1	3/5	
Malcolm Wyman	9/10	8/8	1/2	8/9	8/8	0/1	5/5	6/6

[1] *Appointed as director with effect from 21 February 2014.*
[2] *Appointed as director with effect from 15 May 2014.*
[3] *Appointed as director with effect from 30 June 2014.*
[4] *Appointed as director with effect from 8 August 2014.*
** Includes annual meeting with SARB.*

Details of appointments to, and resignations from, the board committees are provided on page 69a of the Remuneration Report.

among staffmembers. Declarations of outside interests and gifts are also captured on the system. In 2014 more than 90%✓ of staff acknowledged the anti-corruption pledge, the Code of Conduct, the Code of Ethics, the Employee Conduct Pledge, the Declaration of Secrecy and the Declaration of Outside Interests.

COMMITTED TO UPHOLDING HUMAN RIGHTS

We embrace and uphold the protection of human rights as enshrined in the SA Constitution and, specifically, the Bill of Rights. We also adhere strictly to the 10 principles of the United Nations Global Compact (UNGC) and have started the process of implementing the requirements of the John Ruggie Report, which was commissioned by the UNGC.

Human rights screening – a commitment to ongoing screening of human rights is integral to all our operations and relations with our stakeholders.

- Our group sustainability area delivers comprehensive reports on compliance with the Equator Principles and the data generated by our Social and Environmental Management System.
- The Ethics Office has developed an ERI that is currently being implemented across all our tender processes. This includes a detailed section on human rights as a component of our business partnership requirements.
- We conduct human rights training with various vendors and suppliers at our annual Group Risk Vendor Indaba.
- Our Supplier Code of Conduct, which includes a commitment to ethical behaviour that prizes human rights, forms part of the contract our vendors and suppliers sign with us.

Human rights investment – We continue to invest in raising stakeholder awareness of, and compliance with, human rights principles. In 2014 this investment resulted in the following initiatives and outcomes:

- Awareness training was conducted with more than 3 000 staffmembers. The awareness sessions last at least 90 minutes, meaning that we delivered more than 4 500 training hours for ethics and human rights during 2014.
- The Ethics Office recruited an additional ethics officer, whose main focus will be the implementation of the human rights in business project. This person is responsible for the development and implementation of human rights strategies, policies, pledges and training and awareness creation. This incumbent will work closely with Old Mutual plc to determine the human rights risks in terms of our clients, value chain and products and services provided to clients. This due diligence will start during 2015.
- We launched a client value proposition initiative that includes the provision of training to small- and medium-sized businesses. This will include awareness around human rights in business principles and guidelines.

Chairman's Review 78 – 83

Leading in the communities we serve 72 – 77

	Nedbank Group Remuneration Committee pre-scheduled	Nedbank Group Remuneration Committee ad hoc	Nedbank Group Audit Committee	Nedbank Group IT Committee	Nedbank Group Credit Committee	Large-exposure Approval Committee	Nedbank Group Risk and Capital Management Committee	Nedbank Group Transformation, Social and Ethics Committee	Nedbank Group Finance and Oversight Committee
	5	1	6*	4	8	10	5	4	4
								2/2	
			2/3	4/4	8/8	10/10		2/2	4/4
					8/8	8/10			
				1/1	2/4	2/5			
					6/8				
					6/8	9/10	4/5		3/4
					7/8	7/10	3/5		4/4
	5/5	0/1	6/6	4/4				3/4	
				2/2					
	5/5	1/1	6/6				5/5		
					8/8	10/10			
				4/4			5/5		
	5/5	1/1							
					6/8	7/10		4/4	
	5/5	1/1	6/6				4/5		4/4

REPORT FROM **GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE** CHAIR

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

Group Transformation, Social and Ethics Committee Report – 2014

As we endeavour to fulfil our transformation, social and ethics mandates, the Group Transformation, Social and Ethics Committee complies with the requirements of the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), and applies the recommendations of King III.

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

Our focus in 2014

In accordance with our mandate, we have focused on the following:

- **Governance**
  - considered our composition, operations and functions of the committee in an annual committee evaluation process as part of our ongoing governance review. The committee was found to be functioning effectively with appropriate standards of corporate governance being applied;
  - ensured that meetings are attended by relevant members of management who are experts in the areas within the scope of the committee's mandate. The regular attendance by these experts facilitated an effective flow of information between the committee and management; and
  - incorporated relevant training on our agenda to ensure that members remain abreast of developments within the scope of the committee's mandate. Noteworthy topics included an overview of the role of board-members in stakeholder engagement and feedback of the SA Business Ethics Survey conducted by the Ethics Institute of SA.

Long-term Goals 16

Strategic portfolio tilt 32

Transformation of society within planetary boundaries 23

RELATED **MATERIAL** MATTERS

TRANSFORMATION OF SOCIETY WITHIN PLANETARY BOUNDARIES

SCARCE SKILLS

INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT

- **Monitoring**
  - reviewed the transformation strategy and monitored achievement against identified targets in a bid to deliver on our transformation commitments. The committee is satisfied with the level of transformation within the group, its target-setting methodology and transformational achievements to date;
  - monitored regulatory developments relating to the Broad-based Black Economic Empowerment (BBBEE) Act and Financial Sector Codes (FSCs). At 31 December 2014 the group achieved a level 2✓ score;
  - monitored management's effort to improve BBBEE scores and we are satisfied with the interventions by management;
  - monitored progress against the integrated sustainability strategy and the group's efforts to maintain our carbon neutrality;
  - guided the strategic development of Fair Share 2030 in response to Nedbank's Long-term Goals for a thriving SA;
  - monitored activities relating to socioeconomic development (including external skills development), access to finance, lending to enable healthcare, housing and education, enterprise development and community upliftment, economic empowerment and preferential procurement; and
  - sustained the transformation legacy and maintained strategic partnerships with our black business partners beyond our BBBEE deal, with reference to the monitoring of agreed legacy projects.

The Group Transformation, Social and Ethics Committee is an expression of our commitment to effective and good governance. In 2015 we will remain a key enabler of the achievement of our Deep Green aspirations as we continue to work to be Africa's most admired bank.

Gloria Serobe

Group Transformation, Social and Ethics Committee Chair
16 February 2015

2015
FOCUS AREAS

In 2015 the committee will:

- monitor developments in the implementation of Fair Share 2030, Nedbank's strategic response to its Long-term Goals for a thriving SA;
- focus on the group's transformation agenda, including the impact of regulatory requirements and targets;
- focus on the impact of the industry's realignment process of the FSC with the Revised Codes of Good Practice through The Banking Association South Africa;
- continuously evolve its monitoring activities, where necessary, to enable effective fulfilment of its mandate; and
- sustain the transformation legacy and maintain strategic partnerships with our black business partners beyond our black economic empowerment deal, with reference to the monitoring of agreed legacy projects. Reflections on the transformation journey by the chief executives of WIPHOLD Proprietary Limited and Brimstone-Mtha Consortium are contained on page 57.

REPORT FROM **GROUP AUDIT COMMITTEE** CHAIR

The Nedbank Group Audit Committee (GAC) assists the board in fulfilling its oversight responsibilities, in particular with regard to evaluation of the adequacy and efficiency of accounting policies, internal controls and financial reporting processes. In addition, the GAC assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors.

Composition

The GAC consists of four members, all of whom are independent non-executive directors, and is chaired by Malcolm Wyman. The GAC met five times during the year at times that were aligned with the group's financial reporting cycle.

Committee governance and effectiveness

The legal responsibilities of the GAC are governed by the Companies Act, 71 of 2008 (Companies Act), and the Banks Act, 94 of 1990 (as amended) ('Banks Act'). These responsibilities, and compliance with appropriate governance and international best practice, are dealt with in the committee's charter, which is reviewed annually and was approved by the board.

The chairman of the committee reports to the board on the matters discussed at each committee meeting and the minutes of each meeting are circulated to all boardmembers.

The performance of the committee is reviewed annually through a self-assessment questionnaire. The 2014 review concluded that the committee continued to operate effectively and meet its objectives.

Internal control

The GAC monitored the effectiveness of the group's internal controls and compliance with the Enterprisewide Risk Management Framework (ERMF). The emphasis on risk governance is based on three lines of defence and the GAC uses the regular reports received from the three lines of defence to evaluate the effectiveness of the internal controls. The ERMF places weight on accountability, responsibility, independence, reporting, communication and transparency, both internally and with all Nedbank's key external stakeholders.

The functions of the three lines of defence, as well as the principal responsibilities that extend across the group, are set out in the Risk and Balance Sheet Management Review available at **nedbankgroup.co.za**. For the period under review the GAC monitored management's effectiveness at:

- creating and maintaining an effective internal control environment throughout the group;
- demonstrating the necessary respect for the control environment; and
- identifying and correcting weaknesses in systems and internal controls.

The GAC received regular reports from the Group Information Technology Committee regarding the monitoring of the adequacy and efficiency of the group's information systems and from the Group Credit Committee regarding its oversight of the adequacy and efficiency of the credit monitoring processes and systems.

Chief Financial Officer's Review 36 – 47

Annual Consolidated Financial Statements

RELATED **MATERIAL** MATTERS

TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY

INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT

GROWTH OPPORTUNITIES IN THE REST OF AFRICA

The GAC received regular reports on issues in the group's key issues control log from the Chief Risk Officer (CRO) and regular reports regarding governance and compliance matters (including the Companies Act and Banks Act) from the Chief Governance and Compliance Officer.

As required by King III the GAC received confirmation from the Chief Internal Auditor (CIA) regarding the effectiveness of internal financial controls, internal controls and risk management.

Having considered, analysed, reviewed and debated information provided by management as well as Internal Audit and the external auditors, the GAC was of the opinion that the internal controls of the group had been effective in all material aspects throughout the year under review.

Financial reporting process

The GAC received regular reports from the Chief Financial Officer (CFO) regarding the financial performance of the group, the tracking and monitoring of key performance indicators, details of budgets, forecasts, long-term plans and capital expenditures, financial reporting controls and processes, and the adequacy and reliability of management information used during the financial reporting process.

The GAC reviewed and approved the accounting policies of the group as reported in the annual financial statements, monitoring the consistency of application and compliance with accounting standards. The GAC also reviewed and approved the related group policies (Finance and Accounting Risk Policy, Taxation Policy and Regulatory Reporting Policy). The GAC further assessed and confirmed the appropriateness of the going-concern assumption used in the annual financial statements, taking into account management budgets and the capital and liquidity profiles.

The GAC also:

- received a summary of the key technical accounting matters from the CFO for consideration as well as a summary of critical accounting judgements and estimates made during the financial reporting process;
- received input where there have been substantive discussions between management and the external auditors; and
- discussed all key areas of judgement with management and the external auditors.

The GAC satisfied itself as to the expertise, resources and experience of the finance function, as well as the appropriateness of the expertise and experience of the CFO in terms of the JSE Listings Requirements.

Over the past year and a half, there have been significant changes in reporting by audit committees in the UK, driven by regulatory and stakeholder requirements for greater transparency from audit committees in reporting the matters that the audit committee considered to be significant to the financial statements and how they addressed these matters. The GAC considered the UK audit committee reporting developments to be best practice and have chosen to adopt them in the current year.

Key areas of management judgement applied in the preparation of the financial statements and assessed by the GAC in the current year are:

- **Fair value of financial instruments –** The GAC reviewed reports from the CFO regarding the Investment Committee review of investment valuations and details of critical valuation judgements applied to the valuation of group treasury and trading instruments.
- **Taxation-related matters –** The GAC reviewed reports from the CFO regarding the tax computation and, where applicable, levels of judgement in determining tax accrual and the deferred tax balance.
- **Credit risk provisions –** The GAC reviewed reports from the Group Credit Committee regarding the level and appropriateness of impairments, provisioning methodologies, and related key judgements in determining the impairment balances.
- **Impairment considerations for goodwill, intangible assets and associate investments –** The GAC reviewed reports from the CFO regarding the annual goodwill impairment assessment, the consideration of impairment applied to certain intangible assets, and related assumptions and judgements and the consideration of the indicators of impairment for associate investments.
- **Employee benefits –** The GAC reviewed reports from the CFO regarding the valuation of postretirement medical aid and pension fund obligations by independent actuaries and the level of judgement applied in those actuarial valuations.

Regulatory reporting process

The GAC reviewed the adequacy of the regulatory reporting processes as required by the Banks Act, which includes evaluation of the quality of reporting and the adequacy of systems and processes, and consideration of any findings regarding the regulatory reports by the external auditors. The GAC also hosts an annual trilateral meeting with representatives of the Bank Supervision Department of the South African Reserve Bank (SARB) where, among other things, key external audit findings, internal audit matters and reporting responsibilities in terms of the regulations are discussed and SARB provides feedback on industry-related issues.

Group Internal Audit

Group Internal Audit performs an independent assurance function and forms part of the third line of defence as set out in the ERMF in the integrated report. The CIA has a functional reporting line to the committee chairman and an operational reporting line to the CEO.

The GAC, with respect to its evaluation of the adequacy and effectiveness of internal controls, receives reports from the CIA, assesses the effectiveness of the group internal audit function and reviews and approves the group internal audit plan. In particular the GAC:

- ensured that the CIA has a direct reporting line to the chairman of the GAC;
- reviewed and recommended the Internal Audit Charter for approval by the board of directors;
- monitored the effectiveness of the internal audit function in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation; and
- monitored and challenged, where appropriate, action taken by management with regard to adverse internal audit findings.

2015
FOCUS AREAS

In 2015 the committee will:

- Review and consider management plans in respect of future changes to the International Financial Reporting Standards (IFRS), most notably:
  - IFRS 9: Financial Instruments, which comprises three main sections, namely classification and measurement of financial assets and financial liabilities, impairment methodology and hedge accounting. This standard will be effective from 1 January 2018 and is expected to have a significant impact on impairment methodologies in banking across the globe.
  - IFRS 15: This standard relates to revenue from contracts with clients and although significant and very relevant to the group, it is not expected to bring material changes when it becomes effective on 1 January 2017.
- Monitor major technology implementations, the largest of which was the SAP ERP programme undertaken in 2014 and implemented early in 2015, impacting the entire financial accounting control environment.
- Continue to focus on ensuring that the group's financial systems, processes and controls are operating effectively, are consistent with the group's complexity and are responsive to the changes in the environment and industry.

External auditors

The group's external auditors are Deloitte & Touche and KPMG Inc. The GAC has a well-established policy on auditor independence and audit effectiveness. During the period the GAC:

- recommended to the board the selection of the external auditors and the approval of their audit fees for the year under review;
- approved the external auditors' annual plan and related scope of work, confirming suitable reliance on Group Internal Audit and the appropriateness of key audit risks identified and related audit effort; and
- monitored the effectiveness of the external auditors in terms of their skills, independence, execution of the audit plan, reporting and overall performance.

The GAC also approved the Non-audit Services Policy that specifies that the external auditors are precluded from engaging in non-audit services that would compromise their independence or violate any professional requirements or regulations affecting their appointment as auditors. However, the external auditors may provide non-audit services that do not interfere with their independence and where their skills and experience make them a logical supplier, subject to preapproval by the committee. The GAC received regular reports as to the scope and quantum of non-audit services proposed and delivered and confirmation from the external auditors that their independence (in respect of audit services and non-audit services) has not been impaired

The GAC considered the independence of the joint external auditors on an ongoing basis during the year. The GAC also examined the auditors' proposed audit plan in July and assessed their skills, reporting and overall performance based on a formal review following the year-end audit. It was confirmed that the joint external auditors were effective, and they were recommended to the board for reappointment in 2015.

Malcolm Wyman
Group Audit Committee Chair
20 February 2015

REPORT FROM **GROUP IT COMMITTEE** CHAIR

Composition and purpose

The committee comprises five non-executive directors and other attendees, who include the Chief Executive, Chief Operating Officer, Chief Information Officer, Chief Risk Officer, Business Cluster Managing Executives, and Internal and External Audit. The primary focus of the committee is to review and approve Nedbank's IT strategy and to ensure that there is good governance throughout the IT system.

Committee governance and effectiveness

In alignment with our mandate, we ensure the effectiveness and efficiency of the group's information systems from a strategic alignment and risk perspective, as required by the Banks Act and in support of the requirements of the Group Audit Committee.

The committee meetings are structured to give full effect to this mandate and all content discussed in each meeting is engaged with fully to ensure that the mandate of the committee is executed. We apply the appropriate questioning to the relevance of the content as well as management's confidence regarding the validity of the group's technology strategy, IT system stability, technology threats, innovation project delivery and IT audit findings and management's capacity to respond to these adequately. As part of the established escalation processes, we would highlight any concerns to the appropriate forums, such as the board and Group Audit Committee. Cognisant of rapid changes in the IT landscape, annual reviews are conducted of the committee's charter, complemented by a survey to assess the committee's effectiveness and efficiency in adhering to its mandate.

As a standard practice, the Chairman of the committee reports to the board on matters discussed at each committee meeting.

Focus in 2014

The committee reviewed the Managed Evolution IT Strategy, which will deliver business value and technology advancement to ensure that Nedbank is well equipped for the future. We also received updates regarding relevant banking technology topics as well as Nedbank's response to these. These topics were:

- telecommunications market update;
- user experience as a driver of digital success;
- technology driving disintermediation; and
- update on advances in the six client-driven technology trends – mobile, social media, advanced automation, big data, cloud and cybersecurity.

Production stability, as measured by the time impact of severities, was monitored during each meeting. From an audit perspective, results indicate that there have been improvements in the overall IT control environment.

Project delivery monitoring occurred and a total of 51 projects were completed during 2014. During the year the committee approved six managed evolution programmes. These programmes were Client 360, Digital Experience Management, Business Process Management, Enterprise Content Management, Services and Strategic Security. The committee also approved the renewal of the IBM Enterprise Licence Agreement.

Tom Boardman

Group IT Committee Chair
17 February 2015

RELATED **MATERIAL** MATTERS

TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY

SCARCE SKILLS

INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT

GROWTH OPPORTUNITIES IN THE REST OF AFRICA

2015 FOCUS AREAS

During 2015 the committee will be focusing on the following items:

- reviewing and discussing the ongoing relevance and execution of the group's IT Strategy;
- monitoring and analysing the IT system stability and associated technology threats;
- driving project delivery, with a specific focus on progress in the delivery of the managed evolution programmes;
- reviewing and approving strategic programmes and projects with budgets in excess of R100m;
- reviewing all project impairments and approving of project impairments where the impairment value is greater than R20m; and
- addressing the following strategic topics with a view to assessing Nedbank's position and the directionality of any required responses–
  - global best practices of boards related to cybersecurity oversight;
  - using advanced analytics for client insight and providing enhanced experiences;
  - leveraging technology for winning in financial services disintermediation; and
  - digitising banking for transactional success.

Innovating for our clients 62

Optimise to invest 30

REPORT FROM **GROUP REMUNERATION COMMITTEE** CHAIR

On pages 46a to 79a we present to our stakeholders the 2014 Nedbank Group Remuneration Report, containing our Remuneration Policy and details of the implementation and governance of our remuneration practices during the 2014 financial year.

Executive remuneration and remuneration governance continued to feature prominently in 2014 and, at an individual level, the focus remained on executive remuneration (notably that of chief executives). A primary consideration in this regard remains the issue of pay for sustainable performance.

We set out in detail in this Remuneration Report the processes that we follow in Nedbank to ensure that our compensation practices are sustainable and that we reward both short- and long-term performance. As far as that is concerned, we place a large proportion of executive compensation at risk through the implementation of deferral of short-term incentives (STIs) with appropriate forfeiture provisions, and through corporate performance targets on deferred and long-term remuneration.

King III and the Principles for Sound Compensation Practice published by the Financial Stability Board are the key governance frameworks for remuneration in banking in SA. The SA Banks Act, 94 of 1990, was, however, amended in late 2013, setting out in section 64C the specific requirements that must be met with regard to the establishment and functioning of remuneration committees in banks. I am pleased to confirm that Nedbank remains fully compliant with the relevant regulatory and statutory provisions related to remuneration governance. We are also proud to have been given the Remuneration Report of the Year award by the SA Reward Association for our 2013 Remuneration Report.

Remuneration governance remains a key focus abroad. Measures have been implemented in European banks to restrict levels of bonus payments as a multiple of guaranteed pay. In some instances, alternative remuneration structures have been implemented, which resulted in increases in fixed remuneration, albeit in the form of standalone 'allowances'. These measures continue to be monitored by the relevant governance authorities to ensure that they do not circumvent the regulatory intentions, but also to ensure that they do not inadvertently lead to an increase in moral hazard. The counterargument advanced by banks is that increased regulation in Europe may reduce the competitiveness of the employment market in the region, with highly qualified and skilled individuals migrating to other, less onerous jurisdictions, and that the increase in fixed remuneration increases business risk and earnings volatility. This debate will likely continue into the future.

It is clear that the regulation and the associated responses serve to increase, rather than decrease, the complexity of remuneration design. This will require greater transparency in reporting so that shareholders and other stakeholders can make informed judgements on the appropriateness of pay. This issue of transparent and standardised reporting is also a key issue for SA.

We have, over several years, kept our core remuneration policy and principles largely consistent. In 2014 we conducted an appropriateness and fit-for-purpose review for all key elements of our variable remuneration, including our STI and deferral arrangements, and the structure of our long-term incentives (LTIs). Our STI and deferral arrangements were deemed to meet all of the relevant governance and design requirements, and therefore remained unchanged. Our LTI arrangements were also found to be fit for purpose. However, it was decided to increase group and cluster executive committee (Exco) members' proportion of LTIs that are subject to corporate performance targets by including an element for the delivery of strategic initiatives as agreed by the Group Remuneration Committee (Remco) from time to time. In line with the objective of increasing the levels of collaboration within the broader Old Mutual Group, and as indicated in our 2013 Remuneration Report, Africa collaboration has been selected as the strategic initiative for 2015 LTI issuance, in support of the target of achieving R1bn of pretax synergies across the Old Mutual Group by the end of 2017. As a result 20% of all LTI awards made to members of the Group Exco and the cluster excos in 2015 will be subject to an Africa Collaboration performance condition, which will be standard across the three Old Mutual entities (Old Mutual Emerging Markets, Mutual & Federal and Nedbank). This will not increase the overall quantum of the LTI awards, but will rather change the proportion of the awards subject to the

RELATED **MATERIAL** MATTERS

TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY

SCARCE SKILLS

INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT

GROWTH OPPORTUNITIES IN THE REST OF AFRICA

various performance conditions. It is important, however, to note that awards made to Nedbank employees will be in Nedbank shares and not in Old Mutual plc shares, as was previously contemplated, and will be subject to a minimum amount of the R1bn synergy target accruing to Nedbank. Details are set out on page 65a of this Remuneration Report.

Nedbank produced a strong set of results for 2014, which are set out in other sections of the integrated report. Given the continued improvement in our performance, the STI pool earned and approved by the Remco has continued to grow. In addition, LTI awards continue to vest, although this vesting has been moderated downwards based on performance according to the corporate performance targets.

There have been no material changes to our Remuneration Policy following the comprehensive review conducted in 2013. The policy is set out in full on pages 46a to 50a of the Remuneration Report, and shareholders will, as required by King III, be requested to vote on this on a non-binding advisory basis at the annual general meeting on 11 May 2015. I have no reservation in recommending, on behalf of the Nedbank Group Remuneration Committee, that shareholders vote positively in this regard.

In our reportback on remuneration in 2013 the Remco identified several key matters to be considered in 2014. These and the progress made are set out below:

Issues raised in the 2013 Remuneration Report	Actions taken in 2014
Conclusion of the performance management review project	The group's decision to implement SAP-HCM (along with the finance and procurement modules) as its core human resources system, supplemented by the SuccessFactors modules on compensation, performance, talent and learning, resulted in a full review of the approach to performance management to enable the group to benefit from the best-practice solution in SuccessFactors. This will be rolled out during 2015, for implementation in the 2016 performance year.
Improved shareholder engagement through our governance roadshows conducted annually by the Chairman of the board	Our governance roadshows, which are outlined in more detail elsewhere in the integrated report, were very successful. There were very few material issues raised regarding our Remuneration Policy and practices. Nedbank received the Remuneration Report of the Year award for 2013 by the SA Reward Association in recognition of the contribution made to reporting on remuneration in a trustworthy and transparent manner.
Review of the structure, composition and effectiveness of our employee benefits suite	The Group Exco and the trustees of the two Nedbank Group defined-contribution retirement funds agreed, following an extensive due-diligence exercise, to the transition of these standalone funds to the Old Mutual SuperFund umbrella fund. This transition took place on 1 January 2015, following a communication process with members of the funds during the second half of 2014. The Nedgroup Defined-Benefit Pension Fund, which is closed to new members, will remain a standalone fund. Further work is scheduled for 2015 to review the Nedgroup Medical Aid Scheme.
Consideration of the possible implementation of a focused LTI programme for a limited number of senior executives in the group	This arrangement was not implemented in 2014 following extensive engagement in this regard between the Remco, Old Mutual and other stakeholders. It has, however, been decided to increase the proportion of LTIs in 2015 for Group Exco and cluster exco members that are subject to performance targets by including an element for the delivery of strategic initiatives as agreed by the Remco from time to time. Details are set out on page 55a of this Remuneration Report. This will form part of, and not be in addition to, the overall LTI arrangements.

The Remco continues to function effectively and efficiently. I remain grateful to my fellow Remco members for the way in which they continue to engage on the important issues related to remuneration.

Mpho Makwana

Group Remuneration Committee Chair

9 March 2015

Reporting back on remuneration 46a – 79a

Chief Financial Officer's Review 36 – 47

Committed to good governance 84 – 87

2015 FOCUS AREAS

In 2015 the committee will focus on:

- launching an updated approach to performance management in the group;
- reviewing our variable pay arrangements; and
- focusing on fitness for purpose of our employee benefit suite.

STATUTORY AND ADDITIONAL INFORMATION

Well-established leadership teams

Values-driven philosophy

Worldclass at **managing risk**

Linking **performance and reward**

Engaging with our **shareholders**

2a

BOARD OF DIRECTORS

at 1 January 2015

DR REUEL KHOZA

VASSI NAIDOO
Effective 1 May 2015

MIKE BROWN

DAVID ADOMAKOH

ESTABLISHED **LEADERSHIP TEAMS**

Reuel Khoza 65

Non-executive Chairman
South African

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

Reuel joined the board as a non-executive director in August 2005 and was appointed as non-executive Chairman of the group in May 2006. Reuel is currently the Chairman of Aka Capital (Pty) Ltd, and a non-executive director of Nampak Limited, Protea Group Limited and Old Mutual plc. He is president of the Institute of directors and, in this capacity, served on the King II and King III Committees on Corporate Governance. He is a founding director of the Black Management Forum and the former Chairman of Eskom Holdings Limited. Reuel is also the Chancellor of the University of Limpopo.

Committee membership: Group Directors' Affairs Committee (Chairman)

Holds 14 774 Nedbank Group Limited ordinary shares.

Vassi Naidoo 60

Non-executive Director and Chairman designate *with effect from 1 May 2015*
South African

Qualifications: CA (SA), ACA and PMD (Harvard Business School, USA)

Vassi has been appointed to the Nedbank Group Limited and Nedbank Limited Boards as a non-executive director and Chairman designate with effect from 1 May 2015. Vassi has also been appointed as a non-executive director of Old Mutual plc with effect from 1 May 2015.

Vassi was previously Chief Executive of Deloitte Southern Africa from 1998 to 2006, a member of the Deloitte UK Executive from 2006 to 2009 and a member of Deloitte Global Executive from 2007 to 2011, and thereafter Vice Chairman of Deloitte UK from 2009 to 2014.

Vassi is a member of the South African Institute of Chartered Accountants, with honorary life membership granted in 2011 for his contribution to the development of the profession in SA. He is also a member of the Institute of Chartered Accountants in England and Wales.

Committee membership: *with effect from 1 May 2015*: Group Directors' Affairs Committee

Mike Brown 48

Chief Executive
South African

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

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

Committee membership: Large-exposure Approval Committee, Group Credit Committee, Group Risk and Capital Management Committee

Holds 389 601 Nedbank Group Limited ordinary shares.

David Adomakoh 49

Independent Non-executive Director
Ghanaian

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

David joined the board as an independent non-executive director on 21 February 2014. David is currently the Chairman of Tiso Investment Holdings Proprietary Limited and a cofounder of Tiso Group, where he served as Group Managing Director. He is a former director of Chase Manhattan Limited, London; Head of the Chase Manhattan Bank, Southern Africa; Executive Director of Robert Fleming SA; and Head of Africa Corporate Finance at JP Morgan. He currently serves as a non-executive director of Kagiso Tiso Holdings Proprietary Limited , and the Chairman of the Investment Committee. He also serves as a non-executive director of Idwala Industrial Holdings, African Explosives Limited, Aveng (Africa) Limited and Trident Steel.

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

Committee membership: Group Transformation, Social and Ethics Committee

TOM BOARDMAN BRIAN DAMES GRAHAM DEMPSTER MUSTAQ ENUS-BREY IAN GLADMAN

Tom Boardman [65]

Independent Non-executive Director
South African

Qualifications: BCom, CA (SA)

Tom was appointed to the board as an executive director in November 2002, and was Chief Executive from December 2003 to February 2010, after which he was appointed as a non-executive director. From 1 January 2014 Tom was classified as an independent non-executive director.

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

He is also a non-executive director of Woolworths Holdings Limited, Royal Bafokeng Holdings Proprietary Limited and African Rainbow Minerals Limited. Tom has also been appointed as a non-executive director of Kinnevik, a listed Swedish investment company.

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

Committee membership: Group Information Technology Committee (Chairman), Group Audit Committee, Group Credit Committee (Chairman), Large-exposure Approval Committee, Group Finance and Oversight Committee, Group Directors' Affairs Committee

Holds 22 605 Nedbank Group Limited ordinary shares and 158 000 Nedbank Limited preference shares.

Brian Dames [49]

Independent Non-executive Director
South African

Qualifications: BSc(Hons), MBA

Brian joined the board as an independent non-executive director on 30 June 2014. Previously Brian served as the Chief Executive of Eskom, the largest power utility in Africa and one of the largest utilities in the world and has extensive experience with global (and specifically with African and South African) energy and resource issues. Brian has demonstrated leadership in successful large-scale corporate turnaround management programmes, funding programmes, infrastructure build and deployment programmes, as well as in corporate governance and sustainability reporting.

Brian is currently Chief Executive of African Rainbow Energy and Power, serves as senior adviser to Mckinsey & Company and a member of the Sustainability Energy for All Executive Committee (UN and World Bank initiative) and serves as a non-executive director of the Industrial Development Corporation of South Africa Limited.

Committee membership: Group Information Technology Committee, Group Credit Committee

Graham Dempster [59]

Executive Director
South African

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

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

Graham joined the Telkom board on 1 December 2014 and Imperial Holdings board on 24 February 2015 as a non-executive director.

Holds 155 337 Nedbank Group Limited ordinary shares.

Mustaq Enus-Brey [60]

Non-executive Director
South African

Qualifications: BCompt(Hons), CA (SA)

Mustaq joined the board as a non-executive director in August 2005. He is also a director of Brimstone Investment Corporation Limited and Oceana Group Limited, and the Chairman of Life Healthcare Limited.

Committee membership: Group Risk and Capital Management Committee (Chairman), Group Credit Committee, Group Finance and Oversight Committee, Large-exposure Approval Committee

Holds 2 113 Nedbank Group Limited ordinary shares.

Ian Gladman [50]

Non-executive Director
British

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

Ian joined the board as a non-executive director in June 2002. Ian is currently the Group Strategy Director of Old Mutual plc. Previous positions held by him include Head of Corporate Finance (SA) and Joint Head: Financial Institutions Group, Europe, the Middle East and Africa (EMEA) at UBS, Investment Bank.

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

PAUL HANRATTY MPHO MAKWANA MANTSIKA MATOOANE NOMAVUSO MNXASANA RAISIBE MORATHI

Paul Hanratty [53]

Non-executive Director
Irish

Qualifications: BBusSci(Hons), Fellow of the Institute of Actuaries

Paul joined the board as a non-executive director on 8 August 2014. Paul is an executive director and the Chief Operating Officer of Old Mutual plc. He started his career with Old Mutual South Africa (OMSA) and has held a number of roles at Old Mutual. These included Head of Product Development; General Manager: Finance and Actuarial; and Head of the Retail business. He joined the board of the OMSA life business (OMLACSA) in 2003 and became Managing Director of OMSA in 2006 and was appointed as Chairman of OMSA in September 2009.

Committee membership: Group Transformation, Social and Ethics Committee

Mpho Makwana [44]

Independent Non-executive Director
South African

Qualifications: BAdmin(Hons)

Mpho joined the board as an independent non-executive director on 17 November 2011. Mpho is the immediate past Chairman of Eskom Holdings Limited, an independent director of Adcock Ingram Limited, and the Chairman of ArcelorMittal SA Limited.

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

Mantsika Matooane [39]

Independent Non-executive Director
South African

Qualifications: MBA (Henley Business School, UK), PhD in Computer Science (University of Cambridge, UK)

Mantsika joined the board as an independent non-executive director on 15 May 2014.

Mantsika currently serves as Group Executive: Enterprise Information Management Services at Transnet SOC Limited, and serves as a non-executive director of JSE Limited and NMG Consultants and Actuaries Proprietary Limited.

Committee membership: Group Information Technology Committee

Holds 176 Nedbank Group Limited ordinary shares.

Nomavuso Mnxasana [58]

Independent Non-executive Director
South African

Qualifications: BCompt(Hons), CA (SA)

Nomavuso joined the board as an independent non-executive director in October 2008. She is currently a director at Winhold Limited, JSE Limited, Transnet SOC and Land and Agricultural Development Bank of SA Limited (Land Bank). She was a senior partner and member of the executive committee of SizweNtsaluba before serving as Group Audit and Risk Executive at Imperial Holdings Limited.

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

Holds 11 620 Nedbank Group Limited ordinary shares.

Raisibe Morathi [45]

Chief Financial Officer
South African

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

Raisibe was appointed as Chief Financial Officer of the group in September 2009, and held senior positions in banking and insurance over the past 20 years.

Before joining Nedbank Group Raisibe was an executive director of one of the listed insurance companies. She previously held several executive positions at the Industrial Development Corporation of SA Limited, the last position being Chief Operating Officer.

Committee membership: Large-exposure Approval Committee, Group Credit Committee

Holds 211 337 Nedbank Group Limited ordinary shares.

Joel Netshitenzhe [58]

Independent Non-executive Director
South African

Qualifications: MSc in Financial Economics (University of London-SOAS, UK)

Joel joined the board as an independent non-executive director in August 2010. He is currently an executive director of the Mapungubwe Institute for Strategic Reflection (Mistra) and a member of the National Planning Commission. He has been a member of the National Executive Committee of the African National Congress since 1991, and serves on the African National Congress's Economic Transformation and Political Education subcommittees.

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

JOEL NETSHITENZHE MFUNDO NKUHLU JULIAN ROBERTS GLORIA SEROBE MALCOLM WYMAN

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

Committee membership: Group Risk and Capital Management Committee, Group Information Technology Committee

Mfundo Nkuhlu [48]

Chief Operating Officer
South African

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

Mfundo was appointed to the board as Chief Operating Officer in January 2015. Mfundo joined the group as Head of Nedbank Africa in 2004 and became Head of Corporate Banking in 2005. He became a member of the Group Executive Committee (Group Exco) in 2008 and Managing Executive Nedbank Corporate in 2009. As a member of the Group Exco, Mfundo was closely involved in the oversight of the business strategies across Nedbank and delivered strong and consistent performance in Nedbank Corporate. Before joining Nedbank, Mfundo was the executive responsible for strategy, revenue and economic analysis at the South African Revenue Service (SARS) and Chief Director in the dti responsible for Africa and NEPAD.

Committee membership: Group Credit Committee

Holds 129 305 Nedbank Group Limited ordinary shares.

Julian Roberts [57]

Non-executive Director
British

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

Julian joined the board as a non-executive director in December 2009. He was appointed as the Group Chief Executive of Old Mutual plc in September 2008 and is also Chairman of New York Stock Exchange-listed Old Mutual Asset Management. Before this he was Chief Executive of the Old Mutual Group's Skandia business. Julian originally joined Old Mutual plc as Group Finance Director in August 2000.

Before joining Old Mutual plc, he was Group Finance Director of Sun Life & Provincial Holdings plc (now part of AXA) and, prior to that, Chief Financial Officer of AON UK Holdings Limited.

