NEDBANK LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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NEDBANK

A Member of the OLDMUTUAL Group

2017 highlights

Headline earnings of R11 311m
▲ **11,5%** in 2017 (R10 143m in 2016)

NIR/expenses ratio **76,0%**
(76,6% in 2016)

Return on equity **17,8%**
(17,3% in 2016)

Common-equity tier 1 ratio **12,6%**
(11,7% in 2016)

Credit loss ratio **47 bps**
(67 bps in 2016)

Return on assets **1,29%**
(1,20% in 2016)

Contents

ABOUT THIS REPORT

Our consolidated financial statements provide a detailed analysis of our statutory accounting records. These financial statements are independently audited as indicated in the independent auditors' report and provide indepth disclosure and transparency on the financial performance of the group.

The notes to the consolidated annual financial statements are classified in the following sections:

Section A: Accounting policies
This section briefly outlines the basis of preparation and key accounting policy elections applied in the preparation of the group's consolidated annual financial statements.

Section B: Segmental and performance-related information
Refer to this section for information on the group's financial performance. This section contains the group's operational segmental report and performance-related notes that provide an analysis of the group's consolidated statement of comprehensive income.

Section C: Core banking assets
This section provides information about the group's core banking assets, including loans and advances, and an analysis of the related impairments charge. Information is also provided on the group's investments in government and other securities, and other short-term securities. The group's cash and cash equivalents and derivative financial instruments are also analysed in this section.

Section D: Core banking liabilities
Information about the group's core banking liabilities, including long-term debt instruments, can be found in this section. A contractual maturity analysis of financial liabilities is also provided.

Section E: Asset management
Refer to this section for an analysis of the group's funds under management.

Section F: Investments
This section provides an analysis of the group's investments in investment securities, associate companies, joint arrangements, private-equity associates and subsidiaries. Related information, such as related-party disclosure, information on structured entities and securitisation vehicles can also be found here.

Section G: Generic assets
This section provides an analysis of non-core assets such as property and equipment, and goodwill and other intangible assets.

Section H: Other assets
Refer to this section for disclosure on the group's long-term employee benefits, non-current assets and liabilities held for sale and other assets.

Section I: Financial instruments
Additional disclosure on the group's financial instruments can be found in this section. Refer to this section for the categorisation of financial assets and liabilities, the fair-value hierarchy and other fair-value-related disclosures. The group's disclosure on collateral and offsetting of financial assets and liabilities can also be found in this section.

Section J: Share-based payments
This section details the group's share-based payments schemes and their effect on the group's financial position.

Section K: Other liabilities
This section provides an analysis of the group's non-core liabilities, including provisions and other liabilities, contingent liabilities, undrawn facilities and commitments.

Section L: Risk and balance sheet management
Refer to this section for the group's liquidity gap disclosure and details on the historical value at risk and interest rate risk in the banking book.

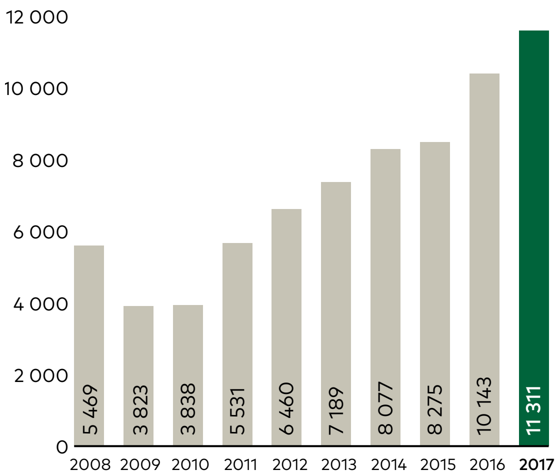
Section M: Cashflow information
This section contains notes to the group's statement of cashflows.

Section N: Additional information
This section contains additional disclosure that may be relevant to understanding the group's consolidated annual financial statements, such as a foreign currency conversion guide and information on events after the reporting period.

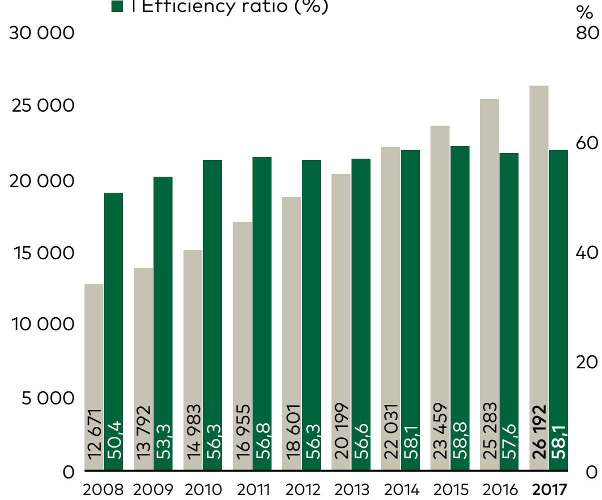
Financial highlights
for the year ended 31 December

		2017	2016
Headline earnings reconciliation			
Profit attributable to equity holders of the parent	Rm	**11 160**	9 896
Non-trading and capital items	Rm	**(151)**	(247)
Non-trading and capital items	Rm	**(210)**	(289)
Taxation on non-trading and capital earnings items	Rm	**59**	42
Headline earnings	Rm	**11 311**	10 143
Key ratios			
Net interest income to average interest-earning banking assets	%	**3,57**	3,41
Credit loss ratio – banking advances	%	**0,47**	0,67
Non-interest revenue to total income	%	**44,1**	44,1
Efficiency ratio	%	**58,1**	57,6
Total equity attributable to equity holders of the parent	Rm	**67 425**	61 908
Return on ordinary shareholders' equity	%	**17,8**	17,3
Average interest-earning banking assets	Rm	**706 613**	718 901
Total assets	Rm	**903 961**	900 061
Return on total assets	%	**1,29**	1,20
Total risk-weighted assets	Rm	**431 207**	425 405
Bank capital adequacy ratios (including unappropriated profits):			
– Common equity tier 1	%	**12,6**	11,7
– Tier 1	%	**13,8**	12,9
– Total	%	**16,7**	16,0
Share statistics			
Number of shares in issue:			
– Ordinary shares	m	**27,9**	27,9
– Preference shares	m	**358,3**	358,3
Headline earnings per ordinary share	cents	**40 575**	36 355
Dividends per preference share:			
– Declared per share	cents	**86,56389**	86,74290
Interim	cents	**43,39039**	42,75385
Final	cents	**43,17350**	43,98905
– Paid per share	cents	**87,37944**	82,77096
– Preference share traded price			
Closing	cents	**840**	925
High	cents	**955**	960
Low	cents	**820**	810
– Number of preference shares traded	m	**50,0**	107,2

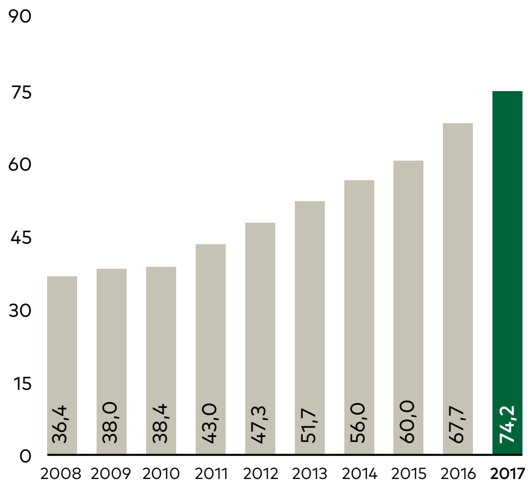
Headline earnings
(Rm)



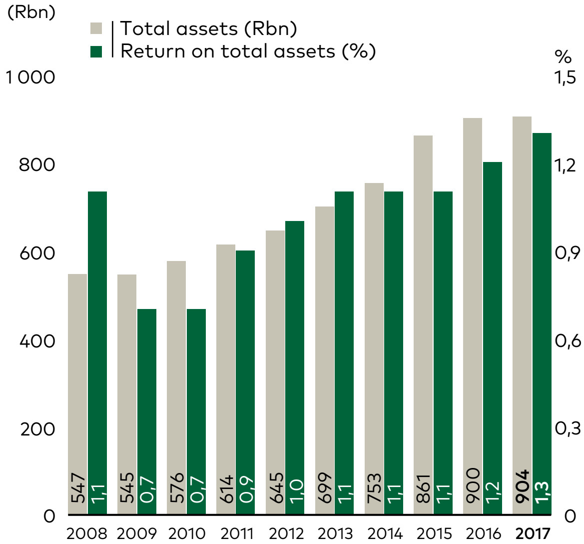
Expenses and efficiency ratio
(Rm)



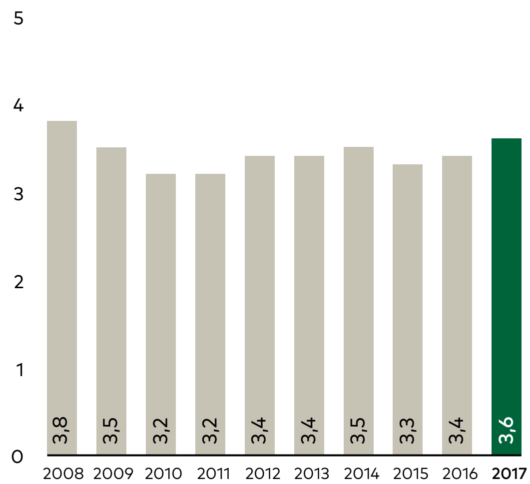
Total equity
(Rbn)



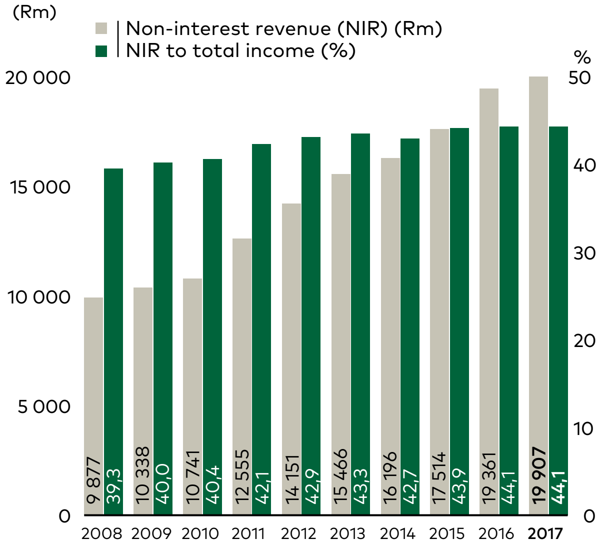
Total assets and return on total assets
(Rbn)



Net interest income to average interest-earning banking assets
(%)



Non-interest revenue to total income
(Rm)



Ten-year review

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Rm	Nine-year CAGR[1] %	2017	2016	2015
Interest and similar income	2,9	**71 311**	69 862	55 128
Interest expense and similar charges	1,6	**46 111**	45 344	32 724
Net interest income	5,7	**25 200**	24 518	22 404
Impairments charge on loans and advances	(4,9)	**3 030**	4 254	4 608
Income from lending activities	8,6	**22 170**	20 264	17 796
Non-interest revenue	8,1	**19 907**	19 361	17 514
Operating income	8,4	**42 077**	39 625	35 310
Total operating expenses	8,4	**26 192**	25 283	23 459
Indirect taxation	10,3	**858**	810	668
Profit from operations before non-trading and capital items	8,2	**15 027**	13 532	11 183
Non-trading and capital items	>(100,0)	**(210)**	(289)	(144)
Profit from operations	6,9	**14 817**	13 243	11 039
Share of (losses)/profits of associate companies and joint arrangements	>(100,0)	**(96)**	(20)	(1)
Profit before direct taxation	6,8	**14 721**	13 223	11 038
Direct taxation	7,9	**3 563**	3 286	2 828
Profit for the year	6,5	**11 158**	9 937	8 210
Profit attributable to:				
– Ordinary and preference equity holders	6,9	**11 160**	9 896	8 163
– Non-controlling interest – ordinary shareholders	>(100,0)	**(2)**	41	47
– Non-controlling interest – preference shareholders	>(100,0)			
Profit for the year	6,5	**11 158**	9 937	8 210
Headline earnings	8,4	**11 311**	10 143	8 275

[1] *Compound annual growth rate.*

	2014	2013	2012	2011	2010	2009	2008
	50 075	44 107	42 900	41 417	43 421	49 332	55 154
	28 322	23 873	24 102	24 119	27 556	33 795	39 874
	21 753	20 234	18 798	17 298	15 865	15 537	15 280
	4 478	5 529	5 239	5 321	6 360	6 659	4 755
	17 275	14 705	13 559	11 977	9 505	8 878	10 525
	16 196	15 466	14 151	12 555	10 741	10 338	9 877
	33 471	30 171	27 710	24 532	20 246	19 216	20 402
	22 031	20 199	18 601	16 955	14 983	13 792	12 671
	522	480	460	413	387	402	356
	10 918	9 492	8 649	7 164	4 876	5 022	7 375
	(96)	(55)	(49)	(48)	(103)	(32)	745
	10 822	9 437	8 600	7 116	4 773	4 990	8 120
	12	28				(1)	9
	10 834	9 465	8 600	7 116	4 773	4 989	8 129
	2 786	2 297	2 159	1 610	983	960	1 791
	8 048	7 168	6 441	5 506	3 790	4 029	6 338
	7 998	7 152	6 410	5 483	3 737	3 790	6 106
	50	16	31	23	53	224	217
						15	15
	8 048	7 168	6 441	5 506	3 790	4 029	6 338
	8 077	7 189	6 460	5 531	3 838	3 823	5 469

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rm	Nine-year CAGR[1] %	2017	2016	2015
Assets				
Cash and cash equivalents	1,6	**8 823**	20 241	18 151
Other short-term securities	24,2	**73 472**	68 218	60 078
Derivative financial instruments	3,2	**30 698**	18 044	30 948
Government and other securities	1,7	**48 749**	50 687	42 733
Loans and advances	5,2	**689 637**	691 925	666 807
Other assets	5,0	**7 332**	8 164	3 925
Current taxation assets	(14,7)	**75**	440	904
Investment securities	(2,2)	**2 250**	1 908	1 648
Non-current assets held for sale	50,2	**388**	287	2
Investments in private-equity associates, associate companies and joint arrangements	15,3	**3 277**	2 575	1 400
Deferred taxation assets	(7,0)	**37**	266	67
Investment property	(100,0)			
Property and equipment	7,6	**7 976**	8 197	8 114
Long-term employee benefit assets	14,8	**5 761**	5 042	4 885
Mandatory reserve deposits with central banks	6,8	**18 145**	18 139	16 190
Intangible assets	10,5	**7 341**	5 928	4 881
Total assets	5,7	**903 961**	900 061	860 733
Equity and liabilities				
Ordinary share capital	0,4	**28**	28	28
Ordinary share premium	3,2	**19 182**	19 182	18 532
Reserves	12,3	**48 215**	42 698	37 610
Total equity attributable to equity holders of the parent	8,9	**67 425**	61 908	56 170
Preference share capital and premium	1,5	**3 561**	3 561	3 561
Additional tier 1 capital instruments		**2 600**	2 000	
Non-controlling interest attributable to:				
– ordinary shareholders	(45,5)	**7**	253	223
– preference shareholders	7,2	**561**		
Total equity	8,2	**74 154**	67 722	59 954
Derivative financial instruments	0,2	**23 561**	13 469	33 996
Amounts owed to depositors	5,3	**736 752**	750 319	708 036
Provisions and other liabilities	9,6	**14 047**	12 717	9 911
Current taxation liabilities	5,6	**191**	53	87
Deferred taxation liabilities	(17,5)	**351**	391	763
Long-term employee benefit liabilities	12,1	**3 423**	3 328	3 009
Long-term debt instruments	15,5	**51 482**	52 062	44 977
Total liabilities	5,5	**829 807**	832 339	800 779
Total equity and liabilities	5,7	**903 961**	900 061	860 733

[1] *Compound annual growth rate.*

2014	2013	2012	2011	2010	2009	2008
10 757	17 467	12 587	11 514	7 469	6 823	7 638
56 322	35 004	37 575	31 715	21 955	14 408	10 411
15 644	13 811	14 660	14 314	14 077	12 871	23 114
26 828	31 279	26 194	29 991	31 667	35 754	41 834
603 329	566 047	520 116	493 107	471 447	446 428	436 420
5 393	4 204	4 528	3 989	3 613	3 917	4 731
236	340	241	629	440	580	314
2 369	2 932	2 832	3 549	2 999	3 012	2 743
16	12	508	8	5	12	10
1 158	1 098	1 029	565	933	922	913
165	69	362	66	48	36	71
	87	84	488	82	102	104
7 459	6 571	6 171	6 082	5 394	4 754	4 124
4 409	2 847	1 992	2 027	1 965	1 783	1 667
14 843	13 199	12 641	11 862	11 068	10 437	10 061
4 516	4 188	3 830	3 634	3 328	3 151	2 977
753 444	699 155	645 350	613 540	576 490	544 990	547 132
27	27	27	27	27	27	27
17 422	17 422	17 422	14 422	14 422	14 422	14 422
34 787	30 524	26 140	24 856	20 281	18 174	16 927
52 236	47 973	43 589	39 305	34 730	32 623	31 376
3 561	3 561	3 561	3 561	3 560	3 483	3 122
183	141	136	121	110	1 796	1 644
					91	300
55 980	51 675	47 286	42 987	38 400	37 993	36 442
15 479	16 588	13 475	13 791	11 930	10 799	23 077
634 623	585 497	542 671	516 540	491 038	467 924	464 082
8 404	10 016	9 273	8 286	6 179	5 218	6 145
35	13	67	27	76	162	117
287	297	367	997	1 358	1 514	1 982
3 002	1 804	1 880	1 473	1 408	1 298	1 227
35 634	33 265	30 295	29 439	26 101	20 082	14 060
697 464	647 480	598 064	570 553	538 090	506 997	510 690
753 444	699 155	645 350	613 540	576 490	544 990	547 132

Consolidated annual financial statements

Nedbank Limited Reg No 1951/000009/06.

Prepared under the supervision of the Nedbank Group CFO, Raisibe Morathi CA(SA).

Audited in terms of the Companies Act, 71 of 2008.

Responsibility of our directors

The directors are responsible for the preparation and fair presentation of the consolidated financial statements of Nedbank Limited (comprising the statement of financial position at 31 December 2017, 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 (IASB) and International Financial Reporting Interpretations Committee (IFRIC), 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, 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 the consolidated annual financial statements

The consolidated annual financial statements of Nedbank Limited, as identified in the first paragraph, were approved by the Nedbank Limited Board of Directors on 1 March 2018 and are signed on its behalf by:

V Naidoo
Chairman

MWT Brown
Chief Executive

Sandown

1 March 2018

Certification from our company secretary

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, I certify that, to the best of my knowledge and belief, Nedbank Limited 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 2018

Report from the Group Audit Committee

'The Nedbank Group Audit Committee ('GAC') is pleased to present its report for the 2017 financial year. This report has been prepared based on the requirements of the SA Companies Act, 71 of 2008, as amended ('Companies Act'), the King Code of Governance for SA ('King IV'), the JSE Listings Requirements and other applicable regulatory requirements. The committee carried out its responsibilities, including those relating to the audit and financial reporting obligations of the group, as set out in its board-approved charter.'

