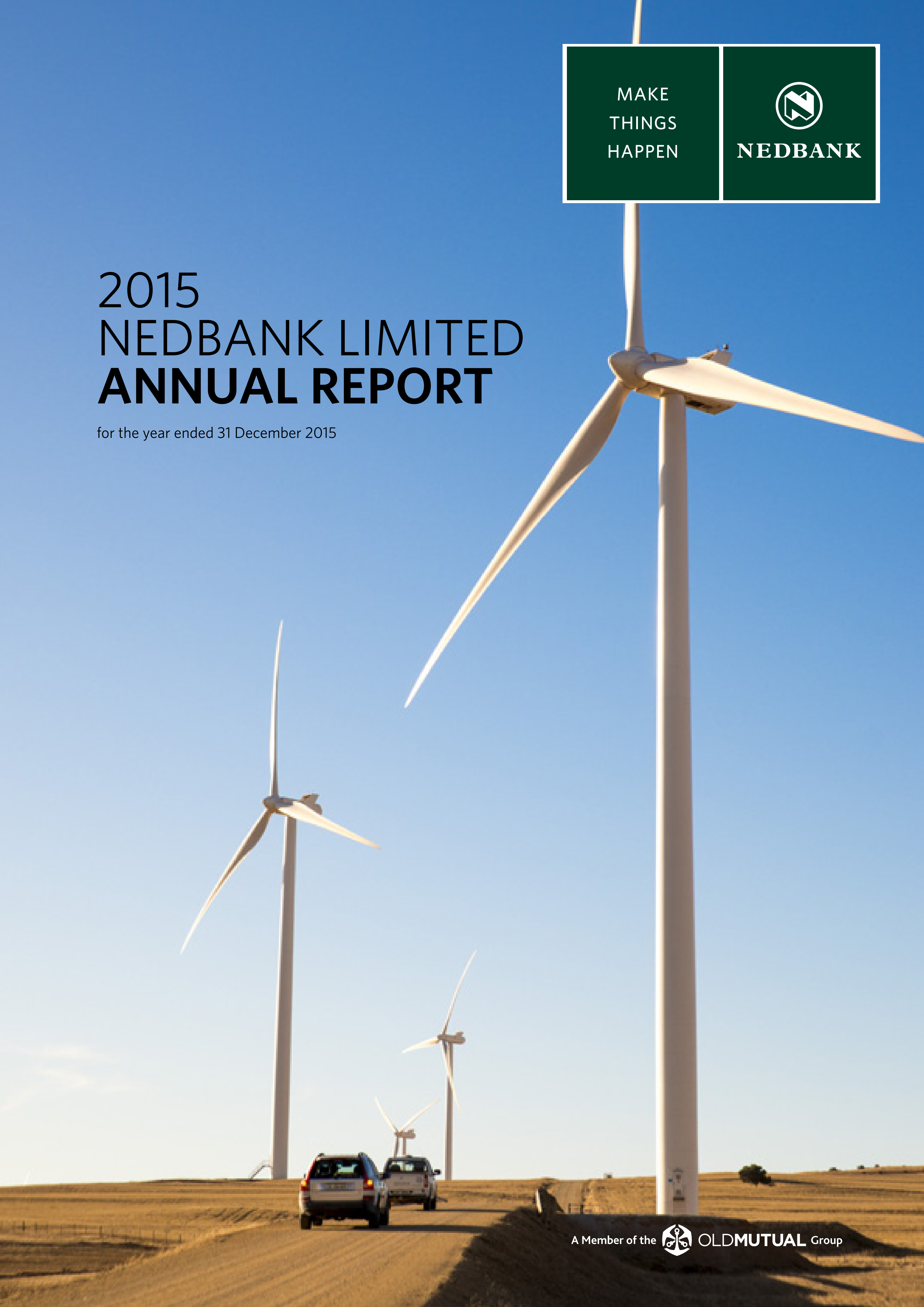
MAKE THINGS HAPPEN

NEDBANK

2015 NEDBANK LIMITED **ANNUAL REPORT**

for the year ended 31 December 2015



A Member of the OLDMUTUAL Group

2015 HIGHLIGHTS

Headline earnings
8 275
(2014: 8 077)

Increase
2,5%
(2014: 12,4%)

Return on equity
15,4%
(2014: 16,5%)

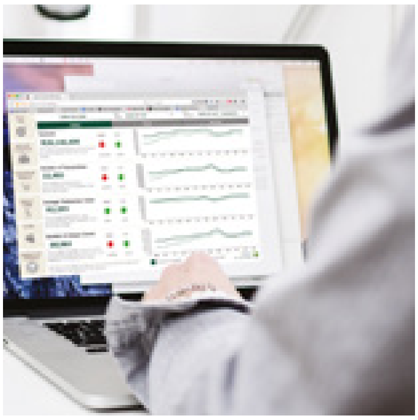
NIR/Expense ratio
74,7%
(2014: 73,5%)

Common-equity tier 1 ratio
10,6%
(2014: 11,0%)

Credit loss ratio
78 bps
(2014: 82 bps)

Return on assets
1,05%
(2014: 1,13%)

CONTENTS

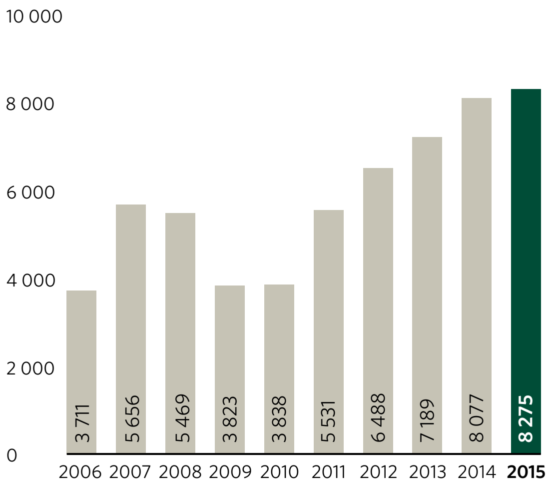


ANNUAL REPORT

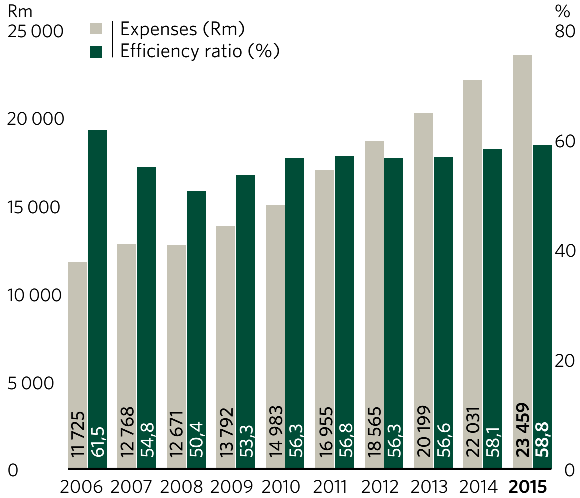
FINANCIAL HIGHLIGHTS
for the year ended 31 December

		2015	2014
Headline earnings reconciliation			
Profit attributable to equity holders of the parent	Rm	**8 163**	7 998
Non-headline earnings items	Rm	**(112)**	(79)
Non-headline earnings items	Rm	**(144)**	(96)
Taxation on non-headline earnings items	Rm	**32**	17
Headline earnings	Rm	**8 275**	8 077
Key ratios			
Net interest income to average interest-earning banking assets	%	**3,07**	3,37
Credit loss ratio – banking advances	%	**0,78**	0,82
Non-interest revenue to total income	%	**43,9**	42,7
Efficiency ratio	%	**58,8**	58,1
Total equity attributable to equity holders of the parent	Rm	**56 170**	52 236
Return on ordinary shareholders' equity	%	**15,4**	16,5
Average interest-earning banking assets	Rm	**729 118**	644 737
Total assets	Rm	**860 733**	753 444
Return on total assets	%	**1,05**	1,13
Total risk-weighted assets	Rm	**415 541**	368 823
Bank capital adequacy ratios (including unappropriated profits):			
– Common equity tier 1	%	**10,6**	11,0
– Tier 1	%	**11,5**	12,1
– Total	%	**14,1**	14,7
Share statistics			
Number of shares in issue:			
– Ordinary shares	m	**27,6**	27,2
– Preference shares	m	**358,3**	358,3
Weighted-average number of ordinary shares	m	**27,6**	27,2
Headline earnings per ordinary share	cents	**30 030**	29 650
Dividends per preference share:			
– Declared per share	cents	**78,24198**	75,62212
Interim	cents	**38,22487**	36,86072
Final	cents	**40,01711**	38,76140
– Paid per share	cents	**76,98627**	72,56847
– Preference share traded price			
Closing	cents	**899**	975
High	cents	**983**	1 056
Low	cents	**825**	925
– Number of preference shares traded	m	**54,4**	59,5

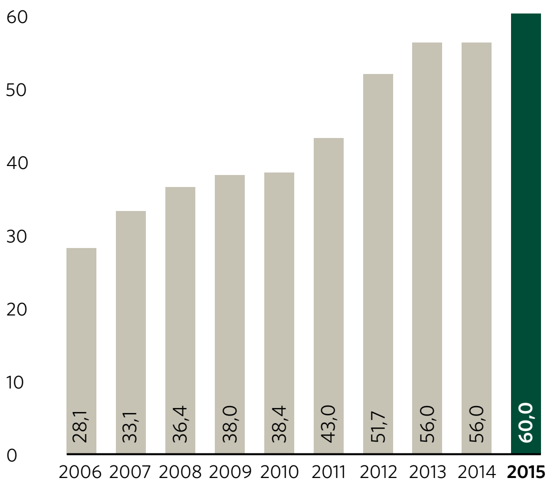
HEADLINE EARNINGS
(Rm)



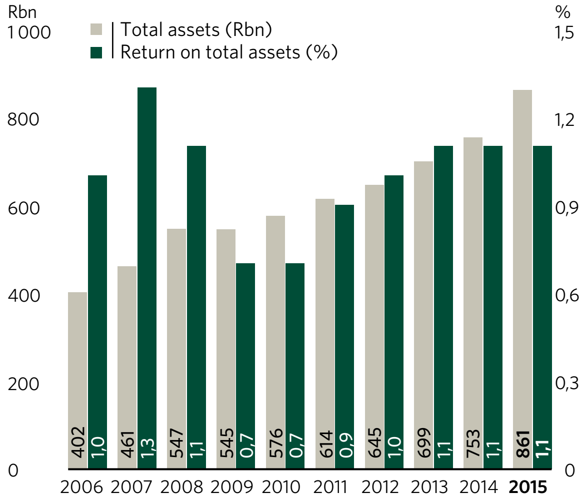
EXPENSES AND EFFICIENCY RATIO



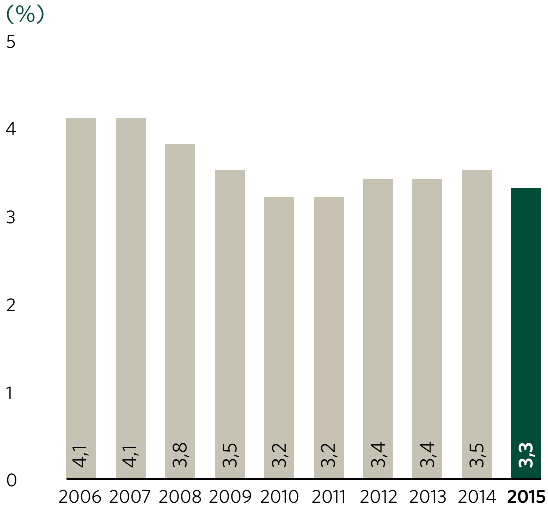
TOTAL EQUITY
(Rbn)



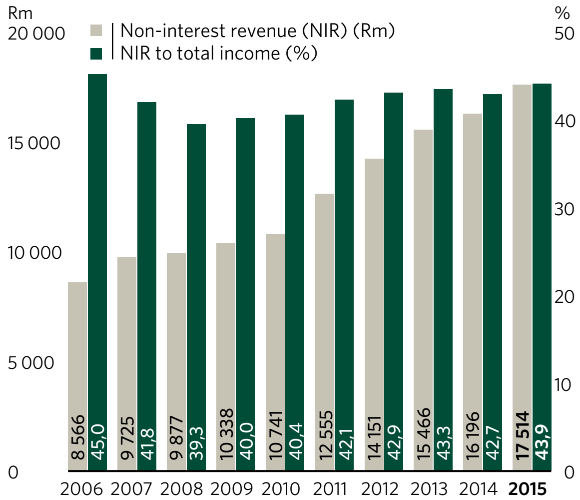
TOTAL ASSETS AND RETURN ON TOTAL ASSETS



NET INTEREST INCOME TO AVERAGE INTEREST-EARNING BANKING ASSETS
(%)



NON-INTEREST REVENUE TO TOTAL INCOME



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Rm	2015	2014	2013	2012
Rm				
Interest and similar income	**55 128**	50 075	44 107	42 900
Interest expense and similar charges	**32 724**	28 322	23 873	24 102
Net interest income	**22 404**	21 753	20 234	18 798
Impairments charge on loans and advances	**4 608**	4 478	5 529	5 239
Income from lending activities	**17 796**	17 275	14 705	13 559
Non-interest revenue	**17 514**	16 196	15 466	14 151
Operating income	**35 310**	33 471	30 171	27 710
Total operating expenses	**23 459**	22 031	20 199	18 601
Indirect taxation	**668**	522	480	460
Profit from operations before non-headline earnings items	**11 183**	10 918	9 492	8 649
Non-headline earnings items	**(144)**	(96)	(55)	(49)
Profit from operations	**11 039**	10 822	9 437	8 600
Share of (losses)/profits of associate companies and joint arrangements	**(1)**	12	28	
Profit before direct taxation	**11 038**	10 834	9 465	8 600
Direct taxation	**2 828**	2 786	2 297	2 159
Profit for the year	**8 210**	8 048	7 168	6 441
Profit attributable to:				
– Ordinary and preference equity holders	**8 163**	7 998	7 152	6 410
– Non-controlling interest – ordinary shareholders	**47**	50	16	31
– Non-controlling interest – preference shareholders				
	8 210	8 048	7 168	6 441
Headline earnings	**8 275**	8 077	7 189	6 460

	2011	2010	2009	2008	2007	2006
	41 417	43 421	49 332	55 154	40 185	27 089
	24 119	27 556	33 795	39 874	26 631	16 600
	17 298	15 865	15 537	15 280	13 554	10 489
	5 321	6 360	6 659	4 755	2 115	1 465
	11 977	9 505	8 878	10 525	11 439	9 024
	12 555	10 741	10 338	9 877	9 725	8 566
	24 532	20 246	19 216	20 402	21 164	17 590
	16 955	14 983	13 792	12 671	12 768	11 725
	413	387	402	356	298	334
	7 164	4 876	5 022	7 375	8 098	5 531
	(48)	(103)	(32)	745	25	183
	7 116	4 773	4 990	8 120	8 123	5 714
			(1)	9	54	68
	7 116	4 773	4 989	8 129	8 177	5 782
	1 610	983	960	1 791	2 185	1 669
	5 506	3 790	4 029	6 338	5 992	4 113
	5 483	3 737	3 790	6 106	5 681	3 870
	23	53	224	217	298	243
			15	15	13	
	5 506	3 790	4 029	6 338	5 992	4 113
	5 531	3 838	3 823	5 469	5 656	3 711

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rm	2015	2014	2013	2012
Assets				
Cash and cash equivalents	**18 151**	10 757	17 467	12 587
Other short-term securities	**60 078**	56 322	35 004	37 575
Derivative financial instruments	**30 948**	15 644	13 811	14 660
Government and other securities	**42 733**	26 828	31 279	26 194
Loans and advances	**666 807**	603 329	566 047	520 116
Other assets	**3 925**	5 393	4 204	4 528
Current taxation assets	**904**	236	340	241
Investment securities	**1 648**	2 369	2 932	2 832
Non-current assets held for sale	**2**	16	12	508
Investments in private-equity associates, associate companies and joint arrangements	**1 400**	1 158	1 098	1 029
Deferred taxation assets	**67**	165	69	362
Investment property			87	84
Property and equipment	**8 114**	7 459	6 571	6 171
Long-term employee benefit assets	**4 885**	4 409	2 847	1 992
Mandatory reserve deposits with central banks	**16 190**	14 843	13 199	12 641
Intangible assets	**4 881**	4 516	4 188	3 830
Total assets	**860 733**	753 444	699 155	645 350
Equity and liabilities				
Ordinary share capital	**28**	27	27	27
Ordinary share premium	**18 532**	17 422	17 422	17 422
Reserves	**37 610**	34 787	30 524	26 140
Total equity attributable to equity holders of the parent	**56 170**	52 236	47 973	43 589
Preference share capital and premium	**3 561**	3 561	3 561	3 561
Non-controlling interest attributable to:				
– Ordinary shareholders	**223**	183	141	136
– Preference shareholders				
Total equity	**59 954**	55 980	51 675	47 286
Derivative financial instruments	**33 996**	15 479	16 588	13 475
Amounts owed to depositors	**708 036**	634 623	585 497	542 671
Provisions and other liabilities	**9 911**	8 404	10 016	9 273
Current taxation liabilities	**87**	35	13	67
Other liabilties held for sale				36
Deferred taxation liabilities	**763**	287	297	367
Long-term employee benefit liabilities	**3 009**	3 002	1 804	1 880
Long-term debt instruments	**44 977**	35 634	33 265	30 295
Total liabilities	**800 779**	697 464	647 480	598 064
Total equity and liabilities	**860 733**	753 444	699 155	645 350

2011	2010	2009	2008	2007	2006
11 514	7 469	6 823	7 638	9 545	11 165
31 715	21 955	14 408	10 411	11 775	13 855
14 314	14 077	12 871	23 114	9 924	10 314
29 991	31 667	35 754	41 834	29 271	22 031
493 107	471 447	446 428	436 420	375 421	321 724
3 989	3 613	3 917	4 731	4 920	5 120
629	440	580	314	29	138
3 549	2 999	3 012	2 743	2 739	2 385
8	5	12	10		41
565	933	922	913	735	690
66	48	36	71	65	48
488	82	102	104	75	66
6 082	5 394	4 754	4 124	3 757	3 323
2 027	1 965	1 783	1 667	1 305	1 357
11 862	11 068	10 437	10 061	8 351	7 026
3 634	3 328	3 151	2 977	2 715	2 605
613 540	576 490	544 990	547 132	460 627	401 888
27	27	27	27	27	27
14 422	14 422	14 422	14 422	14 422	14 422
24 856	20 281	18 174	16 927	13 954	9 583
39 305	34 730	32 623	31 376	28 403	24 032
3 561	3 560	3 483	3 122	3 122	2 770
121	110	1 796	1 644	1 307	955
		91	300	300	300
42 987	38 400	37 993	36 442	33 132	28 057
13 791	11 930	10 799	23 077	10 336	11 549
516 540	491 038	467 924	464 082	391 526	341 708
8 286	6 179	5 218	6 145	10 419	9 098
27	76	162	117	275	338
997	1 358	1 514	1 982	1 470	1 410
1 473	1 408	1 298	1 227	1 145	1 210
29 439	26 101	20 082	14 060	12 324	8 518
570 553	538 090	506 997	510 690	427 495	373 831
613 540	576 490	544 990	547 132	460 627	401 888

The directors are responsible for the preparation and fair presentation of the consolidated financial statements of Nedbank Ltd (comprising the statement of financial position at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and statement 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 (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretation Committee (IFRS IC), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008 (as amended), and the JSE Listings 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 ability of the company and its subsidiaries to continue as going concerns and there is no reason to believe that the business will not be a going concern in the year ahead.

The independent auditors are responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with IFRS.

Approval of consolidated annual financial statements

The consolidated annual financial statements of Nedbank Ltd, as identified in the first paragraph, were approved by the Nedbank Ltd Board of Directors on 1 March 2016 and are signed on its behalf by:

V Naidoo
Chairman

MWT Brown
Chief Executive

Sandown
1 March 2016

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 Ltd has filed with the Commissioner all such returns and notices as are required by the Companies Act, 71 of 2008, and that all such returns and notices are true, correct and up to date.

TSB Jali
Company Secretary

Sandown
1 March 2016

Overview

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 and corporate reporting processes. In addition, the GAC assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors.

This report aims to provide details of how the GAC has satisfied its various obligations during the period as well discuss some of the key issues that arose and how the committee addressed these to assist in ensuring the integrity of Nedbank's financial reporting.

Composition and governance

The committee is chaired by Malcolm Wyman and has five members, all of whom are independent non-executive directors. On 25 November 2015 Stanley Subramoney joined the committee as a fifth member and underwent a detailed induction programme, which included briefings on matters relevant to the responsibilities of the committee and meetings with the finance executive. The committee met six times during the year, including the annual meeting with the Bank Supervision Department of the South African Reserve Bank (SARB).

GAC members	Scheduled meeting attendance
Malcolm Wyman (Chair)	6/6
Stanley Subramoney	–
Nomavuso Mnxasana	6/6
Mpho Makwana	6/6
Tom Boardman	6/6

The chair of the committee reports to the board on its activities and the matters discussed at each meeting, highlighting any key items that the committee feels requires action and provides recommendations for their resolution.

The Chief Executive (CE), the Chief Financial Officer (CFO), the Chief Operating Officer (COO), the Chief Risk Officer (CRO), the Chief Internal Auditor (CIA), the Chief Governance and Compliance Officer and representatives of the external auditors are invited to attend all GAC meetings. Other members of management are invited to attend certain meetings in order to provide the committee with greater insight into specific issues or areas of the group.

The GAC chair has regular contact with the management team to address relevant matters directly. The CIA and the external auditors have direct access to the committee, including closed sessions without management, on any matter that they regard as relevant to the fulfilment of the committee's responsibilities. The GAC Chair meets with the CIA and external auditors separately between audit committee meetings.

Ongoing training is provided to committee members on a range of financial, regulatory and other topical compliance matters. During 2015 members received training on liquid-asset portfolios and hedge-related accounting, and IFRS 9 Accounting implications and approach. Members also received presentations on future changes to external audit reporting, Companies Act and Banks Act requirements of the GAC, with a 'deep dive' into the activities of the new Nedbank Corporate and Investment Banking Cluster.

The performance of the committee is reviewed annually as part of the effectiveness review of the board and all its committees. The 2015 review concluded that the committee continued to operate effectively and successfully discharged its responsibilities and duties.

Internal control

The committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and risk management, and considering the major findings of any internal investigations into control weaknesses, fraud or misconduct, and management's response thereto.

The GAC receives regular reports provided as part the Enterprisewide Risk Management Framework (ERMF) to assist in evaluating the group's internal controls. The ERMF places emphasis on accountability, responsibility, independence, reporting, communication and transparency, both internally and in respect of all Nedbank's key external stakeholders. Significant areas of focus within the reports include:

- identifying and managing material risks within the group and changes to these risk profiles during the year;
- 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 receives regular reports from the Group Information Technology Committee regarding the monitoring of the adequacy and effectiveness of the group's information system controls and from the Group Credit Committee regarding its oversight of the adequacy and effectiveness of the credit monitoring processes and systems.

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

Having considered, analysed, reviewed and debated information provided by management and Internal Audit and the external auditors, the GAC considered 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 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 the 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.

The Audit Committee considered the following significant issues and key areas of management judgement applied in the preparation of the financial statements in the current year.

- **Fair value of financial instruments** – The GAC reviewed and discussed 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. Financial instruments and investments are disclosed in notes 34 to 35 of the financial statements and in the accounting policy discussed in note 1.6.
- **Credit risk provisions** – The GAC reviewed and challenged reports from the Group Credit Committee regarding the level and appropriateness of impairments, provisioning methodologies and

related key judgements in determining the impairment balances, and satisfied itself as to the level of impairments.

- **Taxation-related matters** – The GAC reviewed reports from the CFO regarding the tax computation and, where applicable, the judgements made in determining tax accrual and the deferred tax balance. The taxation expense and related balances are disclosed in note 11 to the financial statements.
- **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 as well as the consideration of the indicators of impairment for associate investments. The methodology used by the group for goodwill impairment testing is set out in note 1.8 to the financial statements.

The external auditors are preparing for the changes in requirements to auditors' reporting of key audit matters in their report and have actively engaged with the GAC. The report aims to provide information that allows users of the financial statements to understand how the external auditors have considered and evaluated the significant matters identified during the course of their audit. This will be effective in the auditors' report on the 2016 financial statements.

Update on key focus areas in 2015

The new SAP enterprise resource planning (ERP) system went live early in 2015, impacting the entire financial accounting control environment. The GAC monitored the implementation of the project and received regular updates from the CFO on its progress. The project was delivered within the timetable and with all material controls operating effectively.

IFRS 9 received much attention this year as the planning and pilot phases of the project were launched. The project is being managed jointly between Group Finance and Group Risk, and the GAC satisfied itself that significant progress is being made, with the next stage of collaboration and development being the focus for 2016.

Regulatory reporting process

The GAC reviewed the adequacy of the regulatory reporting processes as required by the Banks Act of South Africa, 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 SARB where, among other things, key external audit findings, internal audit matters and reporting responsibilities in terms of the regulations are discussed.

Internal Audit

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 chair and an operational reporting line to the CE.

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 annual Group Internal Audit plan. In particular the GAC:

- ensured that the CIA has a direct reporting line to the Chair 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.

External auditors

The GAC is responsible for the appointment, compensation and oversight of the external auditors for the group, namely 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
- monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence, as well as the content and execution of the audit plan.

A further annual review of the quality of the audit and the performance of the joint external auditors was undertaken in 2015 through among others questionnaires completed by key finance staff, Group Internal Audit members central to the assessment process and members of the GAC.

As part of the assessment of the external auditors' independence, the committee reviewed and approved the Non-audit Services Policy, which governs the types of service that can be performed by the auditors, as well as the value and scope of the non-audit services provided by the auditors. Only those non-audit services that do not affect their independence and entail skills and experience that make them the most appropriate suppliers were approved during the period. Fees paid to the auditors are disclosed in note 8 to the annual financial statements.

The GAC is of the view that the group continues to receive an efficient, effective and independent audit service and recommended to the board the reappointment of the external auditors for 2016.

Key focus areas for 2016

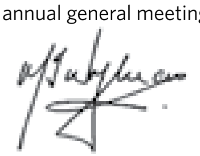
- Review and consideration of management's plans in respect of future changes to the IFRS, most notably:
  - IFRS 9 Financial Instruments – significant progress was made during 2015, with the focus for 2016 on impairments and the development of models.
  - IFRS 15 Revenue Recognition – the effective date was postponed to 1 January 2018; this continues to be an area of emphasis for the upcoming year.
- Continued 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 changes in the environment and industry.

Annual financial statements and integrated reporting process

The GAC reviewed and discussed the audited annual financial statements with the CFO, the CE, the CRO, 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, IFRS and the requirements of the Companies Act for fair presentation.

The GAC reviewed and discussed the integrated report, reporting process and governance and financial information included in the integrated report after considering recommendations from the Transformation, Social and Ethics Committee, the Group Remuneration Committee, The Group Risk and Capital Management Committee and the 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.



M Wyman
Group Audit Committee Chair
1 March 2016

The board of directors is pleased to present the annual financial statements of Nedbank Ltd for the year ended 31 December 2015.

Nature of business

Nedbank Ltd ('Nedbank' or 'the company') is a registered bank that, through its subsidiaries, provides a wide range of banking and financial services. Nedbank maintains a primary listing of its non-redeemable, non-cumulative, non-participating preference shares under 'Preference Shares' on JSE Limited ('the JSE').

Annual financial statements

Details of the financial results are set out on pages 16 to 120 of the annual financial statements, which have been prepared under the supervision of the Nedbank Chief Financial Officer, Mrs RK Morathi, and audited in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretation Committee (IFRS IC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listings Requirements.

Year under review

The year under review is fully covered in the 'Reflections from our Chairman', the 'Reflections from our Chief Executive' and the 'Reflections from our Chief Financial Officer' sections of the 2015 Nedbank Group Integrated Report.

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.

Ownership

The holding company of Nedbank is Nedbank Group Ltd ('Nedbank Group'), whose holding company is Old Mutual Life Assurance Company (SA) Ltd and associates. Nedbank Group holds 100% 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 in note 55 to the annual financial statements.

Dividends

Details of the dividends appear in note 13 to the annual financial statements.

Directors

Biographical details of the current directors appear in the 'Board of directors' section. Details of directors' and prescribed officers' remuneration and Nedbank Group shares and Nedbank non-redeemable, non-cumulative, non-participating preference shares issued to directors and prescribed officers appear in the 'Reporting back on remuneration' section.

During the period under review, and also subsequent to year-end, the following changes occurred to the Nedbank board:

- Mfundo Nkuhlu was appointed as an executive director and Chief Operating Officer on 1 January 2015;
- Reuel Khoza, Mustaq Enus-Brey and Gloria Serobe retired as non-executive directors on 11 May 2015 having been on the board for nine years in a non-executive capacity;
- Graham Dempster retired as an executive director on 11 May 2015 having reached retirement age;
- Stanley Subramoney was appointed as a non-executive director on 23 September 2015;
- Julian Roberts resigned as non-executive director on 31 October 2015;
- Bruce Hemphill was appointed as a non-executive director on 25 November 2015; and
- Paul Hanratty resigned as non-executive director with effect from 12 March 2016.

In terms of Nedbank's memorandum of incorporation not less than one-third of the directors are required to retire at each Nedbank annual general meeting and may offer themselves for election or reelection. The directors so retiring are firstly those directors appointed by the Nedbank board since the last annual general meeting, and thereafter those longest in office since their last election.

Stanley Subramoney and Bruce Hemphill were appointed by the board of directors since the previous Nedbank annual general meeting on 7 May 2015 and, in terms of the memorandum of incorporation, their appointments terminate at the close of the annual general meeting to be held on 4 May 2016. They are available for election. Ian Gladman, Raisibe Morathi and Malcolm Wyman are also required to seek reelection at the annual general meeting. The aforementioned directors make themselves available for reelection and separate resolutions will be submitted for approval at the annual general meeting to be held on 4 May 2016.

In terms of Nedbank Group policy, as applied by Nedbank, non-executive directors and independent non-executive directors of Nedbank who have served on the board for a period longer than nine years are required to retire. None of the current non-executive directors and independent non-executive directors of Nedbank have served on the board in that capacity for more than nine years.

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 (Ghanaian)	Non-executive director	21 February 2014	
TA Boardman	Non-executive director	1 November 2002 (1 March 2010 as non-executive)	
MWT Brown	Chief Executive	17 June 2004	
BA Dames	Non-executive director	30 June 2014	
GW Dempster	Executive director	5 August 2009	Retired 11 May 2015
MA Enus-Brey	Non-executive director	16 August 2005	Retired 11 May 2015
ID Gladman	Non-executive director	7 June 2012	
PB Hanratty (Irish)	Non-executive director	8 August 2014	Resigned 12 March 2016
JB Hemphill	Non-executive director	25 November 2015	
RJ Khoza	Chairman and non-executive director	16 August 2005	Retired 11 May 2015
PM Makwana	Non-executive director	17 November 2011	
MA Matooane	Non-executive director	15 May 2014	
NP Mnxasana	Non-executive director	1 October 2008	
RK Morathi	Chief Financial Officer and executive director	1 September 2009	
V Naidoo	Chairman and non-executive director	1 May 2015	
JK Netshitenzhe	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	Resigned 31 October 2015
S Subramoney	Non-executive director	23 September 2015	
GT Serobe	Non-executive director	16 August 2005	Retired 11 May 2015
MI Wyman (British)	Senior independent director	1 August 2009	

Directors' interests

Nedbank Group holds the issued ordinary shares of Nedbank.

The directors' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative, non-participating preference shares in Nedbank at 31 December 2015 and any movements therein up to the reporting date are set out in the 'Reporting back on remuneration' section. 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 12 and 13 and the report from the Group Transformation, Social and Ethics Committee Chair appears in the Nedbank Group Ltd Integrated Report.

Company Secretary and registered office

As part of the annual board evaluation process, the board of directors has conducted an assessment of the Company Secretary. The results were discussed by the board of directors on 26 February 2016 and the board 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 and the Chairman and the Company Secretary meet regularly through the year. 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 in the 'Established and admired leadership teams' section of the Nedbank Group Ltd Integrated Report.

The Company Secretary's addresses and the registered office are as follows:

Business address	Registered address	Postal address
Nedbank Ltd Nedbank 135 Rivonia Campus 135 Rivonia Road Sandown, Sandton, 2196 SA	135 Rivonia Road Sandown, Sandton 2196 SA	Nedbank Ltd PO Box 1144 Johannesburg, 2000 SA

Property and equipment

There was no material change in the nature of the fixed assets of Nedbank 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.

Joel Netshitenzhe is an executive director of the Mapungubwe Institute for Strategic Reflection (MISTRA). In 2014, MISTRA received a grant of R1 million (2013: R2m) from the Nedbank Eyethu Community Trust [formed in 2005 as part of Nedbank Group's black economic empowerment (BEE) 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. No grant was received by MISTRA in 2015.

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's memorandum of incorporation.

The key responsibilities relating to Vassi Naidoo's position as Chairman of Nedbank are encapsulated in a contract.

Service contracts have been entered into for Mike Brown, 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 Mike Brown) under most circumstances.

Details relating to the service contracts of prescribed officers are incorporated in the 'Reporting back on remuneration' section.

Insurance

The group has placed cover in the London insurance market for up to R3,5bn for losses in excess of R50m. Our group captive insurer provides 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 52 to the annual financial statements at nedbankgroup.co.za.

Special resolutions by subsidiaries

- 9 January 2015 by Depfin Investments (Pty) Ltd for the reclassification of 100 Class J no-par-value preference shares.
- 17 February 2015 by Depfin Investments (Pty) Ltd for the reclassification of 1 150 Class G no-par-value preference shares.
- 17 February 2015 by Depfin Investments (Pty) Ltd for the reclassification of 300 000 of Series 50B no-par-value preference shares.
- 19 June 2015 by Depfin Investments (Pty) Ltd for the reclassification of 390 K no-par-value preference shares.
- 19 June 2015 by Depfin Investments (Pty) Ltd for the reclassification of 300 000 of Series 499B no-par-value preference shares.
- 25 November 2015 by Depfin Investments (Pty) Ltd for the reclassification of 500 000 Class L no-par-value preference shares.
- 14 December 2015 by Depfin Investments (Pty) Ltd for the reclassification of 500 000 Class M no-par-value preference shares.

Acquisition of shares

No shares in Nedbank were acquired by Nedbank or by a Nedbank subsidiary during the financial year under review.

Events after the reporting period

In line with the subscription agreement, Nedbank will subscribe for shares in African Bank Holdings Ltd for R10,2m on 11 March 2016 and for an additional R399,8m on 30 March 2016, representing a 4,1% holding in African Bank Holdings Ltd. This aligns with Nedbank's commitment under the provisions of this agreement.

On 11 March 2016, Old Mutual announced its new strategy which seeks to realise long term value for its shareholders and other stakeholders by separating its four businesses – Old Mutual Emerging Markets, Nedbank Group, Old Mutual Wealth and Old Mutual Asset Management – from each other. This strategy is referred to as the Old Mutual Managed Separation.

The Old Mutual Managed Separation, is expected to result in Old Mutual over time reducing its approximately 54% interest in Nedbank Group to an appropriate strategic minority position to underpin the continuing commercial relationship between OMEM and Nedbank Group. Old Mutual currently envisages reducing its shareholding in Nedbank Group primarily by way of a distribution of Nedbank Group shares to the shareholders of Old Mutual in an orderly manner and at an appropriate time in the context of the Old Mutual Managed Separation and does not intend to sell any part of its shareholding in Nedbank Group to a new strategic investor.

The boards of directors and management teams of Old Mutual and Nedbank Group are working closely together to determine the most effective method and appropriate timing to effect the Old Mutual Managed Separation, in a way that safeguards the stability and integrity of both Nedbank Group and the South African financial services sector. Old Mutual expects that the Old Mutual Managed Separation will be materially completed by the end of 2018. Nedbank Group shareholders and stakeholders will – on a regular basis – be kept appropriately informed of further developments in this regard.

The directors are not aware of any other material events that have occurred between the reporting date and 11 March 2016.

Report on the financial statements

We have audited the consolidated financial statements of Nedbank Ltd set out on pages 16 to 120, which comprise the statement of financial position at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, and specified sections of the remuneration report.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nedbank Ltd at 31 December 2015, and its consolidated financial performance and consolidated cashflows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated financial statements for the year ended 31 December 2015, we have read the Report from the Directors, the Report from the Group Audit Committee and the Company Secretary's Certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and reporting requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Nedbank Ltd for 42 years and KPMG Inc has been the auditor of Nedbank Ltd for 42 years. We are independent of the group in accordance with the IRBA Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in SA. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in SA. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

KPMG Inc

KPMG Inc
Registered Auditor

Per Heather Berrange
Chartered Accountant (SA)
Director

KPMG Crescent
85 Empire Road
Parktown, Johannesburg
2193

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.

Sandown

1 March 2016

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per Mgcinisihlalo Jordan
Chartered Accountant (SA)
Partner

Building 8, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton
2128

A full list of partners and directors is available on request.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	Accounting policy	Notes	2015 Rm	2014 Rm
Interest and similar income	1.24	5	**55 128**	50 075
Interest expense and similar charges	1.24	6	**32 724**	28 322
Net interest income			**22 404**	21 753
Impairments charge on loans and advances	1.6	19.1	**4 608**	4 478
Income from lending activities			**17 796**	17 275
Non-interest revenue	1.22, 1.24	7	**17 514**	16 196
Operating income			**35 310**	33 471
Total operating expenses	1.24	8	**23 459**	22 031
Indirect taxation		9	**668**	522
Profit from operations before non-trading and capital items			**11 183**	10 918
Non-trading and capital items		10	**(144)**	(96)
Profit from operations			**11 039**	10 822
Share of (losses)/profits of associate companies and joint arrangements	1.3		**(1)**	12
Profit before direct taxation			**11 038**	10 834
Direct taxation	1.7	11.1	**2 828**	2 786
Profit for the year			**8 210**	8 048
Other comprehensive income net of taxation			**578**	126
Items that may subsequently be reclassified to profit or loss				
– Exchange differences on translating foreign operations	1.4		**190**	14
– Fair-value adjustments on available-for-sale assets	1.6		**(9)**	(113)
Items that may not subsequently be reclassified to profit or loss				
– Gains on property revaluations	1.10		**118**	163
– Remeasurements on long-term employee benefit assets	1.9		**279**	62
Total comprehensive income for the year			**8 788**	8 174
Profit attributable to:				
– Ordinary and preference equity holders	1.3		**8 163**	7 998
– Non-controlling interest – ordinary shareholders	1.3		**47**	50
			8 210	8 048
Total comprehensive income attributable to:				
– Ordinary and preference equity holders	1.3		**8 739**	8 123
– Non-controlling interest – ordinary shareholders	1.3		**49**	51
Total comprehensive income for the year			**8 788**	8 174

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2015

	Accounting policy	Notes	2015 Rm	2014 Rm
ASSETS				
Cash and cash equivalents	1.5, 1.6	14	**18 151**	10 757
Other short-term securities	1.6	15	**60 078**	56 322
Derivative financial instruments	1.6	16	**30 948**	15 644
Government and other securities	1.6	17	**42 733**	26 828
Loans and advances[1]	1.6	18	**666 807**	603 329
Other assets	1.6	20	**3 925**	5 393
Current taxation assets	1.7		**904**	236
Investment securities	1.6	21	**1 648**	2 369
Non-current assets held for sale	1.12	23	**2**	16
Investments in private-equity associates, associate companies and joint arrangements	1.3, 1.6	22	**1 400**	1 158
Deferred taxation assets	1,7	24	**67**	165
Property and equipment	1.10, 1.20	26	**8 114**	7 459
Long-term employee benefit assets	1.9	27	**4 885**	4 409
Mandatory reserve deposits with central banks	1.5, 1.6	14	**16 190**	14 843
Intangible assets	1.3, 1.8, 1.13	28	**4 881**	4 516
Total assets			**860 733**	753 444
EQUITY AND LIABILITIES				
Ordinary share capital	1.16, 1.17	29.1	**28**	27
Ordinary share premium	1.16		**18 532**	17 422
Reserves	1.4, 1.15		**37 610**	34 787
Total equity attributable to equity holders of the parent			**56 170**	52 236
Preference share capital and premium	1.16	29.2	**3 561**	3 561
Non-controlling interest attributable to ordinary shareholders	1.3		**223**	183
Total equity			**59 954**	55 980
Derivative financial instruments	1.6	16	**33 996**	15 479
Amounts owed to depositors[2]	1.6	30	**708 036**	634 623
Provisions and other liabilities	1.6, 1.14	31	**9 911**	8 404
Current taxation liabilities	1.7		**87**	35
Deferred taxation liabilities	1.7	24	**763**	287
Long-term employee benefit liabilities	1.9	27	**3 009**	3 002
Long-term debt instruments	1.6	32	**44 977**	35 634
Total liabilities			**800 779**	697 464
Total equity and liabilities			**860 733**	753 444

[1] *Included in loans and advances are loans to fellow subsidiaries amounting to R19,9bn (2014: R18,6bn).*
[2] *Included in amounts owed to depositors are deposits from fellow subsidiaries amounting to R21,5bn (2014: R11,4bn).*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

			Reserves		
	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Foreign currency translation reserve[1] Rm	Property revaluation reserve[2] Rm
Balance at 31 December 2013	27 241 024	27	17 422	148	1 537
Preference share dividend					
Dividend to shareholders					
Total comprehensive income for the year				14	163
Transfer (from)/to reserves					(36)
Share-based payments reserve movement					
Regulatory risk reserve provision					
Other movements					
Balance at 31 December 2014	**27 241 024**	**27**	**17 422**	**162**	**1 664**
Shares issued	**314 625**	**1**	**1 110**		
Preference share dividend					
Dividend to shareholders					
Total comprehensive income for the year				**190**	**118**
Transfer (from)/to reserves					**(60)**
Share-based payments reserve movement					
Other movements					
Balance at 31 December 2015	**27 555 649**	**28**	**18 532**	**352**	**1 722**

[1] *This represents the cumulative foreign exchange differences that arise on the translation of an entity with a different functional currency compared with the presentation currency of the parent company. The cumulative reserve relating to a subsidiary, associate company or joint venture that is disposed of is included in the determination of profit/loss on disposal of the subsidiary, associate company or joint venture.*

[2] *This represents the cumulative amounts that have been recognised on the revaluation of group properties net of deferred taxation. When the property is disposed of, the cumulative revaluation surplus is transferred directly to retained income.*

[3] *All share-based payment expenses are recognised in the statement of comprehensive income, with the corresponding amount recognised in share-based payment reserves. Any excess tax benefit over the relative tax on the share-based payments expense is recognised directly in this reserve. On the expiry or exercise of a share-based instrument the cumulative amount recognised in this respect is transferred directly to other distributable reserves. The negative share-based payment reserve arises from the grants paid by Nedbank Ltd to various share schemes to acquire Nedbank Group Ltd shares, which is recognised directly in equity. The reconciliation shown in this note is the cumulative share-based payment charge for all share schemes.*

[4] *Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves in order to comply with various banking regulations.*

[5] *This comprises of all fair-value adjustments, net of the related tax on all financial assets that have been classified as available for sale. On the disposal or impairment of available-for-sale financial assets the cumulative gains and the associated tax recognised on these instruments are recognised in profit and loss for the period and are not included in the determination of headline earnings per share.*

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

All movements are reflected net of taxation.

Reserves							
Share-based payments reserve[3] Rm	Other non-distributable reserves[4] Rm	Available-for-sale reserve[5] Rm	Other distributable reserves[6] Rm	Total equity attributable to equity holders of the parent Rm	Preference share capital and premium Rm	Non-controlling interest attributable to ordinary shareholders Rm	Total equity Rm
(363)	80	129	28 993	47 973	3 561	141	51 675
			(323)	(323)			(323)
			(3 400)	(3 400)		(9)	(3 409)
		(113)	8 059	8 123		51	8 174
(7)	(7)		50	-			-
(145)				(145)			(145)
	7			7			7
			1	1			1
(515)	**80**	**16**	**33 380**	**52 236**	**3 561**	**183**	**55 980**
				1 111			**1 111**
			(371)	**(371)**			**(371)**
			(5 200)	**(5 200)**		**(9)**	**(5 209)**
		(9)	**8 440**	**8 739**		**49**	**8 788**
(177)	**15**		**222**	**-**			**-**
(343)				**(343)**			**(343)**
			(2)	**(2)**			**(2)**
(1 035)	**95**	**7**	**36 469**	**56 170**	**3 561**	**223**	**59 954**

CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December

	Notes	2015 Rm	2014 Rm
Cash generated by operations	33.1	**19 257**	18 386
Cash received from clients	33.2	**72 602**	66 220
Cash paid to clients, employees and suppliers	33.3	**(54 509)**	(48 803)
Dividends received on investments		**30**	40
Recoveries on loans previously written off		**1 134**	929
Change in funds for operating activities		**(9 508)**	(16 624)
Increase in operating assets	33.4	**(102 943)**	(64 065)
Increase in operating liabilities	33.5	**93 435**	47 441
Net cash from operating activities before taxation		**9 749**	1 762
Taxation paid	33.6	**(3 771)**	(3 463)
Cashflows from/(utilised by) operating activities		**5 978**	(1 701)
Cashflows utilised by investing activities		**(2 070)**	(2 011)
Acquisition of property and equipment, computer software and development costs and investment property		**(2 604)**	(2 439)
Disposal of property and equipment, computer software and development costs and investment property		**43**	45
Disposal/(Acquisition) of non-current assets held for sale		**14**	(4)
Disposal of investment banking assets		**10**	11
Acquisition of private-equity associates, associate companies and joint arrangements		**(326)**	(181)
Disposal of private-equity associates, associate companies and joint arrangements		**83**	133
Acquisition of other investments		**(443)**	(174)
Disposal of other investments		**1 153**	598
Cashflows utilised by financing activities		**4 884**	(1 354)
Net proceeds from issue of ordinary shares		**1 112**	
Issue of long-term debt instruments		**19 813**	7 004
Redemption of long-term debt instruments		**(10 470)**	(4 635)
Dividends paid to ordinary shareholders	33.7	**(5 200)**	(3 400)
Preference share dividends paid		**(371)**	(323)
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)		**(51)**	[1]
Net increase/(decrease) in cash and cash equivalents		**8 741**	(5 066)
Cash and cash equivalents at the beginning of year[2]		**25 600**	30 666
Cash and cash equivalents at the end of the year[2]	14	**34 341**	25 600

[1] *Represents amounts less than R1m.*

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

The group's identification of its segments and the measurement of segment results are based on the group's internal management reporting as used for day-to-day decisionmaking and as reviewed by the chief operating decisionmaker, which in Nedbank Ltd's case is the Group Executive Committee. The measure of segment profit is headline earnings.

Nedbank Corporate and Investment Banking

Nedbank Corporate and Investment Banking offers the full spectrum of transactional, corporate, investment banking and markets solutions, characterised by a highly integrated partnership approach. These solutions include lending products, advisory services, leverage financing, trading, broking, structuring, hedging and client coverage. The cluster has expertise in a broad spectrum of product and relationship-based solutions, including specialist corporate finance advice, innovative products and services, customised transactional banking and property finance. Nedbank Corporate and Investment Banking's primary units are Markets, Investment Banking, Property Finance, Transactional Services and Client Coverage.

Nedbank Retail and Business Banking

Nedbank Retail serves the financial needs of all individuals (excluding high-net-worth individuals serviced by Nedbank Wealth) and small businesses with a turnover of up to R10m to whom it offers a full spectrum of banking and assurance products and services. The retail product portfolio includes transactional accounts, home loans, vehicle and asset finance [including Motor Finance Corporation (MFC)], card (both card-issuing and merchant-acquiring services), personal loans and investments. The business banking portfolio offers the full spectrum of commercial banking products and related services to entities with an annual turnover of up to R700m.

Nedbank Wealth

Nedbank Wealth provides a range of financial services through three divisions of Wealth Management, Asset Management and Insurance. The cluster has operations in SA, London, on the Isle of Man, Jersey, Guernsey and the United Arab Emirates. Nedbank Wealth creates, manages and protects the wealth of a wide spectrum of clients ranging from high-net-worth individuals all the way through to the entry level market.

Rest of Africa

Rest of Africa is responsible for the group's banking operations and expansion activities in the rest of Africa and has client-facing subsidiaries (retail and wholesale banking) in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe and an investment, with joint management control, in a bank in Mozambique, Banco Único, SA. The division also holds the 21,8% investment in Ecobank Transnational Incorporated, manages the Ecobank—Nedbank alliance and facilitates investments in other countries in Africa.

Centre

The Centre is an aggregation of business operations that provide various support services to Nedbank Group Ltd, which includes the following clusters: Group Finance, Group Technology, Group Strategic Planning and Economics, Group Human Resources, Enterprise Governance and Compliance, Group Risk and Group Marketing, Communications and Corporate Affairs. The centre also includes Group Balance Sheet Management, which is responsible for capital management, liquidity and funding management, the management of banking book interest rate risk, margin management and strategic portfolio management.

	Nedbank Ltd		Fellow subsidiaries		Nedbank Corporate and Investment Banking	
	2015	2014	**2015**	2014	**2015**	2014
Statement of financial position (Rm)						
Assets						
Cash and cash equivalents	**34 341**	25 600	**(4 731)**	(2 650)	**12 910**	6 054
Other short-term securities	**60 078**	56 322	**(15 536)**	(10 912)	**35 005**	29 414
Derivative financial instruments	**30 948**	15 644	**460**	71	**30 102**	15 499
Government and other securities	**42 733**	26 828	**(327)**	(349)	**24 950**	16 010
Loans and advances	**666 807**	603 329	**(14 825)**	(9 692)	**355 784**	305 158
Other assets	**25 826**	25 721	**(30 034)**	(32 337)	**11 816**	9 106
Total assets	**860 733**	753 444	**(64 993)**	(55 869)	**470 567**	381 241
Equity and liabilities						
Total equity	**59 954**	55 980	**(18 797)**	(14 931)	**23 096**	17 497
Derivative financial instruments	**33 996**	15 479	**368**	7	**32 987**	15 429
Amounts owed to depositors	**708 036**	634 623	**(17 815)**	(18 827)	**346 868**	319 400
Provisions and other liabilities	**13 770**	11 728	**(28 744)**	(22 114)	**18 176**	8 184
Long-term debt instruments	**44 977**	35 634	**(5)**	(4)	**1 563**	1 159
Intergroup liabilities					**47 877**	19 572
Total equity and liabilities	**860 733**	753 444	**(64 993)**	(55 869)	**470 567**	381 241
Statement of comprehensive income (Rm)						
Net interest income	**22 404**	21 753	**(1 481)**	(1 208)	**6 781**	5 919
Impairments charge on loans and advances	**4 608**	4 478	**(181)**	(28)	**1 188**	506
Income from lending activities	**17 796**	17 275	**(1 300)**	(1 180)	**5 593**	5 413
Non-interest revenue	**17 514**	16 196	**(4 234)**	(4 116)	**6 508**	5 462
Operating income	**35 310**	33 471	**(5 534)**	(5 296)	**12 101**	10 875
Total operating expenses	**23 459**	22 031	**(2 651)**	(2 503)	**5 105**	4 664
Indirect taxation	**668**	522	**(115)**	(113)	**78**	74
Profit/(Loss) from operations	**11 183**	10 918	**(2 768)**	(2 680)	**6 918**	6 137
Share of profits/(losses) of associate companies and joint arrangements	**(1)**	12	**(872)**	(149)	**(1)**	12
Profit/(Loss) before direct taxation	**11 182**	10 930	**(3 640)**	(2 829)	**6 917**	6 149
Direct taxation	**2 860**	2 803	**(690)**	(684)	**1 702**	1 409
Profit/(Loss) after direct taxation	**8 322**	8 127	**(2 950)**	(2 145)	**5 215**	4 740
Profit attributable to non-controlling interest:						
– Ordinary shareholders	**47**	50	**(23)**	(19)	**7**	13
– Preference shareholders			**(371)**	(323)		
Headline earnings/(loss)	**8 275**	8 077	**(2 556)**	(1 803)	**5 208**	4 727
Selected ratios						
Average interest-earning banking assets (Rm)	**678 135**	613 628	**(45 945)**	(38 566)	**342 898**	310 902
Return on total assets (%)[2]	**1,05**	1,13			**1,24**	1,24
Return on ordinary shareholders' equity (%)	**15,4**	16,5			**22,6**	27,0
Net interest income to average interest-earning banking assets (%)	**3,30**	3,54			**1,98**	1,90
Non-interest revenue to total income (%)	**43,9**	42,7			**49,0**	48,0
Non-interest revenue to total operating expenses (%)	**74,7**	73,5			**127,5**	117,1
Credit loss ratio – banking advances (%)	**0,78**	0,82			**0,40**	0,19
Efficiency ratio	**58,8**	58,1			**38,4**	41,0
Effective taxation rate (%)	**25,6**	25,6			**24,6**	22,9
Contribution to group economic profit	**1 156**	1 215	**(1 369)**	(897)	**2 205**	2 365
Number of employees (permanent staff)	**29 477**	28 872	**(1 835)**	(1 627)	**2 728**	2 788

[1] *Includes all group eliminations.*
[2] *Includes the elimination of intercluster balances.*

During the period the Nedbank Corporate and Nedbank Capital Clusters were merged to form the Nedbank Corporate and Investment Banking Cluster. Similarly, the Nedbank Retail and Nedbank Business Banking Clusters were merged to form the Nedbank Retail and Business Banking Cluster. The comparative segment information previously presented for Nedbank Corporate, Nedbank Capital, Nedbank Retail and Nedbank Business Banking has been represented based on the new merged clusters, ie Nedbank Corporate and Investment Banking and Nedbank Retail and Business Banking. This had the consequential effect that certain intergroup assets and liabilities and the related eliminations between Nedbank Retail and Business Banking and the Centre have been restated.