Committee membership: Group Directors' Affairs Committee, Group Remuneration Committee

Gloria Serobe [55]

Non-executive Director
South African

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

Gloria joined the board as a non-executive director in August 2005.

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

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

Committee membership: Group Transformation, Social and Ethics Committee (Chairman), Group Credit Committee, Large-exposure Approval Committee.

Malcolm Wyman [68]

Senior Independent Non-executive Director
British

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

Malcolm joined the board as an independent non-executive director in August 2009 and was appointed as the Senior Independent Director on 6 May 2011.

Malcolm was previously an executive director and the Chief Financial Officer of SABMiller plc until August 2011. He was also previously a non-executive director of Tsogo Sun Holdings Limited until August 2014.

He is a non-executive director and Chairman of the Audit Committee of Imperial Tobacco Group plc as well as Serco Group plc, which are both listed on the London Stock Exchange.

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

GROUP EXECUTIVE COMMITTEE

Mike Brown **Chief Executive**

CLIENT-FACING CLUSTERS

Board of directors 2a – 5a

Philip Wessels
Managing Executive: Nedbank Retail and Business Banking

Brian Kennedy
Managing Executive: Nedbank Corporate and Investment Bank

Dave Macready
Managing Executive: Nedbank Wealth

Ciko Thomas
Managing Executive: Consumer Banking

Sandile Shabalala
Managing Executive: Business Banking

Fred Swanepoel
Chief Information Officer

CENTRAL CLUSTERS

Mfundo Nkuhlu
Chief Operating Officer

Graham Dempster
Executive Director

Board of directors 2a – 5a

Raisibe Morathi
Chief Financial Officer

Board of directors 2a – 5a

Trevor Adams
Chief Risk Officer

Thabani Jali
Group Executive: Enterprise Governance and Compliance; Group Company Secretary

Mike Davis
Group Executive: Balance Sheet Management

Abe Thebyane
Group Executive: Group Human Resources

Thulani Sibeko
Group Executive: Group Marketing, Communications and Corporate Affairs

John Bestbier
Group Executive: Strategic Planning and Economics

Priya Naidoo
Group Executive designate: Strategic Planning and Economics

Trevor Adams[52]

Chief Risk Officer

Service: 18 years

Qualifications: BCom(Hons), CA (SA), Risk Management in Banking (INSEAD, France), AMP (Harvard Business School, USA)

Trevor was appointed as the Chief Risk Officer in August 2014.

Trevor was appointed to the Group Exco in 2009 and was previously Group Executive of Balance Sheet Management (comprising risk management; credit portfolio management; asset and liability management; risk strategy; risk appetite and stress testing; funding and liquidity management; capital management; margin management; and strategic portfolio management). Trevor also led the group's successful Basel II and III implementations, and generally the significant enhancement of risk, capital and balance sheet management across the group over the past 10 years.

Before joining the group in 1996 he was a partner at Deloitte, where he specialised in banking and risk management, and so collectively has around 25 years banking-related experience.

John Bestbier[59]

Group Executive: Strategic Planning and Economics

Service: 19 years

Qualifications: BBusSci Actuarial, CA (SA)

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

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

Mike Davis[43]

Group Executive: Balance Sheet Management

Service: 18 years

Qualifications: CA (SA), Postgraduate DipAcc, BCom (Hons) and AMP (INSEAD University, Fountainebleau, France)

Mike was appointed as Group Executive: Balance Sheet Management and to the Group Exco on 1 January 2015. Previously Mike held the position of Executive Head: Group Asset, Liability and Capital Management, and has made a considerable contribution to enhancing the group's capital management, liquidity risk management and interest rate risk management.

Before joining Nedbank and the acquisition of BoE Bank Limited, Mike held the position of Asset/Liability Committee and Asset and Liability Management Manager.

Thabani Jali[56]

Group Executive: Enterprise Governance and Compliance; Group Company Secretary

Service: Three years

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

Thabani joined Nedbank Group in October 2011 as Group Executive responsible for governance and compliance. He is also responsible for ethics, sustainability, Nedbank Group Editorial and Language Services and Group Secretariat. In addition to this role, he was appointed Group Company Secretary on 1 July 2012. He is a member of the Specialist Committee on Company Law.

Before joining the group, Thabani gained over 20 years' experience in the legal profession as an attorney, a mediator, an arbitrator and later a judge.

Thabani was formerly Executive Chairman of PricewaterhouseCoopers Inc. (Southern Africa), a Deputy Judge President of the High Court of SA (Natal Provincial Division) and a Judge of the Competition Appeal Court. He was also a partner in a commercial law firm and served as Chairman of the Competition Commission Enquiry into Bank Charges and the National Payment System from 2006 to 2008.

Priya Naidoo[41]

Group Executive designate: Strategic Planning and Economics

Service: 14 years

Qualifications: CA (SA)

Priya was appointed to the Group Exco on 1 January 2015 and will succeed John Bestbier, Group Executive: Strategic Planning and Economics, on his scheduled retirement date of 30 June 2015.

Priya joined Nedbank in 2001 in the Corporate Banking Division, after completing her articles at PricewaterhouseCoopers Inc.

Thulani Sibeko[43]

Group Executive: Group Marketing, Communications and Corporate Affairs

Service: Three years

Qualifications: BSc (Acc), Graduate Certificate

Thulani joined Nedbank Group in May 2011 and leads the group's Marketing, Communications, Transformation, CSI and Public Affairs areas.

Thulani started his marketing career at Gillette SA in 1993 and has held different marketing roles at Polaroid, Procter & Gamble, Vodacom Group Limited and The Hollard Insurance Company Limited. During his marketing career he managed brands such as Gillette, Oral B, Braun, Polaroid, Olay, Pantene, Head & Shoulders, Vicks, Vodacom and Hollard. In addition to working in SA, Thulani has held regional assignments in the USA, the UK and Switzerland.

Fred Swanepoel [51]

Chief Information Officer

Service: 18 years

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

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

Abe Thebyane [54]

Group Executive: Group Human Resources

Service: Four years

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

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

Brian Kennedy [54]

Managing Executive: Nedbank Capital

Service: 19 years

Qualifications: BSc (Eng) (cum laude), MSc (Eng), MBA (Wits), AMP (Harvard, USA)

Brian has over 25 years of investment banking experience, 19 of which have been at Nedbank. He led Capital Markets within Nedbank following the merger with BoE, and in November 2003 was appointed to the Group Exco and mandated to develop the investment banking franchise, Nedbank Capital. Brian has extensive experience in the debt and equity capital markets and has been actively involved in the design and execution of innovative solutions for top SA corporates and parastatals. He has been instrumental in developing and driving the strategy, culture and new business initiatives within Nedbank Capital.

Dave Macready [56]

Managing Executive: Nedbank Wealth

Service: 17 years

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

Dave joined Nedcor Investment Bank as a member of the Exco in 1997 after being a partner at Deloitte & Touche for more than 10 years in both London and SA. Dave is a member of the Nedbank Group Executive. Within the group he has held previous responsibility for Syfrets Private Bank, NIB international and Asset Management. He was appointed Managing Executive of Nedbank Wealth in 2004 with direct responsibility for Asset Management, Insurance and Wealth Management both locally and internationally.

Sandile Shabalala [48]

Managing Executive: Business Banking

Service: 19 years

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

Sandile has over 26 years' banking experience, including 19 years at Nedbank Group. Before joining Nedbank Group he worked for Barclays Bank, NBS Bank Limited and Telkom SA. He has experience in retail, small-business, corporate and business banking in both sales and credit banking functions. Before his appointment in October 2009 to the Group Exco as Managing Executive: Business Banking, Sandile had lead and managed the Northern Business Unit in Business Banking as divisional executive.

Ciko Thomas [45]

Managing Executive: Consumer Banking

Service: Five years

Qualifications: BSc, MBA

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

Philip Wessels [56]

Managing Executive: Retail and Business Banking

Service: 19 years

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

Philip was appointed Group Executive: Retail and Business Banking in August 2014.

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

CLIENT-FACING CLUSTERS' LEADERSHIP TEAMS

Brian Kennedy

NEDBANK CAPITAL

Anél Bosman [49]
Chief Operating Officer
14 years' service

John Chemaly [50]
Executive Head: Global Markets
15 years' service

Karel Janse van Rensburg [41]
Executive Head: Finance
7 years' service

Peter Lane [58]
Group Treasurer
25 years' service

Bradley Maxwell [40]
Executive Head: Investment Banking
13 years' service

Neil McCarthy [43]
Executive Head: Risk
19 years' service

Claire Meagher [46]
Executive Head: Compliance and Governance
9 years' service

Terence Sibiya [45]
Executive Head: Coverage and Origination
3 years' service

Elsa Tshatedi [53]
Executive Head: Human Resources
2 years' service

Johann van Zyl [47]
UK Country Head
13 years' service

Mfundo Nkuhlu

NEDBANK CORPORATE

Graeme Auret [45]
Managing Executive: Corporate Banking
11 years' service

Francis Brand [51]
Executive Head: Transactional Banking
28 years' service

Robin Lockhart-Ross [56]
Managing Executive: Property Finance
15 years' service

Grant Kelly [42]
Executive Head: Risk
10 years' service

Shamelle Maharaj [42]
Executive Head: Human Resources
17 years' service

Priya Naidoo [41]
Executive Head: Finance and Strategy
14 years' service

Murray Stocks [48]
Executive Head: Corporate Shared Services
23 years' service

Philip Wessels

NEDBANK RETAIL AND BUSINESS BANKING

Jan Bosch [42]
Executive Head: Business IT Enablement
18 years' service

David Crewe-Brown [46]
Executive Head: Finance, Projects and Strategy
19 years' service

Anton de Wet [48]
Managing Executive: Client Engagement
16 years' service

Brian Duguid [53]
Managing Executive: Nedbank Integrated Channels
25 years' service

Annette Francke [40]
Managing Executive: Retail Relationship Banking
9 years' service

Sydney Gericke [56]
Managing Executive: Card
26 years' service

Keith Hutchinson [56]
Managing Executive: Secured Lending
25 years' service

Millicent Lechaba [47]
Executive Head: Retail and Business Banking Human Resources
10 years' service

Gavin Payne [52]
Executive Head: Risk Retail and Business Banking
32 years' service

Werner Terblanche [42]
Managing Executive: Personal Loans
12 years' service

Dave Macready

NEDBANK WEALTH

Nicholas Andrew [43]
Managing Executive: Asset Management
16 years' service

Lance Blumeris [43]
Managing Executive: Insurance
17 years' service

Vince Boulle [50]
Managing Executive: Wealth Management (Local)
10 years' service

Lloyd Buthelezi [36]
Executive Head: Financial Planning
7 years' service

John Gibson [52]
Executive Head: Trust and Fiduciary (Local)
3 years' service

Nancy Gwama [43]
Executive Head: Marketing
2 years' service

Greg Horton [58]
Managing Executive: Wealth Management (International)
20 years' service

Bertus Janse van Rensburg [40]
Chief Risk Officer
9 years' service

Patiswa Jumba [42]
Executive Head: Human Resources
6 years' service

Thulani Kunene [41]
Executive Head: Compliance
2 years' service

Walter Marte [38]
Executive Head: Finance
9 years' service

Don Rogan [45]
Executive Head: Stockbroking
7 years' service

Iolanda Ruggiero [44]
Chief Operating Officer
12 years' service

Anees Vazeer [45]
Executive Head: Short-term Insurance
8 years' service

Graham Dempster

REST OF AFRICA DIVISION

Smit Crouse [38]
Managing Executive: Investments Rest of Africa
6 years' service

Adriaan du Plessis [55]
Managing Executive: Rest of Africa Subsidiaries
23 years' service

Chico Naidu [59]
Chief Operations Officer Rest of Africa Subsidiaries
37 years' service

CENTRAL CLUSTERS' LEADERSHIP TEAMS

Fred Swanepoel

GROUP TECHNOLOGY

Thando Lukhele 41
Divisional Executive: Governance, Compliance and Legal
10 years' service

Patricia Maqetuka 56
Divisional Executive: Wholesale Banking Technology
22 years' service

Ray Naicker 38
Divisional Executive: Programme Management, Design and Architecture
15 years' service

Andrew Sematimba 48
Divisional Executive: Rest of Africa Technology
13 years' service

Glenn Smith 57
Divisional Executive: Mobile and Digital
18 years' service

Hendrik Swanepoel 52
Divisional Executive: Risk, Security and Shared Services
21 years' service

Barry van Huyssteen 50
Divisional Executive: Infrastructure and Operations
31 years' service

Andre Young 46
Divisional Executive: Human Resources,
4 years' service

Mike Davis

BALANCE SHEET MANAGEMENT

Kobus Bisschoff 54
Chief Financial Officer
5 years' service

Paul Bowes 46
Executive Head: Liability and Funding Management
6 years' service

Charlotte Crowther 54
Executive Head: Stress Testing and GVBM
7 years' service

Alan Faber 50
Chief Operations Officer
17 years' service

Nandiswa Mxokozeli 32
Executive Head: Strategic Capital Management
5 years' service

Philip Visser 30
Executive Head: Interest Rate Risk Management
5 years' service

Abe Thebyane

GROUP HUMAN RESOURCES

Gina Davidson 40
HR Executive: Talent Management
13 years' service

Florah Ehirim 37
Divisional HR Manager: HR Business Partner
3 years' service

Thulane Ngele 42
HR Executive: IR, Transformation and Compliance
2 years' service

Dean Retief 40
HR Executive: Organisational Effectiveness
14 years' service

Clinton Rodgers 43
HR Executive: Reward Management
2 years' service

Thulani Sibeko

GROUP MARKETING, COMMUNICATIONS AND CORPORATE AFFAIRS

Esme Arendse 43
Divisional Executive: Group Communications
1 year's service

Thabang Chiloane 40
Divisional Executive: Public Affairs
3 years' service

Gregory Garden 58
Divisional Executive: Marketing Capability
16 years' service

Kershini Govender 41
Divisional Executive: Transformation, Strategy and Alignment
12 years' service

Konehali Gugushe 39
Divisional Executive: Corporate Social Responsibility
7 years' service

Sydney Mbhele 41
Divisional Executive: Group Marketing
3 years' service

Mark Rock-Perring 47
Divisional Executive: Market and Client Insights
16 years' service

Trevor Adams

GROUP RISK

Gerda Ferreira 51
Head: Group Forensic Services
11 years' service

Dhiren Haripersad 36
Chief Operating Officer
4 years' service

Glynis Hunziker 43
Chief Internal Auditor (Direct reporting into Chair of Group Audit Committee)
19 years' service

Nick Jacobs 49
General Manager: Group Legal and Risk Services
21 years' service

Anthony Johnson 37
Executive Head: Group Credit Portfolio Management
10 years' service

Sheralee Morland 50
General Manager: Enterprisewide Risk Management
9 years' service

Khosi Mpungose 36
Executive Head: Group Risk Human Resources
9 years' service

Anny Pachyannis-Alman 59
General Manager: Group Market Risk Monitoring
17 years' service

Johan Theron 45
Chief Credit Officer
16 years' service

Jan van Zyl 45
General Manager: Group Operational Risk Management
3 years' service

John Bestbier

STRATEGIC PLANNING AND ECONOMICS

Dennis Dykes 54
Group Chief Economist
31 years' service

Norman Edwards 49
Divisional Executive: Group Strategy
18 years' service

Giles Needham-Clark 49
Divisional Executive: Innovation Projects
15 years' service

Thabani Jali

ENTERPRISE GOVERNANCE AND COMPLIANCE

Maadian Botha 48
Head: Banks Act and Regulatory Programmes
Less than 1 year's service

Brigitte Burnett 47
Head: Sustainability
15 years' service

Brenda Chetty 40
Head: Client-facing Cluster Compliance, FAIS and Special Projects
17 years' service

Sihle Dlamini 46
Head: Compliance (Shared Services)
11 years' service

Jackie Katzin 41
Deputy Group Company Secretary
22 years' service

Maryna Mouton 44
Head: Governance and Ethics
19 years' service

Bittie Smook 58
Head: Nedbank Editorial and Language Services
33 years' service

Raisibe Morathi

GROUP FINANCE

Steven Bird 36
Executive Head: Group Financial Control
1 year's service

Rian Cloete 41
Executive Head: Group Tax
12 years' service

Anthony Costa 43
Business Performance Executive
13 years' service

Ian Fuller 59
Executive Head: Business Transformation
17 years' service

Darryl McMullen 54
Executive Head: Group Business Services, Group Shared Services Centre
27 years' service

George Procommenos 42
Executive Head: Group IT Projects, Planning, Analysis and Technology Finance
16 years' service

Meshack Qacha 51
Human Resources Executive
21 years' service

Vern Solomon 42
Executive Head: Shared Accounting and Finance Services
9 years' service

Alfred Visagie 42
Head: Investor Relations
14 years' service

Veona Watson 48
Executive Head: Strategy and Risk Management Projects
14 years' service

VALIDATING OUR **SUSTAINABILITY JOURNEY**

Assurance Report

Independent assurance report on selected key performance indicators to the directors of Nedbank Group Limited

We have undertaken a limited assurance engagement on selected key performance indicators, published in the Nedbank Group Integrated Report ('this integrated report') of Nedbank Group Limited ('Nedbank') for the year ended 31 December 2014. Our engagement was carried out by a multi-disciplinary team with extensive experience in sustainability reporting.

Our independence and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. In accordance with International Standard on Quality Control 1, we maintain comprehensive systems of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Subject matter and related assurance

We are required to provide limited assurance on the following selected sustainability information:

1 Nedbank's assertions relating to their alignment with the AA1000APS (2008) principles (inclusivity, materiality and responsiveness) as described on page 4 of this integrated report; and

2 Limited assurance on key performance indicators, identified by ✓ on the relevant pages of this integrated report, as described in the table below.

Key performance indicators	Description	Page
Net Promoter Score (NPS)	Client NPS trend based on externally conducted benchmarking surveys (%)	64
Main-banked clients	Number of clients meeting specific activity criteria for Retail, Corporate and Business Banking	28
Ombudsman for Banking Services cases and amount claimed and awarded	Number of cases opened with the external Ombudsman for Banking Services Value of cases claimed and awarded by the Ombudsman for Banking Services (R)	63
FAIS Ombud cases	Number of cases opened and closed with the external Ombud Office for Financial Service Providers (FAIS)	63
NCR cases	Number of cases opened and closed with the external National Credit Regulator (NCR)	63
Systems availability	Average blended uptime score of infrastructure and applications (%)	64
Equator deals	Number of projects financed that reached financial close and had first drawdown	75
Carbon footprint	Total tonnes of CO_2 equivalents from SA operations	76
Water	Total kℓ consumed on campus sites	76
Paper	Total tonnes consumed for Nedbank Group	76
Waste sent to landfill	Total tonnes sent to landfill from campus sites	76
Waste recycled	Total tonnes recycled from campus sites	76
Entropy	Level of dissonance between the current and desired corporate culture as determined through the Barrett Survey (%)	59
Value matches	Matches between desired and existing corporate culture as determined through the Barrett Survey	59
Employee surveys	Overall employee satisfaction as determined through the Nedbank Staff Survey (NSS) (%)	59
Employee turnover	Staff attrition rate (%)	59
BBBEE scorecard	Externally verified broad-based black economic empowerment (BBBEE) scorecard in terms of the Financial Sector Code	79
Anti-corruption	Percentage and total number of business units analysed for risks related to corruption (%)	70
Fraud and Corrupt Activities Policy acknowledgement	Percentage of employees pledging compliance with the Nedbank Fraud and Corrupt Activities Policy (%)	87
Nedbank Ethics Indicator	Percentage of employees acknowledging the Nedbank Code of Ethics and sundry ethical codes (%)	87
Value-added statement	Value allocated from income earned (R)	56
Social and Environmental Management System (SEMS)	Screening of new clients, high-risk clients	77

Directors' responsibilities

The directors of Nedbank are responsible for making an assertion regarding Nedbank's alignment with the AA1000APS (2008) principles of inclusivity, materiality and responsiveness, and for the selection, preparation and presentation of key performance indicators in accordance with GRI G4 Guidelines supported by Nedbank's internally developed guidelines. This responsibility includes the identification of stakeholders and stakeholder reporting requirements, material issues, for commitments with respect to sustainability performance, and for the design, implementation and maintenance of internal controls relevant to the preparation of this integrated report that is free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express limited assurance conclusions on the selected key performance information based on the procedures we have performed and the evidence we have obtained. We have conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE 3000), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. This standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of Nedbank's use of the criteria set out above as the basis of preparation for the selected sustainability information, assessing the risks of material misstatement of the selected sustainability information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected sustainability information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement in performing the procedures listed, we:

- Interviewed management and senior executives at corporate level to evaluate the application of the AA1000APS (2008) principles and to obtain an understanding of the control environment related to Integrated Reporting.
- Tested the processes and systems at group level which generate, collate, aggregate, monitor and report selected key performance indicators and inspected related documentation, more specifically:
  - Interviewed and discussed with relevant management, key personnel and/or stakeholders of Nedbank to confirm definitions and boundaries for selected performance information, and gathered information on the data collection and report preparation processes.
  - Evaluated internal data management controls based on system walkthroughs.
  - Inspected selected internally and externally generated documents and records and performed comprehensive data analyses.
  - Re-calculated the key performance indicators.
- Evaluated whether the information presented in this integrated report is consistent with our overall knowledge and experience of sustainability management and performance at Nedbank and is not materially inconsistent with information contained in the integrated report.

As these procedures were designed for a limited assurance engagement, the level of assurance obtained is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Conclusions

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that for the year ended 31 December 2014:

1. Nedbank's assertion on page 4 relating to their alignment with the AA1000APS (2008) principles of inclusivity, materiality and responsiveness is not adequately prepared; and
2. The selected key performance indicators set out in the table above are not prepared, in all material respects, in accordance with the GRI G4 Guidelines supported by Nedbank's internally developed guidelines.

Restriction of liability

Our work has been undertaken to enable us to express the conclusions contained in this report solely to the addressee in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the directors of Nedbank, for our work, for this report, or for the conclusions we have reached.

KPMG.

KPMG Services Proprietary Limited
Per Neil Morris
Chartered Accountant (SA)
Registered Auditor
Director
KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193
11 March 2015

Deloitte & Touche

Deloitte & Touche
Per Nina le Riche
Chartered Accountant (SA)
Registered Auditor
Partner
Building 8, Deloitte Place
The Woodlands
Woodlands Drive
Woodmead, Sandton
2128

REPORT FROM OUR **DIRECTORS**

The board of directors is pleased to present the summarised annual financial statements of Nedbank Group for the year ended 31 December 2014.

NATURE OF BUSINESS

Nedbank Group Limited ('Nedbank Group' or 'the company') is a registered bank-controlling company that, through its subsidiaries, provides a wide range of banking and financial services. Nedbank Group maintains a primary listing under 'Banks' on JSE Limited ('the JSE'), with a secondary listing on the Namibian Stock Exchange.

ANNUAL FINANCIAL STATEMENTS

Details of the financial results are set out on pages 20a to 27a of the summarised annual financial statements, which have been prepared under the supervision of the Nedbank Group Chief Financial Officer, Mrs RK Morathi, and audited in compliance with the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, and the requirements of the Companies Act, 71 of 2008 (as amended), and the JSE Listings Requirements.

INTEGRATED REPORT

The board of directors acknowledges its responsibility to ensure the integrity of this integrated report. The board has accordingly applied its mind to this integrated report and in the opinion of the board the integrated report addresses all material issues, and presents fairly the integrated performance of the organisation and its impacts. The integrated report has been prepared in line with best practice pursuant to the recommendations of the King III Code (principle 9.1).

YEAR UNDER REVIEW

The year under review is fully covered in the Chairman's Review on pages 78 to 83, Chief Executive's Review on pages 10 to 15, Growing our Franchises section on pages 50 to 55, and the Chief Financial Officer's Review on pages 36 to 47.

SHARE CAPITAL

Details of the authorised and issued share capital, together with details of shares issued during the year, appear in note 29 to the annual financial statements, available at **nedbankgroup.co.za**.

AMERICAN DEPOSITARY SHARES

At 31 December 2014 Nedbank Group had 2 710 700 (31 December 2013: 3 159 022) American depositary shares in issue, through the Bank of New York Mellon as depositary, and trading on the over-the-counter (OTC) markets in the US. Each American depositary share is equal to one ordinary share.

OWNERSHIP

The holding company of Nedbank Group is Old Mutual Life Assurance Company (SA) Limited and associates, which holds 54,04% of the issued ordinary shares of the company. The ultimate holding company is Old Mutual plc, incorporated in England and Wales. Further details of shareholders appear on pages 91a and 92a.

DIVIDENDS

The following dividends were declared in respect of the year ended 31 December 2014:

- Interim ordinary dividend of 460 cents per share (2013: 390 cents per share).
- Final ordinary dividend of 568 cents per share (2013: 505 cents per share).

BORROWINGS

Nedbank Group's borrowing powers are unlimited pursuant to the company's memorandum of incorporation. The details of borrowings appear in note 34 to the annual financial statements available at **nedbankgroup.co.za**.

DIRECTORS

Biographical details of the current directors appear on pages 2a to 5a. Details of directors' and prescribed officers' remuneration and Nedbank Group shares issued to directors and prescribed officers appear on pages 57a to 61a.

During the period under review, and also subsequent to year-end, the following changes occurred to the Nedbank Group Limited board:

- David Adomakoh was appointed as an independent non-executive director on 21 February 2014;
- Mantsika Matooane was appointed as an independent non-executive director on 15 May 2014;
- Brian Dames was appointed as an independent non-executive director on 30 June 2014;
- Paul Hanratty was appointed as a non-executive director on 8 August 2014;

- Mfundo Nkuhlu was appointed as an executive director and the Chief Operating Officer on 1 January 2015; and
- Graham Dempster stood down as Chief Operating Officer on 1 January 2015, but remained on the board as an executive director.

In terms of Nedbank Group's memorandum of incorporation, one-third of the directors are required to retire at each Nedbank Group annual general meeting (AGM) and may offer themselves for election or reelection. The rotating directors are firstly those directors appointed since the last shareholders' meeting, and thereafter those longest in office since their last election.

Paul Hanratty, Vassi Naidoo and Mfundo Nkuhlu were appointed by the board of directors subsequent to the shareholders meeting held on 7 August 2014 and, in terms of the memorandum of incorporation, their appointments terminate at the close of the AGM. They are available for reelection.

Mpho Makwana, Nomavuso Mnxasana, Raisibe Morathi and Julian Roberts are also required to seek reelection at the AGM. The aforementioned directors make themselves available for reelection and separate resolutions will be submitted for approval at the AGM to be held on 11 May 2015.

In terms of Nedbank Group policy, non-executive directors and independent non-executive directors of Nedbank Group who have served on the board for a period longer than nine years are required to retire from the board. Reuel Khoza, Mustaq Enus-Brey and Gloria Serobe were appointed to the Nedbank Group board on 16 August 2005 and they will retire at the close of the AGM. The board has resolved to elect Vassi Naidoo as Chairman of Nedbank Group immediately after the close of the Nedbank Group AGM, subject to shareholders having elected him as a non-executive director.

Graham Dempster has reached the retirement age for executive directors and he also retires from the board at the close of this AGM.

Details of the members of the board who served during the year and at the reporting date are given below:

Name	Position as director	Date appointed as director	Date resigned/ retired as director (where applicable)
DKT Adomakoh	Independent Non-executive Director	21 February 2014	
TA Boardman	Independent Non-executive Director	1 November 2002 (1 March 2010 as non-executive, 1 January 2014 as independent non-executive)	
MWT Brown	Chief Executive	17 June 2004	
BA Dames	Independent Non-executive Director	30 June 2014	
GW Dempster	Executive Director	5 August 2009	
MA Enus-Brey	Non-executive Director	16 August 2005	
ID Gladman	Non-executive Director	7 June 2012	
PB Hanratty	Non-executive Director	8 August 2014	
RJ Khoza	Chairman and Non-executive Director	16 August 2005	
PM Makwana	Independent Non-executive Director	17 November 2011	
MA Matooane	Independent Non-executive Director	15 May 2014	
NP Mnxasana	Independent Non-executive Director	1 October 2008	
RK Morathi	Chief Financial Officer and Executive Director	1 September 2009	
JK Netshitenzhe	Independent Non-executive Director	5 August 2010	
MC Nkuhlu	Chief Operating Officer and Executive Director	1 January 2015	
JVF Roberts (British)	Non-executive Director	1 December 2009	
GT Serobe	Non-executive Director	16 August 2005	
MI Wyman (British)	Senior Independent Director	1 August 2009	

Vassi Naidoo was appointed as a non-executive director and the Chairman designate with effect from 1 May 2015.

DIRECTORS' INTERESTS

The directors' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative preference shares in Nedbank Limited at 31 December 2014 are set out in the Remuneration Report on pages 71a to 79a. The directors had no interest in any third party or company responsible for managing any of the business activities of the group. Banking transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

AUDIT COMMITTEE AND GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE REPORTS

The Audit Committee Report appears on pages 90 to 92 and the Group Transformation, Social and Ethics Committee Report appears on pages 88 to 89.

COMPANY SECRETARY AND REGISTERED OFFICE

The board of directors has conducted an assessment of the Company Secretary and is satisfied that Mr Jali is suitably competent, qualified and experienced and has adequately and effectively performed the role and duties of a company secretary. Mr Jali has direct access to, and ongoing communication with, the Chairman of the board. Mr Jali is not a director of the company and the board is satisfied that as far as is reasonably possible, an arm's length relationship between the Company Secretary and the board is intact.

Details of Mr Jali's qualifications and experience appear on page 8a.

The Company Secretary's addresses and the registered office are as follows:

BUSINESS ADDRESS	REGISTERED ADDRESS	POSTAL ADDRESS
Nedbank Group Limited, Nedbank, 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196, SA	135 Rivonia Road, Sandown Sandton, 2196, SA	Nedbank Group Limited, PO Box 1144, Johannesburg, 2000, SA

PROPERTY AND EQUIPMENT

There was no material change in the nature of the fixed assets of Nedbank Group or its subsidiaries or in the policy regarding their use during the year.

POLITICAL DONATIONS

Nedbank Group has an established policy of not making donations to any political party.

CONTRACTS AND MATTERS IN WHICH DIRECTORS AND OFFICERS OF THE COMPANY HAVE AN INTEREST

No contracts in which directors and officers of the company had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries were entered into during the year.

In 2005 the WIPHOLD Consortium and the Brimstone Consortium were chosen as active black business partners to assist in growing and repositioning the Nedbank Group business and driving its internal transformation. Consequently, performance agreements were entered into between Nedbank Group and the aforementioned parties, which govern, among other things, the setting of the performance criteria, their evaluation and the resultant performance fees in respect of the black business partners. Mrs GT Serobe is founder and executive director and 9% shareholder of Women Investment Portfolio Holdings Limited (WIPHOLD) and Chief Executive of Wipcapital Proprietary Limited, a wholly owned subsidiary of WIPHOLD. Mr MA Enus-Brey is Chief Executive Officer and 8,83% shareholder of Brimstone Investment Corporation Limited and a director of various Brimstone subsidiary companies. The WIPHOLD Financial Services Number Two Trust and the Brimstone-Mtha Financial Services Trust matured on 1 January 2015.

Also in 2005, Aka Capital Proprietary Limited (Aka Capital), in which Dr RJ Khoza is a director and 27% shareholder, was appointed as business development partner of Nedbank Group and a performance agreement was similarly entered into between Nedbank Group and Aka Capital. The Aka-Nedbank Eyethu Trust subsequently matured on 1 January 2011.

Mr JK Netshitenzhe is an executive director of the Mapungubwe Institute for Strategic Reflection (Mistra). In 2014 Mistra received a grant of R1m (2013: R2m) from the Nedbank Eyethu Community Trust (formed in 2005 as part of Nedbank Group's black economic empowerment transaction). The Nedbank Eyethu Community Trust provides funding to charitable or non–profit organisations that qualify. The grant to Mistra was evaluated against the normal criteria for funding by the trust.

DIRECTORS' AND PRESCRIBED OFFICERS' SERVICE CONTRACTS

There are no service contracts with the directors of the company, other than for the chairman and executive directors as set out below. The directors who entered into these service contracts remain subject to retirement by rotation in terms of Nedbank Group's memorandum of incorporation.

The key responsibilities relating to Reuel Khoza's position as Chairman of Nedbank Group, and similarly for Vassi Naidoo, who is the Chairman designate, are encapsulated in contracts.

Service contracts have been entered into for Mike Brown, Graham Dempster, Mfundo Nkuhlu and Raisibe Morathi. These service contracts are effective until the executive directors reach the normal retirement age and stipulate a maximum notice period of six months (12 months for Mr Brown) under most circumstances.

Details relating to the service contracts of prescribed officers are incorporated in the Remuneration Report on page 57a.

INSURANCE

The group has placed cover in the London insurance market for up to R2,55bn for losses in excess of R50m. Group captive insurers provide cover for total losses below the R50m-level engagement point, retaining R100m, in any one year. Selected insurance covers are placed with the Old Mutual Group.

SUBSIDIARY COMPANIES

Details of principal subsidiary companies are reflected in note 54 to the annual financial statements at **nedbankgroup.co.za**.

ACQUISITION OF SHARES

A total of 14 715 049 ordinary shares in Nedbank Group were acquired from NBG Capital Management Limited (a wholly owned subsidiary of Nedbank Group) at R229,65 per share under a specific authority granted by shareholders on 7 August 2014. These shares were delisted and reverted to authorised, but unissued, shares on 22 August 2014.

No shares in Nedbank Group were acquired by Nedbank Group or by a Nedbank Group subsidiary during the financial year under review in terms of the general authority previously granted by shareholders. Members will be requested to renew the general authority enabling the company or a subsidiary of the company to repurchase shares.

EVENTS AFTER THE REPORTING PERIOD

The various BBBEE schemes that reached their maturity dates on 1 January 2015 were rationalised through a specific repurchase of Nedbank Group shares. Full details were announced on SENS on 23 February 2015. The repurchased shares did not have a significant impact on the consolidated financial position of the group and were delisted, cancelled and reinstated as authorised, but unissued, shares. Following this, the Community Trust, which only matures in 2030, subscribed for Nedbank Group shares to maintain its shareholding in the group.

On 15 January 2015 Nedbank Limited's unsecured subordinated NEDH1A and NEDH1B notes were redeemed and R225m of new-style tier 2 debt instruments issued. A further R5,4bn of senior unsecured debt was issued on 12 February 2015.

At 31 December the carrying value of our long-term strategic investment in Ecobank Transnational Incorporated (ETI) was R6,2bn. Based on the ETI share price at year-end, the market value was R5,5bn. We assessed the indicators of impairment at 31 December 2014 in terms of International Accounting Standard (IAS) 39 and, among other things, took into consideration ETI shares trade in low volume. The price is therefore subject to volatility and does not reflect the underlying financial and strategic value of the investment to Nedbank Group. Therefore, we did not impair the carrying value of our investment at 31 December 2014. Subsequent to the year-end on 19 February 2015, the market value of ETI based on the share price was R4,4bn. We will continue to assess the indicators of impairment in future reporting periods.

RESPONSIBILITY OF OUR **DIRECTORS**

The directors are responsible for the preparation and fair presentation of the summarised annual financial statements on pages 20a to 27a which are derived from the Nedbank Group Limited consolidated annual financial statements for the year ended 31 December 2014.

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Nedbank Group Limited (comprising the statements of financial position at 31 December 2014, the statements of comprehensive income, the statements of changes in equity and the statements of cashflows for the year then ended), the segmental reporting and the notes to the financial statements (including a summary of significant accounting policies and other explanatory notes) in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listing Requirements. In addition, the directors are responsible for the preparation of the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the group's and company's ability to continue as going concerns and there is no reason to believe that the group and company will not be going concerns in the year ahead.

The auditors are responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The consolidated and separate financial statements of Nedbank Group Limited, as identified in the above paragraphs, were approved by the Nedbank Group Limited Board of Directors on 20 February 2015 and are signed on its behalf by:

Dr RJ Khoza
Chairman

MWT Brown
Chief Executive

Sandown
20 February 2015

CERTIFICATION FROM OUR **COMPANY SECRETARY**

In terms of section 88(2)(e) of the Companies Act, 71 of 2008 (as amended), I certify that, to the best of my knowledge and belief, Nedbank Group Limited has filed with the Commissioner all such returns and notices as are required by the Companies Act, 71 of 2008 (as amended), and that all such returns and notices are true, correct and up to date.

