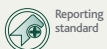


GROUP STRATEGY



Nedbank Group's vision of building Africa's most admired bank by staff, clients, shareholders, regulators and communities continues to be supported by its long-term objectives, which are referred to internally as Deep Green aspirations.



Reporting standard

GRI G3.1: 1.2



Cross-referencing

Chairman's Report
Pages 34 – 36



Cross-referencing

Chief Executive's Report
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Cross-referencing

Chief Operating Officer's Report
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Cross-referencing

Stakeholder overview: Clients
Pages 20 – 22



Cross-referencing

Sustainable development performance review
Pages 82 – 151

The Nedbank Group strategy for 2012 to 2014 will see it continue to focus on the following objectives:

- Building enduring primary-banking relationships with more retail and wholesale clients.
- Growing N IR.
- Growing EP through portfolio tilt.
- Repositioning Nedbank Retail.
- Becoming the leader in business banking for SA.
- Becoming the public sector bank of choice.
- Continuing as one of the top two wholesale banks in SA.
- Ramping up the wealth and asset management and insurance businesses.
- Expanding into Africa.
- Listening to, understanding and delivering for its clients.
- Building on the group's position as a leader in, and influencer of, integrated sustainability.

The strategic focus areas through which the group aims to achieve these objectives are outlined in the diagram adjacent. The focus areas of client-centred approach and evolving the group's plans for expansion in Africa and embedding sustainability as a strategic driver have been afforded increased priority in the current strategic planning cycle.

CLIENT FOCUS

During strategy sessions in 2011 the Group Executive Committee and Board agreed that being client-centred required an additional and defining shift in its strategy. Nedbank Group is to deliver and be seen to be making things happen in a client-centred way that differentiates it from an increasingly competitive banking environment, while not losing sight of its strong risk management principles. With client focus at the centre of its strategic framework since 2004 – 'listening, understanding and delivering' – the group will additionally focus on:

- innovative offerings leveraging the deeper understanding of its clients; and
- driving conscious changes that make it easier for clients to do business with the group and seamlessly integrate the group into their lifestyles.

EXPANSION INTO AFRICA

Although overall returns in many parts of Africa are still relatively unattractive from an EP perspective, the rest of the continent provides attractive economic growth potential in the medium to long term. Against this backdrop, the group will continue to evolve its strategy of building Africa's most admired bank by:

- implementing its strategy to grow its physical network in the Southern African Development Community;
- leveraging boutique investment banking opportunities across Africa;
- deepening the Ecobank–Nedbank Alliance to provide clients with access to a Pan-African banking network; and
- evaluating selective investment opportunities in sub-Saharan Africa.

Nedbank Group's current strong capital position, combined with these strategic thrusts, positions it well for sustainable growth into Africa.

EMBEDDING SUSTAINABILITY AS A STRATEGIC SUCCESS DRIVER

During 2011 Nedbank Group undertook a detailed strategic review of its approach to sustainability. In partnership with the University of Cambridge Programme for Sustainability Leadership the group continues to develop and enhance its practical strategic framework that integrates its economic, environmental, social and cultural sustainability programmes. In the process the group aims to leverage its platform as SA's 'green and caring' bank by understanding how it – through its core business activities – can contribute most authentically and effectively to address SA's most material sustainability challenges, thereby sustaining the group's profitability while creating a flourishing society and vibrant economy that respects environmental limits.



Vision-led values driven.

The Nedbank Group strategy is visually represented as follows:

VISION

Building Africa's most admired bank by our staff, clients, shareholders, regulators and communities

DEEP GREEN ASPIRATIONS



WHAT MAKES US DIFFERENT AND GUIDES OUR LONG-TERM STRATEGY?



OUR BRAND EXPRESSION

OUR EIGHT STRATEGIC FOCUS AREAS



OUR SCOPE OF THE GAME



OUR VALUES

Integrity, respect, accountability, pushing beyond boundaries, people-centred

INVESTMENT CASE



GRI G3.1: 1.2, EC2



Group strategy
Pages 8 – 9



Value-added
statement
Page 31

The Global Competitiveness Report 2011 – 2012 by The World Economic Forum ranked SA's financial industry second in 'soundness of banks' in the world. SA banks are well capitalised, operate in a predominantly closed funding system and deliver dividend yields above the JSE all-share index benchmarks.