The GAC's main objective is to assist 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.

The report aims to provide details on how the GAC has satisfied its various statutory obligations during the period, as well as discuss some of the significant matters that arose and how the GAC has addressed these to assist in ensuring the integrity of Nedbank's financial reporting.

Composition and governance

Members of the committee satisfy the requirements to serve as members of an audit committee, as provided in section 94 of the Companies Act, and have adequate knowledge and experience to carry out their duties. The composition of the committee and the attendance at the meetings by its members for the 2017 financial year are set out below:

Members	Attendance
S Subramoney (Chair)	9/9
MI Wyman (Chair)	1/1
NP Mnxasana	8/9*
PM Makwana	8/9*
HR Brody	6/7*
NP Dongwana	7/7
TA Boardman	0/1*

** Apologies received.*

During the year Stanley Subramoney was appointed Chair of the GAC, replacing Malcolm Wyman, who was Chair for the May 2017 meeting. Malcolm Wyman remains on the Nedbank Board as the lead independent director. In addition, Neo Dongwana and Hubert Brody were appointed during the year and Tom Boardman was no longer a member of the committee following his resignation from the board. All members of the GAC are independent non-executive board members. Stanley Subramoney was a member of the GAC from October 2015 and held several introductory engagements with members of the committee, management and the external auditors to familiarise himself with the objectives of the committee and set out his agenda for the 2017 reporting period.

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 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 discuss 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. In addition, the GAC meeting agenda allows for a meeting solely with the members of the GAC.

Nine GAC meetings were held in respect of the 2017 financial year, aligned with the key reporting and regulatory timelines, and included three additional ad hoc meetings. The meetings' key focus areas were:

17 May 2017	Review of Nedbank Limited Banks Act Returns audit report and approval and discussion of the 2016 external audit strategy presentation. Review of first-quarter results update.
31 May 2017	Annual trilateral meeting with representatives of the Bank Supervision Department of the South African Reserve Bank for discussion of, among other things, key external audit findings, internal audit matters and reporting responsibilities in terms of the regulations.
25 July 2017	Review of the interim results for the six months to 30 June 2017 and the press and SENS announcements.
20 September 2017	Ad hoc meeting to review and discuss the report and findings of KPMG International (KPMGI) in respect of KPMG South Africa (KPMG SA).
22 September 2017	Followup ad hoc meeting in respect of the KPMG matter.
25 October 2017	Review and approval of the Nedbank Group Internal Audit Plan for 2018. Review and approval of key financial policies. Review of financial performance for the third quarter of 2017.
18 January 2018	Review of unaudited preliminary results and key financial and accounting judgements.
14 February 2018	Ad hoc joint Group Credit Committee (GCC) and GAC meeting to review key financial accounting audit matters relating to IFRS 9 implementation.
20 February 2018	Discussion and review of year-end reports from Internal Audit and the external auditors, feedback from subsidiary audit committees, the GCC Risk Committee, Information Technology Committee and other relevant committees. Review and approval of annual financial statements and related SENS and results announcements.

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 believes require action and providing recommendations for their resolution.

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

Significant audit matters

The GAC has considered the appropriateness of the key audit matters reported in the external audit opinion and considered the significant audit matters relating to the annual financial statements and how these were addressed by the committee:

Significant matter[1]	How the GAC addressed the matter
Impairment of loans and advances	The GAC reviewed and discussed the reports from the GCC regarding the level and appropriateness of impairments, provisioning methodologies and related key judgements in determining the impairment balances.
Valuation of financial instruments held at fair value	The GAC reviewed reports from the CFO regarding the Investment Committee's review of investment valuations and details of critical valuation judgements applied to the valuation of group treasury and trading instruments.
Associate investment in ETI	The GAC received regular reports from management in connection with the financial performance of Ecobank Transnational Incorporated (ETI) and the accounting considerations for Nedbank. The GAC received comprehensive reports detailing management's assessment of the impairment indicators and potential value-in-use (VIU) calculations. The GAC noted the improved financial performance of ETI during the 2017 reporting period and management's assessment that no adjustment of the impairment provision is required, based on observable indications that the impairment loss previously recognised no longer exists or may have decreased.
Fraud risk in relation to revenue recognition – non-interest revenue	Previously reported as an audit focus area, this was classified by the external auditors as a significant audit matter following updates to the audit approach. The GAC received regular feedback from the CFO in connection with controls over the financial reporting system and, where applicable, key judgements applied in the recognition of revenue.
Fraud risk in relation to management override of controls	Previously reported as an audit focus area, this was classified by the external auditors as a significant audit matter following updates to the audit approach. The GAC received regular feedback from the CFO in connection with key judgements applicable to management estimates and from Group Internal Audit in connection with the overall control environment and the 'tone at the top'.

[1] *The significant matter: 'Associate investment in ETI' relates only to the consolidated results of Nedbank Group Limited while the other significant matters relate to Nedbank Limited, Nedbank Limited consolidated and Nedbank Group Limited.*

Financial, legal, compliance and regulatory reporting requirements

- 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 is satisfied with the appropriateness of the expertise and experience of the CFO and the resources, expertise, succession and experience of Nedbank's finance function. The GAC reviewed the adequacy of the regulatory reporting processes as required by the Banks Act of SA, which includes evaluation of the quality of reporting and the adequacy of systems and processes, and consideration of any findings regarding the financial regulatory reports by the external auditors.
- The GAC reviewed the compliance monitoring plan, compliance methodology and structure and the compliance charter.
- It also reviewed, with management, legal matters that could have a material impact on the group.

Annual financial statements and integrated reporting process

- The GAC reviewed the audited annual financial statements and assessed, and found to be effective and appropriate, the financial reporting process and controls that led to the compilation of the annual financial statements. The GAC also assessed and confirmed the appropriateness of the going concern assumption used in the annual financial statements, taking into account management budgets and the capital and liquidity profiles.
- The GAC 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, Group Remuneration Committee, 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.
- The GAC reviewed the solvency and liquidity tests and recommended the interim and final dividend proposals for approval by the board.
- The GAC, together with the GCC, reviewed and approved the high-level project plan and progress updates on the implementation of IFRS 9.

Future accounting developments

The International Accounting Standards Board (IASB) published IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers and IFRS 16: Leases with an effective date of implementation of 1 January 2018 for IFRS 9 and IFRS 15, and 1 January 2019 for IFRS 16.

The IFRS 9 Impairments Implementation Programme, jointly sponsored by the CRO and CFO, continued to progress during 2017 and facilitated the implementation of IFRS 9. The classification and measurement and hedging requirements programme is sponsored by the CFO, and is aligned with the Impairments Implementation Programme. Regular feedback during 2017 was provided to the GCC and received by the GAC from the IFRS 9 Impairments Implementation Committee to understand and remain abreast of key judgement areas.

A joint ad hoc GCC and GAC meeting was held on 14 February 2018 to review management's IFRS 9 opening balance assessment, including related calculations, model and system changes and key judgements. The joint meeting also received a report from the external auditors detailing their procedures and findings in respect of the IFRS 9 opening balance assessment. The GAC was satisfied that the IFRS 9 opening balance impact disclosed in the annual financial statements is appropriate. The GAC noted that, as the statement is effective on 1 January 2018, the disclosures in the 2017 annual financial statements would be preliminary and that further detailed disclosures will be made in the interim financial statements and annual financial statements for the 2018 period.

Internal control, risk management and information technology

The GAC is responsible for reviewing the effectiveness of systems for internal control, financial reporting and risk management, and for 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 of 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.

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 also 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.

Internal Audit

Internal Audit performs an independent assurance function and forms part of the third line of defence. The Chief Internal Auditor has a functional reporting line to the GAC Chair and an operational reporting line to the CRO. At the beginning of the period the Chief Internal Auditor resigned from Nedbank to pursue her personal interests and an interim executive was appointed. Following an extensive recruitment process that involved the Chair of the GAC, Prabashni Naidoo was appointed CIA. Ms Naidoo was previously a senior executive at an SA bank and has strong risk management and internal audit skills and experience.

- The GAC reviewed and approved the annual Internal Audit Charter and evaluated the independence, effectiveness and performance of the Internal Audit Department and compliance with its charter.
- With respect to its evaluation of the adequacy and effectiveness of internal controls, the GAC received reports from the CIA, assessed the effectiveness of the group internal audit function and reviewed and approved the annual Group Internal Audit Plan.
- It also considered the independent quality assurance review of audit execution by PwC, the results of which confirmed that Internal Audit had generally conformed with the International Institute of Internal Auditors' standards for professional practice of internal auditing.

In particular the GAC:

- ensured that the CIA had a direct reporting line to the Chair of the GAC and noted the operational and administrative reporting line to the CRO;
- satisfied itself of the expertise, resources and experience of the CIA;
- reviewed and approved the Internal Audit Charter;
- 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.

The GAC is satisfied with the appropriateness of the expertise, experience and resources of the internal audit function.

External auditors

The GAC is responsible for the appointment, compensation and oversight of the external auditors for the group, namely Deloitte & Touche and KPMG.

During the period the GAC:

- considered and recommended to the board the reappointment of the joint external auditors Deloitte & Touche (with Lito Nunes as designated registered auditor) and KPMG (with Sipho Malaba as designated registered auditor) and the approval of their audit fees for the 2017 year under review;
- assessed and monitored allegations of corruption against the external auditors and received positive declarations from the firms;
- 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;
- 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, with the annual review of the quality of the audit and the performance of the joint external auditors having been undertaken by means of questionnaires completed by key finance staff, Internal Audit members and members of the GAC;
- ensured that the appointment and the independence of the external auditors were in compliance with the Companies Act and all other regulatory and legal requirements, which included receiving from the auditors all decision letters and explanations issued by the Independent Regulatory Board for Auditors or any other regulator, and any summaries relating to monitoring procedures or deficiencies (if applicable) issued by the audit firm to confirm the suitability for appointment of the audit firms and designated individual partners;

- confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005;
- considered reports from subsidiary audit committees and from management on the activities of subsidiary entities; and
- reviewed the findings and recommendation of the external auditors and confirmed that there were no unresolved matters.

The GAC has a well-established policy on auditor independence and audit effectiveness. The GAC 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.

During the second half of the year, the GAC challenged and engaged with executives and boardmembers from KPMG regarding the allegations of corruption against the audit firm. At least two ad hoc GAC meetings and several separate engagements with the board and stakeholders have taken place to discuss the KPMG developments and assess the impact on Nedbank. The GAC considered, inter alia, regulatory requirements, business continuity and reputational and systematic risk. KPMG SA provided assurance regarding the integrity of its audit processes and further assurance was provided by KPMGI, which agreed, at the request of Nedbank, to provide additional comfort in respect of its support of KPMG SA.

The GAC is awaiting the results of the independent inquiries into KPMG SA to assess if any further action or response is required.

The GAC engaged with senior management from Deloitte about the negative press regarding a client. The GAC is awaiting the result of the Independent Regulatory Boards of Auditors (IRBA) investigation.

IRBA has issued a rule prescribing that auditors of public interest entities (PIEs) in SA must comply with mandatory audit firm rotation (MAFR) with effect from 1 April 2023. IRBA has reported that the application of such a rule is to strengthen the independence of auditors from their clients. Deloitte & Touche and KPMG have been the auditors of Nedbank Group for 44 years and would be impacted by the MAFR rules. The GAC noted the new MAFR rule and initiated preliminary discussions on the potential impact on Nedbank.

As part of Nedbank's transformation commitment and the development of the auditing profession, several mid-tier black-owned accounting firms were appointed as auditors to a number of smaller statutory audits in 2016. The audits, comprising different mandates, were concluded satisfactorily during the year.

Combined assurance

Nedbank's combined assurance programme evolved into a fully coordinated assurance model across the group during 2017. The key principles dictate that assurance providers across all lines of defence focus on integrating and aligning the assurance processes and reporting in the group to obtain optimal insight into the management of strategic and business operational risks as well as the overall risk profile of the bank (taking into account the current risk, governance and control efforts).

The coordinated assurance model allows assurance providers to leverage off each other's insight and intelligence to enhance efficiency and effectiveness of the risk management system and better align with the principles and standards of King IV. The model also ensures that assurance providers issue clear and concise, yet detailed, reports that enable management and directors to make informed and proper decisions. The GAC is, therefore, of the view that the arrangements in place for the coordinated assurance model are adequate and achieve the objective of a more effective, integrated approach across the disciplines of risk management, compliance and audit. The journey of coordinated assurance will continuously evolve as the process matures within the organisation.

Key focus areas for 2018

- 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.
- Monitoring of the developments of the independent review of KPMG SA being led by SAICA and assessing the impact on Nedbank and its auditors.
- Consideration of the requirements arising from MAFR and initiation of a project to assess and address the MAFR requirements.
- Monitoring of the developments of the Old Mutual managed-separation process, including the reporting of external financial information and the additional external audit reviews required in terms of the Listing Requirements of the JSE and London Stock Exchange.
- Review and consideration of management's plans in respect of IFRS 16: Leases.

Conclusion

The GAC is satisfied that it has complied with all statutory duties as well as other duties given to it by the board under its terms of reference.

The GAC reviewed the group annual financial statements for the year ended 31 December 2017 and recommended them for approval to the board on 20 February 2018.

On behalf of the GAC

Stanley Subramoney
Group Audit Committee Chair

1 March 2018

Directors' Report

for the year ended 31 December 2017

The board of directors is pleased to present the annual financial statements of Nedbank Limited for the year ended 31 December 2017.

Nature of business

Nedbank Limited ('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 22 to 159 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 (IASB) and IFRS Interpretation Committee (IFRS IC), 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.

Year under review

The year under review is fully covered in the Reflections from our Chairman, Reflections from our Chief Executive and Reflections from our Chief Financial Officer sections of the 2017 Nedbank Group Limited Integrated Report, available at nedbankgroup.co.za.

Share capital

Details of the authorised and issued share capital, together with details of shares issued during the year, appear in note B3 to the annual financial statements.

Ownership

The holding company of Nedbank is Nedbank Group Limited ('Nedbank Group'), whose holding company is Old Mutual Life Assurance Company (SA) Limited 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 preference shareholders appear in note N4 to the annual financial statements.

Dividends

Details of the dividends appear in note B2 to the annual financial statements.

Directors

Biographical details of the current directors appear in the Board of Directors section of the Nedbank Group Limited Integrated Report, available at nedbankgroup.co.za. 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 Remuneration Report available at nedbankgroup.co.za.

During the period under review the following changes occurred to the Nedbank Board:

- David Adomakoh resigned as independent non-executive director on 18 May 2017;
- Tom Boardman resigned as independent non-executive director on 18 May 2017;
- Neo Dongwana was appointed as independent non-executive director on 1 June 2017;
- Linda Manzini was appointed as independent non-executive director on 1 June 2017; and
- Hubert Brody was appointed as independent non-executive director on 1 July 2017.

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.

Neo Dongwana, Linda Manzini and Hubert Brody were appointed by the board of directors since the previous Nedbank annual general meeting on 17 May 2017, and in terms of the memorandum of incorporation their appointments terminate at the close of the annual general meeting to be held on 8 May 2018. They are available for election. Mantsika Matooane, Vassi Naidoo and Mfundo Nkuhlu 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 8 May 2018.

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 unless otherwise agreed by the board. Nomavuso Mnxasana was appointed to the board on 1 October 2008 and will retire at the conclusion of the Nedbank Group annual general meeting on 10 May 2018.

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)	Independent non-executive director	21 February 2014	18 May 2017
TA Boardman	Independent non-executive director	1 November 2002 (1 March 2010 as non-executive, 1 January 2014 as Independent non-executive)	18 May 2017
HR Brody	Independent non-executive director	1 July 2017	
MWT Brown	Chief Executive	17 June 2004	
BA Dames	Independent non-executive director	30 June 2014	
NP Dongwana	Independent non-executive director	1 June 2017	
ID Gladman	Non-executive director	7 June 2012	
JB Hemphill	Non-executive director	25 November 2015	
EM Kruger	Independent non-executive director	1 August 2016	
RAG Leith	Non-executive director	13 October 2016	
PM Makwana	Independent non-executive director	17 November 2011	
L Manzini	Independent non-executive director	1 June 2017	
MA Matooane	Independent non-executive director	15 May 2014	
NP Mnxasana	Independent non-executive director	1 October 2008	
RK Morathi	Chief Financial Officer and executive director	1 September 2009	
V Naidoo	Chairman and non-executive director	1 May 2015	
JK Netshitenzhe	Independent non-executive director	5 August 2010	
MC Nkuhlu	Chief Operating Officer and executive director	1 January 2015	
S Subramoney	Independent non-executive director	23 September 2015	
MI Wyman (British)	Lead independent director	1 August 2009	

Directors' interests

Nedbank Group holds the issued ordinary shares.

The directors' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative, non-participating preference shares in Nedbank at 31 December 2017 are set out online in the full supplementary Remuneration Report. 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 to 15 and the Group Transformation, Social and Ethics Committee Report is included in the 2017 Nedbank Group Integrated Report.

Company Secretary and registered office

As part of the annual board evaluation process, the board of directors conducts an assessment of the Company Secretary. The board is satisfied that Thabani Jali is suitably competent, qualified and experienced and has adequately and effectively performed the role and duties of a company secretary, and provided the board with independent guidance and support.

Thabani 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. Thabani Jali is not a director of the company.

Details of Thabani Jali's qualifications and experience available at nedbankgroup.co.za.

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

Business address	Registered address	Postal address
Nedbank Limited Nedbank 135 Rivonia Campus 135 Rivonia Road Sandown Sandton 2196 SA	135 Rivonia Road Sandown Sandton 2196 SA	Nedbank Limited 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.

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 Remuneration Report, which can be found at nedbankgroup.co.za.

Subsidiary companies
Details of principal subsidiary companies are reflected in note F3 to the annual financial statements at nedbankgroup.co.za.