TSB Jali
Company Secretary

Sandown
20 February 2015

REVIEW AND APPROVAL FROM THE **GROUP AUDIT COMMITTEE**

The Group Audit Committee (GAC) reviewed and discussed the audited annual financial statements with the Chief Financial Officer, the Chief Executive, the Chief Risk Officer, Internal Audit and the external auditors. The GAC assessed, and found to be effective and appropriate, the financial reporting process and controls that led to the compilation of the annual financial statements as well as the presentation and disclosure in the annual financial statements with regard to the approved accounting policies, International Financial Reporting Standard and the requirements for fair presentation of the Companies Act, 71 of 2008.

The GAC reviewed and discussed the integrated report's reporting process, governance and financial information included in the integrated report after considering recommendations received from the Group Transformation, Social and Ethics Committee, the Group Remuneration Committee, the Group Risk and Capital Management Committee and the Group Directors' Affairs Committee.

The GAC recommended to the board that the annual financial statements and the financial information included in the integrated report be approved. The board subsequently approved the annual financial statements and the integrated report, which will be open for discussion at the forthcoming annual general meeting.

Malcolm Wyman

Group Audit Committee
Chairman

20 February 2015

REPORT FROM OUR **INDEPENDENT AUDITORS**

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Deloitte & Touche and KPMG Inc, Nedbank Group Limited's independent auditors, have audited the consolidated financial statements and specified sections of the remuneration report of Nedbank Group Limited from which management prepared the summarised consolidated financial results. The auditors have not expressed an opinion on the summarised financial statements. The auditors have expressed an unmodified audit opinion on the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 71 of 2008. The consolidated financial statements and the auditors' report thereon are available for inspection at the registered office of Nedbank Group Limited.

SUMMARISED ANNUAL **FINANCIAL STATEMENTS**

SIGNIFICANT ACCOUNTING POLICIES

The summarised annual financial statements on pages 20a to 27a are derived from the ('Nedbank Group' or 'the group') Limited (Nedbank Group) annual financial statements for the year ended 31 December 2014. The group has applied the provisions of the new Companies Act, 71 of 2008 (as amended), of SA, which allows for summarised financial statements as disclosed in this integrated report.

These summarised financial statements have been prepared under the supervision of Raisibe Morathi, the Group Chief Financial Officer.

In the preparation of the consolidated annual financial statements the group has applied key assumptions concerning future and other inherent uncertainties in recording various assets and liabilities. The assumptions applied in the financial statements for the year ended 31 December 2014 were consistent with those applied during the 2013 financial year. These assumptions are subject to ongoing review and possible amendments.

Nedbank Group's principal accounting policies have been prepared in terms of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and have been applied consistently over the current and prior financial year. The following accounting policies have been highlighted as a result of significant events occurring during the current period affecting the group's use thereof:

- **Basis of consolidation** – The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The group considers all facts and circumstances relevant to its involvement with an entity to evaluate whether control exists. The group assesses any changes to the facts and circumstances relevant to the entity and reassesses the consolidation requirements on a continuous basis.
- **Associates** – An associate is an entity over which the group has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investment (that is neither a subsidiary nor an investment in a joint arrangement). This is generally demonstrated by the group holding in excess of 20%, but no more than 50%, of the voting rights.
- **Joint arrangement, operations and ventures** – Joint arrangements are those entities over which the group has joint control, established by contractual agreements requiring unanimous consent for decisions about activities that significantly affect the arrangements' returns.
  - Joint operation – When the group has rights to the assets and obligations for the liabilities, relating to an arrangement, it accounts for its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
  - Joint venture – When the group has rights only to the net assets of the arrangement, it accounts for its interest using the equity method.
- **Hedging** – The group commenced hedge accounting during the 2014 financial period. This is neither a change in accounting policy nor a result of the adoption of a new or amended standard, but the first-time application of an accounting treatment currently permitted under existing and currently effective IFRS.

The summarised annual financial statements are only a summary of the information contained in the consolidated financial statements of Nedbank Group Limited and does not contain full or complete information. Any investment decision should be based on the consolidated financial statements of Nedbank Group Limited. These consolidated financial statements, including a comprehensive list of the group's accounting policies and further financial information included in the Results Booklet, are available at **nedbankgroup.co.za**.

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	2014 Rm	2013 Rm
Interest and similar income	**52 619**	46 087
Interest expense and similar charges	**29 658**	24 867
Net interest income	**22 961**	21 220
Impairments charge on loans and advances	**4 506**	5 565
Income from lending activities	**18 455**	15 655
Non-interest revenue	**20 312**	19 361
Operating income	**38 767**	35 016
Total operating expenses	**24 534**	22 419
Indirect taxation	**635**	601
Profit from operations before non-trading and capital items	**13 598**	11 996
Non-trading and capital items	**(109)**	(56)
Fair-value adjustments of investment properties	**6**	6
Profit from operations	**13 495**	11 946
Share of profits of associate companies and joint arrangements	**161**	27
Profit before direct taxation	**13 656**	11 973
Direct taxation	**3 468**	3 016
Profit for the year	**10 188**	8 957
Other comprehensive income net of taxation	**647**	1 675
Items that may be reclassified subsequently to profit or loss:		
– exchange differences on translating foreign operations	**390**	690
– fair-value adjustments on available-for-sale assets	**21**	32
Items that may not be reclassified subsequently to profit or loss:		
– gains on property revaluations	**202**	222
– remeasurements on long-term employee benefit assets	**34**	731
Total comprehensive income for the year	**10 835**	10 632
Profit attributable to:		
– equity holders of the parent	**9 796**	8 637
– non-controlling interest – ordinary shareholders	**69**	28
– non-controlling interest – preference shareholders	**323**	292
	10 188	8 957
Total comprehensive income attributable to:		
– equity holders of the parent	**10 431**	10 295
– non-controlling interest – ordinary shareholders	**81**	45
– non-controlling interest – preference shareholders	**323**	292
Total comprehensive income for the year	**10 835**	10 632
Basic earnings per share (cents)	**2 109**	1 877
Diluted earnings per share (cents)	**2 049**	1 822

Summarised headline earnings reconciliation

	2014		2013	
Rm	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to equity holders of the parent		**9 796**		8 637
Less: Non-headline earnings items	**(103)**	**(84)**	(50)	(33)
Profit on sale of subsidiaries, investments and property and equipment	**(12)**	**7**	11	11
Net impairment of investments, property and equipment and capitalised development costs	**(97)**	**(97)**	(67)	(49)
Fair-value adjustments of investment properties	**6**	**6**	6	5
Headline earnings		**9 880**		8 670

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

	2014 Rm	2013 Rm
Assets		
Cash and cash equivalents	**13 339**	20 842
Other short-term securities	**67 234**	42 451
Derivative financial instruments	**15 573**	13 390
Government and other securities	**27 177**	32 091
Loans and advances	**613 021**	579 372
Other assets	**8 715**	8 673
Current taxation assets	**291**	565
Investment securities	**20 029**	19 348
Non-current assets held for sale	**16**	12
Investments in private-equity associates, associate companies and joint arrangements	**7 670**	1 101
Deferred taxation assets	**309**	216
Investment property	**130**	214
Property and equipment	**7 773**	6 818
Long-term employee benefit assets	**4 546**	2 980
Mandatory reserve deposits with central banks	**14 911**	13 231
Intangible assets	**8 579**	8 290
Total assets	**809 313**	749 594
Equity and liabilities		
Ordinary share capital	**466**	461
Ordinary share premium	**16 781**	16 343
Reserves	**49 777**	43 813
Total equity attributable to equity holders of the parent	**67 024**	60 617
Non-controlling interest attributable to:		
– ordinary shareholders	**326**	246
– preference shareholders	**3 561**	3 473
Total equity	**70 911**	64 336
Derivative financial instruments	**15 472**	16 580
Amounts owed to depositors	**653 450**	602 952
Provisions and other liabilities	**13 788**	14 682
Current taxation liabilities	**134**	301
Deferred taxation liabilities	**931**	789
Long-term employee benefit liabilities	**3 071**	1 842
Investment contract liabilities	**11 747**	11 523
Insurance contract liabilities	**4 171**	3 321
Long-term debt instruments	**35 638**	33 268
Total liabilities	**738 402**	685 258
Total equity and liabilities	**809 313**	749 594

SUMMARISED CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December

	2014 Rm	2013 Rm
Cash generated by operations	**21 332**	20 553
Cash received from clients	**72 826**	65 392
Cash paid to clients, employees and suppliers	**(52 527)**	(45 768)
Dividends received on investments	**92**	41
Recoveries on loans previously written off	**941**	888
Change in funds for operating activities	**(11 231)**	(4 507)
Increase in operating assets	**(62 820)**	(61 874)
Increase in operating liabilities	**51 589**	57 367
Net cash from operating activities before taxation	**10 101**	16 046
Taxation paid	**(4 283)**	(3 890)
Cashflows from operating activities	**5 818**	12 156
Cashflows utilised by investing activities	**(9 455)**	(4 341)
Acquisition of property and equipment, computer software and development costs and investment property	**(2 483)**	(1 737)
Disposal of property and equipment, computer software and development costs and investment property	**61**	6
Net movement on non-current assets held for sale	**(4)**	496
Disposal of investment banking assets	**13**	15
Acquisition of private-equity associates, associate companies and joint arrangements	**(6 541)**	(122)
Disposal of private-equity associates, associate companies and joint arrangements	**133**	80
Acquisition of other investments	**(5 587)**	(4 113)
Disposal of other investments	**4 953**	1 034
Cashflows utilised by financing activities	**(2 132)**	(800)
Net proceeds from issue of ordinary shares	**464**	343
Issue of long-term debt instruments	**7 005**	8 785
Redemption of long-term debt instruments	**(4 635)**	(5 815)
Dividends paid to ordinary shareholders	**(4 643)**	(3 821)
Preference share dividends paid	**(323)**	(292)
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)	**(54)**	(64)
Net (decrease)/increase in cash and cash equivalents	**(5 823)**	6 951
Cash and cash equivalents at the beginning of the year[1]	**34 073**	27 122
Cash and cash equivalents at the end of the year[1]	**28 250**	34 073

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

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency translation reserve	Property revaluation reserve
Balance at 31 December 2012	457 303 304	457	16 033	599	1 383
Shares issued in terms of employee incentive schemes	2 792 902	3	472		
Shares (acquired)/no longer held by group entities and BEE trusts	1 097 253	1	(162)		
Preference share dividends paid					
Dividends to shareholders					
Total comprehensive income for the year				673	222
Transfer (from)/to reserves				(35)	(28)
Share-based payments reserve movement					
Regulatory risk reserve provision					
Preference shares held by group entities					
Disposal of subsidiary					
Other movements					
Balance at 31 December 2013	**461 193 459**	**461**	**16 343**	**1 237**	**1 577**
Shares issued in terms of employee incentive schemes	**3 670 463**	**4**	**767**		
Shares delisted	**(14 715 049)**	**(15)**	**1 598**		
Treasury shares no longer held by group entities	**14 715 049**	**15**	**(1 598)**		
Shares (acquired)/no longer held by group entities and BEE trusts	**778 996**	**1**	**(329)**		
Acquisition of additional shareholding in subsidiary					
Preference share dividends paid					
Dividends to shareholders					
Total comprehensive income for the year				**378**	**202**
Transfer (from)/to reserves					**(38)**
Share-based payments reserve movement					
Regulatory risk reserve provision					
Preference shares no longer held by group entities					
Other movements					
Balance at 31 December 2014	**465 642 918**	**466**	**16 781**	**1 615**	**1 741**

All movements are reflected net of taxation.

Reserves							
Share-based payments 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 equity
1 334	141	126	33 528	53 601	213	3 561	57 375
				475			475
			29	(132)			(132)
				–		(292)	(292)
			(3 821)	(3 821)	(9)		(3 830)
		32	9 368	10 295	45		10 340
(17)	10		70	–		292	292
206				206			206
	(4)			(4)			(4)
				–		(88)	(88)
				–	(3)		(3)
			(3)	(3)			(3)
1 523	**147**	**158**	**39 171**	**60 617**	**246**	**3 473**	**64 336**
				771			**771**
				1 583			**1 583**
				(1 583)			**(1 583)**
			21	**(307)**			**(307)**
				–	**8**		**8**
				–		**(323)**	**(323)**
			(4 643)	**(4 643)**	**(9)**		**(4 652)**
		21	**9 830**	**10 431**	**81**	**323**	**10 835**
(20)	**13**	**(1)**	**46**	**–**			**–**
151				**151**			**151**
	7			**7**			**7**
				–		**88**	**88**
			(3)	**(3)**			**(3)**
1 654	**167**	**178**	**44 422**	**67 024**	**326**	**3 561**	**70 911**

SUMMARISED SEGMENTAL REPORTING

for the year ended 31 December

Rm	Nedbank Group		Nedbank Capital		Nedbank Corporate		Total Nedbank Retail and Nedbank Business Banking	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Statement of financial position (Rm)								
Cash and cash equivalents	**28 250**	34 073	**2 619**	10 986	**3 435**	2 755	**2 932**	2 616
Other short-term securities	**67 234**	42 451	**29 414**	30 969			**–**	–
Derivative financial instruments	**15 573**	13 390	**15 551**	13 327	**(52)**	(52)	**–**	–
Government and other securities	**27 177**	32 091	**10 084**	9 635	**5 926**	6 117	**377**	379
Loans and advances	**613 021**	579 372	**105 601**	109 549	**199 557**	175 274	**268 882**	258 220
Other assets	**58 058**	48 217	**4 903**	6 242	**4 203**	4 269	**5 888**	5 014
Intergroup assets	**–**	–					**45 761**	36 142
Total assets	**809 313**	749 594	**168 172**	180 708	**213 069**	188 363	**323 840**	302 371
Equity and liabilities								
Total equity	**70 911**	64 336	**6 891**	5 863	**10 606**	8 514	**27 565**	26 683
Derivative financial instruments	**15 472**	16 580	**15 429**	16 546			**–**	–
Amounts owed to depositors	**653 450**	602 952	**137 391**	106 226	**182 009**	176 234	**224 103**	201 928
Provisions and other liabilities	**33 842**	32 458	**6 626**	6 372	**1 558**	2 042	**3 373**	3 002
Long-term debt instruments	**35 638**	33 268	**1 159**	1 051			**1 775**	1 994
Intergroup liabilities	**–**	–	**676**	44 650	**18 896**	1 573	**67 024**	68 764
Total equity and liabilities	**809 313**	749 594	**168 172**	180 708	**213 069**	188 363	**323 840**	302 371
Statement of comprehensive income (Rm)								
Net interest income	**22 961**	21 220	**1 937**	1 608	**3 982**	3 525	**15 216**	14 314
Impairments charge on loans and advances	**4 506**	5 565	**106**	306	**400**	385	**3 771**	4 765
Income from lending activities	**18 455**	15 655	**1 831**	1 302	**3 582**	3 140	**11 445**	9 549
Non-interest revenue	**20 312**	19 361	**3 206**	3 078	**2 256**	1 944	**10 530**	10 380
Operating income	**38 767**	35 016	**5 037**	4 380	**5 838**	5 084	**21 975**	19 929
Total operating expenses	**24 534**	22 419	**2 256**	2 156	**2 408**	2 169	**16 076**	14 824
Indirect taxation	**635**	601	**68**	36	**6**	32	**243**	242
Profit from operations	**13 598**	11 996	**2 713**	2 188	**3 424**	2 883	**5 656**	4 863
Share of profits/(losses) of associate companies and joint arrangements	**161**	27			**12**	26	**–**	–
Profit before direct taxation	**13 759**	12 023	**2 713**	2 188	**3 436**	2 909	**5 656**	4 863
Direct taxation	**3 487**	3 033	**572**	473	**837**	664	**1 562**	1 357
Profit/(Loss) after direct taxation	**10 272**	8 990	**2 141**	1 715	**2 599**	2 245	**4 094**	3 506
Profit attributable to non-controlling interest:								
– Ordinary shareholders	**69**	28	**13**	(11)			**–**	–
– Preference shareholders	**323**	292					**63**	38
Headline earnings/(loss)	**9 880**	8 670	**2 128**	1 726	**2 599**	2 245	**4 031**	3 468
Selected ratios								
Average interest-earning banking assets (Rm)	**652 194**	594 715	**117 151**	97 506	**193 751**	173 642	**306 401**	289 113
Return on total assets (%)	**1,27**	1,23	**1,18**	1,11	**1,30**	1,25	**1,24**	1,16
Return on ordinary shareholders' equity (%)	**15,8**	15,6	**30,9**	29,4	**24,5**	26,4	**14,6**	13,0
Net interest income to average interest-earning banking assets (%)	**3,52**	3,57	**1,65**	1,65	**2,06**	2,03	**4,97**	4,95
Non-interest revenue to total income (%)	**46,9**	47,7	**62,3**	65,7	**36,2**	35,5	**40,9**	42,0
Non-interest revenue to total operating expenses (%)	**82,8**	86,4	**142,1**	142,7	**93,7**	89,7	**65,5**	70,0
Credit loss ratio – banking advances (%)	**0,79**	1,06	**0,14**	0,51	**0,21**	0,23	**1,39**	1,80
Efficiency ratio	**56,5**	55,2	**43,9**	46,0	**38,5**	39,5	**62,4**	60,0
Effective taxation rate (%)	**25,3**	25,2	**21,1**	21,6	**24,4**	22,8	**27,6**	27,9
Contribution to group economic profit	**2 112**	2 114	**1 198**	963	**1 167**	1 138	**310**	–
Number of employees	**30 499**	29 513	**665**	683	**2 123**	2 186	**20 373**	19 499

[1] *Includes all group eliminations.*

The 2013 comparative results for the segmental reporting have been restated. The Rest of Africa Division is now reported separately, and Central Management and Shared Services are collectively reported as the Centre. The restatement has had no effect on the group results and ratios, and only affects segment results and ratios.

Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Rest of Africa Division		Centre[1]	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
2 932	2 616			934	1 706	3 328	2 779	15 002	13 231
				9 943	6 847	1 849	958	26 028	3 677
				1	2	24	20	49	93
377	379					336	709	10 454	15 251
203 063	195 435	65 819	62 785	24 819	22 082	14 073	14 700	89	(453)
5 532	4 725	356	289	21 912	20 274	7 818	951	13 334	11 467
		45 761	36 142					(45 761)	(36 142)
211 904	203 155	111 936	99 216	57 609	50 911	27 428	20 117	19 195	7 124
22 109	21 903	5 456	4 780	2 830	2 487	3 549	1 998	19 470	18 791
				4	1	47	27	(8)	6
118 134	107 931	105 969	93 997	26 122	21 704	17 058	14 406	66 767	82 454
2 862	2 563	511	439	17 626	16 560	876	566	3 783	3 916
1 775	1 994					4	4	32 700	30 219
67 024	68 764			11 027	10 159	5 894	3 116	(103 517)	(128 262)
211 904	203 155	111 936	99 216	57 609	50 911	27 428	20 117	19 195	7 124
11 720	11 206	3 496	3 108	628	531	898	801	300	441
3 500	4 355	271	410	41	59	35	50	153	
8 220	6 851	3 225	2 698	587	472	863	751	147	441
8 820	8 651	1 710	1 729	3 399	3 081	768	675	153	203
17 040	15 502	4 935	4 427	3 986	3 553	1 631	1 426	300	644
12 689	11 705	3 387	3 119	2 484	2 218	1 256	1 126	54	(74)
215	217	28	25	102	108	30	23	186	160
4 136	3 580	1 520	1 283	1 400	1 227	345	277	60	558
					(1)	149			2
4 136	3 580	1 520	1 283	1 400	1 226	494	277	60	560
1 136	1 003	426	354	358	326	85	64	73	149
3 000	2 577	1 094	929	1 042	900	409	213	(13)	411
						52	40	4	(1)
63	38							260	254
2 937	2 539	1 094	929	1 042	900	357	173	(277)	158
198 343	193 027	108 058	96 086	32 351	27 455	18 920	17 207	(16 380)	(10 208)
1,42	1,27	1,01	0,96	1,91	1,95	1,58	0,90		
13,3	11,6	20,1	19,4	36,8	36,2	10,1	8,7		
5,91	5,81	3,24	3,24	1,94	1,93	4,75	4,66		
42,9	43,6	32,9	35,7	84,4	85,3	46,1	45,7		
69,5	73,9	50,5	55,4	136,9	138,9	61,2	59,9		
1,70	2,16	0,42	0,65	0,17	0,28	0,23	0,37		
61,8	58,9	65,1	64,5	61,7	61,4	69,2	76,3		
27,5	28,0	28,0	27,6	25,6	26,6	17,2	23,1		
(48)	(308)	358	308	660	577	(122)	(87)	(1 101)	(477)
18 026	17 153	2 347	2 346	2 119	2 056	1 605	1 501	3 614	3 588

WORLDCLASS AT **MANAGING RISK**

STRIVING TO BE WORLDCLASS AT MANAGING RISK ACROSS NEDBANK

The business of banking fundamentally involves the management of risk.

The primary function of a bank in an economy is to transform the maturity of funds. We lend out money, which gives rise to credit risk. We also take in money to fund our lending, and that results in asset and liability mismatches, as well as interest rate risk and liquidity risk. In addition, we trade and invest in financial markets that drive other market risks, and all these business activities are potentially prone to operational risk, reputational risk and other risks. Collectively there are 17 key risks that make up the risk universe in Nedbank's Enterprisewide Risk Management Framework (ERMF).

Accordingly, one of Nedbank's five Deep Green aspirations is to be worldclass at managing risk.

Ultimately, we seek to optimise risk versus return on a sustainable basis, and risk management is therefore approached across three integrated core dimensions:

- Managing risk as a THREAT – to minimise and protect against downside risk, and against material unforeseen losses.
- Managing risk as an UNCERTAINTY – to eliminate excessive earnings volatility and minimise material negative surprises.
- Managing risk as an OPPORTUNITY – to maximise financial performance through the application of superior risk and business intelligence, risk-based performance measurement, managing for value, strategic portfolio management and client value management.

A critical success factor in achieving Nedbank's 2020 vision and related financial aspirations is for Nedbank's risk management, risk culture and risk infrastructure, together, to become a clearly distinctive competitive differentiator.

Adding to the importance of excellence in risk management has been the persistent volatile, uncertain, complex and ambiguous (VUCA) macroeconomic and geopolitical environments, both globally and locally.

Our regulatory landscape has changed significantly, impacted by ongoing Basel III implementation from 2013 to 2019, anti-money-laundering (AML) and combating the financing of terrorism (CFT), Solvency 2/SAM, Twin Peaks (in 2016), the Financial Sector Regulation Bill and market conduct risk and regulation (eg Treating Customers Fairly), amendments to the National Credit Act as well as other consumer protection legislation. This means that it can no longer just be a Deep Green aspiration to be worldclass at managing risk. Rather, it has become an imperative to survive and thrive. Nedbank embraces these significant regulatory changes as they help us enhance our clients' experience and the bank's relationship with and service to them, and also strengthen the safety and soundness of our organisation and country. We approach these regulations as a lever to elevate our risk management further in an integrated manner, through our client-centred, strategic emphasis, the improvement of the onboarding of our clients and the 'know your client' (KYC) initiative.

While regulation has indeed changed banking over the past five years, and continues to do so, technological advancement, together with rapid innovation, is likely to see information technology reshaping banking for the next five to 10 years, leading to heightened key risk focuses, such as cybercrime, but also to strategic opportunities. As in the case of regulatory and conduct risks, we are giving much greater focus to IT risk and strategic risk in our risk plans for 2015 to 2017.

Additionally, with our expansion and strategic intent of building a Pan-African banking network, we are enhancing our risk management focus and capability in the rest of Africa, addressing the related risk appetite holistically.

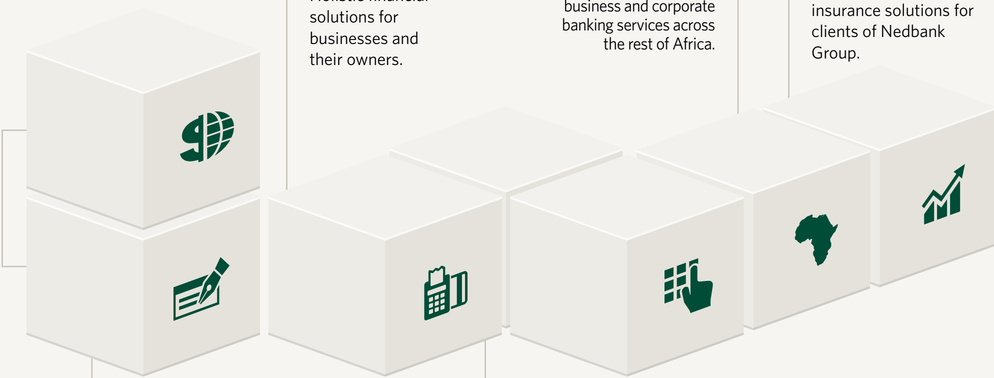
Of course, our more traditional major risks of credit and liquidity remain, as always, a key focus, and we will leverage the implementation of the International Financial Reporting Standard (IFRS) 9 and Basel III to elevate credit and liquidity risk measurement and management to an even higher level than today.

Nedbank has a sound risk culture that has generally served us well over the past several years. However, with the continuing VUCA, the highly competitive environment, extensive regulation, the zero tolerance of regulators, technological advancement and innovation, and in view of our fundamental business of managing risk, risk management will have to become a competitive differentiator for Nedbank if we want to achieve our 2020 vision on a sustainable basis. We must truly be worldclass at managing risk.

Therefore, the vision for risk at Nedbank is to be admired as Africa's leading bank in risk management by both our internal and external stakeholders, being a core strategic and competitive differentiator that helps make Nedbank's 2020 aspirations happen in a sustainable manner.

THE ORIGINS OF RISK WITHIN NEDBANK

Nedbank is made up of four client-facing clusters (five before the merger of Nedbank Capital and Corporate into a single, fully integrated corporate and investment bank business) and our Rest of Africa Division.



NEDBANK BUSINESS BANKING

Holistic financial solutions for businesses and their owners.

REST OF AFRICA DIVISION

Offers retail, small and medium enterprise (SME), business and corporate banking services across the rest of Africa.

NEDBANK WEALTH

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

NEDBANK CAPITAL

Investment banking and markets solutions for institutional and corporate clients.

NEDBANK CORPORATE

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

NEDBANK RETAIL

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

A synopsis of the business profiles of the group and clusters is shown on page 50 and the strategic focus areas are shown on page 25. These represent the core activities that give rise to Nedbank's risk universe.

Our risk management is underpinned by a comprehensive, best-practice ERMF, which we are constantly evolving and enhancing so it remains relevant and most effective in these VUCA environments and changing times and risks.

The ERMF, fully embedded in business and central functions across Nedbank Group, is supplemented by individual frameworks such as those for credit risk, market risk, liquidity risk, operational risk, capital risk and a comprehensive stress and scenario testing framework. Coupled with these is a complete set of risk policies, practices and procedures that operate within specific limits. These include the role of the board, the setting and monitoring of the group's risk appetite and risk limits, and oversight of the ERMF, duly assisted by its seven board committees. At executive management level the Group Executive Committee (Exco) is assisted with its risk, strategic and operational responsibilities by six main committees.

The ERMF facilitates effective challenge and debate at executive management and board levels, and strong interaction across the group between the clusters and central group services. This requires a continuous process of risk identification, measurement, management, monitoring and formal review and assessment by our external auditors.

ERMF

RISK UNIVERSE

Accounting and taxation risks	Operational risk	Insurance and assurance risk*	New business risk	Liquidity risk	Capital risk	Market risk**	Investment risk
Information technology risk	Credit risk	Strategic risk	Compliance risk	Reputational risk	Transformation risk	Social and environmental risk	People risk

** Underwriting insurance risk and corporate insurance ** Trading book and banking book*

FIRST LINE OF DEFENCE

BOARD COMMITTEES – board of directors

Group Finance and Oversight Committee

Group Audit Committee	Group Risk and Capital Management Committee	Group Information Technology Committee	Group Credit Committee	Large-exposure Approval Committee	Directors' Affairs Committee	Transformation, Social and Ethics Committee	Group Remuneration Committee

GROUP EXCO COMMITTEES – Group Executive Committee (Group Exco)

CFO Forum	Executive Taxation Committee	Group Operational Risk Committee	Group ALCO and Executive Risk Management Committee	Property Strategy Committee	Group Procurement Committee	Executive Information Technology Committee
Divisional Credit Committee	Business Risk Management Forum	Brand Risk Management Forum	Brand and Client Committee	Nedbank Employee Equity Forum	Group Transformation Forum	Transformation and Human Resources Executive Committee

BUSINESS CLUSTERS' RISK GOVERNANCE – Group Operational Committee (Opcom)

For Nedbank Business Banking, Nedbank Corporate, Nedbank Capital, Nedbank Retail and Nedbank Wealth:

- Cluster and business unit excos, divisional credit committees (DCCs), Trading Risk Committee, Investment Committee and enterprise risk committees (ERCOs) and other specialist committees, with representation from the relevant independent group functions.
- Heads of risk and risk functions, independent of business origination, report directly to business cluster heads.

CENTRAL FINANCIAL RISK AND BALANCE SHEET MANAGEMENT – Group Finance

Chief Financial Officer – Raisibe Morathi

Balance Sheet Management

Managing Executive: Balance Sheet Management – Michael Davis

SECOND LINE OF DEFENCE

INDEPENDENT GROUP RISK AND COMPLIANCE CLUSTERS

Group Risk	Chief Risk Officer – Trevor Adams
Group Enterprise Governance and Compliance	Chief Governance and Compliance Officer – Thabani Jali

THIRD LINE OF DEFENCE

INDEPENDENT ASSURANCE – Internal Audit and external auditors

Group Internal Audit	External auditors	Independent actuaries

Within the ERMF processes and integrated with the group's strategic and business planning, new and/or emerging risks are identified, captured and addressed. A residual-heat map is used to support the iterative reassessment of the 17 key risks. Escalation criteria have been defined and significant risks/issues and limit breaches are raised and recorded in the Key Issues Control Log, which is a fundamental tool of the ERMF and risk reporting across Nedbank Group, and is reviewed by executive management and the board.

A formal process for purposes of the ERMF is followed in an annual review of risk policies, limits and frameworks.

Across the ERMF Nedbank applies the three-lines-of-defence model in its risk governance.

Three-lines-of-defence model

First line

The board and management of Nedbank Group are ultimately responsible for the implementation and management of risk.

Second line

Group Risk and Enterprise Governance and Compliance perform a policy-setting and monitoring role to ensure implementation of best-practice risk management principles, methodologies, practices, systems and processes, lead by the Chief Risk Officer.

Third line

Group Internal Audit, external auditors and independent actuaries provide additional assurance on the effectiveness of risk management across the organisation.

The ERMF remained resilient in 2014 and will undergo a refresh in 2015, with a focus on:

- Simplifying and revisiting the key risks comprising Nedbank's risk universe.
- Enabling innovation, new-product development and regulatory compliance with a strong focus on 'know your client' client-centredness.
- Ensuring best-practice risk management and leveraging the extensive regulatory developments to make this happen.
- Structural changes following the creation of the integrated corporate and investment business and more integration of the Retail and Business Banking business.

Sustaining a strong risk culture

Nedbank Group has a strong risk culture. This is achieved through following best-practice enterprisewide risk management practices, a strong tone from the top from the Chief Executive, top management and the board, and ongoing risk leadership by the Chief Risk Officer.

Our approach aligns strategy, policies, people, processes, technology and business intelligence to measure, evaluate, manage and optimise the opportunities, threats and uncertainties we face every day as a major financial institution. In this way the group is able to maximise sustainable shareholder value within the group's clearly defined risk appetite.

Nedbank embraces risk management as a core competency that allows the business to optimise risktaking and is objective and transparent. This ensures that the business prices for risk appropriately, linking risk to return.

The importance attached to risk management and the attention given to it is deeply rooted in Nedbank's culture. Being worldclass at managing risk is included as one of five Deep Green aspirations in the group's strategic framework and this cascades down across the organisation.

In Nedbank to be worldclass at managing risk means that understanding, measuring and managing risk are central to everything we do, and we have engrained risk management in our business. We understand that banking at Nedbank is about managing risk, not avoiding it. Our risk management methodologies, risk culture and risk management infrastructure are worldclass.

OUR APPROACH TO RISK AND BALANCE SHEET MANAGEMENT

We approach our strategy development, business activities, risk appetite, risk and balance sheet management in a fully integrated manner. At the heart of the group's business and management processes are integrated worldclass risk and balance sheet management frameworks.

Nedbank's Capital Management Framework is designed to meet our key external stakeholders' needs, both those focused more on the adequacy of the group's capital in relation to its risk profile (or risk versus solvency) and those focused more on the return or profitability of the group relative to the risk assumed (or risk versus return). The challenge for management and the board is to achieve an optimal balance between these two important dimensions.

At the heart of the group's business and management processes are integrated worldclass risk and balance sheet management frameworks

ERMF

- Subframeworks (examples)
  - Group Credit Risk Management Framework
  - Group Market Risk Management Framework
  - Group Operational Risk Management Framework
  - Group Liquidity Management Framework

Capital Management Framework

- Solvency and Capital Management Policy
- Economic Capital Framework

Stress and scenario-testing framework

Risk Appetite Framework

Risk-adjusted Performance Measurement Framework

- Internal Capital Adequacy Assessment Process (ICAAP)
- Internal Liquidity Adequacy Assessment Process (ILAAP)
- Recovery plan
  - Basel III Compliant
- Group strategy and business plans
  - Risk plan

All Nedbank's quantifiable risks across the 17 key risks of the ERMF are also captured in our Economic Capital Framework.

Economic capital entails the sophisticated, consistent comparison of risks across business units and risk types, and the measurement of the risk involved in individual products or transactions. This enables a focus on both downside risk (risk protection) and upside potential (earnings growth). Nedbank assesses the internal requirements for capital using its proprietary economic capital methodology.

All of these quantifiable risks, as measured by economic capital, are then allocated back to the businesses in the form of a capital allocation to where the assets or risk positions reside or originate.

Nedbank's economic capital and Internal Capital Adequacy Assessment Process (ICAAP) methodology is constantly reviewed and updated, taking cognisance of regulatory developments such as Basel III and Solvency 2/SAM.

Economic capital not only facilitates a like-for-like measurement and comparison of risk across businesses, but, by incorporating it into performance measurement, the performance of each business can be measured and compared on an absolute basis by using economic profit (EP) and a relative percentage return basis, namely return on risk-adjusted capital (RORAC) – the same as return on equity (ROE), by comparing these measures against the group's cost of capital.

ICAAP in Nedbank has been embedded across the organisation for several years. It is an integral component of the group's ERMF, Capital Management Framework, strategy and business planning process, balance sheet management, remuneration and reward mechanisms, day-to-day business operations, pricing and lending decisions, and client-value management. Nedbank scores highly on the use test, because the group's culture is one of understanding that the business of banking is fundamentally about managing risk, and risk drives capital and liquidity requirements against which return is measured (ie risk versus return) and rewarded.

In view of the significance of liquidity risk in banking, Nedbank also has an Internal Liquidity Adequacy Assessment Process (ILAAP).

Embedded within Nedbank's Liquidity Risk Management Framework is the group's ILAAP. The ILAAP involves an ongoing and rigorous assessment of Nedbank Group's liquidity self-sufficiency under a continuum of stress liquidity scenarios, taking cognisance of the board-approved risk appetite. The ILAAP also involves an ongoing review and assessment of all components that collectively make up and/or support the Liquidity Risk Management Framework. The objective of this review and assessment process is to ensure that the framework remains sound in terms of measuring, monitoring, managing and mitigating liquidity risk, taking cognisance of best practise and regulatory developments.

Risk-adjusted performance measurement, management and reward

Economic capital, EP and RORAC (or ROE), as well as other important metrics such as return on assets

(ROA), credit loss ratio (CLR), the ratio of non-interest revenue (NIR) to expenses and the efficiency ratio, are included in management performance scorecards across the group.

Economic capital and EP are comprehensively in use across the group, embedded within businesses on a day-to-day basis and in performance measurement and reward schemes, as discussed above. This risk-adjusted performance measurement (RAPM) has been applied across the group for many years now and helps ensure that excessive risktaking is mitigated and managed appropriately within the group.

To align the group's current short-term incentive (STI) scheme with the shareholder value drivers the STI scheme has been designed to incentivise a combination of profitable returns, risk and growth appropriately. It is driven from an EP and headline earnings basis, using risk-based economic capital allocation, as discussed above. Risk is therefore an integral component of capital allocation and performance measurement (and reward) in Nedbank.