SA's ranking in the global market

Indicators for SA	Ranking (/142) 2011 – 2012
Strength of auditing and reporting standards	1
Regulation of securities exchange	1
Efficacy of corporate boards	2
Soundness of banks	2
Protection of minority shareholders' interests	3
Financial market development	4
Financing through local equity market	4
Strength of investor protection	10

Source: World Economic Forum's The Global Competitiveness Report 2011 – 2012

Nedbank Group's objective of building an organisation that optimises returns to all stakeholders and creates a sustainable future is enabled by an integrated approach to the economics of the business, environmental preservation, involvement in society and organisational culture. Incorporating this approach, the investment case for Nedbank Group is built around:

- leveraging the group's strong positioning;
- continued delivery on the growth-oriented strategy;
- defensive investment given the stable banking sector in SA;
- being well positioned for a cyclical economic upturn, operational and financial gearing; and
- leadership in integrated sustainability.

LEVERAGE THE GROUP'S STRONG POSITIONING

Nedbank Group has a particular strength in wholesale banking thanks to:

- a track record of high returns with returns on equity (ROEs) in excess of 20% over an extended period;
- a differentiated, decentralised and accountable client-centred business service model in Nedbank Business Banking, which generates sustainably good returns and has globally best-in-class client management practices;
- the high client rating of Nedbank Corporate and historical strength in the domestic corporate banking market; and
- Nedbank Capital's integrated full-service investment banking model. Combined with an ability to leverage client relationships in collaboration with other wholesale clusters, balance sheet strength across the group, and industry expertise in targeted domestic and African sectors, this provides good growth opportunities.

The group has a strong, sustained cost management culture, with the existing strategy favouring an investment-for-growth focus while remaining cautious in the current uncertain economic environment.

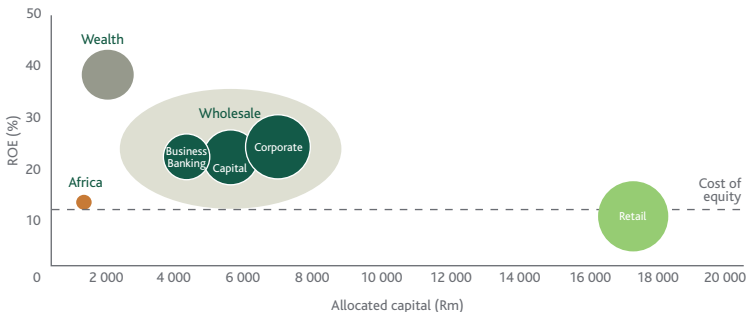
Risk and capital management are embedded in the group's culture, aimed at creating a strong, stable and economically sustainable organisation.

Strong core Tier 1 capital at 11,0% on a Basel II basis with sound funding and steadily improving liquidity ratios that are in line with that of domestic peers.

The group is well positioned to leverage the green economy and is a leader in transformation.

The strong and experienced Nedbank Group management team remains among the most skilled and transformed in the SA banking sector. Group Exco members have an average tenure of 12 years with Nedbank Group and in excess of an average 21 years' industry and functional experience.

LEVERAGE STRENGTHS IN WHOLESALE BANKING WHILE GROWING NEDBANK RETAIL, NEDBANK WEALTH AND REST OF AFRICA



DELIVER ON THE GROWTH-ORIENTED STRATEGY



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

REPOSITION NEDBANK RETAIL

Nedbank Retail remains a key driver of the group's medium-term profit growth and ROE improvement, enabled by delivery on the cluster's differentiated, client-centred growth strategy to build deep banking relationships with all in SA, leveraging distinctive strengths underpinned by worldclass risk management. Excellent progress has been made in executing on the 12 step change initiatives while also embedding effective risk practice such that the Nedbank Retail balance sheet is the strongest it has been in a number of years. Strategy implementation is being carefully orchestrated to maintain the growth momentum of the product lines while moving to a more client-centred and integrated business. While rebuilding the primary-banked client franchise will take time, Nedbank Retail is expected to deliver growth and a shareholder return above the cost of equity by 2013, based on current economic outlook and capital allocation methodology.