Special resolutions by subsidiaries
- 31 January 2017 by Depfin Investments Proprietary Limited regarding the reclassification of 800 000 Class P no par value preference shares.
- 15 June 2017 by Depfin Investments Proprietary Limited regarding the substitution of the rights of the Class P no par value preference shares.
- 10 August 2017 by Depfin Investments Proprietary Limited regarding the reclassification of 700 000 Class Q no par value preference shares.
- 17 October 2017 by MHF Properties Proprietary Limited regarding the deletion of the word *'audited'* in the phrase 'audited annual financial statements'.
- 17 October 2017 by Mortgage Investment Corporation Proprietary Limited regarding the deletion of the word *'audited'* in the phrase 'audited annual financial statements'.
- 17 October 2017 by Pyraned Proprietary Limited regarding the deletion of the word *'audited'* in the phrase 'audited annual financial statements'.
- 9 November 2017 by Morened Proprietary Limited regarding the deletion of the word *'audited'* in the phrase 'audited annual financial statements'.
- 9 November 2017 by Kingsmead Properties Proprietary Limited regarding the deletion of the word *'audited'* in the phrase 'audited annual financial statements'.
- 9 November 2017 by N H S Properties Proprietary Limited regarding the deletion of the word *'audited'* in the phrase 'audited annual financial statements'.
- 10 November 2017 by Lighthouse Developments Proprietary Limited regarding the deletion of the word *'audited'* in the phrase 'audited annual financial statements'.
- 22 November 2017 by BoE Developments Proprietary Limited regarding the deletion of the word *'audited'* in the phrase 'audited annual financial statements'.
- 22 November 2017 by BoE Holdings Proprietary Limited regarding the deletion of the word *'audited'* in the phrase 'audited annual financial statements'.
- 27 November 2017 by Nedcor Bank Nominees (RF) Proprietary Limited regarding the deletion of the word *'audited'* in the phrase 'audited annual financial statements'.
- 27 November 2017 by Bene Inventa Proprietary Limited regarding the deletion of the word *'audited'* in the phrase 'audited annual financial statements'.
- 8 December 2017 by Depfin Investments Proprietary Limited regarding the reclassification of 450 000 Class R no par value preference shares.
- 11 December 2017 by BoE Private Equity Investments Proprietary Limited regarding the deletion of the word *'audited'* in the phrase 'audited annual financial statements'.
- 14 December 2017 by Telle Investments Proprietary Limited regarding the deletion of the word *'audited'* in the phrase 'audited annual financial statements'.
- 18 December 2017 by IBL Asset Finance and Services Proprietary Limited regarding the deletion of the word 'audited' in the phrase 'audited annual financial statements'.

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
The directors are not aware of any other material events that have occurred between the reporting date and 1 March 2018.

Independent auditors' report to the shareholders of Nedbank Limited

Report on the audit of the Nedbank Limited consolidated financial statements

Opinion

We have audited the consolidated financial statements of Nedbank Limited (the Group) set out on pages 22 to 157, which comprise the consolidated statement of financial position at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cashflows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nedbank Limited at 31 December 2017, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. 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 South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
IMPAIRMENT OF LOANS AND ADVANCES (CONSOLIDATED FINANCIAL STATEMENTS)	
Refer to Note C2 of the consolidated financial statements for selected disclosures applicable to this matter. Loans and advances, which represent 72,2% of total assets, and the associated impairment provisions are significant in the context of the consolidated financial statements. Provisions for loan impairments and other credit risk provisions represent management's estimate of credit losses incurred in loan portfolios at the reporting date. Judgement and knowledge is needed to select the statistical methods used in developing and revising the models used to make these estimates. The estimation of these credit losses is inherently uncertain and is subject to significant judgement. Collective impairments are calculated using models which rely on expert judgement and large historical datasets. Overlays may be applied to model outputs to cater for additional factors, and the valuation of these overlays can be highly subjective. Specific impairment is also calculated for individually significant loans with larger exposure where there is evidence that an impairment event has occurred. Both the identification of an impairment event, and the subsequent valuation of an impairment allowance, requires judgement. The Retail and Business Banking (RBB) cluster lends to small and medium-sized businesses and to individuals. RBB loans represents 43% of total loans and advances. These loans and advances are typically lower in value and are assessed collectively by grouping them into homogenous portfolios for monitoring and impairment assessment. This process relies on models to determine incurred credit losses across the portfolios. The Corporate and Investment Banking (CIB) cluster lends to corporate, institutional and public sector clients. CIB loans represent 50,1% of total loans and advances. Advances in CIB are typically individually significant, and therefore individually assessed for impairment. The assessment process requires detailed knowledge of the borrower and requires credit officers to use judgement to determine whether a loss event has occurred and the amount of the resulting loss. For specific impairments, judgement is required to determine when an impairment event has occurred and then to estimate the expected future cashflows related to that loan and advance.	Our audit included identifying relevant controls that address the impairment risks identified and evaluating the design and implementation, and where relevant the operating effectiveness, of these controls. We focused on controls over the identification of impairment losses; the governance processes in place for credit models, inputs and overlays; the credit forums where key judgements are considered; and how the directors ensure they have appropriate oversight over provisions for loan impairments and other credit risk provisions. In the RBB cluster, impairment provisions are model-driven and we therefore focused on the data used to generate impairment provisions, as well as the appropriateness of key models used, by: ■ Testing the historical accuracy of models by assessing the historical projections compared to actual credit losses. ■ Focusing on the most significant model assumptions and we performed detailed procedures on the completeness and accuracy of the data used. We compared internal data and assumptions to those used more widely in the market. ■ Using our internal credit experts we assessed the appropriateness of the models used for each significant product type, and independently recalculated the impairment allowance for selected portfolios using our challenger models. ■ Challenging the appropriateness of post-model adjustments made by management by assessing evidence to support the overlays. We used our internal credit experts to perform an independent valuation of the overlay amounts applied to ensure valid. ■ For specific provisions, the appropriateness of provisioning methodologies and policies was independently assessed for a sample of loans across the portfolio selected applying risk criteria. An independent view was formed on the specific provisions raised based on our review of the detailed loan and counterparty information.

Key audit matter	How the matter was addressed in the audit
Given the combination of inherent subjectivity and judgement involved in estimating credit losses and the material nature of the balance, we considered the impairment of loans and advances to be a key audit matter in our audit of the consolidated financial statements.	In the CIB cluster: ■ We selected a sample of performing loans and advances and performed a detailed independent assessment of the credit losses identified, focusing on whether there is evidence of an incurred loss. ■ For a sample of loans and advances that had been individually assessed and impaired, we independently challenged the valuation of impairment losses that had been incurred by developing our own expectation of the amount of the allowance. ■ In order to focus our procedures on the areas where there is a higher risk, we performed detailed credit loss assessments of loans and advances with higher risk credit grades. ■ When performing work on the valuation of allowances, we considered any collateral held by the Bank. ■ Where management have used specialists to perform the valuations, we assessed their competence, capabilities and objectivity of these valuations.
VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE (CONSOLIDATED FINANCIAL STATEMENTS)	
Refer to Note I2 of the consolidated financial statements for selected disclosures applicable to this matter. At 31 December 2017, financial assets at fair value through profit or loss (FVTPL) represented 20,4% of total assets and financial liabilities at FVTPL of 14,2% of total liabilities. Available for sale (AFS) financial assets represented 2% of total assets. Of the financial instruments (both assets and liabilities) carried at fair value or as AFS, 1,5% were classified as level 3 in the fair value hierarchy as prescribed by IFRS 13 Fair Value Measurement. Financial instruments that are classified as level 2 or level 3 in the fair value hierarchy will have some element of estimation uncertainty inherent in their value, and the uncertainty is higher for level 3 financial instruments which, by their nature, are unobservable. These portfolios include unlisted equity investments, loans and advances, investment securities and certain derivative financial instruments. This risk applies to both individual financial instruments and also to portfolio valuation adjustments which are applied to adjust portfolios for risks that are not included in the model valuation. These portfolio adjustments are subjective in nature and may rely on inputs that are unobservable. In addition certain financial instrument valuation techniques are subject to ever developing market practices which may increase the estimation uncertainty. As the determination of the fair value of certain financial instruments is a key source of estimation uncertainty, is subject to significant judgement and represents a material balance, this matter was a considered to be a key audit matter in our audit of the consolidated financial statements.	As part of our audit, we identified relevant controls over valuation of financial instruments and evaluated the design and implementation, and where relevant the operating effectiveness, of these controls. We focused on controls over model governance, independent price verification and the daily profit and loss attribution processes. We assessed the models used by the management and rates applied at year-end, and used valuation tools to re-perform valuations across a range of financial instruments. For portfolio adjustments, we focused on the appropriateness of any changes made to the valuation methodology and inputs during the year. Additionally, these were benchmarked to current market best practices to assess the appropriateness of the methodologies applied. For unlisted private equity investments and investment securities, we challenged the key inputs and assumptions driving the valuation, and assessed the models used. We considered sensitivities to key factors including: ■ assessing the appropriateness of the pricing multiples available from comparable listed companies, adjusted for comparability differences, size and liquidity; and ■ assessing the reasonability of the cashflows and discount rates used by comparing them to similar instruments. We also assessed the disclosures made relating to the valuation of financial instruments in relation to the fair value hierarchy to ensure consistency with the requirements of the relevant accounting standards and with the methodologies applied by management. Where new valuation methodologies have been applied, we assessed whether, the model valuation methodologies used for material valuation risks are appropriate, utilising our valuation experts. We assessed the appropriateness of key assumptions and inputs observable sources and, where proxies were used, we assessed the appropriateness of the proxy.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Certification from the company secretary and the Report from the Group Audit Committee, as required by the Companies Act of South Africa, as well as the additional information contained in the audited consolidated annual financial statements report, which we obtained prior to the date of this report. The other information also comprises Nedbank Group Limited's Integrated Report, which is expected to be made available to us after the date of this report. The other information does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Nedbank Group Limited for 44 years and KPMG Inc. has been the auditor of Nedbank Group Limited for 44 years.

KPMG Inc

KPMG Inc
Registered Auditor

Per: Sipho Malaba
Partner

1 March 2018

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: Lito Nunes
Partner

1 March 2018

Audited consolidated financial statements

Consolidated statement of comprehensive income

for the year ended 31 December

	Notes	2017 Rm	2016 Rm
Interest and similar income	B5.1	**71 311**	69 862
Interest expense and similar charges	B5.2	**46 111**	45 344
Net interest income		**25 200**	24 518
Impairments charge on loans and advances	C2.1	**3 030**	4 254
Income from lending activities		**22 170**	20 264
Non-interest revenue	B6	**19 907**	19 361
Operating income		**42 077**	39 625
Total operating expenses	B7	**26 192**	25 283
Indirect taxation	B8.1	**858**	810
Profit from operations before non-trading and capital items		**15 027**	13 532
Non-trading and capital items	B9	**(210)**	(289)
Profit from operations		**14 817**	13 243
Share of losses of associate companies and joint arrangements		**(96)**	(20)
Profit before direct taxation		**14 721**	13 223
Direct taxation	B8.2.1	**3 563**	3 286
Profit for the year		**11 158**	9 937
Other comprehensive income/(losses) net of taxation	B8.2.3	**493**	(453)
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		**(29)**	(231)
Fair value adjustments on available-for-sale assets		**(14)**	(13)
Items that may not subsequently be reclassified to profit or loss			
Gains on property revaluations		**161**	24
Remeasurements on long-term employee benefit assets		**375**	(233)
Total comprehensive income for the year		**11 651**	9 484
Profit attributable to:			
– Ordinary and preference shareholders		**11 160**	9 896
– Non-controlling interest – ordinary shareholders		**(2)**	41
		11 158	9 937
Total comprehensive income attributable to:			
– Ordinary and preference shareholders		**11 653**	9 443
– Non-controlling interest – ordinary shareholders		**(2)**	41
Total comprehensive income for the year		**11 651**	9 484

Consolidated statement of financial position

at 31 December

	Notes	2017 Rm	2016 Rm
ASSETS			
Cash and cash equivalents	C6	**8 823**	20 241
Other short-term securities	C4	**73 472**	68 218
Derivative financial instruments	C7	**30 698**	18 044
Government and other securities	C3	**48 749**	50 687
Loans and advances[1]	C1.1	**689 637**	691 925
Other assets	H3	**7 332**	8 164
Current taxation assets		**75**	440
Investment securities	F1	**2 250**	1 908
Non-current assets held for sale	H2	**388**	287
Investments in private-equity associates, associate companies and joint arrangements	F2	**3 277**	2 575
Deferred taxation assets	B8.3	**37**	266
Property and equipment	G1	**7 976**	8 197
Long-term employee benefit assets	H1.1	**5 761**	5 042
Mandatory reserve deposits with central banks	C6	**18 145**	18 139
Intangible assets	G2	**7 341**	5 928
Total assets		**903 961**	900 061
EQUITY AND LIABILITIES			
Ordinary share capital	B3.1	**28**	28
Ordinary share premium		**19 182**	19 182
Reserves		**48 215**	42 698
Total equity attributable to equity holders of the parent		**67 425**	61 908
Preference share capital and premium	B3.2	**3 561**	3 561
Holders of preference shares		**561**	
Holders of additional tier 1 capital instruments	B4	**2 600**	2 000
Non-controlling interest attributable to ordinary shareholders		**7**	253
Total equity		**74 154**	67 722
Derivative financial instruments	C7	**23 561**	13 469
Amounts owed to depositors[2]	D1	**736 752**	750 319
Provisions and other liabilities	K1.1	**14 047**	12 717
Current taxation liabilities		**191**	53
Deferred taxation liabilities	B8.3	**351**	391
Long-term employee benefit liabilities	H1.1	**3 423**	3 328
Long-term debt instruments	D2	**51 482**	52 062
Total liabilities		**829 807**	832 339
Total equity and liabilities		**903 961**	900 061

[1] *Included in loans and advances are loans to fellow subsidiaries amounting to R22,1bn (2016: R23,8bn).*

[2] *Included in amounts owed to depositors are deposits from fellow subsidiaries amounting to R16,1bn (2016: R31,4bn).*

Consolidated statement of changes in equity

for the year ended 31 December

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Reserves: Foreign currency translation reserve[1] Rm	Reserves: Property revaluation reserve[2] Rm	Reserves: Share-based payments reserve[3] Rm
Balance at 31 December 2015	27 555 649	28	18 532	352	1 722	(1 035)
Shares issued	320 830		650			
Additional tier 1 capital instruments issued						
Preference share dividend						
Additional tier 1 capital instruments interest paid						
Dividend to shareholders						
Total comprehensive income for the year				(231)	24	–
Profit attributable to ordinary and preference equity holders						
Exchange differences on translating foreign operations				(231)		
Fair value adjustments on available-for-sale assets						
Gains on property revaluations					24	
Remeasurements on long-term employee benefit assets						
Transfer (from)/to reserves					(48)	(94)
Share-based payments reserve movement						360
Regulatory risk reserve provision						
Other movements						
Balance at 31 December 2016	**27 876 479**	**28**	**19 182**	**121**	**1 698**	**(769)**
Additional tier 1 capital instruments issued						
Preference share dividend						
Additional tier 1 capital instruments interest paid						
Dividend to shareholders						
Distribution of subsidiaries to shareholder						
Preference share held by group entities						
Total comprehensive income for the year				**(29)**	**161**	**–**
Profit attributable to ordinary and preference equity holders						
Exchange differences on translating foreign operations				**(29)**		
Fair value adjustments on available-for-sale assets						
Gains on property revaluations					**161**	
Remeasurements on long-term employee benefit assets						
Transfer (from)/to reserves					**(109)**	**82**
Share-based payments reserve movement						**(94)**
Other movements						
Balance at 31 December 2017	**27 876 479**	**28**	**19 182**	**92**	**1 750**	**(781)**

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 Limited to various share schemes to acquire Nedbank Group Limited 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 to comply with various banking regulations.

5 This comprises 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 or 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								
	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	Equity attributable to preference shareholders Rm	Equity attributable to additional tier 1 capital instrument holders Rm	Non-controlling interest attributable to ordinary shareholders Rm	Total equity Rm
	95	7	36 469	56 170	3 561			223	59 954
				650					650
				–			**2 000**		2 000
			(377)	(377)					(377)
			(78)	(78)					(78)
			(4 250)	(4 250)				(11)	(4 261)
	–	(13)	9 663	9 443	–		–	41	9 484
			9 896	9 896				41	9 937
				(231)					(231)
		(13)		(13)					(13)
				24					24
			(233)	(233)					(233)
	20		122	–					–
				360					360
	(10)			(10)					(10)
	1		(1)	–					–
	106	**(6)**	**41 548**	**61 908**	**3 561**	**–**	**2 000**	**253**	**67 722**
				–			**600**		**600**
			(371)	**(371)**					**(371)**
			(218)	**(218)**					**(218)**
			(4 665)	**(4 665)**					**(4 665)**
	(99)		**(688)**	**(787)**				**(244)**	**(1 031)**
				–		**561**			**561**
	–	**(14)**	**11 535**	**11 653**	**–**		**–**	**(2)**	**11 651**
			11 160	**11 160**				**(2)**	**11 158**
				(29)					**(29)**
		(14)		**(14)**					**(14)**
				161					**161**
			375	**375**					**375**
		3	**24**	**–**					**–**
				(94)					**(94)**
			(1)	**(1)**					**(1)**
	7	**(17)**	**47 164**	**67 425**	**3 561**	**561**	**2 600**	**7**	**74 154**

Consolidated statement of cashflows

for the year ended 31 December

	Notes	2017 Rm	2016 Rm
Cash generated by operations	M1	**22 183**	21 707
Cash received from clients	M2	**90 472**	89 203
Cash paid to clients, employees and suppliers	M3	**(70 207)**	(68 662)
Dividends received on investments		**710**	9
Recoveries on loans previously written off		**1 208**	1 157
Change in funds for operating activities		**(19 139)**	(14 185)
Increase in operating assets	M4	**(24 144)**	(38 057)
Increase in operating liabilities	M5	**5 005**	23 872
Net cash from operating activities before taxation		**3 044**	7 522
Taxation paid	M7	**(3 913)**	(4 020)
Cashflows (utilised by)/from operating activities		**(869)**	3 502
Cashflows utilised by investing activities		**(6 197)**	(5 265)
Acquisition of property and equipment, computer software and development costs and investment property		**(3 571)**	(3 776)
Disposal of property and equipment, computer software and development costs and investment property		**4**	65
Disposal of investment banking assets		**36**	11
Acquisition of private-equity associates, associate companies and joint arrangements		**(1 459)**	(1 403)
Disposal of private-equity associates, associate companies and joint arrangements		**661**	208
Acquisition of investment securities		**(398)**	(818)
Disposal of investment securities		**36**	448
Disposal of investments in subsidiary companies net of cash	M6	**(1 506)**	
Cashflows (utilised by)/from financing activities		**(4 346)**	5 030
Proceeds from issue of ordinary shares			650
Issue of additional tier 1 capital instruments		**600**	2 000
Issue of long-term debt instruments	D2.1	**7 340**	13 587
Redemption of long-term debt instruments	D2.1	**(7 939)**	(6 502)
Dividends paid to ordinary shareholders		**(3 758)**	(4 250)
Preference share dividends paid		**(371)**	(377)
Additional tier 1 capital instruments interest paid		**(218)**	(78)
Effects of exchange rate changes on opening cash and cash equivalents		**[1]**	772
Net (decrease)/increase in cash and cash equivalents		**(11 412)**	4 039
Cash and cash equivalents at the beginning of year[2]		**38 380**	34 341
Cash and cash equivalents at the end of the year[2]	C6	**26 968**	38 380

[1] *Represents amounts less than R1m.*

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

SECTION A: ACCOUNTING POLICIES

A1 Principal accounting policies

The group's principal accounting policies in preparing the consolidated financial statements of Nedbank Limited are disclosed in the individual sections to the financial statements. This section details the basis of preparation and key accounting policy elections.