The global financial crisis also precipitated a number of initiatives aimed at improving the governance and management of remuneration. Although the recommendations, guidance and practice notes are primarily aimed at the remuneration of senior and top management and those whose activities could have a material impact on the risk profile of the organisation, the underlying principles and statements of good practice can be applied to most incentive arrangements for the majority of staffmember. The group's remuneration practices and public disclosures are compliant with the evolving principles, practices and governance codes released for the SA financial services industry. For further detail please refer to the group's Remuneration Report.

Remu-
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Report
46a – 79a

Nedbank Group continues to monitor the evolving governance environment to ensure appropriate compliance of the group's risk-adjusted remuneration practices with the relevant regulatory and/or statutory requirements.

Nedbank's recovery plan and stress testing

The global financial crisis highlighted deficiencies in some banks, in regulators' risk management and in supervisory frameworks. After the crisis, regulation – mainly in the form of Basel III and other regulation lead by the international Financial Stability Board at the Bank of International Settlements in Basel Switzerland – is to a large degree about three key themes (capital, liquidity and risk coverage). Resolution and recovery planning (RRP) is a fundamental part of this in:

- reducing the risk of banks failing (recovery plans);
- reducing the impact of failure (resolution plans); and
- ring-fencing the state/taxpayers from any implicit support to the banking sector (resolution, bail-in).

The Nedbank Recovery Plan sets a framework for the bank to act quickly and decisively (eg selling businesses and significant assets) during a severe crisis to ensure that it is able to recover. The plan describes the integration with existing contingency planning and the possible recovery options, including a detailed assessment of their likely effectiveness and the defined points at which they would be invoked. The recovery plan addresses stresses invoked by shortfalls in liquidity and capital, as well as significant operational failures that may jeopardise Nedbank's ability to continue business operations. The recovery plan also covers the various options considered by senior management to mitigate stresses encountered by Nedbank.

The recovery plan fits into Nedbank's ERMF and complements the group's existing capital, liquidity and stress-testing policies and procedures.

Levels of low to severe stress, whereby recovery and resolution levels represent escalating degrees of stress that the group might encounter, are included in the plan.

The ordered levels and early-warning indicators are designed to increase Nedbank's ability to manage any potential crisis situation effectively and prepare itself for recovery. This is consistent with the Nedbank ERMF. These crisis levels allow Nedbank to assess the levels of stress appropriately and implement necessary responses. Nedbank's response to crises will include identifying and executing appropriate recovery options, proper escalation and communication within the organisation, and appropriate communication to external stakeholders (eg regulators, investors, rating agencies and the media).

We conduct regular stress testing. The following are the framework and process that underpins this:

Stress- and Scenario-testing Framework

2015–2017 THREE-YEAR BUSINESS PLAN

Group Executive Committee/
Group Asset and Liability Committee
(ALCO)

Nedbank's empirically derived macro-economic factors

MACRO SCENARIOS

In cooperation with Group Economic Unit, Group ALCO and GRCMC

Risk and capital analytics

PDs, LGDs, EADs, impairments, loss rates, regulatory capital, economic capital, etc.

Regression models

Regression parameters

Interest rate risk in the banking book

Modelled by BSM

Liquidity risk

Modelled by BSM, including Basel III LCR

INTEGRATED STRESS/ SCENARIO/ CAPITAL MODELS

Macro-economic Factor Model (MEFM)

Capital Adequacy Projection Model (CAPM)
(economic and regulatory capital)

Qualitative overlay of management experience, judgement, challenge and debate

OUTPUT

Three-year forecasts and stress/scenario analysis of:

- Income statement
- Balance sheet
- Capital adequacy
- Liquidity
- Key financial ratios

Varied by:

- Three-year business plan base case
- Management and board chosen macro scenarios and stress tests

Also used in setting risk appetite, business strategy and capital buffers for:

- Economic capital
- Regulatory capital
- Risk appetite

SOPHISTICATED MACROECONOMIC FACTOR MODEL

- Multifactor, fully integrated
- Incorporates current macroeconomic state as the starting point
- Forecasts year by year over three-year business plan
- Full, integrated with the group's finance and risk systems

BUSINESS INPUT

Pillar 1 stress tests

Projected risk characteristics of credit portfolios (eg PD and LGD profiles)

GRCMC – Group Risk and Capital Management Committee
PD – probability at default
LGD – loss given default
EAD – exposure at default
BSM – balance sheet management
LCR – liquidity coverage ratio

The stress test process

STRESS TEST PHASE	STRESS TEST PROCESS	GOVERNANCE
Choice of scenarios	**Choice of scenarios,** for example severe recession. The six scenarios of mild, high and severe inflation, severe deflation stress conditions low rate and positive scenario conditions are determined by the Group Economic Unit and endorsed by the Group ALCO and the board. Additional specific-event scenarios are added. The scenarios are updated regularly. Each scenario covers a three-year forward-looking period to capture a negative (or positive) phase of a business cycle.	Group ALCO GRCMC GCC DCCs
Translation of scenarios	**Macroeconomic forecasting** Forecast macroeconomic variables (eg real gross domestic product (GDP) growth, household debt-to-income ratio, etc) for each scenario (mild, severe, etc). **Impact on key risk drivers** Holistic Macroeconomic Factor Model calculates the impact on the key risk drivers (PD, LGD, decline in income growth, etc) for each scenario.	Group Economic Unit Balance Sheet Management Group Risk
Stress test calculations On the basis of the current portfolio and the three-year business plan, the stress tests calculate the consequences of the individual scenarios for net profit, risk-weighted assets and so regulatory capital, economic capital, impairments charges and available capital resources. Risk types, for example credit risk, business risk and investment risk, are stressed within each scenario and consolidated.	**Risk types** Credit risk, business risk, operational risk, etc, calculation of risk-weighted assets (RWA), economic capital and expected losses. **Earnings** Effect on earnings change in activity level, interest rate margins, credit impairments, etc. **Capital requirements** For each stress scenario based on the Macroeconomic Fact or Model. **Impact on available capital resources** For each stress scenario based on the macroeconomic factor model.	
Overall results of stress test	**Decision on required capital buffers** Decision on capital levels and buffers is based on an overall assessment , including several factors such as probability of the scenario and strategic measures.	Group ALCO and GRCMC

GCC – Group Credit Committee
DCC's – Divisional credit committees

Our risk appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk Nedbank Group is willing to accept in pursuit of its strategy, duly set and monitored by Group Exco and ultimately the board, and integrated into our strategy, business, risk and capital plans.

Nedbank Group measures and expresses risk appetite qualitatively and in terms of quantitative risk metrics.

Nedbank Group's risk appetite is defined across five broad categories as set out in the board-approved Risk Appetite Framework, namely:

1 Core risk appetite metrics

Group metrics	Definition
Earnings at risk (EaR)	Percentage pretax earnings potentially lost over a one-year period.
Chance of experiencing a loss	Event in which Nedbank Group experiences an annual loss.
Chance of regulatory insolvency	Event in which losses would result in Nedbank Group being undercapitalised relative to the minimum total regulatory capital ratio.
Economic capital adequacy	Nedbank Group adequately capitalised on an economic basis to its current international foreign currency target debt rating.
Total RWA to total assets	The average risk profile (risk weight) of Nedbank Group's assets.
Leverage ratio	The extent to which Nedbank Group is leveraged in terms of assets, including off-balance-sheet assets, per unit of qualifying tier 1 regulatory capital.

2 Specific risk-type limit setting [which clarify across the group's businesses the mandate levels that are of an appropriate scale relative to the risk and reward of the underlying activities so as to minimise concentrations and other risks that could lead to unexpected losses (ULs) of a disproportionate scale].

3 Stakeholder targets (such as performance targets, regulatory capital targets and target debt rating for economic capital adequacy, economic capital allocations to business clusters, dividend policy, target credit impairment ratios and derisking the balance sheet of non-core assets).

4 Policies, procedures and controls.

5 Zero-tolerance statements.

Concentration risk appetite targets also exist in areas where Nedbank Group is materially exposed to concentration risk. The targets are revised and approved by senior management and the board annually as part of the three-year strategic business planning process, in line with the Basel III regulations and the board's responsibilities.

Qualitatively, the group also expresses risk appetite in terms of policies, processes, procedures, statements and controls meant to limit risks that may or may not be quantifiable. Policies, processes and procedures relating to governance, effective risk management, adequate capital and internal control have board and senior management oversight and are governed by the three lines of defence. A key component of the ERMF is a comprehensive set of board-approved risk policies and procedures, which are updated annually.

Nedbank Group has a cascading system of risk limits at all levels of the group and for all financial risks, which is a core component of the implementation of the Risk Appetite Framework. The size of the various limits is a direct reflection of the board's risk appetite, given the business cycle, market environment, business plans, strategy and capital planning.

Nedbank Group has cultivated and embedded a prudent and conservative risk appetite, focused on the basics and core activities of banking.

CURRENT KEY RISK AND BALANCE SHEET MANAGEMENT POSITIONS AT YEAR-END 2014

Nedbank's favourable financial results for the year ended 31 December 2014 are underpinned by a strong balance sheet across all the core dimensions of capital adequacy, liquidity and funding, credit asset quality aided by the strategic portfolio tilt strategy and appropriately conservative provisioning, excellence in risk and balance sheet management, an enabling but prudent risk appetite framework, and a seamless implementation of Basel III.

Credit risk

The operating environment in 2014 remained challenging for consumers, with global markets reflecting a mixed performance, and the local economy remained under pressure from strike action and electricity supply constraints. SA's GDP is forecast to have grown at 1,4% for 2014. According to the South African Reserve Bank (SARB) economic growth could have been 1% higher in the absence of strike action. Overall, the credit environment remained muted, with wholesale credit demand continuing to outpace retail demand as poor employment prospects, high levels of indebtedness, increased interest rates and weak confidence levels weighed against consumers.

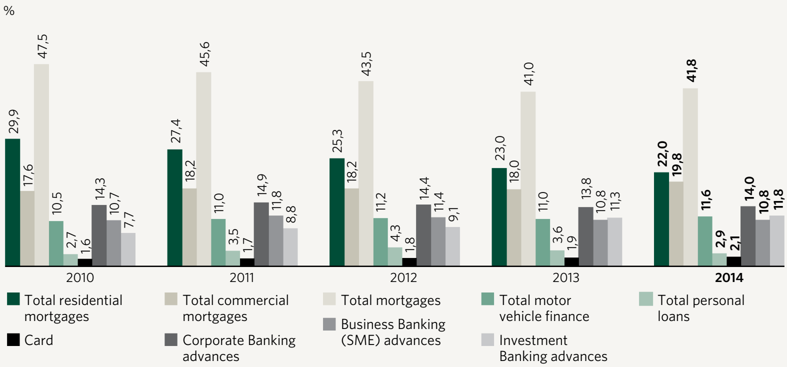
Wholesale credit demand was supported by renewable-energy projects, corporate action and increased dealflow from the rest of Africa. This is expected to moderate as corporates remain hesitant to make long-term investments and add on production capacity given the weak economic outlook.

The implementation of the strategic portfolio tilt strategy over the past four years has enabled Nedbank to maintain a sound balance sheet and good credit asset quality and reduce impairments,

(approximately 50%), the underpinning of corporate leases and a highly experienced management team that is considered to be the leader in property finance in SA.

- While Nedbank has the smallest residential-mortgage portfolio among the local peer group at approximately 15%, the contribution of these advances as a percentage of total gross loans and advances is still substantial at 22% in 2014 (2010: 30%).

% of total gross loans and advances by major credit portfolio



while strengthening balance sheet coverage ratios. The benefits from the early action taken in reducing our Home Loans and Personal Loans portfolios are evident in our 2014 results.

Nedbank has adopted a selective origination, client-centred growth emphasis as a core part of its strategic portfolio tilt strategy, as is evident in its higher-targeted-growth portfolio tilt areas such as commercial mortgages, Motor Finance Corporation (MFC), Card and Investment Banking, and the low or negative targeted growth areas of residential mortgages and personal loans.

In managing its mortgages (or property portfolio) Nedbank takes a holistic approach across both residential and commercial mortgages, preferring a dominant market share in commercial mortgages, given the significantly better risk-based economics and returns.

- Over 2014 commercial-mortgage lending increased to 19,8% of gross loans and advances, and Nedbank Group has consequently grown its dominant local market share position to just above 40%. This potentially high concentration is mitigated by good-quality assets, high levels of collateral, a low average loans-to-value ratio

- Since 2010 the focus in Home Loans has been on lending through our own channels and much less, compared with the industry, through mortgage originators. This enables a better-quality risk profile, more appropriate risk-based pricing, and therefore more appropriate returns, with a client-centred approach.
- When combining commercial and residential mortgages, Nedbank's total mortgage market share is in line with that of its peers at approximately 21%.

Total retail motor vehicle finance exposure within Nedbank Group has increased from 10,5% in 2010 to 11,6% in 2014 of gross loans and advances, while current market share is approximately 29,5%. Sound risk management principles are consistently applied by an experienced management team.

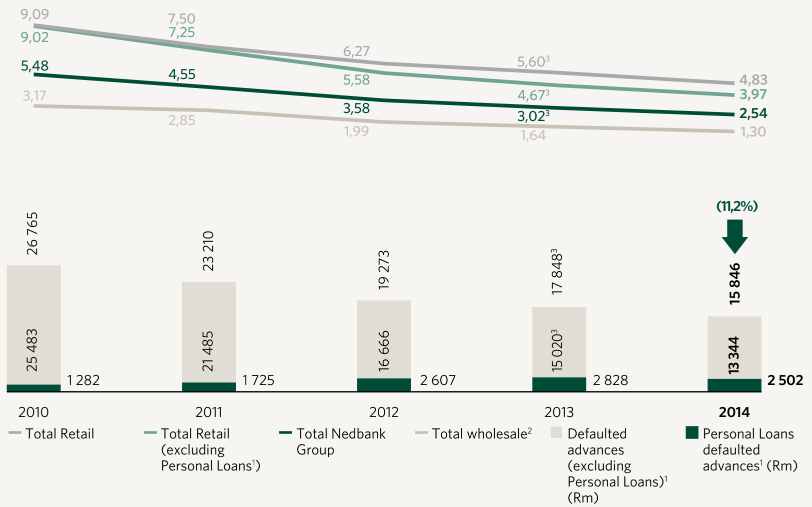
Given the current state of the market and the concerning health of the consumer, coupled with macroeconomic expectations, Nedbank's Personal Loans portfolio is expected to remain relatively flat over the medium term, and hence decrease further in terms of mix. Personal loans as a percentage of total gross loans and advances have decreased to 2,9% over the last year (2013: 3,6%).

As a percentage of total gross loans and advances:

- Corporate Banking and Business Banking have not changed substantially since 2010;
- Card advances have increased from 1,6% in 2010 to 2,2% in 2014; and
- Investment Banking advances have increased from 7,7% in 2010 to 11,8% in 2014, underpinned by particularly successful growth in renewable energy.

The defaulted advances continued the downward trend observed since 2010, decreasing by 11,2% in 2014 to R15 846m (2013: R17 848m), which was mainly driven by ongoing improvements in Nedbank Retail as well as Nedbank Capital.

Consistently declining default advances as a percentage of gross loans and advances



[1] *Personal Loans represents a specific business unit within Nedbank Retail.*
[2] *Wholesale includes Nedbank Capital, Nedbank Corporate and Nedbank Business Banking.*
[3] *Restated due to the reclassification of restructures as defaulted advance.*

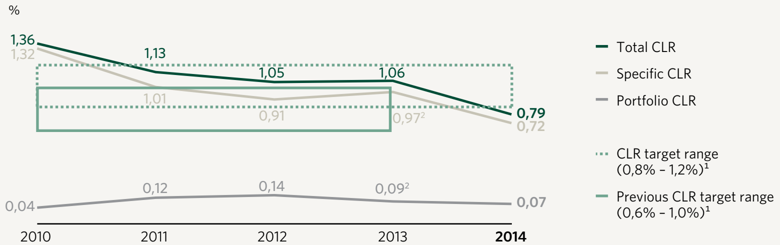
The Group CLR decreased to 0,79% (2013: 1,06%) as a result of ongoing improvement in asset quality, prudent credit-granting and collections practices together with benefits from strategic portfolio tilt and therefore the change in advances mix. The Group CLR is below the lower end of the through-the-cycle (TTC) target range of 0,80% to 1,20%.

- The CLRs across all the business clusters were either at the lower end of, or better than, their respective TTC target ranges. A strong risk management and collections focus resulted in improved impairments charges across the group to support the reduction in CLRs.
- The R200m central portfolio impairment held in the Centre was increased to R350m in line with the group's view of a further deteriorated macroeconomic environment as a result of the country's power crisis and other factors.
- Nedbank Retail contributes 77,7% to the group's total impairments charge of R4 506m (2013: R5 565m), with the majority coming from Personal Loans (41,7% of the group's impairments charge). The reduction in the Personal Loans impairments was the main contributor to the reduction in the impairments charge over the period and benefits were realised based on the early action taken in 2012.

The total balance sheet impairment decreased to R11 095m (2013: R11 456m) and higher levels of postwriteoff recoveries were recorded at R941m (2013: R888m), while writeoffs and other transfers decreased to R5 809m (2013: R5 867m).

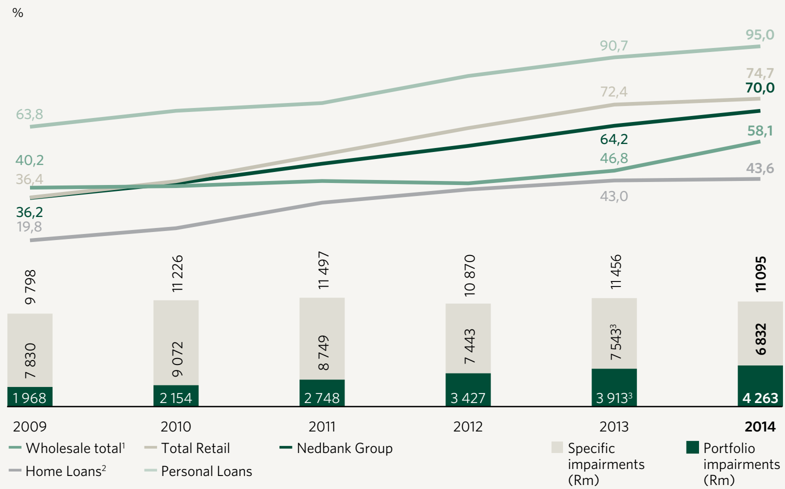
The group total-coverage ratio strengthened to 70,0% (2013: 64,2%), with the specific-coverage ratio improving to 43,1% (2013: 42,3%) and the portfolio coverage on the performing portfolio increasing slightly to 0,70% (2013: 0,68%).

Consistently improving Nedbank Group credit loss ratio



[1] *The Nedbank Group target range was revised from between 0,60% and 1,00% to between 0,80% and 1,20% in 2014.*
[2] *Restated due to the reclassification of restructures in MFC as defaulted advances.*

Strengthening coverage ratios



[1] *Wholesale includes Nedbank Capital, Nedbank Corporate and Nedbank Business Banking.*
[2] *Home Loans represents a specific business unit within Nedbank Retail. This excludes home loans in the Nedbank Retail Relationship Banking business unit.*
[3] *Restated due to the reclassification of restructures in MFC as defaulted advances.*

Market risk

Trading market risk arises through Nedbank Capital's market-making activities and the facilitation of client business in the foreign exchange, interest rate, equity, credit and commodity markets. Nedbank has kept proprietary trading low and the focus remains mainly on flow trading in these markets, with only 1,2% of the total economic capital of the group consumed. Current risk levels are within the board-approved limits and risk appetite. The main development in 2014 was the major regulatory proposals, including the Fundamental Review of the Trading Book, as well as other derivative market reforms. The market risk associated with the group's high-quality liquid-asset portfolio is well managed to minimise the effect of market volatility.

Investment risk (also referred to as equity risk in the banking book), which is held at fair value, is relatively low at R4 761m, within the risk appetite and limits approved by the board. This risk primarily arises through the investment banking and private-equity activities of Nedbank Capital, as well as property finance activities of Nedbank Corporate. A total of R2 862m is held for capital gain within these portfolios, while the remaining R1 899m is held for operational requirements. The strategic acquisition of 36,6% in Banco Único held at R286m and the appropriate 20% stake in Ecobank Transnational Incorporated (ETI) held at R6 223m were major investments in 2014. These are accounted for under the equity method of accounting, totalling R6 509m.

Interest rate risk in the banking book (IRRBB) is significant and arises from the group's lending and funding activities, with assets and liabilities maturing or repricing at different times, or against different base rates. Nedbank's IRRBB is largely in the short-end of the interest rate curve and results from assets predominantly pricing to the prime rate, whereas term deposits and fixed-rate advances are linked to the Johannesburg Interbank Agreed Rate (JIBAR) or hedged using JIBAR-linked swaps. Current exposures are within the board-approved limits and risk appetite. The net interest income sensitivity to a 1% change in interest rates is R1 019m (2013: R936m) over one year or 1,52% (2013: 1,54%) of capital. The current interest rate cycle in SA is at a historically low point and the group is well positioned for any upswings in interest rates.

Foreign currency translation risk (FCTR) arises from changes in value of the group's holdings of foreign capital due to shifts in exchange rates. Although the acquisitions in ETI and Banco Único in 2014 caused an increase in FCTR exposure, it is still in line with the group's appropriate offshore capital structure and risk appetite. A 10% change in the value of the rand will have a 0,2% (2013: 0,1%) impact on the group's total regulatory capital adequacy ratio (CAR).

Operational risk

During 2014 we focused our strategy on capitalising on our strengths in managing operational risk, concentrating on risk and internal control systems in all our businesses, while prioritising operational risk areas that offer opportunities to ensure that our businesses create and deliver value to our stakeholders.

Despite the external headwinds and difficult macroeconomic and geopolitical environments, Nedbank achieved a stable operational risk environment. The group operated within board-approved operational risk appetite limits.

Notwithstanding the above, the potential impact of operational risk within the group remains high. We are cognisant of the fact that, as the business evolves, the associated growth and level of operational complexity expose the group to additional operational risks. In response, we continued to focus on the improvement of the internal control environment to minimise potential for losses, and with an emphasis on making it easy to do business with Nedbank.

In 2014 the group remained focused on initiatives to enhance process management governance aimed at optimising the risk and control identification and assessment process.

Regulatory non-compliance relating to AML continues to receive focus with a view to addressing the weaknesses identified. The fine of R25m that Nedbank received in 2014 (as did the rest of the big four SA banks) was publicly disclosed as a significant regulatory operational risk event during the year. Steps have been taken to enhance the group's AML/CFT programme and the approach is now more strategic.

The focus remains on enhancing Nedbank's scenario analysis and governance process to ensure that the group continues to scan the operating environment and, where necessary, update scenario inputs to ensure the group remains adequately capitalised. New scenarios were identified or existing scenarios were updated to reflect changes in the operating environment. Identified control gaps were enhanced as part of the risk management process.

In recognition of the increasing growth, diversity of activities and dynamism of the environment in which our businesses operate, the group continued to refine the Operational Risk Management Framework (ORMF) to ensure that it is adaptive to the environment, is responsive to regulatory requirements, is in line with emerging leading practices and supports forward-looking and proactive risk identification and agility in response.

The organisational transformation/restructure in the Corporate and Investment Banking (CIB) Cluster and the Retail and Business Banking Cluster may result in uncertainty and elevated people risk. This requires close change management to provide stability while addressing specific business requirements and ensuring that we deliver value to our clients and other stakeholders.

No material spike in operational risk net losses (2014 versus 2013) was observed on the backdrop of global operational risk losses, which are still volatile, with strong and hostile regulatory actions being implemented.

The independent testing of our systems of internal control (and use testing of frameworks) is a major focus requiring the combined efforts of our stakeholders in the three lines of defence. We continuously review our associated control frameworks and operating models to make enhancements where necessary.

Capital adequacy

Nedbank Group's capital ratios are strong across all classes, above the mid-point of internal target ranges and above regulatory minimum requirements. Similarly, Nedbank Group economic capital adequacy is strong and ICAAP has been maintained.

Nedbank's ICAAP confirms that we are well capitalised above the current A or 99,93% target debt rating (solvency standard) in terms of the group's proprietary economic capital methodology.

Nedbank Group remains well capitalised, with a strong capital adequacy position at December 2014. This is supported by:

- a strong capital structure, with 80% of the group's capital comprising fully loss-absorbent common-equity tier 1 (CET1) capital;
- additional tier 1 and tier 2 capital, in line with regulatory requirements, including the R5,5bn issued since the implementation of Basel III;
- a conservative RWA density of 54% (RWA: total assets ratio), which compares favourably with that of local and international peers; and
- significant capital buffers above regulatory requirements.

Capital adequacy is strong relative to Nedbank's business activities, strategy and risk profile, and the external environment in which it operates.

Pro forma – with and without Africa expansion (ie ETI 20% transaction and Banco Único)

		Target ranges	Dec 2014	Dec 2014 without Africa expansion	Dec 2013
Regulatory capital					
Common-equity tier 1 (CET1) capital ratio	%	10,5 – 12,5	**11,6**	**12,5**	12,5
Total capital ratio	%	14,0 – 15,0	**14,6**	**15,5**	15,7
Dividend cover	(times)	1,75 – 2,25	**2,07**		2,11
Economic capital			**41 448**		35 939
Available financial resources (AFR): Economic capital	(%)		**140**		151
Cost of equity (COE)	%		**13,5**		13,0

The acquisitions of approximately 20% of Ecobank Transnational Incorporated (ETI) and 36,6% of Banco Único in 2014 have resulted in a 90 basis points reduction in the Nedbank Group Limited CET1 ratio. Furthermore, these acquisitions have resulted in an increase of the group's exposure to rest of Africa to approximately 10,5% of ordinary shareholders' equity (OSE). This is in line with the group's strategy for the rest of Africa.

Leverage

- 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 Basel III risk-based capital requirements in order to help avoid the buildup of excessive leverage and to capture both on- and off-balance-sheet exposure.
- SA banks, including Nedbank, compare favourably with most international banks on leverage.
- Nedbank Group's gearing under Basel III, which includes off-balance-sheet exposure and is based on the latest regulations, is 17,2 times (or 5,8%) at 2014 (2013: 16,8 times or 6,0%) 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 slight decline in the leverage position is largely as a result of the acquisition of the ETI stake and its associated capital and impairment.

Liquidity risk

Nedbank Group remains well funded with a strong liquidity position, underpinned by a significant quantum of long-term funding, an appropriately sized surplus liquid-asset buffer above the minimum Basel III liquidity coverage ratio (LCR) regulatory requirement, a strong loan-to-deposit ratio consistently below 100% and a low reliance on interbank and foreign-currency funding.

The Basel Committee published a finalised net stable funding ratio (NSFR) standard in October 2014. While the gap to full compliance with the NSFR has substantially decreased, full SA banking industry compliance remains challenging, given the small retail deposit base.

Consequently, Nedbank will continue to work closely with SARB, its peer group and the National Treasury in addressing the structural challenge ahead of the NSFR compliance date.

Nedbank's strong funding and liquidity position is illustrated by the following:

- Nedbank has maintained significant sources of quick liquidity amounting to R121,1bn, which represents 15,0% of total assets.
- Deposits grew 8,4% to R653,5bn from R603,0bn in 2013 as Nedbank continued to provide competitive and innovative transactional and investment products, with ongoing emphasis on meeting client needs.
- In 2014 Nedbank successfully tilted its funding mix away from wholesale funding through proportionally higher growth in retail deposits, capital market issuance and foreign funding.

Summary of Nedbank Group liquidity risk and funding profile		2014	2013
Total sources of quick liquidity	(Rm)	**121 074**	107 252
Surplus statutory liquid assets	(Rm)	**36 990**	27 965
Statutory liquid assets and cash reserves (ie SARB prudential minimum)	(Rm)	**45 637**	41 734
Other sources of quick liquidity[1]	(Rm)	**38 447**	37 553
Total sources of quick liquidity as a % of total assets	(%)	**15,0**	14,3
Long-term funding ratio (three-month average)	(%)	**25,4**	26,2
Retail Savings Bond[2]	(Rm)	**11 850**	9 638
Senior unsecured debt	(Rm)	**22 478**	20 850
Total capital market issuance	(Rm)	**35 638**	33 268
Reliance on negotiable certificates of deposit[3]	(%)	**10,8**	14,5
Reliance on foreign funding[3]	(%)	**4,6**	2,3
Loan-to-deposit ratio	(%)	**93,8**	96,1
Basel III pro forma liquidity ratios			
Liquidity coverage ratio (effective date – 2015 to 2019)[4] including targeted access to the committed liquidity facility (CLF)	(%)	**>60**	>60
Net stable funding ratio (effective date – 2018)[5]	(%)	**WIP[6]**	WIP[6]

[1] *This includes corporate bonds, listed equities and other marketable securities.*
[2] *Nedbank has both Retail Savings Bonds and Green Retail Savings Bonds with tenures of two, three and five years. The proceeds of the Green Retail Savings Bonds are earmarked for renewable-energy projects, while the proceeds of ordinary Retail Savings Bonds are applied to the general funding pool.*
[3] *As a % of total deposits.*
[4] *A 60% minimum LCR is required from 2015, increasing 10% per annum to 100% by 2019.*
[5] *The Basel Committee released its final version of the NSFR in October 2014.*
[6] *WIP – work in progress. The SA banks are working with National Treasury and SARB to address the structural challenges of complying with the NSFR before the effective date of 1 January 2018.*

NEDBANK'S EMERGING RISK THEMES AND RISK STRATEGY

The top 10 key risks flowing from Nedbank's three-year business plans, activities and risk strategy focus are set out below.

1 Heightened macroeconomic and geopolitical risk

The continuation of the difficult macroeconomic environment, compounded by the prospect of an ongoing power crisis, labour unrest and slow gross domestic product (GDP) growth, will result in a more challenging and risky operating environment.

For Nedbank to become a clearly distinctive competitive differentiator in this VUCA environment, we will continue to strive to achieve risk management of worldclass status.

To survive in the current economic environment of potential low revenue growth, we need to manage expenses growth effectively by optimising efficiencies, as highlighted in Nedbank's key strategic focus of strategic portfolio tilt, by continuing with the strategy of selective origination, by conducting ongoing close monitoring, deep dives and reviews in respect of the quality of our credit portfolios, and by ensuring adequate levels of credit impairments are maintained.

Constraints on the electricity supply and prolonged blackouts have implications on business continuity planning for banks. Business continuity management capabilities are focusing on preparedness for an extended regional blackout and increased generator capacity.

Further sovereign downgrades of SA's credit rating will impact our pricing and our ability to issue new forms of funding and capital, particularly outside SA, impacting our margins and growth. Because we are capped at the sovereign ceiling, all SA banks will be downgraded in such an event.

Nedbank's comprehensive stress testing enables us to be proactive in managing extreme events and difficult environments, and provides important input into a three-year plan and risk strategy.

2 Credit risk (given above VUCA macroeconomic environment)

Nedbank's robust credit risk management continues to be essential in the current economic environment, especially with interest rates remaining flatter for longer, currency moves, job losses, increasing prices, a power crisis, etc.

Traditional major risks of credit and liquidity are, as always, a key focus. With interest rates expected to remain unchanged at current levels until late in the year, the softer interest rate outlook and lower borrowing costs should support consumer credit demand and limit credit defaults in 2015, notwithstanding the weak job market and still high consumer debt levels.

Retail banking conditions are therefore likely to improve modestly, but growth in wholesale banking may moderate from current levels as fixed-investment plans and credit demand may be limited by the severity and extent of infrastructure constraints, rising production costs, soft global demand and low international commodity prices.

However, there is a downside risk to CLRs currently being below the TTC target range, with limited growth in the economy and in the VUCA macroeconomic environment.

As part of our ongoing strategic portfolio tilt strategy, Nedbank will continue to focus on selective credit origination and client-centred growth, with strong focus on proactive credit risk management and collections across our businesses. It remains prudent to maintain close scrutiny of the VUCA macroeconomic environment and current consumer indebtedness, and to ensure that our risk appetite remains appropriate.

We will leverage the IFRS 9 (credit) and Basel III implementations to elevate that risk measurement and management to an even higher level than today, and remain focused on changes to the National Credit Act and any strategic implications.

3 Regulatory risk

Since the global financial crisis regulation has been fundamentally changing the shape of banking and financial services, these changes will continue unabated over the next three to five years to 2020.

A highly efficient, effective, integrated and strategic-based regulatory change programme is a primary focus of Nedbank.

We will use the extensive regulatory change requirements to leverage our risk management, balance sheet management and business practices to heightened levels, and we remain cognisant of the rationale underlying regulation, which is:

- Client-centredness ('know your client') and Treating Customers Fairly, ensuring that clients are satisfied with the sound manner in which Nedbank conducts itself, and consistently following responsible business practices.
- Enhancing safety and soundness of the banking system, and balancing risk versus return.
- Increasing the financial stability of the country, striving to minimise activities such as money laundering and combatting the financing of terrorism.

SA's financial services will experience major changes during the 2015–2016 period that will be different to what had to be dealt with in the past.

The Financial Sector Regulatory Bill (FSRB) will result in extensive changes (expected in 2016) to the current regulatory system and the manner in which the regulations are applied. It fundamentally changes the legal framework in which the financial services industry has operated until now. The main change brought about by the FSRB will be to create two distinct regulators:

- a prudential regulator [Prudential Authority (PA)]; and
- a market conduct regulator [Financial Market Conduct Authority (FMCA)].

This system of dual regulation is known as the Twin Peaks model. Twin Peaks will be implemented in two phases. Phase one will address 'Who regulates?' The PA will regulate (oversee) the safety and soundness of financial institutions that provide financial products. On the other hand, the FMCA will supervise the conduct of business of all financial institutions and the integrity of the financial markets.

Phase two will address the 'How and what do they regulate?' This phase will deal with:

- the implementation process focused on creating new laws to underpin Twin Peaks; and
- the repeal of current laws and introduction of new all-encompassing financial sector legislation – the Conduct of Financial Institutions Act (COFI).

At the same time a market conduct framework will be introduced with the objective being, among others, the fair treatment of clients, designing products to meet clients' needs and ensuring that clients are better informed about the products they purchase.

Nedbank is launching a full Market Conduct Risk project early in 2015 as part of Nedbank's new Regulatory Change Programme, which will have as its aim the full understanding and implementation of the market conduct framework released by the National Treasury.

Another change brought about by the bill provides for a framework for the supervision of financial conglomerates. To the extent that companies in the Old Mutual Group and the Nedbank Group constitute a financial conglomerate, and in addition a systemically important financial institution (SIFI), we are at this stage unsure what will be required by the PA. Nedbank is providing its comments on the bill through the necessary industry bodies.

4 Rest of Africa strategy

With the expansion and strategic intent of building a Pan-African banking network, our risk management focus will be further enhanced in our investments and operations in the rest of Africa to address the related risk appetite more holistically and to help elevate risk management infrastructures in these environments.

The group's risk plan contains extensive initiatives to support Nedbank's Pan-African strategy and the recent investments in Ecobank and Banco Único to assist in enhancing their risk governance.

5 IT risk including cybercrime and information security

Clients naturally expect banks to prevent, quickly detect, isolate and contain security threats to their personal information, assets and other items of value in the care of the bank. Given the growing pervasiveness of the digital era, the growth in data drives higher potential vulnerability, which requires active monitoring. This presents a need for higher maturity in managing technology-related business risks against the background of increasing sophistication and prevalence of cybercrime.

To ensure a safer banking environment, not only for our own clients but also for the SA banking sector as a whole, Nedbank is a participating member of the Cyber Security Incident Response Team (CSIRT) at the South African Banking Risk Information Centre (SABRIC), with a view to assisting with combatting cybercrime in the SA financial sector.

Although cybercrime is very topical worldwide, there are no specific concerns in Nedbank. While fraud and criminality levels continue to increase globally and locally, Nedbank's fraud experience (losses) has shown a year-on-year decrease.

In a bid continuously to improve Nedbank's capability to deal with the challenges in the areas of cybersecurity and information security, focus is placed on landing key enabling initiatives such as the formulation of a cybercrime risk management prevention programme and an integrated financial crime risk management framework.

This strategic approach will enable Nedbank to become even more predictive on emerging risks and trends, both locally and internationally, to facilitate enhanced fraud detection capabilities and protection of valuable and sensitive data from external threats and malicious insiders.