GROW NON-INTEREST REVENUE

Delivery of quality transactional banking income growth above industry averages is assisting the group in making good progress towards its medium-to-long-term NIR expenses target of 85%. The objective is to achieve this target by continuing to deliver good-quality annuity income through commission and fee growth from primary-client gains, volume growth, innovative products and cross-sell across clusters.

PORTFOLIO TILT

The portfolio tilt strategy, introduced in 2010, focuses on strategically important EP-rich, lower-capital and liquidity-consuming activities, and at the same time drives the efficient allocation of the group's resources while positioning the group strategically for Basel III. Insurance, asset management, transactional banking products, selected asset categories and deposits are important targeted areas for growth. In secured lending the group continues to focus on profitable business that falls within the group's board-approved risk appetite.

EXPANDING INTO THE REST OF AFRICA

Nedbank Group continues its low-risk expansion strategy into the rest of Africa, leveraging the group's strengths and deepening the Ecobank–Nedbank Alliance. This approach provides clients with unparalleled access to banking services in 36 African countries through an effective one-bank experience. The granting of a \$285m loan facility and the subscription for rights to take up to a 20% shareholding in Ecobank Transnational Inc in two to three years create a path to provide significant benefit to clients in the rest of Africa in a prudent yet substantive manner and ultimately could provide shareholders with access to the higher economic growth in the rest of Africa.



- Ecobank
- Nedbank
- Nedbank and Ecobank
- Representative offices Nedbank and Ecobank



Chief Executive's Report
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Chief Operating Officer's Report
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INVESTMENT CASE ... CONTINUED



Cross-referencing

Sustainable development performance review
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POSITIONED FOR A CYCLICAL ECONOMIC UPTURN ON THE BACK OF OPERATIONAL AND FINANCIAL GEARING

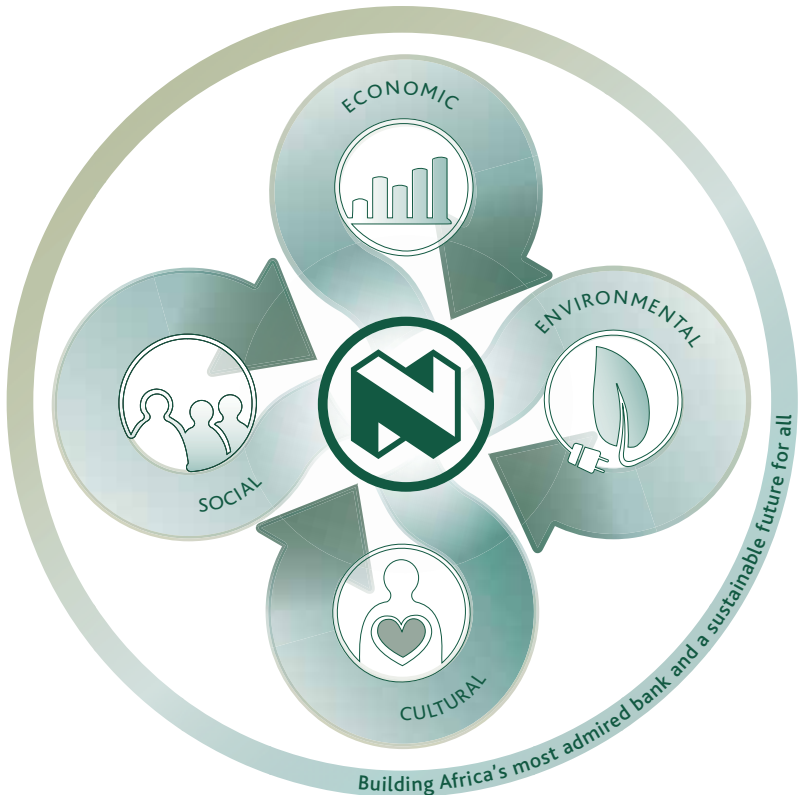
Good growth in profits along with operational and financial gearing benefits should enable Nedbank Group to deliver higher profitability ratios and narrow the gaps that exist between its return on assets and ROE and that of its peers.