Depreciation costs of R969m (2014: R906m) and amortisation costs of R705m (2014: R644m) for property, equipment, computer software and capitalised development are charged based on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

Nedbank Retail and Business Banking		Nedbank Wealth		Rest of Africa		Centre[1]	
2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
3 161	2 932	**1 774**	934	**4 438**	3 328	**16 789**	15 002
		15 161	9 943	**1 801**	1 849	**23 647**	26 028
		5	1	**76**	24	**305**	49
3 839	377			**327**	336	**13 944**	10 454
279 929	268 882	**28 206**	24 819	**16 515**	14 073	**1 198**	89
5 631	5 888	**16 176**	21 912	**9 784**	7 818	**12 453**	13 334
292 560	278 079	**61 322**	57 609	**32 941**	27 428	**68 336**	64 956
26 924	27 565	**2 734**	2 830	**6 799**	3 549	**19 198**	19 470
		10	4	**172**	47	**459**	(8)
248 135	224 103	**34 083**	26 122	**21 208**	17 058	**75 557**	66 767
3 686	3 373	**16 884**	17 626	**808**	876	**2 960**	3 783
6 816	1 775			**5**	4	**36 598**	32 700
6 999	21 263	**7 611**	11 027	**3 949**	5 894	**(66 436)**	(57 756)
292 560	278 079	**61 322**	57 609	**32 941**	27 428	**68 336**	64 956
15 955	15 216	**766**	628	**740**	898	**(357)**	300
3 212	3 771	**39**	41	**201**	35	**149**	153
12 743	11 445	**727**	587	**539**	863	**(506)**	147
10 972	10 530	**3 593**	3 399	**819**	768	**(144)**	153
23 715	21 975	**4 320**	3 986	**1 358**	1 631	**(650)**	300
17 077	16 076	**2 730**	2 484	**1 526**	1 256	**(328)**	54
302	243	**95**	102	**29**	30	**279**	186
6 336	5 656	**1 495**	1 400	**(197)**	345	**(601)**	60
				872	149		
6 336	5 656	**1 495**	1 400	**675**	494	**(601)**	60
1 781	1 562	**361**	358	**(79)**	85	**(215)**	73
4 555	4 094	**1 134**	1 042	**754**	409	**(386)**	(13)
				63	52		4
95	63					**276**	260
4 460	4 031	**1 134**	1 042	**691**	357	**(662)**	(277)
325 997	306 401	**39 612**	32 351	**20 934**	18 920	**(5 361)**	(16 380)
1,57	1,49	**1,84**	1,91	**2,31**	1,58		
16,6	14,6	**41,5**	36,8	**10,2**	10,1		
4,89	4,97	**1,93**	1,94	**3,53**	4,75		
40,7	40,9	**82,4**	84,4	**52,5**	46,1		
64,3	65,5	**131,6**	136,9	**53,7**	61,2		
1,14	1,39	**0,15**	0,17	**1,25**	0,23		
63,4	62,4	**62,6**	61,7	**62,8**	69,2		
28,1	27,6	**24,1**	25,6	**(11,7)**	17,2		
960	310	**778**	660	**(193)**	(122)	**(1 225)**	(1 101)
20 921	20 373	**2 107**	2 119	**1 812**	1 605	**3 744**	3 614

1 PRINCIPAL ACCOUNTING POLICIES

The group applies the following accounting policies in preparing the consolidated financial statements of Nedbank Ltd.

1.1 Basis of preparation

The financial statements have been prepared on a going-concern basis and have been prepared on a consistent basis with the prior year. The amendments to standards, effective 1 January 2015, did not have a significant impact on the basis of preparation. During the year the group has complied with externally imposed capital requirements (refer to the Risk and Balance Sheet Management Review available at nedbank.co.za for further information).

The consolidated financial statements have been prepared in accordance with the IFRS as issued by the International Accounting Standards Board and IFRS IC, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008 (as amended), and the JSE Listings Requirements.

The financial information presented in the consolidated financial statements comprises that of the parent company, Nedbank Ltd, together with its subsidiaries, including consolidated structured entities, joint arrangements and associates, presented as a single entity (the group). Separate financial statements for the company are available at the company's headoffice at Nedbank 135 Rivonia Road Campus, 135 Rivonia Road, Sandown, 2196, Johannesburg.

The financial statements are presented in SA rand, the functional currency of Nedbank Ltd, and are rounded to the nearest million rands.

1.2 Accounting policy elections

The following accounting policy elections have been made by the group:

Asset/Liability	Option	Election and implication	Accounting policy
Property and equipment	■ International Accounting Standards (IAS) 16 permits the use of the cost or revaluation model for the subsequent measurement of property and equipment.	■ Land and buildings are stated at revalued amounts, being fair value less subsequent depreciation and impairment. ■ Revaluation surpluses are recognised directly in equity, through other comprehensive income. When the property is disposed of, the cumulative revaluation surplus is transferred directly to retained income. ■ Computer equipment, furniture and other equipment and vehicles are carried at cost less accumulated depreciation.	1.10
Investment in venture capital divisions	■ IAS 28 provides an exemption from applying the equity method of accounting if an investment in an associate is held by or indirectly through a venture capital organisation.	■ In venture capital divisions the group has elected to carry associate and joint-venture entities at fair value through profit and loss under IAS 39.	1.3
Financial instruments	■ IAS 39 allows for the irrevocable designation of financial assets and liabilities on initial recognition at fair value through profit or loss if the designation eliminates or significantly reduces an accounting mismatch. ■ IAS 39 permits trade date or settlement date accounting for the regular way purchase or sale of financial assets.	■ The group has elected to designate certain fixed-rate financial assets and liabilities at fair value through profit and loss to reduce the accounting mismatch. ■ Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting.	1.6
Investments in subsidiaries, associate companies and joint arrangements	■ In terms of IAS 27 investments in subsidiaries, associates and joint arrangements can be accounted for in the separate financial statements either at cost, or in accordance with IAS 39, or in terms of IAS 28.	■ The group has elected to recognise these investments at cost less impairments in the separate financial statements.	1.3

1.3 Group accounting

Subsidiary undertakings and consolidated structured entities

Subsidiary undertakings are those entities, including unincorporated entities such as trusts and partnerships that are controlled by the group. 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 is considered to have power over an entity when it has existing rights that give it the current ability to direct the relevant activities of the entity. The group is exposed, or has rights, to variable returns from its involvement with the entity when the investor's returns from its involvement have the potential to vary as a result of the entity's performance. 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.

The consolidated financial statements include the assets, liabilities and results of the company plus subsidiaries, including consolidated structured entities from the date control is established until the date that control ceases.

Intragroup balances, transactions, income and expenses, and profits and losses are eliminated in preparation of the consolidated financial statements. Unrealised losses are not eliminated to the extent that they provide objective evidence of impairment.

Subsidiaries include structured entities that are designed so that its activities are not governed by way of voting rights. In assessing whether the group has power over such investees in which it has an interest, the group considers factors such as the purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee, and the size of its exposure to the variability of returns of the investee.

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 entity. This is generally demonstrated by the group holding in excess of 20%, but no more than 50%, of the voting rights.

The group's share of postacquisition profit or loss and post-acquisition movements in other comprehensive income are recognised in the income statement and other comprehensive income, respectively. The group applies the equity method of accounting from the date significant influence commences until the date significant influence ceases (or the associate is classified as held for sale), ie when the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any long-term debt outstanding. The recognition of further losses is discontinued, except to the extent that the group has incurred legal or constructive obligations, or guaranteed obligations, in respect of the associate.

In applying the equity method the investor should use the financial statements of the associate as of the same date as the financial statements of the investor unless it is impracticable to do so. If it is impracticable, the most recent available financial statements of the associate or joint venture should be used, with adjustments made for the effects of any significant transactions or events occurring between the ends of the two accounting periods. However, the difference between the reporting date of the associate and that of the investor cannot be longer than three months.

Where an entity within the group transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the associate but only to the extent that there is no evidence of impairment.

At each reporting date the group determines whether there is objective evidence that the investments in associates are impaired. Objective evidence of impairment for an associate investment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the associate investment may not be recovered. A significant or prolonged decline in the fair value of an associate investment below its cost is also considered objective evidence of impairment. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology described in 1.13.

Investments in associates that are held with the intention of disposing thereof within 12 months are accounted for and classified as non-current assets held for sale in accordance with the methodology described in 1.12.

Joint arrangements

Joint arrangements are those entities over which the group has joint control, established by contractual agreements requiring unanimous consent for decisions about relevant activities that significantly affect the arrangements' returns. They are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of the investor, and accounted for as follows:

- 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, in accordance with the applicable IFRS.
- Joint venture – when the group has rights only to the net assets of the arrangement, it accounts for its interest using the equity method as described in the associates accounting policy.

Sponsored entities

Where the group does not have an interest in an unconsolidated structured entity, the group will assess whether it sponsors the specific structured entity. The group will sponsor such an entity by assessing whether the group led the formation of the entity, the name of the group is associated with the name of the entity or it provides certain implicit guarantees to the entity in question.

Common control transactions

Transactions in which combining entities are controlled by the same party or parties before and after the transaction, and where that control is not transitory, are referred to as common-control transactions. The group's accounting policy for the acquiring entity to account for the transaction is at book values as reflected in the consolidated financial statements of the selling entity.

The excess of the cost of the transaction over the acquirer's proportionate share of the net assets value acquired in common-control transaction will be allocated to the common-control reserve in equity.

Associate companies and joint ventures held by venture capital divisions

Where the group has an investment in an associate or joint-venture company held by a venture capital division, whose primary business is to purchase and dispose of minority stakes in entities, the investment is classified as designated at fair value through profit or loss, as the divisions are managed on a fair-value basis. Changes in the fair value of these investments are recognised in non-interest revenue in profit or loss in the period in which they occur.

1.3 Group accounting (continued)

Acquisitions and disposals of stakes in group companies

Acquisitions of subsidiaries (entities acquired) and businesses (assets and liabilities acquired) are accounted for using the acquisition method. The cost of a business combination is measured as the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, that asset or liability is measured at the acquisition date fair value. Subsequent changes in such fair values are accounted for in accordance with IAS 39, either in profit or loss or other comprehensive income. Changes in the fair value of a contingent consideration that has been classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the date of acquisition, except:

- deferred taxation assets or liabilities, which are recognised and measured in accordance with IAS 12 Income Taxes, and liabilities or assets related to employee benefit arrangements, which are recognised and measured in accordance with IAS 19 Employee Benefits;
- liabilities or equity instruments that relate to the replacement, by the group, of an acquiree's share-based payment awards, which are measured in accordance with IFRS 2 Share-based Payments; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale, and discontinued operations, which are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Where provisional amounts were reported, these are adjusted during the measurement period (see below). Additional assets or liabilities are recognised to reflect any new information obtained about the facts and circumstances that existed at the date of acquisition, which, if known, would have affected the amounts recognised on that date.

The measurement period is the period from the date of acquisition to the date the group receives complete information about the facts and circumstances that existed at the acquisition date. This measurement period is subject to a maximum of one year after the acquisition date.

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date on the date the group attains control, and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income (OCI) are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to the acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

The difference between the proceeds from the disposal of a subsidiary, the fair value of any retained investment and its carrying amount at the date of disposal, including the cumulative amount of any exchange differences recognised in the statement of changes in equity that relate to the subsidiary, is recognised as a gain or loss on the disposal of the subsidiary in the group profit or loss for the period.

All changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interests are increased or decreased and the fair value of the consideration paid or received is recognised directly in equity and attributed to the group.

Goodwill

Goodwill arises on the acquisition of subsidiaries and is recognised as an asset on the date that control is acquired, being the acquisition date. Goodwill represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net fair value of the identifiable net assets recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred plus the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any), this excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is tested for impairment at least once a year. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed. Refer to accounting policy 1.8.

On disposal of a subsidiary the goodwill attributable to the subsidiary is included in the determination of the profit or loss on disposal.

1.4 Foreign currency translation

Foreign currency transactions

Individual entities within the group may use a different functional currency than that of the group, being the currency of the primary economic environment in which the respective entities operate. Transactions in foreign currencies are translated into the functional currency of the individual entities at the date of the transaction by applying the spot exchange rate ruling at the transaction date to the foreign currency amounts.

Monetary assets and liabilities in foreign currencies are translated into the functional currency of the respective entities of the group at the spot exchange rate ruling at the reporting date.

Exchange differences that arise on the settlement or translation of monetary items at rates that are different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period that they arise.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the respective functional currencies of the group entities using the foreign exchange rates ruling at the dates when the fair values were determined.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are converted into the functional currency of the respective group entities at the rate of exchange ruling at the date of the transaction and are not subsequently retranslated.

Exchange differences on non-monetary items are recognised consistently with the gains and losses that arise on such items, ie exchange differences relating to an item for which gains and losses are recognised directly in equity are generally recognised in equity. Similarly, exchange differences for non-monetary items for which gains and losses are recognised in profit or loss are recognised in profit or loss in the period in which they arise.

Investments in foreign operations

Nedbank Ltd's presentation currency is SA rand. The assets and liabilities, including goodwill, of those entities that have functional currencies other than that of the group (SA rand) are translated at the closing exchange rate. Income and expenses are translated using the average exchange rate for the period. The differences that arise on translation of these entities are recognised in OCI in the statement of comprehensive income. The cumulative exchange differences are recognised as a separate component of equity and are represented by the balance in the foreign currency translation reserve.

On disposal of a foreign operation the cumulative amount in the foreign currency translation reserve related to that operation is transferred to profit or loss for the period when the gain or loss on the disposal of the foreign operation is recognised.

The primary and major determinants for non-rand functional currencies are the economic factors that determine the sales price for goods and services as well as costs. Additional supplementary factors to be considered are funding, autonomy and cashflows.

1.5 Cash and cash equivalents

Cash and cash equivalents represents cash on hand and demand deposits and cash equivalents, which are short-term (ie a maturity of less than 90 days from acquisition), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value. Cash and cash equivalents therefore include cash and balances with central banks that can be withdrawn on demand (except where a specific minimum balance at the end of the day is required to be maintained), other eligible bills and amounts due from other banks.

1.6 Financial instruments

Financial instruments, as recognised in the statement of financial position, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, associate companies and joint arrangements (other than investments held by venture capital divisions) and employee benefit plans and leases. Financial instruments are accounted for under IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair-value Measurement.

This accounting policy should be read in conjunction with the group's categorised statement of financial position, the group's risk management policies and note 35.1.

Initial recognition

Financial instruments are recognised in the statement of financial position when the group becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the timeframe established by regulation or market convention ('regular way' purchases) are recognised at the trade date, which is the date on which the group commits to purchase the financial asset. The liability to pay for 'regular way' purchases of financial assets is recognised on the trade date, which is when the group becomes a party to the contractual provisions of the financial instrument.

Contracts that require or permit net settlement of the change in the value of the contract are not considered 'regular way' contracts and are treated as derivatives between the trade and settlement dates of the contract.

Initial measurement

Financial instruments that are categorised and designated at initial recognition as being at fair value through profit or loss are recognised at fair value. Transaction costs, which are directly attributable to the acquisition or on issue of these financial instruments, are recognised immediately in profit and loss.

Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique, the variables of which include only data from observable markets, the group defers such differences (day-one gains or losses). Day-one gains or losses are amortised on a straight-line basis over the life of the financial instrument. To the extent that the inputs determining the fair value of the instrument become observable, or on derecognition of the instrument, day-one gains or losses are recognised immediately in profit or loss.

Categories of financial instruments

Subsequent to initial recognition, financial instruments are measured at fair value or amortised cost, depending on their classification and whether fair value can be measured reliably:

- Financial instruments at fair value through profit or loss

  Financial instruments at fair value through profit or loss consist of instruments that are held for trading and instruments that the group has designated, at the initial recognition date, as at fair value through profit or loss.

  The group classifies instruments as held for trading if they have been acquired or incurred principally for the purpose of sale or repurchase in the near term, they are part of a portfolio of identified financial instruments for which there is evidence of a recent actual pattern of short-term profittaking or they are derivatives. The group's derivative transactions include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options (both written and purchased).

  Financial instruments that the group has elected, at the initial recognition date, to designate as at fair value through profit or loss are those that meet any one of the following conditions:

  - the designation of fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on assets and liabilities on different bases;
  - the instrument forms part of a group of financial instruments that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel, using a fair-value basis; or
  - a contract contains one or more embedded derivatives that require separation from the host contract or a derivative that significantly modifies the cashflows of the host contract.

Gains or losses on financial instruments at fair value through profit or loss (excluding interest income and interest expense calculated on the amortised-cost basis relating to interest-bearing instruments that have been designated as at fair value through profit or loss) are reported in non-interest revenue in the period in which they arise. Interest income and interest expense calculated in accordance with the effective-interest method are reported in interest income and expense, except for interest income and interest expense on instruments held for trading, which are recognised in non-interest revenue.

1.6 Financial instruments (continued)

- Non-trading financial liabilities

  All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities and are measured at amortised cost. The interest expense is recorded in interest expense and similar charges.

- Held-to-maturity financial assets

  Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the group has the positive intention and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available for sale. Held-to-maturity financial assets are measured at amortised cost, with interest income recognised in interest and similar income.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those financial assets classified by the group on initial recognition as at fair value through profit or loss, available for sale or loans and receivables that are held for trading.

  Financial assets that are classified as loans and receivables are carried at amortised cost, with interest income recognised in interest and similar income. Gains or losses arising on disposal are recognised in non-interest revenue.

- Available-for-sale financial assets

  Available-for-sale financial assets are non-derivative financial assets that the group has designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets as at fair value through profit or loss.

  Available-for-sale financial assets are measured at fair value, with fair-value gains or losses recognised in other comprehensive income, unless the asset has been designated as a hedged item in a fair-value hedging relationship subject to hedge accounting. In a fair-value hedging relationship the portion of the fair value gain or loss of the asset attributable to the hedged risk is recorded in profit and loss to offset changes in the fair value of the hedging instrument. Any other changes in the fair value of the asset attributable to aspects other than the hedged risk is recognised in other comprehensive income.

  Foreign currency translation gains or losses on monetary items, impairment losses and interest income calculated using the effective-interest-rate method, are reported in profit or loss.

Derivative financial instruments and hedge accounting

Derivatives are classified as financial assets when their fair value is positive or as financial liabilities when their fair value is negative, subject to the offsetting principles as described under 'Offsetting financial instruments and related income'. The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged.

- Derivatives that qualify for hedge accounting

  The group applies hedge accounting when transactions meet the criteria set out in IAS 39. The group's hedging strategy makes use of fair-value hedges, which are hedges of the change in fair-value of recognised assets or liabilities or firm commitments ('fair value hedges').

  At the inception of a hedging relationship the group designates and documents the relationship between the hedging instrument and the hedge item as well as its risk management objective and strategy for undertaking the hedging transactions, and the nature of the risk being hedged. The group also documents its assessment of whether the hedging instrument is effective in offsetting changes in fair value or cashflow of the hedged item attributable to the hedged risk.

  Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Each hedge must be expected to be highly effective (prospective effectiveness) and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis.

  For prospective effectiveness the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cashflows attributable to the hedges risk during the period for which the hedge is designated. For actual effectiveness to be achieved the changes in fair value or cashflows must offset each other in the range of 80% to 125%.

  Interest on designated qualifying hedges is included in net interest income.

- Fair-value hedges

  Where a hedging relationship is designated as a fair-value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Fair-value gains and losses arising on the remeasurement of both the hedging instrument and the hedged item are recognised in 'net interest income', for so long as the hedging relationship is effective. Any hedge ineffectiveness is recognised in profit and loss in non-interest revenue.

  If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued.

- Derivatives that do not qualify for hedge accounting

  All gains and losses from changes in the fair value of derivatives that are not designated as being subject to hedge accounting are recognised immediately in non-interest revenue.

Embedded derivatives

Derivatives in a host contract that is a financial or non-financial instrument, such as an equity conversion option in a convertible bond, are separated from the host contract when all of the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- The combined contract is not measured at fair value, with changes in fair value recognised in profit or loss.

The host contract is accounted for:

- under IAS 39 if it is a financial instrument; and
- in accordance with other appropriate accounting standards if it is not a financial instrument.

If an embedded derivative is required to be separated from its host contract, but it is not possible to measure the fair value of the embedded derivative separately, either at acquisition or at a subsequent financial reporting date, the entire hybrid instrument is categorised as at fair value through profit or loss and measured at fair value.

Measurement basis of financial instruments

There are two bases of measurement, namely amortised cost and fair value:

- Amortised cost

  The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective-interest method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

  The effective-interest method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial instrument. When calculating the effective interest rate, cashflows are estimated considering all contractual terms of the financial instrument, but future credit losses are not considered. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

- Fair value

  The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

  The fair value of instruments that are quoted in an active market is determined using quoted prices where they represent those at which regularly and recently occurring transactions take place.

  The group uses valuation techniques to establish the fair value of instruments where quoted prices in active markets are not available.

  For a detailed discussion of the fair value of financial instruments refer to note 35.1.

Impairment of financial assets

The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has (or events have) an impact on the estimated future cashflows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in respect of interest or principal payments;
- the group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cashflows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and display the characteristics of a performing loan are reset to performing status. Loans whose terms have been renegotiated continue to be monitored to determine whether they are considered to be impaired or past due.

- Assets carried at amortised cost

  If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity financial assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

  The group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

  If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period.

- Available-for-sale financial assets

  When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity, in the statement of comprehensive income, and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity, in the statement of comprehensive income, is removed from equity and recognised in profit or loss. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

  If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period.

1.6 Financial instruments (continued)

- Maximum credit risk

  Credit risk arises principally from loans and advances to clients, investment securities, derivatives and irrevocable commitments to provide facilities. The maximum credit risk is typically the gross carrying amount, net of any amounts offset and impairment losses. The maximum credit exposure for loan commitments is the full amount of the commitment if the loan cannot be settled net in cash or using another financial asset.

Derecognition

The group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when, and only when:

- the contractual rights to the cashflows arising from the financial asset have expired; or
- it transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retaining control of the asset.

A financial liability (or part of a financial liability) is derecognised when, and only when, the liability is extinguished, ie when the obligation specified in the contract is discharged, cancelled or has expired.

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in non-interest revenue for the period.

Securitisations

The group securitises various consumer and commercial financial assets, generally resulting in the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are primarily recorded in available-for-sale investment securities and carried at fair value.

Gains or losses on securitisation, if the financial assets or liabilities are derecognised, depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of transfer. Gains or losses on securitisation are recorded in non-interest revenue for the period.

Offsetting financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when the group has a legally enforceable right to set off the financial asset and financial liability and the group has an intention of settling the asset and liability on a net basis or realising the asset and settling the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

Collateral

Financial and non-financial assets are held as collateral in respect of recognised financial assets. Such collateral, except cash collateral, is not recognised by the group, as the group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations. Should a counterparty be unable to settle its obligations, the group takes possession of collateral or calls on other credit enhancements as full or part settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the group's accounting policies are applied from the date of recognition.

Cash collateral is recognised when the group receives the cash and is reported as amounts received from depositors. Collateral is also given to counterparties under certain financial arrangements, but such assets are not derecognised where the group retains the risks and rewards of ownership. Such assets are at risk to the extent that the group is unable to fulfil its obligations to counterparties. For a detailed discussion on collateral see note 47.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are retained in the financial statements, as the group retains all risks and rewards of ownership of the securities. The securities are recorded as trading or investment securities and the counterparty liability is included in amounts owed to other depositors, deposits from other banks, or other money market deposits, as appropriate. Securities purchased under agreements to resell are recorded as loans and advances to other banks or clients, as appropriate. The difference between the sale and repurchase price is treated as interest and recognised over the duration of the agreements using the effective-interest method.

Securities lent to counterparties are also retained in the financial statements and any interest earned is recognised in profit or loss using the effective interest-rate method. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in non-interest revenue. The obligation to return them is recorded at fair value as a trading liability.

Acceptances

Acceptances comprise undertakings by the group to pay bills of exchange drawn on clients. The group expects most acceptances to be settled simultaneously with the reimbursement from clients. Acceptances are recorded as liabilities within amounts owed to depositors, with the corresponding asset recorded in the statement of financial position within loans and advances.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Issued financial guarantee contracts are recognised as insurance contracts and are measured at the best estimate of the expenditure required to settle any financial obligation as of the reporting date. Liability adequacy testing is performed to ensure that the carrying amount of the liability for issued financial guarantee contracts is sufficient. Any increase in the liability relating to guarantees is recognised in profit or loss.

1.7 Taxation

Taxation expense, recognised in the statement of comprehensive income, comprises current and deferred taxation. Current or deferred taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it too is recognised in equity and to the extent that it relates to items recognised in other comprehensive income (OCI), in which case it too is recognised in OCI.

Current taxation

Current taxation is the expected tax payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years (prior-period tax paid).

Deferred taxation

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

Deferred taxation is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity or in OCI, or a business combination that is accounted for as an acquisition. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred taxation liabilities are recognised for all taxable temporary differences, and deferred taxation assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred taxation is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities against current taxation assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their taxation assets and liabilities will be realised simultaneously.

1.8 Intangible assets

Goodwill and goodwill impairment

Goodwill arises on the acquisition of subsidiaries, associates and joint arrangements. Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investments the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is allocated to one or more cash-generating units (CGUs), being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to the CGUs in which the synergies from the business combinations are expected. Each CGU containing goodwill is annually tested for impairment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses that are recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. However, the carrying amount of these other assets may not be reduced below the highest of its fair value less cost to sell, its value in use and zero.

Impairment testing procedures

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell is determined by ascertaining the current market value of an asset (or the CGU) and deducting any costs related to the realisation of the asset.

In assessing value in use the expected future cashflows from the CGU are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the particular CGU.

Impairment losses relating to goodwill are not reversed and all impairment losses are recognised in capital and non-trading items for the period.

Computer software and capitalised development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands are recognised as an expense in profit or loss for the period.

If costs can be reliably measured and future economic benefits are available, expenditure on computer software and other development activities, whereby set procedures and processes are applied to a project for the production of new or substantially improved products and processes, is capitalised if the computer software and other developed products or processes are technically and commercially feasible and the group has intention and sufficient resources to complete development. The expenditure capitalised includes the cost of materials and directly attributable employee and other direct costs. Computer development expenditure is amortised only once the relevant software is available for use in the manner intended by management. Capitalised software is stated at cost less accumulated amortisation and impairment losses. Expenditure for the development of computers that are not yet available for use is not amortised and is stated at cost less impairment losses.

Amortisation of computer software and development costs is charged to profit or loss on a straight-line basis over the estimated useful lives of these assets, which do not exceed five years and are reviewed annually. Subsequent expenditure relating to computer software is capitalised only when it increases the future economic benefits embodied in the specific asset, in its current condition, to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. The profit or loss on the disposal of computer software is recognised in non-trading and capital items (in profit or loss). The profit or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.

The amortisation methods and residual values of these intangible assets are reviewed on an annual basis.

Contractual client relationships

Contractual client relationships, including the present value of in-force business in insurance businesses, acquired in a business combination are recognised at fair value at the date of acquisition. The contractual client relationships have a finite useful life and are carried at cost less accumulated amortisation. The useful lives of these client relationships are reviewed on an annual basis. Amortisation is calculated using the straight-line method over the expected life of the client relationship.

1.9 Employee benefits

The group operates a number of postemployment defined-benefit and defined-contribution plans for eligible employees. The assets of these plans are generally held in separate trustee–administered funds. These benefits are accounted for in accordance with IAS 19 Employee Benefits.

Defined-benefit plans

The liability recognised in the statement of financial position in respect of defined-benefit pension plans is the present value of the defined-benefit obligation at the reporting date less the fair value of plan assets.

The defined-benefit obligation is calculated annually by independent actuaries using the projected-unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using yields for government bonds that have maturity dates approximating the terms of the group's obligations.

Gains or losses resulting from remeasurements are recognised immediately in other comprehensive income. Remeasurements include actuarial gains and losses, return on plan assets, excluding amounts included in net interest, and the asset ceiling, excluding amounts included in net interest.

Current service costs and net interest on the defined-benefit liability are recognised immediately as an expense in profit or loss. Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date the group recognises related restructuring costs.

Plan assets are only offset against plan liabilities where they are assets held by long-term employee benefit funds or qualifying insurance policies. Qualifying insurance policies exclude any policies held by the group's holding or subsidiary companies.

Defined-contribution plans

Contributions to defined-contribution plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Postemployment benefit plans

The group provides postretirement medical benefits and disability cover for eligible employees. The non-pension postemployment benefits are accounted for, in accordance with their nature, as either a defined-contribution plan or a defined-benefit plan. Similarly, the expected costs associated with such benefits are accounted for in a manner consistent with their classification.

Short-term employee benefits

Short-term employee benefits include salaries, accumulated leave payments, bonuses and non-monetary benefits such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount to be paid under short-term cash bonus plans or accumulated leave if the group has a present, legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

1.10 Property and equipment

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and they have a cost that can be measured reliably.

Subsequent expenditure is capitalised to the carrying amount of items of property and equipment if it is measurable and it is probable that it increases the future economic benefits associated with the asset. All other expenses are recognised in profit or loss as an expense when incurred.

Subsequent to initial recognition, computer equipment, vehicles and furniture and other equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings, the fair values of which can be reliably measured, are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluation increases are credited directly to other comprehensive income and presented in equity under the heading 'Revaluation reserve'. However, revaluation increases are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss. Revaluation decreases are recognised in profit or loss. However, decreases are debited directly to equity to the extent of any credit balance existing in the revaluation surplus in respect of the same asset. Land and buildings are revalued on the same basis as investment properties.

This accounting policy should be read in conjunction with note 26.

Depreciation

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Items of property and equipment that are classified as held for sale in terms of IFRS 5 are not depreciated. The depreciable amounts of property and equipment are recognised in profit or loss on a straight line basis over the estimated useful lives of the items of property and equipment, unless they are included in the carrying amount of another asset. The useful lives, residual values and depreciation methods for property and equipment are assessed and adjusted (where required) on an annual basis.

On revaluation any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the item concerned and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount and residual values.

Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred net of any related deferred taxation between the revaluation reserve and retained earnings as the property is utilised. Land is not depreciated.

The maximum initial estimated useful lives are as follows:

Computer equipment	5 years
Motor vehicles	6 years
Fixtures and furniture	10 years
Leasehold property	20 years
Significant leasehold property components	10 years
Freehold property	50 years
Significant freehold property components	5 years

Derecognition

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. On derecognition any surplus in the revaluation reserve in respect of an individual item of property and equipment is transferred directly to retained earnings in the statement of changes in equity.

Compensation from third parties for items of property and equipment that were impaired, lost or given up is included in profit or loss when the compensation becomes receivable.

1.11 Investment properties

Investment properties comprise real estate held for earning rentals and/or for capital appreciation. This does not include real estate held for use in the supply of services or for administrative purposes.

Investment properties are initially measured at cost plus any directly attributable expenses.

Investment properties are stated at fair value. Internal professional valuers perform valuations annually. For practical reasons valuations are carried out over a cyclical basis over a 12-month period due to the large number of investment properties involved. External valuations are obtained once every three years on a rotational basis. In the event of a material change in market conditions between the valuation date and reporting date an internal valuation is performed and adjustments made to reflect any material changes in value.

The valuation methodology applied is dependent on the nature of the property. Income-generating assets are valued using discounted cashflows. Vacant land, land holdings and residential flats are valued according to sales of comparable properties. Near-vacant properties are valued at land value less the estimated cost of demolition.

Surpluses and deficits arising from changes in fair value are recognised in profit or loss for the period in the statement of comprehensive income.

For properties reclassified during the year from property and equipment to investment properties any revaluation gain arising is initially recognised in profit or loss to the extent of previously charged impairment losses. Any residual excess is taken to the revaluation reserve. Revaluation deficits are recognised in the revaluation reserve to the extent of previously recognised gains and any residual deficit is accounted for in profit or loss for the period.

Investment properties that are reclassified to owner-occupied property are revalued at the date of transfer, with any difference being taken to profit or loss.

1.12 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered principally through sale rather than use.

The asset or disposal group must be available for immediate sale in its present condition and the sale should be highly probable, with an active programme to find a buyer and the appropriate level of management approving the sale.

Immediately before classification as held for sale, all assets and liabilities are remeasured in accordance with the group's accounting policies. Non-current assets (or disposal groups) held for sale are measured at the lower of the carrying amount and fair value less incremental directly attributable cost to sell (excluding taxation and finance charges) and are not depreciated.

Gains or losses recognised on initial classification as held for sale and subsequent remeasurement are recognised in profit or loss, regardless of whether the assets were previously measured at revalued amounts. The maximum gains that can be recognised are the cumulative impairment losses previously recognised in profit or loss. A disposal group continues to be consolidated while classified as held for sale. Income and expenses continue to be recognised in profit or loss.

Non-current assets (or disposal groups) are reclassified from held for sale to held for use if they no longer meet the held-for-sale criteria. On reclassification the non-current asset (or disposal group) is remeasured at the lower of its recoverable amount and the carrying amount that would have been recognised had the asset (or disposal group) never been classified as held for sale. Any gains or losses are recognised in profit or loss, unless the asset was carried at a revalued amount prior to classification as held for sale.

A discontinued operation is a clearly distinguishable component of the group's business that has been disposed of or is held for sale, which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

This accounting policy should be read in conjunction with note 23.

1.13 Impairment (all assets other than financial assets, deferred taxation assets and investment property)

The group assesses all assets (other than financial assets, deferred taxation assets and investment property) for indications of impairment or the reversal of a previously recognised impairment at each reporting date. These impairments (where the carrying amount of an asset exceeds its recoverable amount), or the reversal of a previously recognised impairment, are recognised in profit or loss for the period. Intangible assets not yet available for use are tested, at least on an annual basis, for impairment.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.

In assessing value in use the expected future pretax cashflows from the asset are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset the cashflows of which are largely dependent on those of other assets the recoverable amount is determined for the CGU to which the asset belongs.

A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior periods.

1.14 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event in respect of which it is probable that an outflow of economic benefits will occur and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting is material, the provision is discounted. The discount rate reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Gains from the expected disposal of assets are not taken into account in measuring provisions. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by a party outside the group, the reimbursement is recognised when it is virtually certain that it will be received if the group settles the obligation. The reimbursement is recorded as a separate asset at an amount not exceeding the related provision. The expense for the provision is presented net of the reimbursement in profit or loss.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from an executory contract are lower than the unavoidable cost of meeting the obligations under the contract.

Future operating costs or losses are not provided for.

1.15 Share-based payments

Equity-settled share-based payment transactions with employees

The group receives services from employees as consideration for equity instruments of the group. The fair value of the employee services is measured at the grant date, by reference to the fair value of the equity instruments, and is not subsequently remeasured.

If the equity instruments granted vest immediately and an employee is not required to complete a specified period of service before becoming unconditionally entitled to the instruments, the services received are recognised in profit or loss for the period in full on the grant date, with a corresponding increase in equity.

Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for the equity instruments, will be received in the future during the vesting period. The services are accounted for in profit or loss in the statement of comprehensive income as they are rendered during the vesting period, with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date. Where the equity instruments are no longer outstanding, the accumulated share-based payment reserve in respect of those equity instruments is transferred to retained earnings.

Cash-settled share-based payment transactions with employees

The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the statements of comprehensive income as staff costs.

Measurement of fair value of equity instruments granted

The equity instruments granted by the group are measured at fair value at the measurement date using standard option pricing valuation models. The valuation technique is consistent with generally acceptable valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments. Vesting conditions, other than market conditions, are not taken into account in determining fair value. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount.

Share-based payment transactions with persons or entities other than employees

Transactions in which equity instruments are issued to historically disadvantaged individuals and organisations in SA for less than fair value are accounted for as share-based payments. Where the group has issued such instruments and expects to receive services in return for equity instruments, the share-based payment charge is spread over the related vesting (ie service) period. In instances where such services could not be identified the cost has been expensed with immediate effect. The valuation techniques are consistent with those mentioned above.

1.16 Share capital

Ordinary share capital, preference share capital or any financial instrument issued by the group is classified as equity when:

- payment of cash, in the form of a dividend or redemption, is at the discretion of the group;
- the instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the group;
- settlement in the group's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- the instrument represents a residual interest in the assets of the group after deducting all its liabilities.

Consideration paid or received for equity instruments is recognised directly in equity. Equity instruments are initially measured at the proceeds received, less incremental directly attributable issue costs, net of any related income tax benefits. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's equity instruments.

When the group issues a compound instrument, ie an instrument that contains a liability and an equity component, the fair value of the liability component is calculated first and the equity component is treated as residual. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Distributions to holders of equity instruments are recognised as distributions in the statement of changes in equity in the period in which they are payable. Dividends for the year that are declared after the reporting date are disclosed in note 13 to the financial statements.

1.17 Treasury shares

When the group acquires its own share capital, the amount of the consideration paid, including directly attributable costs and net of any related tax benefit, is recognised as a change in equity. Shares repurchased by the issuing entity are cancelled. Shares repurchased by group entities are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted-average number of shares and the cost price of the shares is presented as a deduction from total equity. The par value of the shares is presented as a deduction from ordinary share capital and the remainder of the cost is presented as a deduction from ordinary share premium. Dividends received on treasury shares are eliminated on consolidation.

1.18 Investment contracts

Investment contract liabilities

Liabilities for unit-linked and market-linked contracts are reported at fair value. For unit-linked contracts the fair value is calculated as the account value of the units, ie the number of units held multiplied by the bid price value of the assets in the underlying fund (adjusted for taxation). For market-linked contracts the fair value of the liability is determined with reference to the fair value of the underlying assets. This fair value is calculated in accordance with the financial soundness valuation basis, except that negative rand reserves arising from the capitalisation of future margins are not permitted. The fair value of the liability, at a minimum, reflects the initial deposit of the client, which is repayable on demand.

Investment contract liabilities (other than unit-linked and market-linked contracts) are measured at amortised cost.

Embedded derivatives included in investment contracts are separated out and measured at fair value. The host contract liability is measured on an amortised-cost basis.

Revenue on investment management contracts

Fees charged for investment management services in conjunction with investment management contracts are recognised as revenue as the services are provided. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the projected period over which services will be provided.

Contribution income relating to investment contracts

Contribution income includes lump sums received in respect of linked businesses with retirement funds and are accounted for when due. The contribution income is set off directly against the liability under investment contracts.

Benefits relating to investment contracts

Policyholder benefits are accounted for when claims are intimated directly against the liability under investment contracts.

1.19 Insurance contracts

Contracts under which the scheme accepts insurance risk from another party by agreeing to compensate such party or other beneficiaries if a specified uncertain future event adversely affects the party or other beneficiaries are classified as insurance contracts.

Policy liabilities

The policy liabilities under unmatured policies, including unintimated claims, are computed at the reporting date according to the financial-soundness valuation method as set out in the guidelines issued by the Actuarial Society of SA in Professional Guidance Note (PGN) 104. Claims intimated but not paid are provided for. The actuarial statement of financial position is included as a separate item in the group's annual financial statements. The group performs a liability adequacy test on its liabilities in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Linked products

Linked products are investment-related products where the risk and reward of the underlying investment portfolio accrue to the policyholder. Linked products, which provide for returns based on the change in the value of the underlying instruments and market indicators, are initially recorded at cost. These products are revalued at year-end using discounted-cashflow analysis, closing market values and index values based on the observation dates stated in the underlying investment agreements. Valuations are adjusted for the effects of changes in foreign exchange rates. Actuarial liabilities of these linked products are stated at the same value as the underlying investments.

1.20 Leases

The group as lessee

Leases in respect of which the group bears substantially all risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the lease property and the present value of the minimum lease payments. Directly attributable costs, such as commission paid, incurred by the group are added to the carrying amount of the asset. Each lease payment is allocated between the liability and finance charges to achieve a constant periodic rate of interest on the balance outstanding. Contingent rentals are expensed in the period they are incurred. The depreciation policy for leased assets is consistent with that of depreciable assets owned. If the group does not have reasonable certainty that it will obtain ownership of the leased asset by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Leases that are not classified as finance leases are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

The group as lessor

Where assets are leased out under a finance lease arrangement, the present value of the lease payments is recognised as a receivable and included under loans and advances in the statement of financial position. Initial direct costs are included in the initial measurement of the receivable. The difference between the gross receivable and unearned finance income is recognised under loans and advances in the statement of financial position. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Assets leased out under operating leases are included under property and equipment in the statement of financial position. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income. Leased assets are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income, net of any incentives given to lessees, is recognised on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

Recognition of lease of land

Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets.

However, when a single lease covers both land and a building, the minimum lease payments at the inception of the lease (including any upfront payments) are allocated between the land and the building in proportion to the relative fair values of the respective leasehold interests. Any upfront premium allocated to the land element that is normally classified as an operating lease represents prepaid lease payments. These payments are amortised over the lease term in accordance with the time pattern of benefits provided. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases.

1.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are capitalised as part of the costs of these assets. Qualifying assets are assets that necessarily take a substantial period of time to prepare for their intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

All other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs capitalised are disclosed in the notes by asset category and are calculated at the group's average funding cost, except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

1.22 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the group will comply with the conditions attached to them. Grants that compensate the group for expenses or losses already incurred or for purposes of giving immediate financial support to the entity with no future-related costs are recognised as income in the period it becomes receivable. Grants that compensate the group for expenses to be incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses will be incurred. Grants that compensate the group for the cost of an asset are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset.

1.23 Client loyalty

When a cardholder makes a purchase that is regarded as eligible spend, the person/company will be granted points that can be redeemed at a later date for goods or services. Points do not expire, unless a client is delinquent or dormant, in which case the points accrued are forfeited as stated in the terms and conditions.

The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The award credits are recognised as deferred revenue until the entity fulfils its obligations to deliver awards to clients.

The consideration allocated to the award credits will be measured by reference to the fair value thereof, ie the amount for which the award credits could be sold separately and the expected manner by which the points will be utilised. Adjustments are made for the expected utilisation and non-utilisation of the points awarded.

1.24 Revenue and expenditure

Interest income and expense

Interest income and expense are recognised in profit or loss using the effective-interest method taking into account the expected timing and amount of cashflows. The effective-interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis.

Non-interest revenue

- Fees and commissions

The group earns fees and commissions from a range of services it provides to clients and these are accounted for as follows:

  - Income earned on the execution of a significant act is recognised when the significant act has been performed.
  - Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.
  - Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income.

- Dividend income

  Dividend income is recognised when the right to receive payment is established on the 'ex dividend' date for equity instruments and is included in dividend income under non-interest revenue.

- Net trading income

  Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest, expense, costs and dividends. Interest earned while holding trading securities and interest incurred on trading liabilities are reported within non-interest revenue.

- Income from investment contracts

  Refer to 1.18 for non-interest revenue arising on investment management contracts.

- Other

  Exchange and securities trading income, from investments and net gains on the sale of investment banking assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably, it is probable that the economic benefits of the transaction or service will flow to the group and the costs associated with the transaction or service can be measured reliably.

  Fair-value gains or losses on financial instruments at fair value through profit or loss, including derivatives, are included in non-interest revenue. These fair-value gains or losses are determined after deducting the interest component, which is recognised separately in interest income and expense. Gains or losses on derecognition of any financial assets or financial liabilities are included in non-interest revenue.

Profit from operations before non-trading and capital items

Non-trading and capital items and fair-value adjustments of investment properties are separately disclosed on the face of the statement of comprehensive income, being remeasurements excluded from the calculation of headline earnings per share in accordance with the guidance contained in SAICA Circular 2/2015: Headline Earnings. The principal items that will be included under these measures are: gains and losses on sale of subsidiaries and available for sale financial assets; gains and losses on sale of property and equipment; impairment of property and equipment and intangible assets; and fair-value adjustments of investment properties.

1.25 Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues, the operating results of which component are regularly reviewed by the group's chief operating decisionmakers to make decisions about resources to be allocated and to assess its performance, and for which financial information is available.

The group's identification of its segments and the measurement of segment results are based on the group's internal reporting to management. The segments have been identified according to the nature of their respective products and services and their related target markets, the detail of which can be found in the segmental reporting section.

The segments identified are complemented by the Centre, which provides support in the areas of finance, human resources, governance and compliance, risk management and information technology. Additional information relating to major clients and other performance measures is provided.

The group accounts for intersegment revenues and transfers as if the transactions were with third parties at current market prices.

2 STANDARDS AND INTERPRETATIONS

2.1 Significant standards and interpretations issued and not yet effective

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments (IFRS 9) was issued in its entirety in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The final version of this standard incorporates amendments to the classification and measurement, hedge accounting guidance, as well as the accounting requirements for the impairment of debt instruments measured at amortised cost and fair value through other comprehensive income (FVOCI). These elements of the final standard, and a description of the expected impact on the group's statement of financial position, and performance, are discussed in detail below:

- Classification and measurement

Financial assets are to be classified and measured based on the business model for managing the financial asset and the cashflow characteristics of the financial asset.

Debt instruments are carried at amortised cost if it is the entity's business model to hold that asset for the purpose of collecting contractual cashflows ('hold to collect') and those cashflows comprise solely payments of principal and interest.

However, where the entity's business model considers both the collection of contractual cashflows and sale of financial assets ('hold to collect and sell') and those cashflows comprise solely payments of principal and interest, such financial assets will be subsequently measured at FVOCI. Movements in the carrying amount should be taken through OCI, except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses, which are recognised in profit and loss. Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Where the business model is neither 'hold to collect' nor 'hold to collect and sell' or the cashflows are not solely payments of principal and interest, the financial asset is carried at fair value through profit or loss in its entirety.

The group has initiated a process to determine the various business models that are applied by the group, and whether the group's financial assets meet the 'solely payments of principal and interest' criterion. Until the process has been completed the group is unable to quantify the expected impact.

For financial liabilities designated as at fair value through profit or loss, a further requirement is that all changes in the fair value of financial liabilities attributable to changes in the entity's own credit risk are recognised in OCI. Where the financial liability is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss, but it may be reclassified within equity. The group currently provides note disclosure in respect of the change in fair value due to credit risk of the group's financial liabilities designated at fair value through profit or loss in note 36.2.

The group currently designates certain fixed-rate assets and liabilities, which are economically hedged via interest rate swaps, at fair value through profit or loss. This option remains available under IFRS 9.

- Impairments: IFRS 9's expected credit loss model

Impairments in terms of IFRS 9 will be determined based on an expected-credit-loss model rather than the current incurred-loss model required by IAS 39. Entities are required to recognise an allowance for either 12-month or lifetime expected credit losses (ECLs), depending on whether there has been a significant increase in credit risk since initial recognition. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The aforementioned probability-weighted outcome must consider the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is low.

The expected-credit-loss model applies to debt instruments recorded at amortised cost or at FVOCI, such as loans, debt securities and trade receivables, lease receivables and most loan commitments and financial guarantee contracts.

The group has initiated a process to determine the quantitative impact of the standard on the group's statement of financial position and ongoing performance metrics. Until the process has been completed, the group is unable to quantify the expected impact. For further discussion of the group's approach to IFRS 9, please refer to the group's Pillar 3: Basel III Public Disclosure Report for the year ended 31 December 2015.

- Hedge accounting

The hedge accounting requirements under IFRS 9 are closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

IFRS 9 allows the deferral of the requirements relating to hedge accounting, permitting continuation with IAS 39 principles until the IASB's macro-hedging project is completed, so as to ensure that reporting entities do not have to comply with interim measures before macro-hedging rules are finalised. The group, like most financial institutions, is considering adopting the deferral option. Accordingly, the new hedging model is not expected to have a significant impact on the micro-hedge accounting of the group.

The standard is effective for financial years commencing on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers establishes a single, comprehensive framework for revenue recognition that applies to all contracts with clients (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments).

The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the client. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition.

The standard is effective for the group for the financial year commencing 1 January 2018.

The group has initiated a process to determine the impact of the standard on the group's statement of financial position and performance. Until the process has been completed, the group is unable to quantify the expected impact.

IFRS 16 Leases

The International Accounting Standards Board (IASB) issued IFRS 16 Leases (IFRS 16) in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the client ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous lease standard, IAS 17 Leases (IAS 17), and related interpretations.

The group as lessee

IFRS 16 eliminates the classification of leases as either operating leases or finance leased as is required by IAS 17 and, instead, introduces a single-lessee accounting model. Applying that model, a lessee is required to recognise:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

(b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

The group as lessor

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leased or finance leases, and to account for those two types of leases differently.

The most significant effect of the new requirements in IFRS 16 will be an increase in lease assets and financial liabilities. The group is in the process of quantifying the aforementioned increase in leased assets and financial liabilities.

The standard is effective for financial years commencing on or after 1 January 2019.

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

The group's accounting policies are set out in note 1 of the annual financial statements. Certain of these policies, as well as estimates made by management, are considered to be important for an understanding of the group's financial condition since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. The following accounting policies include estimates that are particularly sensitive in terms of judgements and the extent to which estimates are used. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant for the financial statements. Management has agreed the accounting policies and critical accounting estimates with the board and Nedbank Group Audit Committee.

3.1 Allowances for loan impairment and other credit risk provisions

Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios at the reporting date.

The group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cashflows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears and other indicators of potential default, such as changes in macroeconomic conditions and legislation affecting credit recovery. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Within the Nedbank Retail and Business Banking, and Nedbank Wealth portfolios, which comprise large numbers of small homogeneous assets with similar risk characteristics where credit-scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on the portfolio, based on historical recovery rates and assumed emergence periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or client category.

Judgement and knowledge are needed in selecting the statistical methods to be used when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable.

For larger exposures impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cashflows are taken into account, for example the business prospects for the client, the realisable value of collateral, the group's position relative to other claimants, the reliability of client information and the likely cost and duration of the workout process. The level of the impairment allowance is the difference between the value of the discounted expected future cashflows (discounted at the loan's original effective interest rate) and its carrying amount. Subjective judgements are made in the calculation of future cashflows. Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairments charge.

3.2 Fair value of financial instruments

Certain of the group's financial instruments are carried at fair value through profit or loss, such as those held for trading and those designated by management under the fair-value option.

Other non-derivative financial assets may be designated as available for sale. Available-for-sale financial investments are initially recognised at fair value and are subsequently held at fair value. Gains and losses arising from changes in fair value of such assets are included as a separate component of other comprehensive income and presented in equity.

The fair value of a financial instrument is the amount that would be received when selling the asset or paid when transfering the liability in an orderly transaction at the measurement date between knowledgeable, willing parties, other than in a forced or liquidation sale. Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in net trading income, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains and losses on financial instruments held for trading are reported gross in trading portfolio assets and liabilities or derivative financial instruments, reduced by the effects of netting agreements where there is an intention to settle net with counterparties.

Details of the processes, procedures and assumptions used in the determination of fair value are discussed in note 35.1 to the financial statements. In particular, the areas that involve the greatest amount of judgement and complexity include the following:

- assessing whether instruments are trading with sufficient frequency and volume, for them to be considered liquid;
- the inclusion of a measure of the counterparties non-performance risk in the fair value measurement of loans and advances, which involves the modelling of dynamic credit spreads;
- the inclusion of credit valuation adjustment (CVA) and debit valuation adjustment (DVA) in the fair-value measurement of derivative instruments; and
- the inclusion of own credit risk in the calculation of the fair value of financial liabilities.

These concepts are continuously developing and evolving within the context of the SA market and changes in these assumptions will therefore arise as the market develops.

3.3 Derecognition, securitisations and structured entities

The group enters into transactions that may result in the derecognition of certain financial instruments. Judgement is applied as to whether these financial instruments are derecognised from the group's statement of financial position.

The group sponsors the formation of structured entities primarily for the purpose of allowing clients to hold investment for asset securitisation transactions, for asset financing and for buying or selling credit protection. The group consolidates structured entities it controls in terms of IFRS guidance. Where it is difficult to determine whether the group controls a structured entity, the group makes judgements, in terms of IFRS guidance, about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the structured entity in question. In arriving at judgements, these factors are considered both jointly and separately. Further information in respect of those securitisations, consolidated into the group financial statements, can be found in note 44 to the financial statements.

3.4 Goodwill

Management considers at least annually whether the current carrying value of goodwill is to be impaired. The first step of the impairment review process requires the identification of independent CGUs by segmenting the group business into as many largely independent income streams as is reasonably practicable. The goodwill is then allocated to these independent units. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the unit, including the allocated goodwill, is compared with its fair value or value in use to determine whether any impairment exists. If the recoverable amount of a unit is less than its carrying value, goodwill will be impaired.

Detailed calculations may need to be carried out, taking into consideration changes in the market in which a business operates (eg competitive activity and regulatory change). In the absence of readily available market price data this calculation is based on discounting expected pretax cashflows at a risk-adjusted interest rate appropriate to the operating unit, the determination of both of which requires the exercise of judgement. The estimation of pretax cashflows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding the long-term sustainable cashflows. While forecasts are compared with actual performance and external economic data, expected cashflows naturally reflect management's view of future performance.

The most significant amount of goodwill relates to Nedbank Ltd. The goodwill impairment testing performed in 2015 indicated that none of the goodwill was impaired in the year under review. Management believes that reasonable changes in key assumptions used to determine the recoverable amount of Nedbank Ltd's goodwill would not result in impairment.

Further information in respect of goodwill recognised in the statement of financial position can be found in note 28 to the financial statements.

3.5 Intangible assets other than goodwill

An internally generated intangible asset, specifically internally developed software generated during the development phase, is recognised as an asset if certain conditions are met. These conditions include technical feasibility, intention to complete the development, ability to use the asset under development and demonstration of how the asset will generate probable future economic benefits.

The cost of a recognised internally generated intangible asset comprises all costs directly attributable to making the asset capable of being used as intended by management. Conversely, all expenditures arising during the research phase are expensed as incurred.

The decision to recognise internally generated intangible assets requires significant judgement, particularly in the following areas:

- evaluation of whether or not activities should be considered research activities or development activities;
- assumptions about future market conditions, client demand and other developments;
- assessment of whether completing an asset is technically feasible (the term 'technical feasibility' is not defined in the accounting standards, and therefore requires a group-specific and necessarily judgemental approach);
- evaluation of the future ability to use or sell the intangible asset arising from the development and the assessment of probability of future benefits from sale or use; and
- evaluation of whether or not a cost is directly or indirectly attributable to an intangible asset and whether or not a cost is necessary for completing a development.

All intangible assets of the group have finite useful lives. Consequently, the depreciable amount of the intangible assets is allocated on a systematic basis over their useful lives. Judgement is applied to the following:

- Determining the useful life of an intangible asset, based on estimates regarding the period over which the intangible asset is expected to produce economic benefits to the group.
- Determining the appropriate amortisation method. Accounting standards require that the straight-line method be used, unless management can reliably determine the pattern in which the future economic benefits of the asset are expected to be consumed by the group.

Both the amortisation period and the amortisation method have an impact on the amortisation expenses recorded in each period.

In making impairment assessments for the group's intangible assets, management uses certain complex assumptions and estimates about future cashflows, which require significant judgement and assumptions about future developments. These assumptions are affected by various factors, including changes in the group's business strategy, internal forecasts and estimation of the group's weighted-average cost of capital. Due to these factors, actual cashflows and values could vary significantly from the forecast future cashflows and related values derived using the discounted-cashflow method.

Further information in respect of intangible assets recognised in the statement of financial position can be found in note 28.

3.6 Employee benefits

The group provides pension plans for employees in most parts of the world. Arrangements for staff retirement benefits vary from country to country and are made in accordance with local regulations and custom.

For defined-benefit schemes, including postretirement medical aid schemes, actuarial valuation of each of the scheme's obligations using the projected-unit credit method and the fair valuation of each of the scheme's assets are performed annually in accordance with the requirements of IAS 19 Employee Benefits.