6 Operational risk

Ongoing political, economic, social, environmental and technological developments are expected to continue challenging business operations. The macroeconomic environment, pressure on cost reduction and meeting revenue targets will likely increase the exposure to operational risk in 2015. This calls for enhanced awareness of the external business environment as well as anticipation of and proactive response to emerging risks.

The levels of operational risk capital remain under close scrutiny by the regulators; however, Nedbank's robust governance process ensures that the environment is continually scanned and scenario inputs are updated to ensure that the group remains adequately capitalised.

The top five emerging operational risks are conduct risk, cybercrime, fraud, IT risk and the regulatory environment, and are core components of Nedbank's 2015 risk plan.

To ensure the successful execution of the operational risk strategy there is an ongoing investment in people, processes and technology in key areas across the group.

7 Concentration risk

Unmanaged risk concentrations are traditionally a potential cause of major problems in banks. Concentration risk is therefore considered separately, as part of Nedbank's Risk Appetite Framework, and monitored regularly.

While Nedbank continues to grow wholesale advances faster than retail advances, growth remains within the risk appetite (such as CLR) and without excessive levels of single-name concentration risk. In line with the rest of the market Nedbank's mortgage exposure is high, but is viewed holistically across both residential and commercial mortgages, preferring a dominant market share in commercial, given better risk-based economics and returns.

8 Strategic risk

The bank's strategic plan is chiefly dependent on the success of its ability to execute such plan. Because of this, Nedbank is acutely aware that strategy and execution are interdependent and failure of one will inevitably lead to the failure of the other.

Strategic and execution risks are closely allied in any successful risk management programme and the one cannot be realised without the other being put into effect. In other words, the strategic plan must be done at a practical level to realise the strategy. Because of the close nature of the relationship between the two, it follows that execution risk in the Nedbank Group is a core focus at top management level.

9 Basel III strategic impacts

In responding to Basel III, management continues to deliver, position and prepare Nedbank Group optimally for these regulatory changes. Risk principles have been incorporated in the group's strategic portfolio tilt objectives, facilitating the strategic direction in respect of balance sheet portfolio growth, the consumption of capital, the use of long-dated liquidity and determining the size of the levels of high-quality liquid assets.

Basel III is being phased in over several years, from 2013 until 2019, and as such there are several major Basel III items that are still work in progress:

- Net stable funding ratio (NSFR)

In October 2014 the Basel Committee announced minor changes to the NSFR. Even after these changes SA banks still have a significant NSFR gap to close. As SA banks look strategically to closing this gap, we must understand and respond to any unintended consequences.

Nedbank will continue to work closely with SARB, its peer group and the National Treasury in addressing the structural challenge ahead of the NSFR compliance date, with implementation currently planned for 1 January 2018.

- Balancing risk sensitivity, simplicity and comparability

RWA levels are expected to be increased by the introduction of capital floors to advanced risk-based approaches (eg Advanced Internal Ratings-based Approach, Advanced Measurement Approach and

Value at Risk), based on the Basel III Standardised Approach.

- LCR transitional compliance with effect from 1 January 2015

The 60% compliance requirements for LCR came into effect on 1 January 2015 and will increase evenly by an additional 10% each year through to 2019, when banks must comply fully with this ratio.

Nedbank has proactively responded to these requirements, building a strong compliant position before the end of 2014 that included the acquisition of additional high-quality liquid-asset buffers and the creation of a collateralised pool of commercial mortgage bonds that has been pledged against an approved appropriate-size committed liquidity facility provided by SARB as part of the group's optimal compliance with these requirements.

The group's 2015 compliance level includes a conservative buffer designed to absorb any seasonal volatility during the year, and our funding and capital plans include a clear glide path of transitioning towards the higher requirements of 10% pa, ensuring that we accumulate additional high-quality liquid assets in line with these increasing requirements.

10 Regulatory capital, liquidity and funding risks

The extensive transitional Basel III requirements through to 2022 and ongoing developments in work-in-progress items continue to create upside risk to banks' capital requirements through either additional capital buffer requirements or more conservative measures of underlying risk-weighted assets.

The Financial Stability Board (FSB) is nearing the finalisation of proposals for global systemically important banks (G-SIBs) to have total loss-absorbing capital (TLAC) of 16% to 20% before the inclusion of any relevant SIFI charge, capital conservation and countercyclical buffers. The overall aim of the proposal is to limit taxpayer exposure to failing banks, minimise the impact of resolution on financial stability and ensure the availability of sufficient loss-absorbing and recapitalising capacity. Although no SA bank is included on the list of current G-SIBs, local regulators might look to adopt some of the principles applicable in this proposal for domestic systemically important banks (D-SIBs), and Nedbank has been identified as such for SA, along with its peers.

Domestically, raising new capital was adversely impacted by the curatorship of African Bank during 2014, whereby domestic investors' appetite for new-style Basel III-compliant loss-absorbent capital declined. Although appetite for these instruments has returned in 2015, pricing of new-style capital instruments has become more expensive.

Nedbank Group has detailed capital planning to optimally manage the redemption of old-style capital instruments, issue new-style capital instruments and structure its capital base across all tiers of capital. The group also performs ongoing active market sounding in order to meet investor demand and fill appetite at pricing levels that reflect true risk-based economics.

Ongoing regulatory liquidity developments have and will continue to play a significant role in shaping bank balance sheets through to 2020. The new regulatory liquidity ratios, including the LCR and NSFR introduced within Basel III, will have the most significant impact on regulatory liquidity and funding risk. Implications include:

- Banks will continue to raise higher levels of low-yielding high-quality liquid assets to support compliance with the LCR transitional requirements, which will consume the liquidity otherwise available for credit extension.
- Banks will diversify into funding pools in other jurisdictions where domestic pools cannot create adequate levels of long-dated funding to support the requirements of the NSFR.
- Immature capital markets will be developed and evolve in which banks will look to create funding tenor to support the NSFR requirements.
- Deleveraging out of suboptimal long-dated lending as long-dated funding is recognised as a true scarce commodity.
- Development of originate-to-distribute business models.

Compliance with these liquidity ratios will increase the cost of banking as the levels of liquidity transformation decline and liquid-asset buffer levels increase. The upside, however, is that liquidity risk will decline as banks' liquidity profiles improve, with higher levels of liquidity to support short-dated cash outflows under stress and longer-dated cash inflows better matched against long-dated cash outflows.

Risk-adjusted pricing and returns will need to be adjusted and banks will need to respond strategically. At Nedbank we are focused on proactively positioning ourselves.

Conclusion

Nedbank's ERMF has remained resilient through 2014, with a prudent but enabling Risk Appetite Framework, comprehensive stress and scenario testing, a responsive Recovery Plan under Basel III and a robust and strategic Risk Plan for 2015. We are well positioned to elevate risk management to become a competitive differentiator.

REPORTING BACK ON **REMUNERATION**

REMUNERATION POLICY

The group defines total reward as a combination of various types of rewards, including financial and non-financial, indirect and direct, and intrinsic and extrinsic rewards. The Remuneration Policy provides a framework for the management of total reward in the group, and supports the Nedbank employee value proposition (EVP).

Scope of the Nedbank Group Remuneration Policy

The Nedbank Group Remuneration Policy ('the remuneration policy') is board-approved and forms part of the group's operating philosophy, policies and standards. It sets out how total remuneration is to be managed in the group, and is supported by detailed operating policies, procedures and practices at business unit level.

The policy applies to all entities in Nedbank Group, including wholly owned subsidiaries and subsidiaries or joint ventures in which Nedbank has a majority interest, and excludes companies in which the group has only a private-equity investment. The policy applies uniformly in all such jurisdictions, except where it is in conflict with local statutes or regulations, in which case such statutes or regulations will apply. Where a particular operating jurisdiction has a more onerous regulatory or statutory framework, the local standards of governance in that jurisdiction will apply.

Aims of the policy

The group's reward arrangements should:

- enable it to attract, motivate and retain people of high calibre, with the right mix of experience, skills and knowledge to deliver on the strategy;
- support and reinforce its desired culture and encourage behaviour consistent with its values, thereby stimulating employee engagement;
- create appropriate balance and alignment between the needs, expectations and risk exposures of its stakeholders, including our staffmembers, clients, shareholders, regulators and communities, to ensure the creation of sustainable long-term value for each of these;
- incentivise employees to deliver sustained high levels of performance and excellent execution of its strategic priorities, while being cognisant of the impact this delivery has on the risk profile and exposure of the organisation;
- enable appropriate transparency in the development of remuneration programmes and the allocation of individual remuneration to ensure equity and fairness based on valid and appropriate external and internal benchmarks; and
- align with the principles of good corporate and compensation governance, ensuring an appropriate share of value for the relevant stakeholders in its business.

In the above regard, Nedbank's fixed and variable remuneration is aimed at enabling it to remain competitive. In this context 'competitive' encompasses market relativity, sustainability and commercial sensibility in the allocation and delivery of remuneration.

Remuneration governance

The group complies with the relevant remuneration governance codes that apply in its various operating jurisdictions. These include groupwide compliance with the Financial Stability Board's (FSB's) Principles for Sound Compensation Practice. In SA the group complies with the provisions of King III and the requirements of regulations 39 and 43 of the Banks Act and section 64C of the Banks Amendment Act. For group operations domiciled in the UK, the provisions of the Prudential Regulatory Authority (previously the Financial Services Authority) Remuneration Code apply.

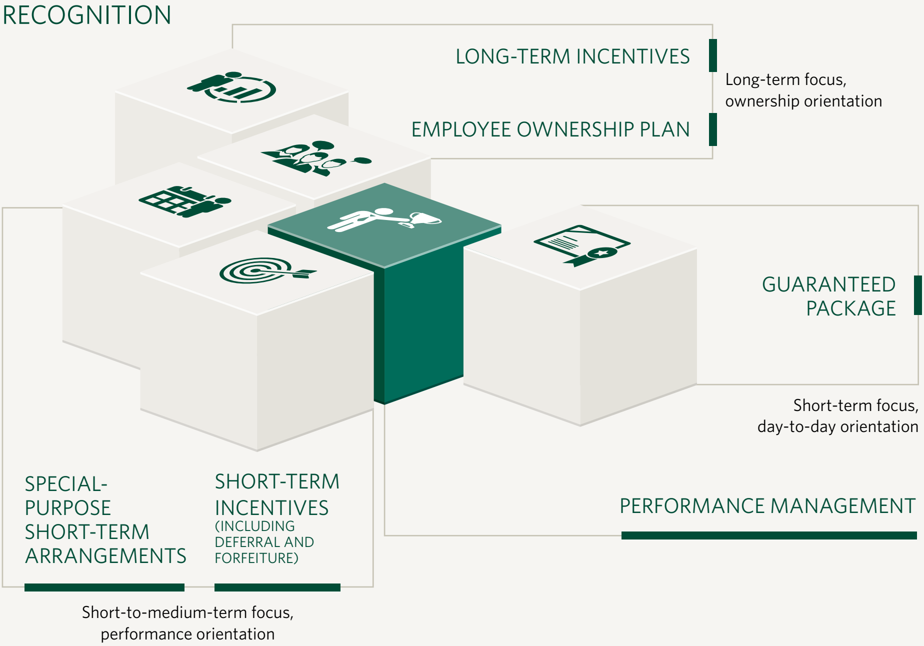
The Nedbank Group Remuneration Committee ('Group Remco') is mandated by the group's board to oversee and govern all aspects of remuneration and operates according to an approved charter. Outcomes of Group Remco meetings are reported to the board. Group Remco also conducts an annual self-assessment of its effectiveness.

Group Remco has independent advisers, both in SA and internationally, who provide strategic input and advice on international and local best practice and benchmarking. Group Remco is further supported by the Group Reward and Performance function.

Group Remco works closely with the Group Risk and Capital Management Committee (GRCMC) to ensure a comprehensive approach to risk and reward.

The group publishes its comprehensive annual Remuneration Report as part of its overall governance requirements.

Components of Nedbank's Total Remuneration Framework



Performance management

The group's performance management process ensures appropriate alignment of individual, team, business unit and cluster performance objectives with those of the group. This enables translation of the group's strategic focus areas into individual action plans.

The core principles of the group's performance management process are as follows:

- Performance management is consistently applied across the group to ensure effective alignment of strategic objectives and individual outputs.
- Performance objectives are based on a scorecard of metrics featuring both financial and non-financial indicators that align with the group's strategic imperatives.
- Performance management is an ongoing process rather than an event.
- Performance outcomes are appropriately differentiated to reflect the different levels of the contribution made by employees to the success of the group. Where performance deficits are identified, these are dealt with actively, with the primary objective of returning the employee to full performance.
- Performance management is a primary input into the group's remuneration programmes, with the aim, among others, of ensuring appropriate differentiation in remuneration based on contribution.

Guaranteed remuneration

Guaranteed remuneration comprises salary and employee benefits and is delivered to employees in a form determined by local market conditions. Guaranteed remuneration usually reflects the prevailing 'rate for the role' within a remuneration range, with actual remuneration being distributed about the median of the range.

In SA, and in some non-SA operations, this will take the form of a guaranteed package (GP). This represents the fixed cost of employment and, depending on local market practice, comprises a combination of the following:

- Cash salary.
- Retirement benefits.
- Medical benefits.
- Death and disability benefits.
- Contributions towards postretirement medical funding, where applicable.
- Motor vehicle benefits.

A core principle under a GP model is that changes to benefit contribution levels are typically cost neutral to the group: changes to benefit pricing result in a corresponding increase or decrease in the monthly cash salary for the individual.

Where appropriate, local market conditions may necessitate a basic-salary-plus-add-on benefit approach. In these instances the salary is typically fixed, with benefit costs being a function of utilisation (that is, if the benefit is not used, there is no cash compensation in lieu of the benefit). The group carries the upside risk of increases in the cost of benefits.

The primary determinant of guaranteed remuneration is market-relatedness. The group conducts annual benchmarking against comparable firms in the relevant jurisdictions to assess market competitiveness. The combination of distribution of guaranteed remuneration within the earnings ranges and the market relativity of the group's guaranteed remuneration is a primary input into the annual salary review process, but in all instances this is subject to affordability and appropriate consideration of the sustainability of the group's remuneration practices.

In support of remuneration benchmarking there is a robust process of job profiling and evaluation. This enables consistency in the evaluation and sizing of roles, and the associated benchmarking of guaranteed-remuneration levels.

At an individual decisionmaking level performance is used as a determinant of the extent of an individual's progression within an earnings range. Thus, performance and individual market position are used concurrently when remuneration increases are determined.

Adjustments to guaranteed remuneration outside of the annual review process are typically exceptional, linked to changes in responsibility or the intention to retain specific talent. These are subject to appropriate approval based on the relevant delegations of authority.

All employee benefits, whether offered on a cost-to-company or a basic-salary-plus-add-on basis, are subject to appropriate oversight and governance to ensure that the financial and reputational risks associated with the provision of employee benefits are effectively and prudently managed.

Short-term incentives, including deferrals

Short-term incentives (STIs) are delivered primarily through the group's discretionary STI arrangements. Where appropriate, and subject to the appropriate governance and approval, bespoke plans may be implemented, subject to Group Remco oversight.

As a general rule, all STI plans are funded from the group's overall STI pool. Bespoke plans will therefore result in a 'drawdown' on the pool. Where there is a specific dispensation to exclude a bespoke plan from the overall STI pool (usually in cases of low-guaranteed/high-variable remuneration models), Group Remco approval for such exclusion is required.

The group does not operate any individual 'line of sight' schemes that could be deemed to encourage inappropriate risktaking or increase the risk of moral hazard. Where commission-type arrangements operate (usually in respect of low-risk income-generating sales roles), appropriate safeguards are included to mitigate any potential moral hazard.

STI participation is discretionary, and therefore there is no right to a performance incentive award in any given year. STIs are, at an individual level, determined primarily on the basis of performance, with the overall objective of exceptional reward for exceptional performance. Differentiation of awards based on the range of performance outcomes in the group is therefore a core principle. Furthermore, employees performing below a minimum acceptable level are not typically eligible for consideration for an STI award.

STIs are typically in the form of cash and the employee must be in service on the date of payment. However, in accordance with global financial services governance and prudent risk management principles, the group has introduced an arrangement of compulsory deferral into shares of STI awards paid in excess of a threshold approved by Group Remco from time to time, which has been effective from 2010 onwards. Where deferral applies under this arrangement, any awards made are subject to specific release from forfeiture criteria and are subject to forfeiture at the discretion of Group Remco. Where forfeiture applies, the group will not retest conditions or extend the period over which shares must be held.

Group Remco approval is required for all individual STI awards that exceed 200% of guaranteed remuneration.

The group may, as a component of its approved long-term incentive (LTI) programme, offer a share-matching arrangement on compulsory STI deferrals, subject to the participant's retention of the award in the plan for a minimum period of 36 months (which is longer than the standard deferral timeframe), and subject to the release of the awards from potential forfeiture. Additional matching is further subject to the fulfilment of a specific group performance condition.

Special-purpose short-term variable remuneration arrangements

The group uses, on an exceptional basis, special-purpose short-term variable remuneration arrangements to assist in the attraction and retention of key talented employees and holders of scarce skills. These include signon awards and deferred short-term incentive (DSTI) arrangements, both of which are subject to individual performance and time-based conditions to ensure an appropriate return on the remuneration investment.

The group is cognisant of the regulatory concerns raised regarding so-called 'guaranteed variable remuneration', and the potential downside of such payments. A high level of governance is therefore applied to both the operation of the respective programmes and the actual inclusion of individuals. In this regard a specified pool is approved by Group Remco for each financial year for each of the programmes. This pool is placed under the direct control of the Chief Executive (CE) and is subject to review by Group Remco at each meeting.

As a core principle, guaranteed variable remuneration awards are highly exceptional and are utilised primarily in the context of the appointment or retention of key, critical talent. Furthermore, participants are typically able to receive an award under the respective plans only once during their tenure with the group.

The group does not award guaranteed bonuses.

Employee ownership plans

The group offers two broad types of employee ownership plans: broad-based participation based on local statutory or regulatory requirements (these include BBBEE arrangements and 'indigenisation' or 'localisation' programmes) and employee subscription arrangements, in terms of which employees may invest a portion of their after-tax STI in Nedbank shares, with the possibility of matched shares.

Broad-based schemes operate in jurisdictions where local regulations or statutes require specific economic participation by employees, usually by means of ownership of a stake in the business. In most (but not necessarily all) instances these plans are put in place to redress past imbalances in participation in the particular country's economy. Participation in such plans may therefore be limited to certain employees, based on demographic specifications. Further, failure to adhere to the requirements may have material legal or regulatory implications for the relevant business. Broad-based schemes are typically implemented at zero cost to employees.

Employee subscription arrangements are typically voluntary and give employees the opportunity to invest in Nedbank, currently on a posttax basis, over a stipulated period. This allows the employee to participate in both potential share price appreciation and the application of matching arrangements if the shares are retained in the plan for a prespecified period of 36 months. In this regard the group operates a voluntary STI deferral scheme, which allows eligible participants to receive matching shares, provided such shares remain in the programme for a stipulated period.

All employee ownership plans are subject to board or Group Remco approval (and may, subject to the nature of the transaction, require regulatory, stock exchange or shareholder approval). Accordingly, strict governance and approval processes apply in every instance.

Long-term incentive plans

The group's shareholders have approved the implementation of a restricted-share-plan (RSP) arrangement, through which LTI awards are made. Where deemed necessary to address local taxation and exchange control issues, cash-settled phantom RSP arrangements have been implemented to ensure that operations outside SA may also participate in LTI arrangements linked to the group's share price performance, and therefore ensure appropriate alignment of the interests of executives based abroad with those of the group's shareholders.

LTI awards are based on the following considerations:

- Strategy and individuals key to driving the business strategy.
- Talent management strategy and succession planning.
- Retention of key talent and scarce skills.
- Transformation objectives.
- Potential and performance.
- Leadership.

The following are the core principles applicable to the group RSP arrangements, including phantom restricted share plans (RSPs):

- Awards under the relevant RSPs may typically be made at only two intervals per year – the annual pay review (typically March) and one off-cycle award (typically August). All awards are subject to the necessary governance and approval processes.
- All plans are subject to corporate performance targets (CPTs) on at least 50% of the total award (with awards for executive directors being subject to performance conditions on 100% of the award).
- Awards subject to performance conditions may be lapsed in full or in part in the event that the conditions are not met. There is also appropriate upward leverage to a maximum of 130% in the event that conditions are exceeded. Where awards are lapsed because of non-fulfilment of the performance conditions, the conditions will not be retested.
- Awards are subject to vesting over a period of no less than three years from the date of the grant.
- Where awards are lapsed, there is no replacement compensation issued.
- Employees may not take steps to hedge or otherwise insure themselves against potential losses in respect of their LTI participation prior to vesting.
- The pool available for allocation under the group's LTI arrangements is approved in advance by Group Remco.
- Group Remco assesses and confirms the CPT outcomes, ensuring that the interests of all stakeholders are appropriately considered.

Changes to remuneration arrangements

The group reserves the right, subject to compliance with the relevant legislation or collective agreements, to change or withdraw any aspect of its total remuneration framework. All programmes are subject to the applicable rules from time to time.

Recognition

In addition to the core remuneration elements set out above, the group also prides itself on the recognition of excellence among employees. To this end the group operates a comprehensive recognition programme comprising both formal and informal recognition.

The core principles of the recognition process are as follows:

- Recognition should be timely and spontaneous.
- Recognition should be specific in that employees must know what behaviours were found desirable and what actions should be repeated.
- Business units determine how recognition will be conducted in their area within specified guidelines.
- The recognition programme incorporates both informal and formal processes. These processes run concurrently throughout the year and support the achievement of the group's business objectives.
- Any awards made under the recognition programme are compliant with the relevant tax legislation.

Non-executive directors' remuneration

The fees of non-executive directors are reviewed annually. In accordance with the relevant corporate governance requirements, these are subject to approval in advance by shareholders at the annual general meeting. Changes to fees, where approved, become applicable on 1 July of each year.

ROLES AND ACCOUNTABILITIES

BOARD
Accountable for organisational governance. Provides mandate to Group Remco.

GROUP REMUNERATION COMMITTEE
Oversight and approval of Remuneration Policy and reward programmes. Approval of senior executive remuneration.

GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE
Oversight and input regarding risk and remuneration. Works with Group Remco to ensure appropriate risk adjustment in remuneration structures.

GROUP EXCO
Proposal of reward programmes and structures to Group Remco. Oversight and implementation of approved remuneration programmes.

INDEPENDENT ADVISERS
Independent advice on best practice, benchmarking and remuneration governance issues.

GROUP REWARD AND PERFORMANCE
Develop reward strategy and supporting policies and programmes. Execution of reward initiatives.

LINE MANAGEMENT
Implementation of reward programmes, with employees adhering to reward policies and processes.

EMPLOYEES
Adherence to reward policies and processes.

HUMAN RESOURCES
Implementation of reward policy and strategy with line management support and advice.

REMUNERATION REPORT

The Remuneration Policy is enabled and supported by decisions made by Group Remco, which is informed by internal rules, procedures and processes. These ensure that the group's predominant approach remains one of consistency and stability, while being cognisant of evolving legislation and remuneration practice. Any changes made are considered carefully to mitigate any unintended consequences or negative effects on the group's stakeholders. LTI awards made to executive directors are, from 2014, subject to performance conditions on 100% of the award, up from 50% in previous award cycles.

With the introduction of the Strategic Initiatives element into our LTI programme, awards made to qualifying executives in 2015 will now include specific performance conditions related to African Collaboration initiatives across the Old Mutual Group. Further details of this arrangement are set out on pages 55a to 65a of this report.

This Remuneration Report sets out the consistent implementation of the Remuneration Policy within the group during 2014, as well as subsequent events in 2015, where applicable.

REMUNERATION GOVERNANCE

Remuneration regulation

Group Remco recognises that, globally, the remuneration environment remains highly regulated. This requires that Group Remco members keep abreast of the changing regulatory landscape, as well as prevailing stakeholder sentiment regarding remuneration matters, and take proactive steps to ensure that the group continues to meet its regulatory obligations in this regard.

Group Remco receives regular updates from either its external advisers or the Group Reward and Performance team on the evolving regulatory environment to ensure that it is able to respond appropriately and timeously to changes in this regard. There have also, for the past three years, been dedicated training sessions, to which all boardmembers are invited, dealing in depth with the issues of remuneration.

Interaction with regulators

During 2014 the group confirmed to SARB that it continues to comply with the IFSB Principles and the associated implementation standards. The promulgation of section 64C of the Banks Act, in respect of which the group confirmed its full compliance and its intention to ensure continued compliance, was an issue raised by SARB this year. The group also continues to be fully compliant with regard to its practices relating to the alignment of remuneration to the long-term risks of the business.

Group Remco met five times during 2014. Details of attendance at the meetings are set out on pages 86 and 87 of this integrated report.

The CE, Chief Operating Officer (COO) and Group Executive: Human Resources are permanent invitees to Group Remco meetings. However, none of these attendees are present at discussions on their own remuneration. The meetings are also attended by the executive responsible for the reward and performance function in the group, as well as any external advisers whom Group Remco may deem necessary from time to time.

All members of Group Remco act as trustees of the Nedbank Group (2005) Employee Share Trust. The trustee meeting for this scheme was held on 24 November 2014.

Group Remco appointed PricewaterhouseCoopers Inc. (PwC) to conduct an independent review of the group's Remuneration Policy as well as the implementation of the group's remuneration practices. No material issues were raised in this regard. The group is pleased with the results of the review and will continue to consider ways in which to improve its remuneration practices.

Functioning of Group Remco

Group Remco is delegated by the board to discharge its corporate governance duties related to remuneration strategy, policy and practices. The board ensures that Group Remco is:

- constituted in a way that enables it to exercise competent and independent judgement on remuneration policy and practices, while also considering the management of related risk;
- independently engaged by the GRCMC for specific risk-related decisions;
- functioning in compliance with statutory requirements, codes of relevant best remuneration practice as well as applicable regulatory requirements and its board-approved charter; and
- remaining responsive in terms of risk-adjusted remuneration practices.

Group Remco's responsibilities, which are groupwide in their application, are set out in the Group Remco Charter. The charter has been amended and approved to take into account section 64C of the Banks Act and is available online.

Group Remco applies the guiding principles of the Remuneration Policy as far as is feasible, but retains the right to apply discretion to deviate from this policy in exceptional circumstances. There were no requirements for such deviation in 2014.

Composition of Group Remco

Group Remco currently consists of four members, the majority of whom are independent non-executive directors. The committee has an independent chairman.

Group Remco membership in 2014 was as follows:

Name	Directorship status	Current membership
Paul Mpho Makwana (Chairman)	Independent non-executive director	Current member
Nomavuso Patience Mnxasana	Independent non-executive director	Current member
Julian Victor Frow Roberts	Non-executive director	Current member
Malcolm Ian Wyman	Senior independent non-executive director	Current member

Group Remco's self-assessment, conducted in the last quarter of 2014, to evaluate its effectiveness against the objectives of its charter revealed no material issues.

Advice to Group Remco

Group Remco has full access to independent executive remuneration consultants, and has utilised the services of Vasdex Associates Proprietary Limited and PwC during 2014.

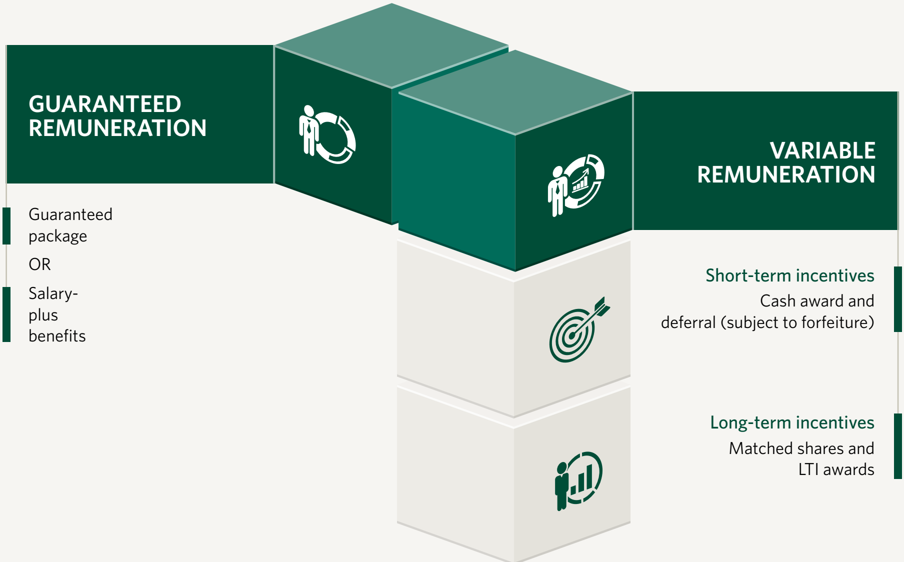
Group Remco is provided, through the group reward and performance function, with market-related remuneration information based on a number of independent remuneration surveys in which we participate. These include the PwC Remchannel surveys, the Global Remuneration Solutions/Mercer Top Executive Remuneration Survey, the LMO Executive Remuneration Survey and a number of smaller niche or bespoke remuneration surveys.

REMUNERATION ELEMENTS: MATERIAL PROGRAMMES

The group's remuneration elements are set out in detail in the Remuneration Policy on pages 46a to 50a of this Remuneration Report. In this section material remuneration programmes or practices are highlighted.

Total remuneration mix

The Nedbank total remuneration mix is depicted as follows:



Details of the items in the diagram set out above are included in the Remuneration Policy on pages 46a to 50a of this Remuneration Report. However, in some instances, further details are provided on the pages that follow to ensure greater understanding of Nedbank's approach.

Retirement schemes

Our principal position on retirement schemes remains that these should be of a defined-contribution nature, with appropriate employee involvement in the governance of these schemes through representation on boards of trustees. We are, however, cognisant of the fact that the scheme design and governance will be largely influenced by local statutory and regulatory conditions. Detailed financial disclosures are set out in the consolidated annual financial statements available online.

SA employees (part of guaranteed package)

The majority of SA employees (and specifically all appointees since 1 January 1994) are members of the Nedgroup Defined-Contribution Pension or Provident Fund. Both include flexible contribution levels and member investment choice. At 31 December 2014 a total of 9 665 employees were members of the Defined-Contribution Pension Fund and 17 988 employees were members of the Defined-Contribution Provident Fund.

The group has taken a decision to transition both of its defined-contribution funds into the Old Mutual SuperFund, which is an umbrella fund. This transition was effective 1 January 2015, and is envisaged to be concluded during the course of the first quarter of 2015.

We also have the closed Nedgroup Defined-Benefit Pension Fund, with 244 active members and 2 967 pensioners at 31 December 2014. The Nedgroup Defined-Benefit Pension Fund is fully funded, with an actuarial surplus. This fund will remain standalone.

Employees outside SA (either provided as part of the guaranteed package or as a standalone employee benefit)

Our non-SA operations run a variety of defined-contribution and legacy defined-benefit schemes for the benefit of employees. These are all governed in accordance with the local regulatory environment. Where defined-benefit plans are in deficit, appropriate steps are in place to manage the financial impact of such deficits. Existing defined-benefit-plan deficits are not regarded as posing any material risk to the financial sustainability of the group.

Postretirement medical aid fund subsidisation

A postretirement medical aid fund exists, which provides qualifying employees in SA with a postretirement medical aid subsidy promise. Approximately 78% of active employees participate in the benefit. This promise is contingent on the employee actually retiring from the bank, and is not transferable or encashable. The fund is currently fully provided for.

The postretirement medical aid prefunding reserve has been migrated to a policy held with Old Mutual and is managed by a joint Nedbank/Old Mutual Management Committee to ensure that it continues to meet its primary purpose of providing a postretirement medical subsidy for Nedbank retirees.

Short-term incentive schemes

STIs aim to drive the achievement of sustainable results within an agreed risk appetite framework and to encourage behaviours that are consistent with our values and are aligned with the best interests of our stakeholders. Our STI schemes are structured to support collaborative work across different clusters. Group Remco has agreed a set of principles and all group and cluster incentive schemes are designed according to those principles.

Performance is measured at a group, cluster and business unit level against preagreed financial and non-financial targets after the finalisation of the audited year-end results.

In the income-generating clusters incentive pools are structured with a weighting linked to the group, cluster and, where appropriate, divisional performance. The five income-generating clusters within the group (Capital, Corporate, Business Banking, Retail and Wealth), together with the Rest of Africa Division, are measured against a combination of performance targets, namely economic profit (EP), headline earnings (HE) and a set of non-financial targets. The incentive pool for all central clusters are based on a combination of group performance relative to the targets in respect of EP, HE and cluster-specific non-financial performance scorecards.

The detailed process for setting the STI pools is outlined on page 63a of this Remuneration Report.

Distribution of the STI pools at an individual level is on a discretionary basis, is aligned with market practice and utilises individual performance relative to the agreed to deliverables in the performance management process.

In view of the importance of long-term sustainability of performance, a portion of the STI earned above a predetermined threshold is deferred, and remains at risk over a future settlement period.

The total STI pool approved for distribution by Group Remco in respect of the 2014 financial year was R2 100m (2013: R1 825m). Furthermore, in accordance with the provisions of its charter, Group Remco approved 26 individual STI payments (2013: 31) in excess of 200% of GP in respect of the 2014 financial year.

Deferral of short-term incentives

STIs above R1m are subject to deferral into the Compulsory Bonus Share Scheme (CBSS), which operates under the terms of the Nedbank Group (2005) Matched Share Scheme. This arrangement has been in place since 2010. Deferral takes place in respect of 50% of any amount over R1m, and applies on a posttax basis. Amounts are deferred over a period of 30 months, with releases from forfeiture taking place in equal proportions at six months, 18 months and 30 months from the date of award. However, to be eligible for a match on these shares the individual must retain the shares in the scheme for a full period of 36 months. This is addressed in further detail below.

Awards in each tranche are subject to a formal release-from-forfeiture decision, which is subject to board approval and dependent on there having been no material events that would, at the absolute discretion of Group Remco, warrant forfeiture of the particular tranche of the individual awards. If a forfeiture event is declared, the awards for the applicable tranche lapse in part or full, without any option for retesting. Awards are subject to forfeiture in the event of resignation or dismissal for cause (a so-called 'fault' termination).

Employees may also elect to defer a portion of their posttax STI voluntarily into the Matched Share Scheme, subject to the total deferral (including compulsory deferral) not exceeding 50% of the total posttax STI award. Any voluntary deferral must similarly be held in the scheme for 36 months to qualify for the match, as set out below.

Matching of deferred short-term performance incentive awards

In terms of the Matched Share Scheme rules, should there be no forfeiture of awards as outlined above and the employee retains the shares in the scheme for a period of 36 months, he or she may receive matched shares of either 50% or 100% of the number of shares held by him or her in the scheme for the relevant allocation year. The former is based on the employee remaining in the scheme for the stipulated period, whereas the latter is based on both time and the achievement of a predefined corporate performance target (CPT). In practice, this means that where the employee is at the current highest marginal tax rate and the full after-tax amount of the STI is committed to the Matched Share Scheme for 36 months and the performance condition is met, the STI can increase by 30% on its original value, before taking account of any movement in the share price.

A cash-settled compulsory STI deferral is used for all employees employed in the UK who earned an STI in excess of £150 000. No (2013: two) UK-based employees earned STIs in excess of the threshold for financial year 2014 (payable in 2015).

Special-purpose short-term variable remuneration

In exceptional circumstances, typically in the context of hiring senior and key employees, we use preapproved special-purpose short-term variable remuneration arrangements.

Scheme type	Scheme description	Scheme governance	Number of awards
Signon bonuses	Cash awards made to prospective employees on joining the group, typically awarded to compensate for loss of certain accrued benefits or to make them whole in terms of existing contractual obligations.	Group Remco approves an annual pool from which the CE may allocate awards. Recommendations are received from Group Exco members. Awards are subject to clawback provisions in respect of termination of services before a prestipulated timeframe.	12 awards (2013:10) totalling R6,23m (2013: R2,86m).
DSTI awards	DSTI awards are cash-based awards, comprising an upfront payment (typically 40% of the award), with a deferred component (the remaining 60%) payable subject to a minimum time-based condition.	Group Remco approves an annual pool for DSTIs. Motivations for awards are made by Group Exco members and approved by the CE. Awards may not be considered for the current CE or for existing members of Group Exco, but may be considered on a highly exceptional basis as part of the total remuneration package in the event of appointment of new Group Exco members from outside the group. Awards are subject to clawback (for the component already paid) and to forfeiture of the remaining portion in the event that the recipient leaves the employ of the group during the tenure of the award. Awards are also subject to an ongoing minimum individual performance requirement, which, if not met, may result in the lapse of the deferred tranche in full.	19 awards (2013: 6) totalling R16,4m (2013: R6,1m). The increase in the number and value of awards approved is in relation to a number of senior and highly specialist appointments made in 2014, and the need to implement specific retention initiatives in certain scarce skills environments.