Endowment income upside will be unlocked when interest rates increase (a 1% parallel change in interest rates increases pretax earnings through endowment by approximately R845m).

As the consumer recovery progresses, **continued improvement in impairments** is expected to bring the group to within its credit loss ratio target range of 0,60% to 1,00% (assuming an absence of significant deterioration in the economic environment), thereby benefiting group earnings.

LEADERSHIP THROUGH INTEGRATED SUSTAINABILITY

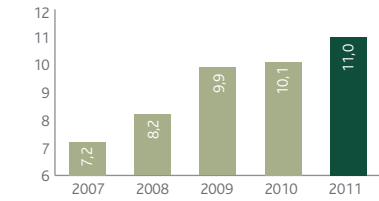
Companies that have integrated sustainability into their strategies and operations have been proven to yield superior returns over the longer term. With this in mind, Nedbank Group focuses on entrenching and integrating economic, environmental, social and cultural sustainability across the group to enhance its long-term investment appeal.



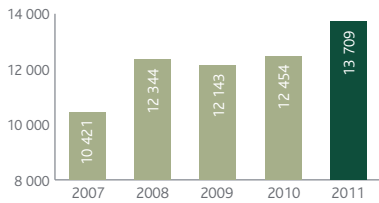
ECONOMIC SUSTAINABILITY

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

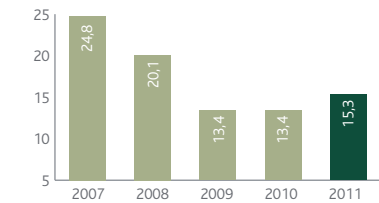
CORE TIER 1 CAPITAL (%)



PREPROVISIONING OPERATING PROFIT (RM)



ROE (EXCLUDING GOODWILL) (%)



ENVIRONMENTAL SUSTAINABILITY

The group continues to enhance its social and environmental risk management systems (SEMS) to extend the philosophy of the Equator Principles beyond the project finance arena. These tools are also applied in a way that ensures capital investments and shareholder value are protected.

A key focus remains to grow and leverage the group's climate change, biodiversity, water and agriculture work for maximum stakeholder and environmental benefit.

Nedbank Group is committed to reducing its direct and indirect impact on the environment, and assisting its clients, suppliers and business partners to do the same, while simultaneously delivering economic benefits in the form of long-term cost savings.

SOCIAL SUSTAINABILITY

In 2011, for the third consecutive year, Nedbank Group was rated the third most transformed company listed on JSE Limited in the annual *Financial Mail* survey of JSE-listed top 200 companies.

The group achieved level 2 broad-based black economic empowerment (BBBEE) status (score improved from 89,5 to 95,2) through continued focus on all elements of its scorecard. This was achieved while also delivering on a number of FSC elements, including access to financial services, despite these no longer being a regulatory requirement.

A strong commitment to social responsibility is embedded throughout Nedbank Group, with a total of R89m contributed to social upliftment by staff and clients and communities in 2011.

CULTURAL SUSTAINABILITY

In 2011, through the cycle, Nedbank Group demonstrated a proven organisational capability to succeed in challenging economic times.

A culture of governance, compliance and sustainability is evident in the comprehensive controls and processes integrated throughout the business.

Since 2004 positive shifts in staff morale as well as a strong positive move towards a high-performance culture have been evident.

The results of the 2011 Hewitt Staff Engagement Survey showed that the group remains above the global financial services average and within the accepted benchmark high-performance range.

Cultural entropy, which measures the amount of dissonance in the group, continued to improve in 2011. At 11% it is now close to the international benchmark of 10%, with six current values matching the desired culture values (6 – 10 worldclass).

The top 10 cultural values in the group, as measured by the annual Barrett Survey, continue to align with, and support, the group's strategy.

IN CONCLUSION

Nedbank Group's balance sheet is strong. Delivery on its key strategic initiatives and a focus on sustainability provide a platform for growth and ongoing delivery to all stakeholders.



Social sustainability
Pages 112 – 135



Cultural sustainability
Pages 136 – 151



Environmental sustainability
Pages 96 – 111