A1.1 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 2017 did not have a significant impact on the basis of preparation. The amendments to standards not yet effective as at 1 January 2017, except IFRS 9, IFRS 15 and IFRS 16, will not have a significant impact on implementation. 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 IFRS as issued by the IASB and IFRIC, 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, and the JSE Listings Requirements.

The financial information presented in the consolidated financial statements comprises that of the parent company, Nedbank Limited, 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 Campus, 135 Rivonia Road, Sandown, 2196, Johannesburg.

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

A1.2 Accounting policy elections

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

Asset/ Liability	Option	Election and implication	Note/ Section
Property and equipment	■ International Accounting Standard (IAS) 16 permits the use of the cost or fair value model for the subsequent measurement of property and equipment (choice per category).	■ Land and buildings are stated at revalued amounts, being fair value less subsequent depreciation and impairment. ■ Revaluation surpluses are recognised 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.	G1
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 or loss under IAS 39.	F2
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 or loss to reduce the accounting mismatch. ■ Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting.	I
Investments in subsidiar-ies, associate companies and joint arrange-ments	■ 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.	F2

A2 Key assumptions concerning the future and key sources of estimation

The group's key accounting policy elections are set out in note A1.2 of the consolidated financial statements. Detailed accounting policies are disclosed in the notes to the consolidated financial statements. Certain of these policies, as well as estimates made by management, are considered to be important to 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. Further information on accounting policies that include estimates that are particularly sensitive in terms of judgements and the extent to which estimates are used are provided within the notes to the consolidated financial statements. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has agreed the accounting policies and critical accounting estimates with the board and Nedbank Group Audit Committee.

A3 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of the new standards can be found in the following notes:

- IFRS 9: Financial Instruments (refer to note I).
- IFRS 15: Revenue from Contracts with Customers (refer to note B6).
- IFRS 16: Leases (refer to note K3).

There are no other standards that are not yet effective and that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

SECTION B: SEGMENTAL AND PERFORMANCE-RELATED INFORMATION

B1 Segmental reporting

Accounting policy

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 components 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 segments identified are complemented by Centre, which provides support in the areas of finance, human resources, governance and compliance, risk management and information technology. Additional information relating to 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.

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 Group Limited's case is the Group Executive Committee. The measure of segment profit is headline earnings.

DESCRIPTION OF SEGMENTS

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 Limited's case is the Group Executive Committee. The measure of segment profit is headline earnings.

NEDBANK CORPORATE AND INVESTMENT BANKING

Nedbank CIB 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 CIB'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 the 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 from R10m up to R700m.

NEDBANK WEALTH

Nedbank Wealth provides insurance, asset management and wealth management solutions to clients ranging from entry-level to high-net-worth individuals. Insurance provides life and short-term insurance solutions for individuals and businesses including simple risk, funeral, vehicle, personal-accident, credit life and investments. Asset Management offers local and international unit trusts, cash management and multimanagement solutions. Wealth Management provides specialist services to meet the needs of high-net-worth clients locally and internationally, including trust and estate planning, stockbroking and financial planning for the broader Nedbank client base. Nedbank Wealth has operations in SA, London, Jersey, Guernsey, the United Arab Emirates and on the Isle of Man.

CENTRE

Centre is an aggregation of business operations that provide various support services to Nedbank Group Limited, 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. Centre also includes Group Balance Sheet Management, which is responsible for capital management, funding and liquidity risk management, the management of banking-book interest rate risk, margin management and strategic portfolio tilt.

B1 Segmental reporting (continued)

	Nedbank Limited		Fellow subsidiaries	
	2017	2016	**2017**	2016
Statement of financial position (Rm)				
Assets				
Cash and cash equivalents	**26 968**	38 380	**(2 363)**	462
Other short-term securities	**73 472**	68 218	**(14 920)**	(13 881)
Derivative financial instruments	**30 698**	18 044	**833**	455
Government and other securities	**48 749**	50 687	**1**	127
Loans and advances	**689 637**	691 925	**(151)**	4 430
Other assets	**34 437**	32 807	**(25 266)**	(21 899)
Intergroup assets	**–**	–		534
Total assets	**903 961**	900 061	**(41 866)**	(29 772)
Equity and liabilities				
Total equity	**74 154**	67 722	**(7 940)**	(6 047)
Derivative financial instruments	**23 561**	13 469	**197**	189
Amounts owed to depositors	**736 752**	750 319	**(6 703)**	15 780
Provisions and other liabilities	**18 012**	16 489	**(29 202)**	(39 694)
Long-term debt instruments	**51 482**	52 062	**129**	
Intergroup liabilities	**–**	–	**1 653**	
Total equity and liabilities	**903 961**	900 061	**(41 866)**	(29 772)
Statement of comprehensive income (Rm)				
Net interest income/(loss)	**25 200**	24 518	**(950)**	(895)
Impairments charge on loans and advances	**3 030**	4 254	**(61)**	(123)
Income/(Loss) from lending activities	**22 170**	20 264	**(889)**	(772)
Non-interest revenue	**19 907**	19 361	**(3 159)**	(3 265)
Operating income/(loss)	**42 077**	39 625	**(4 048)**	(4 037)
Total operating expenses	**26 192**	25 283	**(1 420)**	(1 196)
Indirect taxation	**858**	810	**(103)**	(85)
Profit/(Loss) from operations[2]	**15 027**	13 532	**(2 525)**	(2 756)
Share of (losses)/profits of associate companies and joint arrangements	**(96)**	(20)		
Profit/(Loss) before direct taxation[2]	**14 931**	13 512	**(2 525)**	(2 756)
Direct taxation[2]	**3 622**	3 328	**(663)**	(750)
Profit/(Loss) after direct taxation[2]	**11 309**	10 184	**(1 862)**	(2 006)
Profit attributable to non-controlling interest:				
– Ordinary shareholders	**(2)**	41	**14**	42
– Preference shareholders	**–**	–	**(338)**	(361)
– Additional tier 1 capital instruments noteholders	**–**	–	**(252)**	(78)
Headline earnings/(loss)	**11 311**	10 143	**(1 286)**	(1 609)
Selected ratios				
Average interest-earning banking assets (Rm)[3]	**706 613**	718 901	**(27 130)**	(31 886)
Return on total assets (%)[3]	**1,29**	1,20		
Return on ordinary shareholders' equity (%)[3]	**17,8**	17,3		
Net interest income to average interest-earning banking assets (%)[3]	**3,57**	3,41		
Non-interest revenue to total income (%)	**44,1**	44,1		
Non-interest revenue to total operating expenses (%)	**76,0**	76,6		
Credit loss ratio – banking advances (%)[3]	**0,47**	0,67		
Efficiency ratio (%)	**58,1**	57,6		
Effective taxation rate (%)	**24,3**	24,6		
Revenue (Rm)[4]	**45 107**	43 879	**(4 109)**	(4 160)
Contribution to group economic profit (Rm)[3]	**2 036**	1 552	**(1 374)**	(1 426)
Number of employees (permanent staff)[3]	**28 193**	29 378	**(793)**	(637)

[1] *Includes all group eliminations.*
[2] *These items are presented on a headline earnings basis and therefore exclude the impact of non-trading and capital items.*
[3] *This metric has not been audited by the group's external auditors.*
[4] *Revenue is calculated as net interest income plus non-interest revenue.*

Depreciation costs of R1 319m (2016: R1 181m) and amortisation costs of R777m (2016: R784m) for property, equipment, computer software and capitalised development are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

During 2017 the Nedbank Rest of Africa Cluster subsidiaries that had been owned by Nedbank Limited at 31 December 2016 were transferred to Nedbank Group Limited. Comparative information has been restated accordingly.

Nedbank Corporate and Investment Banking		Nedbank Retail and Business Banking		Nedbank Wealth		Centre[1]	
2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
5 025	15 306	**3 692**	3 765	**2 354**	994	**18 260**	17 853
60 750	46 625			**16 652**	15 604	**10 990**	19 870
29 840	17 582			**1**	9	**24**	(2)
21 312	27 775					**27 436**	22 785
356 029	370 199	**305 198**	289 882	**29 413**	28 577	**(852)**	(1 163)
14 676	13 993	**6 078**	6 530	**18 412**	16 858	**20 537**	17 325
		11 257	4 665			**(11 257)**	(5 199)
487 632	491 480	**326 225**	304 842	**66 832**	62 042	**65 138**	71 469
30 437	28 462	**27 812**	26 254	**3 885**	3 387	**19 960**	15 666
23 236	13 239			**2**	4	**126**	37
338 792	343 153	**295 294**	272 274	**35 081**	33 461	**74 288**	85 651
11 690	25 128	**1 798**	3 796	**23 016**	20 931	**10 710**	6 328
1 350	1 378	**1 321**	2 518			**48 682**	48 166
82 127	80 120			**4 848**	4 259	**(88 628)**	(84 379)
487 632	491 480	**326 225**	304 842	**66 832**	62 042	**65 138**	71 469
7 216	7 291	**17 790**	17 347	**1 003**	974	**141**	(199)
193	1 095	**3 222**	3 261	**26**	22	**(350)**	(1)
7 023	6 196	**14 568**	14 086	**977**	952	**491**	(198)
7 164	7 453	**12 312**	11 724	**3 390**	3 410	**200**	39
14 187	13 649	**26 880**	25 810	**4 367**	4 362	**691**	(159)
6 044	5 751	**19 136**	18 433	**2 880**	2 704	**(448)**	(409)
83	96	**302**	359	**117**	108	**459**	332
8 060	7 802	**7 442**	7 018	**1 370**	1 550	**680**	(82)
(96)	(20)						
7 964	7 782	**7 442**	7 018	**1 370**	1 550	**680**	(82)
1 665	1 769	**2 082**	1 978	**302**	358	**236**	(27)
6 299	6 013	**5 360**	5 040	**1 068**	1 192	**444**	(55)
(16)	(1)						
		58	80			**280**	281
						252	78
6 315	6 014	**5 302**	4 960	**1 068**	1 192	**(88)**	(414)
340 065	369 525	**306 225**	285 393	**46 639**	45 209	**40 814**	50 660
1,31	1,28	**1,68**	1,68	**1,62**	1,93		
20,70	21,10	**19,10**	18,90	**27,50**	35,20		
2,1	2,0	**5,8**	6,1	**2,2**	2,2		
49,8	50,5	**40,9**	40,3	**77,2**	77,8		
118,50	129,60	**64,30**	63,60	**117,70**	126,10		
0,06	0,34	**1,06**	1,12	**0,09**	0,08		
42,3	39,0	**63,6**	63,4	**65,6**	61,7		
20,9	22,7	**28,0**	28,2	**22,0**	23,1		
14 380	14 744	**30 102**	29 071	**4 393**	4 384	**341**	(160)
2 039	1 970	**1 394**	1 230	**522**	711	**(545)**	(933)
2 756	2 729	**20 081**	21 189	**2 231**	2 232	**3 918**	3 865

B2 Dividends

B2.1 Ordinary shares

	Millions of shares	Cents per shares	Rm
2017			
Final declared for 2016 – paid 2017	**28**	**8 304**	**2 315**
Interim declared for 2017	**28**	**8 430[1]**	**2 350**
Ordinary dividends paid 2017		**16 734**	**4 665**
Final ordinary dividend declared for 2017		**3 050[1]**	
2016			
Final declared for 2015 – paid 2016	28	9 073	2 500
Interim declared for 2016	28	6 278[2]	1 750
Ordinary dividends paid 2016		15 351	4 250
Final ordinary dividend declared for 2016		2 300[2]	

[1] *Total dividend declared for 2017 = 11 480 cents per share.*
[2] *Total dividend declared for 2016 = 8 578 cents per share.*

B2.2 Preference shares

Dividends declared	Number of shares	Cents per share	Amount Rm
2018			
Nedbank – Final (dividend no 30) declared for 2017 – payable April 2018	**358 277 491**	**43,17350**	**154,7**
2017			
Nedbank – Final (dividend no 28) declared for 2016 – paid April 2017	358 277 491	43,98905	157,6
Nedbank – Interim (dividend no 29) declared for 2017 – paid September 2017	358 277 491	43,39039	155,5
Total of dividends declared			313,1
Nedbank (MFC) – participating preference shares[1]			58,0
			371,1
2016			
Nedbank – Final (dividend no 26) declared for 2015 – paid April 2016	358 277 491	40,01711	143,4
Nedbank – Interim (dividend no 27) declared for 2016 – paid September 2016	358 277 491	42,75385	153,1
Total of dividends declared			296,5
Nedbank (MFC) – participating preference shares[1]			80,0
			376,5

[1] *Profit share calculated semi-annually.*

B3 Share capital

Accounting policy

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.

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 B3 to the financial statements.

Treasury shares

When the group acquires its own share capital, the amount of the consideration paid, including directly attributable costs, 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.

	2017 Rm	2016 Rm
B3.1 Ordinary share capital		
Authorised		
30 000 000 (2016: 30 000 000) ordinary shares of R1 each	**30**	30
Issued		
27 876 479 (2016: 27 876 479) fully paid ordinary shares of R1 each	**28**	28
	28	28

Subject to the restrictions imposed by the Companies Act, 71 of 2008, the unissued shares are under the control of the directors until the forthcoming annual general meeting.

	2017 Rm	2016 Rm
B3.2 Preference share capital and premium		
Nedbank Limited preference share capital and premium		
Authorised		
1 000 000 000 (2016: 1 000 000 000) non-redeemable, non-cumulative, non-participating 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 (2016: 358 277 491) non-redeemable, non-cumulative, non-participating 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.*

B3 Share capital (continued)

B3.2 Preference share capital and premium (continued)

Preference shares are classified as equity instruments by Nedbank Limited ('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 in the reduction of 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.

B4 Holders of additional tier 1 capital instruments

The group issued new style (Basel III compliant) additional tier 1 (AT 1) capital instrument as follows:

Instrument code	Date of issue	Call date	Instrument terms	2017 Rm	2016 Rm
Subordinated					
Callable notes (rand-denominated)					
NEDT1A	20 May 2016	21 May 2021	3-month JIBAR + 7,00% per annum	**1 500**	1 500
NEDT1B	25 November 2016	26 November 2021	3-month JIBAR + 6,25% per annum	**500**	500
NED04U	30 June 2017	1 July 2022	3-month JIBAR + 5,65% per annum	**600**	
				2 600	2 000

The AT 1 notes represent perpetual, subordinated instruments, with no redemption date. The instruments are redeemable subject to regulatory approval at the sole discretion of the issuer, Nedbank Limited from the applicable call date and following a regulatory event or following a tax event. The payment of interest is at the discretion of the issuer and interest payments are non-cumulative. In addition, if certain conditions are reached, the regulator may prohibit Nedbank from making interest payments.

B5 Net interest income

Accounting policy

Interest income and expense

Interest income and expense are recognised in profit or loss using the effective-interest-rate method taking into account the expected timing and amount of cashflows. The effective-interest-rate 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.

B5.1 Interest and similar income

	2017 Rm	2016 Rm
Home loans (including properties in possession)	**13 334**	12 923
Commercial mortgages	**15 106**	13 888
Finance lease and instalment debtors	**11 893**	11 183
Credit cards	**2 305**	2 111
Overdrafts	**1 628**	1 566
Term loans and other	**21 261**	20 345
Government and other securities	**2 959**	3 606
Interest on government and other securities	**2 963**	3 603
Fair-value adjustments on hedged items (refer to note C7.5)	**139**	25
Fair-value adjustments on hedging instruments (refer to note C7.5)	**(143)**	(22)
Short-term funds and securities	**2 825**	4 240
	71 311	69 862
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments not at fair value through profit or loss	**63 791**	62 873
– Interest and similar income from financial instruments at fair value through profit or loss	**7 520**	6 989
	71 311	69 862

B5.2 Interest expense and similar charges

	2017 Rm	2016 Rm
Deposit and loan accounts	**27 068**	25 767
Current and savings accounts	**908**	913
Negotiable certificates of deposit	**7 520**	7 458
Other liabilities	**5 518**	6 764
Long-term debt instruments	**5 097**	4 442
	46 111	45 344
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments not at fair value through profit or loss	**40 837**	41 259
– Interest expense and similar charges from financial instruments at fair value through profit or loss	**5 274**	4 085
	46 111	45 344

B6 Non-interest revenue

Accounting policy

- Commission and fee income

  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.
  - Fees charged for servicing a loan are recognised in revenue as the service is provided, which in most instances occurs monthly when the fees are levied.
- Insurance income

  Insurance income comprises premiums written on insurance contracts entered into during the year, with the earned portion of premiums received recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Premiums are disclosed gross of commission payable and reinsurance premiums. Claims incurred consist of claims and claims-handling expenses paid during the financial year together for the movement in provision for outstanding claims. Outward reinsurance premiums are accounted for in the same accounting period as premiums for the related direct insurance.
- 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.
- 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 can be measured reliably. It is probable that the economic benefits of the transaction 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.

New standards and interpretations not yet adopted

IFRS 15: Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments. The standard is effective and will be implemented by the group from 1 January 2018. The group has applied the standard retrospectively with the cumulative effect of initial application recognised in opening retained earnings at 1 January 2018 and accordingly the group will not restate comparative figures.

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 group performed an assessment to determine the impact of the new standard on the group's statement of financial position and performance, which resulted in the measurement of the group's client loyalty programmes being reviewed.

The group has concluded that the loyalty points awarded to clients are consideration payable in terms of IFRS 15 guidance. IFRS 15 requires revenue to be decreased by the amount expected to be payable to clients, which is recognised as a liability until payment is affected. The liability for the amount expected to be paid to clients under the loyalty programme increases by approximately R300m on transition and R216m on an after-tax basis.