The group does not, as a matter of course, award guaranteed bonuses.

Long-term incentives

LTIs are awarded with the joint aims of aligning performance with the interests of stakeholders and of retaining key employees. Criteria and the quantum of allocations are benchmarked to the market annually. The allocation of LTIs is discretionary and is based on the following key eligibility criteria:

- Strategy and individuals key to driving the business strategy.
- Talent management strategy and succession planning.
- Retention of key talent and scarce skills.
- Transformation objectives.
- Potential and performance.
- Leadership.

All LTI allocations are motivated by Group Exco and approved by Group Remco members in their capacity as trustees of the Nedbank (2005) Employee Share Scheme Trust. Specific approval is also required for all LTI awards greater than 100% of GP.

The various LTI schemes are indicated below. The operation of the international Long-term Incentive Plan (LTIP) has been brought in line with the Nedbank Group (2005) scheme, but on a phantom basis.

Overview of the group's long-term incentive arrangements under the Nedbank (2005) Employee Share Scheme

The Option Scheme

No awards have been made in terms of this section of the scheme since 2007 and there are no unvested awards in this scheme.

Restricted Share Scheme: Annual allocations

Group Remco issued restricted shares with a three-year vesting period to eligible participants on the following basis:

- At least 50% performance shares: restricted shares with CPTs, but with a higher percentage applying for executive directors (100%) and members of Group Exco and cluster executive committees (60%).
- Balance as retention shares: restricted shares without CPTs.

All awards made to executive directors are subject to CPTs on 100% of the award.

Restricted Share Scheme: On-appointment allocations

On-appointment, restricted-share allocations with a three-year vesting period are offered at the discretion of Group Remco to new senior managers and also on an exceptional basis to employees who have been appointed to more senior positions and have been recommended for an allocation by Group Exco.

On-appointment allocations take place biannually (and by exception on the date of appointment, with specific approval), three trading days after the announcement of the annual or interim financial results. Allocations are made on the following basis:

- At least 50% performance shares: restricted shares with CPTs, but with a higher percentage for executive directors and members of Group Exco and cluster excos, as set out above.
- Balance as retention shares: restricted shares without CPTs.

All on-appointment awards made to executive directors (including on appointment to an executive director role) are subject to CPTs on 100% of the award.

Strategic Initiative element in the Nedbank long-term incentive plan

- It was agreed by the Remuneration Committee that 20% of the total LTI award made to members of Group Exco and cluster excos will be subject to a broader Strategic Initiative performance condition. In 2015 this will be aligned to the delivery of the combined target of R1bn of pretax synergies by the end of 2017 across the Old Mutual Group and will be standard across all three Africa-based entities in the Old Mutual Group. The award will be delivered in Nedbank shares and will be subject to a stipulated minimum amount of the R170m of the R1bn in synergies accruing to Nedbank. For executive directors this changes the mix of performance conditions (since they are already subject to 100% CPTs) and for the remainder of the participants this increases the proportion of LTIs subject to CPTs. LTI awards will be subject to performance conditions on the following basis in 2015:

Metric		Executive directors	Group and cluster exco members	All other Nedbank LTIP participants
% of award vesting with CPTs	ROE (excl goodwill) vs COE	40%	20%	25%
	Share price vs Fini 15	40%	20%	25%
	Strategic initiative	20%	20%	-
% of award vesting with no target		–	40%	50%

Further details of the actual CPTs are set out on page 65a of this Remuneration Report.

Matched Share Scheme

The Matched Share Scheme provides a vehicle for the compulsory deferral of STI awards in excess of R1m. There is also an opportunity for employees to participate in the scheme by way of a voluntary investment. The details applicable to deferral and potential matching of deferred awards are set out on pages 53a to 55a of this Remuneration Report.

In this regard employees also have a voluntary opportunity to allocate a portion of their STI, to a maximum of 50% of their total after-tax STI (inclusive of any compulsory deferral), towards the acquisition of Nedbank Group shares. Employees may also deposit personally held Nedbank Group shares to the equivalent value into the trust that administers this scheme. The incentive to do so is a matching of this investment, to a maximum equivalent value on a one-for-one basis.

The scheme's obligation to deliver or procure the delivery of the matched shares in both the compulsory and voluntary arrangements rests on two conditions, namely that:

- for 50% of the matched shares, employees are still in the service of the group on the vesting date three years after allocation under the Matched Share Scheme; and
- for the remaining 50% of the matched shares, the group has met an agreed performance target over a three-year period. This is currently that the return on equity (ROE) (excluding goodwill) must equal or exceed the cost of equity (COE) plus 2%.

Other long-term incentive schemes in operation

Phantom Cash-settled Restricted Share Plan

During 2007 Group Remco approved the Phantom Cash-settled Restricted Share Group Plan ('the Nedbank UK LTIP') for key employees in the UK. The design principles and structure mirror the Nedbank (2005) Group Employee Share Scheme. From 2015 LTI awards made to employees in the rest of Africa subsidiaries will be made from the phantom plan to address taxation and exchange control issues that have been identified.

Nedbank Africa subsidiary schemes

There are approved schemes in Nedbank Namibia, Nedbank Swaziland and Nedbank Malawi.

Full details of the number and value of awards granted during the year in terms of our share-based plans are included in the Consolidated Annual Financial Statements, which are available at **netbankgroup.co.za**.

Corporate performance targets

Group Remco approved the use of a combination of appropriately weighted internal absolute and external relative CPTs for the performance shares awarded in 2014, which have remained unchanged since these targets were originally set in 2010. The details of these targets are set out on page 65a of this Remuneration Report. The introduction of the Strategic Initiative element into the plan will change the proportion of awards subject to CPTs, as set out on page 55a of this Remuneration Report.

CPTs may not be altered once they have been set. This is in accordance with global best practice and the provisions of the relevant remuneration regulations.

Vesting of share awards in 2015

Nedbank Group issued restricted shares in March and August 2012, with vesting thereof linked in equal proportions to a combination of time and the group's meeting certain performance conditions. In respect of the time-based awards vesting took place at 100% and in respect of the performance-condition-based awards vesting took place at 37,9% of the award. In 2012 the same vesting arrangements applied in respect of the awards issued to all employees who participate in the scheme with the increased element of the LTI having CPTs for executive directors only being introduced in 2014. Where necessary, in the case of executive directors and the Company Secretary, the necessary Securities Exchange News Service (SENS) announcements were issued at the prescribed times in this regard.

Nedbank Eyethu employee schemes

We implemented our black economic empowerment staff schemes in August 2005. The following employee schemes were approved at that time:

Scheme name	New awards during 2014	Total beneficiaries at 31 December 2014	Total number of shares at 31 December 2014
Black Executive Trust	0	42 (2013:53)	1 109 967
Black Management Scheme	0	680 (2013:1038)	2 690 516
Evergreen Trust[1]	0 (2013:1 123)	4 788 (once-off awards are made)	923 342
Broad-based Scheme	Fully vested on 27 July 2010	508	318 (held by a beneficiary)

[1] *The Evergreen Trust was created with the specific purpose of improving the living standards and personal circumstances of black permanent employees at the lower-income levels by providing grants and/or benefits to qualifying employees.*

Share and share option allocations may be made to new and internally appointed employees, in accordance with the scheme rules and the respective trust deeds.

Rest of Africa empowerment schemes

No allocations were made under the Nedbank Swaziland Sinakekelwe Employee Share Scheme and the Nedbank Namibia Ofifiya Black Management Scheme in 2014.

Empowerment or 'indigenisation' schemes were approved during 2013 for the group's subsidiaries in Lesotho, Malawi and Zimbabwe. These are currently being implemented.

Collective bargaining regarding remuneration increases

Certain categories of employees in SA are covered under collective bargaining agreements with Sasbo: The Finance Union and the Insurance and Banking Staff Association (IBSA). At 31 December 2014 a total of 68% of our employees constituted the bargaining unit. In April 2014 a total pool of 8,1% of the guaranteed-remuneration bill for employees in the bargaining unit was made available for annual increases and approximately 5,5% and 5% for the non-bargaining unit and executives respectively. The minimum GP for permanent, fulltime employees in SA was increased by 9,1% to R120 000 per annum.

Collective bargaining arrangements also exist in our Rest of Africa subsidiaries in Lesotho, Namibia, Swaziland and Zimbabwe. Care is taken that salary increase settlements in respect of these are appropriate within the context of local market and economic conditions.

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

Prescribed officers

The managing executives of the four frontline, income-generating clusters are included in the disclosures set out below. The board has approved the executives to be regarded as prescribed officers. During 2014 Ingrid Johnson ceased to be a prescribed officer on 30 June and Philip Wessels was appointed as a prescribed officer as of 1 August.

Increase in guaranteed package

The remuneration for the CE, executive directors and prescribed officers are adjusted with effect from 1 April 2015. Increases for executive directors and prescribed officers take into account market benchmarks, performance and remuneration levels relative to those of peers. There is also appropriate consideration of calls for restraint in regard to remuneration. The GPs of the CE and other executive directors were considered and recommended to the board by Group Remco, with a further approval by Old Mutual plc for the CE.

The following adjustments to GP were approved by Group Remco for implementation on 1 April 2015 (unless otherwise indicated):

	*Guaranteed package (GP)		Year-on-year movement		
	New GP effective April 2015 (R000)	GP at April 2014 (R000)	GP at April 2013	2014–2015 % change	2013–2014 % change
Mike Brown	7 500	7 200	6 600	4,2	9,1
Graham Dempster	5 250	5 000	4 435	5,0	12,7
Raisibe Morathi	4 200	3 900	3 570	7,7	9,2
Ingrid Johnson[1]		4 650	4 200		10,7
Brian Kennedy	4 200	4 000	3 780	5,0	5,8
Dave Macready	3 940	3 750	3 300	5,1	13,6
Mfundo Nkhulu[2]	5 000	3 750	3 500	33,0	7,1
Philip Wessels[3]	4 650				

* *Audited*

[1] *Ingrid Johnson joined Old Mutual plc on 1 July 2014.*

[2] *New GP, effective 1 January 2015, to coincide with appointment as Chief Operating Officer and to the board. No April 2015 increase applied.*

[3] *New GP, effective 1 August 2014, to coincide with appointment as Group Managing Executive, Retail and Business Banking. No increase applied in April 2015.*

The 2014 increases to GP were informed by an extensive role evaluation and multiple remuneration benchmarking exercises, including that conducted with GRS/Mercer SA in respect of each individual executive director and prescribed officer. This alignment to market has ensured that we were appropriately placed in 2015, necessitating only standard adjustments to ensure GP levels did not lag.

Appointment increases were also approved for those appointed to new roles on Group Exco, with the result that no April 2015 increase will apply for these members.

Retirement schemes

All executive directors and prescribed officers are members of the Nedgroup Defined-Contribution Pension or Provident Fund. There are no defined-benefit liabilities in respect of the executive directors and prescribed officers. Contributions to the retirement funds form part of the GP.

Service contracts

Service contracts of executive directors and prescribed officers are aligned with the general conditions of service applicable to all group employees based in SA, except for specific provisions relating to notice periods.

Service contracts are subject to the following notice and retirement conditions:

	Notice period	Retirement age
Chief Executive	12 months	60
Executive directors	6 months	60
Prescribed officers	1 to 3 months	60

New appointments to Group Exco will be placed on a standard six-month notice period.

Termination arrangements

Executive directors and prescribed officers are entitled to severance pay equal to two weeks' GP per completed year of service if their services are terminated by the company on a no-fault basis. Contractual notice (where applicable) and accrued leave will also be paid out in the normal course.

Treatment of any unpaid bonus, unvested deferrals or unvested LTI awards will be dealt with in accordance with the rules of the various schemes, and will in all instances be subject to Group Remco and board oversight and approval. There are no special termination arrangements or golden-parachute agreements in place.

Ingrid Johnson moved from Nedbank to Old Mutual plc as the Group Finance Director. It was agreed that she would be granted eligible-leaver status for all historic LTI awards, except the award made in March 2014, which was forfeited in full. Eligible-leaver treatment was also approved in respect of all deferred STI awards not yet released from forfeiture. All awards will remain subject to the relevant rules in this regard, with no early vesting applying, other than in the case of death.

Short-term incentive scheme targets

STI amounts awarded for 2014 to all executive directors and prescribed officers were based on a combination of performance against preagreed targets in respect of the level of group and respective cluster EP, HE and performance against their individual performance scorecards, incorporating financial and non-financial measures.

A summary of our 2014 financial and non-financial performance can be found elsewhere in this integrated report.

The dimensions used to measure individual performance were:

Theme	Broad objectives	Linkage to strategic focus areas
Financial and business	Delivering sustainable financial outperformance.	Optimise to invest. Strategic portfolio tilt. Pan-African banking network.
Client and relationships	Investing for growth by expanding into the entry-level and middle markets, the public sector and business banking, and implementing the Rest of Africa strategy; improving our client relations by empowering our clients through delivery of affordable banking; and leading as a corporate citizen.	Client-centred innovation. Grow transactional banking franchise. Pan-African banking network.
Management and internal processes	Enhancing productivity and execution; managing risk as an enabler; growing regulatory and government relationships; and growing stakeholder relations.	Strategic portfolio tilt.
Organisational learning, leadership and transformation	Accelerating transformation in support of achieving our transformation targets, objectives and behaviours; and building an innovative and differentiated culture and becoming an employer of choice by creating a great place to work.	Optimise to invest.

For more information on progress made on the group's strategic focus areas refer to page 13 of this integrated report.

These are broadly consistent with the dimensions applied in 2013, except that certain metrics will have been updated to include the evolving group strategy.

The following table presents the way in which the STI awards have been determined, based on the assessment of the group and respective cluster headline earnings and EP performance as well as the performance of each executive director and prescribed officer against his or her agreed individual performance scorecard:

	Ontarget STI % of GP	Maximum target STI % of GP	% of GP achieved for group and cluster financial measures	% of GP achieved for individual performance and based on discretion	Final STI as % of GP	Final STI as % of ontarget STI
	A		B	C	D=B+C	E=D/A
Executive directors						
Mike Brown	150	250	162	46	208	139
Graham Dempster	150	250	162	48	210	140
Raisibe Morathi	150	250	162	37	199	133
Prescribed officers						
Brian Kennedy	250	400	283	117	400	160
Dave Macready	150	250	155	38	193	129
Mfundo Nkuhlu	150	250	158	62	220	147
Philip Wessels*	150	250	162	36	198	132
(Rounded)						

* *Calculation for Philip Wessels is based on a blend of his GP levels, given his appointment as Group Managing Executive: Retail and Business Banking in August 2014.*

Minimum shareholding requirements

In November 2012 Group Remco approved a minimum shareholding policy, which will apply to all current and future members of Group Exco, including executive directors and prescribed officers.

In terms of these arrangements the following minimum shareholding levels must be reached within five years from the date of the March 2013 LTI awards or five years from the date of appointment to Group Exco, if later:

Chief Executive	2 times guaranteed package
Executive directors and prescribed officers	1,5 times guaranteed package
Other members of Group Exco	1 times guaranteed package

The CE and outgoing COO have already reached the required holding level, and have maintained compliance with the requirements.

TOTAL REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED*)

Executive directors R000	Mike Brown*			Graham Dempster*			Raisibe Morathi*		
	2014	2013	% change	**2014**	2013	% change	**2014**	2013	% change
Cash portion of package	**6 056**	5 614		**3 862**	3 521		**3 177**	2 953	
Other benefits	**130**	118		**141**	129		**91**	142	
Defined-contribution retirement fund	**864**	800		**855**	732		**550**	432	
Guaranteed remuneration	**7 050**	6 532	7,9	**4 858**	4 382	10,9	**3 818**	3 527	8,2
Cash performance incentive	**8 000**	7 000		**5 750**	4 950		**4 375**	3 950	
Deferred performance incentive (delivered in shares)	**7 000**	6 000		**4 750**	3 950		**3 375**	2 950	
Total STI[1]	**15 000**	13 000	15,4	**10 500**	8 900	18,0	**7 750**	6 900	12,3
Total remuneration[2]	**22 050**	19 532	12,9	**15 358**	13 282	15,6	**11 568**	10 427	10,9
Value of share-based awards made in the financial year (face value at award)	**13 000**	13 000		**8 750**	8 250	6,1	**7 000**	7 000	
Total direct remuneration[3]	**35 050**	32 532	7,7	**24 108**	21 532	12,0	**18 568**	17 427	6,5
Other payments[4]					21				

Prescribed Officers R000	Ingrid Johnson[5]*			Brian Kennedy*			
	June 2014	2013	% change	**2014**	2013	% change	
Cash portion of package	**1 846**	3 462		**3 346**	3 381		
Other benefits	**40**	63		**323**	93		
Defined-contribution retirement fund	**333**	625		**276**	261		
Guaranteed remuneration	**2 219**	4 150		**3 945**	3 735	5,6	
Cash performance incentive		4 250		**8 500**	7 000		
Deferred performance incentive (delivered in shares)		3 250		**7 500**	6 000		
Total STI[1]		7 500		**16 000**	13 000	23,1	
Total remuneration[2]	**2 219**	11 650		**19 945**	16 735	19,2	
Value of share-based awards made in the financial year (face value at award)[10]		10 000[1]		**9 500[9]**	7 000	35,7	
Total direct remuneration[3]	**2 219**	21 650		**29 445**	23 735	24,0	
Other payments[4]							

* *Audited*

[1] *In terms of the rules of the Matched Share Scheme, this amount may increase by up to 30% (before share price movement), subject to fulfilment of the corporate performance target, and the amount remaining invested in the scheme for 36 months.*

[2] *Total remuneration is the sum of guaranteed remuneration and total STI.*

[3] *Total direct remuneration is the sum of total remuneration and the value of share-based awards made in the financial year.*

[4] *Other payments are typically non-recurring payments and include leave pay and special payments, but excludes gains from vesting share awards, which are set out in the table on pages 72a to 79a of this report.*

[5] *Ingrid Johnson joined Old Mutual plc on 1 July 2014. Payments reflect part-year of service.*

[6] *Philip Wessels became a prescribed officer on 1 August 2014. Guaranteed remuneration payments are prorated to reflect this. Variable remuneration (STI and LTI) is reported on a full-year basis.*

[7] *R5 000 000 of this award was awarded in November 2014, to coincide with Mr Wessels' appointment as Group Managing Executive: Retail and Business Banking. This portion of the award will apply in respect of the 2014–2016 financial years.*

[8] *R5 000 000 of this award is an on-appointment award to coincide with Mr Nkuhlu's appointment as COO.*

[9] *R4 000 000 of this award is an on-appointment award to coincide with Mr Kennedy's appointment as Group Managing Executive: Corporate and Investment Banking.*

[10] *Awards listed under 2014 were granted in March 2015 and apply in respect of the 2015–2017 financial years. Awards listed under 2013 were granted in March 2014 and apply in respect of the 2014–2016 financial years.*

[11] *The R10 000 000 award was forfeited in full by Ingrid Johnson upon her joining Old Mutual Plc.*

	Dave Macready*			Philip Wessels[6]*			Mfundo Nkuhlu*		
	2014	2013	% change	**2014**	2013	% change	**2014**	2013	% change
	2 926	2 573		**1 775**			**3 124**	2 931	
	164	166		**55**			**112**	102	
	547	485		**144**			**452**	423	
	3 637	3 224	12,8	**1 974**			**3 688**	3 456	6,7
	4 250	4 000		**4 500**			**4 625**	4 250	
	3 250	3 000		**3 500**			**3 625**	3 250	
	7 500	7 000	7,1	**8 000**			**8 250**	7 500	10,0
	11 137	10 224	8,9	**9 974**			**11 938**	10 956	9,0
	6 500	6 750	(3,7)	**10 500[7]**			**11 750[8]**	8 500	38,2
	17 637	16 974	3,9	**20 474**			**23 688**	19 456	21,8

Deferred short-term incentive awards

There are no outstanding DSTI awards in respect of current executive directors and prescribed officers, who are not eligible for these awards.

RISK AND REMUNERATION

We have an integrated process of managing the relationship between risk and remuneration. The board has ensured that there is cooperation between Group Remco and the GRCMC to ensure appropriate consideration of the overall risk environment when making remuneration decisions. Key matters related to risk aspects of remuneration are discussed with the GRCMC. This reflects our commitment to achieving a balance between the prudent management of remuneration within the context of both our risk appetite and risk profile, and the need to attract, retain and motivate key talent to enable the delivery of our strategic objectives.

Taking account of future and current risks in the remuneration process

The STI scheme has been designed to incentivise a combination of profitable returns, appropriate risktaking and growth. It is driven from an EP and headline earnings basis, using risk-based economic capital allocation as set out in the Risk and Balance Sheet Review available online.

We operate a comprehensive internal capital adequacy assessment process blueprint that addresses the nature and type of risk incorporated into the overall framework. The framework integrates with our STI pool arrangements and individual performance scorecard assessments, which in turn inform the distribution of STIs from the derived business STI pools.

As in previous years, the STI pools incorporate *ex ante* or 'before the fact' risk adjustments. This is built into the pool allocation process, which is set out on page 63a.

- Group Remco approves an ontarget STI pool at the beginning of the year. At year-end 50% of the overall group pool is based on performance versus headline earnings targets and 50% on performance against EP targets, together with a non-financial modifier, as set out below.
- Prior to distribution, the cluster pools may be adjusted (either up or down) by a maximum of 15% by using the relevant Group Exco member's individual non-financial scorecard assessment, which itself incorporates further risk assessment metrics.
- Altogether 50% of each cluster STI pool is determined by using performance versus headline earnings targets and 50% is based on performance versus EP targets (for line clusters there is a 30/70 split between group and cluster performance, except for Nedbank Capital, where the split is 15/85).
- EP per cluster is determined by using economic capital allocated to each cluster, incorporating the various risk elements described in the Group ERMF.
- These mechanical calculations and adjustments (which include the application, where appropriate, of a group-level non-financial modifier) are presented to Group Remco (tasked with assisting the board), which then ratifies a final set of cluster pools (the group bottomup cluster pools), which may not differ more than 10% from the total STI pool determined based on group EP and headline earnings alone (the group topdown pool).
- The total allocated STIs (for all employees across all jurisdictions and including the pools for stockbrokers and analysts mentioned below) must stay within the totals approved by Group Remco.
- Any individual STI payment in excess of 200% of GP must be individually motivated and approved by Group Remco.

The following categories of employees are excluded from the distribution process outlined above:

- Stockbrokers, since they are paid on a six-monthly basis from a bespoke STI arrangement based on predetermined contractual arrangements (certain business risk elements are included in the formulaic determination for the stockbrokers' pool). The pool allocated is included in the overall Nedbank Wealth pool.
- Analysts in Nedbank Capital, since their STIs are predominantly determined using *Financial Mail*-published ratings.
- Participants in the private-equity 'locked box' remuneration scheme, which is the market norm for private-equity collective-investment performance-based remuneration, based on a sharing of 'carried interest' on realised investments.

We utilise a three-year budgeting, forecasting and planning process, which is fully cognisant of projected risk parameters, capital buffers and impairment provisions, and the likely impact thereof on future remuneration practices. There have been no material changes in the measures used over the past year.

Linking performance and reward

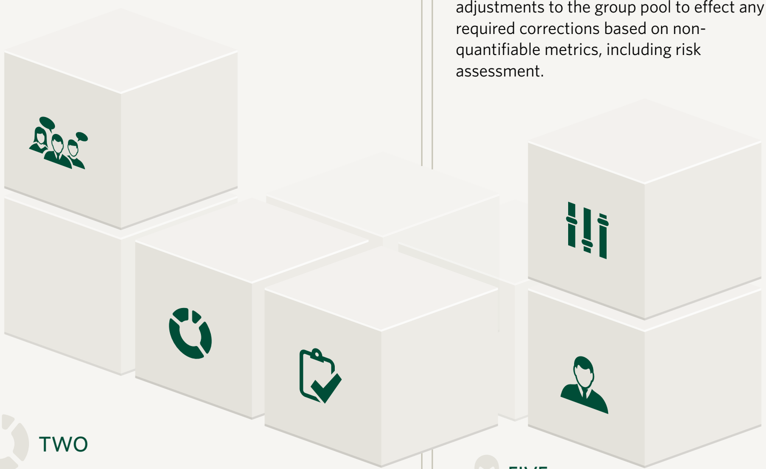
The annual STI process is indicated in the diagram below, which describes the process of STI pool creation and distribution based on individual performance and discretion, using both quantitative and qualitative steps in the process.

QUANTITATIVE APPROACH STEPS

ONE

Total group pool

The overall group pool is approved by Group Remco relative to benchmarks. The allocation of the Group Remco-approved group pool to each cluster for ontarget performance is done by the CE, with input from Group Exco.



TWO

Headline earnings and EP performance

A total of 50% of the year-end cluster pools is determined based on year-end EP performance relative to target.

A total of 50% of the year-end cluster pools is determined based on year-end HE performance relative to target.

There is a 10% limit set for the bottomup cluster pools relative to the overall group pool.

THREE

Balanced scorecard

The financially determined pools (topdown and bottomup) are adjusted by a maximum of ±15% based on the non-financial elements of relevant Group Exco members' scorecards.

Risk metrics are included in the relevant scorecards and aligned with the group three-year plan and risk frameworks.

QUALITATIVE APPROACH STEPS

FOUR

Bonus pool adjustments

The CE makes discretionary adjustments to quantitatively determined cluster pools based on judgement and non-quantifiable metrics. Group Remco makes discretionary adjustments to the group pool to effect any required corrections based on non-quantifiable metrics, including risk assessment.

FIVE

Individual bonus proposals

Individual bonus proposals are discretionary and no fixed formulaic approach is used by the bank.

All cluster executive bonus proposals are analysed by Group Exco and the necessary adjustments made to ensure appropriate consistency across the bank.

All Group Exco bonus proposals are individually motivated and recommended by Group Remco to the board.

The CE bonus requires Nedbank board approval and approval by the Old Mutual plc Remco.

All senior functional bonuses (including risk and finance) are reviewed and ratified by the relevant Group Exco member.

All proposed bonuses in excess of 200% of GP require motivation and Group Remco approval.

Mitigating the effect of inappropriate performance metrics

Inappropriate performance metrics would typically manifest when the year-on-year change in remuneration is seen to be abnormal (either too high or too low relative to performance and market benchmarks) or is unduly volatile.

The current STI scheme was implemented in 2009 and ensures a balanced approach to the determination of the STI pool.

To avoid the consequences of inappropriate performance metrics, which include extended periods in which no LTI vesting takes place, awards made from 2010 onwards are subject 50% to performance conditions and 50% to time-based vesting. For members of Group Exco and cluster excos this will change to 60% of the total award being subject to performance conditions. All LTI awards made to executive directors are subject to performance conditions on 100% of the award. Changes that will apply from 2015 in terms of the applicable proportionality of the CPTs are set out on page 55a of this Remuneration Report.

Managing the franchise risk inherent in reward programmes

The impact of inappropriate performance metrics on reward programmes has a material franchise risk implication. This is exacerbated when deferred or LTI remuneration lapses, in spite of highly competitive business results, shareholder returns or share price performance. This risk manifests in increased turnover of skilled employees, the erosion of perceptions of the competitiveness of the firm's remuneration offering (and in 'discounting' of the value of LTI awards by participants), a reduction in external perceptions of the firm's being a preferred employer and an increase in hiring cost (and the associated opportunity cost of getting employees to full performance in a new role).

It is a key principle of our Remuneration Policy that there should be appropriate sharing of value among stakeholders. Therefore, while employees should not suffer material disadvantage or prejudice because of remuneration design issues, we are cognisant of the fact that remuneration programmes should equally not be designed to favour or benefit employees at the expense of other stakeholders.

Key considerations regarding the ongoing appropriateness of our LTI scheme includes:

- Exposure of remuneration programmes to the group's share price is inherently risk-adjusted. The experience of participants in the share plans (for whom awards are part of annual remuneration, which is deferred over a prespecified period) therefore mirrors that of shareholders in terms of share price movements.
- The component of our LTI programme that is subject to performance conditions is not highly leveraged. Significant outperformance against the measures results in a maximum upside of 130% for performance shares. Downside risk, on the other hand, could see performance share awards reduced to zero in instances of material underperformance. This provides protection against inappropriate windfall.
- Our 'value at award' for LTIs is not adjusted or grossed up for projected vesting probability. This means that awards are made with a reasonable assumption that full vesting may be likely. This risk is, for us, an inherent consequence of participation in the scheme.
- The component of awards made under the retention share element of the plan is a powerful retention mechanism for key talent and scarce skills. We have one of the lowest levels of employee turnover in the financial services sector and have received positive commentary on the stability and combined experience in the group of our leadership team. Awards are also typically made only to individuals who are meeting the requisite minimum performance standards.
- Our Matched Share Scheme introduces a strong incentive for our leadership team to co-invest in the group. The requirement to remain in the Matched Share Scheme for a minimum of 36 months (against the backdrop of releases from forfeiture – and therefore entitlement to encash the deferrals – at six, 18 and 30 months) assists in creating a longer-term focus for our senior leadership. The performance condition attached to one half of the match also ensures that there is a minimum return before any such benefit accrues to participants. In practice this means that, where the employee is at the highest marginal tax rate and the full after-tax amount of the STI is committed to the Matched Share Scheme for 36 months and the performance condition is met, the STI can increase by 30% on its original value, before taking account of any movement in the share price.
- *Malus* provisions are in place in respect of deferred STI awards to enable mitigation of inappropriate risktaking and an appropriate penalty in instances of *malus* or misconduct.
- We acknowledge that there are many different aspects that could be considered in terms of what metrics are used in setting performance conditions. Having considered various alternatives, we are comfortable that the absolute internal measure of ROE (excluding goodwill) versus COE and the relative external measure of the performance of the Nedbank Group share relative to the Fini 15 Index remain fit for purpose, and enable the necessary focus on delivering competitive and sustainable returns to shareholders and associated benefits to other stakeholders.

We have also been unequivocal about our adherence to other aspects of good corporate governance in relation to share plans. In this regard share awards in either the Restricted Share Plan or the Matched Share Scheme are not, under any circumstances, backdated. Further, no retrospective adjustments are made to performance conditions to mitigate the impact of weak performance. Therefore, we are of the view that our remuneration practices, and the levels at which these occur, are appropriately competitive relative to those of our peer group.

Adjustments to remuneration based on long-term performance

We are involved in retail banking, wholesale banking and investment banking operations, as well as wealth management and other financial services. The forward-looking business model is based on a rolling-three-year-plan approach. The mandatory deferral of STIs for up to 30 months and three-year vesting of LTI share allocations (with at least half of the award subject to CPTs) align with this forward-looking business cycle. The deferral period provides for risk-based outcomes to be monitored over the three-year period subsequent to the deferral and enables clawback to be applied where appropriate.

The compulsory deferral of STIs continues for awards made in respect of financial year 2014 performance on a basis consistent with that previously applied. The structure and vesting profile applicable to the deferral of STI awards are set out on page 53a of this Remuneration Report.

Conditional vesting of long-term incentives

The performance share element of the LTI allocation is aligned with both the group three-year medium-to-long-term published ROE (excluding goodwill) target of COE plus 5% (absolute internal target) and the relative performance of the share price (relative external target). From 2015 onwards the Strategic Initiatives element outlined in this report will be included in the LTI arrangements.

The targets used for awards made from 2015 onwards are as follows:

- For the ROE (excluding goodwill) versus COE target, vesting will be based on the simple-average published ROE (excluding goodwill) over a three-year period, compared with the simple-average COE over the same timeframe, according to the following sliding scale (that is, there is a straight-line vesting arrangement based on the actual performance relative to the target):

Vesting ratios based on ROE (excluding goodwill):

COE	COE	COE	COE	COE	COE	COE	COE
+0% or worse	+1,25%	+2,5%	+3,75%	+5%	+6%	+7%	+8% or better
0%	25%	50%	75%	100%	110%	120%	130%

- For the Nedbank share versus Fini 15 Index, vesting will be based on the relative performance of the Nedbank share price versus the Fini 15 Index over the same three-year period, where the starting and end values of the Nedbank share price are calculated based on a 30-day volume-weighted average price (VWAP) and the Fini 15 Index is based on a 30-day simple average.

Vesting ratios based on share price relative to the Fini 15 Index:

Fini 15	Fini 15	Fini 15	Fini 15	Fini 15	Fini 15	Fini 15	Fini 15
-20% or worse	-15%	-10%	-5%		+10%	+20%	+30% or better
0%	25%	50%	75%	100%	110%	120%	130%

As with the COE target, there is a straight-line vesting (on a basis of actual achievement along the continuum as set out in the tables above, rather than on a 'hurdle' basis) arrangement based on the actual performance relative to the target.

- The Strategic Initiatives element in respect of awards to be made in 2015 has been aligned to an African Collaboration target which will be standard across the Old Mutual Group. The performance conditions set out below will be applicable:

A single measure of the run rate on benefits realised in regard to Africa Collaboration will be used as the CPT for the Strategic Initiatives component of the 2015 LTI awards. This target has been selected in support of achieving a target of R1bn pretax synergies across the Old Mutual Group by the end of 2017. The target will be evaluated on a run rate basis at the end of 2017. This will be as follows:

Total Africa Collaboration synergy benefit (applicable to LTI awards in 2015 vesting in 2018)

Total benefits realised	Minimum	Target	Maximum
Africa Collaboration synergy target (Rm)	600	1 000	1 200
% of this portion of the award vesting	0%	100%	130%

Linear interpolation will apply between the points in the above table.

The combined vesting percentage, based on achievement relative to the target, will be applied to units vesting in March and August 2018. This is consistent with the evaluation time horizons of both current CPT metrics outlined above.

The evaluation of the total synergies achieved is, however, subject to a precondition that Nedbank achieves benefits of at least R170m. Should Nedbank not achieve benefits equal to or better than this threshold, this portion of the award will not vest, irrespective of the total synergies achieved.

Release from forfeiture of short-term incentive deferral

The deferral and release from forfeiture process is described on page 53a of this Remuneration Report.

The board has absolute discretion as to the quantum and nature of any forfeiture or *malus* triggers related to the compulsory deferral of STI awards. In this regard the deferred amount will be forfeited should the employee resign or be dismissed for cause before the end of the release of the outstanding forfeiture obligations, as well as in cases where, at the sole discretion of the board, material irregularities or misrepresentation of financial results come to light during the deferral period. The board has absolute discretion as to the nature of any action to be taken against the individual, or group of individuals, who may have transgressed. The deferral policy is reviewed annually.

This category of deferred compensation allows any adverse business deals or intentional misrepresentation to come to light in the three years subsequent to the allocation and appropriate action to be taken by the board if deemed necessary.

ADDITIONAL REGULATION 43/ PILLAR 3 DISCLOSURES

The disclosure requirements of regulation 43 of the Banks Act set out extensive quantitative and qualitative disclosures that are required to help stakeholders understand the approaches adopted by financial services organisations in respect of risk and remuneration. The majority of these disclosures are addressed elsewhere in this Remuneration Report.

Specific disclosures relating to senior managers and material risk-takers, the quantum of remuneration paid in the year, signon awards, guaranteed bonuses, severance payments and the amount of remuneration subject to adjustment are set out below.

Aggregate remuneration of senior managers and material risk-takers

The tables below set out the aggregate 2014 (and comparative 2013) remuneration of those employees regarded as senior managers and material risk-takers.

Senior managers include executive directors and prescribed officers, members of Group Exco, as well as other members of the group's senior management with executive responsibility for a material part of the group's business.

Material risk-takers include employees whose individual actions have a material impact on the risk exposure of the group, as well as those responsible for setting and monitoring trader mandates and risk and stop-loss limits. Included in this category are the heads of risk and finance, heads of major trading functions and those responsible for material investment decisions within the group. These criteria have not changed from those applied in 2013.

For 2014 a total of 48 (2013: 41) individuals were in roles classified as senior managers and a further 32 (2013: 35) were in roles classified as material risk-takers. There was, however, some movement within the categories and the actual individuals for whom amounts are reported may therefore be different from those in the prior year. In some instances amounts may also be prorated due to part-year service in designated roles.