The actuarial valuation is dependent on a series of assumptions, the key ones being interest rates, mortality, investment returns and inflation. Mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the group's own experience. The returns on fixed-interest investments are set to market yields at the valuation date (less an allowance for risk) to ensure consistency with the asset valuation. The returns on equities are based on the long-term outlook for global equities at the calculation date, having regard to current market yields and dividend growth expectations.

The inflation assumption reflects long-term expectations of both earnings and retail price inflation. Further information on employee benefit obligations, including assumptions, is set out in note 27 to the financial statements.

3.7 Income taxes

The group is subject to direct taxation in a number of jurisdictions in which it operates. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred taxation provisions in the period in which such determination is made through profit and loss for that period.

3.8 Financial risk management

The group's risk management policies and procedures are disclosed in the 'Worldclass risk management' section. These risk management procedures include, but are not limited to, credit risk, securitisation risk, liquidity risk, interest rate risk in the banking book and market risk.

4 CAPITAL MANAGEMENT

Nedbank Group's Capital Management Framework reflects the integration of risk, capital, strategy and performance measurement across the group and contributes significantly to the Enterprisewide Risk Management Framework (ERMF).

A board-approved Solvency and Capital Management policy requires the group to be capitalised at the greater of Basel III regulatory capital and economic capital.

The Group Capital Management Division is housed within the Balance Sheet Management Cluster that reports to the Chief Operating Officer and is mandated with the implementation of the Capital Management Framework and the Internal Capital Adequacy Assessment Process (ICAAP) across the group. The capital management (incorporating ICAAP) responsibilities of the board and management are incorporated in their respective terms of reference as contained in the ERMF and are assisted by the board's Group Risk and Capital Management Committee, and Group Asset and Liability Committee (ALCO) and Executive Risk Committee (Group ALCO), respectively.

Capital, reserves and long-term debt instruments

The group's capital management framework, policies and processes cover the group's capital and reserves as per the consolidated statement of changes in equity, as well as the long-term debt instruments per note 32.

Further details on the ERMF, capital management and regulatory requirements are disclosed in the Pillar 3: Basel III Public Disclosure Report, which is unaudited, unless stated otherwise.

5 INTEREST AND SIMILAR INCOME

	2015 Rm	2014 Rm
Home loans (including properties in possession)	**11 126**	10 333
Commercial mortgages	**11 513**	9 798
Finance lease and instalment debtors	**9 781**	8 807
Credit cards	**1 945**	1 710
Overdrafts	**1 342**	1 204
Term loans and other	**12 678**	12 393
Government and other securities	**3 378**	3 521
Interest on government and other securities	**3 374**	3 521
Fair-value adjustments on hedged items (refer to note 16.5)	**(20)**	(3)
Fair-value adjustments on hedging instruments (refer to note 16.5)	**24**	3
Short-term funds and securities	**3 365**	2 309
	55 128	50 075
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments not at fair value through profit and loss	**46 426**	41 747
– Interest and similar income from financial instruments at fair value through profit or loss	**8 702**	8 328
	55 128	50 075

6 INTEREST EXPENSE AND SIMILAR CHARGES

	2015 Rm	2014 Rm
Deposit and loan accounts	**20 731**	18 203
Current and savings accounts	**683**	628
Negotiable certificates of deposit	**5 883**	4 919
Other liabilities	**1 851**	1 729
Long-term debt instruments	**3 576**	2 843
	32 724	28 322
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments not at fair value through profit and loss	**29 123**	26 183
– Interest expense and similar charges from financial instruments at fair value through profit or loss	**3 601**	2 139
	32 724	28 322

An unaudited margin analysis of the interest income and interest expense by asset and liability category is presented as additional financial information in the Nedbank Group Ltd Integrated Report.

7 NON-INTEREST REVENUE

	2015 Rm	2014 Rm
Commission and fee income	**13 404**	12 591
Administration fees	**505**	121
Cash-handling fees	**850**	819
Insurance commission	**652**	613
Exchange commission	**398**	379
Other fees	**1 104**	921
Guarantee income	**181**	168
Card income	**3 247**	2 969
Service charges	**3 601**	3 467
Other commission	**2 866**	3 134
Insurance income	**260**	284
Fair-value adjustments (note 7.1)	**(12)**	35
Fair-value adjustments	**(102)**	73
Fair-value adjustments – own debt	**90**	(38)
Net trading income	**2 783**	2 394
Foreign exchange	**1 225**	1 148
Debt securities	**1 545**	1 194
Equities	**(7)**	27
Commodities	**20**	25
Private-equity income	**905**	750
Securities dealing – realised	**417**	350
Securities dealing – unrealised	**(161)**	(22)
Dividends received from unlisted investments	**384**	83
Other income[1]	**76**	188
Interest and distribution[1]	**189**	151
Investment income	**40**	51
Dividends received from unlisted investments	**30**	40
Long-term-asset sales	**10**	11
Net sundry income	**134**	91
Rents received	**10**	61
Rental income from properties in possession	**1**	2
Other sundry income[1]	**123**	28
	17 514	16 196

7.1 Analysis of fair-value adjustments

	2015 Rm	2014 Rm
Fair-value adjustments can be analysed as follows:		
– Held for trading	**1 617**	146
– Designated as at fair value through profit or loss	**(1 629)**	(111)
	(12)	35

7.2 Government grants

The group receives various government grants, from the SA and foreign governments. The government grants take a variety of forms, including interest rate subsidies on loans advanced to clients and payment in respect of previously written-off advances in respect of qualifying deceased estates. The government grants that are received by the group are recognised when the conditions of the government grant have been fulfilled and the grant is due to the group.

Certain government assistance is directed towards the group's clients, including grants made to clients as first-time homeowners. Although the group may assist the client in obtaining the grant, these grants do not qualify as government grants as envisaged by the accounting standard.

The group receives certain SA government grants in the form of refunds for skills development levies and they pertain to prior training that has been facilitated by the group on behalf of its employees.

No assistance has been received by the group from any government or government organisation in respect of any troubled asset or financial-crisis-related programme.

[1] *2014 restated to reflect a R339m reclassification of other sundry income to private equity income.*

8 TOTAL OPERATING EXPENSES

	2015 Rm	2014 Rm
Staff costs	**12 893**	12 550
Remuneration and other staff costs	**10 508**	9 971
Short-term incentives	**1 953**	1 945
Long-term employee benefits (note 26.2)[1]	**19**	27
Share-based payments expense – employees	**413**	607
BEE transaction expenses[2]	**20**	46
BEE share-based payments expenses	**16**	21
Fees	**4**	25
Computer processing	**3 312**	2 902
Depreciation for computer equipment	**428**	396
Amortisation of computer software	**705**	644
Operating lease charges for computer equipment	**320**	281
Development costs	**65**	169
Other computer processing expenses	**1 794**	1 412
Communication and travel	**773**	756
Depreciation for vehicles	**3**	4
Other communication and travel	**770**	752
Occupation and accommodation	**1 858**	1 637
Depreciation for owner-occupied land and buildings	**316**	131
Operating lease charges for land and buildings	**738**	718
Other occupation and accommodation expenses	**804**	788
Marketing and public relations	**1 538**	1 472
Fees and assurances	**2 323**	1 757
Auditors' remuneration	**153**	103
Statutory audit – current year	**106**	84
– prior-year	**1**	1
Non-audit services – other services	**46**	18
Other fees and assurance costs	**2 170**	1 654
Furniture, office equipment and consumables	**547**	631
Depreciation for furniture and other equipment	**222**	375
Operating lease charge for furniture and other equipment	**8**	7
Other office equipment and consumables	**317**	249
Other sundries	**195**	280
	23 459	22 031

Certain expenses incurred by the company on behalf of subsidiary companies are recovered from subsidiary companies. Refer to the online 2015 Remuneration Report at netbankgroup.co.za, for a detailed breakdown of directors' and prescribed officers' remuneration.

[1] *Includes contributions to defined-benefit and pension funds and postretirement medical aid funding and any adjustments for defined-benefit obligations together with any fair-value adjustments of plan assets held. See note 26.*

[2] *See note 48 for a description of the BEE schemes.*

9 INDIRECT TAXATION

	2015 Rm	2014 Rm
Value-added taxation[1]	**492**	396
Other transaction taxes	**176**	126
	668	522

[1] *Comprises the value-added taxation incurred that is irrecoverable in respect of the making of exempt supplies as defined in the Value-added Tax Act, 1991.*

10 NON-TRADING AND CAPITAL ITEMS

	2015 Rm	2014 Rm
Net loss on sale of property and equipment	**(26)**	
Net impairment of property and equipment, and intangible assets	**(118)**	(96)
	(144)	(96)

11 DIRECT TAXATION

11.1 Charge for the year

	2015 Rm	2014 Rm
SA normal taxation:		
– Current charge	**2 851**	2 785
– Capital gains taxation – deferred	**(29)**	(29)
– Deferred taxation	**24**	2
Foreign taxation	**10**	85
Current and deferred taxation on income	**2 856**	2 843
Prior-year (underprovision)/overprovision – current taxation	**(1)**	221
Prior-year overprovision/(underprovision) – deferred taxation	**5**	(261)
Total taxation on income	**2 860**	2 803
Taxation on non-headline earnings items	**(32)**	(17)
	2 828	2 786

11.2 Taxation rate reconciliation

	2015 %	2014 %
Standard rate of SA normal taxation	**28,0**	28,0
Non-taxable dividend income	**(2,5)**	(2,6)
Capital items		0,1
Other	**0,1**	0,1
Effective taxation rate	**25,6**	25,6

11.3 Income tax recognised in other comprehensive income

	Gross	Taxation	Net of taxation
2015			
Exchange differences on translating foreign operations	**190**		**190**
Fair-value adjustments on available-for-sale assets	**(9)**		**(9)**
Remeasurements on long-term employee benefit assets	**388**	**(109)**	**279**
Gains on property revaluations	**162**	**(44)**	**118**
2014			
Exchange differences on translating foreign operations	14		14
Fair-value adjustments on available-for-sale assets	(113)		(113)
Remeasurements on long-term employee benefit assets	86	(24)	62
Gains on property revaluations	195	(32)	163

11.4 Future taxation relief

The group has estimated taxation losses of R203m (2014: R168m) that can be set off against future taxable income, of which R91m (2014: R31m) has been applied to the deferred taxation balance.

12 EARNINGS

Headline earnings reconciliations	2015		2014	
Rm	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to ordinary and preference equity holders		**8 163**		7 998
Less: Non-trading and capital items	**(144)**	**(112)**	(96)	(79)
Net loss on sale of investments and property and equipment	**(26)**	**(26)**		
Net impairment of property and equipment and intangible assets	**(118)**	**(86)**	(96)	(79)
Headline earnings attributable to ordinary and preference equity holders		**8 275**		8 077

13 DIVIDENDS

13.1 Ordinary shares

	Millions of shares	Cents per shares	Rm
2015			
Final declared for 2014 – paid 2015	**27**	**11 747**	**3 200**
Interim declared for 2015	**28**	**7 258**[1]	**2 000**
Ordinary dividends paid 2015		**19 005**	**5 200**
Final ordinary dividend declared for 2015		**9 073**[1]	
2014			
Final declared for 2013 – paid 2014	27	9 544	2 600
Interim declared for 2014	27	2 937[2]	800
Ordinary dividends paid 2014		12 481	3 400
Final ordinary dividend declared for 2014		8 076[2]	

1 *Total dividend declared for 2015: 16 331 cents per share.*

2 *Total dividend declared for 2014: 11 013 cents per share.*

13 DIVIDENDS

13.2 Preference shares

Dividends declared	Number of shares	Cents per share	Amount Rm
2014			
Nedbank – Final (dividend 22) declared for 2013 – paid March 2014	358 277 491	35,70775	128
Nedbank – Interim (dividend 23) declared for 2014 – paid September 2014	358 277 491	36,86072	132
			260
2015			
Nedbank – Final (dividend 24) declared for 2014 – paid March 2015	**358 277 491**	**38,76140**	**139**
Nedbank – Interim (dividend 25) declared for 2015 – paid September 2015	**358 277 491**	**38,22487**	**137**
			276
2016			
Nedbank – Final (dividend 26) declared for 2015 – payable 4 April 2016	358 277 491	40,01711	143

Dividends declared calculations	Days	Rate %	Amount Rm
2015			
Nedbank – 1 July 2015 – 31 December 2015	**184**		**143,4**
1 July 2015 – 23 July 2015	**23**	**7,708**	**17,4**
24 July 2015 – 19 November 2015	**119**	**7,917**	**92,5**
20 November 2015 – 31 December 2015	**42**	**8,125**	**33,5**
Total declared			**143,4**

Dividends declared calculations	Days	Rate %	Amount Rm
2013 (Paid March 2014)			
Nedbank – 1 July 2013 – 31 December 2013	184		127,9
1 July 2013 – 31 Dec 2013	184	7,083	127,9
Profit attributable to preference shareholders			127,9
2014 (Paid September 2014)			
Nedbank – 1 January 2014 – 30 June 2014	181		132,1
1 January 2014 – 29 January 2014	29	7,083	20,2
30 January 2014 – 30 June 2014	152	7,500	111,9
Nedbank (MFC) – Participating preference shares[1]			63,2
Profit attributable to preference shareholders			323,2
2014 (Paid March 2015)			
Nedbank – 1 July 2014 – 31 December 2014	184		138,9
1 July 2014 – 17 July 2014	17	7,500	12,5
18 July 2014 – 31 December 2014	167	7,708	126,4
2015 (Paid September 2015)			
Nedbank – 1 January 2015 – 30 June 2015	181	7,708	136,9
Nedbank (MFC) – Participating preference shares[1]			94,7
Profit attributable to preference shareholders			370,5

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

14 CASH AND CASH EQUIVALENTS

	2015 Rm	2014 Rm
Coins and bank notes	**6 673**	6 437
Money at call and short notice	**10 686**	3 890
Balances with central banks – other than mandatory reserve deposits	**792**	430
Cash and cash equivalents, excluding mandatory reserve deposits with central banks	**18 151**	10 757
Mandatory reserve deposits with central banks	**16 190**	14 843
	34 341	25 600

Money at call and short notice constitutes amounts withdrawable in 32 days or less. Mandatory reserve deposits are not available for use in the group's day-to-day operations. Cash on hand and mandatory reserve deposits are non-interest bearing.

15 OTHER SHORT-TERM SECURITIES

15.1 Analysis

	2015 Rm	2014 Rm
Negotiable certificates of deposit	**8 717**	7 277
Treasury bills and other bonds	**51 361**	49 045
	60 078	56 322

15.2 Sectoral analysis

	2015 Rm	2014 Rm
Banks	**8 678**	8 410
Government and public sector	**49 786**	47 491
Other services	**1 614**	421
	60 078	56 322

16 DERIVATIVE FINANCIAL INSTRUMENTS

These transactions have been entered into in the normal course of business and are carried at fair value. The principal types of derivative contracts into which the group enters are described below.

- Swaps

  These are over the counter (OTC) agreements between two parties to exchange periodic payments of interest, or payments for the change in value of a commodity, or related index, over a set period based on notional principal amounts. The group enters into swap transactions in several markets. Interest rate swaps exchange fixed rates for floating rates of interest based on notional amounts. Basis swaps exchange floating or fixed interest calculated using different bases. Cross-currency swaps are the exchange of interest based on notional values of different currencies.

- Options

  Options confer the right, but not the obligation, on the buyer to receive or pay a specific quantity of an asset or financial instrument for a specific price on or before a specified date. Options may be exchange-traded or OTC agreements. The group principally buys and sells currency, interest rate and equity options.

- Futures and forwards

  Short-term interest rate futures, bond futures, market index futures, equity and commodity futures and forward foreign exchange contracts are all agreements to deliver, or take delivery of, a specified amount of an asset or financial instrument based on a specified rate, price or index applied against the underlying asset or financial instrument, at a specified date. Futures are exchange-traded at standardised amounts of the underlying asset or financial instrument. Forward contracts are OTC agreements and are principally dealt in by the group, in interest rates as forward rate agreements and in currency as forward foreign exchange contracts.

Collateral

The group may require collateral in respect of the credit risk present in derivative transactions. The amount of credit risk is principally the positive fair value of the contract. Collateral may be in the form of cash or in the form of a lien over a client's assets, entitling the group to make a claim for current and future liabilities.

16.1 Total carrying amount of derivative financial instruments

	2015 Rm	2014 Rm
Gross carrying amount of assets	**30 948**	15 644
Gross carrying amount of liabilities	**(33 996)**	(15 479)
Net carrying amount	**(3 048)**	165

A detailed breakdown of the carrying amount (fair value) and notional principal of the various types of derivative financial instruments held by the group is presented in the following tables in notes 16.2 – 16.5.

16 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

16.2 Notional principal of derivative financial instruments

This represents the gross notional amounts of all outstanding contracts at year-end. This gross notional amount is the sum of the absolute amount of all purchases and sales of derivative instruments. The notional amounts do not represent amounts exchanged by the parties and therefore represent only the measure of involvement by the group in derivative contracts and not its exposure to market or credit risks arising from such contracts. The amounts actually exchanged are calculated on the basis of the notional amounts and other terms of the derivative, which relate to interest rates, exchange rates, securities or commodity prices or financial and other indices.

	2015			2014		
	Notional principal Rm	Positive value Rm	Negative value Rm	Notional principal Rm	Positive value Rm	Negative value Rm
Hedging derivatives						
Interest rate derivatives						
Interest rate swaps	**275**	**275**		275	275	
Other derivatives						
Equity derivatives	**17 848**	**8 341**	**9 507**	8 266	3 317	4 949
Options written	**5 959**		**5 959**	2 541		2 541
Options purchased	**5 994**	**5 994**		2 541	2 541	
Futures[1]	**5 895**	**2 347**	**3 548**	3 184	776	2 408
Commodity derivatives	**421**	**214**	**207**	1 957	1 173	784
Futures	**421**	**214**	**207**	1 957	1 173	784
Exchange rate derivatives	**389 194**	**202 743**	**186 451**	303 944	142 695	161 249
Forwards	**352 685**	**178 601**	**174 084**	242 209	115 300	126 909
Futures	**63**	**9**	**54**	1 214	108	1 106
Currency swaps	**32 036**	**21 937**	**10 099**	49 331	22 043	27 288
Options purchased	**2 196**	**2 196**		5 244	5 244	
Options written	**2 214**		**2 214**	5 946		5 946
Interest rate derivatives	**1 086 256**	**519 084**	**567 172**	682 767	344 379	338 388
Interest rate swaps	**517 120**	**262 036**	**255 084**	515 712	256 677	259 035
Forward rate agreements	**531 654**	**236 291**	**295 363**	121 404	65 300	56 104
Futures	**3 105**	**598**	**2 507**	6 160	1 696	4 464
Caps	**2 948**	**1 050**	**1 898**	2 169	900	1 269
Floors	**1 843**	**1 050**	**793**	650	650	
Credit default swaps	**29 586**	**18 059**	**11 527**	36 672	19 156	17 516
Total notional principal	**1 493 994**	**730 657**	**763 337**	997 209	491 839	505 370

[1] *Includes contracts for difference with positive notionals of R124m (2014: R45m) and negative notionals of R1 326m (2014: R1 677m). The equity forward agreement has positive notionals of R591m (2014: R163m) and negative notionals of R1 536m (2014: R568m).*

16.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the fair value of all derivative instruments held at year-end. The fair value of a derivative financial instrument is the amount at which it could be exchanged in an orderly transaction between market participants at the measurement date, other than a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted-cashflow models and market-accepted option-pricing models.

	2015			2014		
	Net carrying amount Rm	**Carrying amount of assets Rm**	**Carrying amount of liabilities Rm**	Net carrying amount Rm	Carrying amount of assets Rm	Carrying amount of liabilities Rm
Hedging derivatives						
Interest rate derivatives						
Interest rate swaps	**27**	**27**		2	2	
Other derivatives						
Equity derivatives		**902**	**902**	8	372	364
Options written	**(418)**		**418**	(352)		352
Options purchased	**418**	**418**		360	360	
Futures[1]		**484**	**484**		12	12
Commodity derivatives	**(59)**	**24**	**83**	9	10	1
Futures	**(59)**	**24**	**83**	9	10	1
Exchange rate derivatives	**(1 154)**	**17 760**	**18 914**	1 129	6 645	5 516
Forwards	**59**	**11 383**	**11 324**	1 320	3 089	1 769
Futures	**18**	**18**		(3)		3
Currency swaps	**(1 285)**	**6 175**	**7 460**	(263)	3 322	3 585
Options purchased	**184**	**184**		234	234	
Options written	**(130)**		**130**	(159)		159
Interest rate derivatives	**(1 862)**	**12 235**	**14 097**	(983)	8 615	9 598
Interest rate swaps	**(2 388)**	**10 827**	**13 215**	(1 190)	7 534	8 724
Forward rate agreements	**(19)**	**329**	**348**	19	56	37
Futures	**1**	**44**	**43**	(2)		2
Caps	**(23)**	**2**	**25**	(8)	4	12
Floors	**1**	**1**		4	4	
Credit default swaps	**566**	**1 032**	**466**	194	1 017	823
Total carrying amount	**(3 048)**	**30 948**	**33 996**	165	15 644	15 479

[1] *Includes contracts for difference and an equity forward agreement. The fair value of the contracts for difference is zero as the variation margin is settled at the end of every day. The equity forward agreement is an asset with a fair value of R264m (2014: R2m).*

16 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

16.4 Analysis of derivative financial instruments

	Hedging derivatives	Other derivatives				
Rm	Interest rate derivatives	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	Total
Derivative assets						
2015						
Maturity analysis						
Under one year		**283**	**24**	**13 623**	**616**	**14 546**
One to five years	**5**	**619**		**3 155**	**3 600**	**7 379**
Over five years	**22**			**982**	**8 019**	**9 023**
	27	**902**	**24**	**17 760**	**12 235**	**30 948**
2014						
Maturity analysis						
Under one year		260	10	3 425	787	4 482
One to five years	1	112		1 932	3 154	5 199
Over five years	1			1 288	4 674	5 963
	2	372	10	6 645	8 615	15 644
Derivative liabilities						
2015						
Maturity analysis						
Under one year		**283**	**83**	**12 527**	**569**	**13 462**
One to five years		**619**		**2 999**	**3 975**	**7 593**
Over five years				**3 388**	**9 553**	**12 941**
	–	**902**	**83**	**18 914**	**14 097**	**33 996**
2014						
Maturity analysis						
Under one year		252	1	2 385	632	3 270
One to five years		112		1 653	3 097	4 862
Over five years				1 478	5 869	7 347
	–	364	1	5 516	9 598	15 479
Notional principal of derivatives						
2015						
Maturity analysis						
Under one year		**10 541**	**421**	**363 155**	**497 390**	**871 507**
One to five years	**75**	**5 856**		**17 652**	**385 063**	**408 646**
Over five years	**200**	**1 451**		**8 387**	**203 803**	**213 841**
	275	**17 848**	**421**	**389 194**	**1 086 256**	**1 493 994**
2014						
Maturity analysis						
Under one year		6 513	1 957	257 249	224 932	490 651
One to five years	75	1 753		28 404	255 640	285 872
Over five years	200			18 291	202 195	220 686
	275	8 266	1 957	303 944	682 767	997 209

The maturity analysis in this note is prepared based on contractual maturities.

16.5 Derivatives designated as fair value hedges in terms of the group's fair value hedge accounting solution

As part of the group's hedging activities, it enters into transactions that are designated as fair-value hedge transactions.

Fair-value hedges are used by the group to mitigate the risk of changes in the fair value of financial instruments due to movements in market interest rates. Derivatives that are designated by the group to form part of these fair value hedge transactions principally consist of interest rate swaps. The corresponding hedged items forming part of these fair value hedges, designated into the fair value hedge accounting solution, primarily consist of fixed-rate government bonds (refer to note 17).

For qualifying fair-value hedges all changes in the fair value of the derivative and in the fair value of the hedged item in relation to the risk being hedged are recognised in profit and loss.

The group recognised the following gains and losses on hedging instruments and hedged items:

	2015 Rm	2014 Rm
Losses on hedged items (assets) (note 5)	**(20)**	(3)
Gains on hedging instruments (assets) (note 5)	**24**	3
	4	

17 GOVERNMENT AND OTHER SECURITIES

17.1 Analysis

	2015 Rm	2014 Rm
Government and government-guaranteed securities	**26 398**	13 839
Other dated securities[1]	**16 335**	12 989
	42 733	26 828

17.2 Sectoral analysis

	2015 Rm	2014 Rm
Financial services, insurance and real estate	**5 838**	2 516
Banks	**3 368**	2 897
Manufacturing	**3 872**	1 882
Transport, storage and communication	**1 647**	694
Retailers, catering and accommodation		
Government and public sector	**25 285**	17 571
Other sectors	**2 723**	1 268
	42 733	26 828

[1] *Includes securitised assets. See note 42.*

18 LOANS AND ADVANCES

The group extends advances to individuals and to the corporate, commercial and public sectors. Advances made to individuals are mostly in the form of mortgages, instalment credit, overdrafts, personal loans and credit card borrowings.

This note should be read in conjunction with note 19 'Impairment of loans and advances', as this note represents the gross exposure before any impairment provision. Specific impairments have been raised against those loans identified as impaired, and the analysis per product type can be found in note 19.2. Portfolio impairments are recognised against loans and advances classified as 'neither past due nor impaired' or 'past due but not impaired'

18.1 Categories of loans and advances

	2015 Rm	2014 Rm
Mortgage loans	**267 806**	252 098
Home loans	**132 217**	128 889
Commercial mortgages	**135 589**	123 209
Net finance lease and instalment debtors (note 18.4)	**97 500**	92 487
Gross investment	**123 068**	115 877
Unearned finance charges	**(25 568)**	(23 390)
Credit cards	**14 025**	13 376
Other loans and advances	**298 536**	256 316
Properties in possession	**354**	596
Overdrafts	**13 481**	13 214
Term loans	**107 636**	103 820
Personal loans	**16 746**	17 457
Other term loans	**90 890**	86 363
Overnight loans	**27 527**	21 638
Other loans to clients	**103 376**	75 488
Foreign client lending	**22 129**	12 314
Remittances in transit	**184**	156
Other loans[1]	**81 063**	63 018
Preference shares and debentures	**20 660**	17 995
Factoring accounts	**5 329**	4 986
Deposits placed under reverse repurchase agreements	**20 173**	18 291
Trade, other bills and bankers' acceptances		288
	677 867	614 277
Impairment of loans and advances (note 19)	**(11 060)**	(10 948)
	666 807	603 329
Comprises:		
– Loans and advances to clients	**651 555**	594 771
– Loans and advances to banks	**26 312**	19 506
	677 867	614 277

[1] *Represents clients' indebtedness for acceptances and other loans.*

18.2 Sectoral analysis

	2015 Rm	2014 Rm
Individuals	**230 688**	219 820
Financial services, insurance and real estate	**181 083**	152 858
Banks	**26 312**	19 506
Manufacturing	**42 726**	40 397
Building and property development	**9 119**	8 878
Transport, storage and communication	**25 649**	23 696
Retailers, catering and accommodation	**20 601**	23 444
Wholesale and trade	**28 208**	17 456
Mining and quarrying	**32 397**	25 009
Agriculture, forestry and fishing	**5 091**	4 283
Government and public sector	**17 377**	21 551
Other services	**58 616**	57 379
	677 867	614 277

18.3 Geographical analysis

	2015 Rm	2014 Rm
SA	**636 467**	579 634
Rest of Africa	**17 667**	10 735
Europe	**18 504**	12 473
Asia	**4 294**	3 754
United States	**722**	2 961
Other	**213**	4 720
	677 867	614 277

18.4 Net finance lease and instalment debtors

	2015			2014		
Rm	**Gross**	**Unearned finance charges**	**Net**	Gross	Unearned finance charges	Net
No later than one year	**28 525**	**(5 851)**	**22 674**	29 912	(5 977)	23 935
Later than one year and no later than five years	**83 993**	**(17 510)**	**66 483**	80 762	(16 350)	64 412
Later than five years	**10 550**	**(2 207)**	**8 343**	5 203	(1 063)	4 140
	123 068	**(25 568)**	**97 500**	115 877	(23 390)	92 487

18.5 Classification of loans and advances

Rm	Total		Neither past due nor impaired		Past due but not individually impaired		Defaulted	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Mortgage loans	**267 806**	252 098	**250 241**	235 721	**10 442**	8 870	**7 123**	7 507
Net finance lease and instalment debtors	**97 500**	92 487	**89 669**	84 624	**5 263**	5 530	**2 568**	2 333
Credit cards	**14 025**	13 376	**11 807**	11 394	**1 139**	1 080	**1 079**	902
Properties in possession	**354**	596					**354**	596
Overdrafts	**13 481**	13 214	**12 215**	12 058	**641**	505	**625**	651
Term loans	**107 636**	103 820	**102 611**	98 679	**1 660**	1 962	**3 365**	3 179
Overnight loans	**27 527**	21 638	**27 527**	21 638				
Other loans to clients	**103 376**	75 488	**101 834**	74 878	**281**	219	**1 261**	391
Preference shares and debentures	**20 660**	17 995	**20 660**	17 995				
Factoring accounts	**5 329**	4 986	**5 102**	4 574	**160**	298	**67**	114
Deposits placed under reverse repurchase agreements	**20 173**	18 291	**20 173**	18 291				
Trade, other bills and bankers' acceptances		288		288				
	677 867	614 277	**641 839**	580 140	**19 586**	18 464	**16 442**	15 673
Loans and advances defaulted – not impaired							**403**	345
Loans and advances defaulted – impaired							**16 039**	15 328
							16 442	15 673

18 LOANS AND ADVANCES (continued)

18.6 Age analysis of loans and advances

	Total		< 1 month		> 1 month < 3 months		> 3 months > 6 months		< 6 months < 12 months		> 12 months	
Rm	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Neither past due nor impaired	**641 839**	580 140	**641 839**	580 140								
Mortgage loans	**250 241**	235 721	**250 241**	235 721								
Net finance lease and instalment debtors	**89 669**	84 624	**89 669**	84 624								
Credit cards	**11 807**	11 394	**11 807**	11 394								
Overdrafts	**12 215**	12 058	**12 215**	12 058								
Term loans	**102 611**	98 679	**102 611**	98 679								
Overnight loans	**27 527**	21 638	**27 527**	21 638								
Other loans to clients	**101 834**	74 878	**101 834**	74 878								
Preference shares and debentures	**20 660**	17 995	**20 660**	17 995								
Factoring accounts	**5 102**	4 574	**5 102**	4 574								
Deposits placed under reverse repurchase agreements	**20 173**	18 291	**20 173**	18 291								
Trade, other bills and bankers' acceptances	**–**	288	**–**	288								
Past due but not individually impaired	**19 586**	18 464	**12 035**	10 558	**7 507**	7 866	**44**	40				
Mortgage loans	**10 442**	8 870	**7 040**	5 670	**3 369**	3 178	**33**	22				
Net finance lease and instalment debtors	**5 263**	5 530	**2 580**	2 311	**2 677**	3 214	**6**	5				
Credit cards	**1 139**	1 080	**783**	739	**356**	341						
Overdrafts	**641**	505	**570**	434	**66**	58	**5**	13				
Term loans	**1 660**	1 962	**627**	890	**1 033**	1 072						
Overnight loans	**–**	–										
Other loans to clients	**281**	219	**275**	216	**6**	3						
Factoring accounts	**160**	298	**160**	298								
Subtotal	**661 425**	598 604	**653 874**	590 698	**7 507**	7 866	**44**	40				
Defaulted	**16 442**	15 673										
Mortgage loans	**7 123**	7 507										
Net finance lease and instalment debtors	**2 568**	2 333										
Credit cards	**1 079**	902										
Properties in possession	**354**	596										
Overdrafts	**625**	651										
Term loans	**3 365**	3 179										
Other loans to clients	**1 261**	391										
Factoring accounts	**67**	114										
Total loans and advances	**677 867**	614 277										

18.7 Credit quality of loans and advances

Rm	Total		NGR 1–12		NGR 13–20		NGR 21–25		NP1–NP3		Unrated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Neither past due nor impaired	**641 839**	580 140	**276 494**	220 377	**331 665**	309 817	**27 395**	22 614			**6 285**	27 332
Mortgage loans	**250 241**	235 721	**72 397**	57 518	**165 776**	165 436	**10 370**	8 839			**1 698**	3 928
Net finance lease and instalment debtors	**89 669**	84 624	**4 157**	4 344	**76 677**	72 674	**8 285**	6 929			**550**	677
Credit cards	**11 807**	11 394	**1 134**	1 099	**8 958**	8 714	**1 715**	1 581				
Overdrafts	**12 215**	12 058	**3 305**	3 314	**8 323**	8 256	**282**	247			**305**	241
Term loans	**102 611**	98 679	**69 878**	73 127	**26 718**	20 427	**5 636**	4 787			**379**	338
Overnight loans	**27 527**	21 638	**21 088**	16 834	**5 700**	4 800	**739**	4				
Other loans to clients	**101 834**	74 878	**69 875**	35 243	**30 875**	19 896	**368**	227			**716**	19 512
Preference shares and debentures	**20 660**	17 995	**15 084**	11 401	**2 939**	3 958					**2 637**	2 636
Factoring accounts	**5 102**	4 574	**1 026**	143	**4 076**	4 431						
Deposits placed under reverse repurchase agreements	**20 173**	18 291	**18 550**	17 354	**1 623**	937						
Trade, other bills and bankers' acceptances		288				288						
Past due but not individually impaired	**19 586**	18 464	**9**	2	**2 729**	2 672	**16 555**	15 647	**85**	26	**208**	117
Mortgage loans[1]	**10 442**	8 870	**9**	2	**1 609**	1 467	**8 704**	7 363	**7**	2	**113**	36
Net finance lease and instalment debtors[1]	**5 263**	5 530			**703**	726	**4 461**	4 760	**60**	9	**39**	35
Credit cards	**1 139**	1 080			**246**	230	**875**	835	**18**	15		
Overdrafts	**641**	505			**45**	26	**596**	479				
Term loans	**1 660**	1 962			**119**	222	**1 519**	1 720			**22**	20
Overnight loans												
Other loans to clients[1]	**281**	219			**7**	1	**240**	192			**34**	26
Factoring accounts	**160**	298					**160**	298				
Defaulted	**16 442**	15 673						34	**15 528**	13 937	**914**	1 702
Mortgage loans[1]	**7 123**	7 507							**6 689**	7 103	**434**	404
Net finance lease and instalment debtors[1]	**2 568**	2 333							**2 534**	2 295	**34**	38
Credit cards	**1 079**	902							**1 079**	902		
Properties in possession	**354**	596									**354**	596
Overdrafts	**625**	651							**618**	644	**7**	7
Term loans	**3 365**	3 179							**3 357**	2 546	**8**	633
Other loans to clients[1]	**1 261**	391						34	**1 184**	333	**77**	24
Factoring accounts	**67**	114							**67**	114		
Total loans and advances	**677 867**	614 277	**276 503**	220 379	**334 394**	312 489	**43 950**	38 295	**15 613**	13 963	**7 407**	29 151

The group uses a master rating scale for measuring credit risk, which measures borrower risk excluding the effect of collateral and any credit mitigation (ie probability of default only). The comprehensive probability of default rating scale, which is mapped to default probabilities and external rating agency scales, enables the group to measure credit risk consistently and accurately across its entire portfolio. A brief explanation of the scale follows:

NGR 1–12: Represents borrowers who demonstrate a strong capacity to meet financial obligations, and who have a negligible or low probability of default. This category comprises, but is not limited to, the group's large corporate clients, including financial institutions, parastatals and other government-related institutions.

NGR 13–20: Represents borrowers who demonstrate a satisfactory ability to make payments and who have a low or moderate probability of default. This category comprises, but is not limited to, small and medium businesses, medium-sized corporate clients and individuals.

NGR 21–25: Represents borrowers who are of higher risk. This category comprises higher-risk individuals or small businesses, as well as borrowers that were rated higher on inception but have since migrated down the rating scale as a result of poor financial performance. However, the borrower has not defaulted and is continuing to make repayments.

NP 1–3: Represents clients who have defaulted. Where this rating appears in the 'past due but not impaired' category, the borrowers are continuing to make repayments against their obligation and are being closely monitored.

19 IMPAIRMENT OF LOANS AND ADVANCES

19.1 Impairment of loans and advances

	Total impairment		Specific impairment		Portfolio impairment	
	2015	2014	**2015**	2014	**2015**	2014
Balance at beginning of year	**10 948**	11 332	**6 758**	7 476	**4 190**	3 856
Impairments charge	**5 742**	5 407	**5 304**	5 059	**438**	348
Statement of comprehensive income charge net of recoveries:	**4 608**	4 478	**4 170**	4 130	**438**	348
– Loans and advances	**4 606**	4 476	**4 168**	4 128	**438**	348
– Advances designated as at fair value through profit or loss (see note 35.1)	**2**	2	**2**	2		
Recoveries	**1 134**	929	**1 134**	929		
Amounts written off against the impairment/Other transfers	**(5 630)**	(5 791)	**(5 647)**	(5 777)	**17**	(14)
Impairment of loans and advances	**11 060**	10 948	**6 415**	6 758	**4 645**	4 190

19.2 Impairments of loans and advances by classification

	Balance at the beginning of the year Rm	Impairment charge/ (release) Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Total impairment – 2015				
Home loans	**2 440**	**184**	**(499)**	**2 125**
Commercial mortgages	**908**	**290**	**(241)**	**957**
Properties in possession	**52**	**(41)**	**11**	**22**
Credit cards	**986**	**947**	**(755)**	**1 178**
Overdrafts	**436**	**222**	**(180)**	**478**
Other loans to clients	**3 782**	**2 945**	**(2 668)**	**4 059**
Net finance lease and instalment debtors	**2 343**	**1 194**	**(1 298)**	**2 239**
Preference shares and debentures		**1**		**1**
Trade, other bills and bankers' acceptances	**1**			**1**
Impairment of loans and advances	**10 948**	**5 742**	**(5 630)**	**11 060**
Total impairment – 2014				
Home loans	2 861	253	(674)	2 440
Commercial mortgages	785	304	(181)	908
Properties in possession	18	19	15	52
Credit cards	888	800	(702)	986
Overdrafts	492	180	(236)	436
Other loans to clients	3 739	2 786	(2 743)	3 782
Net finance lease and instalment debtors	2 549	1 065	(1 271)	2 343
Preference shares and debentures	(1)		1	
Trade, other bills and bankers' acceptances	1			1
Impairment of loans and advances	11 332	5 407	(5 791)	10 948

19.2 Impairments of loans and advances by classification (continued)

	Balance at the beginning of the year Rm	Impairment charge/ (release) Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Specific impairment – 2015				
Home loans	**1 552**	**311**	**(493)**	**1 370**
Commercial mortgages	**540**	**165**	**(241)**	**464**
Properties in possession	**52**	**(41)**	**11**	**22**
Credit cards	**864**	**936**	**(755)**	**1 045**
Overdrafts	**299**	**202**	**(180)**	**321**
Other loans to clients	**2 205**	**2 561**	**(2 689)**	**2 077**
Net finance lease and instalment debtors	**1 246**	**1 170**	**(1 300)**	**1 116**
Specific impairment of loans and advances	**6 758**	**5 304**	**(5 647)**	**6 415**
Specific impairment – 2014				
Home loans	1 912	314	(674)	1 552
Commercial mortgages	476	248	(184)	540
Properties in possession	18	19	15	52
Credit cards	775	791	(702)	864
Overdrafts	369	166	(236)	299
Other loans to clients	2 315	2 615	(2 725)	2 205
Net finance lease and instalment debtors	1 612	906	(1 272)	1 246
Preference shares and debentures	(1)		1	–
Specific impairment of loans and advances	7 476	5 059	(5 777)	6 758
Portfolio impairment – 2015				
Home loans	**888**	**(127)**	**(6)**	**755**
Commercial mortgages	**368**	**125**		**493**
Credit cards	**122**	**11**		**133**
Overdrafts	**137**	**20**		**157**
Other loans to clients	**1 577**	**384**	**21**	**1 982**
Net finance lease and instalment debtors	**1 097**	**24**	**2**	**1 123**
Preference shares and debentures		**1**		**1**
Trade, other bills and bankers' acceptances	**1**			**1**
Portfolio impairment of loans and advances	**4 190**	**438**	**17**	**4 645**
Portfolio impairment – 2014				
Home loans	949	(61)		888
Commercial mortgages	309	56	3	368
Credit cards	113	9		122
Overdrafts	123	14		137
Other loans to clients	1 424	171	(18)	1 577
Net finance lease and instalment debtors	937	159	1	1 097
Trade, other bills and bankers' acceptances	1			1
Portfolio impairment of loans and advances	3 856	348	(14)	4 190

19 IMPAIRMENT OF LOANS AND ADVANCES (continued)

19.3 Sectoral analysis

	Total impairment		Specific impairment		Portfolio impairment	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
Individuals	**7 380**	7 588	**4 855**	4 979	**2 525**	2 609
Financial services, insurance and real estate	**1 514**	1 314	**418**	488	**1 096**	826
Manufacturing	**365**	501	**95**	339	**270**	162
Building and property development	**123**	101	**52**	41	**71**	60
Transport, storage and communication	**229**	175	**72**	69	**157**	106
Retailers, catering and accommodation	**27**	29	**6**	4	**21**	25
Wholesale and trade	**131**	131	**67**	78	**64**	53
Mining and quarrying	**406**	157	**251**	47	**155**	110
Agriculture, forestry and fishing	**82**	40	**52**	18	**30**	22
Government and public sector	**31**	58	**17**	47	**14**	11
Other services	**772**	854	**530**	648	**242**	206
	11 060	10 948	**6 415**	6 758	**4 645**	4 190

19.4 Geographical analysis

	Total impairment		Specific impairment		Portfolio impairment	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
SA	**10 621**	10 554	**6 127**	6 444	**4 494**	4 110
Other African countries	**363**	75	**275**	45	**88**	30
Europe	**54**	282		232	**54**	50
Asia	**8**	–			**8**	
United States	**1**	37		37	**1**	
Other	**13**	–	**13**			
	11 060	10 948	**6 415**	6 758	**4 645**	4 190
					953	876

19.5 Interest on specifically impaired loans and advances

Interest on specifically impaired loans and advances is determined for the period for which the loan and advance were classified as specifically impaired.

The amount is calculated by multiplying the discounted expected recovery by the effective interest rate for the specifically impaired loan and advance. The interest on specifically impaired loans and advances reflects the unwinding of the time value of money for the expected discounted recovery.

Interest on specifically impaired loans and advances does not represent the contractual interest that has been earned on the outstanding balance of a loan and advance.

20 OTHER ASSETS

	2015 Rm	2014 Rm
Sundry debtors and other accounts	**3 925**	5 393
	3 925	5 393

21 INVESTMENT SECURITIES

	2015 Rm	2014 Rm
Listed investments	**432**	624
Unlisted investments	**1 216**	1 745
Strate Ltd	**57**	51
Private-equity portfolio	**618**	1 195
Other	**541**	499
Total listed and unlisted investments	**1 648**	2 369

Refer to note 35.2.1 for the classification of investment securities in terms of the fair-value hierarchy.

22 INVESTMENTS IN PRIVATE EQUITY ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS

22.1 Movement in carrying amount

	2015 Rm	2014 Rm
Carrying amount at the beginning of the year	**1 158**	1 098
Share of associate companies' and joint arrangements' (losses)/profits after taxation for the current year	**(1)**	12
Net movement of associate companies and joint arrangements at cost[1]	**24**	10
Fair-value movements	**219**	38
Carrying amount at the end of the year	**1 400**	1 158

22.2 Analysis of carrying amount

	2015 Rm	2014 Rm
Associate investments on acquisition: Net asset value	**949**	730
Share of retained earnings since acquisition	**39**	39
Fair-value movements	**412**	389
	1 400	1 158

22.3 Valuation

	2015 Rm	2014 Rm
Directors' valuation	**1 400**	1 158
	1 400	1 158

[1] *These amounts include movements due to acquisitions and disposals.*

Refer to note 50 for further information in respect of investments in private-equity associates, associate companies and joint arrangements.

23 NON-CURRENT ASSETS HELD FOR SALE

	Previously included in:	2015 Rm	2014 Rm
Properties sold not yet transferred[1]	Property and equipment	**2**	16
		2	16

Non-current assets and liabilities held for sale are measured at the lower of the carrying amount and fair value less incremental directly attributable costs of disposal and are not depreciated. In accordance with IFRS 13 Fair Value Measurement the measurement of the group's non-current assets and liabilities are considered to be non-recurring. Non-recurring fair-value measurements are those that IFRS requires or permits to be recognised in the statement of financial position in particular circumstances. Furthermore, the group classifies these assets and liabilities into level 3 of the fair-value hierarchy. Level 3 fair-value measurements are those that include the use of significant unobservable inputs.

[1] *Commitments for the sale of properties had been entered into at year-end by the group, the transfer of which had not been effected at year-end.*

24 DEFERRED TAXATION

24.1 Reconciliation of deferred taxation balance

	2015 Rm	2014 Rm
Deferred taxation assets		
Balance at the beginning of the year	**165**	69
Current year temporary differences recognised in the statement of comprehensive income	**22**	307
Capital gains taxation		20
Client credit agreements		(5)
Deferred acquisition costs		(37)
Deferred fee income	**(3)**	15
Depreciation		(17)
Fair-value adjustments of financial instruments	**(3)**	(32)
Impairment of loans and advances	**9**	114
Other income and expense items	**2**	241
Share-based payments		21
Taxation losses recognised	**17**	(13)
Recognised directly in equity		(25)
Other movements	**(120)**	(186)
Balance at the end of the year	**67**	165
Deferred taxation liabilities		
Balance at the beginning of the year	**287**	297
Current year temporary differences recognised in the statement of comprehensive income	**22**	19
Capital gains taxation	**(62)**	9
Client credit agreements	**(20)**	
Deferred acquisition costs	**83**	
Deferred fee income	**(4)**	
Depreciation	**150**	4
Fair-value adjustments of financial instruments	**40**	12
Impairment of loans and advances	**(23)**	
Other income and expense items	**(188)**	(6)
Property revaluations	**(4)**	
Share-based payments	**50**	
Recognised directly in equity	**154**	
Other movements	**300**	(29)
Balance at the end of the year	**763**	287

24.2 Analysis of deferred taxation

	2015 Rm	2014 Rm
Deferred taxation assets		
Capital gains taxation		(184)
Client credit agreements		(16)
Deferred acquisition costs		(396)
Deferred fee income	**35**	272
Depreciation		(408)
Fair-value adjustments of financial instruments	**14**	78
Impairment of loans and advances	**33**	1 249
Other income and expense items	**(41)**	31
Property revaluations		(443)
Share-based payments		(27)
Taxation losses	**26**	9
	67	165
Deferred taxation liabilities		
Capital gains taxation	**223**	52
Deferred acquisition costs	**479**	
Deferred fee income	**(238)**	
Depreciation	**549**	
Fair-value adjustments of financial instruments	**50**	28
Impairment of loans and advances	**(1 260)**	
Other income and expense items	**249**	88
Property revaluations	**591**	119
Share-based payments	**120**	
	763	287

25 INVESTMENT PROPERTY

25.1 Fair value

	2015 Rm	2014 Rm
Fair value at the beginning of the year		87
Transfers to non-current assets held for sale (note 23)		(87)
Fair value at the end of the year		

25.2 Fair value of investment property

Investment properties are freehold and are either held to earn rentals or for capital appreciation. Internal professional valuers perform valuations on an annual basis. External valuers are obtained once every three years on a rotational basis in accordance with the group's policies for the valuation of properties. The internal and external valuers are members or associates of the Institute of Valuers (SA) or a local equivalent in the case of foreign subsidiaries. The carrying amount of these properties is the fair value of the property as determined by registered independent valuers who have recent experience in the location and category of the property being valued. In determining the fair value of these investment properties, the following factors were considered:

In accordance with IFRS 13 Fair Value Measurement, the measurement of the group's investment properties are considered to be recurring. Recurring fair-value measurements are those that IFRS requires or permits to be recognised in the statement of financial position at the end of each reporting period. Furthermore, the group classifies its investment properties into level 3 of the fair-value hierarchy. Level 3 fair-value measurements are those that include the use of significant unobservable inputs.

25.3 Rental income and operating expenses from investment property

	2015 Rm	2014 Rm
Rental income from investment property		4
Direct operating expense arising from investment property that generated rental income		6

26 PROPERTY AND EQUIPMENT

	Land		Buildings		Computer equipment		Furniture and other equipment		Vehicles		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Gross carrying amount												
Balance at 1 January	**873**	789	**4 221**	4 005	**3 083**	2 897	**3 840**	3 294	**24**	24	**12 041**	11 009
Transfers from furniture and other equipment and buildings[1]			**1 683**				**(1 683)**					
Acquisitions		2	**459**	180	**874**	728	**164**	745	**4**	3	**1 501**	1 658
Increases arising from revaluations[2]	**13**	83	**146**	137							**159**	220
Transfers to non-current assets held for sale		(1)		(3)							**-**	(4)
Disposals			**(144)**	(15)	**(67)**	(542)	**(83)**	(198)		(4)	**(294)**	(759)
Writeoff of accumulated depreciation on revaluations			**(128)**	(85)							**(128)**	(85)
Effect of movements in foreign exchange rates and other movements	**(1)**			2	**5**		**14**	(1)	**(1)**	1	**17**	2
Balance at 31 December	**885**	873	**6 237**	4 221	**3 895**	3 083	**2 252**	3 840	**27**	24	**13 296**	12 041
Accumulated depreciation and impairment losses												
Balance at 1 January			**402**	371	**2 039**	2 154	**2 126**	1 898	**15**	15	**4 582**	4 438
Transfers from furniture and other equipment and buildings[1]			**875**				**(875)**					
Depreciation charge for the year			**316**	131	**428**	396	**222**	375	**3**	4	**969**	906
Writeoff of accumulated depreciation on revaluations			**(128)**	(85)							**(128)**	(85)
Disposals			**(115)**	(15)	**(64)**	(511)	**(70)**	(147)		(4)	**(249)**	(677)
Effect of movements in foreign exchange rates and other movements					**2**		**5**		**1**		**8**	
Balance at 31 December			**1 350**	402	**2 405**	2 039	**1 408**	2 126	**19**	15	**5 182**	4 582
Carrying amount												
At 1 January	**873**	789	**3 819**	3 634	**1 044**	743	**1 714**	1 396	**9**	9	**7 459**	6 571
At 31 December	**885**	873	**4 887**	3 819	**1 490**	1 044	**844**	1 714	**8**	9	**8 114**	7 459

[1] *At the beginning of the year assets previously classified under furniture and other equipment were transferred to buildings to reflect the underlying nature of these assets.*
[2] *Gains on property revaluations are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss.*

Equipment (principally computer equipment, motor vehicles, fixtures and furniture) is stated at cost less accumulated depreciation and impairment losses. Land and buildings are recognised at the revalued amount, which is based on external valuations obtained every three years on a rotation basis for all properties in accordance with the group's accounting policy. The valuers are members or associates of the Institute of Valuers (SA) or a local equivalent in the case of foreign subsidiaries. An annual internal review is also done on those properties not subject to external valuation. The carrying amount of properties is the fair value as determined by the valuers less subsequent accumulated depreciation and impairment losses. Adjustments in the valuation of the properties are recorded in the revaluation reserve, which is amortised over the remaining useful life of the property. In determining the fair value of properties, the following factors are considered:

Type of property	Valuation method	Significant inputs	Parameters	Land 2015 Rm	Land 2014 Rm	Buildings 2015 Rm	Buildings 2014 Rm
Commercial property	Market comparable approach and discounted cashflow	Income capitalisation rates	8,0% – 13,5% (2014: 11,0% – 13,5%)	**880**	868	**4 877**	3 809
Residential property	Market comparable approach and replacement value	Price per square meter		**5**	5	**10**	10
Total land and buildings				**885**	873	**4 887**	3 819

In accordance with IFRS 13 Fair Value Measurement the measurement of the group's properties are considered to be recurring. Recurring fair-value measurements are those that IFRS requires or permits to be recognised in the statement of financial position at the end of each reporting period. Furthermore, the group classifies its properties measured at fair value into level 3 of the fair-value hierarchy. Level 3 fair-value measurements are those that include the use of significant unobservable inputs.

In respect of certain properties there are restrictions of title in terms of regulatory restrictions such as servitudes. This does not have a material effect on the ability of the group to transfer these properties. No material plant and equipment have been pledged as security for liabilities.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R3 265 m (2014: R2 444m).

27 LONG-TERM EMPLOYEE BENEFITS

The group has a number of defined-benefit and defined-contribution plans in terms of which it provides pension, postretirement medical aid and long-term disability benefits to employees and their dependants on retirement, death or disability. All eligible employees and former employees are members of trustee-administered or underwritten schemes within the group, financed by company and employee contributions. All SA retirement plans are governed by the Pension Funds Act of 1956. The defined-benefit funds are actuarially valued using the projected-unit credit method. Any deficits are funded to ensure the ongoing financial soundness of the funds.

The benefits provided by the defined-benefit schemes are based on years of membership and/or salary levels. These benefits are provided from contributions by employees, the group and income from the assets of these schemes. The benefits provided by the defined-contribution schemes are determined by the accumulated contributions and investment earnings.

At the dates of the latest valuations, the defined-benefit plans were in a sound financial position in terms of section 16 of the Pensions Funds Act. The funds that constitute the assets and liabilities that the group has recognised in the statement of financial position in respect of its defined-benefit plans are listed below. The latest actuarial valuations were performed at 31 December 2015.

Postemployment benefits

Defined-benefit pension funds

Nedgroup Pension Fund (including the Optiplus policy).
BoE Funds, which consist of BoE Ltd Pension Fund (1969), Pension Fund of BoE Bank: Business Division.
Nedbank UK Pension Fund.
Other funds consisting of Nedbank Swaziland Ltd Pension Fund and Nedbank Lesotho Pension Fund.

Defined-benefit medical aid schemes

Nedgroup Medical Aid Scheme for Nedbank employees and pensioners.
Nedgroup Medical Aid Scheme for past BoE employees and pensioners.

Other long-term employee benefits

Disability fund

Nedbank Group Disability Fund [including the Old Mutual Alternative Risk Transfer Fund (OMART) policy].

Insurance policies held with related parties

Optiplus (Nedgroup Pension Fund), OMART (Nedbank Group Disability Fund) and PRMA (Symetry) annuity policy are insurance policies, the proceeds of which can only be used to pay or fund the employee benefits under the specific funds. However, these policies are not qualifying insurance policies in terms of IAS 19 Employee Benefits since they are held with related parties. These rights to reimbursement are therefore recognised as separate assets and in all other respects are treated in the same way as other plan assets.

27.1 Analysis of long-term employee benefits assets and liabilities

Rm	Notes	Assets	Liabilities
2015			
Postemployment benefits	27.1.1	**4 512**	**(2 636)**
Other long-term employee benefits – disability fund		**373**	**(373)**
		4 885	**(3 009)**
2014			
Postemployment benefits	27.1.1	4 035	(2 628)
Other long-term employee benefits – disability fund		374	(374)
		4 409	(3 002)

The group's defined-benefit obligation in terms of the Nedbank Group Disability Fund is recognised together with the fair value of the assets held in OMART. OMART is a structured entity controlled by the group and was established to fund this defined-benefit obligation of R373m (2014: R374m). The value of the OMART asset held by the group is R373m (2014: R374m).