Non-interest revenue	2017 Rm	2016 Rm
Commission and fees income	**14 890**	14 587
Administration fees	**551**	591
Cash-handling fees	**950**	936
Insurance commission	**660**	657
Exchange commission	**366**	387
Other fees	**1 154**	1 265
Guarantee income	**224**	182
Card income	**3 645**	3 452
Service charges	**3 909**	3 865
Other commission	**3 431**	3 252
Insurance income	**371**	250
Fair-value adjustments (note B6.1)	**105**	21
Fair-value adjustments	**(30)**	(52)
Fair-value adjustments – own debt	**135**	73
Net trading income	**3 426**	3 321
Foreign exchange	**1 259**	1 356
Debt securities	**2 158**	1 933
Equities	**(30)**	(15)
Commodities	**39**	47
Private-equity income	**683**	869
Securities dealing – realised	**119**	(41)
Securities dealing – unrealised	**(430)**	435
Dividends received from unlisted investments	**700**	179
Other income	**141**	94
Interest and distribution	**153**	202
Investment income	**46**	20
Dividends received from unlisted investments	**10**	9
Long-term-asset sales	**36**	11
Net sundry income	**386**	293
Rents received	**12**	10
Rental income from properties in possession	**[1]**	1
Other sundry income	**374**	282
	19 907	19 361

[1] *Represents amounts less than R1m.*

B6.1 Analysis of fair-value adjustments

Fair-value adjustments can be analysed as follows:

	2017 Rm	2016 Rm
– Held for trading	**(700)**	(1 364)
– Designated as at fair value through profit or loss	**805**	1 385
	105	21

B7 Total operating expenses

	2017 Rm	2016 Rm
Staff costs	**14 562**	13 819
Remuneration and other staff costs	**11 839**	11 098
Short-term incentives	**2 149**	2 234
Long-term employee benefits (note H1.1.2)[1]	**(15)**	(61)
Share-based payments expense – employees	**589**	548
Computer processing	**3 855**	3 751
Depreciation for computer equipment	**701**	599
Amortisation of computer software	**777**	784
Operating lease charges for computer equipment	**398**	393
Development costs	**158**	196
Other computer processing expenses	**1 821**	1 779
Communication and travel	**737**	754
Depreciation for vehicles	**3**	3
Other communication and travel	**734**	751
Occupation and accommodation	**2 076**	2 086
Depreciation for owner-occupied land and buildings	**381**	368
Operating lease charges for land and buildings	**781**	815
Other occupation and accommodation expenses	**914**	903
Marketing and public relations	**1 606**	1 618
Fees and assurances	**2 609**	2 421
Auditors' remuneration	**138**	125
Statutory audit – current year	**116**	104
Non-audit services – other services	**22**	21
Other fees and assurance costs	**2 471**	2 296
Furniture, office equipment and consumables	**526**	525
Depreciation for furniture and other equipment	**234**	211
Operating lease charge for furniture and other equipment	**12**	5
Other office equipment and consumables	**280**	309
BBBEE share-based payments expenses	**2**	12
Other sundries	**219**	297
	26 192	25 283

Certain expenses incurred by the company on behalf of subsidiary companies are recovered from subsidiary companies.

[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 H1.*

B8 Taxation

Accounting policy

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 or OCI.

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 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.

Key assumptions concerning the future and key sources of estimation

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 or loss for that period.

	2017 Rm	2016 Rm
B8.1 Indirect taxation		
Value-added taxation[1]	**655**	627
Transaction-based taxes	**203**	183
	858	810

[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, 89 of 1991.*

	2017 Rm	2016 Rm
B8.2 Direct taxation		
B8.2.1 Charge for the year		
SA normal taxation:		
– Current charge	**3 669**	3 471
– Capital gains taxation – deferred	**(45)**	10
– Deferred taxation	**(120)**	(293)
Foreign taxation	**107**	157
Current and deferred taxation on income	**3 611**	3 345
Prior-year (underprovision)/overprovision	**11**	(17)
Total taxation on income	**3 622**	3 328
Taxation on non-trading and capital items	**(59)**	(42)
	3 563	3 286

B8 Taxation (continued)

B8.2 Direct taxation (continued)

B8.2.2 Taxation rate reconciliation

	2017 %	2016 %
Standard rate of SA normal taxation	**28,0**	28,0
Non-taxable dividend income	**(2,7)**	(2,7)
Other	**(1,0)**	(0,7)
Effective taxation rate	**24,3**	24,6

B8.2.3 Income tax recognised in other comprehensive income

	Gross	Taxation	Net of taxation
2017			
Exchange differences on translating foreign operations	**(29)**		**(29)**
Fair-value adjustments on available-for-sale assets	**(19)**	**5**	**(14)**
Remeasurements on long-term employee benefit assets	**521**	**(146)**	**375**
Gains on property revaluations	**232**	**(71)**	**161**
2016			
Exchange differences on translating foreign operations	(231)		(231)
Fair-value adjustments on available-for-sale assets	(17)	4	(13)
Remeasurements on long-term employee benefit assets	(322)	89	(233)
Gains on property revaluations	35	(11)	24

B8.2.4 Future taxation relief

The group has estimated taxation losses of R337m (2016: R239m) that can be set off against future taxable income, of which R117m (2016: R4m) has been applied to the deferred taxation balance.

B8.3 Deferred taxation

	2017 Rm	2016 Rm
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred taxation assets		
– Deferred taxation assets to be recovered after more than 12 months	**37**	266
	37	266
Deferred taxation liabilities		
– Deferred taxation liabilities to be recovered after more than 12 months	**(351)**	(391)
	(351)	(391)
Net deferred taxation liabilities	**(314)**	(125)
The gross movement on the deferred income taxation account is as follows:		
– Balance at the beginning of the year	**(125)**	(696)
– Statement of comprehensive income charge	**65**	285
– Tax charge/(credit) relating to components of other comprehensive income	**(212)**	89
– Tax charge/(credit) directly to equity	**(8)**	26
– Rate change		(33)
– Reclassification between taxation types and categories	**(34)**	204
Balance at the end of the year	**(314)**	(125)

The movement in deferred taxation assets and liabilities during the year, without taking into consideration the offsetting of balances with the same tax jurisdiction, is as follows:

Deferred taxation assets	**Credit impairments**	**Deferred revenue**	**Medical aid**	**Provisions**	**Taxation losses**	**Total**
Balance at the beginning of the year	1 293	273	162	207	26	1 961
Charged/(credited) to the income statement	163	(3)	21	65	(24)	222
Charged/(credited) to other comprehensive income			38	1		39
Reclassification between taxation types and categories				228		228
At 31 December 2016	**1 456**	**270**	**221**	**501**	**2**	**2 450**
Charged/(credited) to the income statement		**(64)**	**32**	**402**	**32**	**402**
Charged/(credited) to other comprehensive income			**(39)**			**(39)**
Reclassification between taxation types and categories				**(34)**		**(34)**
At 31 December 2017	**1 456**	**206**	**214**	**869**	**34**	**2 779**

Deferred taxation liabilities	**Accelerated asset allowances**	**Property revaluations**	**Deferred acquisition costs**	**Pension fund**	**Capital investments**	**Share-based payments**	**Available for sale**	**Total**
Balance at the beginning of the year	(549)	(591)	(479)	(694)	(223)	(120)	(2)	(2 658)
Charged/(credited) to the income statement	27	3	(20)	(64)	84	32		62
Charged/(credited) to other comprehensive income				50				50
Charged/(credited) directly to equity		8				18		26
Change in taxation rate		(19)			(14)			(33)
Reclassification between taxation types and categories						(23)	1	(22)
At 31 December 2016	**(522)**	**(599)**	**(499)**	**(708)**	**(153)**	**(93)**	**(1)**	**(2 575)**
Charged/(credited) to the income statement	**(41)**		**(96)**	**(52)**	**(147)**	**2**	**(3)**	**(337)**
Charged/(credited) to other comprehensive income		**(71)**		**(107)**			**5**	**(173)**
Charged/(credited) directly to equity						**(45)**	**37**	**(8)**
At 31 December 2017	**(563)**	**(670)**	**(595)**	**(867)**	**(300)**	**(136)**	**38**	**(3 093)**

B9 Non-trading and capital items

Accounting policy

Profit from operations before non-trading and capital items

Non-trading and capital items and fair-value adjustments of investment properties are disclosed separately on the face of the statement of comprehensive income, being remeasurements excluded from the calculation of headline earnings 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, equipment and intangible assets and fair-value adjustments of investment properties.

	2017		2016	
Rm	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to ordinary and preference equity holders		**11 160**		9 896
Non-trading and capital items	**210**	**151**	289	247
IAS 16: Loss on disposal of property and equipment	**47**	**35**	44	44
IAS 38: Impairment of intangible assets	**163**	**116**	145	103
IAS 39: Loss on sale of available-for-sale financial assets			94	94
IAS 40: Loss on disposal of investment properties			6	6
Headline earnings		**11 311**		10 143

SECTION C: CORE BANKING ASSETS

Accounting policy

Refer to Section I: Financial instruments for the group's accounting policies regarding financial assets and liabilities.

C1 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 C2 '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 C2.2. Portfolio impairments are recognised against loans and advances classified as 'neither past due nor impaired' or 'past due but not impaired'.

C1.1 Categories of loans and advances

	2017 Rm	2016 Rm
Mortgage loans	**297 851**	286 190
Home loans	**138 441**	135 495
Commercial mortgages	**159 410**	150 695
Net finance lease and instalment debtors (note C1.4)	**108 920**	102 845
Gross investment	**140 245**	131 973
Unearned finance charges	**(31 325)**	(29 128)
Credit cards	**15 719**	14 818
Other loans and advances	**278 502**	299 886
Properties in possession	**99**	223
Overdrafts	**15 827**	15 357
Term loans	**113 318**	117 959
Personal loans	**18 125**	17 941
Other term loans	**95 193**	100 018
Overnight loans	**20 426**	21 913
Other loans to clients	**87 597**	103 720
Foreign client lending	**20 596**	26 684
Remittances in transit	**48**	229
Other loans[1]	**66 953**	76 807
Preference shares and debentures	**18 494**	20 050
Factoring accounts	**5 461**	5 010
Deposits placed under reverse repurchase agreements	**17 280**	15 654
	700 992	703 739
Impairment of loans and advances (note C2)	**(11 355)**	(11 814)
	689 637	691 925
Comprises:		
Loans and advances to clients	**683 328**	676 389
Loans and advances to banks	**17 664**	27 350
	700 992	703 739

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

C1 Loans and advances (continued)

C1.2 Sectoral analysis[1]

	2017 Rm	2016 Rm
Individuals	**248 661**	253 000
Financial services, insurance and real estate	**204 582**	185 276
Banks	**17 664**	27 350
Manufacturing[1]	**54 840**	57 360
Building and property development	**8 054**	8 263
Transport, storage and communication	**32 413**	39 400
Retailers, catering and accommodation	**9 001**	8 665
Wholesale and trade	**26 785**	29 993
Mining and quarrying	**21 921**	22 326
Agriculture, forestry and fishing[1]	**4 892**	3 387
Government and public sector	**11 034**	2 969
Other services	**61 145**	65 750
	700 992	703 739

1 *The sectoral analysis of loans and advances was reviewed in 2017, which resulted in the reallocation of loans and advances between the manufacturing and agriculture, forestry and fishing categories. 2016 comparatives have been restated accordingly.*

C1.3 Geographical analysis

	2017 Rm	2016 Rm
SA	**670 092**	657 509
Rest of Africa	**9 146**	17 484
Europe	**17 260**	21 706
Asia	**3 746**	3 856
United States of America	**250**	412
Other	**498**	2 772
	700 992	703 739

C1.4 Net finance lease and instalment debtors

Rm	2017 Gross	2017 Unearned finance charges	2017 Net	2016 Gross	2016 Unearned finance charges	2016 Net
No later than one year[1]	**31 944**	**(7 097)**	**24 847**	29 113	(6 707)	22 406
Later than one year and no later than five years[1]	**94 126**	**(21 047)**	**73 079**	91 200	(19 822)	71 378
Later than five years	**14 175**	**(3 181)**	**10 994**	11 660	(2 599)	9 061
	140 245	**(31 325)**	**108 920**	131 973	(29 128)	102 845

1 *During 2017 the group reassessed how certain costs included as part of the effective interest rate are allocated among the 'no later than one year' and 'later than one year and no later than five years' buckets. This resulted in R1 498m being transferred from the 'no later than one year' to the 'later than one year and no later than five years' bucket. Comparative information for 2016 has been restated accordingly.*

Rm	Total 2017	Total 2016	Neither past due nor impaired 2017	Neither past due nor impaired 2016	Past due but not individually impaired 2017	Past due but not individually impaired 2016	Defaulted 2017	Defaulted 2016
C1.5 Classification of loans and advances								
Mortgage loans	**297 851**	286 190	**279 791**	267 469	**9 955**	10 133	**8 105**	8 588
Net finance lease and instalment debtors	**108 920**	102 845	**98 951**	93 955	**6 246**	6 010	**3 723**	2 880
Credit cards	**15 719**	14 818	**13 029**	12 370	**1 233**	1 119	**1 457**	1 329
Properties in possession	**99**	223					**99**	223
Overdrafts	**15 827**	15 357	**14 321**	14 068	**715**	647	**791**	642
Term loans	**113 318**	117 959	**108 245**	113 435	**1 674**	1 767	**3 399**	2 757
Overnight loans	**20 426**	21 913	**20 426**	21 913				
Other loans to clients	**87 597**	103 720	**86 963**	100 935	**111**	154	**523**	2 631
Preference shares and debentures	**18 494**	20 050	**18 494**	20 050				
Factoring accounts	**5 461**	5 010	**5 208**	4 762	**194**	220	**59**	28
Deposits placed under reverse repurchase agreements	**17 280**	15 654	**17 280**	15 654				
	700 992	703 739	**662 708**	664 611	**20 128**	20 050	**18 156**	19 078
Loans and advances defaulted – not impaired							**815**	569
Loans and advances defaulted – impaired							**17 341**	18 509
							18 156	19 078

C1 Loans and advances (continued)

C1.6 Age analysis of loans and advances

Rm	Total 2017	Total 2016	< 1 month 2017	< 1 month 2016
Neither past due nor impaired	**662 708**	664 611	**662 708**	664 611
Mortgage loans	**279 791**	267 469	**279 791**	267 469
Net finance lease and instalment debtors	**98 951**	93 955	**98 951**	93 955
Credit cards	**13 029**	12 370	**13 029**	12 370
Overdrafts	**14 321**	14 068	**14 321**	14 068
Term loans	**108 245**	113 435	**108 245**	113 435
Overnight loans	**20 426**	21 913	**20 426**	21 913
Other loans to clients	**86 963**	100 935	**86 963**	100 935
Preference shares and debentures	**18 494**	20 050	**18 494**	20 050
Factoring accounts	**5 208**	4 762	**5 208**	4 762
Deposits placed under reverse repurchase agreements	**17 280**	15 654	**17 280**	15 654
Trade, other bills and bankers' acceptances	**–**	–	**–**	–
Past due but not individually impaired	**20 128**	20 050	**4 466**	12 562
Mortgage loans	**9 955**	10 133	**3 215**	7 257
Net finance lease and instalment debtors	**6 246**	6 010	**305**	2 825
Credit cards	**1 233**	1 119	**97**	767
Overdrafts	**715**	647	**548**	609
Term loans	**1 674**	1 767		740
Other loans to clients	**111**	154	**111**	147
Factoring accounts	**194**	220	**190**	217
Subtotal	**682 836**	684 661	**667 174**	677 173
Defaulted	**18 156**	19 078		
Mortgage loans	**8 105**	8 588		
Net finance lease and instalment debtors	**3 723**	2 880		
Credit cards	**1 457**	1 329		
Properties in possession	**99**	223		
Overdrafts	**791**	642		
Term loans	**3 399**	2 757		
Other loans to clients	**523**	2 631		
Factoring accounts	**59**	28		
Total loans and advances	**700 992**	703 739		

> 1 month < 3 months		> 3 months < 6 months		> 6 months < 12 months		> 12 months	
2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
13 571	7 469	**2 015**	19	**49**		**27**	
5 792	2 865	**876**	11	**47**		**25**	
5 332	3 183	**609**	2				
1 001	352	**135**					
54	35	**109**	3	**2**		**2**	
1 388	1 025	**286**	2				
	6		1				
4	3						
13 571	7 469	**2 015**	19	**49**	–	**27**	–

C1 Loans and advances (continued)

C1.7 Credit quality of loans and advances

Rm	Total 2017	Total 2016	NGR 1–12 2017	NGR 1–12 2016
Neither past due nor impaired	**662 708**	664 611	**288 379**	314 993
Mortgage loans	**279 791**	267 469	**112 884**	105 873
Net finance lease and instalment debtors	**98 951**	93 955	**3 390**	3 280
Credit cards	**13 029**	12 370	**1 640**	1 834
Overdrafts	**14 321**	14 068	**3 600**	5 113
Term loans	**108 245**	113 435	**77 020**	82 148
Overnight loans	**20 426**	21 913	**17 299**	18 467
Other loans to clients	**86 963**	100 935	**40 822**	72 662
Preference shares and debentures	**18 494**	20 050	**15 674**	14 538
Factoring accounts	**5 208**	4 762	**616**	609
Deposits placed under reverse repurchase agreements	**17 280**	15 654	**15 434**	10 469
Past due but not individually impaired	**20 128**	20 050	**57**	72
Mortgage loans[1]	**9 955**	10 133	**48**	62
Net finance lease and instalment debtors[1]	**6 246**	6 010		
Credit cards	**1 233**	1 119	**8**	9
Overdrafts	**715**	647		
Term loans	**1 674**	1 767	**1**	1
Overnight loans	**–**	–	**–**	
Other loans to clients[1]	**111**	154		
Factoring accounts	**194**	220		
Defaulted	**18 156**	19 078	**–**	–
Mortgage loans[1]	**8 105**	8 588		
Net finance lease and instalment debtors[1]	**3 723**	2 880		
Credit cards	**1 457**	1 329		
Properties in possession	**99**	223		
Overdrafts	**791**	642		
Term loans	**3 399**	2 757		
Other loans to clients[1]	**523**	2 631		
Factoring accounts	**59**	28		
Total loans and advances	**700 992**	703 739	**288 436**	315 065

[1] *Loans and advances in this category do not have assigned AIRB ratings.*

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-sized 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.

NGR 13–20		NGR 21–25		NP1–NP3		Unrated[1]	
2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
314 867	315 325	**35 063**	27 494	**2**	–	**24 397**	6 799
158 653	152 707	**8 252**	7 256	**2**			1 633
81 214	81 091	**14 347**	9 038				546
8 216	8 263	**3 173**	2 266				7
10 466	8 349	**255**	255				351
23 711	23 164	**7 511**	7 708			**3**	415
2 956	3 169	**103**	277			**68**	
22 215	26 583	**1 422**	694			**22 504**	996
998	2 661					**1 822**	2 851
4 592	4 153						
1 846	5 185						
2 238	2 677	**17 750**	17 087	**83**	91	**–**	123
1 615	2 029	**8 292**	8 002		9		31
282	278	**5 900**	5 624	**64**	64		44
107	147	**1 099**	945	**19**	18		
44	56	**671**	591				
190	167	**1 483**	1 564				35
		111	141				13
		194	220				
–	–	**–**	–	**17 819**	18 281	**337**	797
				7 836	8 120	**269**	468
				3 723	2 842		38
				1 457	1 329		
				31		**68**	223
				791	619		23
				3 399	2 737		20
				523	2 606		25
				59	28		
317 105	318 002	**52 813**	44 581	**17 904**	18 372	**24 734**	7 719

C2 Impairment of loans and advances

Credit risk

Credit risk arises from lending and other financing activities that constitute the group's core business and is managed across the group in terms of its board-approved Group Credit Risk Monitoring Framework (GCRMF), which covers the macrostructures for credit risk management and incorporates selected excerpts from the group credit policy, credit approval mandates, credit risk monitoring and governance structures. It is a key component of the group's ERMF, Capital Management and RAF, and it is reviewed on a quarterly basis.