	2014			
	Senior managers		Material risk-takers	
Total value of remuneration in the 2014 financial year[1]	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration (Rm)	116,2		71,0	
Variable remuneration – cash award (Rm)	122,3		55,0	
Variable remuneration – deferred performance incentive (Rm)		80,3		27,0
Variable remuneration – long-term incentive awards (Rm)		166,0		47,0
Total 2014 remuneration (unrestricted and deferred remuneration) (Rm)	**238,5**	**246,3**	**126,0**	**74,0**
Total number of employees		**48**		**32**

Value of outstanding deferred remuneration at 31 December 2014	Senior managers	Material risk-takers
Compulsory Bonus Share Scheme (Rm)	130,2	40,2
Restricted-share Scheme (Rm)	543,3	157,0
Total deferred remuneration outstanding (Rm)	**673,5**	**197,2**
Value of deferred remuneration paid out during 2014 (Rm)	**180,8**	**67,0**
Value of deferred remuneration forfeited during 2014[2] (Rm)	**11,7**	**4,6**

Total value of remuneration in the 2013 financial year[1]	2013			
	Senior managers		Material risk-takers	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration (Rm)	108,3		71,5	
Variable remuneration – cash award (Rm)	105,4		51,8	
Variable remuneration – deferred performance incentive (Rm)		64,4		21,6
Variable remuneration – long-term incentive awards (Rm)		136,9		37,6
Total 2013 remuneration (unrestricted and deferred remuneration) (Rm)	213,7	201,3	123,3	59,2
Total number of employees		41		35

Value of outstanding deferred remuneration at 31 December 2013[1]	Senior managers	Material risk-takers
Compulsory Bonus Share Scheme (Rm)	86,7	25,6
Restricted-share Scheme (Rm)	468,1	143,7
Total deferred remuneration outstanding (Rm)	554,8	169,3
Value of deferred remuneration paid out during 2013 (Rm)	180,2	60,3
Value of deferred remuneration forfeited during 2013[2] (Rm)	27,0	8,0

[1] *The amounts reflected in the tables above relate to actual awards made or remuneration received in the period from 1 January to 31 December.*
[2] *Forfeiture of deferred remuneration due to non- or partial fulfilment of performance conditions on share awards.*

Remuneration subject to adjustment in 2014

The total amount of outstanding deferred remuneration exposed to after explicit and/or implicit adjustments is indicated in the following table:

Year	Amount	
FY2014	**R2 575m[1]**	This is a combination, at 31 December of each year, of the following: ■ All unvested RSP awards ■ All unvested CBSS awards
FY2013	R2 347m[1]	

[1] *Based on the 30-day VWAP to 31 December.*

The total amount of reductions during the financial year due to after explicit adjustments (adjustments as a consequence of non-fulfilment of specified performance conditions) is indicated in the following table:

Year	Amount	
FY2014	**R59,1m[1]**	Value of RSP awards lapsed due to non-fulfilment or partial fulfilment of CPT conditions
FY2013	R97,1m[1]	

[1] *Based on the share price at the scheduled vesting date.*

The total amount of clawbacks of reductions during the financial year due to after implicit adjustments (adjustments as a consequence of specific clawback decisions, either based on individual or group considerations) is indicated in the following table:

Year	Amount	
FY2014	**R0m**	No forfeitures or clawbacks were applied in the normal course.
FY2013	R0m	

Remuneration of risk and compliance specialists

Consistent with good corporate governance and the requirements of the various local and international regulations dealing with remuneration in financial services firms, special attention is paid to the process of remunerating risk and compliance specialists within the group. This serves to ensure that individuals in these functions remain sufficiently independent from the functions or businesses they service.

The remuneration of senior risk and compliance specialists is not determined within the relevant business unit alone. Initial proposals are made by the business unit management; however, Group Exco members with overall accountability for the specific control function (the Chief Risk Officer and the Chief Governance and Compliance Officer) have scope to influence the performance and remuneration outcomes for senior employees within the respective control functions. The final outcomes are presented to Group Remco, thereby providing an addition layer of oversight. This ensures appropriate independence in setting remuneration for the applicable senior control function employees.

Other remuneration disclosures

Further disclosures specifically required in terms of regulation 43 of the Banks Act are set out below:

Other remuneration disclosures	2014		2013	
	Rm	N	Rm	N
Number of employees who received variable remuneration during the year		**24 636**		23 706
Total guaranteed bonuses	**–**	**–**		–
Total signon awards	**6,23**	**12**	2,86	10
Total severance awards[1]	**2,12**	**5**	3,73	7

[1] *For the purpose of this disclosure, severance payments mean payments that exceed the bank's contractual redundancy payment.*

Our policy is not to award guaranteed bonuses. Where specific compensation is indicated for new employees for the loss of an accrued benefit, the forfeiture of a performance bonus or in respect of a specific outstanding contractual obligation, a signon or DSTI award may be made. This is subject to time and, in the case of DSTI awards, ongoing individual performance conditions.

NON-EXECUTIVE DIRECTORS

The terms of engagement of the non-executive directors (excluding the Group Chairman) cover a period of three years, as determined by the rotation requirements of our memorandum of incorporation. A non-executive director is required to retire at age 70, unless the board determines otherwise. Any non-executive director serving for a period in excess of nine years is required to retire from the board at the first annual general meeting after the end of this period.

In terms of the memorandum of incorporation the Group Chairman is reelected annually by the board.

Remuneration

The fees of the Group Chairman and the non-executive directors reflect the specific responsibilities relating to their membership of the board and, where applicable, board committees. The Group Chairman receives a single fee for his role. Non-executive directors are paid a fixed fee for board membership and receive additional fees for their participation in board committees. Premiums are paid to the chairmen of all board committees, with the exception of the Group Directors' Affairs Committee, which is currently chaired by the Group Chairman. Neither the Group Chairman nor boardmembers receive any performance-related pay or any benefits.

Non-executive directors' remuneration for the years ended 31 December 2014 and 31 December 2013 was as follows:

NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED*)

	Termination date	Note	Board fees	Committee fees	*2014 (R000)	2013 (R000)
David Adomakoh		3, 3a	307	53	**360**	
Tom Boardman		5, 5a, 5b	986	780	**1 766**	933
Thenjiwe Chikane	August 2013	8				617
Brian Dames		6, 6a	191	110	**301**	
Mustaq Enus-Brey			355	555	**910**	820
Ian Gladman		9	355	327	**682**	611
Paul Hanratty		7, 9	152	16	**168**	
Don Hope	June 2013					273
Reuel Khoza			4 350		**4 350**	4 100
Mpho Makwana		1	355	651	**1 006**	661
Mantsika Matooane		4	233	53	**286**	
Nomavuso Mnxasana			355	429	**784**	703
Joel Netshitenzhe		2	355	206	**561**	448
Julian Roberts		9	355	164	**519**	460
Gloria Serobe			355	391	**746**	686
Malcolm Wyman			355	921	**1 276**	1 099
Total			9 059	4 656	**13 715**	11 411

[1] *Mpho Makwana was appointed as a member of the Group Directors' Affairs Committee on 1 January 2014.*
[2] *Joel Netshitenzhe was appointed as a member of the Group IT Committee on 17 January 2014.*
[3] *David Adomakoh was appointed as a director of Nedbank Group Limited and Nedbank Limited on 21 February 2014.*
[3a] *David Adomakoh was appointed as a member of the Group Transformation, Social and Ethics Committee on 13 May 2014.*
[4] *Mantsika Matooane was appointed as a director of Nedbank Limited and Nedbank Group Limited, and a member of the Group IT Committee on 15 May 2014.*
[5] *Tom Boardman was appointed as a member of the Group Audit Committee on 13 May 2014.*
[5a] *Tom Boardman resigned as a member of the Group Transformation, Social and Ethics Committee on 13 May 2014.*
[5b] *Tom Boardman sits on the board of Nedbank Private Wealth (Isle of Man) Ltd. His board fees are therefore inclusive of the Nedbank Private Wealth (Isle of Man) Ltd fees.*
[6] *Brian Dames was appointed as a director of Nedbank Limited and Nedbank Group Limited on 30 June 2014.*
[6a] *Brian Dames was appointed as a member of the Group Credit and Group IT Committees on 30 July 2014.*
[7] *Paul Hanratty was appointed as a director of Nedbank Limited and Nedbank Group Limited on 8 August 2014.*
[8] *Thenjiwe Chikane resigned from the Nedbank Limited and Nedbank Group Limited and board committees on 13 August 2013.*
[9] *Fees for Julian Roberts, Paul Hanratty and Ian Gladman were paid to Old Mutual (SA) Ltd.*

Non-executive directors are accountable for decisions made regardless of attendance at meetings. Non-executive directors are also required, as a matter of course, to represent stakeholders and to make the necessary preparations for meetings and other engagements. Group Remco is satisfied that the fee structure applied in respect of non-executive directors remains appropriate.

Non-executive directors' fees

An independent subcommittee, consisting of Mike Brown and Julian Roberts, evaluated the respective committee fees from a number of perspectives, including peer group comparisons, effective rates per committee and year-on-year increases.

Increases to the Chairman's fee, board fees and several committees have been proposed at between 5,6% and 6,6%. Special increases have been recommended for the Group Audit Committee, GRCMC, Group Credit Committee, the Remuneration Committee and the Directors Affairs Committee. These increases are proposed to ensure that fees for these committees remain appropriately market competitive.

The Senior Independent Director will chair the DAC from 11 May 2015 and therefore a Chairman's fee for this Committee has been proposed at twice the member fee. This role had previously been fulfilled by the Group Chairman with no additional fee being applicable.

The proposed increases to board fees represent a total increase in the cost of operating the board of 7,6%.

The board and committee fees proposed for non-executive directors and for committee membership are as follows:

NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

	2015 (R) Proposed	2014 (R)	%[2]
Boards			
Chairman of the board[1]	**4 750 000**	4 500 000	5,6
Senior Independent Non-executive Director premium	**40% of board fee**	40% of board fee	
Nedbank Group Ltd	**220 555**	206 900	6,6
Nedbank Ltd	**184 525**	173 100	6,6
Committees			
Group Audit Committee			
Chairman	**562 500**	500 000	12,5
Member	**225 000**	200 000	12,5
Group Finance and Oversight Committee			
Chairman	**55 000**	52 000	5,8
Member	**27 500**	26 000	5,8
Group Remuneration Committee			
Chairman	**312 500**	275 000	13,6
Member	**125 000**	110 000	13,6
Group Risk and Capital Management Committee			
Chairman	**387 500**	350 000	10,7
Member	**155 000**	140 000	10,7
Group Credit Committee			
Chairman	**475 000**	437 500	8,6
Member	**190 000**	175 000	8,6
Group Directors' Affairs Committee			
Chairman	**140 000**[3]	Part of Group Chairman's fees	
Member	**70 000**	61 000	14,8
Group IT Committee			
Chairman	**180 000**	170 000	5,9
Member	**90 000**	85 000	5,9
Group Transformation, Social and Ethics Committee			
Chairman	**180 000**	170 000	5,9
Member	**90 000**	85 000	5,9

[1] *The Group Chairman's fee includes fees for board, subsidiary board and committee memberships.*
[2] *On a like-for-like basis, this represents a year-on-year increase of 7,6%.*
[3] *The Senior Independent Director will chair the Group Directors' Affairs Committee from 11 May 2015.*

The above increases are effective from 1 July 2015, subject to shareholders' approval at the 11 May 2015 annual general meeting.

DIRECTORS' INTERESTS (AUDITED)

At 31 December 2014 the directors' interests in ordinary shares in Nedbank Group Limited and preference shares in Nedbank Limited were as follows:

	Beneficial direct 2014	Beneficial direct 2013	**Beneficial indirect 2014**	Beneficial indirect 2013
Number of shares				
David Adomakoh				
Tom Boardman	**4 012**	4 012	**18 593**	28 593
Tom Boardman (preference shares)			**158 000**	243 000
Mike Brown	**55 049**	55 049	**334 552**	288 108
Brian Dames				
Graham Dempster	**17 822**	17 822	**137 515**	134 273
Mustaq Enus-Brey			**2 113**	2 113
Ian Gladman				
Paul Hanratty				
Reuel Khoza	**7 800**	7 800	**6 974**	6 974
Mpho Makwana				
Mantsika Matooane	**176**			
Nomavuso Mnxasana			**11 620**	11 620
Raisibe Morathi	**20 023**	12 615	**191 314**	160 887
Joel Netshitenzhe				
Julian Roberts				
Gloria Serobe				
Malcolm Wyman				
Total ordinary shares	**104 882**	97 298	**702 681**	632 568
Total preference shares			**158 000**	243 000

SHARE-BASED PAYMENTS TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED)

Payments from prior years' deferred bonuses, LTIs and outstanding share plan awards, including participation in the group's empowerment arrangements:

	Opening balance at 1 January 2014				Awards made during 2014			
Executive directors	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
Mike Brown								
Nedbank Restricted Shares								
	23 357	2011/03/07	128,44	2014/03/08				
	23 357[2]	2011/03/08	128,44	2014/03/09				
	32 431	2012/03/07	161,88	2015/03/08				
	32 431[2]	2012/03/08	161,88	2015/03/09				
	28 962	2013/03/07	189,90	2016/03/08				
	28 962[2]	2013/03/08	189,90	2016/03/09				
					62 200	2014/03/06	209,00	2017/03/07
Compulsory Bonus Share Scheme[1]	10 584	2011/03/31	141,72	2014/04/01	10 584	2014/04/01	222,50	2014/04/01
	15 192	2012/03/31	171,79	2015/04/01				
	16 099	2013/03/31	195,66	2016/04/01				
					16 141	2014/03/31	223,03	2017/04/01
Voluntary Bonus Share Scheme[4]	Own Shares	2011/03/31	141,72	2014/04/01	2 116	2014/04/01	222,50	2014/04/01
	Own Shares	2012/03/31	171,79	2015/04/01				
	Own Shares	2013/03/31	195,66	2016/04/01				
					Own Shares	2014/03/31	223,03	2017/04/01
Total value of dividends								
Total								
Graham Dempster								
Nedbank Restricted Shares								
	15 571	2011/03/07	128,44	2014/03/08				
	15 571	2011/03/08[2]	128,44	2014/03/09				
	27 798	2012/03/07	161,88	2015/03/08				
	27 798	2012/03/08[2]	161,88	2015/03/09				
	18 430	2013/03/07	189,90	2016/03/08				
	18 430	2013/03/08[2]	189,90	2016/03/09				
					39 472	2014/03/06	209,00	2017/03/07
Compulsory Bonus Share Scheme[1]	5 292	2011/03/31	141,72	2014/04/01	5 292	2014/04/01	222,50	2014/04/01
	10 477	2012/03/31	171,79	2015/04/01				
	10 426	2013/03/31	195,66	2016/04/01				
					10 626	2014/03/31	223,03	2017/04/01
Voluntary Bonus Share Scheme[4]	Own Shares	2011/03/31	141,72	2014/04/01	2 116	2014/04/01	222,50	2014/04/01
	Own Shares	2012/03/31	171,79	2015/04/01				
	Own Shares	2013/03/31	195,66	2016/04/01				
					Own Shares	2014/04/01	223,03	2017/04/02
Total value of dividends								
Total								

	Awards vesting/lapsing during 2014								Dividends	Closing balance at 31 December 2014		
	Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Date of issue/ inception	Issue price (R)	Market price at vesting (R)	Vesting/ Exercise date	Value gained on vesting	[5]Notional value of loss on lapsing	Total value of dividends paid in respect of all plans[7] R	Number of restricted shares/ options	End of perfor-mance period	Final vesting/ exercise date
	20 071	3 286	2011/03/07	128,44	215,77		4 330 648	(709 091)				
	23 357		2011/03/08	128,44	215,77		5 039 740					
										32 431	2014/12/31	2015/03/08
										32 431	2014/12/31	2015/03/09
										28 962	2015/12/31	2016/03/08
										28 962	2015/12/31	2016/03/09
										62 200	2016/12/31	2017/03/07
	21 168[3]		2011/03/31	141,72	222,50	2014/04/01	4 709 880					
										15 192	2014/12/31	2015/04/01
										16 099	2015/12/31	2016/04/01
										16 141	2016/12/31	2017/04/01
	2 116[3]		2014/04/01	141,72	222,50	2014/04/01	470 810					
									2 515 594			
							14 551 078	(709 091)	2 515 594			
	13 380	2 191	2011/03/07	128,44	215,77		2 887 037	(472 717)				
	15 571		2011/03/08	128,44	215,77		3 359 755					
										27 798	2014/12/31	2015/03/08
										27 798	2014/12/31	2015/03/09
										18 430	2015/12/31	2016/03/08
										18 430	2015/12/31	2016/03/09
										39 472	2016/12/31	2017/03/07
	10 584[3]		2011/03/31	141,72	222,50	2014/04/01	2 354 940					
										10 477	2014/12/31	2015/04/01
										10 426	2015/12/31	2016/04/01
										10 626	2016/12/31	2017/04/01
	2 116[3]		2014/04/01	141,72	222,50	2014/04/01	470 810					
									1 604 085			
							9 072 542	(472 717)	1 604 085			

	Opening balance at 1 January 2014				Awards made during 2014			
Executive directors	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
Raisibe Morathi								
Nedbank Restricted Shares	15 571	2011/03/07	128,44	2014/03/08				
	15 571	2011/03/08[2]	128,44	2014/03/09				
	13 899	2012/03/07	161,88	2015/03/08				
	13 899	2012/03/08[2]	161,88	2015/03/09				
	15 797	2013/03/07	189,90	2016/03/08				
	15 797	2013/03/08[2]	189,90	2016/03/09				
					33 492	2014/03/06	209,00	2017/03/07
Compulsory Bonus Share Scheme[1]	3 175	2011/03/31	141,72	2014/04/01	3 175	2014/04/01	222,50	2014/04/01
	6 636	2012/03/31	171,79	2015/04/01				
	7 666	2013/03/31	195,66	2016/04/01				
					7 936	2014/03/31	223,03	2017/04/01
Voluntary Bonus Share Scheme[4]	Own Shares	2011/03/31	141,72	2014/04/01	2 116	2014/04/01	222,50	2014/04/01
	Own Shares	2012/03/31	171,79	2015/04/01				
	Own Shares	2013/03/31	195,66	2016/04/01				
					Own Shares	2014/04/01	223,03	2017/04/02
Eyethu Restricted Shares	6 600	2010/03/03	121,08	2014/03/04				
	6 600	2010/03/03	121,08	2015/03/04				
	6 800	2010/03/03	121,08	2016/03/04				
Eyethu Restricted Options[6]	19 800	2010/03/03	121,08	2014/03/04				
	19 800	2010/03/03	121,08	2015/03/04				
	20 400	2010/03/03	121,08	2016/03/04				
Total value of dividends								
Total								

Awards vesting/lapsing during 2014								Dividends	Closing balance at 31 December 2014		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Date of issue/ inception	Issue price (R)	Market price at vesting (R)	Vesting/ Exercise date	Value gained on vesting	[5]Notional value of loss on lapsing	Total value of dividends paid in respect of all plans[7] R	Number of restricted shares/ options	End of perfor-mance period	Final vesting/ exercise date
13 380	2 191	2011/03/07	128,44	215,77		2 887 037	(472 717)				
15 571		2011/03/08	128,44	215,77		3 359 755					
									13 899	2014/12/31	2015/03/08
									13 899	2014/12/31	2015/03/09
									15 797	2015/12/31	2016/03/08
									15 797	2015/12/31	2016/03/09
									33 492	2016/12/31	2017/03/07
6 350[3]		2011/03/31	141,72	222,50	2014/04/01	1 412 875					
									6 636	2014/12/31	2015/04/01
									7 666	2015/12/31	2016/04/01
									7 936	2016/12/31	2017/04/01
2 116[3]		2014/04/01	141,72	222,50	2014/04/01	470 810					
6 600		2010/03/03	121,08	214,19	2014/03/04	1 413 654					
									6 600		2015/03/04
									6 800		2016/03/04
19 800		2010/03/03	121,08	207,82	2014/03/27	1 717 452					
									19 800		2015/03/04
									20 400		2016/03/04
								1 343 641			
						11 261 583	(472 717)	1 343 641			

	Opening balance at 1 January 2014				Awards made during 2014			
Prescribed officers	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
Ingrid Johnson								
Nedbank Restricted Shares								
	19 464	2011/03/07	128,44	2014/03/08				
	19 464	2011/03/08[2]	128,44	2014/03/09				
	24 709	2012/03/07	161,88	2015/03/08				
	24 709	2012/03/08[2]	161,88	2015/03/09				
	21 063	2013/03/07	189,90	2016/03/08				
	21 063	2013/03/08[2]	189,90	2016/03/09				
					23 923	2014/03/06	209,00	2017/03/07
					23 923	2014/03/07[2]	209,00	2017/03/08
Compulsory Bonus Share Scheme[1]								
	5 292	2011/03/31	141,72	2014/04/01	5 292	2014/04/01	222,50	2014/04/01
	10 477	2012/03/31	171,79	2015/04/01				
	9 966	2013/03/31	195,66	2016/04/01				
					8 743	2014/03/31	223,03	2017/04/01
Voluntary Bonus Share Scheme[4]	Own Shares	2011/03/31	141,72	2014/04/01	2 116	2014/04/01	222,50	2014/04/01
	Own Shares	2013/03/31	195,66	2016/04/01				
					Own Shares	2014/04/01	223,03	2017/04/02
Total value of dividends								
Total								
Brian Kennedy								
Nedbank Restricted Shares								
	15 571	2011/03/07	128,44	2014/03/08				
	15 571	2011/03/08[2]	128,44	2014/03/09				
	18 532	2012/03/07	161,88	2015/03/08				
	18 532	2012/03/08[2]	161,88	2015/03/09				
	15 797	2013/03/07	189,90	2016/03/08				
	15 797	2013/03/08[2]	189,90	2016/03/09				
					16 746	2014/03/06	209,00	2017/03/07
					16 746	2014/03/07[2]	209,00	2017/03/08
Compulsory Bonus Share Scheme[1]	4 022	2011/03/31	141,72	2014/04/01	4 022	2014/04/01	222,50	2014/04/01
	6 548	2012/03/31	171,79	2015/04/01				
	15 026	2013/03/31	195,66	2016/04/01				
					16 141	2014/03/31	223,03	2017/04/01
Voluntary Bonus Share Scheme[4]	Own Shares	2011/03/31	141,72	2014/04/01	2 116	2014/04/01	222,50	2014/04/01
	Own Shares	2012/03/31	171,79	2015/04/01				
	Own Shares	2013/03/31	195,66	2016/04/01				
					Own Shares	2014/04/01	223,03	2017/04/02
Total value of dividends								
Total								

Awards vesting/lapsing during 2014								Dividends	Closing balance at 31 December 2014		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Date of issue/ inception	Issue price (R)	Market price at vesting (R)	Vesting/ Exercise date	Value gained on vesting	[5]Notional value of loss on lapsing	Total value of dividends paid in respect of all plans[7] R	Number of restricted shares/ options	End of perfor-mance period	Final vesting/ exercise date
16 725	2 739	2011/03/07	128,44	215,77		3 608 843	(590 904)				
19 464		2011/03/08	128,44	215,77		4 199 747					
									24 709	2014/12/31	2015/03/08
									24 709	2014/12/31	2015/03/09
									21 063	2015/12/31	2016/03/08
									21 063	2015/12/31	2016/03/09
	23 923			229,17			(5 482 434)			2016/12/31	2017/03/07
	23 923			229,17			(5 482 434)			2016/12/31	2017/03/08
10 584[3]		2011/03/31	141,72	222,50	2014/04/01	2 354 940					
									10 477	2014/12/31	2015/04/01
									9 966	2015/12/31	2016/04/01
									8 743	2016/12/31	2017/04/01
2 116[3]		2014/04/01	141,72	222,50	2014/04/01	470 810					
								1 616 151			
						10 634 340	(11 555 772)	1 616 151			
13 380	2 191	2011/03/07	128,44	215,77		2 887 037	(472 717)				
15 571		2011/03/08	128,44	215,77		3 359 755					
									18 532	2014/12/31	2015/03/08
									18 532	2014/12/31	2015/03/09
									15 797	2015/12/31	2016/03/08
									15 797	2015/12/31	2016/03/09
									16 746	2016/12/31	2017/03/07
									16 746	2016/12/31	2017/03/08
8 044[3]		2011/03/31	141,72	222,50	2014/04/01	1 789 790					
									6 548	2014/12/31	2015/04/01
									15 026	2015/12/31	2016/04/01
									16 141	2016/12/31	2017/04/01
2 116[3]		2014/04/01	141,72	222,50	2014/04/01	470 810					
								1 457 378			
						8 507 392	(472 717)	1 457 378			

Prescribed officers	Opening balance at 1 January 2014				Awards made during 2014			
	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
Dave Macready								
Nedbank Restricted Shares								
	15 571	2011/03/07	128,44	2014/03/08				
	15 571	2011/03/08[2]	128,44	2014/03/09				
	15 443	2012/03/07	161,88	2015/03/08				
	15 443	2012/03/08[2]	161,88	2015/03/09				
	15 797	2013/03/07	189,90	2016/03/08				
	15 797	2013/03/08[2]	189,90	2016/03/09				
					16 148	2014/03/06	209,00	2017/03/07
					16 148	2014/03/07[2]	209,00	2017/03/08
Compulsory Bonus Share Scheme[1]								
	3 704	2011/03/31	141,72	2014/04/01	3 704[3]	2014/04/01	222,50	2014/04/01
	6 548	2012/03/31	171,79	2015/04/01				
	6 899	2013/03/31	195,66	2016/04/01				
					8 070	2014/03/31	223,03	2017/04/01
Voluntary Bonus Share Scheme	Own Shares	2013/03/31	195,66	2016/04/01				
					Own Shares	2014/04/01	223,03	2017/04/02
Total value of dividends								
Total								
Mfundo Nkuhlu								
Nedbank Restricted Shares								
	19 464	2011/03/07	128,44	2014/03/08				
	19 464	2011/03/08[2]	128,44	2014/03/09				
	15 443	2012/03/07	161,88	2015/03/08				
	15 443	2012/03/08[2]	161,88	2015/03/09				
	19 747	2013/03/07	189,90	2016/03/08				
	19 747	2013/03/08[2]	189,90	2016/03/09				
					20 335	2014/03/06	209,00	2017/03/07
					20 335	2014/03/07[2]	209,00	2017/03/08
Compulsory Bonus Share Scheme[1]	6 985	2012/03/31	171,79	2015/04/01				
	7 666	2013/03/31	195,66	2016/04/01				
					8 743	2014/03/31	223,03	2017/04/01
Voluntary Bonus Share Scheme	Own Shares	2013/03/31	195,66	2016/04/01				
					Own Shares	2014/04/01	223,03	2017/04/02
Eyethu Restricted Shares	3 960	2009/03/03	75,74	2014/03/04				
	4 080	2009/03/03	75,74	2015/03/04				
Eyethu Restricted Options[6]	11 880	2009/03/03	75,74	2014/03/04				
	12 240	2009/03/03	75,74	2015/03/04				
Total value of dividends								
Total								

1 Matching on the Compulsory Bonus Share Scheme occurs only on shares in the scheme as at the vesting date. If corporate performance targets are met, 100% matching occurs, otherwise a 50% matching occurs.
2 Restricted share awards with time-based vesting only.
3 Match occurred at one share for each in the Compulsory Bonus Share Scheme and Voluntary Bonus Share Scheme as at the vesting date.
4 For the Voluntary Bonus Scheme employees invest their own Nedbank Shares into the scheme. After three years, if the corporate targets are met, a 100% matching occurs, otherwise a 50% matching occurs.
5 Value determined based on number of shares lapsing multiplied by the market share price on scheduling vesting date.
6 Eyethu Restricted Options have a lifespan of seven years from the date of issue.
7 Plans excludes Voluntary Bonus Share Scheme which are own shares.

Awards vesting/lapsing during 2014								Dividends	Closing balance at 31 December 2014		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Date of issue/ inception	Issue price (R)	Market price at vesting (R)	Vesting/ Exercise date	Value gained on vesting	[5]Notional value of loss on lapsing	Total value of dividends paid in respect of all plans[7] R	Number of restricted shares/ options	End of perfor-mance period	Final vesting/ exercise date
13 380	2 191	2011/03/07	128,44	215,77		2 887 037	(472 717)				
15 571		2011/03/08	128,44	215,77		3 359 755					
									15 443	2014/12/31	2015/03/08
									15 443	2014/12/31	2015/03/09
									15 797	2015/12/31	2016/03/08
									15 797	2015/12/31	2016/03/09
									16 148	2016/12/31	2017/03/07
									16 148	2016/12/31	2017/03/08
7 408		2011/03/31	141,72	222,50	2014/04/01	1 648 280					
									6 548	2014/12/31	2015/04/01
									6 899	2015/12/31	2016/04/01
									8 070	2016/12/31	2017/04/01
								1 140 933			
						7 895 072	(472 717)	1 140 933			
16 725	2 739	2011/03/07	128,44	215,77		3 608 843	(590 904)				
19 464		2011/03/08	128,44	215,77		4 199 747					
									15 443	2014/12/31	2015/03/08
									15 443	2014/12/31	2015/03/09
									19 747	2015/12/31	2016/03/08
									19 747	2015/12/31	2016/03/09
									20 335	2016/12/31	2017/03/07
									20 335	2016/12/31	2017/03/08
2 329		2012/03/31	171,79	226,50	2014/11/04	527 519			4 656	2014/12/30	2015/03/31
2 555		2013/03/31	195,66	226,50	2014/11/04	578 708			5 111	2015/12/31	2016/04/01
									8 743	2016/12/31	2017/04/01
3 960		2009/03/03	75,74	215,31	2014/03/04	852 628					
									4 080		2015/03/04
11 880		2009/03/03	75,74	215,31	2014/03/04	1 658 092					
									12 240		2015/03/04
								1 474 566			
								11 425 535	(590 904)	1 474 566			

INVITATION FROM OUR **CHAIRMAN**

I extend a warm invitation to you to attend the 48th annual general meeting of Nedbank Group Limited to be held in the Auditorium, Retail Place West, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Monday, 11 May 2015 at 08:30.

This meeting provides all shareholders with the opportunity to meet with the Nedbank Group Board to vote on the resolutions and to pose questions or comments regarding the group's performance for the year ended 31 December 2014.

As it is not always possible to answer every question raised at the annual general meeting, and to ensure that all matters of particular interest to shareholders are covered, shareholders may use the attached question form to raise any questions in advance. From these question forms the most popular topics will be assessed and I will endeavour to address these at the annual general meeting. This advance notice of relevant questions will, of course, not prevent any shareholder from raising questions, at the appropriate time, during the meeting.

The question form can be forwarded to the Company Secretary, Ground Floor, Block A, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196 (PO Box 1144, Johannesburg, 2000), to be received no later than 08:30 on Friday, 8 May 2015.

Voting on the resolutions as set out in the notice will be conducted by means of an electronic poll using an interactive voting system. This is to ensure an exact reflection on the views of the shareholders both by shareholders present at the meeting and proxy votes submitted prior to the meeting. The form of proxy and explanatory notes are included in this documentation.

Should you require an interpreter (sign language or a translator from English to any of the other official SA languages) to be in attendance at the annual general meeting, please advise the Company Secretary's office of this requirement on +27 (0)11 294 9107, or send an email to JackieK@nedbank.co.za by no later than Thursday, 30 April 2015.

Shareholders wishing to participate in the meeting through electronic facilities are also requested to contact the Company Secretary's office by Thursday, 30 April 2015, for access to be arranged.

Yours faithfully

Dr RJ Khoza
Chairman

Sandown
11 March 2015

HEADOFFICE

Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196
PO Box 1144, Johannesburg, 2000

Tel: +27 (0)11 294 4444
nedbankgroup.co.za

Nedbank Group Limited Reg No 1966/010630/06

Directors: Dr RJ Khoza (Chairman) MWT Brown (Chief Executive) DKT Adomakoh (Ghanaian) TA Boardman BA Dames GW Dempster (Executive Director) MA Enus-Brey ID Gladman* PB Hanratty (Irish) PM Makwana Dr MA Matooane NP Mnxasana RK Morathi (Chief Financial Officer) JK Netshitenzhe MC Nkuhlu (Chief Operating Officer) JVF Roberts* GT Serobe MI Wyman*
*(*British)*

Company Secretary: TSB Jali

OUR FINANCIAL **CALENDAR FOR 2015**

2014	
December	Financial year-end – 31 December
2015	
January	
February	Annual results and announcement of final dividend – 23 February
March	Final dividend payment – 23 March, for Nedbank Limited preference shares
March	Publication and posting of integrated report – 31 March
April	Final dividend payment – 7 April, for Nedbank Group Limited ordinary shares
May	Annual general meeting – 11 May
May	First-quarter trading update – 11 May
June	
July	
August	Interim results and announcement of interim dividend – 4 August
August	Interim dividend payment – 31 August, for Nedbank Limited preference shares
September	Interim dividend payment – 14 September, for Nedbank Group Limited ordinary shares
October	
November	Third-quarter trading update – 2 November
December	Financial year-end – 31 December
2016	
January	
February	Annual results and announcement of final dividend
March	Publication and posting of integrated report
April	Final dividend payment
May	Annual general meeting

QUESTION FORM FOR OUR **ANNUAL GENERAL MEETING**

Name of member

Address

Contact details

Telephone number

Fax number

Email address

Questions

NOTICE OF OUR **ANNUAL GENERAL MEETING**

Nedbank Group Limited
(Incorporated in the Republic of South Africa)
Reg No 1966/010630/06
JSE share code: NED; NSX share code: NBK
ISIN: ZAE000004875
('Nedbank Group' or 'the company')

Notice is hereby given to shareholders recorded in the securities register of Nedbank Group on Friday, 20 March 2015, that the 48th annual general meeting of shareholders will be held in the Auditorium, Retail Place West, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Monday, 11 May 2015, at 08:30 to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), as read with the Listings Requirements of JSE Ltd ('the JSE Listings Requirements'), which meeting is to be participated in and voted at by shareholders recorded in the company's securities register on the record date of Thursday, 30 April 2015.

The quorum requirement for the ordinary and special resolutions set out below is sufficient persons being present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the resolutions, provided that at least three shareholders of the company are present at the annual general meeting. The percentage of voting rights required to pass the ordinary resolutions is more than 50% of the voting rights exercised, and the percentage of voting rights required to pass the special resolutions is at least 75% of the voting rights exercised thereon.

Meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to attend or participate in the meeting. Forms of identification include valid identity documents, driving licences and passports.

AGENDA

1 Presentation of annual financial statements and reports

The annual financial statements of the company, incorporating among others the Directors' Report, Auditors' Report and Report of the Audit Committee, for the financial year ended 31 December 2014, and the report of the Group Transformation, Social and Ethics Committee in terms of regulation 43(5)(c) of the Companies Act have been distributed and will be presented to the shareholders as required in terms of the Companies Act. The summarised audited annual financial statements, together with the reports, are contained in the Nedbank Group Limited Integrated Report 2014 ('integrated report').

2 Ordinary dividends

To note the interim dividend of 460 cents per ordinary share declared by the board of directors on 5 August 2014, and the final dividend of 568 cents per ordinary share declared by the board of directors on 23 February 2015.

3 Retirement

To note the retirement of those non-executive directors of Nedbank Group who have served on the board for a period longer than nine years and who therefore, in terms of Nedbank Group policy, are required to retire.

Dr RJ Khoza (Chairman), Mr MA Enus-Brey and Mrs GT Serobe were appointed to the Nedbank Group Board on 16 August 2005 and they will retire at the close of the annual general meeting. The board has resolved to elect Mr V Naidoo as Chairman of Nedbank Group immediately after the close of the annual general meeting, subject to Nedbank Group shareholders electing him as a non-executive director in terms of ordinary resolution 1.

Mr GW Dempster has reached the retirement age for executive directors and he retires from the board at the close of this annual general meeting.

RESOLUTIONS

4 Ordinary resolution 1

In terms of the company's memorandum of incorporation not less than one-third of the directors are required to retire at each annual general meeting and may make themselves available for reelection. Any person appointed to fill a casual vacancy on the board, or as an addition thereto, since the last annual general meeting is required to retire and is eligible for election at the annual general meeting. Biographical details of the directors of the company retiring by rotation, or as a result of an appointment during the year, are set out on pages 2a to 5a of this 2014 integrated report. An assessment of each of the retiring directors was performed by the Nedbank Group Limited Board, who recommends that shareholders approve the election and/or reelection of the retiring directors.