27 LONG-TERM EMPLOYEE BENEFITS

27.1.1 Net asset/(liability) recognised

Rm	Pension and provident funds	Medical aid funds
2015		
Present value of defined-benefit obligation	**(5 065)**	**(1 832)**
Fair value of plan assets[1]	**7 576**	**1 254**
Funded status	**2 511**	**(578)**
Unrecognised due to paragraph 64 limit	**(57)**	
	2 454	**(578)**
Asset	**3 258**	**1 254**
Liability	**(804)**	**(1 832)**
2014		
Present value of defined-benefit obligation	(5 024)	(1 772)
Fair value of plan assets[1]	7 053	1 170
Funded status	2 029	(602)
Unrecognised due to paragraph 64 limit	(20)	
	2 009	(602)
Asset[2]	2 856	1 179
Liability[2]	(847)	(1 781)

[1] *In terms of IAS 19 Employee Benefits insurance policies issued by related parties of the reporting entity are excluded from the definition of qualifying insurance policies. The fair value of plan assets includes non-qualifying insurance policies for pension funds to the value of R781m (2014: R828m) and for medical aid to the value of R1 254m (2014: R1 179m).*

[2] *R1 179m of non-qualifying insurance policies were reflected under the pension and provident funds; however, these polices relate to the medical aid fund and the comparative information has been restated to align with the current year's presentation.*

27.2 Postemployment benefits

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised due to paragraph 64 limit	Net asset/ (liability)
Analysis of postemployment benefit assets and liabilities					
2015					
Pension funds	**5 065**	**7 576**	**2 511**	**(57)**	**2 454**
Nedgroup Fund	**4 434**	**6 890**	**2 456**		**2 456**
Nedbank UK Fund	**461**	**487**	**26**	**(26)**	**–**
Other funds	**170**	**199**	**29**	**(31)**	**(2)**
Medical aid funds	**1 832**	**1 254**	**(578)**	**–**	**(578)**
Nedgroup scheme for Nedbank employees	**1 705**	**1 254**	**(451)**		**(451)**
Nedgroup scheme for BoE employees	**127**		**(127)**		**(127)**
Total	**6 897**	**8 830**	**1 933**	**(57)**	**1 876**
2014					
Pension funds	5 024	7 053	2 029	(20)	2 009
Nedgroup Fund	4 460	6 488	2 028		2 028
Nedbank UK Fund	395	384	(11)		(11)
Other funds	169	181	12	(20)	(8)
Medical aid funds	1 772	1 170	(602)	–	(602)
Nedgroup scheme for Nedbank employees	1 644	1 170	(474)		(474)
Nedgroup scheme for BoE employees	128		(128)		(128)
Total	6 796	8 223	1 427	(20)	1 407

27.2 Postemployment benefits (continued)

Rm	Pension and provident funds	Medical aid funds	Total
Present value of defined-benefit obligation			
2015			
Balance at the beginning of the year	**5 024**	**1 772**	**6 796**
Current service cost	**34**	**75**	**109**
Interest cost	**384**	**165**	**549**
Contributions by plan participants	**10**		**10**
Actuarial losses	**(142)**	**(113)**	**(255)**
Benefits paid	**(339)**	**(67)**	**(406)**
Impact of foreign currency exchange rate changes	**94**		**94**
Balance at the end of the year	**5 065**	**1 832**	**6 897**
2014			
Balance at the beginning of the year	4 781	1 571	6 352
Current service cost	34	68	102
Interest cost	382	151	533
Contributions by plan participants	10		10
Actuarial losses	138	42	180
Benefits paid	(335)	(60)	(395)
Impact of foreign currency exchange rate changes	14		14
Balance at the end of the year	5 024	1 772	6 796
Fair value of plan assets			
2015			
Balance at the beginning of the year	**7 053**	**1 170**	**8 223**
Expected return on plan assets	**543**	**106**	**649**
Actuarial gains	**184**	**(14)**	**170**
Contributions by the employer	**36**	**58**	**94**
Contributions by plan participants	**10**		**10**
Benefits paid	**(339)**	**(66)**	**(405)**
Scheme-settled administration costs	**(10)**		**(10)**
Impact of foreign currency exchange rate changes	**99**		**99**
Balance at the end of the year	**7 576**	**1 254**	**8 830**
2014			
Balance at the beginning of the year	6 520	893	7 413
Expected return on plan assets	528	92	620
Actuarial gains	290	(24)	266
Contributions by the employer	38	265	303
Contributions by plan participants	10		10
Benefits paid	(335)	(56)	(391)
Scheme-settled administration costs	(11)		(11)
Impact of foreign currency exchange rate changes	13		13
Balance at the end of the year	7 053	1 170	8 223

27 LONG-TERM EMPLOYEE BENEFITS (continued)

27.2 Postemployment benefits (continued)

Rm	Pension and provident funds	Medical aid funds	Total
Net (income)/expense recognised			
2015			
Current service cost	**34**	**75**	**109**
Interest cost	**(159)**	**59**	**(100)**
Scheme-settled plan administration costs	**10**		**10**
	(115)	**134**	**19**
2014			
Current service cost	34	68	102
Interest cost	(145)	59	(86)
Scheme-settled plan administration costs	11		11
	(100)	127	27
Movements in net asset/(liability) recognised			
2015			
Balance at the beginning of the year	**2 009**	**(602)**	**1 407**
Net income/(expense) recognised in the statement of comprehensive income	**115**	**(134)**	**(19)**
Net remeasurements– credit for the year	**289**	**99**	**388**
Contributions paid by the employer	**36**	**59**	**95**
Impact of foreign currency exchange rate changes	**5**		**5**
Balance at the end of the year	**2 454**	**(578)**	**1 876**
2014			
Balance at the beginning of the year	1 721	(678)	1 043
Net income/(expense) recognised in the statement of comprehensive income	100	(127)	(27)
Net remeasurements– credit for the year	151	(66)	85
Contributions paid by the employer	38	269	307
Impact of foreign currency exchange rate changes	(1)		(1)
Balance at the end of the year	2 009	(602)	1 407

	%	%	%
Distribution of plan assets			
2015			
Equity instruments	**32,14**	**23,00**	**30,84**
Debt instruments	**27,23**	**7,00**	**24,36**
Property	**5,07**	**3,00**	**4,78**
Cash	**6,08**	**49,00**	**12,17**
International	**29,48**	**15,00**	**27,42**
Other		**3,00**	**0,43**
	100,00	**100,00**	**100,00**
2014			
Equity instruments	34,18	25,00	32,88
Debt instruments	28,74	17,00	27,07
Property	4,89		4,19
Cash	6,32	43,00	11,54
International	25,87	15,00	24,32
	100,00	100,00	100,00

Rm	Pension and provident funds	Medical aid funds	Total
Actual return on plan assets			
2015	**727**	**92**	**819**
2014	818	68	886

27.2 Postemployment benefits (continued)

Principal actuarial assumptions	Range %	Used in valuation %
2015		
Discount rates	**3.70 – 10.10**	**10,8**
Expected rates of return on plan assets	**3.70 – 10.10**	**10,8**
Inflation rate	**2.10 – 7.70**	**7,9**
Expected rates of salary increases	**8.70 – 8.70**	**7,9**
Pension increase allowance	**0.49 – 7.70**	
Annual increase to medical aid subsidy		**8,9**
Average expected retirement age (years)	**55 to 65**	**60**
2014		
Discount rates	3.60 – 8.10	9,1
Expected rates of return on plan assets	3.60 – 8.10	9,1
Inflation rate	2.25 – 5.90	6,5
Expected rates of salary increases	6.90 – 7.10	6,5
Pension increase allowance	0.53 – 5.90	
Annual increase to medical aid subsidy		7,5
Average expected retirement age (years)	55 to 65	60

Pension funds

The expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions the asset splits at the latest available date were used and adjustments were made to reflect the effect of expenses.

Weighted-average assumptions	2015 %	2014 %
Discount rate	**9,69**	7,86
Expected return on plan assets	**9,69**	7,86
Future salary increases	**7,92**	6,34
Future pension increases	**7,14**	5,53

Medical aid funds

The overall expected long-term rate of return on plan assets is 10,8%. The expected rate of return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. The expected rate of return is based on the expected performance of the entire portfolio.

Rm	Pension and provident funds	Medical aid funds	Total
Experience adjustments on present value of defined-benefit obligation for past five years			
2015	**(89)**	**113**	**24**
2014	55	(42)	13
2013	229	148	377
2012	10	18	28
2011	(106)	153	47
2010	30	48	78
Experience adjustments on fair value of plan assets for past five years			
2015		**(14)**	**(14)**
2014		(24)	(24)
2013		28	28
2012		18	18
2011	(30)	(2)	(32)
2010	95	(10)	85
Estimate of future contributions			
Contributions expected for ensuing year	40		40

27 LONG-TERM EMPLOYEE BENEFITS (continued)

27.2 Postemployment benefits (continued)

Fund surplus/(deficit) for past five years

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Pension funds			
2015	**5 065**	**7 576**	**2 511**
2014	5 024	7 053	2 029
2013	4 781	6 520	1 739
2012	4 784	5 635	851
2011	4 191	5 115	924
2010	3 917	4 908	991
Medical aid funds			
2015	**1 832**	**1 254**	**(578)**
2014	1 772	1 170	(602)
2013	1 571	893	(678)
2012	1 584	854	(730)
2011	1 482	830	(652)
2010	1 222	810	(412)

Effect of 1% change in assumed medical cost trend rates (Rm)	2015	2014
1% increase – effect on current service cost and interest cost	**44**	50
1% increase – effect on accumulated benefit obligation	**272**	274
1% decrease – effect on current service cost and interest cost	**(35)**	(20)
1% decrease – effect on accumulated benefit obligation	**(222)**	(222)

28 INTANGIBLE ASSETS

Rm	Goodwill	Software	Software development costs	Total
2015				
Cost				
Balance at the beginning of the year	**1 633**	**7 629**	**957**	**10 219**
Acquisitions		**149**	**1 032**	**1 181**
Development costs commissioned to software		**621**	**(621)**	**–**
Impairment losses		**(42)**	**(68)**	**(110)**
Disposals and retirements		**(2)**		**(2)**
Foreign currency translation and other movements		**6**	**(1)**	**5**
Balance at the end of the year	**1 633**	**8 361**	**1 299**	**11 293**
Accumulated amortisation and impairment losses				
Balance at the beginning of the year	**224**	**5 344**	**135**	**5 703**
Amortisation charge		**705**		**705**
Disposals and retirements		**(2)**		**(2)**
Foreign currency translation and other movements		**6**		**6**
Balance at the end of the year	**224**	**6 053**	**135**	**6 412**
Carrying amount				
At the beginning of the year	**1 409**	**2 285**	**822**	**4 516**
At the end of the year	**1 409**	**2 308**	**1 164**	**4 881**
2014				
Cost				
Balance at the beginning of the year	1 633	6 859	952	9 444
Acquisitions		241	804	1 045
Development costs commissioned to software		761	(761)	–
Impairment losses		(33)	(38)	(71)
Disposals and retirements		(198)		(198)
Foreign currency translation and other movements		(1)		(1)
Balance at the end of the year	1 633	7 629	957	10 219
Accumulated amortisation and impairment losses				
Balance at the beginning of the year	224	4 897	135	5 256
Amortisation charge		644		644
Disposals and retirements		(198)		(198)
Foreign currency translation and other movements		1		1
Balance at the end of the year	224	5 344	135	5 703
Carrying amount				
At the beginning of the year	1 409	1 962	817	4 188
At the end of the year	1 409	2 285	822	4 516

28 INTANGIBLE ASSETS (continued)

28.1 Analysis of goodwill by segment

	2015 Rm	2014 Rm
Nedbank Corporate and Investment Banking	**776**	776
Nedbank Retail and Business Banking	**629**	629
Other	**4**	4
	1 409	1 409

Goodwill is allocated to individual CGUs based on business activity. Impairment testing is done on a regular basis by comparing the net carrying value of the CGUs with the estimated value in use. The value in use is determined by discounting estimated future cashflows of each CGU. The discounted cashflow calculations have been performed using Nedbank's cost of equity, which is calculated using the capital asset pricing model. No impairments resulting from impairment testing have been effected for the reporting periods presented. Management regards the useful lives of all CGUs to be indefinite. See note 3 for key assumptions used when assessing goodwill impairment.

The value in use of the various CGUs was based on the following assumptions:

	2015	2014
Riskfree rate (%)	**9,76**	7,98
Beta range	**0,30– 0,76**	0,21– 0,89
Equity risk premium (%)	**6,00**	6,00
Terminal growth rate range (%)	**0,00– 4,80**	0,00– 5,80
Cashflow projection (years)	**5**	3
Discount rate range (%)	**9,80– 14,33**	9,08– 12,81
Goodwill on a geographical basis relates to SA in total and is as follows:		
– Carrying amount	**1 409**	1 409
– Estimated value in use	**84 497**	100 801
Net estimated recoverable amounts	**83 088**	99 392

29 SHARE CAPITAL

29.1 Ordinary share capital

	2015 Rm	2014 Rm
Authorised		
30 000 000 (2014: 30 000 000) ordinary shares of R1 each	**30**	30
Issued		
27 555 649 (2014: 27 241 024) fully paid ordinary shares of R1 each	**28**	27
	28	27

Subject to the restrictions imposed by the Companies Act, 2008, the unissued shares are under the control of the directors until the forthcoming annual general meeting.

29.2 Preference share capital and premium

	2015 Rm	2014 Rm
Nedbank Ltd preference share capital and premium		
Authorised		
1 000 000 000 (2014: 1 000 000 000) non-redeemable non-cumulative preference shares of R0,001 each	**1**	1
5 000 Class 'A' redeemable cumulative preference shares of R0,0001 each	[1]	[1]
5 000 Class 'B' redeemable cumulative preference shares of R0,0001 each	[1]	[1]
Issued		
358 277 491 (2014: 358 277 491) non-redeemable non-cumulative preference shares of R0,001 each		
100 Class 'A' redeemable cumulative preference shares of R0,0001 each	[1]	[1]
100 Class 'B' redeemable cumulative preference shares of R0,0001 each	[1]	[1]
Preference share premium	**3 561**	3 561
	3 561	3 561

[1] *Represents amounts less than R1m.*

Preference shares are classified as equity instruments by Nedbank Ltd ('the company').

Each preference share confers on the holder the right to capital of the company in the form of a cash dividend prior to payment of dividends to any other class of shareholder. The rate is limited to 83,33% of the prevailing prime rate on a deemed value of R10 and is never compounded. The dividends, if declared, accrue half-yearly on 30 June and 31 December and are payable within 120 days of these dates respectively.

If a preference dividend is not declared, the dividend will not accumulate and will never become payable by the company, whether in preference to payments to any other class of share or otherwise.

Each preference share confers on the holder the right to a return of capital on the winding-up of the company prior to any payment to any other class of share, but holders are not entitled to any further participation in the profits, assets or any surplus assets of the company in such circumstances.

The holders of this class of share are not entitled to be present or vote (even by proxy) at any meeting of the company except when a declared dividend or part thereof remains in arrears and unpaid after six months from the due date or a resolution is proposed that directly affects the rights attached to the preference share or the interests of the holder, including resolutions to wind up the company or to reduce its share capital.

At every general meeting where the preference shareholder is entitled to vote, the voting rights are restricted to the holder's nominal value in proportion to the total nominal value of all shares issued by the company.

No shares in the capital of the company, in priority to the preference shares, can be created or issued without prior sanction of the holders of preference shares by way of a resolution passed at a separate class meeting properly constituted in terms of the provisions set out in the memorandum of incorporation.

30 AMOUNTS OWED TO DEPOSITORS

30.1 Classifications

	2015 Rm	2014 Rm
Current accounts	**67 504**	62 385
Savings deposits	**9 820**	9 649
Other deposits and loan accounts	**492 764**	453 350
Call and term deposits	**269 716**	252 157
Fixed deposits	**46 478**	41 264
Cash management deposits	**60 753**	60 025
Other deposits and loan accounts	**115 817**	99 904
Foreign currency liabilities	**44 823**	29 807
Negotiable certificates of deposit	**77 594**	66 849
Deposits received under repurchase agreements[1]	**15 531**	12 583
	708 036	634 623
Comprises:		
– Amounts owed to depositors	**655 024**	586 058
– Amounts owed to banks	**53 012**	48 565
	708 036	634 623

Deposit products include current accounts, savings accounts, call and notice deposits, fixed deposits and negotiable certificates of deposit. Term deposits vary from six months to five years in both the wholesale and retail markets.

Foreign currency liabilities are either matched by advances to clients or hedged against exchange rate fluctuations.

[1] *The group has pledged government and other securities (note 17) and negotiable certificates of deposit (note 15) amounting to R15 614m (2014: R11 986m) as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IAS 39. The associated liabilities amounted to R15 531m (2014: R12 583m).*

30.2 Sectoral analysis

	2015 Rm	2014 Rm
Banks	**53 012**	48 565
Government and public sector	**47 880**	46 652
Individuals	**168 698**	154 520
Business sector	**438 446**	384 886
	708 036	634 623

30.3 Geographical analysis

	2015 Rm	2014 Rm
SA	**685 149**	613 638
Rest of Africa	**8 316**	6 956
Europe	**11 338**	13 865
Asia	**3 233**	164
	708 036	634 623

	2015 Rm	2014 Rm
31 PROVISIONS AND OTHER LIABILITIES		
Creditors and other accounts	**6 236**	6 668
Deferred revenue: client loyalty programmes	**256**	258
Short-trading securities and spot positions	**2 744**	767
Leave pay accrual (note 31.1)	**675**	711
	9 911	8 404
31.1 Leave pay accrual		
Balance at the beginning of the year	**711**	676
Recognised in profit or loss	**1 391**	386
Utilised during the year	**(1 427)**	(351)
Balance at the end of the year	**675**	711

31.2 Day-one gains and losses

The group enters into transactions where the fair value of the financial instruments are determined using valuation models for which certain inputs are not based on market-observable prices or rates. Such financial instruments are initially recognised at the transaction price, which is the best indicator of fair value. The transaction price may differ from the valuation amount obtained, giving rise to a day-one profit or loss.

The difference between the transaction price and the valuation amount, commonly referred to as 'day-one profit or loss', is deferred and either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market-observable inputs, or realised when the financial instrument is derecognised.

The group's day-one profits are attributable to commodity financial instruments. There are no material day-one profits or losses to report on for the years ended 31 December 2014 and 2015.

32 LONG-TERM DEBT INSTRUMENTS

Instrument code	Date callable	Date repayable	Nominal value Rm
Subordinated debt			
Callable notes (rand-denominated)			
NED9	6 July 2017	6 July 2022	2 000
NED11	17 September 2017	17 September 2020	1 000
NED13	25 July 2018	25 July 2023	1 800
NED14	29 November 2018	29 November 2023	1 200
NED15	8 April 2019	8 April 2024	450
NED16	8 April 2019	8 April 2024	1 737
NED 17	14 October 2019	14 October 2024	300
NED 18	16 January 2020	16 January 2025	225
NED 19	1 July 2020	1 July 2025	1 624
NED 20	1 July 2020	1 July 2025	407
Callable notes (US dollar-denominated)			**US$m**
EMTN01	3 March 2017	3 March 2022	100
Hybrid subordinated debt			
Callable notes (rand-denominated)			**Rm**
NEDH1A	20 November 2018	20 November 2018	487
NEDH1B	20 November 2018	20 November 2018	1 265
Securitised liabilities– rand-denominated			
Callable notes (rand-denominated)			**Rm**
GRH1A1	25 October 2017	25 October 2039	480
GRH1A2	25 October 2017	25 October 2039	336
GRH1A3	25 October 2017	25 October 2039	900
GRH1B	25 October 2017	25 October 2039	110
SUBLOAN 2	25 October 2017	25 October 2039	227
GRH1A1	25 February 2018	25 February 2042	650
GRH1A2	25 February 2020	25 February 2042	100
GRH1A3	25 February 2020	25 February 2042	680
GRH1B	25 February 2020	25 February 2042	80
GH31C	25 February 2020	25 February 2042	65
SUBLOAN 1	25 February 2020	25 February 2042	180

Instrument terms up to callable date	Instrument terms after callable date	Interest on notes payable	2015 Rm	2014 Rm
			11 495	11 713
			9 932	8 654
JIBAR + 0,47% per annum	Floating 3-month JIBAR + 2,20%	Quarterly	**2 032**	2 031
10,54% per annum	Floating 3-month JIBAR + 2,85%	Biannually		1 048
JIBAR + 2,75% per annum	Floating 3-month JIBAR + 2,75%	Quarterly	**1 829**	1 828
JIBAR + 2,55% per annum	Floating 3-month JIBAR + 2,55%	Quarterly	**1 209**	1 209
10,49% per annum	Fixed at 10.49% per annum	Biannually	**461**	461
JIBAR + 2,55% per annum	Floating 3-month JIBAR + 2,55%	Quarterly	**1 772**	1 771
JIBAR + 2,75% per annum	Floating 3-month JIBAR + 2,75%	Quarterly	**306**	306
JIBAR + 2,75% per annum	Floating 3-month JIBAR + 2,75%	Quarterly	**229**	
JIBAR + 3,50% per annum	Floating 3-month JIBAR + 3,50%	Quarterly	**1 664**	
JIBAR + 2,75% per annum	Floating 3-month JIBAR + 2,75%	Biannually	**430**	
			1 563	1 159
3-month USD LIBOR	3-month USD LIBOR + 3,00%		**1 563**	1 159
				1 900
15,05% per annum	Floating 3-month JIBAR + 7,00%	Quarterly		575
JIBAR + 4,75% per annum	Floating 3-month JIBAR + 7,00%	Biannually		1 325
			2 679	1 395
JIBAR + 1,1% per annum	3-month JIBAR + 1,49%	Quarterly		32
JIBAR + 1,25% per annum	3-month JIBAR + 1,69%	Quarterly	**161**	340
JIBAR + 1,54% per annum	3-month JIBAR + 2,08%	Quarterly	**913**	912
JIBAR + 1,90% per annum	3-month JIBAR + 2,57%	Quarterly	**112**	111
JIBAR + 0,58% per annum	JIBAR + 0,58% per annum	Quarterly	**1**	
JIBAR + 1,2% per annum	3-month JIBAR + 1,2%	Quarterly	**558**	
JIBAR + 1,45% per annum	3-month JIBAR + 1,45%	Quarterly	**101**	
JIBAR + 1,55% per annum	3-month JIBAR + 1,55%	Quarterly	**685**	
JIBAR + 2,2% per annum	3-month JIBAR + 2,2%	Quarterly	**81**	
JIBAR + 3,0% per annum	3-month JIBAR + 3,0%	Quarterly	**66**	
Prime + 6,575% per annum	3-month JIBAR + 0,58%	Quarterly	**1**	

32 LONG-TERM DEBT INSTRUMENTS (continued)

Instrument code	Date callable	Date repayable	Nominal value Rm
Senior unsecured debt			
Senior unsecured notes (rand-denominated)			
NBK2A	8 September 2009	15 September 2015	3 244
NBK2B	8 September 2009	15 September 2015	1 044
NBK3A	8 September 2009	9 September 2019	1 273
NBK4	28 October 2009	28 October 2024	660
NBK6A	13 April 2010	19 April 2015	478
NBK6B	13 April 2010	19 April 2015	1 027
NBK7B	13 April 2010	19 April 2020	80
NBK9A	23 March 2011	23 March 2016	1 137
NBK9B	23 March 2011	23 March 2016	677
NBK10A	25 July 2013	25 July 2016	151
NBK11A	28 November 2013	28 November 2020	1 888
NBK12A	19 March 2014	19 March 2021	855
NBK12B	21 February 2012	20 February 2015	1 297
NBK13A	19 March 2014	19 March 2024	391
NBK13B	21 February 2012	21 February 2017	405
NBK14A	26 June 2014	25 June 2021	500
NBK14B	24 August 2012	27 August 2015	250
NBK15A	12 February 2015	27 August 2022	215
NBK15B	24 August 2012	27 August 2017	786
NBK16A	12 February 2015	12 February 2025	2 607
NBK16B	25 July 2013	25 July 2016	3 056
NBK17A	22 April 2015	22 April 2026	800
NBK17B	28 November 2013	28 November 2016	694
NBK18A	1 June 2015	1 June 2020	380
NBK18B	14 March 2014	20 March 2017	1 035
NBK19A	1 June 2015	1 June 2022	280
NBK19B	26 June 2014	26 June 2017	806
NBK20A	1 June 2015	1 June 2026	1 739
NBK20B	26 June 2014	25 June 2021	650
NBK21A	21 July 2015	21 July 2027	2 000
NBK21B	7 November 2014	9 November 2017	240
NBK22A	19 November 2015	19 November 2022	952
NBK22B	12 February 2015	12 February 2018	472
NBK23A	19 November 2015	19 November 2025	884
NBK23B	11 February 2015	12 February 2020	90
NBK24A	19 November 2015	19 November 2027	666
NBK24B	11 February 2015	12 February 2022	12
NBK25B	12 February 2015	12 February 2025	1 980
NBK26B	22 April 2015	22 April 2026	500
NBK27B	1 June 2015	1 June 2018	1 427
NBK28B	19 November 2015	19 November 2020	476
Other			
Unsecured debentures (rand-denominated)			**Rm**
		30 November 2029	200
Total long-term debt instruments in issue			

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

Instrument terms up to callable date	Instrument terms after callable date	Interest on notes payable	2015 Rm	2014 Rm
			30 785	22 511
10,55% per annum	10,55% per annum	Biannually		3 347
JIBAR + 2,20% per annum	3-month JIBAR + 2,20% per annum	Quarterly		1 054
11,39% per annum	11,39% per annum	Biannually	**1 372**	1 385
Zero coupon	Zero coupon		**245**	263
9,68% per annum	9,68% per annum	Biannually		487
JIBAR + 1,75% per annum	3-month JIBAR + 1,75% per annum	Quarterly		1 043
JIBAR + 2,15% per annum	3-month JIBAR + 2,15% per annum	Quarterly	**81**	81
9,36% per annum	9,36% per annum	Biannually	**1 166**	1 166
JIBAR + 1,25% per annum	JIBAR + 1,25% per annum	Quarterly	**678**	678
6,91% per annum	6,91% per annum	Biannually	**155**	154
8,92% per annum	8,92% per annum	Biannually	**1 903**	1 903
9,38% per annum	9,38% per annum	Biannually	**878**	878
JIBAR + 1,00% per annum	JIBAR + 1,00% per annum	Quarterly		1 307
9,73% per annum	9,73% per annum	Biannually	**402**	402
JIBAR + 1,30% per annum	JIBAR + 1,30% per annum	Quarterly	**408**	408
9,29% per annum	9,29% per annum	Biannually	**501**	501
9,29% per annum	JIBAR + 1,00% per annum	Biannually		252
JIBAR + 1,31% per annum	8,79% per annum	Semi-annually	**222**	
JIBAR + 1,31% per annum	JIBAR + 1,31% per annum	Quarterly	**700**	700
9,44% per annum	9,44% per annum	Semi-annually	**2 702**	
JIBAR + 0,8% per annum	JIBAR + 0,8% per annum	Quarterly	**3 070**	3 068
9,95% per annum	9,95% per annum	Semi-annually	**815**	
JIBAR + 0,75% per annum	JIBAR + 0,75% per annum	Quarterly	**698**	698
9,26% per annum	9,26% per annum	Semi-annually	**383**	
JIBAR + 0,85% per annum	JIBAR + 0,85% per annum	Quarterly	**1 037**	1 037
9,64% per annum	9,64% per annum	Semi-annually	**282**	
JIBAR + 0,9% per annum	JIBAR + 0,9% per annum	Quarterly	**806**	806
10,36% per annum	10,36% per annum	Semi-annually	**1 754**	
JIBAR + 1,3% per annum	JIBAR + 1,3% per annum	Quarterly	**650**	650
10,63% per annum	10,63% per annum	Semi-annually	**2 095**	
JIBAR + 1,12% per annum	JIBAR + 1,12% per annum	Quarterly	**244**	243
10,07% per annum	JIBAR + 1,25% per annum	Semi-annually	**963**	
JIBAR + 1,25% per annum	JIBAR + 1,45% per annum	Quarterly	**477**	
10,69% per annum	JIBAR + 1,55% per annum	Semi-annually	**895**	
JIBAR + 1,45% per annum	JIBAR + 2,00% per annum	Quarterly	**91**	
10,94% per annum	JIBAR + 2,10% per annum	Semi-annually	**674**	
JIBAR + 1,55% per annum	JIBAR + 1,30% per annum	Quarterly	**12**	
JIBAR + 2,00% per annum	10,07% per annum	Quarterly	**2 002**	
JIBAR + 2,10% per annum	10,69% per annum	Quarterly	**508**	
JIBAR + 1,30% per annum	10,94% per annum	Quarterly	**1 436**	
JIBAR + 1,55% per annum	JIBAR + 1,55% per annum	Quarterly	**480**	
			18	15
Zero coupon			**18**	15
			44 977	35 634

33 CASHFLOW INFORMATION

33.1 Reconciliation of profit from operations to cash generated by operations

	2015 Rm	2014 Rm
Profit from operations	**11 039**	10 822
Adjusted for:		
– Depreciation (note 8)	**969**	906
– Amortisation: computer software and intangible assets (note 8)	**705**	644
– Movement in impairment of loans and advances	**5 742**	5 407
– Net income on investment banking assets	**(10)**	(11)
– Net impairment of property and equipment, and intangible assets (note 10)	**118**	96
– Net loss on sale of property and equipment (note 10)	**26**	
– Indirect taxation (note 9)	**668**	522
Cash generated by operations	**19 257**	18 386

33.2 Cash received from clients

	2015 Rm	2014 Rm
Interest and similar income (note 5)	**55 128**	50 075
Commission and fees (note 7)	**13 404**	12 591
Net trading income (note 7)	**2 783**	2 394
Other income	**1 287**	1 160
	72 602	66 220

33.3 Cash paid to clients, employees and suppliers

	2015 Rm	2014 Rm
Interest expense and similar charges (note 6)	**(32 724)**	(28 322)
Staff costs (note 8)	**(12 893)**	(12 550)
Other operating expenses	**(8 892)**	(7 931)
	(54 509)	(48 803)

33.4 Increase in operating assets

	2015 Rm	2014 Rm
Other short-term securities	**(3 756)**	(21 318)
Government and other securities	**(15 905)**	4 451
Loans and advances and other operating assets	**(83 282)**	(47 198)
	(102 943)	(64 065)

	2015 Rm	2014 Rm
33.5 Increase in operating liabilities		
Current and savings accounts	**5 290**	6 487
Other deposits, loan accounts and foreign currency liabilities	**54 430**	60 038
Negotiable certificates of deposit	**10 745**	(17 724)
Deposits received under repurchase agreements	**2 948**	325
Creditors and other liabilities	**20 022**	(1 685)
	93 435	47 441
33.6 Taxation paid		
Amounts receivable at the beginning of the year	**201**	327
Statement of comprehensive income charge (excluding deferred taxation)	**(2 828)**	(3 074)
Other taxation received	**341**	7
Amounts receivable at the end of the year	**(817)**	(201)
	(3 103)	(2 941)
Total indirect taxation (note 9)	**(668)**	(522)
Taxation paid	**(3 771)**	(3 463)
33.7 Dividends paid		
Recognised in the consolidated statement of changes in shareholders' equity	**(5 200)**	(3 400)

34 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS

	Notes	Total Rm	At fair value through profit or loss: Held for trading Rm	At fair value through profit or loss: Designated[1] Rm
2015				
Assets				
Cash and cash equivalents	14	**18 151**		
Other short-term securities	15	**60 078**	**9 346**	**17 869**
Derivative financial instruments	16	**30 948**	**30 948**	
Government and other securities	17	**42 733**	**9 614**	**11 305**
Loans and advances	18	**666 807**	**32 120**	**63 084**
Other assets	20	**3 925**	**12**	
Current taxation assets		**904**		
Investment securities	21	**1 648**		**1 631**
Non-current assets held for sale	23	**2**		
Investments in private-equity associates, associate companies and joint arrangements	22	**1 400**		**1 154**
Deferred taxation assets	24	**67**		
Property and equipment	26	**8 114**		
Long-term employee benefit assets	27	**4 885**		
Mandatory reserve deposits with central bank	14	**16 190**		
Intangible assets	28	**4 881**		
Total assets		**860 733**	**82 040**	**95 043**
Equity and liabilities				
Ordinary share capital	29.1	**28**		
Ordinary share premium		**18 532**		
Reserves		**37 610**		
Total equity attributable to equity holders of the parent		**56 170**		
Preference share capital and premium	29.2	**3 561**		
Non-controlling interest attributable to:				
– Ordinary shareholders		**223**		
Total equity		**59 954**		
Derivative financial instruments	16	**33 996**	**33 996**	
Amounts owed to depositors	30	**708 036**	**104 503**	**64 993**
Provisions and other liabilities	31	**9 911**	**2 910**	**50**
Current taxation liabilities		**87**		
Deferred taxation liabilities	24	**763**		
Long-term employee benefit liabilities	27	**3 009**		
Long-term debt instruments	32	**44 977**		**401**
Total liabilities		**800 779**	**141 409**	**65 444**
Total equity and liabilities		**860 733**	**141 409**	**65 444**

Available-for-sale financial assets Rm	Held-to-maturity investments Rm	Loans and receivables Rm	Financial liabilities at amortised cost Rm	Non-financial assets, liabilities and equity Rm
		18 151		
	32 863			
3 007	18 807			
		571 603		
		3 913		
				904
17				
				2
				246
				67
				8 114
				4 885
		16 190		
				4 881
3 024	51 670	609 857		19 099
				28
				18 532
				37 610
				56 170
				3 561
				223
				59 954
			538 540	
			6 020	931
				87
				763
				3 009
			44 576	
			589 136	4 790
			589 136	64 744

34 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

			At fair value through profit or loss	
	Notes	Total Rm	Held for trading Rm	Designated[1] Rm
2014				
Assets				
Cash and cash equivalents	14	10 757		
Other short-term securities	15	56 322	8 447	15 282
Derivative financial instruments	16	15 644	15 644	
Government and other securities[2]	17	26 828	5 229	8 603
Loans and advances	18	603 329	26 306	58 431
Other assets	20	5 393	18	383
Current taxation assets		236		
Investment securities	21	2 369		2 352
Non-current assets held for sale	23	16		
Investments in private-equity associates, associate companies and joint arrangements	22	1 158		898
Deferred taxation assets	24	165		
Property and equipment	26	7 459		
Long-term employee benefit assets	27	4 409		
Mandatory reserve deposits with central bank	14	14 843		
Intangible assets	28	4 516		
Total assets		753 444	55 644	85 949
Equity and liabilities				
Ordinary share capital	29.1	27		
Ordinary share premium		17 422		
Reserves		34 787		
Total equity attributable to equity holders of the parent		52 236	–	–
Preference share capital and premium	29.2	3 561		
Non-controlling interest attributable to:				
– Ordinary shareholders		183		
Total equity		55 980	–	–
Derivative financial instruments	16	15 479	15 479	
Amounts owed to depositors	30	634 623	77 201	39 437
Provisions and other liabilities[3]	31	8 404	902	
Current taxation liabilities		35		
Deferred taxation liabilities	24	287		
Long-term employee benefit liabilities	27	3 002		
Long-term debt instruments	32	35 634		2 040
Total liabilities		697 464	93 582	41 477
Total equity and liabilities		753 444	93 582	41 477

[1] *Refer to note 35 in respect of financial instruments designated as at fair value through profit or loss.*

[2] *Floating rate notes of R1 097m were included in the prior year as loans and receivables, whereas these instruments are classified as available for sale. Accordingly, the loans and receivables and available-for-sale categories have been restated.*

[3] *R969m of provisions and other liabilities were previously included in the financial liabilities at amortised cost category within the categories of financial instruments. However, these balances are not within the scope of the IAS 39 categories of financial instruments. Therefore, this amount has been presented under non-financial assets, liabilities and equity and the comparative information has been restated to align with current year presentation.*

	Available-for-sale financial assets Rm	Held-to-maturity investments Rm	Loans and receivables Rm	Financial liabilities at amortised cost Rm	Non-financial assets, liabilities and equity Rm
			10 757		
		32 593			
	3 751	9 245			
			518 592		
			4 992		
					236
	17				
					16
					260
					165
					7 459
					4 409
			14 843		
					4 516
	3 768	41 838	549 184	–	17 061
					27
					17 422
					34 787
	–	–	–		52 236
					3 561
					183
	–	–	–	–	55 980
				517 985	
				6 533	969
					35
					287
					3 002
				33 594	
	–	–	–	558 112	4 293
	–	–	–	558 112	60 273

35 FAIR-VALUE MEASUREMENT– FINANCIAL INSTRUMENTS

35.1 Valuation of financial instruments

Background

Information obtained from the valuation of financial instruments is used by the group to assess the performance of the business and, in particular, provide assurance that the risk and return measures that the business has taken are accurate and complete. It is important that the valuation of financial instruments accurately represent the financial position of the group while complying with the requirements of the applicable accounting standards.

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

Control environment

Validation and approval

The business unit entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are normalised review protocols for the independent review and validation of fair values separate from the business unit entering into the transaction. These include, but are not limited to:

- daily controls over the profit or loss recorded by trading and treasury frontoffice traders;
- specific controls to ensure consistent pricing policies and procedures are adhered to;
- independent valuation of structures, products and trades; and
- periodic review of all elements of the modelling process.

The validation of pricing and valuation methodologies is verified by a specialist team that is part of the group's risk management function and that is independent of all the business units. A specific area of focus is the marking-to-model of illiquid and/or complex financial instruments.

The review of the modelling process includes approval of model revisions, vetting of model inputs, review of model results and more specifically the verification of risk calculations. All valuation techniques are validated and reviewed by qualified senior staff and are calibrated and back-tested for validity by using prices from any observable current market transaction in the same instrument (ie without modification or repackaging) or based on any observable market data. The group obtains market data consistently in the same market where the instrument was originated or purchased.

If the fair-value calculation deviates from the quoted market value due to inaccurate observed market data, these deviations in the valuation are documented and presented at a review committee, which is independent of both the business unit and the specialist team, for approval. The committee will need to consider both the regulatory and accounting requirements in arriving at an opinion on whether the deviation is acceptable.

The group refines and modifies its valuation techniques as markets and products develop and as the pricing for individual products becomes more or less readily available. While the group believes its valuation techniques are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions may result in different estimates of fair value at the different reporting dates.

Stress testing and sensitivity measures

Comprehensive stress testing is conducted by the group, in which the following, at a minimum, are considered:

- anticipated future projected trading positions;
- historical events;
- scenario testing to evaluate plausible future events; and
- specific testing to supplement the value at risk (VaR) methodology (ie one-day holding period and 99% confidence interval).

For further discussion in respect of stress testing and sensitivity measures refer to note 35.6.

Valuation methodologies

The objective of a fair-value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. A fair-value measurement includes, but is not limited to, consideration of the following:

- the particular asset or liability that is being measured (consistently with its unit of account);
- the principal (or most advantageous) market for the asset or liability; and
- the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair-value hierarchy within which the inputs are categorised.

Quoted price

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The appropriate quoted market price for an asset held or a liability to be issued is usually the current bid price and, for an asset to be acquired or a liability held, the asking price.

The objective of determining fair value is to arrive at the transaction price of an instrument on the measurement date (ie without modifying or repackaging the instrument) in the principal (or most advantageous) active market to which the business has immediate access.

The existence of published price quotations in an active market is the most reliable evidence of fair value and, when they exist, they are used without adjustment to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

These quoted prices would generally be classified as level 1 in terms of the fair-value hierarchy prescribed by IFRS 13 Fair Value Measurement.

Valuation techniques

If the market for a financial instrument is not active, the group establishes fair value by using various valuation techniques. These valuation techniques may include:

- using recent arm's length market transactions between knowledgeable, willing parties;
- reference to the current fair value of another instrument that is substantially of the same in nature;
- reference to the value of the net asset of the underlying business;
- earnings multiples;
- discounted-cashflow analysis; and
- various option pricing models.

If there is a valuation technique that is commonly used by market participants to price the financial instrument and that technique has been demonstrated to provide reasonable estimates of prices obtained in actual market transactions, the group will use that technique. In applying valuation techniques, and to the extent possible, the group maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange and motivated by normal business considerations. In applying valuation techniques, the group uses estimates and assumptions that are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instrument.

Fair value is therefore estimated on the basis of the results of a valuation technique that makes maximum use of market inputs and relies as little as possible on entity-specific inputs. A valuation technique would be expected to arrive at a realistic estimate of the fair value if:

- it reasonably reflects how the market could be expected to price the instrument; and
- the inputs to the valuation technique reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Therefore, a valuation technique:

- will incorporate all relevant factors that market participants would consider in determining a price; and
- is consistent with accepted economic methodologies for pricing financial instruments.

If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the various component parts.

If a rate (rather than a price) is quoted in an active market, the group uses that market-quoted rate as an input into a valuation technique to determine fair value. If the market-quoted rate does not include credit risk or other factors that market participants would include in valuing the instrument, the group adjusts for these factors.

Valuation techniques applied by the group would generally be classified as level 2 or level 3 in terms of the fair-value hierarchy prescribed by IFRS 13 Fair Value Measurement. The determination of whether an instrument is classified as level 2 or level 3 is dependent on the significance of observable inputs versus unobservable inputs in relation to the fair value of the instrument.

Observable markets

Quoted market prices in active markets are the best evidence of fair value and are used as the basis of measurement, if available. A determination of what constitutes 'observable market data' will necessitate significant judgement. It is the group's belief that 'observable market data' comprises, in the following hierarchical order:

- prices or quotes from an exchange or listed markets in which there are sufficient liquidity and activity;
- proxy observable market data that is proven to be highly correlated and has a logical, economic relationship with the instrument that is being valued; and
- other direct and indirect market inputs that are observable in the marketplace.

Data is considered by the group to be 'observable' if the data is:

- verifiable;
- readily available;
- regularly distributed;
- from multiple independent sources;
- transparent; and
- not proprietary.

Data is considered by the group to be 'market-based' if the data is:

- reliable;
- based on consensus within reasonable narrow, observable ranges;
- provided by sources that are actively involved in the relevant market; and
- supported by actual market transactions.

It is not intended to imply that all of the above characteristics must be present to conclude that the evidence qualifies as observable market data. Judgement is applied based on the strength and quality of the available evidence.

35 FAIR-VALUE MEASUREMENT– FINANCIAL INSTRUMENTS (continued)

Inputs to valuation techniques

An appropriate valuation technique for estimating the fair value of a particular financial instrument would incorporate observable market data about the market conditions and other factors that are likely to affect the instrument's fair value. Inputs are selected on a basis that is consistent with the characteristics of the instrument that market participants would take into account in a transaction for that instrument. Principal inputs to valuation techniques applied by the group include, but are not limited to, the following:

- *Discount rate*
  Where discounted-cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate used is a market rate at the reporting date for an instrument with similar terms and conditions.
- The time value of money: The business may use well-accepted and readily observable general interest rates, such as the Johannesburg Interbank Agreed Rate (SA), London Interbank Offered Rate (UK) or an appropriate swap rate, as the benchmark rate to derive the present value of a future cashflow.
- Credit risk: Credit risk is the risk of loss associated with a counterparty's failure or inability to fulfil its contractual obligations. The valuation of the relevant financial instrument takes into account the effect of credit risk on fair value by including an appropriate adjustment for the risk taken.
- Foreign currency exchange prices: Active currency exchange markets exist for most major currencies, and prices are quoted daily on various trading platforms and in financial publications.
- Commodity prices: Observable market prices are available for those commodities that are actively traded on exchanges in SA, London, New York, Chicago and other commercial exchanges.
- Equity prices: Prices (and indices of prices) of traded equity instruments are readily observable on the JSE Ltd or any other recognised international exchange. Present value techniques may be used to estimate the current market price of equity instruments for which there are no observable prices.
- Volatility: Measures of the volatility of actively traded items can be reasonably estimated by the implied volatility in current market prices. The shape and skew of the volatility curve is derived from a combination of observed trades and doubles in the market. In the absence of an active market, a methodology to derive these volatilities from observable market data will be developed and utilised.
- Recovery rates/Loss given default: These are used as an input to valuation models as an indicator of the severity of losses on default. Recovery rates are primarily sourced from market data providers or inferred from observable credit spreads.
- Prepayment risk and surrender risk: Expected repayment patterns for financial assets and expected surrender patterns for financial liabilities can be estimated on the basis of historical data.
- Servicing costs: If the cost of servicing a financial asset or financial liability is significant and other market participants would face comparable costs, the issuer would consider them in determining the fair value of that financial asset or financial liability.
- Dividends: Consistent consensus dividend forecasts adjusted for internal investment analysts' projections can be applied to each share. Forecasts are usually available for the current year plus one additional year. Thereafter, a constant growth rate would be applied to the specific dates into the future for each individual share.
- Inception profit (day-one gain or loss): The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (ie the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie without modification or repackaging) or based on a valuation technique, the variables of which include data from observable markets only.

Valuation adjustments

To estimate a reliable fair value, where appropriate, the group applies certain valuation adjustments to the pricing information derived from the above sources. In making appropriate adjustments, the group considers certain adjustments to the modelled price that market participants would make when pricing that instrument. Factors that would be considered include, but are not limited to, the following:

- Own credit on financial liabilities: The carrying amount of financial liabilities held at fair value is adjusted to reflect the effect of changes in the group's own credit spreads. As a result, the carrying value of issued bonds and subordinated-debt instruments that have been designated at fair value through profit or loss is adjusted by reference to the movement in the appropriate spreads. The resulting gain or loss is recognised in profit and loss in the statement of other comprehensive income.
- Counterparty credit spreads: Adjustments are made to market prices when the creditworthiness of the counterparty differs from that of the assumed counterparty in the market price (or parameter).

Valuation techniques by instrument

Other short-term securities and government and other securities

The fair value of these instruments is based on quoted market prices from an exchange dealer, broker, industry group or pricing service, when available. When they are unavailable, the fair value is determined by reference to quoted market prices for similar instruments, adjusted as appropriate for the specific circumstances of the instruments.

Where these instruments include corporate bonds, the bonds are valued using observable active quoted prices or recently executed transactions, except where observable price quotations are not available. Where price quotations are not available, the fair value is determined based on cashflow models, where significant inputs may include yield curves and bond or single-name credit default swap spreads.

Derivative financial instruments

Derivative contracts can either be traded via an exchange or OTC and are valued using market standard models and quoted parameter inputs. Parameter inputs are obtained from pricing services, consensus pricing services and recently occurring transactions in active markets, whenever possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures. Other inputs are not observable, but can generally be estimated from historical data or other sources.

Loans and advances

Loans and advances include mortgage loans (home loans and commercial mortgages), other asset-based loans, including collaterised debt obligations, and other secured and unsecured loans.

In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable inputs. These models involve discounting the contractual cashflows by using an at-inception credit-adjusted zero-coupon curve. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance.

Investment securities

Investment securities include private equity investments, listed investments and unlisted investments.

The fair value of listed investments is determined with reference to quoted bid prices at the close of business on the relevant securities exchange.

Where private-equity investments are involved, the exercise of judgement is required due to uncertainties inherent in estimating the fair value. The fair value of private equity is determined using appropriate valuation methodologies that, dependent on the nature of the investment, may include an analysis of the investee's financial position and results, risk profiles and prospects, discounted-cashflow analysis, enterprise value comparisons with similar companies, price/earnings comparisons and earnings multiples. For each investment the relevant methodology is applied consistently over time and may be adjusted for changes in market conditions relative to that instrument.

The fair value of unlisted investments is determined using appropriate valuation techniques that may include, but are not limited to, discounted-cashflow analysis, net asset value calculations and directors' valuations.

Other assets

Short positions or long positions in equities arise in trading activities where equity shares, not owned by the group, are sold in the market to third parties. The fair value of these instruments is determined by reference to the gross short/long position valued at the offer rate.

Investments in instruments that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured, as well as derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are measured at fair value using models considered to be appropriate by management.

Amounts owed to depositors

Amounts owed to depositors include deposits under repurchase agreements, negotiable certificates of deposit and other deposits. These instruments incorporate all market risk factors, including a measure of the group's credit risk relevant for that financial liability when designated at fair value through profit or loss.

The fair value of these financial liabilities is determined by discounting the contractual cashflows using a Nedbank Ltd-specific credit-adjusted yield curve that reflects the level at which the group would issue similar instruments at the reporting date. The market risk parameters are valued consistently to similar instruments held as assets.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. When the fair value of a financial liability cannot be reliably determined, the liability is recorded at the amount due. Fair value is considered reliably measurable if:

- the variability in the range of reasonable fair-value estimates is not significant for that instrument; or
- the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

Investment contract liabilities

The fair value of investment contract liabilities is determined by reference to the fair value of the underlying assets.

Long-term debt instruments

The fair value of long-term debt instruments is determined by reference to published market values on the relevant exchange, when they are:

- available; and
- considered to be trading with sufficient volume and frequency.

When the above conditions are not met, the fair value is determined using models considered to be appropriate by management. As far as possible, inputs to these models will leverage observable inputs for similar instruments with similar coupons and maturities.

Complex instruments

These instruments are valued by using internally developed models that are specific to the instrument and that have been calibrated to market prices. In less active markets data is obtained from less frequent market transaction and broker quotes, and through extrapolation and interpolation techniques. Where observable prices or inputs are not available, other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions are used. These models are continually reviewed and assessed to ensure that the best available data is being utilised in the determination of fair value.

Other liabilities

Short positions or long positions in equities arise in trading activities where equity shares, not owned by the group, are sold in the market to third parties. The fair value of these instruments is determined by reference to the gross short/long position valued at the offer rate.

Where the group has assets and liabilities with offsetting market risks, it may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position, as appropriate.

35 FAIR-VALUE MEASUREMENT– FINANCIAL INSTRUMENTS (continued)

Summary of principal valuation techniques – level 2 instruments

The following table sets out the group's principal valuation techniques used in determining the fair value of financial assets and financial liabilities classified as level 2 in the fair-value hierarchy:

Assets	Valuation technique	Key inputs
Other short-term securities	Discounted-cashflow model	Discount rates
Derivative financial instruments	Discounted-cashflow model	Discount rates
	Black-Scholes model	Riskfree rate and volatilities
	Multiple valuation techniques	Valuation multiples
Government and other securities	Discounted-cashflow model	Discount rates
Loans and advances	Discounted-cashflow model	Interest rate curves
Investment securities	Discounted-cashflow model	Money market rates and interest rates
	Adjusted net asset value	Underlying price of market traded instruments
	Dividend yield method	Dividend growth rates
Liabilities		
Derivative financial instruments	Discounted-cashflow model	Discount rates
	Black-Scholes model	Riskfree rate and volatilities
	Multiple valuation techniques	Valuation multiples
Amounts owed to depositors	Discounted-cashflow model	Discount rates
Provisions and other liabilities	Discounted-cashflow model	Discount rates
Long-term debt instruments	Discounted-cashflow model	Discount rates

Summary of principal valuation techniques – level 3 instruments

The summary of the valuation techniques applicable to those financial assets and financial liabilities classified as level 3 in the fair-value hierarchy appears in note 35.7.

35.2 Fair-value hierarchy

35.2.1 Financial assets

Rm	Note	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	Held for trading			Designated at fair value through profit or loss			Available for sale		
					Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
2015		841 634	661 527	180 107	7 587	74 435	18	4 182	88 984	1 877	-	3 024	-
Cash and cash equivalents	14	34 341	34 341	-									
Other short-term securities	15	60 078	32 863	27 215		9 346			17 869				
Derivative financial instruments	16	30 948		30 948	86	30 844	18						
Government and other securities	17	42 733	18 807	23 926	7 489	2 125		3 750	7 555			3 007	
Loans and advances	18	666 807	571 603	95 204		32 120			63 051	33			
Other assets	20	3 925	3 913	12	12								
Investments in private-equity associates, associate companies and joint arrangements	22	1 154		1 154						1 154			
Investment securities	21	1 648		1 648				432	509	690		17	

Rm	Note	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	Held for trading			Designated at fair value through profit or loss			Available for sale		
					Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
2014		736 383	591 022	145 361	4 618	51 026	–	4 550	79 668	1 731	2 381	1 387	
Cash and cash equivalents	14	25 600	25 600										
Other short-term securities	15	56 322	32 593	23 729		8 447		459	14 823				
Derivative financial instruments	16	15 644		15 644	10	15 634							
Government and other securities[1]	17	26 828	9 245	17 583	4 590	639		3 084	5 519		2 381	1 370	
Loans and advances	18	603 329	518 592	84 737		26 306			58 398	33			
Other assets	20	5 393	4 992	401	18			383					
Investments in private-equity associates, associate companies and joint arrangements	22	898		898						898			
Investment securities	21	2 369		2 369				624	928	800		17	

[1] *Floating rate notes of R1 097m were included in the prior year as loans and receivables, whereas these instruments are classified as available for sale. Accordingly, the loans and receivables and available-for-sale categories have been restated.*

Summary of fair-value hierarchies **Rm**	Total financial assets recognised at fair value		Total financial assets classified as level 1		Total financial assets classified as level 2		Total financial assets classified as level 3	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Other short-term securities	**27 215**	23 729		459	**27 215**	23 270		
Derivative financial instruments	**30 948**	15 644	**86**	10	**30 844**	15 634	**18**	
Government and other securities[1]	**23 926**	17 583	**11 239**	10 055	**12 687**	7 528		
Loans and advances	**95 204**	84 737			**95 171**	84 704	**33**	33
Other assets	**12**	401	**12**	401				
Investments in private-equity associates, associate companies and joint arrangements	**1 154**	898					**1 154**	898
Investment securities	**1 648**	2 369	**432**	624	**526**	945	**690**	800
	180 107	145 361	**11 769**	11 549	**166 443**	132 081	**1 895**	1 731

Reconciliation to categorised statement of financial position **Rm**	Held for trading		Designated at fair value through profit or loss		Available for sale	
	2015	2014	**2015**	2014	**2015**	2014
Level 1	**7 587**	4 618	**4 182**	4 550		2 381
Level 2[1]	**74 435**	51 026	**88 984**	79 668	**3 024**	1 387
Level 3	**18**		**1 877**	1 731		
	82 040	55 644	**95 043**	85 949	**3 024**	3 768

Reconciliation to statement of financial position **Rm**	Note	**2015**	2014
Total financial assets	34	**841 634**	736 383
Total non-financial assets	34	**19 099**	17 061
Total assets		**860 733**	753 444

[1] *Floating rate notes of R1 097m were included in the prior year as loans and receivables, whereas these instruments are classified as available for sale. Accordingly, the loans and receivables and available-for-sale categories have been restated.*

35 FAIR-VALUE MEASUREMENT– FINANCIAL INSTRUMENTS (continued)

35.2 Fair-value hierarchy (continued)

35.2.2 Financial liabilities

	Note	Total financial liabilities	Total financial liabilities recog- nised at amortised cost	Total financial liabilities recog- nised at fair value	Held for trading			Designated at fair value through profit or loss		
					Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
2015		**795 989**	**589 136**	**206 853**	**2 870**	**138 539**		**156**	**65 288**	
Derivative financial instruments	16	**33 996**		**33 996**	**126**	**33 870**				
Amounts owed to depositors	30	**708 036**	**538 540**	**169 496**		**104 503**			**64 993**	
Provisions and other liabilities	31	**8 980**	**6 020**	**2 960**	**2 744**	**166**			**50**	
Long-term debt instruments	32	**44 977**	**44 576**	**401**				**156**	**245**	
2014		693 171	558 112	135 059	772	92 810		575	40 902	
Derivative financial instruments	16	15 479		15 479	5	15 474				
Amounts owed to depositors	30	634 623	517 985	116 638		77 201			39 437	
Provisions and other liabilities[1]	31	7 435	6 533	902	767	135				
Long-term debt instruments	32	35 634	33 594	2 040				575	1 465	

Summary of fair-value hierarchies Rm	Total financial liabilities recognised at fair value		Total financial liabilities classified as level 1		Total financial liabilities classified as level 2		Total financial liabilities classified as level 3	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Derivative financial instruments	**33 996**	15 479	**126**	5	**33 870**	15 474		
Amounts owed to depositors	**169 496**	116 638			**169 496**	116 638		
Provisions and other liabilities[1]	**2 960**	902	**2 744**	767	**216**	135		
Long-term debt instruments	**401**	2 040	**156**	575	**245**	1 465		
	206 853	135 059	**3 026**	1 347	**203 827**	133 712		

Reconciliation to categorised statement of financial position Rm	Held for trading		Designated at fair value	
	2015	2014	**2015**	2014
Level 1	**2 870**	772	**156**	575
Level 2	**138 539**	92 810	**65 288**	40 902
Level 3				
	141 409	93 582	**65 444**	41 477

Reconciliation to statement of financial position Rm	Note	2015	2014
Total financial liabilities[1]	34	**795 989**	693 171
Total equity and non-financial liabilities[1]	34	**64 744**	60 273
Total equity and liabilities		**860 733**	753 444

[1] *R969m of provisions and other liabilities were previously included in the 'financial liabilities at amortised cost' category within the categories of financial instruments. However, these balances are not within the scope of the IAS 39 categories of financial instruments. Therefore, this amount has been presented under non-financial assets, liabilities and equity and the comparative information has been restated to align with the current-year presentation.*

The tables presented above analyse the financial assets and financial liabilities that are measured at fair value by level of fair-value hierarchy as required by IFRS 13 Fair Value Measurement. The levels of the hierarchy are defined as follows:

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

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

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

35.3 Details of changes in valuation techniques

There have been no changes to valuation techniques.