The GCRMF includes the two AIRB Approach technical forums (ie wholesale and retail) and the ad hoc Group Credit Ratings Committee, which reports into the Group Credit Committee (GCC). Also included is the Large-exposure Approval Committee (LEAC), whose function is the approval of credit applications in excess of the large-exposure threshold, imposed by the Banks Act, 94 of 1990.

The GCC also acts as the designated committee appointed by the board to monitor, challenge and ultimately approve all material aspects of the group's AIRB rating and risk estimation systems and processes. The current membership includes seven non-executive directors and three executive directors. The board and the GCC are required by the banking regulations to have a general understanding of the AIRB system and the related reports. The GCC also needs to ensure the independence of Group Credit Risk Monitoring (GCRM), which includes the Credit Model Validation Unit (CMVU) and Model Risk Management (MRM), from the business units originating the credit in the bank.

GCRM monitors the business units' credit portfolios, risk procedures, policies and credit standards, maintains the Group Credit Risk Framework and validates AIRB credit models. GCRM reports to executive management, cluster credit committees (CCCs) and ultimately the board's GCC on a regular basis.

Additionally, GCRM ensures consistency in the rating processes, and has ultimate responsibility for independent credit model validation through the CMVU, the group's independent risk control unit, as per the banking regulations. GCRM and Group Credit Portfolio Management (GCPM) champion the Basel III AIRB methodology across the group.

Key assumptions concerning the future and key sources of estimation

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 correlates 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. Overlays may be applied to model outputs to cater for additional factors and the valuation of these overlays can be subjective. The impairment allowance reflected in the financial statements for these portfolios is considered to be reasonable and supportable.

For individually significant loans with 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.

	Total impairments		Specific impairment		Portfolio impairment	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
C2.1 Impairment of loans and advances						
Balance at beginning of year	**11 814**	**11 059**	**7 137**	6 415	**4 677**	4 644
Impairments charge	**4 238**	**5 411**	**4 122**	5 372	**116**	39
Statement of comprehensive income charge net of recoveries	**3 030**	**4 254**	**2 914**	4 215	**116**	39
Recoveries	**1 208**	**1 157**	**1 208**	1 157		
Amounts written off against the impairment/Other transfers	**(4 697)**	**(4 656)**	**(4 654)**	(4 650)	**(43)**	(6)
Impairment of loans and advances	**11 355**	**11 814**	**6 605**	7 137	**4 750**	4 677

C2.2 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 – 2017				
Home loans	**1 987**	**71**	**(371)**	**1 687**
Commercial mortgages	**966**	**(64)**	**(94)**	**808**
Properties in possession	**33**	**(33)**	**24**	**24**
Credit cards	**1 308**	**1 002**	**(931)**	**1 379**
Overdrafts	**555**	**253**	**(159)**	**649**
Other loans to clients	**4 599**	**1 243**	**(1 741)**	**4 101**
Net finance lease and instalment debtors	**2 313**	**1 564**	**(1 428)**	**2 449**
Preference shares and debentures	**52**	**160**		**212**
Trade, other bills and bankers' acceptances	**1**	**42**	**3**	**46**
Impairment of loans and advances	**11 814**	**4 238**	**(4 697)**	**11 355**
Total impairment – 2016				
Home loans	2 125	242	(380)	1 987
Commercial mortgages	957	124	(115)	966
Properties in possession	22	(40)	51	33
Credit cards	1 178	984	(854)	1 308
Overdrafts	478	215	(138)	555
Other loans to clients	4 059	2 482	(1 942)	4 599
Net finance lease and instalment debtors	2 239	1 362	(1 288)	2 313
Preference shares and debentures		42	10	52
Trade, other bills and bankers' acceptances	1			1
Impairment of loans and advances	11 059	5 411	(4 656)	11 814
Specific impairment – 2017				
Home loans	**1 360**	**246**	**(380)**	**1 226**
Commercial mortgages	**443**	**(47)**	**(82)**	**314**
Properties in possession	**33**	**(33)**	**24**	**24**
Credit cards	**1 181**	**1 002**	**(931)**	**1 252**
Overdrafts	**447**	**239**	**(160)**	**526**
Other loans to clients	**2 525**	**1 211**	**(1 689)**	**2 047**
Net finance lease and instalment debtors	**1 135**	**1 504**	**(1 436)**	**1 203**
Preference shares and debentures	**13**			**13**
Specific impairment of loans and advances	**7 137**	**4 122**	**(4 654)**	**6 605**
Specific impairment – 2016				
Home loans	1 370	364	(374)	1 360
Commercial mortgages	464	92	(113)	443
Properties in possession	22	(40)	51	33
Credit cards	1 045	990	(854)	1 181
Overdrafts	321	214	(88)	447
Other loans to clients	2 077	2 444	(1 996)	2 525
Net finance lease and instalment debtors	1 116	1 295	(1 276)	1 135
Preference shares and debentures		13		13
Specific impairment of loans and advances	6 415	5 372	(4 650)	7 137

C2 Impairment of loans and advances (continued)

C2.2 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
Portfolio impairment – 2017				
Home loans	**627**	**(175)**	**9**	**461**
Commercial mortgages	**523**	**(17)**	**(12)**	**494**
Credit cards	**127**			**127**
Overdrafts	**108**	**14**	**1**	**123**
Other loans to clients	**2 074**	**32**	**(52)**	**2 054**
Net finance lease and instalment debtors	**1 178**	**60**	**8**	**1 246**
Preference shares and debentures	**39**	**160**		**199**
Trade, other bills and bankers' acceptances	**1**	**42**	**3**	**46**
Portfolio impairment of loans and advances	**4 677**	**116**	**(43)**	**4 750**
Portfolio impairment – 2016				
Home loans	755	(122)	(6)	627
Commercial mortgages	493	32	(2)	523
Credit cards	133	(6)		127
Overdrafts	157	1	(50)	108
Other loans to clients	1 982	38	54	2 074
Net finance lease and instalment debtors	1 123	67	(12)	1 178
Preference shares and debentures		29	10	39
Trade, other bills and bankers' acceptances	1			1
Portfolio impairment of loans and advances	4 644	39	(6)	4 677

	Total impairment		Specific impairment		Portfolio impairment	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm
C2.3 Sectoral analysis						
Individuals	**7 695**	7 724	**5 210**	5 191	**2 485**	2 533
Financial services, insurance and real estate	**1 038**	1 572	**266**	403	**772**	1 169
Manufacturing	**598**	439	**213**	95	**385**	344
Building and property development	**124**	109	**46**	57	**78**	52
Transport, storage and communication	**629**	570	**38**	392	**591**	178
Retailers, catering and accommodation	**207**	83	**178**	61	**29**	22
Wholesale and trade	**131**	149	**43**	65	**88**	84
Mining and quarrying	**216**	380	**102**	306	**114**	74
Agriculture, forestry and fishing	**101**	70	**66**	36	**35**	34
Government and public sector	**30**	13	**13**	2	**17**	11
Other services	**586**	705	**430**	529	**156**	176
	11 355	11 814	**6 605**	7 137	**4 750**	4 677
C2.4 Geographical analysis						
SA	**11 053**	10 936	**6 512**	6 441	**4 541**	4 495
Other African countries	**186**	305	**93**	172	**93**	133
Europe	**100**	214		180	**100**	34
Asia	**3**	343		340	**3**	3
United States of America	**7**	4		4	**7**	
Other	**6**	12			**6**	12
	11 355	11 814	**6 605**	7 137	**4 750**	4 677

	2017 Rm	2016 Rm
C2.5 Interest on specifically impaired loans and advances	**1 301**	1 284

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

The amount is calculated by multiplying the discounted expected recovery by the effective interest rate for the specifically impaired loans and advances. 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.

C3 Government and other securities

C3.1 Analysis

	2017 Rm	2016 Rm
Government and government-guaranteed securities	**32 502**	37 904
Other dated securities[1]	**16 247**	12 783
	48 749	50 687

C3.2 Sectoral analysis

	2017 Rm	2016 Rm
Financial services, insurance and real estate	**16 533**	10 441
Banks	**1 891**	2 102
Manufacturing	**5 721**	4 406
Transport, storage and communication	**446**	1 350
Government and public sector	**23 748**	30 979
Other sectors	**410**	1 409
	48 749	50 687

[1] *Includes securitised assets. See note F5.*

C4 Other short-term securities

C4.1 Analysis

	2017 Rm	2016 Rm
Negotiable certificates of deposit	**12 859**	11 183
Treasury bills and other bonds	**60 613**	57 035
	73 472	68 218

C4.2 Sectoral analysis

	2017 Rm	2016 Rm
Banks	**11 570**	11 150
Government and public sector	**60 434**	56 621
Other services	**1 468**	447
	73 472	68 218

C5 Credit analysis of other short-term securities, and government and other securities

	Investment grade		Subinvestment grade		Not rated		Total	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Credit ratings								
Other short-term securities	**72 674**	67 263	**798**	854	**–**	101	**73 472**	68 218
Negotiable certificates of deposit	**12 859**	11 133		50			**12 859**	11 183
Treasury bills and other	**59 815**	56 130	**798**	804		101	**60 613**	57 035
Government and other securities	**40 083**	47 570	**7 863**	2 453	**803**	664	**48 749**	50 687
Government and government-guaranteed securities	**25 172**	37 256	**7 330**	648			**32 502**	37 904
Other dated securities	**14 911**	10 314	**533**	1 805	**803**	664	**16 247**	12 783
	112 757	114 833	**8 661**	3 307	**803**	765	**122 221**	118 905

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 credit-rating scales of external credit-rating agencies. According to the NGR scale, investment grade can be equated to a Standard & Poor's and Fitch rating of at least BB+ and a Moody's rating of at least Ba1. All government and other short-term securities are current and not impaired. Investment grade includes credit ratings from NGR01 to NGR12 and subinvestment grade includes credit ratings from NGR13 to NGR25.

C6 Cash and cash equivalents

	2017 Rm	2016 Rm
Coins and bank notes	**7 162**	7 344
Money at call and short notice	**1 661**	12 897
Balances with central banks – other than mandatory reserve deposits	[1]	[1]
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**8 823**	20 241
Mandatory reserve deposits with central banks	**18 145**	18 139
	26 968	38 380

[1] *Represents amounts less than R1m.*

Money at call and short notice constitute amounts withdrawable in 32 days or fewer. 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.

C7 Derivative financial instruments

Accounting policy

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.

  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 hedged 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 or loss in non-interest revenue.

  If the derivative expires, is sold, terminated or 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.

Principal types of derivatives

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 swaps, options, futures and forwards.

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.

C7 Derivative financial instruments (continued)

C7.1 Total carrying amount of derivative financial instruments

	2017 Rm	2016 Rm
Gross carrying amount of assets	**30 698**	18 044
Gross carrying amount of liabilities	**(23 561)**	(13 469)
Net carrying amount	**7 137**	4 575

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 C7.2 – C7.5.

C7.2 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.

	2017			2016		
	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	**3 270**		**3 270**	275	275	
Other derivatives						
Equity derivatives	**36 977**	**18 856**	**18 121**	9 128	4 090	5 038
Options written	**16 102**		**16 102**	2 208		2 208
Options purchased	**16 102**	**16 102**		2 208	2 208	
Futures[1]	**4 773**	**2 754**	**2 019**	4 712	1 882	2 830
Commodity derivatives	**30**	**15**	**15**	4 800	3 011	1 789
Options purchased	**10**		**10**	6		6
Caps and floors	**10**	**10**		3 006	3 006	
Swaps	**–**			10	5	5
Futures	**10**	**5**	**5**	1 778		1 778
Exchange rate derivatives	**345 313**	**199 368**	**145 945**	316 107	165 389	150 718
Forwards	**209 472**	**114 463**	**95 009**	243 904	128 796	115 108
Futures	**9**	**3**	**6**	39	27	12
Currency swaps	**86 481**	**43 273**	**43 208**	58 967	30 363	28 604
Options purchased	**41 629**	**41 629**		6 203	6 203	
Options written	**7 722**		**7 722**	6 994		6 994
Interest rate derivatives	**4 287 739**	**2 161 724**	**2 126 015**	1 445 315	784 122	661 193
Interest rate swaps	**2 121 763**	**1 052 967**	**1 068 796**	789 543	422 789	366 754
Forward rate agreements	**2 150 254**	**1 097 340**	**1 052 914**	632 233	348 606	283 627
Futures	**199**	**199**		558		558
Caps	**2 212**	**506**	**1 706**	4 375	513	3 862
Floors	**2 300**	**2 300**		750	750	
Credit default swaps	**11 011**	**8 412**	**2 599**	17 856	11 464	6 392
Total notional principal	**4 673 329**	**2 379 963**	**2 293 366**	1 775 625	956 887	818 738

[1] *Includes contracts for difference with positive notionals of R1 199m (2016: R81m) and negative notionals of R463m (2016: R1 029m). The equity forward agreement has positive notionals of R1 556m (2016: R1 801m) and negative notionals of R1 556m (2016: R1 801m).*

C7.3 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.

	2017			2016		
	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	**(138)**		**138**	5	5	
Other derivatives						
Equity derivatives	**–**	**1 323**	**1 323**	–	445	445
Options written	**(1 021)**		**1 021**	(201)		201
Options purchased	**1 021**	**1 021**		201	201	
Futures[1]	**–**	**302**	**302**	–	244	244
Commodity derivatives	**(133)**	**332**	**465**	(97)	235	332
Options written	**(243)**		**243**	(1)		1
Options purchased	**264**	**264**		4	4	
Swaps	**(154)**	**68**	**222**	(105)	226	331
Futures	**–**			5	5	
Exchange rate derivatives	**3 510**	**14 875**	**11 365**	2 253	8 769	6 516
Forwards	**2 014**	**8 867**	**6 853**	2 092	5 680	3 588
Futures	**(84)**	**33**	**117**	(6)	135	141
Currency swaps	**1 266**	**5 091**	**3 825**	176	2 624	2 448
Options purchased	**884**	**884**		330	330	
Options written	**(570)**		**570**	(339)		339
Interest rate derivatives	**3 898**	**14 168**	**10 270**	2 414	8 590	6 176
Interest rate swaps	**3 437**	**13 151**	**9 714**	2 279	8 198	5 919
Forward rate agreements	**334**	**843**	**509**	57	240	183
Futures	**1**	**1**		(2)		2
Caps	**(8)**	**4**	**12**	(2)	4	6
Floors	**13**	**13**		1	1	
Credit default swaps	**121**	**156**	**35**	81	147	66
Total carrying amount	**7 137**	**30 698**	**23 561**	4 575	18 044	13 469

[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 R61m (2016: R90m).*

C7 Derivative financial instruments (continued)

C7.4 Analysis of derivative financial instruments

Rm	Hedging derivatives	Other derivatives				
	Interest rate derivatives	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	Total
Derivative assets						
2017						
Maturity analysis						
Under one year		**814**	**309**	**10 051**	**1 492**	**12 666**
One to five years		**509**	**23**	**2 609**	**4 115**	**7 256**
Over five years				**2 215**	**8 561**	**10 776**
	–	**1 323**	**332**	**14 875**	**14 168**	**30 698**
2016						
Maturity analysis						
Under one year		173	10	6 155	952	7 290
One to five years	1	272	225	1 378	2 214	4 090
Over five years	4			1 236	5 424	6 664
	5	445	235	8 769	8 590	18 044
Derivative liabilities						
2017						
Maturity analysis						
Under one year		**814**	**449**	**8 340**	**1 103**	**10 706**
One to five years		**509**	**16**	**1 758**	**3 207**	**5 490**
Over five years	**138**			**1 267**	**5 960**	**7 365**
	138	**1 323**	**465**	**11 365**	**10 270**	**23 561**
2016						
Maturity analysis						
Under one year		173	1	4 106	640	4 920
One to five years		272	331	1 401	1 673	3 677
Over five years				1 009	3 863	4 872
	–	445	332	6 516	6 176	13 469
Notional principal of derivatives						
2017						
Maturity analysis						
Under one year		**28 632**	**22**	**273 102**	**2 815 165**	**3 116 921**
One to five years	**75**	**6 683**	**8**	**42 960**	**1 056 382**	**1 106 108**
Over five years	**3 195**	**1 662**		**29 251**	**416 192**	**450 300**
	3 270	**36 977**	**30**	**345 313**	**4 287 739**	**4 673 329**
2016						
Maturity analysis						
Under one year		3 107	4 790	259 980	653 056	920 933
One to five years	75	4 911	10	31 264	504 455	540 715
Over five years	200	1 110		24 863	287 804	313 977
	275	9 128	4 800	316 107	1 445 315	1 775 625

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

C7.5 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 C3).

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 or loss.

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

	2017 Rm	2016 Rm
Profit on hedged items (assets) (note B5.1)	**139**	25
Loss on hedging instruments (assets) (note B5.1)	**(143)**	(22)
	(4)	3

SECTION D: CORE BANKING LIABILITIES

Accounting policy

Refer to Section I: Financial instruments for the group's accounting policies regarding financial assets and liabilities.