Reelection of directors of the company

The following directors retire by rotation in terms of the company's memorandum of incorporation and, being eligible, make themselves available for reelection, each by way of a separate vote. Biographical details of the directors to be reelected are set out on pages 4a and 5a of this integrated report.

4.1 *'Resolved that Mr PM Makwana be and is hereby reelected as a director of the company.'*
Independent non-executive director;
Date of appointment: 17 November 2011;
Educational qualifications: BAdmin(Hons);
Board committees: Group Audit Committee, Group Directors' Affairs Committee, Group Information Technology Committee, Group Remuneration Committee (Chairman) and Group Transformation, Social and Ethics Committee.

4.2 *'Resolved that Mrs NP Mnxasana be and is hereby reelected as a director of the company.'*
Independent non-executive director;
Date of appointment: 1 October 2008;
Educational qualifications: BCompt(Hons), CA (SA);
Board committees: Group Audit Committee, Group Transformation, Social and Ethics Committee (Chairman), Group Directors Affairs Committee, Group Remuneration Committee and Group Risk and Capital Management Committee.

4.3 *'Resolved that Mrs RK Morathi be and is hereby reelected as a director of the company.'*
Chief Financial Officer;
Date of appointment: 1 September 2009;
Educational qualifications: BCompt(Hons), CA (SA), HDip Tax, Advanced Management Programme (AMP) (INSEAD);
Board committee: Group Credit Committee, Large Exposure Approval Committee.

4.4 *'Resolved that Mr JVF Roberts be and is hereby reelected as a director of the company.'*
Non-executive director;
Date of appointment: 1 December 2009;
Educational qualifications: FCA, ACA, Member of Association of Corporate Treasurers;
Board committees: Group Directors' Affairs Committee and Group Remuneration Committee.

Election of directors of the company appointed during the year

Subsequent to the Nedbank Group shareholders meeting held on 7 August 2014, the board appointed Messrs PB Hanratty, V Naidoo and MC Nkuhlu as directors of the company. These directors retire in terms of the company's memorandum of incorporation and, being eligible, make themselves available for election. Their biographical details are set out on pages 2a to 5a of this integrated report.

4.5 *'Resolved that Mr PB Hanratty be and is hereby elected as a director of the company.'*
Non-executive director;
Date of appointment: 8 August 2014;
Educational qualifications: BBusSc, FIA, AMP;
Board committee: Group Transformation, Social and Ethics Committee.

4.6 *'Resolved that Mr V Naidoo be and is hereby elected as a director of the company.'*
Non-executive director;
Date of appointment: 1 May 2015;
Educational qualifications: CA (SA), ACA;
Board committee: Group Directors' Affairs Committee.

4.7 *'Resolved that Mr MC Nkuhlu be and is hereby elected as a director of the company.'*
Executive director;
Date of appointment: 1 January 2015;
Educational qualifications: BA(Hons), Strategic Management in Banking (INSEAD Business School), AMP (Harvard Business School, USA);
Board committee: Group Credit Committee.

5 Ordinary resolution 2

Reappointment of external auditors

Following an evaluation of the performance of Deloitte & Touche and KPMG Inc, the Nedbank Group Audit Committee and board recommend the reappointment of the auditors on a joint basis. If either resolution 5.1 or resolution 5.2 is not passed, the resolution that is passed will be effective.

5.1 *'Resolved that Deloitte and Touche (with Mr M Jordan as designated registered auditor) be and are hereby reappointed as auditors to hold office from the conclusion of the 48th annual general meeting until the conclusion of the next annual general meeting of Nedbank Group.'*

5.2 *'Resolved that KPMG Inc (with Ms H Berrange as designated registered auditor) be and are hereby reappointed as auditors to hold office from the conclusion of the 48th annual general meeting until the conclusion of the next annual general meeting of Nedbank Group.'*

6 Ordinary resolution 3

External auditors' remuneration

'Resolved that the Nedbank Group Audit Committee be and is hereby authorised to determine the remuneration of the company's auditors and the auditors' terms of engagement.'

This resolution gives authority to the Nedbank Group Audit Committee to fix the remuneration and the terms of engagement of the auditors (proposed to be reappointed in terms of the above resolution). The aggregate auditors' remuneration for audit and other services paid to the auditors for the financial year ended 31 December 2014 amounted to R132m (2013: R129m). Particulars of the auditors' remuneration can be found in note 8 of the Nedbank Group Annual Financial Statements 2014 online.

7 Ordinary resolution 4

Control of authorised, but unissued, ordinary shares

'Resolved that the board be and is hereby authorised, as it in its discretion thinks fit, to issue ordinary shares of R1,00 each in the share capital of the company, subject to the provisions of the Companies Act, 71 of 2008 (as amended), the Banks Act, 94 of 1990 (as amended), and JSE Limited ('the JSE') Listings Requirements. The issuing of shares granted under this authority will be limited to 5% of the number of Nedbank Group ordinary shares in issue as at 1 January 2015 and will be further limited to Nedbank Group's existing contractual obligations to issue shares, including for purposes of Nedbank Group's BEE transaction approved in 2005 and reconfirmed by shareholders in 2013, the NedNamibia BEE transaction approved in 2006, any scrip dividend and/or capitalisation share award, shares required to be issued for the purpose of carrying out the terms of the Nedbank Group share incentive schemes, and to support the conversion of any applicable new additional tier 1 and tier 2 instruments into common equity on the occurrence of a trigger event, as determined by the relevant authority, which means the SA Reserve Bank or the equivalent governmental authority, before the finalisation and introduction of South Africa's Resolution Regime.

Such authority will endure until the forthcoming annual general meeting of the company (whereupon this authority will lapse, unless it is renewed at the aforementioned annual general meeting), provided that it will not extend beyond 15 months from the date of this meeting.'

8 Ordinary resolution 5

Control of authorised, but unissued, cumulative redeemable non-participating preference shares ('preference shares')

'Resolved that the board be and is hereby authorised, as it in its discretion thinks fit, to issue preference shares of R10 000,00 each in the share capital of the company, subject to the provisions of the Companies Act, 71 of 2008 (as amended), the Banks Act, 94 of 1990 (as amended), and the JSE Listings Requirements. Such authority will endure until the forthcoming annual general meeting of the company (whereupon this authority will lapse, unless it is renewed at the aforementioned annual general meeting), provided that it will not extend beyond 15 months from the date of this meeting.'

Nedbank Group wishes to provide flexibility in the nature of financing instruments and sources of funding that it has for the purposes of funding its business activities in general. While there is no intention at present to issue preference shares, this authority will provide the Nedbank Group Board with the ability to source funds from either the institutional or retail investor market in a long-term dividend-yielding instrument that is attractive to investors and a source of stable additional funding for the group should it wish to do so.

9 Advisory endorsement of Remuneration Policy

'To endorse through a non-binding advisory vote the company's remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of the board committees), as set out in the Remuneration Report contained in the annual financial statements.'

In accordance with the principles of King III an advisory vote is being put to shareholders for the endorsement of Nedbank Group's Remuneration Policy. As the votes on this resolution are non-binding, the results would not be binding on the board. However, the board will take cognisance of the outcome of the vote when considering its Remuneration Policy in future.

10 Special resolution 1

Remuneration of non-executive directors

'Resolved that the non-executive directors' fees for their services as directors be and are hereby approved as follows:

Committee	Current annual fee (1/7/2014 to 30/6/2015) R	Proposed annual fee[4] (1/7/2015 to 30/6/2016) R
Chairman[1]	4 500 000	**4 750 000**
Senior independent director premium (40%)	152 000	**162 000**
Nedbank Group Boardmember	206 900	**220 555**
Nedbank Limited Boardmember	173 100	**184 525**
Committees		
Nedbank Group Audit[2]	200 000	**225 000**
Nedbank Group Risk and Capital Management[2]	140 000	**155 000**
Nedbank Group Credit[2]	175 000	**190 000**
Nedbank Group Remuneration[2]	110 000	**125 000**
Nedbank Group Transformation, Social and Ethics[3]	85 000	**90 000**
Nedbank Group Directors' Affairs[3]	61 000	**70 000**
Nedbank Group Information Technology[3]	85 000	**90 000**
Nedbank Group Finance and Oversight[3]	26 000	**27 500**

[1] The Chairman will be paid a single fee, inclusive of committee chairmanship and membership fees.
[2] The committee Chairman will be paid 2,5 times the member fees.
[3] The committee Chairman will be paid double the member fees.
[4] Subject to shareholders' approval at the May 2015 annual general meeting. On a like-for-like basis the proposed increase represents a 7,6% increase overall.

In terms of article 27 of the company's memorandum of incorporation, remuneration will be payable to the directors as may be approved from time to time by special resolution. Full particulars of all fees and remuneration are contained on pages 69a and 70a of this integrated report. The Nedbank Group Limited Board has recommended the non-executive directors' fees as set out in this special resolution. The board deliberated on the requirement of King III that non-executive directors' fees should comprise a base fee and an attendance fee per meeting. The board is of the view that this requirement is less pertinent to directors of Nedbank Group due to the practicalities and responsibilities of being a director of a bank, and the need for the board to provide inputs on an ongoing basis, even when they are not able to attend a board meeting in person.

11 Special resolution 2

General authority to repurchase shares

Preamble

The board of directors of the company has considered the impact of a repurchase or purchase, as the case may be, of up to 5% of the company's shares, which falls within the amount permissible under a general authority in terms of the JSE Limited Listings Requirements and, in respect of acquisitions by a subsidiary of the company, the Companies Act.

Should the opportunity arise and should the directors deem it to be advantageous to the company, or any of its subsidiaries, to repurchase or purchase, as the case may be, such shares, it is considered appropriate that the directors (and relevant subsidiaries) be authorised to repurchase or purchase, as the case may be, the company's shares.

'Resolved that the company and/or its subsidiaries be and are hereby authorised by way of a general authority to repurchase or purchase, as the case may be, shares issued by the company, from any person, on such terms and conditions and in such numbers as the directors of the company or the subsidiary may from time to time determine, subject to the applicable requirements of the company's memorandum of incorporation, to the approval, to the extent required, of the Registrar of Banks, the provisions of the Companies Act, 71 of 2008 (as amended), the Banks Act, 94 of 1990 (as amended), and JSE Limited ('the JSE') Listings Requirements, and subject further to the restriction that the repurchase or purchase, as the case may be, by the company and/or any of its subsidiaries of shares in the company under this authority will not, in aggregate in any one financial year, exceed 5% of the shares in issue at the commencement of such financial year.

It is recorded that the JSE Listings Requirements provide, among others, that the company or any subsidiary of the company may only make a general repurchase of the shares of the company subject to the following limitations:

(a) the repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;

(b) authorisation thereto must be given by the company's and its subsidiaries' memorandum of incorporation;

(c) this general authority will be valid only until the company's next annual general meeting, provided that it does not extend beyond 15 months from the date of the passing of this special resolution;

(d) in determining the price at which the company's ordinary shares are repurchased by the company in terms of this general authority, the maximum premium at which such ordinary shares may be repurchased will be 10% of the weighted average of the market price at which such ordinary shares are traded on JSE, as determined over the five trading days immediately preceding the date of the repurchase of such ordinary shares by the company;

(e) the board will have acknowledged by resolution that the company will satisfy the solvency and liquidity test immediately after the repurchase and that since the test was done there have been no material changes to the financial position of the company and the group;

(f) neither the company nor its subsidiaries will repurchase securities during a prohibited period, as defined in paragraph 3.67 of the JSE Listings Requirements, unless a repurchase programme is in place in terms of which the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation), full details of which programme have been disclosed to JSE prior to the commencement of the prohibited period;

(g) when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class required thereafter, an announcement will be published on SENS and in the financial press; and

(h) at any time the company will appoint only one agent to effect any repurchase(s) on its behalf.'

In terms of the proposed special resolution 2 the maximum number of Nedbank Group shares that may be repurchased during the term of this authority, subject to (b) above, is 24 962 890 shares (5% of 499 257 807 shares in issue at 1 January 2015).

This resolution is required to be passed on a show of hands by not less than 75% of the number of shareholders of the company who are entitled to vote on a show of hands and who are present at the meeting in person or by proxy or, where a poll has been demanded, by not less than 75% of the total votes to which the shareholders present in person or by proxy are entitled.

The directors of the company undertake that they will not effect a general repurchase of shares as contemplated above, unless the following conditions are met:

(1) the company and the group are in a position to repay their debt in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting;

(2) the company's and the group's assets at fair value will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements, which comply with the Companies Act;

(3) the share capital and reserves of the company and the group are adequate for a period of 12 months following the date of the notice of the annual general meeting; and

(4) the available working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting.

Disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are disclosed in this integrated report, as set out below:

Major shareholders of Nedbank Group (pages 91a and 92a).
Directors' interests in securities (page 71a).
Share capital of Nedbank Group (page 91a).

Material change

Other than the facts and developments reported on in this integrated report, there have been no material changes in the affairs or financial position of Nedbank Group and its subsidiaries from 31 December 2014 to the date of the audit report forming part of the annual financial statements.

Directors' responsibility statement

The directors, whose names are given on pages 2a to 5a of this integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 2 and certify that, to the best of their knowledge and belief, no facts have been omitted that would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution and additional disclosure in terms of section 11.26 of the JSE Listings Requirements pertaining thereto contain all such information required by law and the JSE Listings Requirements.

The company's memorandum of incorporation contains a provision allowing the company or any of its subsidiaries to repurchase (acquire) the company's issued shares. This is subject to the Companies Act, the Banks Act, 94 of 1990 (as amended), and the JSE Listings Requirements. In terms of sections 46 and 48 of the Companies Act, the company or its subsidiaries are allowed to repurchase the company's shares. The existing general authority, granted by shareholders at the last annual general meeting on 13 May 2014, is due to expire, unless renewed. Should the general authority for the acquisition of shares be granted at Nedbank Group's annual general meeting, it will provide the board with the flexibility to repurchase such shares as and when the best interests of the company require it to do so.

The directors are of the opinion that it would be in the best interests of the company to extend such general authority and thereby allow the company to be in a position to repurchase its own shares on the open market, should market conditions and price justify such action. The proposed authority would enable the company to repurchase up to 24 962 890 ordinary shares in the capital of the company, with a stated upper limit on the price payable, in terms of the JSE Listings Requirements. The board manages the company's equity on a proactive and dynamic basis, and repurchases would be made, only after the most careful consideration, in cases where the directors believe that such purchases would be in the best interests of the company and its shareholders.

12 Special resolution 3

General authority to provide financial assistance to related and interrelated companies

'Resolved that, subject to the provisions of the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), the shareholders of the company hereby approve, as a general approval, the company providing direct or indirect financial assistance ('financial assistance') as contemplated in sections 44 and 45 of the Companies Act, whether in the form of advances for expenses, assisting with administration of transactions, loans, loan facilities, extending credit, discharging debts, performing obligations, contractual undertakings, sureties, guarantees, guarantee facilities, mortgages, pledges, cessions, bonds, charges or otherwise, on such terms as may be authorised by the board of directors of the company having regard to the funding and commercial requirements of the Nedbank Group of companies ('the group') as contemplated in the Companies Act from time to time and in accordance with the following:

1 the financial assistance can be provided to any company that is currently, or in the future, 'related' to or 'interrelated' with the company (and any person 'related' to any of such companies) as contemplated by the Companies Act or any other person (a 'recipient') (which, for the avoidance of doubt, excludes financial assistance provided to any directors or prescribed officers of the company or of any such recipients);

2 the financial assistance may be provided for the purpose of, or in connection with, the subscription to any option, or any securities, issued or to be issued by the company or a company related to or interrelated with the company or for the purchase of any securities of the company or a company or corporation that is related to or interrelated with the company, as contemplated in section 44 of the Companies Act or any other purpose regulated by section 45 of the Companies Act;

3 authorisation by the board of any financial assistance pursuant to this resolution must be provided within a period of two years following the date of the adoption of this special resolution;

4 any related corporate action must be duly authorised in compliance with the JSE Listings Requirements, the Companies Act, and where applicable;

5 this approval is subject to the board complying with sections 44 and 45 of the Companies Act; and

6 nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and 45 of the Companies Act or falls within any exemption provided in these sections.'

Section 44 of the Companies Act essentially requires, subject to limited exceptions, approval by way of special resolution for the provision of financial assistance for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company. Section 45 of the Companies Act essentially requires, subject to limited exceptions, approval by way of special resolution for the provision of financial assistance, among others, to companies 'related' to and 'interrelated' with the company. Both sections 44 and 45 provide, among others, that the regulated financial assistance may only be provided pursuant to a special resolution passed by shareholders within the previous two years.

The provision of any direct or indirect financial assistance by the company will always be subject to the board being satisfied that, immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test referred to in section 45(3)(b)(i) of the Companies Act, and that the terms under which such financial assistance is to be given are fair and reasonable to the company, as referred to in section 45(3)(b)(ii) of the Companies Act.

The directors would like the authority to be able to provide financial assistance to companies 'related' to and 'interrelated' with the company and persons related to such companies, including for the acquisition of securities issued by the company and related companies, where they regard it as desirable. For example, such authorisation is generally required for providing loans and guarantees and other financial assistance to subsidiaries and group companies, which is often necessary or desirable for the conduct of Nedbank Group's business.

Voting by proxy

A shareholder entitled to attend and vote at the annual general meeting may appoint a proxy or proxies to attend, speak and vote or abstain from voting in his/her stead. A proxy need not be a shareholder of the company. Completed proxy forms are requested to be received at the office of the transfer secretaries no later than 24 hours before the time appointed for the holding of the annual general meeting.

By order of the board

TSB Jali

Company Secretary

Sandown
20 February 2015

Registered office	Transfer secretaries in SA	Transfer secretaries in Namibia
Nedbank Group Limited Reg No 1966/010630/06 Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196	Computershare Investor Services Proprietary Limited Ground Floor 70 Marshall Street Johannesburg, 2001	Transfer Secretaries Proprietary Limited Robert Mugabe Avenue No 4 Windhoek, Namibia
PO Box 1144 Johannesburg, 2000 Tel: +27 (0)11 294 4444	PO Box 61051 Marshalltown, 2107 Tel: +27 (0)11 370 5000 Fax: +27 (0)11 688 5238	PO Box 2401 Windhoek, Namibia Tel: +264 (0)61 227 647 Fax: +264 (0)61 248 531

Important notes about the annual general meeting

Venue	The Auditorium, Retail Place West, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton.
Date	Monday, 11 May 2015 at 08:30.
Time	The annual general meeting will start promptly at 08:30. Shareholders wishing to attend are advised to be in the auditorium no later than 08:15. The reception area will be open from 08:00, from which time refreshments will be served.

Proof of identity and admission	Shareholders and others attending the annual general meeting are asked to register at the registration desk in the auditorium reception area. For purposes of section 63(1) of the Companies Act, 71 of 2008 (as amended), any person attending or participating at the annual general meeting is required to present reasonably satisfactory identification to the satisfaction of the presiding chairman. Forms of identification include valid identity documents, driving licences and passports.
Housekeeping	Cellphones must be switched off for the duration of the proceedings.
Parking	Secure parking is provided at Nedbank 135 Rivonia Campus, Entrance 4, off Fredman Drive.
Electronic voting	Nedbank Group will once again be taking advantage of the benefits that electronic meeting management can offer. On arrival you will be registered, be linked to your profile on the share register and be given an electronic keypad with which to cast your vote. As your vote is received, a message will be displayed on the keypad screen, confirming that your vote has been registered. Results of votes cast on each resolution will be displayed on an overhead screen within minutes of voting. Shareholders wishing to participate in the meeting through electronic facilities are also requested to contact the Company Secretary's office no later than Tuesday, 28 April 2015, in order for reasonable access to be arranged.
Interpreter	Should you require an interpreter (for sign language or translation from English into any of the other official SA languages) to be in attendance at the annual general meeting, please do not hesitate to advise the Company Secretary's office on +27 (0)11 294 9107 or at JackieK@nedbank.co.za no later than Tuesday, 28 April 2015, for this facility to be arranged.
Certificated shareholders and own-name dematerialised registration	Holders of certificated Nedbank Group ordinary shares wishing to attend the annual general meeting should verify beforehand with the transfer secretaries of the company that their shares are in fact registered in their own name and check the number of shares so registered. Should their shares not be registered in their own name but in any other name or form, shareholders wishing to attend and/or vote at the annual general meeting should follow the instructions and explanatory notes that accompany the notice of the annual general meeting. Similarly, shareholders who are holding dematerialised Nedbank Group ordinary shares and believe these to be held in their own name should check with the transfer secretaries and take the appropriate action in accordance with the instructions and guidance contained herein or obtain assistance from the transfer secretaries, if necessary.
	A person who holds a beneficial interest in any certificated Nedbank Group shares may vote on a matter at the annual general meeting, only to the extent that:
	1 the beneficial interest includes the right to vote on the matter; and
	2 the person's name is on the company's register of disclosures as the holder of a beneficial interest; or
	3 the person holds a proxy appointment in respect of that matter from the registered holder of the relevant Nedbank Group shares.
Participant (previously known as central securities depository participant) or nominee holdings	Holders of Nedbank Group ordinary shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, participant or broker to furnish such nominee, participant or broker with the necessary authority to attend and vote at the annual general meeting or they should instruct their nominee, participant or broker on how they wish their votes to be cast on their behalf at the annual general meeting. As far as holdings in a participant are concerned, these will be guided by the terms of the agreement entered into between shareholders and their participant or broker.
Proxies	Shareholders completing a form of proxy are requested to ensure that their form of proxy reaches the address in note 10 of the form of proxy by no later than 08:30 on Friday, 8 May 2015.
Enquiries	Any shareholders experiencing difficulties or having questions pertaining to the annual general meeting or the above are invited to contact the Company Secretary's office on +27 (0)11 294 9107.
Results of the annual general meeting	The results of the annual general meeting will be released on SENS as soon as is practicable after the annual general meeting.

ANALYSIS OF **SHAREHOLDERS**

for the year ended 31 December

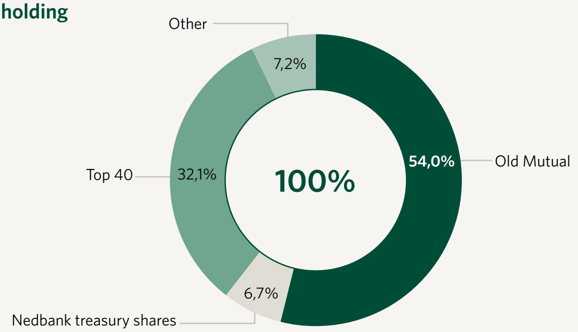
Register date: 2 January 2015
Authorised share capital: 600 000 000 shares
Issued share capital: 499 257 807 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	17 190	80,47	4 189 529	0,84
1 001 – 10 000 shares	3 241	15,17	8 917 668	1,79
10 001 – 100 000 shares	704	3,30	23 175 378	4,64
100 001 – 1 000 000 shares	187	0,88	53 527 054	10,72
1 000 001 shares and over	40	0,18	409 448 178	82,01
Total	21 362	100,00	499 257 807	100,00
Distribution of shareholders				
Banks	200	0,94	65 431 449	13,11
Close corporations	119	0,56	121 492	0,02
Empowerment	21	0,10	23 132 880	4,63
Endowment funds	171	0,80	965 785	0,19
Government	3	0,01	85 573	0,02
Individuals	16 455	77,03	9 805 439	1,97
Insurance companies	149	0,70	3 116 313	0,62
Investment companies	63	0,29	3 140 861	0,63
Medical aid schemes	37	0,17	369 418	0,07
Mutual funds	405	1,90	40 036 708	8,02
Old Mutual Life Assurance Company (SA) Limited and associates	36	0,17	269 776 225	54,04
Other corporations	68	0,32	106 802	0,02
Private companies	366	1,71	1 896 551	0,38
Public companies	22	0,10	140 067	0,03
Retirement funds	481	2,25	64 264 490	12,87
Share trusts[1]	10	0,05	12 536 625	2,51
Nominees and trusts	2 756	12,90	4 331 129	0,87
Total	21 362	100,00	499 257 807	100,00
Public/Non-public shareholders				
Non-public shareholders	88	0,41	307 252 640	61,54
Directors and associates of the company[2]	9	0,04	796 059	0,16
Old Mutual Life Assurance Company (SA) Limited and associates	36	0,17	269 776 225	54,04
Nedbank/Nedbank Group pension funds	6	0,03	265 981	0,05
Nedbank Group Limited and associates (share trusts)[1]	10	0,05	12 037 266	2,41
Nedbank Group Limited and associates (mutual funds)	7	0,03	1 332 143	0,27
Nedbank Group BEE trusts – SA[1]	9	0,04	22 226 463	4,45
Nedbank Group BEE trusts – Namibia	11	0,05	818 503	0,16
Public shareholders	21 274	99,59	192 005 167	38,46
Total	21 362	100,00	499 257 807	100,00

[1] *Excludes shares held by directors in share trusts (executive directors only) and Eyethu schemes.*
[2] *Includes shares held by directors in share trusts (executive directors only) and Eyethu schemes.*

	Number of shares	2014 % holding	2013 % holding
Major shareholders/managers			
Old Mutual Life Assurance Company (SA) Limited and associates	269 776 225	**54,04**	52,03
Nedbank Group treasury shares	33 614 889	**6,74**	9,63
BEE trusts:			
Eyethu scheme – Nedbank SA	21 876 437	**4,38**	4,42
Omufima scheme – Nedbank Namibia	827 607	**0,17**	0,15
Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme and Nedbank Group (1994) Employee Share Purchase Trust (NEST)	10 863 333	**2,18**	2,17
Nedbank Group Limited and associates (Capital Management)			2,88
Nedbank Namibia Limited	47 512	**0,01**	0,01
Coronation Fund Managers (SA)	33 029 067	**6,62**	5,99
Public Investment Corporation (SA)	32 746 778	**6,56**	6,37
Lazard Asset Management (US and UK)	13 498 914	**2,70**	3,15
Dimensional Fund Advisors (US, UK and AU)	7 905 186	**1,58**	1,46
BlackRock Inc (US and UK)	7 893 372	**1,58**	1,66
Sanlam Investment Management (SA)	7 657 157	**1,53**	1,95
Beneficial shareholders holding of 5% or more			
Old Mutual Life Assurance Company (South Africa) Limited and associates (SA)	269 776 225	**54,04**	52,03
Government Employees Pension Fund (SA)	36 859 230	**7,38**	7,51
Geographical distribution of shareholders			
Domestic	429 687 651	**86,07**	86,85
South Africa	416 008 435	**83,33**	85,36
Namibia	9 736 799	**1,95**	1,00
Swaziland	48 500	**0,01**	0,01
Unclassified	3 893 917	**0,78**	0,48
Foreign	69 570 156	**13,93**	13,15
United States of America	37 305 236	**7,47**	7,95
United Kingdom and Ireland	6 537 519	**1,31**	1,28
Europe	10 220 780	**2,05**	1,48
Other countries	15 506 621	**3,10**	2,44
	499 257 807	**100,00**	100,00

Nedbank shareholding



FORM OF **PROXY**

Nedbank Group Limited
(Incorporated in the Republic of South Africa)
Reg No 1966/010630/06
JSE share code: NED; NSX share code: NBK
ISIN: ZAE000004875
('Nedbank Group' or 'the company')

For use by registered holders of certificated Nedbank Group securities and holders of dematerialised Nedbank Group securities registered in their own name ('shareholders') and any persons who are not shareholders, but who at the record date of Thursday, 30 April 2015, are entitled to exercise any voting rights (irrespective of the form, title or nature of the securities to which those voting rights are attached) (collectively 'holders') in relation to the resolutions to be proposed at the annual general meeting to be held in the Auditorium, Retail Place West, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Monday, 11 May 2015, at 08:30 and at any adjournment thereof.

Holders of dematerialised securities who wish to attend the annual general meeting must inform their nominee, participant (previously referred to as central securities depository participant) or broker of their intention and the nominee, participant or broker will furnish such holders with the necessary authority to attend and vote at the annual general meeting. Alternatively, should a holder not wish to attend the annual general meeting in person, such holder may provide his/her nominee, participant or broker with his/her voting instruction and such nominee, participant or broker will complete all necessary documentation and action same in order for the holder's vote(s) to be taken account of at the annual general meeting.

I/We

of (address)

being the holder(s) of ______ ordinary shares in the company, appoint (see notes 1 and 4):

1 or failing him/her

2 or failing him/her

the chairman of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the annual general meeting that will be held for the purpose of considering and, if deemed fit, passing with or without modification the ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against such resolutions and/or to abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions (see note 5):

	Number of votes (one vote per ordinary share)		
Resolutions	For	Against	Abstain
1.1 Reelection as a director of Mr PM Makwana, who is retiring by rotation			
1.2 Reelection as a director of Mrs NP Mnxasana, who is retiring by rotation			
1.3 Reelection as a director of Mrs RK Morathi, who is retiring by rotation			
1.4 Reelection as a director of Mr JVF Roberts, who is retiring by rotation			
1.5 Election of Mr PB Hanratty, who was appointed as a director since the previous general meeting of shareholders			
1.6 Election of Mr V Naidoo, who was appointed as a director since the previous general meeting of shareholders			
1.7 Election of Mr MC Nkuhlu, who was appointed as a director since the previous general meeting of shareholders			
2.1 Reappointment of Deloitte & Touche as external auditors			
2.2 Reappointment of KPMG Inc as external auditors			
3 Determination of the remuneration of the external auditors			
4 Placing of unissued ordinary shares under the control of the directors			
5 Placing of unissued preference shares under the control of the directors			
6 Advisory endorsement on a non-binding basis of company's remuneration policy			
7 Approval of the non-executive directors' remuneration			
8 General authority to repurchase shares			
9 General authority to provide financial assistance to related and interrelated companies			

On a show of hands a person entitled to vote is only entitled to one vote irrespective of the number of the relevant Nedbank Group shares he/she holds or represents.

On a poll a person entitled to vote at the annual general meeting present in person or by proxy/proxies is entitled to that proportion of the total votes in the company that the aggregate amount of the nominal value of the Nedbank Group shares held or represented by him/her bears to the aggregate amount of the nominal value of all the Nedbank Group shares issued by the company and carrying the right to vote.

A proxy/proxies may delegate his/her/their authority in terms of this proxy to another person(s). This proxy form will lapse and cease to be of force and effect immediately after the annual general meeting of the company to be held in the Auditorium, Retail Place West, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Monday, 11 May 2015, at 08:30 or at any adjournment thereof, unless it is revoked earlier.

Signed at (place) on (date) 2015

Signature

Assisted by me (where applicable)

Please read the notes on the reverse side hereof.

NOTES TO FORM OF **PROXY**

SUMMARY OF RIGHTS OF A HOLDER TO BE REPRESENTED BY PROXY AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT AND NOTES TO FORM OF PROXY

1 Each holder entitled to attend and vote at the annual general meeting is entitled to appoint one or more individuals as proxy/proxies [who need not be person(s) entitled to vote at the annual general meeting] to attend, participate in, speak and vote or abstain from voting in place of that holder at the annual general meeting.

2 The proxy/proxies may delegate the authority received from the holder to a further person(s), subject to any restriction set out in this form of proxy.

3 A proxy appointment must be in writing, dated and signed by the holder appointing the proxy/proxies.

4 A holder may insert the name of a proxy or the names of two alternative proxies of the holder's choice in the space provided, with or without deleting 'the chairman of the annual general meeting'. The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of the persons whose names follow. Further, a holder may appoint more than one proxy to exercise voting rights attached to different securities held by that holder.

5 A holder's instructions to the proxy/proxies have to be indicated by the insertion of the relevant number of votes exercisable by that holder in the appropriate box provided. Failure to comply with this will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the annual general meeting, or the appointed proxy/proxies to vote or to abstain from voting at the annual general meeting, without direction as he/she/they deem(s) fit, in respect of all the holder's votes exercisable thereat.

6 A holder or his/her proxy/proxies is/are not obliged to vote in respect of all the ordinary shares held by such holder or represented by such proxy/proxies, but the total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the holder or his/her proxy/proxies is/are entitled.

7 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity has to be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting. Examples of satisfactory identification include a valid identity document, a valid driving licence or a valid passport.

8 Any alterations or corrections to this form of proxy must be initialled by the signatory/signatories.

9 The completion and lodging of this form of proxy will not preclude the relevant holder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such holder wish to do so, in which case this proxy will be suspended accordingly.

10 Forms of proxy have to be lodged with or posted to the Company Secretary's office (for the attention of Jackie Katzin, Block A, Ground Floor, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196, or PO Box 1144, Johannesburg, 2000) or the company's transfer secretaries in SA, namely Computershare Investor Services Proprietary Limited ('Computershare'), 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), or in Namibia, namely Transfer Secretaries Proprietary Limited, 4 Robert Mugabe Avenue, Windhoek, Namibia (PO Box 2401, Windhoek, Namibia), before a proxy/proxies may exercise any voting rights of a holder at the annual general meeting. The forms of proxy must be received no later than 08:30 on Friday, 8 May 2015. Forms of proxy can also be submitted by fax to Computershare [fax number +27 (0)11 688 5238], subject to the proxy instructions meeting all other criteria. Any form of proxy not received by the company or the company's transfer secretaries in accordance with the above must be handed to the Company Secretary at the annual general meeting before a proxy/proxies may exercise any voting rights of a holder at the annual general meeting.

11 This form of proxy may be completed by:

11.1 those holders who are holding Nedbank Group shares in a certificated form; or

11.2 those holders who are recorded in the subregister as holding Nedbank Group shares in dematerialised electronic form in their own name; or

11.3 persons who are not shareholders but who are entitled to exercise any voting rights (irrespective of the form, title or nature of the securities to which those voting rights are attached) at the record date at this annual general meeting.

12 Holders of Nedbank Group ordinary shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, participant (previously referred to as central securities depository participant) or broker on how they wish their votes to be cast on their behalf at the annual general meeting. As far as holdings in a participant are concerned, these will be guided by the terms of the agreement entered into between shareholders and their participant or broker.

13 Holders attending the annual general meeting will be afforded the opportunity of putting questions to the directors and management. A perforated question form has been included for this purpose.

14 If this form of proxy has been delivered to the company in accordance with paragraph 10, as long as that appointment remains in effect, any notice that is required by the Companies Act, 71 of 2008 (as amended) or the company's memorandum of incorporation to be delivered by the company to a holder must be delivered by the company to the holder or, alternatively, if a holder has directed the company to do so in writing and has paid any reasonable fees charged by the company for doing so, to such holder's proxy/proxies.

15 Save if a holder provides in this proxy form that a proxy appointment is irrevocable, a holder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy/proxies; and (ii) delivering a copy of the revocation instrument to the proxy/proxies and to the Company Secretary's office at Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196, for attention Jackie Katzin, to be received before the replacement proxy/proxies exercise(s) any rights of the holder at the annual general meeting of the company or any adjournment thereof.

16 The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's/proxies' authority to act on behalf of the holder as of the later of: (i) the date stated in the revocation instrument, if any; or (ii) the date on which the revocation instrument was delivered as required in paragraph 15 above.

OUR **CONTACT DETAILS**

NEDBANK GROUP LIMITED

Incorporated in the Republic of SA
Reg No 1966/010630/06

Business address and registered office

Nedbank 135 Rivonia Campus
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Johannesburg, 2000, SA
Tel: +27 (0)11 294 4444
Website: **nedbankgroup.co.za**

Transfer Secretaries:

SA: COMPUTERSHARE INVESTOR SERVICES
Proprietary Limited

Business address

70 Marshall Street
Johannesburg, 2001, SA

Postal address

PO Box 61051
Marshalltown, 2107, SA
Tel: +27 (0)11 370 5000
Fax: +27 (0)11 688 5238

NAMIBIA: TRANSFER SECRETARIES
PROPRIETARY LIMITED

Business address

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Windhoek, Namibia

Postal address

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Namibia
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Fax: +264 (0)61 248 531

AUDITORS:
Deloitte & Touche

Postal address

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Tel: +27 (0)11 806 5000
Fax: +27 (0)11 806 5003

KPMG Inc

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NEDBANK GROUP INTEGRATED REPORT 2014

Should you wish to engage on the content of this report or if you require an additional copy of the Nedbank Group Limited Integrated Report 2014, please email your address details to Nedbank Group Investor Relations at nedbankgroupir@nedbank.co.za or send a fax to +27 (0)11 294 6549.

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Disclaimer

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