35.4 Significant transfers between level 1 and level 2

There were significant transfers between level 1 and level 2 of the fair-value hierarchy within government and other securities and other short-term securities due to changes in the level of market activity. The impacted categories are:

- Held for trading– R1 308m
- Designated– R2 397m
- Available for sale– R2 074m

In terms of the group's policy, transfers of financial instruments between levels of the fair-value hierarchy are deemed to have occurred at the end of the reporting period.

35.5 Level 3 reconciliation

Assets

Rm	**Opening balance at 1 January**	**Gains in profit for the year**	**Gains in other comprehensive income for the year**	**Purchases and issues**	**Sales and settlements**	**Transfers from level 2**	**Transfers to level 2**	**Closing balance at 31 December**
2015								
Held for trading		**18**						**18**
Derivative financial instruments		**18**						**18**
Designated as at fair value	**1 731**	**53**		**305**	**(212)**			**1 877**
Investments in private-equity associates, associate companies and joint arrangements	**898**	**89**		**304**	**(137)**			**1 154**
Loans and advances	**33**							**33**
Investment securities	**800**	**(36)**		**1**	**(75)**			**690**
Total financial assets classified as level 3	**1 731**	**71**		**305**	**(212)**			**1 895**

Rm	Opening balance at 1 January	Gains/ (losses) in profit for the year	Gains in other comprehensive income for the year	Purchases and issues	Sales and settlements	Transfers from level 2	Transfers to level 2	Closing balance at 31 December 2014
2014								
Held for trading	5				(5)			
Investment securities	5				(5)			
Designated as at fair value	1 719	250		169	(407)			1 731
Investments in private-equity associates, associate companies and joint arrangements	860	42		142	(146)			898
Loans and advances	33							33
Investment securities	826	208		27	(261)			800
Total financial assets classified as level 3	1 724	250		169	(412)			1 731

Gains and losses include, but are not limited to, fair-value gains or losses, translation gains or losses and trading gains or losses.

35.6 Unrealised gains or losses

The unrealised gains or losses arising on instruments classified as level 3 include the following:

	2015 Rm	2014 Rm
Trading income		
Private-equity gains	**71**	193
	71	193

35 FAIR-VALUE MEASUREMENT– FINANCIAL INSTRUMENTS (continued)

35.7 Effect of changes in significant unobservable assumptions to reasonable possible alternatives

The fair-value measurement of financial instruments are, in certain circumstances, measured using valuation techniques that include assumptions that are not market observable. Where these scenarios apply, the group performs stress testing on the fair value of the relevant instruments. In performing the stress testing, appropriate levels for the unobservable input parameters are chosen so that they are consistent with prevailing market evidence and in line with the group's approach to valuation control. The following information is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable input parameters and which are classified as level 3 in the fair-value hierarchy. However, the disclosure is neither predictive nor indicative of future movements in fair value.

The following table shows the effect on fair value of changes in unobservable input parameters to reasonably possible alternative assumptions:

	Valuation technique	Significant unobservable input	Variance in fair value	Amount recognised in the statement of financial position	Favourable change in value	Unfavourable change in value
			%	Rm	Rm	Rm
2015						
Assets						
Derivative financial instruments	Discounted-cashflow model, Black-Scholes model and multiple valuation techniques	Discount rates, riskfree rates, volatilities, credit spreads and valuation multiples	Between (13) and 10	**18**	**2**	**(2)**
Loans and advances	Discounted cashflows	Credit spreads and discount rates	Between (13) and 10	**33**	**3**	**(4)**
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations and dividend yields	Valuation multiples, correlations, volatilities and credit spreads	Between (13) and 10	**690**	**62**	**(77)**
Investments in private-equity associates, associate companies and joint arrangements	Discounted cashflows and earnings multiples	Valuation multiples	Between (7) and 8	**1 154**	**96**	**(108)**
Total financial assets classified as level 3				**1 895**	**163**	**(191)**
2014						
Assets						
Loans and advances	Discounted cashflows	Credit spreads and discount rates	Between (13) and 13	33	3	(4)
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations and dividend yields	Valuation multiples, correlations, volatilities and credit spreads	Between (13) and 13	800	76	(95)
Investments in private-equity associates, associate companies and joint arrangements	Discounted cashflows and earnings multiples	Valuation multiples	Between (16) and 16	898	124	(134)
Total financial assets classified as level 3				1 731	203	(233)

35.8 Assets and liabilities not measured at fair value for which fair value is disclosed

Certain financial instruments of the group are not carried at fair value, including those categorised as held to maturity, loans and receivables, and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments incorporates the group's best estimate of the value at which these financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date. The group's estimate of what fair value is does not necessarily represent what it would be able to sell the asset for or transfer the respective financial liability for in an involuntary liquidation or distressed sale.

The fair values of these respective financial instruments at the reporting date detailed below are estimated only for the purpose of IFRS disclosure, as follows:

Rm	Carrying Value	Fair value	Level 1	Level 2	Level 3
2015					
Financial assets	**623 273**	**618 012**	**17 415**	**32 709**	**567 888**
Other short-term securities	**32 863**	**32 709**		**32 709**	
Government and other securities	**18 807**	**17 415**	**17 415**		
Loans and advances	**571 603**	**567 888**			**567 888**
Financial liabilities	**44 576**	**42 933**	**24 269**	**18 664**	
Long-term debt instruments	**44 576**	**42 933**	**24 269**	**18 664**	
2014					
Financial assets	560 430	560 043	9 338	32 580	518 125
Other short-term securities	32 593	32 580		32 580	
Government and other securities	9 245	9 338	9 338		
Loans and advances	518 592	518 125			518 125
Financial liabilities	33 594	33 554	23 385	10 169	
Long-term debt instruments	33 594	33 554	23 385	10 169	

Loans and advances

Loans and advances, recognised in note 18, that are not recognised at fair value principally comprise variable-rate financial assets. The interest rates on these variable-rate financial assets are adjusted when the applicable benchmark interest rate changes.

Loans and advances are not actively traded in most markets and it is therefore not possible to determine the fair value of these loans and advances using observable market prices and market inputs. Due to the unique characteristics of the loans and advances portfolio and the fact that there have been no recent transactions involving the disposals of such loans and advances, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The group is not currently in the position of a forced sale of such underlying loans and advances, and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

For specifically impaired loans and advances, the carrying value as determined after consideration of the group's IAS 39 credit impairments is considered the best estimate of fair value.

The group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cashflows per product type. Future cashflows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Methodologies and models are updated on a continuous basis for changes in assumptions, forecasts and modelling techniques. Future forecasts of the group's probability of default (PDs) and loss given defaults (LGDs) for periods 2016 to 2018 (2014: for periods 2015 to 2017) are based on the latest available internal data and is applied to the first three years' projected cashflows. Thereafter, PDs and LGDs are gradually reverted to their long-run averages and are applied to the remaining projected cashflows. Inputs into the model include various assumptions utilised in the pricing of loans and advances. The determination of such inputs is highly subjective and therefore any change to one or more of the assumptions may result in a significant change in the determination of the fair value of loans and advances.

Government and other securities

The fair value of government and other securities is determined based on available market prices (level 1) or discounted-cashflow analysis (level 2), where an instrument is not quoted or the market is considered to be inactive. See note 17 for further detail.

Other short-term securities

The fair value of other short-term securities is determined using a discounted-cashflow analysis (level 2). See note 15 for further detail.

Long-term debt instruments

The fair value of long-term debt instruments is determined based on available market prices (level 1) or discounted-cashflow analysis (level 2) where an instrument is not quoted or the market is considered to be inactive.

Amounts owed to depositors

The amounts owed to depositors principally comprise of variable-rate liabilities. The carrying value of the amounts owed to depositors approximates fair value because the instruments reprice to current market rates at frequent intervals. In addition, a significant portion of the balance is callable or is short term in nature.

Cash and cash equivalents, other assets, mandatory deposits with central banks, and provisions and other liabilities

The carrying values of cash and cash equivalents, other assets, mandatory deposits with central banks and provisions and other liabilities are considered a reasonable approximation of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals.

36 FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

The group has satisfied the criteria for designation of financial instruments as at fair value through profit or loss in terms of the accounting policies.

Various fixed-rate advances and liabilities are entered into by the group. The overall interest rate risk of the group is economically hedged by way of interest rate swaps and managed by the Group ALCO. The interest rate risk is then traded to the market through the central trading desk.

The swaps and frontdesk trading instruments meet the definition of 'derivatives', and are measured at fair value in terms of IAS 39. Fixed-rate advances and liabilities, however, do not meet this definition. Therefore, to avoid any accounting mismatch of holding the advances at amortised cost and the hedging instruments at fair value, the advances and liabilities are designated as at fair value through profit or loss and are held at fair value.

Various instruments are designated as at fair value through profit or loss, which is consistent with the group's documented risk management or investment strategy. The fair value of the instruments is managed and reviewed on a regular basis by the risk/investment functions of the group. The risk of the portfolio is measured and monitored on a fair-value basis.

36.1 Financial assets designated as at fair value through profit or loss

	Maximum exposure to credit risk		Change in fair value due to change in credit risk[1]			
			Current period		Cumulative	
Rm	**2015**	2014	**2015**	2014	**2015**	2014
Negotiable certificates of deposit	**913**					
Treasury bills and other bonds	**16 956**	15 282				
Government-guaranteed	**1 265**	2 794				
Other dated securities	**10 041**	5 809				
Mortgage loans	**18 007**	20 785	**2**	2		(2)
Net finance lease and instalment debtors	**18 434**	19 030				
Leases and debentures	**82**	44				
Preference shares	**1 663**	2 012				
Loans and advances (secured and unsecured)	**5 558**	5 588				
Foreign client lending	**8 993**	3 990				
Other loans	**10 345**	6 982				
Debtors and accruals		383				
Private-equity associates, associate companies and joint arrangements	**1 155**	898				
Listed investments	**432**	624				
Unlisted investments	**1 199**	1 728				
	95 043	85 949	**2**	2		(2)

[1] *Positive amounts represent gains, while negative amounts represent losses. See note 19.1.*

Nedbank Ltd has estimated the change in credit risk as being the amount arising from the change in fair value of the financial instrument that is not attributable to changes in market conditions that give rise to market risk. Individual credit spreads for loans or receivables that have been designated as at fair value through profit or loss are determined at inception of the deal. The credit spread is calculated as the difference between the benchmark interest rate and the interest rate charged to the client. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value in the financial instrument. Loans and advances are reviewed for observable changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated as at fair value through profit or loss.

A breakdown of the financial assets that are designated as at fair value through profit or loss can be found in note 34. A detailed explanation of how each financial asset is valued can be found in note 35.

36.2 Financial liabilities designated as at fair value through profit or loss

Rm	Fair value	Contractually payable at maturity	Change in fair value due to change in credit risk[1] Current period	Cumulative
2015				
Long-term debt instruments	**401**	**409**		
Call and term deposits	**31 221**	**31 291**	**(36)**	**(54)**
Foreign currency liabilities	**9 527**	**9 527**		
Provisions and other liabilities	**50**			
Negotiable certificates of deposit	**24 245**	**24 369**	**(54)**	**(103)**
	65 444	**65 596**	**(90)**	**(157)**
2014				
Long-term debt instruments	2 040	1 909	38	48
Call and term deposits	20 964	20 955	(16)	(39)
Foreign currency liabilities	8 060	8 061		
Negotiable certificates of deposit	10 413	10 408	(16)	(54)
	41 477	41 333	6	(45)

[1] *Positive amounts represent losses, while negative amounts represent gains.*

The change in fair value due to credit risk has been determined as the difference between fair values determined using a credit-adjusted liability curve and a riskfree liability curve.

The curves are constructed using a standard 'bootstrapping' process to derive a zero-coupon yield curve. The credit-adjusted curve was based on offer rates of negotiable certificates of deposit and promissory notes with maturity periods of up to five years, and thereafter the offer rates of issued Nedbank Ltd bonds are applied.

37 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with the requirements of IFRS 7 Financial Instruments: Disclosures, the table below sets out the impact of:

- recognised financial instruments that are set off in the statement of financial position in accordance with the requirements of IAS 32 Financial Instruments: Presentation; and
- financial instruments that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions that did not qualify for presentation on a net basis.

The group reports financial assets and financial liabilities on a net basis in the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Certain master netting arrangements may not meet the criteria for offsetting in the statement of financial position because:

- these agreements create a right of setoff that is enforceable only following an event of default, insolvency or bankruptcy; and
- the group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Master netting arrangements and similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.
Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

37 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Rm	Effects of netting on the statement of financial position: Gross amounts	Effects of netting on the statement of financial position: Amounts set off in the statement of financial position in accordance with IAS 32	Effects of netting on the statement of financial position: Net amounts included in the statement of financial position[1]	Related amounts not set off in the statement of financial position: Amounts that may be netted on the occurrence of a future event	Related amounts not set off in the statement of financial position: Financial collateral	Related amounts not set off in the statement of financial position: Net amounts reflecting the effect of master netting arrangements	Amounts not subject to IFRS 7 offsetting disclosure[2]	Total amounts recognised in the statement of financial position
2015								
Derivative financial instruments	**(5 182)**	**2 291**	**(2 891)**	**1 035**		**(1 856)**	**(157)**	**(3 048)**
Assets			**30 055**				**893**	**30 948**
Liabilities			**(32 946)**				**(1 050)**	**(33 996)**
Assets excluding derivative financial instruments	**3 939**	**(1 551)**	**2 388**			**2 388**	**664 419**	**666 807**
Loans and advances	**3 939**	**(1 551)**	**2 388**			**2 388**	**664 419**	**666 807**
Liabilities excluding derivative financial instruments	**(95 413)**	**36 296**	**(59 117)**			**(59 117)**	**(648 919)**	**(708 036)**
Amounts owed to depositors	**(95 413)**	**36 296**	**(59 117)**			**(59 117)**	**(648 919)**	**(708 036)**

Rm	Effects of netting on the statement of financial position: Gross amounts	Effects of netting on the statement of financial position: Amounts set off in the statement of financial position in accordance with IAS 32	Effects of netting on the statement of financial position: Net amounts included in the statement of financial position[1]	Related amounts not set off in the statement of financial position: Amounts that may be netted on the occurrence of a future event	Related amounts not set off in the statement of financial position: Financial collateral	Related amounts not set off in the statement of financial position: Net amounts reflecting the effect of master netting arrangements	Amounts not subject to IFRS 7 offsetting disclosure[2]	Total amounts recognised in the statement of financial position
2014								
Derivative financial instruments	(2 812)	2 787	(25)	25			190	165
Assets			15 395				249	15 644
Liabilities			(15 420)				(59)	(15 479)
Assets excluding derivative financial instruments	5 386	(2 874)	2 512			2 512	600 817	603 329
Loans and advances	5386	(2 874)	2 512			2 512	600 817	603 329
Liabilities excluding derivative financial instruments	(88 695)	29 516	(59 179)			(59 179)	(575 444)	(634 623)
Amounts owed to depositors	(88 695)	29516	(59 179)			(59 179)	(575 444)	(634 623)

[1] *Includes the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to master netting agreements but where no offsetting has been applied. Excludes financial instruments that are neither subject to setoff nor master netting agreements.*

[2] *Includes financial instruments that are neither subject to setoff nor master netting agreements.*

38 CREDIT ANALYSIS OF OTHER SHORT-TERM SECURITIES, AND GOVERNMENT AND OTHER SECURITIES

Credit ratings

	Investment grade		Subinvestment grade		Not rated		Total	
Rm	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Other short-term securities	**58 880**	54 895	**1 071**	1 333	**127**	94	**60 078**	56 322
Negotiable certificates of deposit	**8 717**	7 213		64			**8 717**	7 277
Treasury bills and other	**50 163**	47 682	**1 071**	1 269	**127**	94	**51 361**	49 045
Government and other securities	**35 133**	25 138	**3 761**	1 294	**3 839**	396	**42 733**	26 828
Government and government-guaranteed securities	**25 738**	13 220	**660**	600		19	**26 398**	13 839
Other dated securities	**9 395**	11 918	**3 101**	694	**3 839**	377	**16 335**	12 989
	94 013	80 033	**4 832**	2 627	**3 966**	490	**102 811**	83 150

All debt securities that are purchased by the group are rated using an internal rating system, being the Nedbank Group Rating (NGR) scale. The group requires that all investments be rated using the NGR scale to ensure that credit risk is measured consistently and accurately across the group. This ensures compliance with the group's policy on the rating of investments. The NGR scale has been mapped to the Standard & Poor's credit rating system. According to the NGR scale investment grade can be equated to a Standard & Poor's rating of above BBB-. All government and other short-term securities are current and not impaired. Investment grade includes credit ratings from NGR01 to NGR11 and subinvestment grade includes credit ratings from NGR12 to NGR25.

39 LIQUIDITY GAP

Rm	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non-determined	Total
2015							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	**32 529**	**1 812**					**34 341**
Other short-term securities	**22 047**	**12 712**	**18 055**	**7 264**			**60 078**
Derivative financial instruments	**8 795**	**3 336**	**2 415**	**7 379**	**9 023**		**30 948**
Government and other securities	**1 091**	**1 688**	**7 481**	**17 172**	**15 301**		**42 733**
Loans and advances	**155 029**	**27 290**	**48 309**	**259 479**	**176 700**		**666 807**
Other assets						**25 826**	**25 826**
	219 491	**46 838**	**76 260**	**291 294**	**201 024**	**25 826**	**860 733**
Total equity						**59 954**	**59 954**
Derivative financial instruments	**7 998**	**2 882**	**2 582**	**7 593**	**12 941**		**33 996**
Amounts owed to depositors	**511 986**	**56 433**	**58 386**	**70 542**	**10 689**		**708 036**
Provisions and other liabilities						**13 770**	**13 770**
Long-term debt instruments	**5 252**		**3 923**	**19 805**	**15 997**		**44 977**
	525 236	**59 315**	**64 891**	**97 940**	**39 627**	**73 724**	**860 733**
Net liquidity gap	**(305 745)**	**(12 477)**	**11 369**	**193 354**	**161 397**	**(47 898)**	**–**
2014							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	25 280	220	100				25 600
Other short-term securities	24 408	13 593	15 974	2 347			56 322
Derivative financial instruments	2 746	555	1 181	5 199	5 963		15 644
Government and other securities	550	290	3 855	16 609	5 524		26 828
Loans and advances	127 412	21 759	39 889	255 399	158 870		603 329
Other assets						25 721	25 721
	180 396	36 417	60 999	279 554	170 357	25 721	753 444
Total equity						55 980	55 980
Derivative financial instruments	1 962	406	902	4 862	7 347		15 479
Amounts owed to depositors	460 177	46 894	47 966	68 894	10 692		634 623
Provisions and other liabilities						11 728	11 728
Long-term debt instruments	1 354	1 576	5 706	22 328	4 670		35 634
	463 493	48 876	54 574	96 084	22 709	67 708	753 444
Net liquidity gap	(283 097)	(12 459)	6 425	183 470	147 648	(41 987)	–

This note has been prepared on a contractual maturity basis.

40 CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

Rm	Statement of financial position amount	< 3 months	> 3 months < 6 months	< 6 months < 1 year	> 1 year > 5 years	< 5 years	Non-determinable maturity	Total
2015								
Long-term debt instruments	**44 977**	**5 761**	**742**	**5 637**	**29 997**	**22 263**		**64 400**
Amounts owed to depositors	**708 036**	**515 772**	**58 518**	**62 361**	**77 482**	**11 655**	**–**	**725 788**
Current accounts	**67 504**	**67 506**						**67 506**
Savings deposits	**9 820**	**9 820**						**9 820**
Other deposits and loan accounts	**492 764**	**371 842**	**34 631**	**32 722**	**51 505**	**11 655**		**502 355**
Foreign currency liabilities	**44 823**	**30 693**	**6 305**	**4 663**	**3 163**			**44 824**
Negotiable certificates of deposit	**77 594**	**20 368**	**17 582**	**24 976**	**22 814**			**85 740**
Deposits received under repurchase agreements	**15 531**	**15 543**						**15 543**
Derivative financial instruments – liabilities	**33 996**	**7 998**	**2 882**	**2 582**	**7 593**	**12 941**		**33 996**
Provisions and other liabilities	**13 770**						**13 769**	**13 769**
	800 779	**529 531**	**62 142**	**70 580**	**115 072**	**46 859**	**13 769**	**837 953**
Guarantees on behalf of clients	**26 374**	**26 374**						**26 374**
Confirmed letters of credit and discounting transactions	**4 419**	**4 419**						**4 419**
Unutilised facilities and other	**101 747**	**101 747**						**101 747**
	132 540	**132 540**	**–**	**–**	**–**	**–**	**–**	**132 540**
2014								
Long-term debt instruments	35 634	1 891	2 026	6 934	27 312	5 298		43 461
Amounts owed to depositors	634 623	463 512	49 126	50 916	75 009	10 905	–	649 468
Current accounts	62 385	62 386						62 386
Savings deposits	9 649	9 650						9 650
Other deposits and loan accounts	453 350	336 760	31 436	31 209	50 987	10 905		461 297
Foreign currency liabilities	29 807	25 313	2 315	1 160	1 020			29 808
Negotiable certificates of deposit	66 849	16 808	15 375	18 547	23 002			73 732
Deposits received under repurchase agreements	12 583	12 595						12 595
Derivative financial instruments – liabilities	15 479	1 962	406	902	4 862	7 347		15 479
Provisions and other liabilities	11 728						11 728	11 728
	697 464	467 365	51 558	58 752	107 183	23 550	11 728	720 136
Guarantees on behalf of clients	22 807	22 807						22 807
Confirmed letters of credit and discounting transactions	3 248	3 248						3 248
Unutilised facilities and other	102 968	102 968						102 968
	129 023	129 023	–	–	–	–	–	129 023

Provisions and other liabilities are included in this table in order to provide a reconciliation with the statement of financial position. Derivatives are not profiled on an undiscounted basis.

41 HISTORICAL VALUE AT RISK (VaR) (99%, ONE-DAY) BY RISK TYPE

	2015				2014			
Rm	**Average**	**Minimum**	**Maximum**	**Year-end**	Average	Minimum	Maximum	Year-end
Foreign exchange	**3,2**	**0,6**	**17,8**	**17,7**	3,7	0,6	10,7	0,9
Interest rate	**7,3**	**3,8**	**22,4**	**21,4**	7,7	5,2	12,5	5,6
Credit	**7,0**	**4,9**	**11,6**	**9,2**	3,8	2,7	5,3	5,3
Commodity	**0,4**		**2,4**	**1,7**	0,3		0,9	0,9
Diversification	**(5,2)**			**(8,8)**	(5,7)			(3,8)
Total VaR exposure	**12,7**	**7,4**	**41,9**	**41,2**	9,8	6,7	14,8	8,9

The 'Worldclass risk management' section contains information on the group trading book VaR and the comparison of trading VaR.

42 INTEREST RATE REPRICING GAP

Rm	**< 3 months**	**> 3 months < 6 months**	**> 6 months < 1 year**	**> 1 year < 5 years**	**> 5 years**	**Trading and non-rate**	**Total**
2015							
Total assets	**553 361**	**31 050**	**21 915**	**43 452**	**22 773**	**188 182**	**860 733**
Total equity and liabilities	**518 086**	**25 943**	**32 805**	**20 080**	**12 555**	**251 264**	**860 733**
Interest rate hedging activities	**13 375**	**7 120**	**10 936**	**(24 385)**	**(7 046)**		**–**
Repricing profile	**48 650**	**12 227**	**46**	**(1 013)**	**3 172**	**(63 082)**	**–**
Cumulative repricing profile	**48 650**	**60 877**	**60 923**	**59 910**	**63 082**		
Expressed as a percentage of total assets (%)	**5,7**	**7,1**	**7,1**	**7,0**	**7,3**		
2014							
Total assets	498 952	22 551	22 788	44 265	15 880	149 008	753 444
Total equity and liabilities	471 251	26 122	26 798	16 317	4 289	208 667	753 444
Interest rate hedging activities	24 443	7 628	1 215	(25 199)	(8 087)		–
Repricing profile	52 144	4 057	(2 795)	2 749	3 504	(59 659)	–
Cumulative repricing profile	52 144	56 201	53 407	56 155	59 659		
Expressed as a percentage of total assets (%)	6,9	7,5	7,1	7,5	7,9		

The 'Worldclass risk management' section contains information on interest rate risk in the banking book.

43 SECURITISATIONS

Nedbank Group Ltd uses securitisation primarily as a funding diversification tool and to add flexibility in mitigating structural liquidity risk. The group currently has four active traditional securitisation transactions:

- Synthesis Funding Ltd (Synthesis), an asset-backed commercial paper (ABCP) programme launched in 2004;
- Greenhouse Funding (RF) Ltd, (Greenhouse), a residential mortgage-backed securitisation programme;
- Greenhouse Funding III (RF) Ltd, (Greenhouse III), a residential mortgage-backed securitisation programme; and
- Precinct Funding 1 (RF) Ltd (Precinct), a commercial mortgage-backed securitisation programme.

Nedbank Group also has two active Committed Liquidity Facility (CLF) transactions:

- West Road South No 3 (RF) Ltd, (West Road South), a commercial mortgage-backed CLF programme launched in 2014, with R14,5bn assets transferred into the programme; and
- Greenhouse Funding 4 (RF) Ltd, (Greenhouse 4), a residential mortgage-backed CLF programme launched in 2015, with R3,1bn assets transferred into the programme.

Synthesis Funding Ltd

Synthesis primarily invests in long-term rated bonds and offers capital market funding to SA corporates. These assets are funded through the issuance of short-dated investment-grade commercial paper to institutional investors. All the commercial paper issued by Synthesis is assigned the highest short-term RSA local-currency credit rating by Fitch, and is listed on the JSE Ltd.

Liquidity facilities have been obtained from a F1+(zaf)-rated bank in order to ensure the availability of sufficient funds in instances where timing mismatches could occur. These timing mismatches to the possible mismatch between the receipt of funds relating to financial assets and disbursement of funds relating to the redemption of financial liabilities. These liquidity facilities cover the nominal value of the commercial paper it is issued against and exceed the maturity date of the underlying financial liability by five days.

Synthesis is a partially supported conduit the credit support of which is dependent on transaction-specifc credit enhancement as well as available programme-wide credit enhancement (PWCE) provided by Nedbank. PWCE is calculated as 5% of the aggregate book value of financial assets (excluding defaults) plus a dynamic percentage based on the credit quality of the underlying portfolio of the rated securities. If a rated security falls below AA-(zaf), Synthesis must either remove the asset from the portfolio, obtain a guarantee by an entity rated at least AA-(zaf) or Nedbank must post PWCE within 15 business days. Currently, there are no financial assets in the conduit portfolio and all rated securities are rated at least AA-(zaf) or are guaranteed by Nedbank if rated below AA-(zaf). As a result, no PWCE is currently required in accordance with Synthesis's transaction documentation.

In terms of assets not meeting the AA-(zaf) requirement, Nedbank guarantees an aggregate amount of R850m at the financial year-end.

Greenhouse programmes

The Greenhouse transactions are securitisation vehicles that acquires the rights, title, interest and related security of residential home loans from Nedbank Ltd under a segregated series medium-term note programme.

During December 2007 the first Greenhouse transaction was created and R2bn of home loans from Nedbank Ltd were securitised. Greenhouse was subsequently restructured and refinanced on 19 November 2012 as a static amortising structure. The proceeds from the refinance of this transaction, through the issuance of new notes and subordinated loans, was utilised to repay the R1,3bn existing notes and subordinated loans on their scheduled maturity, and to acquire additional home loans from Nedbank Ltd. The senior notes, which are rated by Fitch and listed on the JSE Ltd, were placed with third-party investors and the junior notes and subordinated loans were retained by the group. The home loans transferred to Greenhouse have continued to be recognised as financial assets.

Greenhouse III, a second standalone residential-mortgage-backed securitisation (RMBS) programme was implemented during 2014. Greenhouse III is a securitisation vehicle that acquires the rights, title, and interest in and to, and the related security of residential home loans from Nedbank Ltd under a segregated series medium-term note programme. In April 2015 Greenhouse III securitised R2bn worth of home loans originated by Nedbank Ltd through the issuance of senior notes to the capital market, as well as subordinated notes and subordinate loans provided by Nedbank Ltd. The notes issued by Greenhouse III are listed on the JSE Ltd and rated by Fitch.

The Greenhouse vehicles make use of an internal risk management policy, and utilises the Nedbank Group Ltd credit risk monitoring process to govern lending activities to external parties. In addition, financial assets may be introduced into the programme provided they meet certain eligibility criteria prescribed by the programme agreements.

Nedbank has provided the Greenhouse programmes with interest-bearing subordinated loans at the commencement of each programme as part of the initial funding. Interest is payable on a quarterly basis as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final termination date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

In the Greenhouse structure Nedbank holds the C and Y notes amounting to R113m, and in the Greenhouse III structure Nedbank holds the D note amounting to R100m. These notes rank subordinated to the A and B notes in terms of the priority of payments.

Precinct Funding 1

Precinct is an RMBS programme. The originator, seller and servicer of the commercial property loan portfolio is Nedbank CIB Property Finance, the market leader in commercial property finance in South Africa.

The Precinct structure takes the form of a static pool of small commercial property loans with limited substitution and redraws/further advance capabilities.

Precinct has issued notes rated by Moody's Investors Service and listed on the JSE Ltd. The A and B notes were placed with third-party investors and the junior notes and subordinated loan were retained by the group.

The vehicle makes use of an internal risk management policy and utilises the Nedbank Group credit risk monitoring process to govern lending activities to external parties. The primary measures used to identify, monitor and report on the level of exposure to credit risk include individual loan and loan portfolio ageing and performance analysis, analysis of impairment adequacy ratios, analysis of loss ratio trends and analysis of loan portfolio profitability. The maximum credit exposure to credit risk in respect of the mortgage loans is the balance of outstanding advances before taking into account the value of collateral held as security against such exposures and impairments raised. The collateral held as security for the mortgage asset exposure is in the form of first indemnity bonds over fixed commercial property.

Nedbank has provided Precinct with an interest-bearing subordinated loan at the commencement of this transaction as part of the initial funding. Interest is payable on a quarterly basis as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final termination date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

Nedbank holds the C and D notes amounting to R225m, which rank subordinated to the A and B notes in terms of the priority of payments.

The following table shows the carrying amount of securitised assets, stated at the amount of the group's continuing involvement where appropriate, together with the associated liabilities for each category of asset in the statement of financial position:[1]

	2015		2014	
Rm	Carrying amount of assets	Associated liabilities	Carrying amount of assets	Associated liabilities
Loans and advances to clients				
Residential mortgage loans	**3 287**	**3 596**	2 520	2 743
Less: Impairments	**(24)**		(24)	
Commercial mortgage loans	**1 280**	**2 277**	1 586	2 309
Less: Impairments	**(3)**		(4)	
Other financial assets				
Corporate and bank paper	**1 714**		1 989	
Other securities	**1 038**		1 295	
Commercial paper		**2 749**		3 285
Total	**7 292**	**8 622**	7 362	8 337

[1] *The value of any derivative instruments taken out to hedge any financial asset or liability is adjusted against such instrument in this disclosure.*

This table presents the gross balances within the securitisation schemes and does not reflect any eliminations of intercompany and cash balances held by the various securitisation vehicles.

44 FOREIGN CURRENCY CONVERSION GUIDE

Monetary figures in these financial statements are expressed in SA rand to the nearest million. The approximate value of the SA rand at 31 December against the following currencies was:

	2015 Actual	2014 Actual	2015 Average	2014 Average
United States dollar	**0,06401**	0,08638	**0,07727**	0,09202
Pound sterling	**0,04318**	0,05544	**0,05067**	0,05593
Euro	**0,05861**	0,07108	**0,06997**	0,06973

45 CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

	2015 Rm	2014 Rm
Guarantees on behalf of clients	**26 374**	22 807
Letters of credit and discounting transactions	**4 419**	3 248
Irrevocable unutilised facilities and other	**101 747**	102 968
	132 540	129 023

The group, in the ordinary course of business, enters into transactions that expose the group to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise (refer to note 40). Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities. This is in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

There are a number of legal or potential claims against Nedbank Ltd and its subsidiary companies, the outcome of which cannot at present be foreseen.

The largest of these potential actions is a claim for R773m in the High Court against Nedbank Ltd ('Nedbank') by Absa Bank Ltd ('Absa') in connection with Pinnacle Point Group Ltd, where Absa is alleging that Nedbank had a legal duty of care to them in relation to single-stock futures transactions. Nedbank has filed an exception against the claim and the claim has been held in abeyance since April 2012 by mutual agreement.

46 COMMITMENTS

46.1 Capital expenditure approved by directors

	2015 Rm	2014 Rm
Contracted	**1 314**	1 292
Not yet contracted	**2 222**	1 278
	3 536	2 570

Funds to meet capital expenditure commitments will be provided from group resources. In addition, capital expenditure is incurred in the normal course of business throughout the year.

46.2 Operating lease commitments

Companies in the group have entered into leases over fixed property, furniture and other equipment for varying periods. The group is a major lessor of properties, which are subject to individual contracts that specify the group's option to renew leases, escalation clauses and purchase options, if applicable. Due to the large number of lease agreements entered into by the group, this information has not been provided in the annual financial statements, but is available from the group on request. The following are the minimum lease payments under non-cancellable leases:

	2016 Rm	2015 – 2020 Rm	Beyond 2020 Rm
2015			
Land and buildings[1]	**760**	**1 892**	**767**
Furniture and equipment	**181**		
	941	**1 892**	**767**

	2015 Rm	2014 – 2019 Rm	Beyond 2019 Rm
2014			
Land and buildings[1]	690	1 705	940
Furniture and equipment	286	173	
	976	1 878	940

[1] *The group may from time to time enter into subleases of properties where it is the lessee. These subleases are considered to be immaterial in the context of the group's overall leasing arrangements.*

The terms of renewal and escalation clauses are as follows:

The majority of material leases entered into by the group include an option to renew the lease. If the rental for the renewal period has not been agreed on or determined by the commencement date of the renewal period, the tenant must continue to pay the existing monthly rental. Once the rental is determined, cumulative adjustments will be made to the amount payable for the following month. Escalation clauses for major leases entered into by the group range between 5% and 10% per annum. For all major lease agreements entered into, there is no requirement to pay contingent rent or purchase options.

46.3 Commitments under derivative instruments

The group enters into option contracts, financial futures contracts, forward rate and interest rate swap agreements and other financial agreements in the normal course of business (note 16).

47 COLLATERAL

47.1 Collateral pledged

The group has pledged government and other securities (note 17) and negotiable certificates of deposit (note 15) amounting to R15 614m (2014: R11 986m) as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IAS 39. The associated liabilities of R15 531m (2014: R12 583m) are disclosed in note 30.

These transactions are entered into on terms and conditions that are standard industry practice to securities borrowing and lending activities.

47.2 Collateral held to mitigate credit risk

Credit risk mitigation refers to the actions that can be taken by the group to manage its exposure to credit risk so as to align such exposure to its risk appetite. This action can be proactive or reactive and the level of mitigation that a bank desires may be influenced by external factors such as the economic cycle or internal factors such as a change in risk appetite.

References to credit risk mitigation normally focus on the taking of collateral as well as the management of such collateral. While collateral is an essential component of credit risk mitigation, there are a number of other methods used for mitigating credit risk. The group's credit risk policy acknowledges the role to be played by credit risk mitigation in the management of credit risk, but emphasises that collateral on its own is not necessarily a justification for lending. The primary consideration for any lending opportunity should rather be the borrower's financial position and ability to repay the facility from its own resources and cashflow.

47 COLLATERAL (continued)

47.2 Collateral held to mitigate credit risk (continued)

The group generally segregates collateral received into the following two classes:

(i) Financial collateral:
The group takes financial collateral to support credit exposures in the trading book. This includes cash and debt securities in respect of derivative transactions.

These transactions are entered into on terms and conditions that are standard industry practice to securities borrowing and lending activities.

(ii) Non-financial collateral:
In secured financial transactions the group takes other physical collateral to recover outstanding exposure in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgages over property (both residential and commercial), liens over business assets (including, but not limited to, plant, vehicles, aircraft, inventories, trade debtors and financial securities that have a tradable market, such as shares and other securities) and guarantees from parties other than the borrower.

Should a counterparty be unable to settle its obligations, the group takes possession of collateral as full or part settlement of such amounts. In general, the group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

The group monitors the concentration levels of collateral to ensure that it is adequately diversified. In particular, the following collateral types are common in the marketplace:

(i) Retail portfolio:
- mortgage lending secured by mortgage bonds over residential property;
- instalment credit transactions secured by the assets financed; and
- overdrafts that are either unsecured or secured by guarantees, suretyships or pledged securities.

(ii) Wholesale portfolio:
- commercial properties are supported by the property financed and a cession of the leases;
- instalment credit type of transactions that are secured by the assets financed;
- working capital facilities when secured usually by either a claim on specific assets (fixed assets, inventories or trade debtors) or other collateral such as guarantees;
- term and structured lending, which usually relies on guarantees or credit derivatives (where only internationally recognised and enforceable agreements are used); and
- credit exposure to other banks where the risk is commonly mitigated through the use of financial control and netting agreements.

The valuation and management of collateral across all business units of the group are governed by the Group Credit Policy.

Management considers collateral held in the retail portfolio to be homogenous by nature and therefore more reliably identifiable. Generally, valuations in respect of mortgage portfolios are updated using statistical index models, while published data by service providers are used for motor vehicles and physical inspection is performed for other types of collateral. Physical valuations are performed six monthly on the defaulted book. At 31 December 2015 management considered R142 614m (2014: R137 042m) to be a reasonable estimate of the collateral held in the retail portfolio.

Management considers collateral held in the wholesale portfolio to be non-homogenous and often exhibiting illiquid characteristics and therefore valuing collateral of this nature requires a significant level of judgement. Collateral of this nature is valued at the inception of a transaction and at least annually during the life of the transaction, usually as part of the facility review that includes a review of the security structure and covenants to ensure that proper title is retained over the relevant collateral. At 31 December 2015 management considered R234 525m (2014: R173 627m) to be a reasonable estimate of the collateral held in the wholesale portfolio.

A further consideration with regard to the valuation and management of collateral is that when credit intervention is required, or in the case of default, all items of collateral relating to that particular client portfolio are immediately revalued. In such instances physical inspection by an expert valuer is required. This process also ensures that an appropriate impairment is evaluated timeously.

As part of the reverse repurchase agreements, the group has received securities as collateral that are allowed to be sold or repledged. The fair value of these securities at the reporting date amounts to R20 191m (2014: R18 311m), of which Rnil (2014: Rnil) have been sold or repledged.

47.3 Collateral taken possession of and recognised in the statement of financial position

Included in properties in possession (note 18.1) is an amount of R149m (2014: R241m), which represents assets the group has acquired during the year by taking possession of collateral held as security.

48 MANAGED FUNDS

48.1 Fair value of funds under management

	2015 Rm	2014 Rm
SA unit trusts	**153 801**	128 394

48.2 Reconciliation of movement in funds under management

	SA unit trusts Rm
Balance at 31 December 2013	115 235
Inflows	204 436
Outflows	(197 862)
Mark-to-market value adjustment	6 585
Balance at 31 December 2014	**128 394**
Inflows	**240 622**
Outflows	**(222 072)**
Mark-to-market value adjustment	**6 857**
Balance at 31 December 2015	**153 801**

The group, through a number of subsidiaries, operates unit trusts. Commissions and fees earned in respect of trust and management activities performed are included in the consolidated statement of comprehensive income as non-interest revenue.

49 SHARE-BASED PAYMENTS

Nedbank Group Ltd shares, share options over Nedbank Group Ltd shares and equity instruments in respect of Nedbank Group Ltd shares are granted to employees as part of their remuneration package as services are rendered, as well as to clients, business partners and affinity groups as an incentive to retain business and develop growth within the group. The following are the share and share option schemes that have been in place during the year. All schemes are equity-settled at group level, except the Nedbank UK schemes, the Nedbank Wealth Management International schemes and the Nedbank Africa scheme, all of which are cash-settled.

As the group cannot estimate reliably the fair value of services received nor the value of additional business received, the group rebuts the presumption that such services and business can be measured reliably. The group therefore measures their fair value by reference to the fair value of the shares, share options or equity instruments granted, in line with the group's accounting policy. The fair value of share option awards is measured at the grant date utilising the Black-Scholes valuation model. For the non-option equity awards, the fair value is measured by reference to the listed share price, which includes the participant's right to dividends over the vesting period.

49.1 Description of arrangements

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Traditional employee schemes				
Nedbank Group (2005) Share Option and Restricted Share Scheme	Nedbank Group (2005) Share Scheme Trust	Restricted shares are granted to key personnel to motivate senior employees to remain with the group. The granting of restricted shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Three years' service and achievement of performance targets based on average return on equity, as well as the Nedbank Group Ltd share price performance against the financial index. In addition, the 2015 grants include a strategic collaboration condition with Old Mutual applicable to group and cluster executives only. Where the performance target is not met, 50% will vest where applicable, provided that the three years' service has been achieved.	3 years
Nedbank Group (2005) Matched-share Scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Three years' service and achievement of Nedbank Group Ltd performance target. Where this performance targets is not met, 50% will vest provided that the three years' service has been achieved.	3 years
Nedbank UK Long-term Incentive Plan (LTIP)	n/a	Employees who perform services in the United Kingdom on behalf of the group will be considered for participation in the UK LTIP. Selected employees will be granted share appreciation rights (SARs). SARs are similar to options in that SARs are granted at a predetermined exercised price vesting and expiry date. When the participant elects to exercise SARs, the employer settles the difference between the current market price and the exercise price in cash.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years

49 SHARE-BASED PAYMENTS (continued)

49.1 Description of arrangements (continued)

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Nedbank UK Matched Scheme	n/a	All UK employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years
Nedbank Wealth Management International Long-term Incentive Plan (LTIP)	n/a	Restricted shares are granted to key Nedbank Wealth Management International personnel to motivate senior employees to remain with the group. The granting of restricted shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years
Nedbank Wealth Management International Matched Scheme	n/a	All Nedbank Wealth Management International employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years
Nedbank Africa	n/a	Restricted shares are granted to key Nedbank Africa personnel to motivate senior employees to remain with the group. The granting of restricted shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years
Nedbank Eyethu BEE schemes – Employees				
Black Executive Scheme	Nedbank Eyethu Black Executive Trust	Restricted shares and share options were granted to certain black employees at a senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees at a middle and senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Nedbank Swaziland Sinakekelwe Schemes – BEE and LTIP				
Swaziland Broad-based Employee Scheme	Nedbank Sinakekelwe Trust Broad-based Employee Scheme	Restricted shares were granted to qualifying non-managerial employees who do not participate in any other incentive schemes within the group. The beneficial ownership of the shares lies with the participants, including dividend rights.	No dealing in these shares during the restricted period of 5 years.	5 years

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Swaziland Management Scheme	Nedbank Sinakekelwe Trust Management Scheme	Restricted shares and share options were granted to key management personnel as an incentive to remain within the group. Grants are allocated on the basis of job level, performance, potential and skills and competencies portrayed by the employee, entirely at the discretion of the trustees and are allocated under recommendation of the group's executive management team. The beneficial ownership of the shares lie with the participants, including dividend rights.	Participants must remain in service for three, four and five years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	5 years
Swaziland Trust Long-term Incentive Scheme	Sinakekelwe Trust Long-term Incentive Scheme	Restricted shares and share options to be granted to key management personnel as an incentive to remain within the group. Grants will be allocated on the basis of job level, performance, potential and skills and competencies portrayed by the employee, entirely at the discretion of the group's executive management team. The beneficial ownership of the shares will lie with the participants, including dividend rights. Grants to staff have yet to be made.	Participants must remain in service for three, four and five years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	5 years

No numerical information has been included in either the share-based payment expense or reserve in respect of these schemes, as the cumulative amount is less than R1m.

49.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2015	2014	**2015**	2014
Traditional employee schemes	**413**	607	**1 090**	1 138
Nedbank Group (2005) Share Option and Restricted-share Scheme	**379**	517	**880**	939
Nedbank Group (2005) Matched-share Scheme	**102**	79	**181**	148
Nedbank UK Long-term Incentive Plan[1]	**(59)**		**14**	16
Nedbank UK Matched-share Scheme[1]	**2**		**3**	19
Nedbank Wealth Management International Long-term Incentive Plan[1]	**(14)**	9	**8**	13
Nedbank Wealth Management International Matched-share Scheme[1]	**2**	2	**3**	3
Nedbank Africa[1]	**1**		**1**	
Nedbank Eyethu BEE schemes	**16**	21	**65**	82
Black Executive Scheme	**12**	14	**44**	42
Black Management Scheme	**4**	7	**21**	40
	429	628	**1 155**	1 220

1 *This scheme is cash-settled and therefore creates a liability.*

49 SHARE-BASED PAYMENTS (continued)

49.3 Movements in number of instruments

	2015		2014	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Nedbank Group (2005) Share Option Scheme				
Outstanding at the beginning of the year	**9 868 377**		10 710 356	
Granted	**3 087 302**		3 444 280	
Forfeited	**(438 408)**		(719 950)	
Exercised	**(3 282 846)**		(3 566 309)	
Outstanding at the end of the year	**9 234 425**		9 868 377	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)		**251,42**		196,76
Nedbank Group (2005) Matched-share Scheme				
Outstanding at the beginning of the year	**1 649 973**		1 274 585	
Granted	**773 259**		732 501	
Forfeited	**(108 820)**		(104 291)	
Exercised	**(397 292)**		(252 822)	
Outstanding at the end of the year	**1 917 120**		1 649 973	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)		**240,75**		222,54
Nedbank UK Long-term Incentive Plan				
Outstanding at the beginning of the year	**197 288**		198 960	
Granted	**28 806**		52 336	
Forfeited			(9 414)	
Other	**(44 046)**			
Exercised	**(62 546)**		(44 594)	
Outstanding at the end of the year	**119 502**		197 288	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				
Nedbank UK Matched-share Scheme				
Outstanding at the beginning of the year	**17 427**		16 099	
Granted	**7 240**		2 811	
Exercised	**(7 856)**			
Other			(1 483)	
Outstanding at the end of the year	**16 811**		17 427	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				
Nedbank Wealth Management International Long-term Incentive Plan				
Outstanding at the beginning of the year	**73 223**		83 255	
Granted	**20 513**		20 708	
Forfeited	**(2 750)**			
Exercised	**(29 702)**		(30 740)	
Outstanding at the end of the year	**61 284**		73 223	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				

	2015		2014	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Nedbank Wealth Management International Matched-share Scheme				
Outstanding at the beginning of the year	**20 207**		12 643	
Granted	**4 122**		7 613	
Exercised	**(5 932)**			
Forfeited			(49)	
Outstanding at the end of the year	**18 397**		20 207	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				
Nedbank Africa				
Granted	**30 096**			
Outstanding at the end of the year	**30 096**			
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)				
Black Executive Scheme				
Outstanding at the beginning of the year	**1 014 319**	**223,06**	1 251 781	101,73
Forfeited	**(25 795)**		(59 335)	
Exercised	**(168 317)**		(178 127)	
Outstanding at the end of the year	**820 207**		1 014 319	
Exercisable at the end of the year	**20 205**	**121,08**	641	121,08
Weighted-average share price for share instruments exercised (R)		**241,38**		223,06
Black Management Scheme				
Outstanding at the beginning of the year	**1 545 884**	**227,59**	2 710 812	105,23
Forfeited	**(100 113)**		(220 356)	
Exercised	**(731 182)**		(964 666)	
Other movements	**13 281**		23 526	
Expired	**(21 311)**		(3 432)	
Outstanding at the end of the year	**706 559**		1 545 884	
Exercisable at the end of the year	**164 204**	**101,41**	262 053	107,36
Weighted-average share price for share instruments exercised (R)		**248,07**		227,59

49 SHARE-BASED PAYMENTS (continued)

49.4 Instruments outstanding at the end of the year by exercise price

	2015		2014	
	Number of instruments	Weighted-average remaining contractual life (years)	Number of instruments	Weighted-average remaining contractual life (years)
Nedbank Group (2005) Share Option Scheme				
0,00	**9 234 425**	**1,2**	9 868 377	1,2
	9 234 425	**1,2**	9 868 377	1,2
Nedbank Group (2005) Matched-share Scheme				
0,00	**1 917 120**	**1,4**	1 649 973	1,4
	1 917 120	**1,4**	1 649 973	1,4
Nedbank UK Long-term Incentive Plan				
0,00	**119 502**		197 288	
	119 502		197 288	
Nedbank UK Matched-share Scheme				
0,00	**16 811**		17 427	
	16 811		17 427	
Nedbank Wealth Management International Long-term Incentive Plan				
0,00	**61 284**	**1,2**	73 223	1,1
	61 284	**1,2**	73 223	1,1
Nedbank Wealth Management International Matched-share Scheme				
0,00	**18 397**	**1,1**	20 207	1,3
	18 397	**1,1**	20 207	1,3
Black Executive Scheme				
0,00	**257 212**	**1,8**	319 169	2,4
75,74			19 623	1,2
121,08	**84 616**	**1,2**	127 569	2,2
128,44	**56 402**	**2,2**	84 182	3,2
132,18	**3 797**	**1,6**	7 480	2,6
140,00	**40 200**	**1,1**	60 000	1,6
161,88	**174 489**	**3,2**	174 489	4,2
182,98	**114 010**	**3,6**	114 010	4,6
189,90	**89 481**	**4,2**	107 797	5,2
	820 207	**2,5**	1 014 319	3,2
Black Management Scheme				
0,00	**47 523**	**1,0**	112 718	1,3
75,74	**82 016**	**0,2**	303 526	1,2
104,51	**578**	**(0,4)**	71 605	0,6
108,45	**8 204**	**0,6**	72 620	1,6
120,62			95 668	0,2
121,08	**98 111**	**1,2**	164 806	2,2
128,44	**186 481**	**2,2**	287 811	3,2
132,18	**103 086**	**1,6**	183 378	2,5
139,69	**107 907**	**1,0**	169 609	1,6
161,88	**72 653**	**3,2**	84 144	4,2
	706 559	**1,5**	1 545 885	2,0
Nedbank Africa				
0,00	**30 096**	**2,2**		
	30 096	**2,2**		

49.5 Instruments granted during the year

The weighted-average fair value of instruments granted during the year has been calculated using the Black-Scholes option pricing model, with the following inputs and assumptions:

	Nedbank Group (2005) Share Option Scheme	Nedbank Group (2005) Matched-share Scheme	Nedbank UK Long-term Incentive Plan	Nedbank UK Matched Scheme	Nedbank Wealth Management International Long-term Incentive Plan	Nedbank Wealth Management International Matched Scheme	Nedbank Africa
2015							
Number of instruments granted	**3 087 302**	**773 259**	**28 806**	**7 240**	**20 513**	**4 122**	**30 096**
Weighted-average fair value per instrument granted (R)[1]	**244,45**	**185,48**			**244,40**	**237,78**	**242,84**
Weighted-average share price (R)	**244,45**	**237,78**	**109,66**	**237,78**	**244,40**	**237,78**	**242,84**
Weighted-average expected volatility (%)[2]	**23**	**23**			**23**	**23**	**23**
Weighted-average life (years)	**3**	**3**			**3**	**3**	**3**
Weighted-average riskfree interest rate (%)	**7**	**7**			**7**	**7**	**7**
Number of participants	**1 350**	**1 635**	**14**	**6**	**11**	**19**	**41**
Weighted-average vesting period (years)	**3**	**3**	**3**	**3**	**3**	**3**	**3**
2014							
Number of instruments granted	3 440 886	731 882	52 336	2 811	20 708	7 613	
Weighted-average fair value per instrument granted (R)[1]	203,61	188,72			181,75	188,72	
Weighted-average share price (R)	215,58	224,01	210,25	223,03	215,77	224,04	
Weighted-average expected volatility (%)[2]	23,0	22,0			22,0	22,0	
Weighted-average life (years)	3,0	3,0			3,0	3,0	
Weighted-average riskfree interest rate (%)	7,2	6,8			6,8	6,8	
Number of participants	1 615	668	13	11	11	24	
Weighted-average vesting period (years)	3,0	3,0	3,0	3,0	3,0	3,0	

[1] *Fair value per instrument has been recalculated in line with a change in the valuation methodology for shares linked to the financial index.*

[2] *Expected volatility is determined based on the historical average volatility for shares over their vesting periods. Volatility is determined using expected volatility for all shares listed on the JSE.*

No further grants were made for the Black Executive Scheme and Black Management Scheme.