D1 Amounts owed to depositors

D1.1 Classifications

	2017 Rm	2016 Rm
Current accounts	**72 571**	71 403
Savings deposits	**9 695**	10 036
Other deposits and loan accounts	**533 992**	529 166
Call and term deposits	**279 251**	286 647
Fixed deposits	**54 955**	49 070
Cash management deposits	**66 628**	66 946
Other deposits and loan accounts	**133 158**	126 503
Foreign currency liabilities	**21 295**	34 107
Negotiable certificates of deposit	**74 584**	86 480
Deposits received under repurchase agreements[1]	**24 615**	19 127
	736 752	750 319
Comprises:		
– Amounts owed to depositors	**689 912**	708 627
– Amounts owed to banks	**46 840**	41 692
	736 752	750 319

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 C3) and negotiable certificates of deposit (note C4) amounting to R28 538m (2016: R19 162m) as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred, but which do not qualify for derecognition under IAS 39. The associated liabilities amounted to R24 615m (2016: R19 127m).*

D1.2 Sectoral analysis

	2017 Rm	2016 Rm
Banks	**46 840**	41 692
Government and public sector	**50 242**	62 343
Individuals	**209 537**	188 621
Business sector	**430 133**	457 663
	736 752	750 319

D1.3 Geographical analysis

	2017 Rm	2016 Rm
SA	**710 048**	731 478
Rest of Africa	**3 927**	8 329
Europe	**8 573**	9 458
Asia	**6 535**	1 029
United States of America	**7 669**	25
	736 752	750 319

Instrument type	Maturity dates	Interest rates	2017 Rm	2016 Rm
D2 Long-term debt instruments				
Subordinated debt[1]				
Callable notes (rand-denominated – floating)	6 July 2022 to 16 September 2020	JIBAR plus 0,47% to 3,50%	**7 019**	9 065
Callable notes (rand-denominated – fixed)	8 April 2024 to 1 July 2025	10,49% to 11,29%	**891**	891
Callable notes (US dollar-denominated)	3 March 2022	Three-month USD LIBOR		1 378
Basel III subordinated debt[2]				
Callable notes (rand-denominated – floating)	15 March 2022 to 22 December 2026	JIBAR plus 3,75% to 4,00%	**4 520**	2 000
Securitised liabilities[3]				
Callable notes (rand-denominated – floating)	25 May 2018 to 25 February 2042	JIBAR plus 0,58% to 3,00%	**2 672**	3 003
Senior unsecured debt[4]				
Senior unsecured notes – fixed	9 September 2019 to 19 November 2027	8,79% to 11,39%	**18 638**	17 967
Senior unsecured notes – floating	21 February 2017 to 31 July 2026	JIBAR plus 0,85% to 2,25%	**17 716**	17 736
Unsecured debentures	30 November 2029	Zero coupon	**26**	22
Total long-term debt instruments in issue			**51 482**	52 062

[1] *During 2017 two subordinated debt instruments were repaid and two subordinated debt instruments were issued. A sum of R100m was issued at a fixed interest rate of 10,82%, which is repayable on 31 July 2029. In addition, a sum of R100m was issued at a variable interest rate of JIBAR plus 2,45%, which is repayable on 2 August 2027.*

[2] *During 2017 two Basel III subordinated debt instruments were issued. A sum of R2,5bn was issued with variable rates ranging between JIBAR plus 3,75% and JIBAR plus 3,80%. These instruments are redeemable by 26 May 2022.*

[3] *During 2017 seven securitised liabilities were repaid and seven securitised liabilities were issued. A sum of R1 340m was issued at floating interest rates ranging between JIBAR plus 1,05% and JIBAR plus 2,70%. These instruments are repayable by 20 February 2022.*

[4] *During 2017 five senior unsecured debt instruments were repaid and four senior unsecured debt instruments were issued. A sum of R618m was issued with a fixed interest rate 9,60%, repayable on 20 February 2024. A sum of R2,9bn was issued with variable interest rates ranging between JIBAR plus 1,29% and JIBAR plus 1,50%, repayable by 26 February 2024.*

	2017 Rm	2016 Rm
D2.1 Movement in carrying amount		
Balance at the beginning of the year	**52 062**	44 977
Changes arising from cash movements	**(5 638)**	2 650
Issue of long-term debt instruments	**7 340**	13 587
Redemption of long-term debt instruments	**(7 939)**	(6 502)
Interest paid	**(5 039)**	(4 435)
Changes arising from non-cash movements	**5 058**	4 435
Accrued interest and premium discount	**5 025**	4 409
Fair-value adjustments	**33**	26
Balance at the end of the year	**51 482**	52 062

D3 Contractual maturity analysis for financial liabilities

Rm	Statement of financial position amount	< 3 months
2017		
Long-term debt instruments	**51 482**	**1 136**
Amounts owed to depositors	**736 752**	**542 071**
Current accounts	**72 571**	**72 573**
Savings deposits	**9 695**	**9 696**
Other deposits and loan accounts	**533 992**	**400 549**
Foreign currency liabilities	**21 295**	**17 525**
Negotiable certificates of deposit	**74 584**	**17 094**
Deposits received under repurchase agreements	**24 615**	**24 634**
Derivative financial instruments – liabilities	**23 561**	**5 102**
Provisions and other liabilities	**18 012**	
	829 807	**548 309**
Contingent liabilities and undrawn facilities		
Guarantees on behalf of clients		**26 710**
Letters of credit and discounting transactions		**2 837**
Irrevocable unutilised facilities and other		**101 336**
	–	**130 883**
2016		
Long-term debt instruments	52 062	3 363
Amounts owed to depositors	750 319	546 765
Current accounts	71 403	71 405
Savings deposits	10 036	10 036
Other deposits and loan accounts	529 166	405 528
Foreign currency liabilities	34 107	22 352
Negotiable certificates of deposit	86 480	18 301
Deposits received under repurchase agreements	19 127	19 143
Derivative financial instruments – liabilities	13 469	2 229
Provisions and other liabilities	16 489	
	832 339	552 357
Contingent liabilities and undrawn facilities		
Guarantees on behalf of clients		22 177
Letters of credit and discounting transactions		3 360
Irrevocable unutilised facilities and other		101 566
	–	127 103

Provisions and other liabilities are included in this table to provide a reconciliation with the statement of financial position and also include current and deferred taxation liabilities and long-term employee benefit liabilities. Derivatives are not profiled on an undiscounted basis.

	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non-determinable maturity	Total
	2 360	**5 776**	**39 253**	**22 919**		**71 444**
	76 387	**68 077**	**65 760**	**7 893**	**–**	**760 188**
						72 573
						9 696
	59 159	**33 762**	**47 525**	**7 893**		**548 888**
	1 427	**2 344**				**21 296**
	15 801	**31 971**	**18 235**			**83 101**
						24 634
	2 335	**3 264**	**5 489**	**7 372**		**23 562**
					18 012	**18 012**
	81 082	**77 117**	**110 502**	**38 184**	**18 012**	**873 206**
						26 710
						2 837
						101 336
	–	**–**	**–**	**–**	**–**	**130 883**
	1 740	4 578	38 488	25 163		73 332
	74 799	70 444	70 281	9 699	–	771 988
						71 405
						10 036
	48 103	33 506	44 571	9 699		541 407
	3 135	5 860	2 762			34 109
	23 561	31 078	22 948			95 888
						19 143
	1 329	1 362	3 678	4 872		13 470
					16 488	16 488
	77 868	76 384	112 447	39 734	16 488	875 278
						22 177
						3 360
						101 566
	–	–	–	–	–	127 103

SECTION E: ASSET MANAGEMENT

E1 Managed funds

Accounting policy

Nedbank Group Limited, through a number of subsidiaries, operates unit trusts, holds and invests funds on behalf of clients and acts as a trustee in a number of fiduciary capacities. In addition, companies in the group operate securities and custodial services on behalf of clients. Commissions and fees earned in respect of trust and management activities performed are included in the Nedbank Group Limited consolidated statement of comprehensive income as non-interest revenue. Nedbank Limited does not have any funds under management.

F SECTION F: INVESTMENTS

F1 Investment securities

Accounting policy

Refer to Section I: Financial instruments for the group's accounting policies regarding financial assets and liabilities.

	2017 Rm	2016 Rm
Listed investments	**15**	19
Unlisted investments	**2 235**	1 889
Strate Limited	**143**	130
Private-equity portfolio	**965**	713
Other	**1 127**	1 046
Total listed and unlisted investments	**2 250**	1 908

Refer to note I2.2.1 for the classification of investment securities in terms of the fair-value hierarchy.

F2 Investments in private-equity associates, associate companies and joint arrangements

Accounting policy

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 postacquisition movements in other comprehensive income are recognised in the income statement and OCI, 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 accounting period ends. 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 note G.

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 H2.

F2 Investments in private-equity associates, associate companies and joint arrangements (continued)

Accounting policy (continued)

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 returns of the arrangements. They are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of the investor, and are 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.

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 is to account for the transaction 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 transactions, 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.

	2017 Rm	2016 Rm
F2.1 Movement in carrying amount		
Carrying amount at beginning of year	**2 575**	1 400
Share of associate companies' and joint arrangements' losses after taxation for the current year	**(96)**	(20)
Net movement of associate companies and joint arrangements at cost[1]	**792**	921
Fair-value movements	**6**	274
Carrying amount at end of year	**3 277**	2 575
F2.2 Analysis of carrying amount		
Associate investments – on acquisition: Net asset value	**2 662**	1 870
Share of retained earnings since acquisition	**(77)**	19
Fair-value movements	**692**	686
	3 277	2 575

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

F2 Investments in private-equity associates, associate companies and joint arrangements (continued)

F2.3 Analysis of investments in private-equity associates, associate companies and joint arrangements

	Nature of activities	Percentage holding 2017 %	Percentage holding 2016 %
Campuskey Proprietary Limited	Property development	**20**	20
Masingita Property Investment Holdings Proprietary Limited	Property development	**35**	35
Quintado 126 Proprietary Limited	Property development	**25**	25
Other individually immaterial associates[1]			
Private-equity associates (manufacturing, industrial, leisure and other)			
Private-equity associates (property investment associates)			
Other	Various		
Individually immaterial joint arrangements[1]	Various		

All investments in associate companies and joint arrangements are unlisted.

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.

[1] *Represents various investments that are not individually material.*

			Group					
			Carrying amount		Net indebtedness of loans to/(from) associates		Dividends received	
Measurement method	Acquisition date	Year-end	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
Fair value	Dec 15	Feb	**140**	108		13		
Fair value	Aug 05	Feb	**289**	279	**64**	98		
Fair value	Dec 13	Jun	**109**	93	**136**	117		
Fair value			**643**	601	**367**	191	**165**	23
Fair value			**1 592**	1 147	**1 211**	909	**23**	133
Equity-accounted			**224**	225				
			280	122	**288**	127		
			3 277	2 575	**2 066**	1 455	**188**	156

F3 Investments in subsidiary companies and related disclosure

Accounting policy

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 their 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.

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.

Company

Investments in group companies are accounted for at cost less impairment losses in the separate financial statements. The carrying amounts of these investments are reviewed annually and impaired, when necessary, by applying the impairment methodology described in note G.

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 OCI. 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.

Accounting policy (continued)

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 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.

Investments in foreign operations

Nedbank Limited's presentation currency is SA rand. The assets and liabilities, including goodwill and fair-value adjustments, of group entities (including equity-accounted associates) that have functional currencies other than that of the company (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 other comprehensive income 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.

Key assumptions concerning the future and key sources of estimation

Derecognition

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.

F3 Investments in subsidiary companies and related disclosure (continued)

F3.1 Analysis of investments in subsidiary companies

	Group			
	Issued capital		Effective holding	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Non-banking companies[2]				
Depfin Investments Proprietary Limited	[1]	[1]	**100**	100
Nedcor Trade Services Limited (Mauritius)	**4**	4	**100**	100
Nedcor Investments Limited	**28**	28	**100**	100

[1] *Represents amounts less than R1m.*

[2] *These entities are free of any restrictions imposed on the distribution of funds, save 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 as 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)

	2017 Rm	2016 Rm
Aggregate headline earnings attributable to equity holders	**11 348**	10 160
Aggregate headline losses attributable to equity holders	**(37)**	(17)
	11 311	10 143

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 Limited 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.

F3.2 Material non-controlling interests

Nedbank's shareholding in Nedbank (Swaziland) Limited was distributed as a dividend *in specie* to Nedbank Group Limited on 1 June 2017. The value of the dividend *in specie* was equal to the carrying amount of the investments distributed of R451m at 1 June 2017. This has been recognised in the statement of changes in equity in the distribution of subsidiaries to shareholder line. As a result of this distribution Nedbank (Swaziland) Limited's financial position, comprehensive income, cashflows and other financial information are disclosed in the Nedbank Group Limited consolidated financial statements for the year ended 31 December 2017.

F4 Interests in structured consolidated and unconsolidated structured entities

F4.1 Consolidated structured entities

The group holds certain interests in consolidated structured entities in order to ringfence 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 H1)
- Securitisation vehicles (refer to note F5)
  - Greenhouse Funding (RF) Limited
  - Greenhouse Funding III (RF) Limited
  - Precinct Funding 1 (RF) Limited
  - Precinct Funding 2 (RF) Limited

The following judgements have been applied in determining that the group has control over the following structured entities:

SECURITISATION

The group originated 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:

Securitisation vehicles consist of the residential mortgage-backed securitisation programmes Greenhouse Funding (RF) Limited and Greenhouse Funding III (RF) Limited and the commercial-mortgage-backed securitisation (CMBS) programmes Precinct Funding 1 (RF) Limited and Precinct Funding 2 (RF) Limited. 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 Limited has rights to the residual return of the vehicle. The group has concluded that it controls these entities.

The group has set up securitisation vehicles that acquire the rights, title, interest and related security of commercial and residential mortgage bonds from Nedbank Limited. The creation of the these vehicles facilitated the group having appropriately collaterised instruments that can be pledged against the group's committed liquidity facility provided by SARB, if required. The group has concluded that it controls these entities.

Refer to note F5 for further information on the securitisation activities of the group.

F5 Securitisations

Accounting policy

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 or other residual interests (retained interests).

Key assumptions concerning the future and key sources of estimation

The group sponsors the formation of structured entities primarily for the purpose of securitising financial assets for funding diversification purposes and to add flexibility in mitigating structural liquidity risk. Where it is difficult to determine whether the group controls a structured entity, the group makes judgements in terms of IFRS 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.

Active securitisation transactions

Nedbank Limited 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:

- Greenhouse Funding (RF) Limited ('Greenhouse'), a residential-mortgage-backed securitisation programme.
- Greenhouse Funding III (RF) Limited ('Greenhouse III'), a residential-mortgage-backed securitisation programme.
- Precinct Funding 1 (RF) Limited ('Precinct Funding 1'), a CMBS programme.
- Precinct Funding 2 (RF) Limited ('Precinct Funding 2'), a CMBS programme.

Synthesis Funding Limited

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. During 2017 all the remaining assets were sold and the commercial paper was repaid. As at 31 December 2017 Synthesis' operations had ceased and the company was dormant.

Greenhouse Funding (RF) Limited ('Greenhouse')

Greenhouse was a securitisation vehicle through which the rights, title, interest and related security in respect of residential home loans were acquired from Nedbank Limited under a segregated-series medium-term-note programme.

During December 2007 the first Greenhouse transaction was created and R2bn of home loans from Nedbank Limited 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, were utilised to repay the R1,3bn existing notes and subordinated loans on their scheduled maturity, and to acquire additional home loans from Nedbank Limited. The senior notes, which were rated by Moody's and listed on the JSE, were placed with third-party investors, and the junior notes and subordinated loans retained by the group. The home loans transferred to Greenhouse had continued to be recognised as financial assets held by Nedbank Limited.

The maturity of the Greenhouse securitisation transaction was on 25 October 2017. As such all the outstanding notes issued by Greenhouse have been redeemed.

Greenhouse Funding III (RF) Limited ('Greenhouse III')

Greenhouse III is a securitisation vehicle through which the rights, title, interest and related security in respect of residential home loans were acquired from Nedbank Limited under a segregated-series medium-term-note programme.

Greenhouse III is a residential-mortgage-backed securitisation programme implemented during 2014. Greenhouse III securitised R2bn worth of home loans originated by Nedbank Limited through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Limited. The notes issued by Greenhouse III are listed on the JSE and rated by Moody's. The home loans transferred to Greenhouse III continue to be recognised as financial assets held by Nedbank Limited.

Greenhouse III makes use of an internal risk management policy, and utilises the Nedbank Group credit risk monitoring process to govern lending activities to external parties.

Nedbank Limited provided Greenhouse III with an interest-bearing subordinated loan at the commencement of the programme to provide 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 maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

In the Greenhouse III structure Nedbank holds the class D note, amounting to R100m. These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

Precinct Funding 1 (RF) Limited ('Precinct Funding 1')

Precinct Funding 1 is a CMBS programme. The originator, seller and servicer of the commercial property mortgage loan portfolio is Nedbank CIB Property Finance, the market leader in commercial property finance in SA.

The Precinct Funding 1 CMBS Programme was implemented during 2013. Precinct Funding 1 securitised R2,5bn worth of commercial property loans originated by Nedbank Limited through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Limited. The notes issued by Precinct Funding 1 are listed on the JSE and rated by Moody's. The class A and class B notes were placed with third-party investors and the junior notes and subordinated loan retained by Nedbank Limited.

The Precinct Funding 1 structure takes the form of a static pool of small commercial property loans with limited substitution and redraws or further advance capabilities.

Precinct Funding 1 makes use of an internal risk management policy and utilises the Nedbank Group Limited 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 Limited provided Precinct Funding 1 with an interest-bearing subordinated loan at the commencement of the programme to provide 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 maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

Nedbank holds the class C and class D notes of Precinct Funding 1 amounting to R87m. These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

Precinct Funding 2 (RF) Limited ('Precinct Funding 2')

Precinct Funding 2 is a CMBS programme. The originator, seller and servicer of the commercial property mortgage loan portfolio is Nedbank CIB Property Finance, the market leader in commercial property finance in SA.

The Precinct Funding 2 CMBS Programme was implemented during 2017. Precinct Funding 2 securitised R1bn worth of commercial property mortgage loans originated by Nedbank Limited through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Limited. The notes issued by Precinct Funding 2 are listed on the JSE and rated by Moody's. The class A and class B notes were placed with third-party investors and the junior notes and subordinated loan retained by Nedbank Limited.

In comparison to Precinct Funding 1 the Precinct Funding 2 Structure allows for more flexibility to substitute loans. However, loan substitutions are subject to certain portfolio covenants and eligibility criteria.

Precinct Funding 2 makes use of an internal risk management policy and utilises the Nedbank Group Limited 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 Limited provided Precinct Funding 2 with an interest-bearing subordinated loan at the commencement of the programme to provide 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 maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

Nedbank holds the class C and class D notes of Precinct Funding 2 amounting to R80m. These notes are subordinated to the higher-ranking 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]

	2017		2016	
Rm	**Carrying amount of assets**	**Associated liabilities**	**Carrying amount of assets**	**Associated liabilities**
Loans and advances to clients:				
– Residential mortgage loans	**1 462**	**1 321**	2 831	3 176
Less: Impairments	**(5)**		(23)	
– Commercial mortgage loans	**1 321**	**1 350**	982	1 283
Less: Impairments			(3)	
Other financial assets:				
– Corporate and bank paper			203	
– Other securities			469	
– Commercial paper				671
Total	**2 778**	**2 671**	4 459	5 130

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.

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

F6 Related parties

F6.1 Relationship with parent, ultimate controlling party and investees

The group's parent company is Nedbank Group Limited, which holds 100% (2016: 100%) of Nedbank Limited'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 F3.1 and associate companies and joint arrangements of the group are identified in note F2.3.

F6.2 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.