50 RELATED PARTIES

50.1 Relationship with parent, ultimate controlling party and investees

The group's parent company is Nedbank Group Ltd, which holds 100% (2014: 100%) of Nedbank Ltd's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the group are identified in note 51 and associate companies and joint arrangements of the group are identified in note 50.

50.2 Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all directors of the company and its parent, as well as members of the Executive Committee who are not directors, as well as close members of the family of any of these individuals.

Details of the compensation paid to the board of directors and prescribed officers and details of their shareholdings in the company are disclosed in the Remuneration Report. Compensation paid to the board of directors and compensation paid to other key management personnel, as well as the number of share instruments held, are shown below:

	Directors	Key management personnel	Total
Compensation (Rm)			
2015			
Directors' fees	**15**		**15**
Remuneration – paid by subsidiaries	**106**	**213**	**319**
Short-term employee benefits	**51**	**124**	**175**
Gain on exercise of share instruments	**55**	**89**	**144**
	121	**213**	**334**
2014			
Directors' fees	14		14
Remuneration – paid by subsidiaries	84	202	286
Short-term employee benefits	47	120	167
Gain on exercise of share instruments	37	82	119
	98	202	300
Number of share instruments			
2015			
Outstanding at the beginning of the year	**578 468**	**1 574 989**	**2 153 457**
Granted	**155 871**	**428 173**	**584 044**
Forfeited		**21 304**	**21 304**
Exercised	**(214 953)**	**(522 789)**	**(737 742)**
Transferred	**11 224**	**(18 626)**	**(7 402)**
Outstanding at the end of the year	**530 610**	**1 483 051**	**2 013 661**
2014			
Outstanding at the beginning of the year	571 714	1 666 293	2 238 007
Granted	173 902	456 115	630 017
Forfeited	(7 965)	(91 879)	(99 844)
Exercised	(159 183)	(455 540)	(614 723)
Outstanding at the end of the year	578 468	1 574 989	2 153 457

50.3 Related-party transactions

Transactions between Nedbank Ltd and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between Nedbank Ltd and its other related parties are disclosed below. All of these transactions were entered into in the normal course of business.

	Due from/(owing to)	
Outstanding balances (Rm)	**2015**	2014
Parent/Ultimate controlling party		
Deposits owing to Old Mutual Life Assurance Company (SA) Ltd	**(7)**	(14)
Bank accounts owing to Nedbank Group Ltd	**(294)**	(146)
Bank balances owing to Old Mutual Life Assurance Company (SA) Ltd	**(351)**	(237)
Account payable owing to Old Mutual plc		(1)
Forward exchange rate contracts with Old Mutual plc	**2**	(4)
Fellow subsidiaries		
Loans owing to Nedgroup Securities (Pty) Ltd	**(561)**	951
Loans owing to Nedbank Malawi Ltd	**(168)**	(74)
Loans due from other fellow subsidiaries	**2 973**	6 904
Deposits owing to Old Mutual Asset Managers (SA) (Pty) Ltd	**(66)**	(24)
Bank balances owing to Old Mutual Asset Managers (SA) (Pty) Ltd	**(27)**	(15)
Deposits owing to Nedgroup Securities (Pty) Ltd	**(764)**	(768)
Deposits owing to/(due from) Syfrets Securities Ltd	**448**	(1 424)
Deposits due from to other fellow subsidiaries	**912**	1 642
Bank balances owing to Syfrets Securities Ltd	**(6)**	
Bank balances owing to other fellow subsidiaries	**(4 473)**	(1 841)
Equity derivatives with fellow subsidiaries	**(2)**	(24)
Forward exchange rate contracts with fellow subsidiaries		1
Interest rate contracts with various fellow subsidiaries	**(2)**	(1)
Associates		
Loans due from associates	**2 127**	1 692
Deposits owing to assocoiates	**(20)**	(47)
Bank balances owing to associates	**(14)**	(5)
Key management personnel		
Mortgage bonds due from key management personnel	**28**	27
Deposits owing to key management personnel	**(22)**	(33)
Deposits owing to entities under the influence of key management personnel	**(73)**	(1 099)
Bank balances due from key management personnel	**4**	4
Bank balances owing to key management personnel	**(27)**	(43)
Bank balances due from entities under the influence of key management personnel	**33**	1
Bank balances owing to entities under the influence of key management personnel	**(241)**	(179)
The WIPHOLD and Brimstone consortia and Aka Capital (Pty) Ltd are related parties since certain key management personnel of the company have significant influence over these entities. These entities are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these entities and key management personnel is detailed below:		
WIPHOLD consortium		(154)
Brimstone consortium		(147)
Key management personnel – directors	**(40)**	(52)
Key management personnel – other	**(124)**	(129)
Share-based payments reserve	**(164)**	(482)
Performance fees are paid to the WIPHOLD and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme.		
WIPHOLD consortium	**(2)**	(12)
Brimstone consortium	**(2)**	(12)
Performance fee liability at the end of the year	**(4)**	(24)
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	**(1)**	(1)
Bank balances owing to Nedgroup Pension Fund	**(23)**	(100)
Bank balances and deposits owing to other funds	**(45)**	(73)

50 RELATED PARTIES (continued)

50.3 Related-party transactions (continued)

	Income/(Expense)	
Transactions (Rm)	**2015**	2014
Parent/Ultimate controlling party		
Interest income from Old Mutual plc		
Interest expense to Old Mutual Life Assurance Company (Pty) Ltd	**(221)**	(342)
Dividend declared to Nedbank Group Ltd	**(2 500)**	(2 200)
Fellow subsidiaries		
Interest income from Old Mutual Asset Managers (SA) (Pty) Ltd	**25**	27
Interest income from fellow subsidiaries	**940**	860
Interest income from Syfrets Securities Ltd	**50**	506
Interest income from Nedgroup Securities (Pty) Ltd	**27**	26
Interest expense to Syfrets Securities Ltd	**(537)**	(666)
Interest expense to other fellow subsidiaries	**(394)**	(353)
Interest expense to Old Mutual Asset Managers (SA) (Pty) Ltd	**(12)**	(41)
Interest expense to Nedgroup Securities (Pty) Ltd	**(1 104)**	(877)
Management fee income from fellow subsidiaries	**168**	164
Management fee expense to fellow subsidiaries	**(75)**	
Associates		
Interest expense to associates	**(24)**	(22)
Key management personnel		
Interest income from key management personnel	**3**	4
Interest income from entities under the influence of key management personnel	**85**	348
Interest expense to key management personnel	**(34)**	(31)
Interest expense to entities under the influence of key management personnel	**(147)**	(227)
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
Key management personnel – other	**(3)**	(5)
Share-based payments expense (included in BBBEE transaction expenses)	**(3)**	(5)
Key management personnel – directors	**(10)**	(17)
Key management personnel – other	**(50)**	(60)
Share-based payments expense (included in staff costs)	**(60)**	(77)

	Income/(Expense)	
	2015	2014
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	**(3)**	(4)
Interest expense to other funds	**(159)**	(25)
The Nedbank Group Pension Fund has an insurance policy (Optiplus policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) Ltd, in respect of its pension plan obligations. Nedbank Ltd has an insurance policy (Symmetry policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) (Pty) Ltd, in respect of its postretirement medical aid obligations. The group has an interest in the OMART cell captive within a fellow subsidiary in respect of its disability plan obligations. The value of this policy and this interest are shown as reimbursement rights, with a corresponding liability. In the case of the interest in the cell captive, the group recognises the surplus in the cell captive. The amounts included in the financial statements in respect of this policy and this interest are as follows:		
Optiplus policy reimbursement right	**781**	827
Symmetry policy reimbursement right	**1 254**	1 179
OMART policy reimbursement right (note 26.1)	**543**	511
Included in long-term employee benefit assets	**2 578**	2 517
Optiplus policy obligation	**(781)**	(827)
Postretirement medical aid obligation	**(1 254)**	(1 179)
Disability obligation	**(373)**	(374)
Included in long-term employee benefit liabilities	**(2 408)**	(2 380)

51 ANALYSIS OF INVESTMENTS IN PRIVATE-EQUITY ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS

	Nature of activities	Percentage holding 2015 %	Percentage holding 2014 %	Measurement method
Century City JV	Property development	**50**	50	Fair value
Erf 7 Sandown (Pty) Ltd[1]	Property development		35	Fair value
Falcon Forest Trading 85 (Pty) Ltd[2]	Property development			Fair value
Friedshelf 113 (Pty) Ltd	Property development	**20**	20	Fair value
Masingita Property Investment Holdings (Pty) Ltd	Property development	**35**	35	Fair value
Odyssey Developments (Pty) Ltd[3]	Property development	**49**	49	Fair value
Other individually immaterial associates[4]				
Private-equity associates (manufacturing, industrial, leisure and other)				
Private-equity associates (property investment associates)				
Other	Various			
Individually immaterial joint arrangements[4]	Various			

[1] *Entity consolidated as a wholly owned subsidiary from 1 October 2015.*
[2] *Entity disposed of during 2014.*
[3] *The group's proportion of ownership in the entity is 49%, while its voting right equates to 35%.*
[4] *Represents various investments that are not individually material.*

All investments in associate companies and joint arrangements are unlisted. There are no regulatory constraints, apart from the provisions of the Companies Act, 71 of 2008 (as amended), that restrict the distribution of funds to the shareholders. Distribution of funds may, however, be restricted by loan agreements that the entities have entered into. All associates and joint arrangements are considered to be strategic to the group's activities.

Unless otherwise stated, all entities are domiciled and incorporated in SA. The group has the same proportion of voting rights as its proportion of ownership interest, unless stated otherwise, and has not incurred any contingent liabilities with regard to the associates or joint arrangements listed above.

No significant judgement or assumptions were applied in concluding that the group has significant influence over the associates mentioned above or that the group has joint control over the joint arrangements mentioned above.

	Acquisition date	Year-end	Group					
			Carrying amount		Net indebtedness of loans to/ (from) associates		Dividends received	
			2015 Rm	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
	December 10	December	**55**	55				
	July 07	February		63		5		
	March 05	February						39
	August 02	February		85	**1**	43		
	August 05	February	**172**	125	**74**	38		
	August 07	February	**56**	57	**49**	49		
			487	373	**226**	235	**22**	
			318	123	**1 633**	1 270		
			220	235	**4**	(4)		
			92	42	**140**	55		
			1 400	1 158	**2 127**	1 691	**22**	39

52 ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES

	Group			
	Issued capital		Effective holding	
	2015 Rm	2014 Rm	**2015 %**	2014 %
Banking[2]				
Nedbank (Lesotho) Ltd	**20**	20	**100**	100
Nedbank (Swaziland) Ltd	**12**	12	**65,08**	65,08
Other companies[3]				
BoE Holdings (Pty) Ltd, formerly BoE Holdings Ltd	**2**	2	**100**	100
IBL Asset Finance and Services Ltd	**4**	4	**100**	100
Depfin Investments (Pty) Ltd	[1]	[1]	**100**	100
Nedcor Trade Services Ltd (Mauritius)	**4**	4	**100**	100
Nedgroup Investment 102 Ltd	**6**	6	**100**	100
Nedcor Investments Ltd	**28**	28	**100**	100
Peoples Mortgage Ltd	**45**	45	**100**	100

[1] *Represents amounts less than R1m.*
[2] *The banking subsidiary companies are restricted in terms of Basel regulations and prudential requirements with regard to the distribution of funds to their holding company.*
[3] *These entities are free of any restrictions imposed on the distribution of funds, except for compliance with any local regulations.*

Unless otherwise stated, all entities are domiciled in SA. Unless otherwise stated, the financial statements of the subsidiaries used in the preparation of consolidated financial statements are as of the same date or same period than that of the consolidated financial statements. Unless otherwise stated, there are no significant restrictions (eg statutory, contractual and regulatory restrictions) on the group's ability to access or use the assets and settle the liabilities of the group.

Headline earnings from subsidiaries (after eliminating intercompany transactions):

	2015 Rm	2014 Rm
Aggregate headline earnings attributable to equity holders	**8 315**	8 079
Aggregate headline losses attributable to equity holders	**(40)**	(2)

General information required in terms of the Companies Act, 71 of 2008, is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities.

Nedbank Group Ltd will ensure that, except in the case of political risk, and unless specifically excluded by public notice in a country where a subsidiary is domiciled, its banking subsidiaries and its principal non-banking subsidiaries are able to meet their contractual liabilities.

52.1 Material non-controlling interests

The table below provides detail of non-wholly-owned subsidiaries of the group that have material non-controlling interests:

	Nedbank (Swaziland) Ltd	
	2015 Rm	2014 Rm
Financial position		
Total assets	**3 874**	3 596
Total liabilities	**3 306**	3 122
Accumulated non-controlling interests at the end of the year	**198**	165
Comprehensive income		
Income from lending activities	**179**	149
Non-interest revenue	**156**	139
Profit from continuing operations	**115**	97
Total comprehensive income	**120**	98
Profit allocated to non-controlling interests during the year	**40**	38
Cashflows		
Cashflows from operating activities	**637**	62
Cashflows utilised by investing activities	**(9)**	(8)
Cashflows utilised by financing activities	**(27)**	(25)
Net increase in cash and cash equivalents	**601**	29
Dividends paid to non-controlling interests	**9**	9

53 INTERESTS IN STRUCTURED CONSOLIDATED AND UNCONSOLIDATED STRUCTURED ENTITIES

53.1 Consolidated structured entities

The group holds certain interests in consolidated structured entities in order to ring-fence certain risks and/or achieve specific objectives. Structured entities are entities that have been designed so that voting rights are not the predominant factor in deciding who controls the entity.

The group has identified the following consolidated structured entities:

- Old Mutual Alternative Risk Transfer Fund (OMART) (refer to note 26);
- Securitisation vehicles (refer to note 42):
  - Synthesis Funding Ltd;
  - Greenhouse Funding (RF) Ltd;
  - Greenhouse Funding III (RF) Ltd;
  - Greenhouse Funding 4 (RF) Ltd;
  - Precinct Funding 1 (RF) Ltd; and
  - West Road South No. 3 (RF) Ltd.

The following judgements have been applied in determining that the group has control over the following structured entities:

Securitisation

The group orginated and sponsors certain securitisation vehicles and acts in various capacities with regard to these structures. The group controls these entities and has consolidated these structures since its inception. These securitisation structures include the following:

Synthesis Funding Ltd (Synthesis), an ABCP programme, invests in long-term rated bonds and offers capital market funding to SA corporates through the issuance of short-dated investment-grade commercial paper. The group acts in various capacities with regard to this vehicle, which include the role of master liquidity facility provider, programme-wide credit enhancement provider, administrator, dealer, paying and settlement agent, custodian and hedge counterparty. The group is involved in the day-to-day activities of the vehicle. Although the activities and decisionmaking rights are predetermined and restricted; the group exercises a significant degree of discretion in its decisionmaking regarding investments, funding and risk management. Industry knowledge and experience of the group are crucial to successful operation of Synthesis. The group is exposed to variable returns from the entity in the form of fees and interest income as well as residual income subsequent to certain distributions through the provisioning of credit enhancement. As a result, the group has concluded that it controls the entity.

Other securitisation vehicles consist of Greenhouse Funding (RF) Ltd; Series 1 (Greenhouse), a residential mortgage-backed securitisation programme; and Precinct Funding 1 (RF) Ltd, a commercial mortgage-backed securitisation programme. The activities of these vehicles are predetermined and restricted in terms of the programme documentation established at its inception. The group does, however, exercise some discretion in its decisionmaking, which includes the selection and transfer of assets and the management of defaulted assets. Through the provision of administration services, the interest rate hedge and credit enhancement, Nedbank Ltd has rights to the residual return of the vehicle. The group has concluded that it controls these entities.

Westroad South No 3 and Greenhouse Funding 4 are securitisation vehicles that acquire the rights, title and interest in and to, and the related security of commercial and residential mortgage bonds from Nedbank Ltd. The creation of these vehicles facilitated the group in having appropriately collaterised instruments that have been pledged against the group's committed liquidity facility provided by SARB. The group has concluded that it controls these entities.

Refer to note 43 for further information on the securitisation activities of the group.

54 EVENTS AFTER THE REPORTING PERIOD

There are no material events after the reporting period to report on.

55 PREFERENCE SHAREHOLDERS' ANALYSIS

Register date:	31 December 2015
Authorised share capital:	1 000 000 000 shares
Issued share capital:	358 277 491 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1–1 000 shares	168	3,04	88 790	0,02
1 001–10 000 shares	2 022	36,58	12 713 169	3,55
10 001–100 000 shares	2 865	51,83	94 491 522	26,37
100 001–1 000 000 shares	428	7,74	103 126 829	28,78
1 000 001 shares and over	45	0,81	147 857 181	41,28
Total	5 528	100,00	358 277 491	100,00

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks	3	0,05	18	
Close corporations	60	1,09	3 958 992	1,11
Endowment funds	70	1,27	9 211 991	2,57
Individuals	3 376	61,06	85 179 794	23,77
Insurance companies	35	0,63	34 940 328	9,75
Investment companies	9	0,16	7 127 765	1,99
Medical aid schemes	12	0,22	1 792 542	0,50
Mutual funds	113	2,04	100 500 122	28,05
Nominees and trusts	1 618	29,27	78 474 407	21,90
Other corporations	34	0,62	1 139 005	0,32
Private companies	152	2,75	25 819 626	7,21
Public companies	2	0,04	1 933 100	0,54
Retirement funds	44	0,80	8 199 801	2,29
Total	5 528	100,00	358 277 491	100,00

Public/Non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	18	0,33	22 096 537	6,17
Directors and associates of the company	1	0,02	11 000	
Old Mutual Life Assurance Company (SA) Ltd and associates	11	0,20	10 420 458	2,91
Nedbank Group Ltd and associates	6	0,11	11 665 079	3,26
Public shareholders	5 510	99,67	336 180 954	93,83
Total	5 528	100,00	358 277 491	100,00

Beneficial shareholders holding 5% or more	Number of shares	%
Coronation Fund Managers	40 702 493	11,36
Total	40 702 493	11,36

Major managers	Number of shares	**Dec 2015 % holding**	Dec 2014 % holding
Coronation Asset Management (Pty) Ltd (SA)	40 702 493	**11,36**	13,30
Nedgroup Private Wealth (Pty) Ltd (SA)	35 460 323	**9,90**	14,30
Sanlam Investment Management (SA)	22 549 633	**6,29**	6,93
Investec Asset Management (SA)	15 302 544	**4,27**	7,93
Various retail holders (SA)	14 888 051	**4,16**	6,23
STANLIB Asset Management (SA)	11 264 691	**3,14**	3,32
Prescient Investment Management (SA)	10 550 334	**2,94**	4,32
Grindrod Asset Management (SA)	10 226 244	**2,85**	2,63
Abax Investments (SA)	9 358 629	**2,61**	1,95
Outsurance Insurance Company Ltd (SA)	7 586 720	**2,12**	2,12
Old Mutual plc	6 487 809	**1,81**	3,12
PSG Konsult (SA)	5 765 632	**1,61**	1,96
Regent Insurance Company Ltd (SA)	4 848 485	**1,35**	1,95
Graaf Baronetcy Fund (SA)	4 057 000	**1,13**	1,38

Note number	Note description	IFRS required
1	PRINCIPAL ACCOUNTING POLICIES	IAS[2] 1
2	STANDARDS AND INTERPRETATIONS	IAS 1 and IAS 8
3	KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION	IAS 1
4	CAPITAL MANAGEMENT	IAS 1
5	INTEREST AND SIMILAR INCOME	IAS 18, IAS 32, IAS 39, IFRS 7 and IFRS 13
6	INTEREST EXPENSE AND SIMILAR CHARGES	IAS 18, IAS 32, IAS 39, IFRS 7 and IFRS 13
7	NON-INTEREST REVENUE	IAS 18, IAS 20, IAS 32, IAS 39, IFRS 4, IFRS 7, IFRS 8 and IFRS 13
8	OPERATING EXPENSES	IAS 1, IAS 19, IFRS 2 and IFRS 8
9	INDIRECT TAXATION	IAS 1
10	NON-TRADING AND CAPITAL ITEMS	IAS 1, IAS 16, IAS 36 and IFRS 10
11	DIRECT TAXATION	IAS 12
12	EARNINGS	IAS 33
13	DIVIDENDS	IAS 1 and IAS 10
14	CASH AND CASH EQUIVALENTS	IAS 1, IAS 7 and IFRS 7
15	OTHER SHORT-TERM SECURITIES	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
16	DERIVATIVE FINANCIAL INSTRUMENTS	IAS 32, IAS 39, IFRS 7 and IFRS 13
17	GOVERNMENT AND OTHER SECURITIES	IAS 1, IAS 32, IAS 39, IFRS 7, IFRS 8 and IFRS 13
18	LOANS AND ADVANCES	IAS 17, IAS 39, IFRS 7, IFRS 8 and IFRS 13
19	IMPAIRMENT OF LOANS AND ADVANCES	IAS 39, IFRS 7 and IFRS 8
20	OTHER ASSETS	IAS 1, IAS 39, IFRS 7 and IFRS 13
21	INVESTMENT SECURITIES	IAS 32, IAS 39, IFRS 7 and IFRS 13
22	INVESTMENTS IN PRIVATE ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS	IAS 28, IFRS 11, IFRS 12 and IFRS 13
23	NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE	IFRS 5 and IFRS 13
24	DEFERRED TAXATION	IAS 12
25	INVESTMENT PROPERTY	IAS 40 and IFRS 13
26	PROPERTY AND EQUIPMENT	IAS 16, IAS 36 and IFRS 13
27	LONG-TERM EMPLOYEE BENEFITS	IAS 19 and IFRIC[3] 14
28	INTANGIBLE ASSETS	IAS 38 and IAS 36
29	SHARE CAPITAL	IAS 1
30	AMOUNTS OWED TO DEPOSITORS	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
31	PROVISIONS AND OTHER LIABILITIES	IAS 37, IAS 32, IAS 39, IFRS 7 and IFRS 13
32	LONG-TERM DEBT INSTRUMENTS	IAS 32, IAS 39, IFRS 7 and IFRS 13
33	CASHFLOW INFORMATION	IAS 7
34	CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS	IAS 39 and IFRS 7
35	FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS	IAS 39, IFRS 7 and IFRS 13
36	FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS	IAS 32, IAS 39, IFRS 7 and IFRS 13
37	OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES	IFRS 7 and IAS 32
38	CREDIT ANALYSIS OF OTHER SHORT-TERM SECURITIES, AND GOVERNMENT AND OTHER SECURITIES	IFRS 7
39	LIQUIDITY GAP	IFRS 7
40	CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES	IFRS 7
41	HISTORICAL VALUE AT RISK (99%, ONE-DAY) BY RISK TYPE	IFRS 7
42	INTEREST RATE REPRICING GAP	IFRS 7
43	SECURITISATIONS	IAS 39, IFRS 7 and IFRS 13
44	FOREIGN CURRENCY CONVERSION GUIDE	IAS 21
45	CONTINGENT LIABILITIES AND UNDRAWN FACILITIES	IAS 37 and IAS 10
46	COMMITMENTS	IAS 37, IAS 10, IAS 17 and IFRS 7
47	COLLATERAL	IFRS 7
48	MANAGED FUNDS	IFRS 7 and IFRS 13
49	SHARE-BASED PAYMENTS	IFRS 2
50	RELATED PARTIES	IAS 24
51	ANALYSIS OF INVESTMENTS IN PRIVATE EQUITY ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS	IAS 28, IFRS 11, IFRS 12 and IFRS 13
52	ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES	IAS 27, IFRS 10 and IFRS 12
53	UNCONSOLIDATED STRUCTURED ENTITIES	IFRS 12
	WORLDCLASS AT MANAGING RISK	IFRS 7 and IFRS 13

[1] *International Financial Reporting Standards (IFRS).*
[2] *International Accounting Standards (IAS).*
[3] *International Financial Reporting Interpretations Committee (IFRIC).*

STRIVING TO BE WORLDCLASS AT MANAGING RISK ACROSS NEDBANK

Deeply embedded in the DNA of Nedbank is the understanding that the business of banking is fundamentally about managing risk. The origins of risk within Nedbank evolve from the entities the group is comprised of, and the nature of the business/activities and related processes/outcomes flowing from these, as depicted below ...

Origins of risk

Lend = Credit risk	We lend out money, which gives rise to credit risk.
Fund = Liquidity and funding risks	We also take in deposits to fund our lending ...
Mismatch = Interest rate risk in banking book (IRBB)	... and that results in asset and liability mismatches, and so interest rate risk.
Trade = Market risks	We trade and invest in financial markets that drive other market risks ...
Operate = Operational and legal risks	... and all these business activities are prone to operational, legal, reputational and other risks.
Solvency = Capital risk	We must remain solvent and so balance sheet positioning and capital and liquidity planning are critical given the associated capital risks.
Regulated = Regulatory and compliance risks	Banks are highly regulated with a tsunami of regulatory change following the global financial crisis, and so the regulatory landscape for banks will remain top of mind.
Compete = Strategic, business and financial risks	Banks are fiercely competitive as businesses are subject to many competitive forces, as well as to changing technological and macro-environmental landscapes that continue to influence overall bank strategy.

Risk management in Nedbank is underpinned by our ERMF.

Collectively there are 17 key risks that make up the risk universe in the ERMF.

ENTERPRISEWIDE RISK MANAGEMENT FRAMEWORK REFRESH IN 2015

Since 2003 the ERMF has served Nedbank well and has been resilient through economic cycles. The organisation has placed a strong reliance on this risk governance framework and the three-lines-of-defence model, which are fundamental to Nedbank's aspiration to be worldclass at managing risk.

In response to evolving, emerging risk trends, a changing business environment and the significant regulatory change and developments, a refresh of the ERMF commenced in 2015, incorporating the current internal and external environment. Key considerations of the ERMF refresh included:

- Significant regulatory change and developments (eg AML, IFRS 9, BCBS 239 (RDAR&R), Retail Distribution Review, Solvency II/SAM, Protection of Personal Information (POPI), Basel III, the pending new Twin Peaks regulatory structure for SA, and the BIS paper on Corporate Governance Principles for Banks).
- Evolving/Emerging risk trends and external dynamics (eg financial crime, conduct risk and TCF, and regulatory risk).
- Stakeholder needs and experiences and what is good for Nedbank in the current environment, particularly in support of the drive for simplification.
- A revisit of the key risks comprising Nedbank's risk universe.

The refresh elevates Nedbank's position to achieve its long-term strategic aspiration of being worldclass at managing risk.

RISK STRATEGY AND VISION

Following the refresh of the ERMF, and arising out of the most challenging risk environment – given the persistent VUCA macroeconomic and geopolitical environments – exacerbated risk both locally and globally, as well as fierce competition from traditional and non-traditional competitors, we have crystallised Nedbank's top 10 risks that form the cornerstone of the Group Risk Plan. These are:

- Strategic and execution risks
- Regulatory risk (regulatory tsunami)
- Balance sheet risks – structure and growth (in view of Basel III)
- Concentration risk – (traditionally what hurts banks most)
- Business risk – (VUCA environment)
- Credit risk – (given the VUCA macroeconomic environment)
- Operational risks – AML/CFT and sanctions, data and IT risks, information security and cybercrime
- Rest of Africa risks
- Conduct risk
- Compliance risk

At Nedbank we approach risk management across three integrated core objectives:

- **Managing risk as threat**

  To minimise and protect against downside risk and against material unforeseen losses.

- **Managing risk as uncertainty**

  To eliminate excessive earnings volatility and minimise material negative surprises.

- **Managing risk as strategic (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.

Risk is as much strategic and an opportunity as it is a threat, and the Group Risk Plan embodies that, designed in conjunction with Nedbank's business plans and five key strategic focus areas.

A critical success factor for Nedbank to win in 2020, and on a sustainable basis, is that our risk management must become a clearly distinctive competitive differentiator.

To achieve this risk vision Nedbank will 'differentiate through change' the change being the client at the heart of the regulatory change.

Accordingly, the risk vision adopted is:

'To be admired as Africa's leading bank in risk management by both our internal and external stakeholders, a core strategic and competitive differentiator that enables Nedbank to win in a sustainable manner.'

Differentiating by strategically leveraging regulatory change

The 2016–2018/2020 Group Risk Plan has been prepared on this basis to transform risk management strategically across Nedbank and differentiate it from that of our competitors. We are doing this in a collaborative, teamwork, integrated, value-adding, strategic and partnership-based approach.

The most fundamental aspect of the Group Risk Plan is strategically leveraging and differentiating the regulatory environment, and building towards a winning regulatory environment in 2020.

- We will strategically leverage our approximately R3bn regulatory change programme to achieve this.

Nedbank aims to build a regulatory environment, which will enable the business with a robust regulatory framework, to achieve the following objectives:

- Introduce a business-led regulatory change programme that creates a competitive advantage, as seen and experienced by endusers/roleplayers, through the introduction of new systems, processes and practices, as well as mindset and behavioural changes.
- Embed and integrate regulatory requirements into role/job-specific processes, systems and practices to ensure seamless and simple integration.
- Create excitement and buy-in by linking what Nedbank needs to do, why it needs to do it and how it needs to do it.
- Enable the change closest to the enduser, with the line manager as change agent, led by senior leaders across Nedbank Group.

To be admired as Africa's leading bank in risk management by both our internal and external stakeholders, a core strategic and competitive differentiator that enables Nedbank to win in a sustainable manner.

There remains an ongoing imperative to enhance risk management continuously across Nedbank, and the building blocks have been put in place to build that over 2016–2018. During 2016 we will execute the Group Risk Plan, including:

- embedding the benefits of the ERMF Refresh;
- optimising the Combined Assurance model comprising Risk, Compliance, Internal Audit and external audit;
- remaining focused on our business-as-usual, day-to-day risk environments and core risk foundations, and on any material emerging risks (being proactive and forward-looking, not backward-looking);
- strongly focusing on risk as a strategic driver, working in close collaboration with internal stakeholders to add maximum value and build on Nedbank's risk intelligence; and
- clarifying and addressing resourcing, roles, responsibilities and structures (and therefore accountability) around the implementation of regulatory change and risk management, looking at:
  - Operations versus risk and compliance
  - First, second and third lines of defence in our ERMF
  - The Rest of Africa subsidiaries

RISK CULTURE

Nedbank Group has a strong risk culture. This is achieved through following best-practice enterprisewide risk management, a strong 'tone from the top' from the CE, top management and the board, and ongoing risk leadership by the CRO.

Our approach aligns strategy, policies, people, processes, technology and business intelligence to measure, evaluate, manage and optimise the opportunities, threats and uncertainties that 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.

In 2015 Nedbank began the journey to elevate risk to become a competitive differentiator and good progress has been made, including the following:

- Establishing a RCPO focused on ensuring efficient delivery against the various regulatory programmes, including the AML, TCF, POPI, IFRS 9, BCBS 239 (RDAR&R), Twin Peaks and Market Conduct programmes.
- Maintaining transparent relationships and working closely with all regulators.
- Maintaining full compliance with Basel III phase-in requirements.
- Ensuring we have a comprehensive recovery plan.
- Ensuring that Nedbank is equipped to remain resilient through a significant stress event.
- Revising Nedbank's risk universe.
- Managing Nedbank's credit portfolio soundly by keeping it as well as the overall credit loss ratio (CLR) in good shape.
- Maintaining a stable operational risk environment despite an increased inherent operational risk profile.
- Placing a strong emphasis on the basics of operational risk management, with a focus on both qualitative and quantitative measures.
- Heightening the focus on financial crime, with new risk management frameworks drafted, in particular for key subrisk components thereof (ie AML, CFT and sanctions, as well as cyber-resilience).
- Crystallising, as indicated above, Nedbank's top 10 risks, and including these with comprehensive management actions in the Group Risk Plan.

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.

The backbone of the group's strong risk management culture and risk governance has been and continues to be the group's

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 (ORMF)
    - Group Compliance Framework
    - Group Financial Crime Risk Management Framework (WIP)
      - AML, CFT and Sanctions Framework
      - Cyber-resilience Framework
    - Group Liquidity Risk 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)

ERMF. The risk management function, as embedded across the group, is fully described therein. It sets out the group's risk universe and major risk classifications, and assigns board and executive responsibility thereto. The CRO leads the implementation of the ERMF across the group.

There are risk management frameworks that cover all material risks and governance aspects of the organisation. These encompass structures that are linked with risk-based performance management, ensuring business units focus on key risk areas. Compliance is constantly reviewed by our boards and their committees, and any identified risks or breakdowns of internal controls are reported on, and then actively managed and monitored.

Policies, processes and procedures relating to governance, effective risk management, capital adequacy and sound internal control have board and senior management oversight and are governed by the three lines of defence.

Credit risk is managed across the group in terms of its Group Credit Risk Framework, which incorporates the group credit policy, mandate limits and governance structures, and is reviewed on a quarterly basis.

The Group Market Risk Management Framework is in place to achieve effective independent monitoring and management of market risk.

In recognition of the increasing growth, diversity of activities and volatile macroeconomic environment in which our businesses operate, the group continued to refine the 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.

Comprehensive Capital Management and Liquidity Risk Management Frameworks are maintained, under the leadership of the Group Executive of Balance Sheet Management. These are monitored to ensure adequate levels of capital adequacy and liquidity.

The 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.

All Nedbank's quantifiable risks across the 17 key risks of the ERMF are also captured in our Economic-capital Framework.

Economic capital is a sophisticated, consistent measurement and comparison of risk across business units, risk types and individual products or transactions. 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 in the form of a capital allocation to businesses where the assets or risk positions reside or originate.

Nedbank's economic capital and ICAAP methodologies are 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 using EP and a relative percentage return basis, namely return on risk-adjusted capital (RORAC).

ICAAP in Nedbank is embedded across the organisation and has been for several years.

Some material changes were implemented for capital allocation purposes and ICAAP during 2015, and these include:

- A revised business risk methodology.
- Enhancements to the calculation and allocation of credit economic capital.
- A new economic capital charge for credit valuation adjustment (CVA), which was implemented to holistically cover counterparty credit risk, which consists of default risk (ie losses in the event of default), as well as market value losses due to a deterioration in the counterparty's creditworthiness.
- Implementation of a revised interrisk diversification methodology.
- Not capitalising for foreign-currency translation risk (FCTR) following the inclusion of foreign-currency translation reserves as qualifying regulatory capital and reserves under Basel III since 1 January 2013.
- A revised residual capital allocation based on 11% of minimum economic capital for the client-facing banking business units.

In view of the significance of liquidity risk in banking, Nedbank also produces an 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 annual ICAAP and ILAAP were signed off by the board through the GRCMC in July 2015, and no material issues raised by SARB during the 2015 onsite review.

Risk-adjusted performance measurement, management and reward

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. This risk-adjusted performance measurement has been applied across the group for many years now and helps ensure that excessive risktaking is mitigated and managed appropriately within the group.

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

In the event of a stress scenario Nedbank has a detailed recovery plan and liquidity risk contingency plan, both of which were extensively tested during Nedbank's liquidity simulation in March 2015.

The recovery plan sets out the circumstances under which the group may need to activate recovery actions and options available for addressing extreme stress scenarios caused by either idiosyncratic events or systemwide market failures. A possible ratings downgrade to junk status is one such event that may mobilise the plan.

The plan sets a framework for the bank to act quickly and decisively (eg selling of businesses and significant assets) during a severe crisis to ensure that the bank is able to recover. It 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 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. It also covers the various options considered by senior management to mitigate stresses encountered by Nedbank.

Also in place is a broad Stress and Scenario Testing Framework.

The framework recognises and estimates the potential volatility of the capital requirements and base case (expected) three-year business plan projections, including the key assumptions and sensitivities contained therein, which themselves are subject to fluctuation.

Stress and scenario testing is performed and reported quarterly, or more regularly if called upon. Macroeconomic scenarios of different severities are considered, ranging from mild-stress to severe-inflation-stress and severe-deflation-stress scenarios. In addition to the quarterly stress-testing process, a wide-ranging set of relevant scenarios is evaluated and presented during the annual ICAAP.

The possibility of a further SA credit ratings downgrade has increased materially since the events of December 2015, being exacerbated by the local drought, slowing growth in China, prolonged weak commodity prices, and currency weakness among other adverse factors.

Nedbank has defined key trigger events that may move SA closer to a ratings downgrade prior to Standard & Poor's and Fitch announcing their rating reviews in June 2016. Moody's does not perform rating reviews on fixed future dates. As part of our proactive contingency planning, we have considered a response to such an event to mitigate the potential adverse consequences – our ratings are capped at the sovereign ceiling and therefore any downgrade of the sovereign would lead to a down grade of Nedbank and all SA banks.

A possible one-notch downgrade to subinvestment grade may precipitate (or be indicative of) a high-stress event, and may lead further to (or be indicative of) a severe-inflation stress scenario. Therefore, a further SA ratings downgrade can be seen as being inbetween a high-stress and a severe-inflation-stress scenario. The level of stress along this continuum is likely to be determined by the level of stress in the macroeconomic environment.

- Nedbank Group has performed comprehensive stress testing on the possibility of a further SA ratings downgrade, with the conclusion that the capital levels and capital buffers remain appropriate and that Nedbank Group is strongly capitalised relative to its business activities, strategy, risk appetite, risk profile and the external environment in which the group operates.

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 the Group Exco and ultimately the board, and integrated into our strategy, business, risk and capital plans.

Nedbank has had a formal RAF since 2006, with key metrics, governance and reporting, and has been cascaded down effectively into business units.

Nedbank's risk appetite is prudent and appropriately conservative, and has been enabling for our businesses, promoting competitive but appropriate growth and returns.

There were no material changes made to Nedbank's risk appetite in the 2016–2018/2020 Nedbank group business plan and the Group Risk Plan, with the exception of:

- the introduction of a comprehensive risk appetite statement for rest of Africa (RoA) exposure including an increase in capital allocated; and
- decrease in the group's CLR target range from 80–120 bps to 60–100 bps, due to strategic portfolio tilt and wholesale asset growth outstripping retail.

In line with the ERMF refresh, Group Risk is undertaking a refresh of Nedbank's RAF and will ensure, among others, that it remains constantly relevant, that core risk appetite metrics are aligned with current financial targets, and that new key qualitative risks (eg AML, conduct risk/TCF and reputational risk) are covered.

Risk appetite is considered in detail in the Nedbank Group Ltd Annual Results Booklet and the detailed 2015 Pillar 3 Risk and Capital Management Report for the year ended 31 December 2015, available online at nedbankgroup.co.za.

CURRENT KEY RISK AND BALANCE SHEET MANAGEMENT POSITIONS AT YEAR-END 2015

Nedbank's favourable financial results for the year ended 31 December 2015 is 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.

Further information is available in the Nedbank Group Ltd Annual Results Booklet in the Risk and Balance Sheet Management Review section and will be available in the 2015 Pillar 3 Risk and Capital Management Report available at nedbankgroup.co.za.

Credit risk

The tough economic environment placed financial pressure on our clients, leading to lower levels of credit demand and transactional banking activity.

- This was particularly prominent in the retail and small-business segments of the market.
- In our wholesale business stresses in the resources, steel and construction sectors continued to impact growth.

Strategic portfolio tilt has delivered excellent results since it was implemented in 2009, resulting in the improvement of the quality of the book's credit profile, which is evident in the group and RBB CLR remaining at the bottom-end of their target ranges.

- While there was some pressure on impairments, particularly in the Nedbank Capital portfolio with CLR increasing to 0,83% (2014:0,14%), driven by lower oil and commodity prices and resulting in high specific impairments, the total CIB CLR remained within their new through-the-cycle target range.

Nedbank has gained market share in the wholesale portfolios through funding initiatives such as renewable-energy and infrastructure projects and commercial-property lending.

- Gross loans and advances grew by 11,0% to R693 043m (2014: R624 116m), with banking and trading advances increasing by 10,4% and 26,2% respectively.
- Derisking and selective origination in the home loan and personal-loan portfolios have been successful, improving asset quality and pricing, as well as growth in vehicle finance, particularly of secondhand and lower-value vehicles.
- These actions have placed the group in a strong position for the tougher macroeconomic environment and contributed to the change in the group CLR target range from 0,80–1,20% to 0,60–1,00% in 2016.

Impairments increased by 6,3% to R4 789m (2014: R4 506m) and the CLR improved slightly to 0,77% (2014: 0,79%). Continued improvements in retail impairments were offset by increased impairments in the wholesale clusters.

- Additional overlays were raised in RBB to R699m (2014: R404m) as deteriorating economic conditions prompted further strengthening of provisioning levels in the second half of 2015.
- The central portfolio provision was further strengthened to R500m to take into account additional risks, particularly in commodities and in the Rest of Africa, that have been incurred but are only expected to emerge in 2016.

Portfolio coverage remained stable at 0,70% (2014: 0,70%).

A key change in the regulatory environment was the implementation of SARB directive 7/2015, which aims to standardise the treatment of distressed restructures across the industry, by adjusting the monitoring period in which an account is held in default to a minimum of six months. The implementation of this change increased defaulted advances and reduced specific coverage.

While defaulted advances increased to R17 559m (2014: R15 846m) as the stress in the resources and mining sectors impacted the wholesale portfolio, the increase was offset by reductions in both the home loan and personal-loans portfolios. The largest impact was the implementation of SARB directive 7/2015, which shifted an additional R1 881m into defaulted advances.

The specific coverage ratio declined to 38,0% (2014: 43,1%), driven mainly by the implementation of SARB directive 7/2015. Restructures tend to have lower coverage as they are expected to cure. The remainder of the coverage changes relate to improved impairments in RBB and the change in mix of retail and wholesale defaulted advances.

Unmanaged risk concentrations are potentially a cause of major risk in banks. Concentration risk is therefore considered separately as part of Nedbank's Risk Appetite Framework.

Nedbank Group has adopted a selective origination, client-centred growth emphasis as a core part of its strategic portfolio tilt strategy. Nedbank's approach to managing its mortgages (or property portfolio) is to take a holistic approach across both residential and commercial mortgages, preferring a leading market share in commercial mortgages given the better risk-based economics and returns.

- Commercial-mortgage lending has increased since 2011 from 18,2% to 19,7% of gross loans and advances, and consequently Nedbank Group has maintained its leading local market share position, currently at 40,4%. This potentially high concentration is mitigated by good-quality assets, high levels of collateral, a low average loan-to-value ratio (approximately 50%), the underpinning of corporate leases, and a highly experienced management team considered to be the leader in property finance in SA.
- While Nedbank Group has the smallest residential-mortgage portfolio among the local peer group at 14,5% of market share, the contribution of these advances as a percentage of total gross loans and advances was still substantial at 20,6% in December 2015 (2014: 22,0%). However, this level of contribution to the balance sheet is lower than that of its peers.
- The focus in Home Loans since 2009 has been on lending through our own channels, including branch, own sales force and more recently Nedbank's new online home loan
- application and, to a far lesser degree 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.

Postwriteoff recoveries
R1 137m
(Dec 14: R941m)
continued focus on recoveries

Portfolio coverage
0,70%
(Dec 14: 0,70%)
remained stable

Specific coverage
38,0%
(Dec 14: 43,1%)
SARB directive 7/2015 impact

Defaulted advances as a % of gross advances
2,53%
(Dec 14: 2,54%)
remained stable

Loan-to-deposit-ratio
93,9%
(Dec 14: 93,8%)
remained stable

- When including residential mortgages, Nedbank's total mortgage market share is in line with that of its peers at 21,5%.

Total retail motor vehicle finance exposure within Nedbank Group has increased slightly since 2011 to 11,1% in 2015 (2011: 11,0%) of gross loans and advances, while current market share is approximately 31,0%, which is second of the big four banks in SA. Sound risk management principles are consistently applied by an experienced management team, with CLR decreasing year on year.

Personal-loan advances have decreased and are now at 2,6% of gross loans and advances, from its peak of 4,3% in 2012.

Market risks

In summary, other than interest rate risk in the banking book (IRRBB), Nedbank does not have a significant risk appetite for, or exposure to, market risk:

- Nedbank's IRRBB is positioned for an upward interest rate cycle and is predominantly managed in line with impairment sensitivity for similar rate change expectations.
  - Current exposures are within the board-approved limits and risk appetite.
- The focus of the trading businesses is to continue to develop the flow model, by leveraging the dealflow from clients.
  - Trading market risk is low in relation to the total bank operations, with only 0,5% of the total economic capital of the group consumed.
  - Risk levels are monitored within board-approved limits and risk appetite.
  - Focus areas in 2015 were the major regulatory proposals, including the fundamental review of the trading book and CVA governance and system implementation.
  - In 2016 the overall strategic focus of CIB will remain largely unaltered and focused on client-centredness. Trading capabilities within current board-approved limit structures will selectively be increased by retaining and managing risks rather than hedging back-to-back in the market.
- Equity risk in the banking book is low relative to the rest of the balance sheet. The key strategic investments (ETI and Banco Único) are accounted for under the equity method of accounting. The total equity portfolio that is fair-valued is R4 719m (2014: R4 761m).
- FCTR remains relatively low, even after the acquisition of equity stakes in ETI and Banco Único in 2014, as a result of the inclusion of FCTR in qualifying capital and reserves since 1 January 2013. Accordingly, FCTR does not have a material impact on the group's total regulatory capital adequacy ratio.

Trading book

low risk

IRRBB % ordinary shareholders' equity

1,61%

(Dec 14: 1,52%)

well positioned

Nedbank Group's Pillar 3 document for the year ended 31 December 2015 provides detailed insights into the management of all components of market risk.

Operational risk

Nedbank maintained a stable operational risk environment despite an increased inherent operational risk profile. Strong emphasis was placed on the basics of operational risk management, with a focus on both qualitative and quantitative measures.

The top and emerging operational risk themes for 2015 were information/cybersecurity, the intense regulatory environment, IT risk, conduct risk, outsourcing/third-party risk, financial crime and business continuity planning (national power crisis).

The restrained macroeconomic environment, as illustrated by slow economic growth, combined with pressure on cost reduction, exchange rate fluctuations, low commodity prices and pressure to meet targets, will likely increase the exposure to operational risk in 2016.

There are significant developments that may have an impact on the current state of the risk-based approaches to measure operational risk for regulatory purposes. Nedbank continues to work closely with industry bodies and regulators to ensure the group remains abreast of reforms.

The development of a second-generation operational risk model with enhanced capabilities (eg to estimate economic capital and to evaluate our internal capital adequacy), including a review of methodology and technology, continues to receive focus.

Nedbank Group's net losses, earnings at risk and operational risk capital to gross income ratio metrics remained within prescribed limits. All single material-loss events of more than R5m are reported to the Group Operational Risk Committee (GORC) and the GRCMC, where emphasis is placed on identifying root causes and enhancing mitigating actions.

Events relating to external fraud and execution, delivery and process management (EDPM) remained the primary reasons for internal losses in terms of frequency and severity. The EDPM event-type category's contribution to the operational risk loss profile increased to 49% in 2015 (2014: 40%), while external fraud decreased to 35% in 2015 (2014: 49%).

A detailed account of the management of operational risk management is included in the Pillar 3 Risk and Capital Management Report for the year ended 31December 2015, available online at nedbankgroup.co.za.

Capital adequacy

Nedbank Group's capital ratios are strong across all classes of capital, are above regulatory minimum requirements and are within internal target ranges. 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.

The group maintained a well-capitalised balance sheet. Our CET1 ratio of 11,3% (2014: 11,6%) remains around the mid-point of our Basel III 2019 internal target range.

The CET1 ratio was impacted by risk-weighted assets (RWA) growing 13,7% to R501,2bn (2014: R440,7bn), largely as a result of an increase in credit RWA due to:

- ratings migration across certain wholesale portfolios in line with the deteriorating economic environment;
- an industrywide CVA capital charge by SARB for OTC ZAR derivatives and OTC derivatives with local counterparties not cleared through a central counterparty, which increased RWA by R6,5bn; and
- growth in loans and advances.

Overall capital adequacy was further impacted by investments in the rest of Africa, resulting in a higher capital impairment.

Further information is available in the Nedbank Group Ltd Annual Results Booklet under the Risk and Balance Sheet Management Review section and will be available in the 2015 Pillar 3 Risk and Capital Management Report available at nedbankgroup.co.za.

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, to help avoid the buildup of excessive leverage and to capture both on- and off-balance-sheet exposure.

Nedbank Group's gearing (including unappropriated profits) under the revised Basel III Leverage Ratio Framework and disclosure requirements (which came into effect on 1 January 2015) is 16,3 times (or 6,1%) at 31 December 2015 (2014 pro forma: 15,1 times or 6,6%). The increase in the leverage position is largely as a result of the increase in exposure measure, which was primarily driven by organic on-balance-sheet growth as well as an increase in total derivative exposure.

Liquidity and funding 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, a strong loan-to-deposit ratio consistently below 100% and a low reliance on interbank and foreign-currency funding.

From a Basel III perspective Nedbank has successfully implemented the LCR, exceeding the minimum regulatory requirement of 60%, which came into effect on 1 January 2015 and the 70% requirement from 1 January 2016. Having embedded this ratio into BaU processes, Nedbank is well positioned to exceed the minimum requirement throughout the phase-in period, as the LCR requirement increases by 10% per annum to 100% by 1 January 2019.

The Basel Committee released its final version of the NSFR in October 2014. On 18 November 2015 SARB released a proposed directive relating to the NSFR, where it proposed that the available stable funding (ASF) factor applicable to wholesale deposits in the 0 to 6 months bucket be increased from 0% to 35% in order to better reflect the stability of these deposits within the South African context. Taking cognisance of the finalised Basel Committee NSFR standard and the proposed directive issued by SARB, all SA Banks are better positioned to achieve compliance from the effective date of 1 January 2018. The key focus going forward, will be on achieving compliance within the context of balance sheet optimisation.

Nedbank's strong funding and liquidity position is illustrated in the Nedbank Group Ltd Results Booklet and Pillar 3 Report for the year ended 2015, available online at nedbankgroup.co.za

Common-equity tier 1

11,3%

(Dec 14: 11,6%)

well capitalised

Liquidity coverage ratio

88,5%

(Dec 14: 66,4%)

LCR=> 60% regulatory requirement

Total capital adequacy ratio

14,1%

(Dec 14: 14,6%)

in a strong position

Long-term funding ratio

28,7%

(Dec 14: 25,4%)

strong and well diversified

Total tier 1

12,0%

(Dec 14: 12,5%)

within target range

Available financial resources:economic capital

120%

(Dec 14: 140%;
Dec 14 pro forma: 123%)

strong and above target range

RISK UNIVERSE

The 17 key risks that comprise Nedbank Group's ERMF and their materiality are reassessed, reviewed and challenged regularly by the board, management and our primary regulator, the South African Reserve Bank.

Nedbank's Enterprisewide Risk Management Framework (ERMF)

Risk universe	Accounting, financial and taxation risk	Credit risk	Operational risk	Financial crime risk	Liquidity and funding risk	Capital risk	Insurance risk (including non-banking risks)	Market risk: Trading book / Banking book

Key features of the ERMF

1 The board of directors is ultimately responsible for all risks in the group, approval and oversight of the risk measurement and management system, and the setting of risk appetite.

2 The ERMF provides the foundation and underpins the entire risk management structure and system of Nedbank Group (implementation, monitoring, reporting and remediation).

a Strong emphasis in the ERMF is placed on individual accountability and not on undue reliance on committees.

b Risk management frameworks (for all major risk types), and risk officers, are in place across all businesses and Group Technology.

c Provides a set of subrisks where relevant, to each main risk category.

d Shows the statutory board committees (as required by the Banks and Companies Act) and their role as the final oversight and monitoring functions for the group.

FIRST LINE OF DEFENCE

Board of directors

Board committees: Group Audit Committee; Group Credit Committee; Large-exposure Approval Committee; Group Risk and Capital Management Committee

Group Exco committees

Group Executive Committee

Group Operational Committtee

Committees: Group Operational Risk Committee; Financial Crime Committee; Group Asset and Liability Committee and Executive Risk Management Committee

Forums: Finance Forum; Taxation Forum; Cluster credit committees (CCCs); Transactional Deposits Forum

Business Clusters' risk governance:

NEDBANK RETAIL AND BUSINESS BANKING, NEDBANK CORPORATE AND INVESTMENT BANK, NEDBANK WEALTH AND REST OF AFRICA

- Cluster and business unit excos, CCCs, Trade Risk Committee (TRC), Investment Committee and enterprise risk committees (ercos) and other specialist committees, with the relevant independent group functions.

Finance Forum; CCC; Credit approval meetings (CRAMs); Erco; Balance Sheet Management Committee (BSMC); TRC; BSMC; Investment Committee; Separate Wealth Cluster ERMF; Erco

Central functions: Group Finance; Group Strategic Planning; Balance Sheet Management

2ND LINE OF DEFENCE

Group Risk

Chief Risk Officer

Independent group risk and compliance: Group Credit Risk Monitoring; Group Credit Portfolio Management; Group Operational Risk and Data Management; Group Financial Crime and Forensics; Group AML, CFT and Sanctions; Finance and Operations

THIRD LINE OF DEFENCE

Internal and external audit

Independent assurance: Group Internal Audit; External audit

The ERMF specifically allocates the 17 key risks (which individually also include various subrisks) at each of three levels to board committees; executive management committees (at Group Exco level and those within business clusters); and individual functions, roles and responsibilities (at group level and across all business clusters, as relevant).

Concentration risk	Conduct risk	Regulatory risk	Information technology risk	Business and strategic (execution) risk	Reputational risk	Governance and compliance risk	Transformation, social and environmental risk	People risk

- e Shows the structure of the executive management committees and their roles/responsibilities for the proper, efficient and effective functioning of the group's business.
- f Reporting philosophy: provides a reporting structure from business units through to the board.

3 Three-lines-of-defence model: sets out and positions the three-lines-of-defence model across the group and the role and responsibility of each within the overall framework.

- a Primary responsibility and accountability for the risks originating in the businesses are clearly assigned to the respective business cluster leaders and executives.

4 The CRO reports to the CE, who has ultimate individual accountability for risk.

			Group Information Technology Committee	Directors' Affairs Committee		Related Party Transactions Committee	Transformation, Social and Ethics Committee	Group Remuneration Committee
	Brand, Client and Conduct Committee		Executive Information Technology Committee		Reputational Risk Committee		Transformation Human Resources Committee	
		Regulatory Risk and Compliance Forum		Mergers and Acquisitions Forum		Regulatory Risk and Compliance Forum	Nedbank Employee Equity Forum Group Transformation Forum	

- Heads of risk and risk functions, independent of business origination, report directly to business cluster managing executives.

	BSMC	Brand, Client and Conduct Committee	Erco	Enterprisewide Human Resources Forum

Group Technology

Group Human Resources

Group Marketing, Communications and Corporate Affairs

	Group Legal	Group Insurance	Group Market Risk Monitoring	Regulatory Change Programme Office	Enterprise Risk Management

Group Enterprise Governance and Compliance

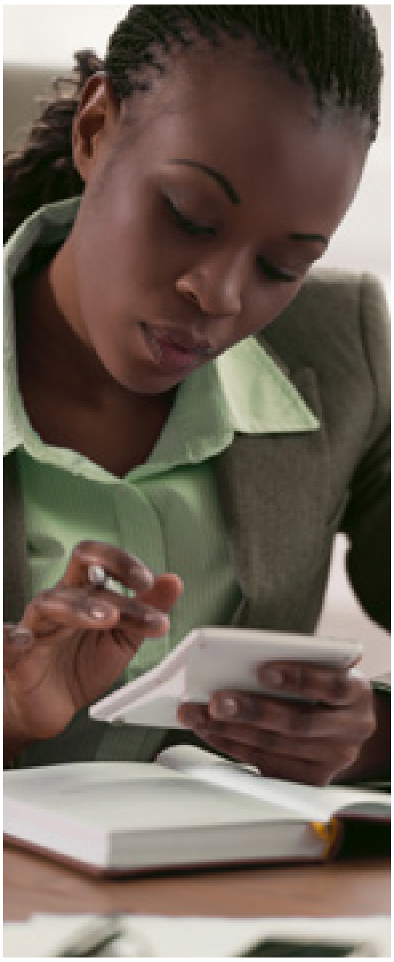
Chief Governance and Compliance Officer

Includes:

- Group Money-laundering Reporting Office
- Compliance services and oversight
- Governance and ethics
- Banks Act and regulatory compliance
- Company secretariat

Independent actuaries

NEDBANKS RISK UNIVERSE



TOP 10 RISKS

Nedbank's risk universe comprises of 17 key risks. Aligned to this, through the risk strategy and planning process, the top 10 risks are agreed as key risk focus areas for the year ahead. Management actions for the top 10 risks have been formally documented in the Group Risk Plan and are monitored and tracked in the Operational Committee, Group Exco and GRCMC. We provide an insight on pages 118 to 123, into what transpired in 2015 regarding each of the top 10 risks, the shaping forces that informed these risks and what the outlook is for 2016.

RISK TYPE	Definition
Credit risk	The risk of borrowers and counterparties failing to meet their repayment commitments, including risks arising from impaired assets and related impairments, provisions or reserves and risk arising from exposure to related persons.
Concentration risk	In terms of market risk and credit risk, the risk of an excessive concentration of exposure to a single client or group of related clients. In terms of liquidity risk, the risk of overreliance on funding or liquidity from a single depositor or small group of depositors.
Market risk	In terms of market risk in the trading book, the risk of loss as a result of unfavourable changes in market prices, such as foreign exchange rates, interest rates, equity prices, credit spreads and commodity prices. In terms of market risk in the banking book, the risk of loss in the banking book as a result of unfavourable changes in foreign exchange rates and interest rates.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people or systems or from external events.
Financial crime risk	The risk of any kind of criminal conduct in terms of common law or any current statutory law and any other conduct (whether an act or omission which Nedbank deems to be dishonest, regardless of whether the bank is the victim or perpetrator) that relates to money or financial services, goods or products resulting in economic or financial loss.
Regulatory risk	The risk of Nedbank failing to comply with applicable regulatory requirements or codes. Regulatory risk centres around changes in regulations that may have a negative effect on the business.
Conduct risk	The risk associated with Nedbank's pattern of behaviour in executing its pricing and promotion strategy as well as in respect of the public, markets, laws, best practices, client expectations, regulators and ethical standards.
Reputational risk	The risk of impairment of Nedbank's image in the community or of the long-term trust placed in the group by its stakeholders as a result of a variety of negative factors that may result in loss of business and/or legal action.
Governance and compliance risk	In terms of governance risk, the risk of systems and controls failing to enable adequate oversight on a sustainable basis. In terms of compliance risk, the risk of legal or regulatory sanctions, material financial loss or loss of reputation as a result of Nedbank failing to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct.
Information technology risk	The risk of inadequate systems or inappropriate IT investment, development, implementation, support or capacity, with an associated negative impact on the achievement of strategic objectives.

RISK TYPE	Definition
Accounting, financial and taxation risk	In terms of accounting risk, the risk of inappropriate accounting information causing suboptimal decisions to be made. In terms of financial risk, the risk of financial targets and key performance indicators not being met. In terms of taxation risk, the risk that effective tax planning, co-ordination and strategy, compliance with tax laws and regulations, proactive identification and management of tax risks are not enforced or a poor relationship with revenue authorities exits, resulting in loss and/or missed opportunities.
People risk	The risk of inadequacies in human capital management and the management of human resource policies and processes resulting in the inability to attract, manage, motivate, develop and retain competent resources or the failure of employees to adhere to the group's policies and processes.
Transformation, social and environmental risk	In terms of transformation risk, the risk of Nedbank failing to respond to and address transformation issues adequately, proactively and positively. In terms of social risk, the risk of not adequately contributing to the development of a sustainable and robust social structure. In terms of environmental risk, the risk of a Nedbank activity or process degrading, devaluing or destabilising the environment in such a way that it damages the environment.
Business, strategic (incl execution) risk	In terms of business risk, the risk of potential changes in general business conditions, such as our competitive market environment, client behaviour and disruptive technological innovation. In terms of strategic risk, the risk of an adverse impact on capital and earnings due to business policy decisions, changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes. In terms of execution risk, the risk of Nedbank's business plans not being successful when implemented or full implementation not being achieved.
Insurance risk (including non-banking risks)	In terms of underwriting risk, the risk of a client being placed in the incorrect risk pool. In terms of pricing risk, the risk of the level of risk associated with a pool being mispriced. In terms of non-independence risk, the risk of a single event resulting in claims from multiple clients.
Capital risk	The risk of Nedbank becoming unable to absorb losses, maintain public confidence and support the competitive growth of the business.
Liquidity and funding risk	The risk of Nedbank failing to meet its payment obligations when they fall due, replace funds when withdrawn or fund commitments to lend at an acceptable price, at the right time and place, and in the right currency.

The ERMF is designed around the three-lines-of-defence model, placing strong emphasis on accountability and responsibility of business management, all supported by appropriate internal control, risk management and governance structures.

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

Comprises:
Independent risk oversight and monitoring by the Group Risk and Enterprise Governance and Compliance Clusters.

The CRO, who reports directly to the CE, provides:

- strategic risk management leadership
- group independent risk oversight
- key support to various risk committees
- management of the RCPO
- is responsible for championing effective enterprisewide risk management and control
- independent model validation
- some first line functions, eg forensics and physical security

The Group Chief Governance and Compliance Officer, who reports directly to the CE, provides:

- continuous strategic compliance risk management leadership,
- independent compliance risk monitoring (of compliance monitoring in the first line),
- sets the group governance and compliance framework and
- works closely with the cluster governance and compliance functions on compliance and governance matters.

Third line

Group Internal Audit, external auditors and independent actuaries provide additional assurance on the effectiveness of risk management across the organisation.

2015

STRATEGIC AND STRATEGY EXECUTION RISKS

(strategy is underpinned by sound strategic and strategy execution risk management)

1

- Strategic and strategy execution risks have been highlighted in the ERMF and in the Group Risk Plan among the top 10 risks facing Nedbank, with a heightened focus on execution across the bank to support Nedbank's roadmap to Winning in 2020.
- Nedbank believes that key in today's climate is the ability to mitigate the adverse impact on capital and earnings due to business policy decisions, changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes in the environment.
  - 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.
- Nedbank is strategically leveraging the 'regulatory tsunami'.
  - Approximately R3bn has been allocated to regulatory change programmes to ensure worldclass implementation of regulatory requirements.

REGULATORY RISK

(regulatory tsunami)

2

- Compliance and regulatory risk have become increasingly significant given the heightened regulatory environment in which Nedbank operates.
  - Extensive focus and initiatives are documented in strategy, business and risk plans.
- Given the extent of the significant regulatory change agenda ('regulatory tsunami'), a RCPO was established in 2015, under the CRO to ensure that the impact of new or pending regulatory changes are proactively identified and appropriately managed.
- The RCPO is responsible for ensuring coordinated, comprehensive and timely identification and impact assessment of regulatory changes, and drives the integration of and alignment between regulatory change programmes.
- Nedbank's business and risk strategies ensure these programmes are effectively delivered in an efficient, integrated and strategic manner to maximise our success for full regulatory compliance on a sustainable basis.

BALANCE SHEET RISKS

(structure and growth)

3

- Basel III regulatory requirements continued to be phased in through to 2019 with:
  - ongoing transitional minimum capital requirements increasing in line with regulation;
  - the phasing-in of the minimum LCR requirements that came into effect in 2015 starting at 60%; and
  - the group continuing to position itself strategically for NSFR compliance by January 2018.
- Nedbank continued to shape its capital position in line with these evolving requirements, which included:
  - redemption of certain old-style capital instruments and the issue of further new-style Basel III-compliant instruments during the period.
- An appropriate level of leverage during 2015 continued, with the level of balance sheet gearing being maintained, well above Basel III and the more conservative SA regulatory minimum requirements.
  - Nedbank also operated well within its own internal targeted levels.
- With the phase-in of the LCR requirements this year, Nedbank was well positioned to meet the transitional 2015 minimum LCR requirements through its proactive liquidity risk management and strategies.
- The group has updated its recovery plan in 2015, which also included an extension of its integrated solvency, liquidity and disaster recovery planning to its London branch and to Nedbank Private Wealth.

EMERGING/SHAPING FORCES	OUTLOOK FOR 2016

■ Fundamental shift in financial services' landscape and technology.
■ Fierce competition, mobile and digital transformation – essential to innovate, differentiate and simplify.
■ A need for sound execution of regulatory programmes.
■ Capacity and resources to execute delivery of strategic focus areas and regulatory imperatives separate from business as usual.
	■ Capacity and adequacy of resourcing will be a key priority for the successful execution of the group's strategy and the many large-scale regulatory programmes.
	■ Execution trumps strategy ('grow transactional banking franchise' is most critical).
	   □ Ensure operational and programme management excellence.
	   □ Execute on Nedbank RBB's five key focus areas to deliver on the transactional banking strategy.
	■ Mobile and digital transformation is essential to innovate, differentiate and simplify.
	■ Enhanced project management discipline must support roadmaps to 2020 targets.
	■ A journey will be undertaken to redefine a culture for Nedbank to win in 2020 and beyond.

■ The recent significant changes in the regulatory landscape have focused on two key themes, namely:
   □ the stability and sustainability of the financial services industry; and
   □ client-focused market-conduct-driven regulation.
■ The extent of regulatory change across the industry and its impact on our businesses and clients remain pervasive.
■ As these requirements become more onerous, they are likely to change the shape of bank balance sheets, increase the costs of regulatory compliance, adversely impact the price of credit extension and, as a result, will cause banks to revise their strategies.
	■ In acknowledging the compliance imperative, it remains crucial to deliver a sustainable and effective compliant operating model, underpinned by a direct link to the strategic benefits, with a view to establishing a winning regulatory environment in 2020.
	■ The impact of regulatory change on people, process, systems and data remains a key focus for the year ahead to evolve the operating model for implementing regulatory change in an integrated, cost-effective and sustainable manner.
	■ Although the group is well positioned to respond to the regulatory changes, these changes are likely to put pressure on levels of return across the financial services industry as a result of, among others, the increased cost of compliance, increased quality and size of capital buffers, increased liquid-asset portfolios and decreased levels of liquidity transformation.
	   □ These should in turn lead to lower levels of risk.

■ Increasing capital and liquidity requirements will continue to impact the group's balance sheet and put pressure on bank margins and ROEs, for which frontbook pricing will need to be adjusted.
■ The higher minimum capital requirements and likely introduction of TLAC requirements will drive upwards the group's capital ratios and overall loss-absorbing capacity.
■ LCR compliance is being phased in over several years, with a 60% requirement in 2015 to full compliance by 2019.
   □ These requirements will result in larger liquid asset buffers, with higher levels of bank funding being deployed into these portfolios.
■ The requirements of full NSFR compliance by 2018 will result in a continued lengthening of the group's contractual and behavioural funding profile in order to increase the levels of available stable funding to support lending activities.
	■ The FSB has finalised its minimum requirements for TLAC.
	   □ Nedbank expects that these requirements, in a revised form, are likely to be adopted for SA D-SIBS.
	■ Significant changes are expected with the quantification of RWA, with finalisation expected in December 2016.
	■ A conceptual framework setting out primary and secondary indicators for identifying unconsolidated entities where significant step-in risk exists for banks has been proposed and is to be finalised in December 2016.
	■ Nedbank has embraced the requirements of Basel III and is continuously looking at how best to respond strategically in order to create a competitive advantage rather than simply complying:
	   □ These requirements have been embedded within our strategic portfolio tilt focus and continue to shape the group's balance sheet and impact frontbook pricing.

2015

CONCENTRATION RISK

(traditionally what hurts banks most)

4

- Nedbank Group does not have material single-name credit concentration risk.
  - Of the total group credit economic capital 7,5% is attributable to the top 20 largest exposures, excluding banks and government.
    - 2,3% is attributable to the top 20 largest bank exposures.
- Commercial property finance (> 40% market share).
- Nedbank continued to grow wholesale advances much faster than retail, while transactional deposits were slower.

BUSINESS RISK

(VUCA environment)

5

- The risk environment and risk management across the group remained in good shape despite the VUCA and very challenging regulatory macroenvironment in 2015, with an even more adverse forecast for 2016.
- Despite the challenging environment our CLR's remain low.
- In recognition of these facts, coupled with the ever-present and ever-growing threat posed by financial crime to the financial services industry:
  - focus on financial crime risk management was increased;
  - the risk of financial crime was elevated to a key risk in the ERMF; and
  - risk management frameworks have been formulated for
    - AML, CFT and sanctions and
    - Cyber-resilience.

CREDIT RISK

(given VUCA macroeconomic environment)

6

- The tough economic environment placed financial pressure on our clients, leading to lower levels of credit demand and transactional banking activity.
  - This was particularly prominent in the retail and small-business segments of the market.
  - In our wholesale business stresses in the resources, steel and construction sectors continued to impact growth.
- Strategic portfolio tilt has delivered excellent results since it was implemented in 2009, resulting in the improvement of the quality of the book's credit profile, which is evident in the group and RBB CLR remaining at the bottom-end of their target ranges.
  - While there was some pressure on impairments, particularly in the Nedbank Capital portfolio with CLR increasing to 0,83% (2014:0,14%), driven by lower oil and commodity prices and resulting in high specific impairments, the total CIB CLR remained within their new through-the-cycle target range.

OPERATIONAL RISKS

(AML, CFT and sanctions, data and IT risks, information security and cybercrime)

7

- Maintained a stable operational risk environment despite an increased inherent operational risk profile.
- Strong emphasis was placed on the basics of operational risk management, with a focus on both qualitative and quantitative measures.
- There was an enhanced focus on framework testing and assurance during the year.
- A fundamental review of Nedbank's cyber-resilience and financial crime risk frameworks was initiated and remain a key focus.

EMERGING/SHAPING FORCES	OUTLOOK FOR 2016
■ VUCA macroeconomic environment and pressure on resource and commodities prices.	■ Concentration risk is now one of the key risks in Nedbank's refreshed ERMF. ■ Stress testing and deep dives show low concentration and downside risk to most key sectors. ■ Continued focus on strategic portfolio tilt, with a preference for strong market share in commercial mortgages, given its comparatively better risk-based economics and returns.
■ The performance of banks is closely aligned with the macroeconomic environment in which they operate. ■ In the second half of 2015 the outlook for key macroeconomic facts in SA deteriorated: □ SA macro political events; □ declining for 2016 GDP expectations to 0,2%; □ high risk of recession. ■ Further deterioration is possible as is the risk of SA being downgraded to non-investment grade. □ This potentially creates a severe-stress scenario. ■ Elevated financial crime is being experienced. ■ Intense competitive pressure is experienced from banks, non-banks and shadow banking.	■ Despite the difficult macroeconomic environment, intense regulation and strong competition, Nedbank is well positioned to continue to grow and generate value. □ Competitive differentiating in 2016–2018/2020 in group business and risk plans: — grow transactional banking; and — differentiate by strategically leveraging regulatory change. ■ Nedbank's comprehensive stress testing enables us to be proactive in managing extreme events and difficult environments. ■ The growing threat of financial crime necessitates a risk-based, proactive and integrated approach to financial crime risk management to achieve a competitive advantage and to win in 2020. □ Underpinning this effort will be the integrated Financial Crime Risk Management Framework, together with detailed frameworks being developed to support management of various types of financial crime.
■ Growth in wholesale banking will continue to be limited by infrastructure constraints in SA, poor global demand and low international oil and commodity prices. ■ Rising interest rates will increase borrowing costs and dampen consumer credit demand. ■ Deep dives and stress testing done in higher-risk portfolios.	■ Continued focus on prudent risk management and excellence in collections. ■ Strategic portfolio tilt – proactive risk management and selective origination. ■ Leverage relatively faster growth in Africa in our wholesale portfolios. ■ IFRS 9 (Impairments) programme – strategic implications of change to IFRS 9.
■ Top and emerging operational risk themes are: □ Information/Cybersecurity □ Intense regulatory environment □ IT risk □ Conduct risk □ Outsourcing/Third party risk □ Financial crime □ Business continuity planning (national power crisis) □ Technological change (eg digital age) follows regulatory change in changing the shape of banking □ Big data + risk data = EDP as a critical success factor to Winning in 2020.	Factors likely to increase the operational risk exposure, include: ■ Inherent risk of information security, cybercrime and elevated financial crime □ restrained macroeconomic growth □ slow economic growth □ pressure on cost reduction □ exchange rate fluctuations □ low commodity prices □ pressure to meet targets ■ Significant developments may have an impact on current state of risk-based approaches to measure operational risk for regulatory purposes. ■ Importance of delivering on the EDP/RDAR&R (BCBS 239).

2015

REST OF AFRICA RISKS

8

- Our strategy remains as follows:
  - Own and manage banking and operations in the Southern African Development Community (SADC) and East Africa.
  - Provide access to a banking network in West and Central Africa through our investment and alliance with Ecobank.
- In SADC and East Africa we made good progress with our one-bank-model rollout.
- The foundation was laid for the integration of Banco Único on attaining control in 2016, with a focus on enhancing the control environment.
  - We continue to support ETI in technical areas such as balance sheet management, risk and IT, where teams contribute through information sharing and technical skills support.
- Integration of our African business into the RCPO scope.
- A new core banking system, Flexcube, was successfully implemented in Namibia in 2015, improving efficiency of operations.

CONDUCT RISK

9

- A TCF market conduct programme aligned with the Twin Peaks model and market conduct regulatory developments is well underway within Nedbank.
- Conduct risk has been incorporated as a new risk category within the ERMF as part of the ERMF refresh.
  - A conduct risk framework is being formalised to underpin TCF principles, ensuring full integration into business processes.
- Accountability for the oversight of TCF was allocated to senior management and committees in the ERMF, having regard to their lens over client-related matters:
  - The Brand and Client Conduct Committee.
  - The Transformation, Social and Ethics Committee.

COMPLIANCE RISK

10

- Nedbank regards proper compliance risk management as an enabler and source of competitive advantage.
  - The Compliance Risk Management Framework and methodology were reviewed during 2015 to ensure continued alignment with industry best practice and efficiency.
  - Roles and responsibilities across operations and compliance were clarified.
- A good and transparent relationship with regulators is of prime importance and was maintained in 2015.
  - A policy and process were implemented to ensure that the group delivers on all its commitments to regulators and an open and clear dialogue is maintained with all our regulators.

EMERGING/SHAPING FORCES	OUTLOOK FOR 2016
■ The strategy of increasing our exposure in the rest of Africa will increase the risk profile of the organisation in markets that are more volatile and have less governance at this stage of their development. ■ Significant new regulations are expected for the financial industry, including regulations relating to AML, CFT and sanctions, conduct risk, TCF, IFRS 9, FATCA and risk data aggregation. A diverse operating and regulatory environment was experienced. ◻ Subsidiaries are separate legal entities based in different countries, with their own boards, regulators and legislators.	■ We continue to see growth opportunities despite economic headwinds and will continue to grow our existing businesses. ■ A focus remains on improving the control environment and governance, and strengthening of leadership. ■ The integration of Banco Único will commence after attaining control in 2016. ■ Increasing regulatory requirements continue and the monitoring and support thereof are integrated into the overall Nedbank Group regulatory programmes. ■ Our new core banking system will continue to be rolled out to other subsidiaries in 2016/17.

■ Regulatory changes are expected:
  ◻ Financial Sector Regulatory Bill (FSRB) – Twin Peaks.
  ◻ Although TCF is not yet a legislative requirement, Nedbank is proactively ensuring that the TCF outcomes, as well as the recommendations contained in two independent reviews conducted by Deloitte UK, are implemented.
	■ A workstream will be implemented for each of the six TCF outcomes, namely:
	  ◻ culture, product and services, communications, post-sales, conduct risk framework and management information and reporting are planned for delivery by December 2016.
	Key focus areas include:
	■ setting the right tone at the top to ensure the market conduct principles are cascaded throughout Nedbank Group;
	■ management of conduct risk throughout the product life cycle;
	■ product innovation, design, pricing and strategy;
	■ complaints handling, claims and analysis; and
	■ empowering clients and keeping them well informed and educated on financial products.

■ Changing/Evolving role of compliance:
  ◻ regulation changing from rules-based to principles-based;
  ◻ judgement-based compliance becoming more prominent; and
  ◻ enabling competitive compliance is required.
■ Increasing digitisation of the business environment.
■ Conduct risk developments.
■ Extent of fines and penalties imposed by regulators globally for non-compliance.
	■ Embedding the revised Compliance Framework and supporting policies will continue in 2016.
	■ Our integrated compliance approach will keep evolving to address the demands of the changing regulatory environment.
	■ An increased focus will be placed on enhancing accountability for compliance for all roleplayers, supported by appropriate awareness.
	■ A focus will remain on resource capabilities:
	  ◻ war for compliance talent;
	  ◻ high compliance staff turnover; and
	  ◻ new skills/capabilities required.

REPORT FROM GROUP REMUNERATION COMMITTEE CHAIR

Executive remuneration and the governance of remuneration in large corporations remained a feature of the corporate governance landscape in 2015. In addition, the issue of income differentials and the steps necessary to address these continued to enjoy prominence in the local and international discourse.

Income differentials are an important topic and Nedbank remains committed to ensuring that, where differentials exist, these are fair and defensible, based on objective criteria. We will continue to monitor and address this critical issue.

Nedbank remains compliant with the relevant remuneration-related legislative and regulatory requirements that apply in its operating jurisdictions, and with those set by the International Financial Stability Board. It is clear that these requirements will continue to evolve and we will remain focused on ensuring that our remuneration practices adapt to remain compliant. Similarly, we will continue enhancing the overall governance of our remuneration arrangements so that we remain appropriately aligned to international best practice.

A key feature of our remuneration policy is pay for performance. In the context of Nedbank's overall performance in 2015, and specifically the growth in headline earnings (HE) and economic profit (EP), which are detailed elsewhere in this integrated report, we have increased our short-term incentive (STI) pool by approximately 3% and have kept our LTI pool flat. The restricted shares issued under our LTI arrangements in 2013 vest in 2016 and the operation of corporate performance targets (CPTs) has resulted in 69,8% of the total of these awards vesting, with the remainder being forfeited.

Based on feedback received from our shareholders, we have reviewed our LTI arrangements and several changes to our scheme rules are proposed for implementation in 2016. These relate to our ability to, where circumstances necessitate this, forfeit or claw back awards made, including those already vested. Details of these arrangements are set out online in our full 2015 Remuneration Report, and are also contained in our Notice of AGM for shareholder consideration and voting.

In line with the above, we have also made changes to our remuneration policy so that we are able to forfeit or claw back deferred remuneration where this is deemed necessary. This is aligned with emerging international best practice in the management of deferred remuneration. The policy is set out in the detailed 2015 Remuneration Report, and is presented for a non-binding advisory vote at the 2016 AGM.

We recommend that these changes, and the changes to the Nedbank 2005 Employee Share Incentive Scheme rules set out in the Notice of AGM, are approved by shareholders.

Stakeholders will also notice that we have changed the structure of our 2015 Remuneration Report, following feedback that we have received. Included in this integrated report is a summarised remuneration report covering the key aspects of our remuneration policy and its implementation. We also include key disclosures in the summary. This is supplemented, for those requiring more detail, by a full online 2015 Remuneration Report, which can be accessed at nedbankgroup.co.za.

MPHO MAKWANA
CHAIR

Composition and attendance

	Prescheduled	Ad hoc
PM Makwana (Chair)	5/5	2/2
NP Mnxasana	4/5	2/2
JVR Roberts	4/4	2/2
MI Wyman	5/5	2/2

FOCUS AREAS	Actions taken in 2015
Launching an updated approach to performance management	This work was dependent on the SAP Human Capital Management system, which was launched in Nedbank on 1 November 2015. As part of this a new performance management system was configured and is being launched for the 2016 performance management process.
Reviewing variable pay arrangements	The appropriateness of the corporate performance targets (CPTs) applicable to the Nedbank LTI arrangements was reviewed. This resulted in the Group Remuneration Committee (Group Remco) approving the retention of the current suite of performance conditions for awards to be made in 2016. We will, however, continue to engage with shareholders regarding the performance conditions, with a view to possible amendments for 2017. We have also reviewed our LTI Scheme rules and have proposed amendments thereto for implementation in 2016. These relate to our ability to, where circumstances necessitate this, forfeit or claw back awards made, including those already vested. This will improve our alignment with international best practice.
Focusing on fitness for purpose of our employee benefits	Our defined-contribution pension and provident schemes were migrated from standalone arrangements to the Old Mutual SuperFund arrangements. The SuperFund is an umbrella retirement fund within which pension and provident subfunds have been established for Nedbank. The management committee remains in control of key functions (notably investment strategy and investment choice oversight); however, greater economies of scale were achieved in respect of administration, improving the value for money for members. The move to the SuperFund arrangements, which took place following a full tender process, is also aligned with the trend in the retirement funding environment of greater consolidation to reduce administration costs and optimise the amount of total contributions going directly to retirement savings. Our defined-benefit pension arrangement remains a standalone scheme, given certain challenges in an umbrella fund pertaining to defined-benefit schemes, within which the sponsoring employer retains ultimate accountability for the provision of pensions to members if fund resources cannot meet the obligation. We also reviewed the appropriateness of continuing to offer the standalone Nedgroup Medical Aid Scheme. Our review showed that the scheme remains viable on its current basis and continues to offer members appropriate value for money.

Related material matters

FOCUS FOR 2016 AND BEYOND

During 2016 the Remuneration Committee will focus on:

1. the implementation of changes to the LTI arrangements related to *malus* and clawback;
2. a review of our approach to the remuneration of control function employees, notably those in risk, compliance, audit, finance and actuarial functions;
3. the continuation of our refresh of performance management within Nedbank in support of the bank's Winning in 2020 objectives, and our revised culture initiatives outlined on pages 8 to 9 of the Nedbank Group Ltd integrated report;
4. the appropriateness and fitness for the purpose of our employee benefit arrangements, with special focus on our defined-benefit employee arrangements; and
5. possible revisions to certain CPTs in 2017 following shareholder consultation.

The Group Remco continues to operate effectively in the execution of its mandate, and I remain grateful to the members of the Group Remco for their contribution as we continue to engage on these important matters.

PM Makwana
Group Remuneration Committee Chair

OUR REMUNERATION REPORT

This abridged Remuneration Report summarises the issues addressed in our full online 2015 Remuneration Report, which is available online at nedbankgroup.co.za. Provided herein are the governing principles in respect of our approach to remuneration as well as an overview of the manner in which they were implemented during 2015.

Our Remuneration Policy as well as its implementation is independently reviewed on an annual basis to ensure consistent application of the policy, and legislative and regulatory compliance.

HOW WE GOVERN OUR REMUNERATION

We have a Remuneration Policy that provides a framework for the management of total remuneration within the group, and which also supports the Nedbank employee value proposition (EVP). Set out below is a summary of the main aims of our Remuneration Policy, together with our approach to remuneration governance.

Remuneration Policy principles

The following aims of our Remuneration Policy are the guiding principles for our approach to remuneration:

To enable the attraction, motivation and retention of high-calibre people, with the right mix of experience, skills and knowledge to deliver on the strategy.

To support and reinforce our desired culture and encourage behaviour consistent with our values, thereby stimulating employee engagement.

To create an appropriate balance and alignment between the needs, expectations and risk exposure of our stakeholders, including our staffmembers, clients, shareholders, regulators and communities, to ensure the creation of sustainable long-term value for each of them.

To incentivise employees to deliver sustained high levels of performance and excellent execution of our strategic priorities, while being cognisant of the impact this delivery has on our risk profile and exposure.

To 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.

To align with the principles of good corporate and remuneration governance, ensuring an appropriate share value for the relevant stakeholders in our business.

Our full 2015 Remuneration Policy is set out on pages 1 to 5 of the full online 2015 Remuneration Report, and includes proposed changes to make provision for the implementation of *malus* and clawback arrangements in our LTI arrangements, as outlined in the Group Remco Chair's statement.

Governance

Remuneration Committee

Our Group Remco is responsible for remuneration governance with its groupwide responsibilities fully defined in its board-approved charter, available online at nedbankgroup.co.za.

The Group Remco applies the guiding principles enunciated in the Remuneration Policy as far as it is feasible, but retains the right to apply discretion to deviate from this policy in exceptional circumstances. As has been the case for the past several years, there were no requirements for such deviation in 2015.

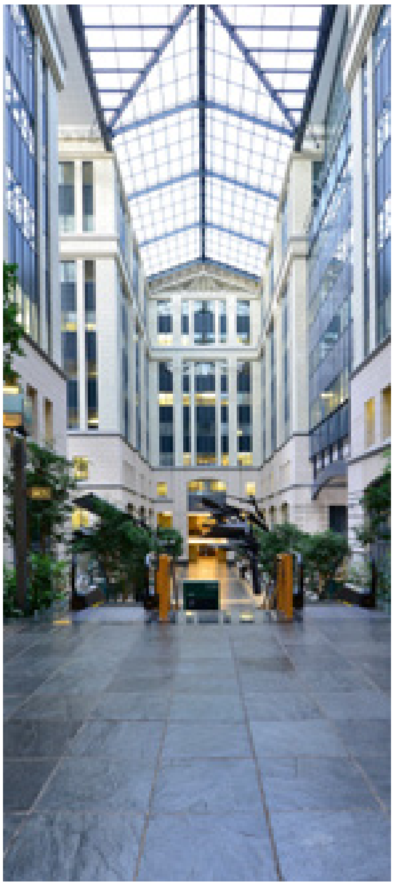
The Group Remco ensures that it remains knowledgeable about the changing remuneration regulatory environment, both locally and globally. This is supported by regular updates from the Group Reward and Performance team and its external advisors. The 2015 training dealt with global changes in executive remuneration.

In addition to the above, the Group Remco has full access to independent executive remuneration consultants, and has utilised Vasdex Associates (Pty) Ltd and PwC during 2015. Group Remco is also provided with market-related remuneration information through the group reward and performance function.

The Group Remco met seven times during 2015, details of which are set out on page 104 of the Nedbank Group 2015 Integrated Report. The Group Chairman, CE, Chief Operating Officer (COO) and Group Executive at HR are permanent invitees to the meetings, and they are not present in discussions regarding 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 advisors deemed necessary by the Group Remco from time to time.

All members of the Group Remco act as trustees of the Nedbank Group (2005) Employee Share Trust. The annual trustee meeting for this scheme was held on 24 November 2015.

There were no material issues identified in the Group Remco's self-assessment in 2015, which was conducted to evaluate its effectiveness against the objectives of its charter.



Composition of Group Remco

The Group Remco consists of four members, including an independent chair. The majority of the members are independent non-executive directors.

Name	Directorship status	Current membership
Bruce Hemphill[1]	Non-executive Director	Current member
Mpho Makwana	Independent Non-executive Director	Current member and Chair of Group Remco
Nomavuso Mnxasana	Independent Non-executive Director	Current member
Malcolm Wyman	Senior Independent Non-executive Director	Current member
Julian Roberts[2]	Non-executive Director	Past member

[1] *Bruce Hemphill was appointed to the Group Remco with effect from 25 November 2015.*
[2] *Julian Roberts resigned from the Group Remco with effect from 23 October 2015.*

REMUNERATION ELEMENTS

Our total remuneration mix (as shown in the diagram below), together with the manner in which it is governed, is set out in the Remuneration Policy on pages 1 to 5 of the full online 2015 Remuneration Report, which also expands on the group's approach to such elements during 2015.

PERFORMANCE MANAGEMENT

Short-term focus, day-to-day orientation	Short-to-medium-term focus, performance orientation		Long-term focus, ownership orientation	
Guaranteed package	Short-term incentives (including deferral and forfeiture)	Special-purpose short-term arrangements	Long-term incentives	Employee ownership plan

Variable remuneration

Short-term incentive

The aim of STIs is 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. The Group Remco has agreed on a set of principles and all group and cluster incentive schemes are designed according to those principles, which are set out on page 12 of the full online Remuneration Report.

The total STI pool approved for distribution by the Group Remco in respect of the 2015 financial year was R2 162,5m (2014: R2 100m). In accordance with its charter, the Group Remco also approved 24 individual STI payments (2014: 26) in excess of 200% of guaranteed package (GP), outside of those approved in respect of the Group Exco, which are all subject to individual approval by the Group Remco and the board.

DEFERRAL OF STIs

	Compulsory STI deferral	Voluntary Bonus Share Scheme
R0 to R1m	**> R1m**	
No deferral	Fifty percent of any amount in excess of R1m is deferred over a period of 30 months, with releases from forfeiture occurring in three equal tranches at 6, 18 and 30 months from the date of the award. Deferral is on a posttax basis.	Employees may select 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.

In the above instances where deferral applies, the individual must retain the shares in the scheme for a period of 36 months to be eligible for a match in accordance with our Matched-share Scheme, details of which are fully set out on page 9 of the full online 2015 Remuneration Report.

For employees with earnings falling within the highest taxation bracket the total STI has the potential to increase by 30% (before share price movement) in the event that the conditions in the Matched-share Scheme are met at the end of the deferral period.

Subject to shareholder approval at our AGM, deferred STIs will, from February 2016, be subject both to a *malus* (release from forfeiture) decision (already a feature of the scheme) and the possibility of clawback, for a combined period of three years from the date on which the award was made.

Special-purpose short-term variable remuneration

We make use of preapproved special-purpose short-term variable remuneration arrangements only in exceptional circumstances, which is typically in the context of hiring senior and key employees. The group does not, as a matter of course, award guaranteed bonuses, and thus none have been awarded during 2015.

SCHEME TYPE	Scheme description	Number of awards
Signon bonus	Cash awards made to prospective employees on joining the group are typically awarded to compensate them for loss of certain accrued benefits or to make them whole in terms of their existing contractual obligations.	20 awards (2014: 12) totalling R19,7m (2014: R6,23m). Included in this are awards made on appointment to key revenue-generating staffmembers.
Deferred Short-term Incentive (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 minimum time-based and individual performance conditions. Executive directors and prescribed officers are not eligible for DSTIs in the normal course.	20 awards (2014: 19) totalling R15,7m (2014: R16,4m). The awards approved is in relation to a number of senior and specialist appointments made in 2015, and the need to implement specific retention initiatives in certain scarce-skills environments.

Scheme governance is set out in the Remuneration Policy.

Long-term incentives

LTI awards are awarded with the joint aims of aligning participants' interests with the interests of stakeholders and of retaining key employees. Key considerations for LTI awards are set out on page 4 in our 2015 Remuneration Policy in the full online Remuneration Report. The criteria and quantum of allocations are benchmarked to the market annually. The allocation of LTIs is discretionary and is based on the key eligibility criteria as set out in the Remuneration Policy on page 4 in the full online 2015 Remuneration Report.

All LTI allocations are motivated by the Group Exco and approved by Group Remco members in their capacity as trustees of the Nedbank (2005) Employee Share Scheme Trust. Specific individual approval is also required for all LTI awards greater than 100% of GP.

Set out below are our various LTI schemes. The operation of the international LTIP has been aligned with the Nedbank Group (2005) Share Option, Matched-share and Restricted-share Scheme (Nedbank Group (2005) Share Incentive Scheme), but operates on a phantom basis.

Overview of long-term incentive arrangements under the Nedbank Group (2005) Share Incentive Scheme

The Option Scheme

No awards have been made since 2007 and there are no unvested awards in this scheme.

Restricted-share Scheme: annual allocations

The Group Remco awards restricted shares (including on-appointment allocations, referred to below) with a three-year vesting period to eligible participants, which vest on the basis set out to the right.

Further details of the actual CPTs are set out on page 13 of the full online 2015 Remuneration Report. For 2016 the CPTs will remain unchanged from those which applied in 2015.

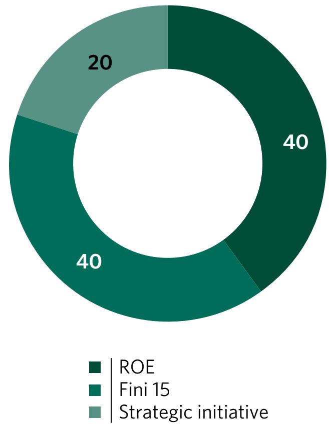
On-appointment allocations

On-appointment, restricted-share allocations are offered at the discretion of the Group Remco to new senior managers and also on an exceptional basis to existing employees who have been appointed to more senior positions and have been recommended for an allocation by the Group Exco.

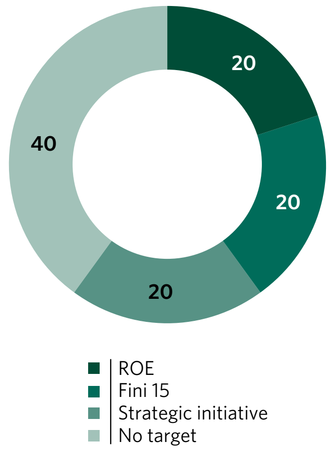
Frequency of awards

On-appointment allocations may take place biannually (and by exception on the date of appointment, with specific approval), with awards based on the volume-weighted average share price using the three trading days after the announcement of the annual or interim financial results (as applicable).

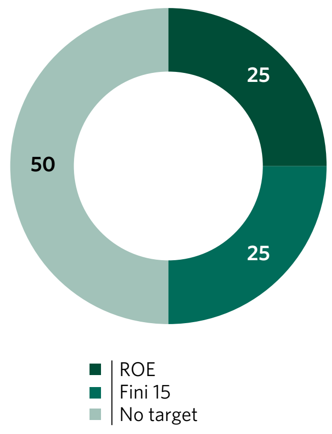
EXECUTIVE DIRECTORS
(%)



GROUP EXCO/CLUSTER EXCO
(%)



OTHER LTIP PARTICIPANTS
(%)



Matched-share Scheme

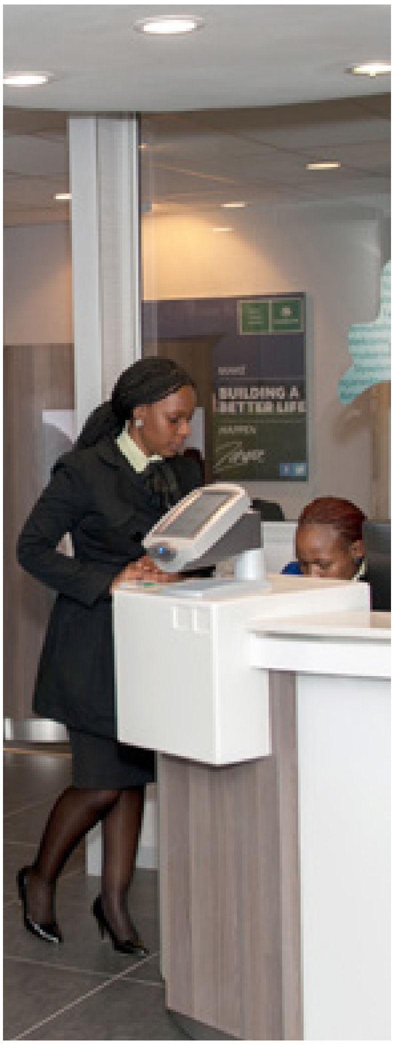
This scheme provides a vehicle for the compulsory deferral of STI awards, and for employees to participate in the scheme by voluntary investment, subject to the fulfilment of specified conditions as set out in the table below:

	STI PAYMENT	Conditions for matching	Match
Compulsory deferral	> R1m, where deferral takes place in respect of 50% of any amount exceeding R1m, applied on a posttax basis	In service on vesting date: three years after the allocation date	50%
		Average ROE excluding goodwill ≥ COE + 2% over the period	50%
Voluntary Bonus Share Scheme	≤ 50% of total posttax STI (inclusive of any compulsory deferral)	In service on vesting date: three years after the allocation date	50%
		Average ROE excluding goodwill ≥ COE + 2% over the period	50%

For employees with earnings falling within the highest taxation bracket, the total STI has the potential to increase by 30% (before share price movement) in the event that the conditions in the Matched-share Scheme are met at the end of the deferral period.

Changes to scheme rules

Amendments to the rules of the Nedbank Group 2005 Share Incentive Scheme (and which will apply to deferred STIs, the Matched-share Scheme arrangements and the Restricted-share Scheme) have been proposed for the purposes of the inclusion of *malus* and clawback provisions on all awards made from February 2016. The amendments are set out in the Notice of AGM, and are proposed for approval at the AGM to be held during May 2016.



Other long-term incentive scheme in operation

Phantom Cash-settled Restricted-share Plan

For our international and Rest of Africa operations, LTIs are made on a phantom basis, of which the schemes mirror the Nedbank Group (2005) Share Incentive Scheme in design and structure. These schemes will also be subject to the *malus* and clawback provisions proposed for the Nedbank 2005 scheme.

Full details of all these schemes are set out in the full online 2015 Remuneration Report available online.

Nedbank Eyethu employee schemes

No new awards were made during 2015 in any of the Nedbank Eyethu employee schemes.

Other employee ownership/empowerment schemes

We also have empowerment or 'indigenisation' schemes currently approved in several of our Rest of Africa operations.

Set out on the following page are the employee ownership/empowerment schemes approved in our international and African operations:

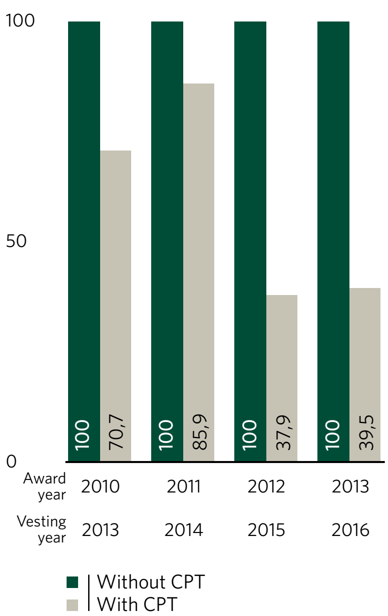
NEDBANK OPERATION	Ownership/Empowerment scheme	Scheme details
Namibia	Ofifiya Black Management Scheme	The purpose of the scheme is to enable the group to facilitate black economic empowerment in terms of the framework established by the financial sector in Namibia. It facilitates ownership of the group's shares by senior and middle management employees within Nedbank Namibia and its subsidiaries and aims to attract, retain and incentivise such individuals. **Vesting period:** Four years
Swaziland	Sinakekelwe Employee Share Scheme	The purpose of the scheme is to provide LTIs to beneficiaries, to encourage wealth creation by way of employee share ownership, to align the interests of Nedbank and the beneficiaries, and to attract, retain and reward a skilled high-performing workforce. **Vesting period:** Five years
Malawi	Phantom empowerment scheme, using Nedbank Group shares as a reference point	The purpose of the scheme is to build appropriate local employee ownership or similar financial interest, in Nedbank Malawi. It is aimed at facilitating share ownership by local employees by granting phantom shares to participants, which are linked to the Nedbank share price. **Vesting period:** Three years
Zimbabwe	Nedbank MBCA Employee Share Ownership Scheme	This scheme is currently in the inception phase and further details will be available once this has been completed.
Lesotho	Phantom empowerment scheme, using Nedbank Group shares as a reference point	The purpose of this scheme is to build appropriate local employee ownership or similar financial interest in Nedbank Lesotho. It is aimed at facilitating share ownership by local employees in the subsidiary by the granting of phantom shares to participants, which are linked to the Nedbank share price. **Vesting period:** Three years

Vesting of share awards in 2016

Nedbank Group issued restricted shares in March and August 2013, with vesting thereof linked in equal proportions to a combination of time and the group's meeting of certain performance conditions. Vesting will take place during 2016 as set out in the chart to the right. The vesting that took place in 2013 to 2015 is included for comparison.

Full details of the number and value of awards granted during the year in terms of our share-based plans are included in the Nedbank Group 2015 Consolidated Annual Financial Statements, available at nedbankgroup.co.za.

VESTING OUTCOMES (%)



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.

RISK AND REMUNERATION

The board has ensured that there is cooperation between the Group Remco and the GRCMC to enable appropriate consideration of the overall risk environment when making remuneration decisions. This is implemented through formal discussion by the Group Remco Chair with the GRCMC Chair on the risk aspects of remuneration. 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. Set out briefly below is the manner in which risk is taken into account in the remuneration process.

Taking account of future and current risks in the remuneration process

We are involved in retail, wholesale and investment banking operations, as well as wealth management and other financial services, predominantly in SA and the rest of Africa. We utilise a three-year budgeting, forecasting and planning process, which is integrated with our strategic objective, risk appetite and capital planning, enabling us to have a forward-looking view of the strategic, financial and risk outcomes of remuneration policies. The mandatory deferral of STIs for up to 30 months and the three-year vesting of LTI share allocations (with at least half of the awards 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 *malus* or, where appropriate, clawback to be applied.

We operate a comprehensive internal capital adequacy assessment process blueprint that addresses the nature and types 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. The STI pools incorporate *ex ante* or 'before the fact' risk adjustments, which is incorporated into the pool allocation process set out in detail on page 12 of the full online 2015 Remuneration Report.

The STI scheme has been designed to incentivise a combination of profitable returns, appropriate risktaking and growth. It is driven from an EP and a HE basis versus targets, using risk-based economic capital allocation as set out in the Risk and Balance Sheet Review, available online.

The board has absolute discretion as to the quantum and nature of any forfeiture, *malus*, (and from 2016) clawback 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 release of the outstanding forfeiture obligations, as well as in cases where, at the sole discretion of the board, material irregularities, risk failures 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 a group of individuals who may have transgressed. The deferral policy is reviewed annually.

Application of corporate performance targets and mitigating the effect of inappropriate performance metrics

To avoid the consequences of inappropriate performance metrics, which include extended periods in which no LTI vesting takes place, awards made from 2010 are subject to 50% performance conditions and 50% time-based vesting. For Group Exco and cluster exco members this was changed in 2015 to 60% of the total award being subject to performance conditions and 40% to time-based vesting. All LTI awards made to executive directors from 2014 are subject to performance conditions on 100% of the award.

It is a key principle in our Remuneration Policy that there should be appropriate sharing of value among stakeholders. Therefore, while employees should not be prejudiced as a result of remuneration design issues, we are cognisant that remuneration programmes should equally not be designed to favour or benefit employees at the expense of 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 appropriate in terms of remuneration governance while also being competitive relative to those of our peer group.

Further details of our approach to risk and remuneration are available on pages 11 to 14 of our full online 2015 Remuneration Report.

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

Prescribed officers

The managing executives of the three frontline, income-generating clusters are included as prescribed officers in the disclosures set out below. The board has approved these executives to be regarded as prescribed officers.

Executive directors
Mike Brown
Mfundo Nkuhlu
Raisibe Morathi
Prescribed officers
Brian Kennedy
Philip Wessels
Iolanda Ruggiero[1]

[1] *Appointed as a prescribed officer effective 1 May 2015.*

Disclosures are also made for executive directors or prescribed officers whose services terminated in 2015. These are:

- Graham Dempster (executive director until 11 May 2015) and
- Dave Macready (prescribed officer until 30 April 2015).

Details of share awards to executive directors and prescribed officers are included from page 22 of our full online 2015 Remuneration Report.

Details of the service conditions for executive directors and prescribed officers are set out on pages 14 to 17 of the full online 2015 Remuneration Report. There were no material changes to these during 2015. Executive directors and prescribed officers will be subject to the proposed *malus* and clawback arrangements from 2016.

TOTAL REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED*)

Executive directors R000	Mike Brown			Mfundo Nkuhlu			Raisibe Morathi			Graham Dempster[7,8]		
	2015	2014	%	**2015**	2014	%	**2015**	2014	%	**2015**	2014	%
Cash portion of package	**6 374**	6 056		**4 258**	3 124		**3 405**	3 177		**1 743**	3 862	
Other benefits	**141**	130		**130**	112		**100**	91		**63**	141	
Defined-contribution Retirement Fund	**910**	864		**613**	452		**621**	550		**320**	855	
Guaranteed remuneration	**7 425**	7 050	5,3	**5 000**	3 687	35,6	**4 125**	3 818	8,0	**2 125**	4 859	
Cash performance incentive	**8 250**	8 000		**4 750**	4 625		**4 500**	4 375			5 750	
Cash performance incentive (delivered in shares)	**7 250**	7 000		**3 750**	3 625		**3 500**	3 375			4 750	
Total STI[1]	**15 500**	15 000	3,3	**8 500**	8 250	3,0	**8 000**	7 750	3,2		10 500	
Total remuneration[2]	**22 925**	22 050	4,0	**13 500**	11 937	13,1	**12 125**	11 568	4,8	**2 125**	15 359	
Value of share-based awards (face value at award)	**13 500**	13 000	3,8	**8 750**	11 750[9]	(25,5)	**7 500**	7 000	7,1		8 750	
Total direct remuneration[3]	**36 425**	35 050	3,9	**22 250**	23 687	(6,1)	**19 625**	18 568	5,7	**2 125**	24 109	
Other payments[4]										**1 323**		

Prescribed officers R000	Brian Kennedy			Philip Wessels[7,10]			Dave Macready[5,7]			Iolanda Ruggiero[6,7]		
	2015	2014	%	**2015**	2014	%	**2015**	2014	%	**2015**	2014	%
Cash portion of package	**3 620**	3 346		**4 146**	1 775		**1 018**	2 926		**1 934**		
Other benefits	**239**	323		**113**	55		**57**	164		**54**		
Defined-contribution Retirement Fund	**291**	276		**391**	144		**191**	547		**262**		
Guaranteed remuneration	**4 150**	3 945	5,2	**4 650**	1 974		**1 266**	3 637		**2 250**		
Cash performance incentive	**8 625**	8 500		**4 875**	4 500		**2 040**	4 250		**3 500**		
Cash performance incentive (delivered in shares)	**7 625**	7 500		**3 875**	3 500		**1 360**	3 250		**2 500**		
Total STI[1]	**16 250**	16 000	1,6	**8 750**	8 000		**3 400**	7 500		**6 000**		
Total remuneration[2]	**20 400**	19 945	2,3	**13 400**	9 974		**4 666**	11 137		**8 250**		
Value of share-based awards (face value at award)	**7 500**	9 500[9]	(21,1)	**8 000**	10 500[9]			6 500		**6 000**		
Total direct remuneration[3]	**27 900**	29 445	(5,2)	**21 400**	20 474		**4 666**	17 637		**14 250**		
Other payments[4]												

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 CPTs, 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 following financial year.*

4 *Other payments are typically non-recurring payment and include leave pay, special payments but excludes gains from vesting share awards, which are set out from page 22 of the full 2015 online Remuneration Report.*

5 *Dave Macready joined Old Mutual SA on 1 May 2015. Payments reflect part-year service.*

6 *Iolanda Ruggiero became a prescribed officer on 1 May 2015. Guaranteed remuneration payments are pro-rated to reflect this. Variable remuneration (STI and LTI) is reported on a full-year basis.*

7 *Comparative year-on-year % not given for items that reflect part-year service.*

8 *Graham Dempster availed himself of two first-class airtickets granted as an approved incentive, and also received leave pay pursuant to his retirement from the bank. These amounts are reflected in Other Payments.*

9 *Awards include on appointment awards made in respect of appointment to more senior roles.*

10 *Philip Wessels was appointed as a prescribed officer on 1 August 2014.*

ADDITIONAL REGULATION 43/ PILLAR 3 DISCLOSURES

The disclosures required in respect of Regulation 43 of the Banks Act are set out on pages 17 to 19 of the full online 2015 Remuneration Report.

Specific disclosures relating to senior managers and material risktakers, the quantum of the remuneration paid in the year, signon awards, guaranteed bonuses, severance payments and the amount of remuneration subject to adjustment are included.

NON-EXECUTIVE DIRECTORS

The terms of engagement of the non-executive directors as well as the Group Chairman are fully set out on page 89 of the Nedbank Group 2015 Integrated Report.

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 the board committees. Neither the Group Chairman nor the boardmembers receive any performance-related remuneration or any employee benefits.

Non-executive directors are accountable for decisions made regardless of attendance at meetings. They 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' remuneration paid for the years ended 31 December 2015 and 31 December 2014 was as follows:

Non-executive directors' remuneration (audited*)

Termination date	Note	Board fees (R000)	Committee fees (R000)	2015 (R000)	2014 (R000)
David Adomakoh	1	121	393	**514**	360
Tom Boardman	2, 2a	1 840	393	**2 233**	1 766
Brian Dames		270	393	**663**	301
Mustaq Enus-Brey	3	136	137	**273**	910
Ian Gladman	16	339	393	**732**	682
Paul Hanratty	4, 16	207	393	**600**	168
Bruce Hemphill	5, 16	19	40	**59**	
Reuel Khoza	6	1 623		**1 623**	4 350
Mpho Makwana	7	747	393	**1 140**	1 006
Mantsika Matooane	8	230	393	**623**	286
Nomavuso Mnxasana	9	685	393	**1 078**	784
Vassi Naidoo	10, 10a	3 014	29	**3 043**	
Joel Netshitenzhe	11	235	393	**628**	561
Julian Roberts	12, 16	151	325	**476**	519
Gloria Serobe	13	98	137	**235**	746
Stanley Subramoney	14	95	110	**205**	
Malcolm Wyman	15	1 088	393	**1 481**	1 276
Total		10 898	4 708	**15 606**	13 715

1 *David Adomakoh was appointed as a member of the Group Related Party Transactions Committee (GRPTC) on 11 May 2015. He resigned as a member of the GTSEC on 1 September 2015. He was appointed as a member of the GCC and the Large-exposure Approval Committee (LEAC) on 1 September 2015.*

2 *Tom Boardman was appointed as Chair of the GRCMC and resigned as Chair and member of the GITCO on 20 February 2015. He was appointed as a member of the GRPTC on 11 May 2015.*

2a *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 of £38,000.*

3 *Mustaq Enus-Brey resigned as a member of the Group Finance and Oversight Committee (GFOC) and as Chair (but remained a member) of the GRCMC on 20 February 2015. He resigned as a member of the GCC, LEAC and GRCMC and retired as a non-executive director on 11 May 2015.*

4 *Paul Hanratty was appointed as a member of the GCC and LEAC on 11 May 2015.*

5 *Bruce Hemphill was appointed as a non-executive director and a member of the Group Remco and the Group DAC on 25 November 2015.*

6 *Reuel Khoza resigned as Chair of the DAC and retired as Chairman and non-executive director of Nedbank Group on 11 May 2015.*

7 *Mpho Makwana was appointed as a member of the GRPTC on 11 May 2015.*

8 *Mantsika Matooane was appointed as a member of DAC and GFOC and as Chair of the GITCO on 20 February 2015.*

9 *Nomavuso Mnxasana was appointed as member of the DAC and Chair of the GTSEC on 20 February 2015.*

10 *Vassi Naidoo was appointed as a non-executive director on 1 May 2015 and as Chairman of Nedbank Group on 11 May 2015. The remuneration disclosed above includes a consultancy fee payment to Mr Naidoo for the period 13 April 2015 to 30 April 2015, as Mr Naidoo had dedicated this time to Nedbank affairs in preparation for his appointment as a boardmember. He was appointed as a member of the DAC on 1 May 2015.*

10a *IT and security expenditure was approved for Vassi Naidoo as a consequence of his appointment as Chairman of Nedbank Group. These enhancements are all necessary for the completion of his duties as Chairman, and to ensure his security.*

11 *Joel Netshitenzhe was appointed as member of the GRPTC on 11 May 2015.*

12 *Julian Roberts resigned as a member of the Group Remco and DAC on 23 October 2015 and as a non-executive director on 31 October 2015.*

13 *Gloria Serobe resigned as Chair (but remained a member) of the GTSEC on 20 February 2015. She resigned as a member of the GCC, LEAC and GTSEC and as a non-executive director of Nedbank Group on 11 May 2015.*

14 *Stanley Subramoney was appointed as an independent non-executive director on 23 September 2015. He was appointed as a member of the GTSEC, GCC, LEAC and the GAC on 23 October 2015.*

15 *Malcolm Wyman was appointed Chair of the DAC and GRPTC on 11 May 2015.*

16 *Fees for Julian Roberts, Paul Hanratty, Ian Gladman and Bruce Hemphill were paid to Old Mutual (SA) Ltd.*

The proposed non-executive director fees as set out below were evaluated by a board committee consisting of Mike Brown and Bruce Hemphill with advice from independent experts. Such evaluation was conducted 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 5,3% and 16,1%. We have also aligned all committee chair premiums to 2,5 times the member fee. The proposed fees for 2016 are also set out in our notice of AGM, for voting by our shareholders. The proposed increases to board fees represent a total increase in the cost of operating the board of 10,6%.

	2016 (R) Proposed	2015 (R)	%
Boards			
Chairman of the board	5 000 000	**4 750 000**	5,3
Lead Independent Director premium	40% of board fee	**40% of board fee**	
Nedbank Group Ltd	245 000	**220 555**	11,1
Nedbank Ltd	205 000	**184 525**	11,1
Committees			
Group Audit Committee			
Chair	650 000	**562 500**	15,6
Member	260 000	**225 000**	15,6
Group Finance and Oversight Committee[1]			
Chair	–	**55 000**	
Member	–	**27 500**	
Group Remuneration Committee			
Chair	350 000	**312 500**	12,0
Member	140 000	**125 000**	12,0
Group Risk and Capital Management Committee			
Chair	450 000	**387 500**	16,1
Member	180 000	**155 000**	16,1
Group Credit Committee			
Chair	500 000	**475 500**	5,3
Member	200 000	**190 000**	5,3
Group Directors' Affairs Committee[3]			
Chair	196 250	**140 000**	40,2
Member	78 500	**70 000**	12,1
Group IT Committee[3]			
Chair	250 000	**180 000**	38,9
Member	100 000	**90 000**	11,1
Group Transformation, Social and Ethics Committee[3]			
Chair	250 000	**180 000**	38,9
Member	100 000	**90 000**	11,1
Group Related Party Transactions Committee[2, 3]			
Chair	75 000	**55 000**	36,4
Member	30 000	**27 500**	9,1

Details of the individual shareholdings of the non-executive directors are included on pages 22 to 27 of the full online 2015 Remuneration Report.

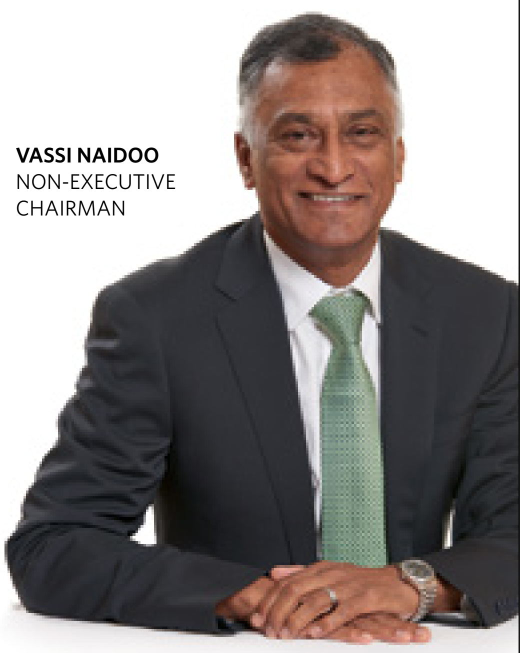
[1] *The Group Finance and Oversight Committee was discontinued during 2015.*

[2] *Fees for the Group Related Party Transactions Committee set at same level as previous Group Finance and Oversight Committee, increased by 9,1%, with adjustments to chair premium at 2,5 times.*

[3] *Large increases for the chairs of these committees are as a result of the adjustments of the chair's premium to 2,5 times the member's fee, aligning to the chair's premium paid for other committees.*

BOARD OF DIRECTORS

The Nedbank Group board of directors is comprised of the three executive directors and thirteen non-executive directors, nine of whom are independent.



VASSI NAIDOO
NON-EXECUTIVE CHAIRMAN

BRIAN DAMES
Independent Non-executive Director

BRUCE HEMPHILL
Non-executive Director

MIKE BROWN
Chief Executive

56%
Independent directors
(9 members)

MPHO MAKWANA
Independent Non-executive Director

IAN GLADMAN
Non-executive Director

DAVID ADOMAKOH
Independent Non-executive Director

MANTSIKA MATOOANE
Independent Non-executive Director

PAUL HANRATTY
Non-executive Director*

TOM BOARDMAN
Independent Non-executive Director

NOMAVUSO MNXASANA
Independent Non-executive Director

19%
Executive directors
(3 members)

* *Stepped down from board on 12 March 2016*

RAISIBE MORATHI
Chief Financial Officer

MFUNDO NKUHLU
Chief Operating Officer

81%
Non-executive directors
(13 members)

JOEL NETSHITENZHE
Independent Non-executive Director

STANLEY SUBRAMONEY
Independent Non-executive Director

MALCOLM WYMAN
Senior Independent Non-executive Director

Vassi Naidoo [61]

Non-executive Chairman
South African
Qualifications: CA(SA), ACA and PMD (Harvard Business School)

Expertise in auditing and financial services.

Experience in doing business in Africa and India, and large corporate experience.

Vassi was appointed to the Nedbank Group Ltd and Nedbank Ltd Boards as a non-executive director and Chairman-designate on 1 May 2015 and then as Chairman on 11 May 2015. Vassi was also appointed as a non-executive director of Old Mutual plc in 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.

Board committees
Member: Group Directors' Affairs Committee

Holds 43 575 Nedbank Group Ltd ordinary shares.

Mike Brown [49]

Chief Executive
South African
Qualifications: BCom, DipAcc, CA(SA), CD(SA), AMP (Harvard Business School)

Expertise in banking and financial services.

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 Ltd and, after the merger between Nedbank Ltd, BoE Ltd, Nedbank Investment Bank Ltd and Cape of Good Hope Bank Ltd, was appointed Head of Commercial Property Finance at Nedbank Ltd.

Board committees
Member: Large-exposure Approval Committee, Group Credit Committee, Group Risk and Capital Management Committee

Holds 408 938 Nedbank Group Ltd ordinary shares.

David Adomakoh [50]

Independent Non-executive Director
Ghanaian
Qualifications: BSc (Econs)(Hons) (London School of Economics), Diplome de Langue et de Civilisation (Université Paris-Sorbonne)

Expertise in investment banking.

Experience in doing business in Africa, banking and economics.

David joined the board as an independent non-executive director on 21 February 2014. David is currently the Chairman of Tiso Investment Holdings Proprietary Ltd and a co-founder of Tiso Group, where he served as Group Managing Director. He is a former director of Chase Manhattan Ltd, 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 Ltd, and the Chairman of the Investment Committee. He also serves as a non-executive director of Idwala Industrial Holdings, African Explosives Ltd, Aveng (Africa) Ltd 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.

Board committees
Member: Group Related Party Transactions Committee, Group Credit Committee, Large-Exposure Approval Committee

Tom Boardman [66]

Independent Non-executive Director
South African
Qualifications: BCom, CA(SA)

Expertise in banking and auditing.

Large corporate experience.

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 Ltd, 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 Ltd in 1986. Before this he was Managing Director of Sam Newman Ltd and worked for Anglo American Corporation Ltd for three years. He served his articles at Deloitte. He is also a non-executive director of Woolworths Holdings Ltd, Royal Bafokeng Holdings Proprietary Ltd and African Rainbow Minerals Ltd. 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.

Board committees

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

Member: Group Audit Committee, Group Directors' Affairs Committee, Group Related Party Transactions Committee

Holds 15 000 Nedbank Group Ltd ordinary shares.

Brian Dames 50

Independent Non-executive Director
South African
Qualifications: BSc(Hons), MBA

Expertise in energy and resources.

Large corporate and industrial experience, doing business in Africa.

Brian joined the board as an independent non-executive director on 30 June 2014. Brian is currently Chief Executive of African Rainbow Energy and Power (AREP). 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 serves as a member of the Sustainability Energy for All Executive Committee (UN and World Bank initiative), as a non-executive director of the Industrial Development Corporation of South Africa Ltd and as member of the Sol Plaatjie University Finance Committee.

Board committees

Member: Group Information Technology Committee, Group Credit Committee, Large Exposure Approval Committee

Ian Gladman 51

Non-executive Director
British
Qualifications: BA(Hons) History (Christ's College, Cambridge)

Expertise in banking and financial services.

Experience in strategy development and corporate finance.

Ian joined the board as a non-executive director in June 2012. 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.

Board committees
Member: Group Credit Committee, Group Risk and Capital Management Committee, Large-exposure Approval Committee

Paul Hanratty 54*

Non-executive Director
Irish
*Stepped down from the board on 12 March 2016.

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

Expertise in insurance and accounting.

Financial services experience.

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.

Board committees
Member: Group Transformation, Social and Ethics Committee, Group Credit Committee, Large-exposure Approval Committee

Bruce Hemphill 52

Non-executive Director
South African
Qualifications: BA, CPE

Expertise in insurance and investment banking.

Financial services experience.

Bruce joined the board as a non-executive director on 25 November 2015. He was appointed as the Group Chief Executive of Old Mutual plc on 1 November 2015. From February 2014 to October 2015 he was Chief Executive of Wealth, Insurance and Non-Bank Financial Services at Standard Bank Group. Prior to that (June 2006 to February 2014) he was Chief Executive of Liberty Group, an African financial services group listed on the JSE, where he led Liberty on an extensive transformation and growth path while delivering significant value to shareholders.

Board committees

Member: Group Remuneration Committee, Group Directors' Affairs Committee

Mpho Makwana 45

Independent Non-executive Director
South African
Qualifications: BAdmin(Hons)

Expertise in HR, marketing, Expertise in HR, marketing, communications and strategic planning.

Banking, resources and large corporate and industrial experience.

Mpho joined the board as an independent non-executive director on 17 November 2011. Mpho is a past Chairman of Eskom Holdings Ltd – he led the team that kept the lights on during the 2010 FIFA World Cup. He is an independent director of Adcock Ingram Ltd, Sephaku Holdings Ltd and eNX Group Ltd and Chairman of ArcelorMittal SA Ltd. He serves in various non-profit initiatives, amongst these as a Trustee on the Board of the Nelson Mandela Children's Fund.

Board committees

Chairman: Group Remuneration Committee

Member: Group Transformation, Social and Ethics Committee, Group IT Committee, Group Audit Committee, Group Directors' Affairs Committee, Group Related Party Transactions Committee

Mantsika Matooane 40

Independent Non-executive Director
South African
Qualifications: MBA (Henley Business School, UK), PhD in Computer Science (University of Cambridge, UK)

Expertise in IT and innovation.

Banking experience.

Mantsika joined the board as an independent non-executive director on 15 May 2014. Mantsika currently serves as a non-executive director of JSE Ltd and NMG Consultants and Actuaries Proprietary Ltd.

Board committees

Chairman: Group Information Technology Committee,

Member: Group Directors' Affairs Committee

Holds 2 261 Nedbank Group Ltd ordinary shares.

Nomavuso Mnxasana 59

Independent Non-executive Director
South African
Qualifications: BCompt(Hons), CA(SA)

Expertise in accounting and auditing.

Banking experience.

Nomavuso joined the board as an independent non-executive director in October 2008. She is currently a director atIndustrial Development Corporation of South Africa Ltd, JSE Ltd andArcelor Mittal SA Ltd. She was a senior partner and member of the executive committee of SizweNtsaluba before serving as Group Audit and Risk Executive at Imperial Holdings Ltd.

Board committees
Chairman: Group Transformation, Social and Ethics Committee

Member: Group Audit Committee, Group Remuneration Committee, Group Risk and Capital Management Committee, Group Directors' Affairs Committee

Holds 7 420 Nedbank Group Ltd ordinary shares.

Raisibe Morathi 46

Chief Financial Officer
South African
Qualifications: BCompt(Hons), CA(SA), HDip Tax, AMP (INSEAD)

Expertise in banking and accounting.

Insurance and large corporate experience.

Raisibe was appointed as Chief Financial Officer of the group in September 2009, and held senior positions in banking and insurance over the past 21 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 Ltd, the last position being Chief Operating Officer.

Board committees
Member: Group Credit Committee, Large-exposure Approval Committee

Holds 229 557 Nedbank Group Ltd ordinary shares.

Joel Netshitenzhe 59

Independent Non-executive Director
South African
Qualifications: MSc in Financial Economics (University of London – SOAS, UK)

Expertise in economics, public policy, communications and strategic planning.

Public sector, strategic research and large corporate experience.

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). 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 was a member of the National Planning Commission from 2010 to 2015, and served as Head of Policy Coordination and Advisory Services in the Presidency from 2001 until December 2009. 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 Ltd.

Board committees
Member: Group Risk and Capital Management Committee, Group Related Party Transactions Committee, Group Information Technology Committee

Mfundo Nkuhlu 49

Chief Operating Officer
South African
Qualifications: BA(Hons), Strategic Management in Banking (INSEAD), AMP (Harvard Business School)

Expertise in banking, accounting, strategic planning and economic.

Expansion into Africa experience.

Mfundo was appointed 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. He was appointed to the Boards of Nedbank Ltd and Nedbank Group Ltd on 01 January 2015. He also serves on the Board of Ecobank Transactional Incorporated (ETI) in which Nedbank holds a 20.7% interest, effectively from 01 August 2015. 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.

Board committees
Member: Group Credit Committee

Holds 149 962 Nedbank Group Ltd ordinary shares.

Stanley Subramoney 57

Independent Non-executive Director
South African
Qualifications: BCompt(Hons), CA(SA)

Expertise in accounting, auditing, expansion into Africa.

Economic and social development and large corporate experience.

Stanley qualified as a Chartered Accountant (SA) in 1987 and was appointed audit partner at PwC, serving a number of the firm's large clients both in the public and private sectors. During his 27 years in the audit profession as audit partner and later as member of the Exco of PwC he led large and complex assignments, attended audit committee meetings of key clients, was the technical partner, trained board and audit committee members on the roles and responsibilities of the board and on governance, and gained valuable experience across the various sectors. He represented the southern African firm in a number of PwC's African and global structures. These roles provided Stanley with a wide international view and exposure to global clients. At the age of 42 he was appointed Deputy CEO for PwC Southern Africa and member of the southern Africa executive committee. During his time as the strategy leader for PwC Southern Africa, Stanley led the Government and Public Sector Industry Group for Southern Africa. He was the Chairman of Business Skills for South Africa Foundation, a non-profit organisation that has provided business skills training to over 18 000 entrepreneurs from disadvantaged communities. He is Chairman of the Nepad Business Foundation – a Pan-African business foundation that seeks to put Africa on a path of sound sustainable economic development. He is also on the board of Business Unity South Africa ('BUSA') and Chairman of its audit committee.

Board committees
Member: Group Audit Committee, Group Credit Committee, Large-exposure Approval Committee, Group Transformation, Social and Ethics Committee

Holds 2 300 Nedbank Group Ltd ordinary shares.

Malcolm Wyman 69

Senior Independent Non-executive Director
British
Qualifications: CA(SA), AMP (Harvard Business School)

Expertise in accounting, financial services and strategic planning.

Large corporate and expansion into Africa experience.

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, listed on the London Stock Exchange, until August 2011. He was also previously a non-executive director of Tsogo Sun Holdings Ltd 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.

Board committees
Chairman: Group Audit Committee, Group Directors' Affairs Committee, Group Related Party Transactions Committee

Member: Group Risk and Capital Management Committee, Group Remuneration Committee

NEDBANK LIMITED (incorporated in the Republic of SA) Reg No 1951/000009/06
JSE share code: NBKP; ISIN: ZAE0000043667 ('Nedbank' or 'the company')

This notice is sent to holders of Nedbank non-redeemable non-cumulative non-participating preference shares ('perpetual preference shares') and the holders of the Class A and Class B redeemable cumulative preference shares ('redeemable preference shares') (collectively hereafter referred to as 'the preference shares') for information only.

In terms of article 44.8 of the memorandum of incorporation ('MoI') of Nedbank, the holders of the perpetual preference shares will not be entitled to be present or to vote, either in person or by proxy, at any meeting of the company by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail at the date of the meeting:

- the preference dividend or any part thereof remains in arrears and unpaid after 6 (six) months from the due date thereof; and
- a resolution of the company is proposed (in which event the preference shareholders will be entitled to vote only on such resolution) that directly affects the rights attached to the preference shares or the interests of the holders thereof, including a resolution for the winding up of the company or for the reduction of its capital.

In terms of articles 45.9 and 46.9 of the MoI of Nedbank, the holders of the redeemable preference shares are entitled to receive notice and attend the annual general meeting, but will not be entitled to speak or vote thereat, unless the circumstances as recorded in these articles prevail at the date of the meeting.

Notice is hereby given to shareholders recorded in the securities register of Nedbank on Thursday, 24 March 2016, that the annual general meeting of shareholders will be held in the Executive Boardroom, Ground Floor, Block A, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Wednesday, 4 May 2016, at 16:30 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 Limited ('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 Friday, 22 April 2016.

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 inter alia the Directors' Report and the Auditors' Report, for the financial year ended 31 December 2015, have been distributed and will be presented to the shareholders as required in terms of the Companies Act. The complete set of the consolidated audited annual financial statements, together with the reports, are contained in the annual report.

2 Ordinary dividends

To note the interim dividend of 7 258 cents per ordinary share declared by the board of directors on 9 September 2015 and the final dividend of 9 073 cents per ordinary share declared by the board of directors on 12 February 2016.

3 Dividends on perpetual preference shares

To note preference dividend number 25 of 38,22487 cents per share declared for the period from 1 January 2015 to 30 June 2015, paid on Monday, 31 August 2015 to shareholders of the non-redeemable non-cumulative non-participating preference shares recorded in the books of the company at the close of business on Friday, 28 August 2015 and preference dividend number 26 of 40,01711 cents per preference share declared for the period from 1 July 2015 to 31 December 2015 and payable on Monday, 4 April 2016.

4 Dividends on redeemable preference shares

To note and confirm the preference dividend of R116 662,28 declared and paid on 19 February 2015 and R113 856,74 declared and paid on 30 July 2015 on the class A redeemable cumulative preference shares and the preference dividend of R206 843,39 declared and paid on 19 February 2015 and R279 566.78, declared and paid on 30 July 2015 on the class B redeemable cumulative preference shares, respectively in accordance with the terms of the preference share subscription and participation agreement entered into between Nedbank, IBL Asset Finance and Services Ltd, Imperial Holdings Ltd and Associated Motor Holdings (Pty) Ltd.

RESOLUTIONS

5 Ordinary resolution 1

Election of directors of the company appointed during the year

During the year the board of directors appointed Messrs S Subramoney and JB Hemphill as non-executive directors of the company. These directors retire in terms of the company's MoI and, being eligible, make themselves available for election. Biographical details are set out in the 2015 Nedbank Annual Report.

5.1 *'Resolved that Mr S Subramoney be and is hereby elected as a director of the company.'*

5.2 *'Resolved that Mr JB Hemphill be and is hereby elected as a director of the company.'*

6 Ordinary resolution 2

Reelection of directors retiring by rotation

The following directors retire by rotation in terms of the company's MoI, which requires not less than one third of the directors to retire at each annual general meeting. These directors, 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 in the 2015 Nedbank Annual Report.

6.1 *'Resolved that Mr ID Gladman be and is hereby reelected as a director of the company.'*

6.2 *'Resolved that Mrs RK Morathi be and is hereby reelected as a director of the company.'*

6.3 *'Resolved that Mr MI Wyman be and is hereby reelected as a director of the company.'*

7 Ordinary resolution 3

Reappointment of external auditors

Following an evaluation of the performance of Deloitte & Touche (with Mr M Jordan as designated registered auditor) and KPMG Inc (with Mr S Malaba as designated registered auditor, following the conclusion of Ms H Berrange's term of five years), the Nedbank Group Ltd Audit Committee and Board recommends the reappointment of the auditors on a joint basis. If either resolution 7.1 or resolution 7.2 is not passed, the resolution which is passed shall be effective.

7.1 *'Resolved that Deloitte & Touche be and are hereby reappointed as auditors to hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting of Nedbank.'*

7.2 *'Resolved that KPMG Inc be and are hereby reappointed as auditors to hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting of Nedbank.'*

8 Ordinary resolution 4

Control of authorised, but unissued shares

'Resolved that the authorised, but unissued shares in the authorised share capital of Nedbank be and are hereby placed under the control of the directors to issue these shares, in such numbers and on such terms and conditions and at such times and at such prices as they deem fit, subject to the provisions of the Companies Act, the Banks Act, 94 of 1990 (as amended) ('the Banks Act') and the JSE Listings Requirements.

9 Advisory endorsement of remuneration policy

'To endorse through a non-binding advisory vote the remuneration policy of the company (excluding the remuneration of the non-executive directors for their services as directors) and its implementation as set out in the Remuneration Report included in the 2015 Nedbank Annual Report.'

10 Special resolution 1

Remuneration of non-executive directors

'Resolved that the non-executive directors' fees for their services as directors, in accordance with the company's remuneration policy, as set out in the Remuneration Report contained in the 2015 Nedbank Annual Report, be and are hereby approved.'

11. Special resolution 2

General authority to provide financial assistance to related and interrelated companies

'Resolved that, subject to the provisions of the Companies Act, 71 of 2008 ('the Companies Act'), the shareholders of the company hereby approve, as a general approval, for a period of two years, the company providing direct or indirect financial assistance ('financial assistance') as contemplated in sections 44 and 45 of the Companies Act on such terms as may be authorised by the board of directors of the company in accordance with the following:

1) the financial assistance can be provided to any related or inter-related company, corporation 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); and

2) nothing in these terms and conditions will limit the provision by the company of the 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' and 'interrelated' to the company. 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'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/its/their 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

1 March 2016

Registered office	Transfer secretaries in SA
Nedbank Ltd Reg No 1951/000009/06 Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196	Computershare Investor Services (Pty) Ltd Ground Floor 70 Marshall Street Johannesburg, 2001
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 Email: proxy@computershare.co.za

NEDBANK LIMITED (incorporated in the Republic of SA) Reg No 1951/000009/06
JSE share code: NBKP ISIN: ZAE000043667 ('Nedbank' or 'the company')

To be used by the holders of voting rights on ordinary shares.

I/We ____

of (address) ____

being the holder(s) of ______________________________ordinary shares in the company, appoint (see notes 1):

1 ____ or failing him/her

2 ____ or failing him/her

the chair 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 in the Executive Boardroom, Ground Floor, Block A, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Wednesday, 4 May 2016, at 16:30, for the purpose of considering and, if deemed fit, passing with or without modification as 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:

			Number of votes (one vote per ordinary share)		
			For	Against	Abstain
	Ordinary Resolutions				
	Ordinary resolution 1				
	5.1	Election of Mr S Subramoney, who was appointed as a non-executive director since the previous annual general meeting of shareholders			
	5.2	Election of Mr JB Hemphill, who was appointed as a non-executive director since the previous annual general meeting of shareholders			
	Ordinary resolution 2				
	6.1	Reelection as a director of Mr ID Gladman, who is retiring by rotation			
	6.2	Reelection as a director of Mrs RK Morathi, who is retiring by rotation			
	6.3	Reelection as a director of Mr MI Wyman, who is retiring by rotation			
	Ordinary resolution 3				
	7.1	Appointment of Deloitte & Touche as external auditors			
	7.2	Appointment of KPMG Inc as external auditors			
	Ordinary resolution 4				
8	Placing of authorised but unissued shares under the control of the directors				
9	Advisory endorsement of Remuneration Policy				
	Special resolutions				
	Special resolution 1				
10	Remuneration of non-executive directors				
	Special resolution 2				
11	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 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 shares held or represented by him/her bears to the aggregate amount of the nominal value of all the Nedbank 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. 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 Executive Boardroom, Ground Floor, Block A, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton on Wednesday, 4 May 2016, at 16:30 or at any adjournment thereof, unless it is revoked earlier

Signed at (place) ______________________ on (date) ______________________ 2016

Signature ____

Assisted by me ____
(where applicable)

Please read the notes on the reverse side hereof.

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, 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 chair 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 chair of the annual general meeting, if the chair 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 chair 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 shall be initialled by the signatory/signatories.

9 The completion and lodging of this form of proxy shall 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 shall be suspended accordingly.

10 Forms of proxy have to be lodged with or posted to the Company Secretary's office (for the attention of Ms 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 South Africa, namely Computershare Investor Services (Pty) Ltd ('Computershare'), 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107). The forms of proxy are requested to be received no later than 16:30 on Tuesday, 3 May 2016. Forms of proxy can also be submitted by fax to Computershare (fax number +27 (0)11 688 5238 or email: proxy@computershare.co.za), 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 shares in a certificated form; or

11.2 those holders who are recorded in the subregister as holding Nedbank 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) as at the record date at this annual general meeting.

12 Holders of Nedbank 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 or the company's MOI 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.

Advanced internal ratings-based approach

The advanced Internal Ratings-Based (AIRB) Approach is subject to supervisory approval where a bank may use its internal developed credit risk measurement systems to calculate the capital requirements for credit risk.

Advanced measurement approach

The Advanced Measurement Approach (AMA) allows a bank to calculate its regulatory capital charge (using internal models) based on internal risk variables and profiles. This is the only risk-sensitive approach for operational risk allowed in Basel II.

Assets under management

These are assets managed by Nedbank Group, beneficially owned by clients and therefore not reported on the consolidated balance sheet; advances that have been either fully or partially utilised by a borrower.

Automated teller machine

An automated teller machine (ATM) is a cash machine or a free-standing cash dispensing device that may also provide other information or services for clients who have a card and a personal identification number, a password or other personal identification.

Banks

This asset class covers all exposures to counterparties treated as banks.

Basel capital accord

The new Basel Capital Accord (Basel II) of the Bank for International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

Basel asset classes (as categorised in the BA 200 return)

Corporate

Corporate exposures

Corporate exposures are a debt obligation of a corporation, partnership or proprietorship. Banks are permitted to distinguish separately exposures to small and medium-sized enterprises.

Specialised lending high-volatility commercial real estate

High-volatility commercial real estate (HVCRE) lending is the financing of commercial real estate that exhibits higher-loss-rate volatility compared with other types of specialised lending.

Specialised lending income-producing real estate

Income-producing real estate (IPRE) refers to a method of providing funding for real estate (such as office buildings to let, retail space, multifamily residential buildings, industrial or warehouse space and hotels) where the prospects for repayment and recovery on the exposure depend primarily on the cashflows generated by the asset. The primary source of these cashflows would generally be lease or rental payments or the sale of the asset.

Specialised lending object finance

Object finance (OF) refers to a method of funding the acquisition of physical assets (eg ships, aircraft, satellites, rolling stock, and fleets) where the repayment of the exposure is dependent on the cashflows generated by the specific assets that have been financed and pledged.

Specialised lending commodities finance

Commodities finance (CF) refers to structured short-term lending to finance reserves, inventories, or receivables of exchange-traded commodities (eg crude oil, metals or crops), where the exposure will be repaid from the proceeds of the sale of the commodity.

Specialised lending project finance

Project finance (PF) is a method of funding where the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. This type of financing is usually for large, complex and expensive installations, for example power plants, chemical-processing plants and mines.

Small and medium enterprises corporate

This asset class covers all exposures to small and medium enterprises (SME) that are classified as corporate, based on criteria prescribed by the Regulator.

Purchased receivables corporate

This asset class covers all receivables classified as corporate exposures that are purchased for inclusion in asset-backed securitisation structures, but banks may also use this approach with the approval of national supervisors for appropriate on-balance-sheet exposures that share the same features.

Public sector entities

This asset class covers all exposures to enterprises that are wholly or majority owned by the central government, eg Eskom and Transnet.

Local governments and municipalities

This asset class covers all exposures to metropolitan councils, district councils and municipalities.

Sovereign (including central government and central bank)

This asset class covers all exposures to counterparties treated as central government.

Securities firms

This asset class covers all exposures to enterprises regulated by a recognised authority and trading in securities.

Retail exposures

Retail mortgages (including home equity line of credit)

This asset class covers all mortgage advances or credit lines to individuals that are fully secured by a mortgage over residential property.

Retail revolving credit

This involves exposures to individuals that are revolving, unsecured, and committed (both contractually and in practice). In this context, revolving exposures may be defined as those in respect of which clients' outstanding balances are permitted to fluctuate based on their decisions to borrow and repay up to a limit established by the bank.

Retail other

This asset class covers all non-revolving exposures (excluding mortgage advances) to individuals.

Small and medium enterprises retail

This asset class covers all exposures to SMEs that are classified as retail, based on criteria prescribed by the regulator.

Purchased receivables – retail

This asset class covers all receivables classified as retail exposures and are purchased for inclusion in asset-backed securitisation structures, but banks may also use this approach with the approval of national supervisors for appropriate on-balance-sheet exposures that share the same features.

Black economic empowerment transaction

Nedbank Group's black economic empowerment (BEE) transaction, which focused primarily on the issuing of shares to BEE partners for the purposes of broad-based black economic empowerment (BBBEE), equating to approximately 9,3% (43 618 748 shares) of total share capital and equating to black ownership of 11,5% of the value of Nedbank Group's SA businesses in 2005. Nedbank Namibia's BEE transaction, which focused primarily on the issuing of shares to BEE partners and affinity groups for the purposes of BEE in Namibia, equating to approximately 0,14% (665 680 shares) of total share capital of Nedbank Group Ltd and equating to black ownership of 11,13% of the value of NedNamibia Holdings Ltd, Nedbank Group's Namibian business in 2006.

Borrowing group

A group of clients and their underlying loans and advances according to the per person definition of the 'Regulations Related to Banks'.

Capital adequacy ratio

The capital adequacy of SA banks is measured in terms of the SA Banks Act requirements. One calculateds the ratio by dividing the primary (tier 1), secondary (tier 2) and tertiary (tier 3) capital by the risk-weighted assets.

Group capital adequacy ratio

Group capital adequacy is the ratio of group net qualifying capital and reserve funds to total group risk-weighted assets as calculated according to the SA Banks Act requirements.

Primary (tier 1) capital

Primary capital consists of issued ordinary share capital and perpetual preference share capital, qualifying perpetual callable hybrid capital, retained earnings and reserves, less regulatory deductions.

Core tier 1 capital

Core tier 1 capital is primary capital less any amount in non-core tier 1 capital, being perpetual preference share capital and qualifying, perpetual, callable hybrid capital.

Secondary (tier 2) capital

Secondary capital is made up of subordinated dated debt and certain types of perpetual callable debt, the excess amount in respect of eligible provisions, and 50% of any revaluation surplus less regulatory deductions.

Tertiary (tier 3) capital

Tertiary capital consists of capital obtained by way of unsecured subordinated loans, subject to any conditions that may be prescribed.

Cashflow

Financing activities

Activities that result in changes to the capital structure of the group.

Investment activities

Activities relating to the acquisition, holding and disposal of property and equipment and long-term investments.

Operating activities

Activities that are not financing or investing activities and arise from the operations conducted by the group.

Credit loss ratio

Credit loss ratio is the impairments charge as a percentage of average advances.

Defaulted advance

This is any advance or group of advances that has triggered the relevant definition of default criteria for that portfolio that are in line with the amended Banks Act regulations relating to banks. For retail portfolios it is transaction-centred and therefore a default would be specific to an account (specific advance). For wholesale portfolios it is client- or borrower-centred, meaning that in the event any transaction within a borrowing group defaults, then all transactions within the borrowing group would be defaulted.

Definition of default

At a minimum, a default is deemed to have occurred where a material obligation is overdue for more than 90 days or an obligor exceeds an advised limit for more than 90 days.

Deferred taxation assets

Deferred taxation assets are the amounts of income taxation recoverable in future periods in respect of:

- deductible temporary differences due to differences between the taxation and accounting treatment of transactions; and
- the carry forward of unused taxation losses.

Deferred taxation liabilities

Deferred taxation liabilities are the amounts of income tax payable in future periods due to differences between the tax and accounting treatment of transactions.

Direct taxation

Direct taxation includes normal taxation on income, capital gains tax (CGT) and secondary tax on companies (STC).

Dividend/Distribution cover

Headline earnings per share divided by the dividend/distribution declared per share.

Dividend/Distribution declared per share

Dividend/Distribution declared per share is the actual interim dividend paid/capitalisation award issued and the final dividend declared/capitalisation award declared for the period under consideration, expressed in cents.

Dividend/Distribution paid/capitalised per share

Dividend/Distribution paid/capitalised per share is the actual final dividend paid/capitalisation award issued for the prior year and the interim dividend paid/capitalisation award issued for the year under consideration, expressed in cents.

Dividend yield

Dividend/Capitalisation award declared per ordinary share as a percentage of the closing share price of ordinary shares.

Downturn expected loss

A stress-tested value for expected loss under downturn economic conditions that could have unfavourable effects on a bank's credit exposures.

dti codes

The Codes of Good Practice as promulgated on 9 February 2007 under section 9(1) of the Broad-based Black Economic Empowerment Act, 53 of 2003, establish the rules, targets and stipulations for the measurement of BBBEE within SA based on three scorecard classifications for organisations: emerging microenterprise (EME), qualifying small enterprise (QSE), or generic enterprise. Nedbank is scored as a generic enterprise under the published codes.

Earnings per share

Basic earnings basis

Income attributable to equity holders for the period divided by the weighted average number of ordinary shares in issue (net of shares held by group entities) during the period.

Headline earnings basis

Headline earnings divided by the weighted average number of shares in issue (net of shares held by group entities) during the period.

Fully diluted basis

The relevant earnings figure is adjusted for the assumed adjustments to income that would have been earned on the issue of shares issued from dilutive instruments. The resultant earnings are divided by the weighted average number of ordinary shares and other dilutive instruments (ie potential ordinary shares) outstanding at the period-end, assuming they had been in issue for the period.

Earnings yield

Headline earnings per share as a percentage of the closing price of ordinary shares.

Economic capital

Economic capital (eCap) is the quantification of risk and an internal assessment of the amount of capital required to protect the group against economic losses with a desired level of confidence (solvency standard or default probability) over a one-year time horizon. In other words, it is the magnitude of economic losses the group could withstand while still remaining solvent.

Economic profit or loss

Headline earnings after adjusting for cost of capital.

Effective taxation rate

The taxation charge in the income statement, excluding taxation relating to non-trading and capital items, as a percentage of profit before taxation.

Efficiency ratio (cost-to-income ratio)

Total expenses as a percentage of income from normal operations (net interest income plus non-interest revenue).

Exposure at default
Exposure at default (EAD) is an estimation of the extent to which a bank may be exposed to a counterparty in the event of, and at the time of, that counterparty's default.

Expected loss
Expected loss (EL) is the expected value of portfolio losses due to default over a specified time horizon.

Foreign exchange translation gains/losses
The results and assets/liabilities of all foreign entities controlled by the group that have a rand-functional currency are translated at the closing exchange rate and the differences arising are recognised in the income statement as foreign exchange translation gains/losses.

Headline earnings
Headline earnings is not a measure of maintainable earnings. For purposes of the definition and calculation, the guidance given on headline earnings, as issued by the SA Institute of Chartered Accountants in circular 07/02 of December 2002, has been used. Headline earnings consist of the earnings attributable to ordinary shareholders excluding non-trading and capital items.

International Financial Reporting Standards
International Financial Reporting Standards (IFRS), as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. Nedbank Group's consolidated financial results are prepared in accordance with IFRS.

Impairments charge to average advances
This is the impairments charge on loans and advances for the year divided by average advances; also known as the credit loss ratio or impairment ratio.

Impairment of loans and advances
Impairment of loans and advances arises where there is objective evidence that the group will not be able to collect an amount due.

The impairment is the difference between the carrying amount and the estimated recoverable amount.

Indirect taxation
This is value-added tax (VAT) and other taxes, levies and duties paid to government, excluding direct taxation.

'Jaws' ratio
This is the difference between the rate of growth in total income from normal operations and the rate of total expense growth.

Johannesburg Interbank Agreed Rate
The Johannesburg Interbank Agreed Rate (JIBAR) is the rate that SA banks charge each other for wholesale money.

King II (the code)
The King Report on Corporate Governance 2002 sets out principles of good corporate governance for SA companies and organisations.

King III
The revised King Code and Report on Corporate Governance for South Africa 2009 sets out revised principles of good corporate governance for SA companies.

London Interbank Offered Rate
The London Interbank Offered Rate (LIBOR) is the rate that banks participating in the London money market offer each other for short-term deposits.

Market capitalisation
This is the group's closing share price multiplied by the number of shares in issue including shares held by group entities.

Net asset value per share
This is total equity attributable to equity holders of the parent divided by the number of shares in issue, excluding shares held by group entities.

Net interest income to average interest-earning assets (net interest margin)
This is net interest income expressed as a percentage of average net interest-earning banking assets. Net interest-earning banking assets are used, as these closely resemble the quantum of assets earning income that is included in net margin.

Non-interest revenue to total expenses
This is non-interest revenue as a percentage of total expenses from normal operations.

Non-interest revenue to total income
This is non-interest revenue as a percentage of total income from normal operations.

Non-trading and capital items
These comprise the following:

- surpluses and losses on disposal of long-term investments, subsidiaries, joint ventures and associates;
- impairment of goodwill arising on acquisition of subsidiaries, joint ventures and associates;
- surpluses and losses on the sale or termination of an operation;
- capital cost of fundamental reorganisation or restructuring having a material effect on the nature and focus of the operations of the reporting entities;
- impairment of investments, property and equipment, computer software and capitalised development costs; and
- other items of a capital nature.

Off-balance-sheet assets
These are assets managed on behalf of third parties on a fully discretionary basis.

Price/earnings ratio
This is the closing price of ordinary shares divided by headline earnings (for the previous 12 months) per share.

Properties in possession
Properties in possession (PIPS) are acquired through payment defaults on loans secured by properties.

Return on ordinary shareholders' equity
Return on ordinary shareholders' equity (ROE) is headline earnings expressed as a percentage of average equity attributable to equity holders of the parent.

Return on ordinary shareholders' equity excluding goodwill
ROE excluding goodwill is headline earnings expressed as a percentage of average equity attributable to equity holders of the parent less goodwill.

Return on total assets
Return on total assets (ROA) is headline earnings expressed as a percentage of average total assets.

Risk-weighted assets
Risk-weighted assets (RWA) are determined through the application of risk weights to balance sheet assets and off-balance-sheet financial instruments according to the relative credit risk of the counterparty. The risk weighting for each balance sheet asset and off-balance-sheet financial instrument is regulated by the SA Banks Act or by regulations in the respective countries of the other banking licences.

South African Reserve Bank regulations related to banks and the BA returns[1]
The regulations relating to banks were amended with effect from 1 January 2008, based on the revised Basel Capital Accord (Basel II). The new Basel Capital Accord of the Bank of International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities.

It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

[1] *The new Banks Act regulatory returns.*

Segmental reporting

Operational segment
A distinguishable component of the group, based on the market on which each business area focuses, which is subject to risks and returns that are different from those of other operating segments.

Geographical segment
A distinguishable component of the group that is engaged in providing services within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments.

Securitisation exposures
This asset class covers all exposures to tradable, interest-bearing commercial paper, which is secured by an underlying asset, eg mortgage loans.

Share-based payments

These are the transfers of a company's equity instruments by its shareholders to parties that have supplied goods or services to the company (including employees).

Shares held by group entities (treasury shares)

These are ordinary shares in Nedbank Group Ltd acquired/held by group companies, including ordinary shares held in share trusts as part of the BEE transaction.

Self-service terminal

A self-service terminal (SST) is similar to an ATM, but is designed for non-cash transactions.

The Standardised Approach

The Standardised Approach (TSA) is an approach to calculating regulatory credit risk requirements that sets out specific risk weights specified by the Regulator in lieu of the AIRB Approach.

Tangible net asset value per share

This is total equity attributable to equity holders of the parent less goodwill, computer software and capitalised development costs, divided by the number of shares in issue, excluding shares held by group entities.

Total collateral

This is the total monetary value of all collateral held by a bank as security for an advance(s), limited to exposure.

Total credit extended

This is the total of all advances extended by a bank, including unutilised facilities and other off-balance-sheet exposures.

Total equity attributable to equity holders of the parent

This is ordinary share capital, share premium and reserves.

Weighted average number of shares

This is the number of shares in issue increased by shares issued during the period, weighted on a time basis for the period during which they participated in the income of the group, less shares held by group entities, weighted on a time basis for the period during which the entities held these shares.

These definitions should be read in conjunction with the group's accounting policies, which also clarify certain terms used.

ABCP	asset-backed commercial paper
ACES	Advisory Committee on Environment and Society
ACT	Arts & Culture Trust
AFD	Agence Française de Développement/French Development Agency
AFT	African Task Force
AGM	annual general meeting
AIEA	average interest-earning assets
AIRB	Advanced Internal Ratings-based
ALCO	Asset and Liability Committee
AM	asset management
AMA	Advanced Measurement Approach
AML	anti-money-laundering
ANW	adjusted net worth
APE	annualised premium equivalent
ASISA	Association for Savings and Investment South Africa
ATM	automated teller machine
AUM	assets under management
BaU	business as usual
BBBEE	broad-based black economic empowerment
BBP	black business partner
BCBS	Basel Committee on Banking Supervision
BCM	business continuity management
BCMC	Balance Sheet Management Committee
BEE	black economic empowerment
BEEL	best estimate of expected loss
BES	Board Ethics Statement
BIS	Bank for International Settlements
BoF	branch of the future
bps	basis points
BSME	black small and medium enterprises
BTV	balance to original value
BUSA	Business Unity South Africa
BWO	black-women-owned
CA	chartered accountant
CAGR	1 compound annual growth rate 2 compound average growth rate
CAR	capital adequacy ratio
CASA ratio	current and savings account ratio
CBSS	Compulsory Bonus Share Scheme
CCC	cluster credit committee
CCMA	Commission for Conciliation, Mediation and Arbitration
CCMG	Contact Centre Management Group
CCR	counterparty credit risk
CDP	Carbon Disclosure Project
CE	chief executive
CEF	commissions and fees
CEM	Current Exposure Method
CEO	chief executive officer
CET1	common equity tier 1
CFD	contract for difference
CFE	consumer financial education
CFO	chief financial officer
CFT	combating the financing of terrorism
CGCO	Chief Governance and Compliance Officer
CGU	cash-generating unit
CIB	Corporate and Investment Banking (name of cluster)
CIBC	Canadian Imperial Bank of Commerce
CLF	committed liquidity facility
CLR	credit loss ratio
CMBS	commercial mortgage-backed securitisation
CNHR	cost of non-hedgeable risk
COD	commercial operation date
COE	cost of equity
COID Act	Compensation for Occupational Injuries and Diseases Act
COO	chief operating officer
COP	Conference of the Parties
CPI	consumer price index
CPPP	community-public-private partnership
CPT	corporate performance target
CRE	commercial real estate
CRISA	Code for Responsible Investing in South Africa
CRO	chief risk officer
CRS	Common Reporting Standard
CSI	corporate social investment
CVA	credit valuation adjustment
CVF	Competing Values Framework
CVP	client value proposition
DAC	Directors' Affairs Committee
DBSA	Development Bank of Southern Africa
dEL	downturn expected loss
DHEPS	diluted headline earnings per share
dLGD	downturn loss given default
D-SIB	domestic systemically important bank
DSTI	deferred short-term incentive

dti	Department of Trade and Industry
DVA	debit value adjustment(s)
EAD	exposure at default
EAP	1 economically active population 2 employee assistance programme
ECL	expected credit card loss
EDGE	Excellence in Design for Greater Efficiencies
EDP	Executive Development Programme
EDPM	execution, delivery and process management
EDTF	Enhanced Disclosure Task Force
EE	employment equity
EELN	Energy Efficiency Leadership Network
EGC	enterprise governance and compliance
EITCO	Executive IT Committee
EL	expected loss
EME	1 emerging macroenterprise 2 exempted microenterprise
EMM	Ekhurhuleni Metropolitan Municipality
eNaTIS	electronic national administration traffic information system
EP	1 economic profit 2 Equator Principle
EPV	employee value proposition
ERA	ethics risk assessment
erco	enterprise risk committee
ERI	ethics responsibility index
ERMF	Enterprisewide Risk Management Framework
ERP	enterprise resource planning
ESD	enterprise supplier development
ESG	environment, social and governance
ETI	Ecobank Transnational Incorporated
ETL	expected tail loss
EVE	economic value of equity
EVP	employee value proposition
EWP	Employee Wellbeing Programme
exco	executive committee
FAIS	Financial Advisory and Intermediary Services
FAIS Act	Financial Advisory and Intermediary Services Act
FATCA	Foreign Account Tax Compliance Act (US)
FCA	Financial Conduct Authority
FCT	foreign currency translation
FCTR	1 foreign currency translation reserve(s) 2 foreign currency translation risk
FIC	Financial Intelligence Centre

FICA	Financial Intelligence Centre Act
FRTB	Fundamental Review of the Trading Book
FSB	Financial Services Board
FSC	Financial Sector Code
FSCA	Financial Sector Conduct Authority
FTE	fulltime employee
FVOCI	fair value through other comprehensive income
FVTPL	fair value through profit and loss
GAC	Group Audit Committee
GAI	Governance Assessment Instrument
GCC	Group Credit Committee
GDP	gross domestic product
GFOC	Group Finance and Oversight Committee
GHG	greenhouse gas(es)
GIA	Group Internal Audit (department name)
GITCO	Group Information Technology Committee
GOI	gross operating income
GORC	Group Operational Risk Committee
GP	guaranteed package
GPC	Group Procurement Committee
GRCMC	Group Risk and Capital Management Committee
GRI	Global Reporting Initiative
Group Exco	Nedbank Group Executive Committee
GRPTC	Group Related-party Transactions Committee
GSC	Group Sustainability Committee
GTSEC	Group Transformation, Social and Ethics Committee
HCM	Human Capital Management (SAP)
HDU	historically disadvantaged university
HE	headline earnings
HEPS	headline earnings per share
HQLA	high-quality liquid asset(s)
HR	human resources
HVCRE	high-volatility commercial real estate
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
IBSA	Insurance and Banking Staff Association
ICAAP	Internal Capital Adequacy Assessment Process
ICAS	Independent Counselling and Advisory Services
IET	Infrastructure, Energy and Telecommunications
IFC	International Finance Corporation
IFRS	International Financial Reporting Standard(s)
IFRS IC	International Financial Stability Board Interpretation Committee

IIA	Institute of Internal Auditors
ILAAP	Internal Liquidity Adequacy Assessment Process
IMA	Internal Model Approach
IMF	International Monetary Fund
INE	independent non-executive
IOD	1 injuries on duty 2 Institute of Directors
IPRE	income-producing real estate
IRB	Internal Ratings-based
IRBA	Independent Regulatory Board for Auditors
IRP	Integrated Resource Plan
IRRBB	interest rate risk in the banking book
IT	information technology
JIBAR	Johannesburg Interbank Agreed Rate
KICL	Key Issues Control Log
KPI	key performance indicator
KYC	Know Your Client
LCR	liquidity coverage ratio
LEAC	Large-exposure Approval Committee
LGD	loss given default
LHS	lefthand scale
LID	lead independent director
LTI	long-term incentive
LTIFR	lost-time injury frequency rate
LTIP	Long-term Incentive Plan
M&A	mergers and acquisitions
MD	managing director
MFC	Motor Finance Corporation
MI	management information
MISTRA	Mapungubwe Institute for Strategic Reflection
MRC	minimum required capital
NAV	net asset value
NBI	National Business Initiative
NBS	Network for Business Sustainability
NCA	National Credit Act
NCAA	National Credit Amendment Act
NCC	Nedbank Contact Centre
NCD	negotiable certificate of deposit
NCIB	Nedbank Corporate and Investment Banking
NCR	National Credit Regulator
NED	non-executive director
NEI	Nedbank ethics indicator
NEO	Nedbank Ethics Officer

NGO	non-governmental organisation
NGR	Nedbank Group Rating
NII	net interest income
NIM	net interest margin
NIR	non-interest revenue
NP	non-performing
NPS	Net Promoter Score
NPW	Nedbank Private Wealth
NSFAS	National Student Financial Aid Scheme
NSFR	net stable funding ratio
NSS	Nedbank Staff Survey
NWU	North-West University
OBS	Ombudsman for Banking Services
OCI	other comprehensive income
OHS	occupational health and safety
OMART	Old Mutual Alternative Risk Transfer Fund
OMSA	Old Mutual South Africa/Old Mutual (South Africa) Ltd
Opcom	Operational Committee
ORMF	Operational Risk Management Framework
ORSA	Own Risk and Solvency Assessment(s)
OSE	ordinary shareholders' equity
OTC	over the counter
PASA	Payments Association of South Africa
PAYE	pay as you earn
PD	probability of default
PD-LGD	probability of defaullt
PGN	Professional Guidance Note
PIC	Public Investment Corporation
PIP	property in possession
PIT	point in time
POPI	protection of personal information
POPIA	Protection of Personal Information Act
POS	point of sale
PPP	public-private partnership
PRA	Prudential Regulatory Authority
PRMA	Post-retirement Medical Aid (Old Mutual)
PRI	Principles for Responsible Investment
PVFP	present value of future profits
PVNBP	present value of new-business premiums
PWCE	programme-wide credit enhancement
PWD	persons with disabilities
QNB	Qatar National Bank

QSE	1 qualifying small enterprise 2 qualifying small entity
RAF	Risk Appetite Framework
RAS	risk as strategic (opportunity)
RAT	risk as threat
RAU	risk as uncertainty
RBB	Retail and Business Banking (name of cluster)
RCoGP	Revised Codes of Good Practice
RCPO	Regulatory Change Programme Office
RCSA	risk and control self-assessment
RDA & RR	risk data aggregation and risk reporting
RDR	Retail Distribution Review
REIPPP	Renewable Energy Independent Power Producer Procurement
Remco	Remuneration Committee
RFP	request for proposal
RFQ	request for quotation
RHS	righthand scale
RI	Responsible Investment
RMBS	residential-mortgage-backed securitisation
RoA	Rest of Africa
ROE	1 return on equity 2 return on ordinary shareholders' equity 3 return on ordinary shareholders' funds
ROI	return on investment
RPTC	Related Party Transaction Committee
RRB	Retail Relationship Banking
RRP	resolution and recovery planning
RSP	restricted share plan
RWA	risk-weighed asset(s)
SADC	Southern African Development Community
SAEEC	South African Energy Efficiency Convention
SAICA	South African Institute of Chartered Accountants
SAM	Solvency Assessment and Management
SANDF	South African National Defence Force
SANEA	South African National Energy Association
SAP HCM	SAP Human Capital Management
SAPS	South African Police Service
SAQA	South African Qualifications Authority
SARB	South African Reserve Bank
SASBO	South African Society of Banking Officials
SEMS	Social and Environmental Management System
SME	small and medium enterprise(s)
SPV	special-purpose vehicle
SSA	Sub-Saharan Africa
SST	self-service terminal
STI	short-term incentive
STT	securities transfer tax
TCF	1 Treating Clients Fairly (SA) 2 Treating Customers Fairly (UK)
TLAC	total loss-absorbing capacity
TRAHRCO	Transformation and Human Resources Committee
TRC	Trade Risk Committee
TSR	total shareholder's return
TTC	through the cycle
UAE	United Arab Emirates
UJ	University of Johannesburg
UKZN	University of KwaZulu-Natal
UNEP FI	United Nations Environment Programme Finance Initiative
UNFCCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact
UNISA	University of South Africa
UP	University of Pretoria
VaR	value at risk
VIF (business)	value of in-force (business)
VNB	value of new business
VUCA	volatile, uncertain, complex and amgigous
VWAP	volume-weighted average price
WESSA	Wildlife and Environment Society of South Africa
WIPHOLD	Woman Investment Portfolio Holdings
WWF-SA	World Wide Fund for Nature South Africa
XVA	X-axis valuation adjustment

COMPANY DETAILS

NEDBANK LIMITED

Incorporated in the Republic of SA
Registration number 1951/000009/06

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Transfer secretaries in SA

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INSTRUMENT CODES

Nedbank Limited non-redeemable non-cumulative preference shares

JSE share code	NBKP
ISIN	ZAE000043667
Company Secretary:	TSB Jali
Sponsor:	Nedbank Corporate and Investment Banking

This announcement is available on the group's website at nedbankgroup.co.za, together with the following additional information:

- Financial results presentation to analysts.
- Link to a webcast of the presentation to analysts.

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

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