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)			
2017			
Directors' fees	**20**		**20**
Remuneration – paid by subsidiaries	**88**	**176**	**264**
Short-term employee benefits	**49**	**103**	**152**
Gain on exercise of share instruments	**39**	**73**	**112**
	108	**176**	**284**
2016			
Directors' fees	17		17
Remuneration – paid by subsidiaries	78	172	250
Short-term employee benefits	48	109	157
Gain on exercise of share instruments	30	63	93
	95	172	267
Number of share instruments			
2017			
Outstanding at the beginning of the year	**539 664**	**1 208 100**	**1 747 764**
Granted	**160 984**	**303 964**	**464 948**
Forfeited		**(18 131)**	**(18 131)**
Exercised	**(173 215)**	**(329 173)**	**(502 388)**
Transferred		**(213 846)**	**(213 846)**
Outstanding at the end of the year	**527 433**	**950 914**	**1 478 347**
2016			
Outstanding at the beginning of the year	517 704	1 532 489	2 050 193
Granted	205 927	480 001	685 928
Forfeited		(91 777)	(91 777)
Exercised	(192 368)	(555 720)	(748 088)
Expired	8 401	(156 893)	(148 492)
Outstanding at the end of the year	539 664	1 208 100	1 747 764

F6.3 Related-party transactions

Transactions between Nedbank Limited and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between Nedbank Limited 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)	**2017**	**2016**
Parent/Ultimate controlling party		
Deposits owing to Old Mutual Life Assurance Company (SA) Limited	**(1 350)**	(1 607)
Bank accounts owing to Nedbank Group Limited	**(205)**	(501)
Bank balances owing to Old Mutual Life Assurance Company (SA) Limited	**(6 672)**	(7 993)
Accounts payable to Old Mutual plc		(54)
Accounts receivable from Old Mutual plc		1
Net bonds, derivatives and other financial instruments payable to Old Mutual Life Assurance Company Proprietary Limited	**(1 020)**	(1 002)
Fellow subsidiaries		
Loan due from other fellow subsidiaries	**381**	427
Loans owing to Nedgroup Securities Proprietary Limited	**4 590**	7 103
Loans due from/(owing to) Nedbank Malawi Limited	**19**	(76)
Loans due/(owing to) from other fellow subsidiaries	**1 813**	(13 722)
Deposits owing to Old Mutual Asset Managers (SA) Proprietary Limited		(55)
Bank balances owing to Old Mutual Asset Managers (SA) Proprietary Limited		(2)
Deposits due from Nedgroup Securities Proprietary Limited	**14**	58
Deposits owing to Syfrets Securities Limited	**(989)**	(12 654)
Deposits (owing to)/due from other fellow subsidiaries	**(650)**	1 466
Bank balances owing to other fellow subsidiaries	**(3 254)**	(3 235)
Deposits owing to Old Mutual subsidiaries[1]	**(8 692)**	(9 754)
Bank balances owing to Old Mutual subsidiaries[1]	**(2 758)**	(2 833)
Equity derivatives with fellow subsidiaries	**(2)**	(99)
Forward exchange rate contracts with various fellow subsidiaries	**(4)**	89
Interest rate contracts with various fellow subsidiaries	**2**	(27)
Associates		
Loans due from associates	**2 066**	1 455
Deposits owing to associates	**(168)**	(60)
Bank balances owing to associates	**(39)**	(1)
Key management personnel		
Mortgage bonds due from key management personnel	**20**	20
Deposits owing to key management personnel	**(16)**	(4)
Deposits owing to entities under the influence of key management personnel	**(127)**	(103)
Bank balances due from key management personnel	**3**	3
Bank balances owing to key management personnel	**(9)**	(8)
Bank balances owing to entities under the influence of key management personnel	**(103)**	(43)
Key management personnel – directors	**(41)**	(39)
Key management personnel – other	**(86)**	(103)
Share-based payments reserve	**(127)**	(142)
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	**(2)**	(2)
Bank balances owing to Nedgroup Pension Fund	**(43)**	(64)
Bank balances and deposits owing to other funds	**(1 619)**	(2 390)

[1] *Previously disclosed in the Nedbank Group Limited consolidated financial statements only. 2016 comparative information has been restated.*

F6 Related parties (continued)

F6.3 Related-party transactions (continued)

Transactions (Rm)	Income/(Expense) 2017	2018
Parent/Ultimate controlling party		
Interest expense to Old Mutual Life Assurance Company Proprietary Limited	**(547)**	(468)
Dividend declared to Nedbank Group Limited	**(3 050)**	(2 300)
Fellow subsidiaries		
Interest income from Old Mutual Asset Managers (SA) Proprietary Limited	**38**	28
Interest income from Old Mutual subsidiaries[1]	**59**	57
Interest expense to Old Mutual subsidiaries[1]	**(1 131)**	(866)
Interest income from fellow subsidiaries	**135**	122
Interest income from Syfrets Securities Limited	**306**	203
Interest income from Nedgroup Securities Proprietary Limited	**4**	5
Interest expense to Syfrets Securities Limited	**(1 011)**	(893)
Interest expense to other fellow subsidiaries	**(435)**	(169)
Interest expense to Old Mutual Asset Managers (SA) Proprietary Limited		(2)
Interest expense to Nedgroup Securities Proprietary Limited	**(1)**	(17)
Management fee income from fellow subsidiaries[2]	**444**	355
Management fee expense to fellow subsidiaries[2]	**(83)**	(69)
Fees received for provision of information technology services	**167**	125
Associates		
Interest income from associates	**2**	
Interest expense to associates	**(14)**	(8)
Key management personnel		
Interest income from key management personnel	**2**	2
Interest income from entities under the influence of key management personnel	**132**	111
Interest expense to key management personnel	**(2)**	(2)
Interest expense to entities under the influence of key management personnel	**(82)**	(58)
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	**1**	(2)
Share-based payments expense (included in BEE transaction expenses)	**1**	(2)
Key management personnel – directors	**(24)**	(26)
Key management personnel – other	**(27)**	(45)
Share-based payments expense (included in staff costs)	**(51)**	(71)

[1] *Previously disclosed in the Nedbank Group Limited consolidated financial statements only. 2016 comparative information has been restated.*

[2] *Management fee income from fellow subsidiaries includes fees for transactional banking services to Old Mutual to the value of R137m previously not included in this analysis. 2016 comparative information has been restated accordingly.*

	Income/(Expense)	
	2017	**2016**
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	**(1)**	(1)
Interest expense to other funds	**(161)**	(204)

The Nedbank Group Pension Fund has an insurance policy (Optiplus policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) Limited, in respect of its pension plan obligations. Nedbank Limited has an insurance policy (Symmetry policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) Proprietary Limited, 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:

	2017	2016
Optiplus policy reimbursement right	**765**	784
Symmetry policy reimbursement right	**1 440**	1 342
OMART policy reimbursement right (note H1.1)	**618**	571
Included in long-term employee benefit assets	**2 823**	2 697
Optiplus policy obligation	**(765)**	(784)
Postretirement medical aid obligation	**(1 440)**	(1 342)
Disability obligation	**(454)**	(408)
Included in long-term employee benefit liabilities	**(2 659)**	(2 534)

SECTION G: GENERIC ASSETS

Accounting policy

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 annually, for impairment.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its VIU. 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 VIU 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 cash-generating unit (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.

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.

G1 Property and equipment

Accounting policy

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.

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: Non-current Assets Held for Sale and Discontinued Operations 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.

Accounting policy (continued)

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 incurred by the group, such as commission paid, 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 is 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.

G1 Property and equipment (continued)

	Land		Buildings	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Gross carrying amount				
Balance at 1 January	**825**	885	**6 254**	6 237
Acquisitions			**317**	356
Increases arising from revaluations[1]	**8**	1	**183**	56
Transfers to non-current assets held for sale	**(65)**	(62)	**(236)**	(162)
Disposals			**(150)**	(150)
Write-off of accumulated depreciation on revaluations			**(83)**	(86)
Effect of movements in foreign exchange rates and other movements	**(7)**	1	**(30)**	3
Balance at 31 December	**761**	825	**6 255**	6 254
Accumulated depreciation and impairment losses				
Balance at 1 January			**1 521**	1 350
Depreciation charge for the year			**381**	368
Transfers to non-current assets held for sale			**(25)**	(7)
Writeoff of accumulated depreciation on revaluations			**(83)**	(86)
Disposals			**(92)**	(103)
Effect of movements in foreign exchange rates and other movements			**(25)**	(1)
Balance at 31 December	**–**	–	**1 677**	1 521
Carrying amount				
At 1 January	**825**	885	**4 733**	4 887
At 31 December	**761**	825	**4 578**	4 733

[1] *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
Commercial property	Market-comparable approach and discounted cashflow
Residential property	Market comparable approach and replacement value
Total land and buildings	

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 R2 758m (2016: R3 089m).

	Computer equipment		Furniture and other equipment		Vehicles		Total	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
	4 646	3 895	**2 388**	2 252	**28**	27	**14 141**	13 296
	652	895	**359**	226	**6**	5	**1 334**	1 482
							191	57
							(301)	(224)
	(138)	(139)	**(72)**	(76)	**(1)**	(4)	**(361)**	(369)
							(83)	(86)
	(74)	(5)	**(131)**	(14)	**(3)**		**(245)**	(15)
	5 086	4 646	**2 544**	2 388	**30**	28	**14 676**	14 141
	2 865	2 405	**1 540**	1 408	**18**	19	**5 944**	5 182
	701	599	**234**	211	**3**	3	**1 319**	1 181
							(25)	(7)
							(83)	(86)
	(136)	(137)	**(59)**	(70)	**(1)**	(4)	**(288)**	(314)
	(48)	(2)	**(92)**	(9)	**(2)**		**(167)**	(12)
	3 382	2 865	**1 623**	1 540	**18**	18	**6 700**	5 944
	1 781	1 490	**848**	844	**10**	8	**8 197**	8 114
	1 704	1 781	**921**	848	**12**	10	**7 976**	8 197

	Significant inputs	Parameters	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
	Income capitalisation rates	8,0%–13,0% (2016: 8,0%–13,5%)	**756**	820	**4 568**	4 723
	Price per square metre		**5**	5	**10**	10
			761	825	**4 578**	4 733

G2 Intangible assets

Accounting policy

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.

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

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 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 tested annually 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 costs 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 development costs (not yet commissioned)

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.

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 15 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 annually.

Key assumptions concerning the future and key sources of estimation

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 VIU 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 Limited. The goodwill impairment testing performed in 2016 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 Limited's goodwill would not result in impairment.

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.
- 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.

G2 Intangible assets (continued)

Rm	Goodwill	Software	Software development costs	Total
2017				
Cost				
Balance at the beginning of the year	**1 633**	**9 709**	**1 577**	**12 919**
Acquisitions		**220**	**2 140**	**2 360**
Development costs commissioned to software		**1 259**	**(1 259)**	**–**
Impairment losses[1]		**(109)**	**(58)**	**(167)**
Disposals and retirements	**3**	**(306)**		**(303)**
Foreign currency translation and other movements		**(19)**	**(5)**	**(24)**
Balance at the end of the year	**1 636**	**10 754**	**2 395**	**14 785**
Accumulated amortisation				
Balance at the beginning of the year	**224**	**6 762**	**5**	**6 991**
Amortisation charge		**777**		**777**
Disposals and retirements		**(299)**		**(299)**
Foreign currency translation and other movements		**(23)**	**(2)**	**(25)**
Balance at the end of the year	**224**	**7 217**	**3**	**7 444**
Carrying amount				
At the beginning of the year	**1 409**	**2 947**	**1 572**	**5 928**
At the end of the year	**1 412**	**3 537**	**2 392**	**7 341**
2016				
Cost				
Balance at the beginning of the year	1 633	8 361	1 299	11 293
Acquisitions		464	1 548	2 012
Development costs commissioned to software		1 084	(1 084)	–
Impairment losses[1]		(89)	(56)	(145)
Disposals and retirements		(105)	(130)	(235)
Foreign currency translation and other movements		(6)		(6)
Balance at the end of the year	1 633	9 709	1 577	12 919
Accumulated amortisation and impairment losses				
Balance at the beginning of the year	224	6 053	135	6 412
Amortisation charge		784		784
Disposals and retirements		(69)	(130)	(199)
Foreign currency translation and other movements		(6)		(6)
Balance at the end of the year	224	6 762	5	6 991
Carrying amount				
At the beginning of the year	1 409	2 308	1 164	4 881
At the end of the year	1 409	2 947	1 572	5 928

[1] *Impaired intangible assets consist of projects mainly within the Nedbank Retail and Business Banking Cluster. The main indicators of the impairment of a project are the decommissioning of the project and/or the project not reaching full functionality. When one of these indicators is present, the project is tested for impairment by comparing its recoverable amount with its carrying amount. Where the recoverable amount of a project is lower than its carrying value, the project is impaired.*

G2.1 Analysis of goodwill by segment

	2017 Rm	2016 Rm
Nedbank Corporate and Investment Banking	**776**	776
Nedbank Retail and Business Banking	**629**	629
Other	**7**	4
	1 412	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 VIU. The VIU 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 VIU of the various CGUs were based on the following assumptions:

	2017	2016
– Risk-free rate (%)	**8,59**	8,96
– Beta range	**0,13–0,74**	0,21–0,81
– Equity risk premium (%)	**6,00**	6,00
– Terminal growth rate range (%)	**0,00–4,60**	0,00–6,60
– Cashflow projection (years)	**3**	4
– Discount rate range (%)	**7,85–13,04**	9,39–13,84

	2017 Rm	2016 Rm
Goodwill on a geographical basis relates to SA in total and is as follows:		
– Carrying amount	**1 412**	1 409
– Estimated value-in-use[1]	**52 660**	77 709
Net estimated recoverable amounts[1]	**51 248**	76 300

[1] *During 2017 the group refined its impairment testing methodology to align with best practice. Had the group applied its refined methodology in 2016 the value-in-use would have been estimated as R52 729m. No impairment loss would have been recognised had the group applied the refined methodology in 2016.*

SECTION H: OTHER ASSETS

H1 Long-term employee benefits

Accounting policy

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 OCI. 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.

Key assumptions concerning the future and key sources of estimation

The group provides pension plans for employees. 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.

POSTEMPLOYMENT AND OTHER 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 2017.

Post-employment benefits

DEFINED-BENEFIT PENSION FUNDS

Nedgroup Pension Fund (including the Optiplus policy).

Nedbank UK 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 OMART policy).

INSURANCE POLICIES HELD WITH RELATED PARTIES

Optiplus (Nedgroup Pension Fund), OMART (Nedbank Group Disability Fund) and PRMA (Symmetry) annuity policies are insurance policies, the proceeds of which can be used only 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.

H1.1 Analysis of long-term employee benefit assets and liabilities

Rm	Notes	Assets	Liabilities
2017			
Postemployment benefits	**H1.1.1**	**5 307**	**(2 969)**
Other long-term employee benefits – disability fund		**454**	**(454)**
		5 761	**(3 423)**
2016			
Postemployment benefits	H1.1.1	4 633	(2 919)
Other long-term employee benefits – disability fund		409	(409)
		5 042	(3 328)

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 R454m (2016: R409m). The value of the OMART asset held by the group is R454m (2016: R409m).

H1 Long-term employee benefits (continued)

H1.1 Analysis of long-term employee benefit assets and liabilities (continued)

H1.1.1 Net asset/(liability) recognised

Rm	Pension and provident funds	Medical aid funds	Total
2017			
Present value of defined-benefit obligation	**(4 616)**	**(2 203)**	**(6 819)**
Fair value of plan assets[1]	**7 780**	**1 441**	**9 221**
Funded status	**3 164**	**(762)**	**2 402**
Unrecognised due to paragraph 64 limit	**(64)**		**(64)**
	3 100	**(762)**	**2 338**
Net fund asset[2]	**3 866**	**1 441**	**5 307**
Net fund liability[3]	**(766)**	**(2 203)**	**(2 969)**
2016			
Present value of defined-benefit obligation	(4 954)	(2 133)	(7 087)
Fair value of plan assets[1]	7 485	1 343	8 828
Funded status	2 531	(790)	1 741
Unrecognised due to paragraph 64 limit	(27)		(27)
	2 504	(790)	1 714
Net fund asset[2]	3 291	1 342	4 633
Net fund liability[3]	(787)	(2 132)	(2 919)

[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 R765m (2016: R784m) and for medical aid to the value of R1 441m (2016: R1 342m).*

[2] *The pension and provident fund net asset refers to the sum of pension and provident funds with a net positive fund value of R3 101m (2016: R2 507m) plus non-qualifying insurance policies taken on the funds of R765m (2016: R784m). The medical aid fund net asset refers to non-qualifying insurance policies taken on the fund of R1 441m (2016: R1 342m).*

[3] *The pension and provident fund net liability refers to the sum of pension and provident funds with a net negative fund value of R2m (2016: Rnil) plus the obligation on non-qualifying insurance policies of R764m (2016: R787). The medical aid fund net liability refers to the sum of medical aid funds with a negative fund value of R762m (2016: R790m) plus the obligation on non-qualifying insurance policies of R1 441m (2016: R1 342m).*

H1.1.2 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					
2017					
Pension funds	**4 616**	**7 780**	**3 164**	**(64)**	**3 100**
Nedgroup Fund	**4 248**	**7 350**	**3 102**		**3 102**
Nedbank UK Fund	**368**	**430**	**62**	**(64)**	**(2)**
Medical aid funds	**2 203**	**1 441**	**(762)**	**–**	**(762)**
Nedgroup scheme for Nedbank employees	**2 068**	**1 441**	**(627)**		**(627)**
Nedgroup scheme for BoE employees	**135**		**(135)**		**(135)**
Total	**6 819**	**9 221**	**2 402**	**(64)**	**2 338**
2016					
Pension funds	4 954	7 485	2 531	(27)	2 504
Nedgroup Fund	4 370	6 876	2 506		2 506
Nedbank UK Fund	381	404	23	(23)	–
Other funds	203	205	2	(4)	(2)
Medical aid funds	2 133	1 343	(790)	–	(790)
Nedgroup scheme for Nedbank employees	1 996	1 343	(653)		(653)
Nedgroup scheme for BoE employees	137		(137)		(137)
Total	7 087	8 828	1 741	(27)	1 714

Rm	Pension and provident funds	Medical aid funds	Total
Present value of defined-benefit obligation			
2017			
Balance at the beginning of the year	**4 954**	**2 133**	**7 087**
Current service cost	**22**	**98**	**120**
Interest cost	**403**	**214**	**617**
Contributions by plan participants	**5**		**5**
Actuarial losses[1]	**(169)**	**(163)**	**(332)**
Benefits paid	**(401)**	**(79)**	**(480)**
Impact of foreign currency exchange rate changes	**5**		**5**
Transfer of Nedbank (Swaziland) Limited and Nedbank (Lesotho) Limited to Nedbank Group Limited	**(203)**		**(203)**
Balance at the end of the year	**4 616**	**2 203**	**6 819**
2016			
Balance at the beginning of the year	5 065	1 832	6 897
Current service cost	27	74	101
Past service cost – vested benefit	**6**		**6**
Interest cost	465	202	667
Contributions by plan participants	10		10
Actuarial (losses)/gains[1]	(113)	97	(16)
Benefits paid	(371)	(72)	(443)
Impact of foreign currency exchange rate changes	(135)		(135)
Balance at the end of the year	4 954	2 133	7 087
Fair value of plan assets			
2017			
Balance at the beginning of the year	**7 485**	**1 343**	**8 828**
Expected return on plan assets	**635**	**131**	**766**
Actuarial gains/(losses)[1]	**243**	**(24)**	**219**
Contributions by the employer	**24**	**69**	**93**
Contributions by plan participants	**5**		**5**
Benefits paid	**(401)**	**(78)**	**(479)**
Scheme-settled administration costs	**(7)**		**(7)**
Impact of foreign currency exchange rate changes	**(1)**		**(1)**
Transfer of Nedbank (Swaziland) Limited and Nedbank (Lesotho) Limited to Nedbank Group Limited	**(203)**		**(203)**
Balance at the end of the year	**7 780**	**1 441**	**9 221**
2016			
Balance at the beginning of the year	7 576	1 254	8 830
Expected return on plan assets	715	135	850
Actuarial losses[1]	(610)	(40)	(650)
Contributions by the employer	37	66	103
Contributions by plan participants	10		10
Benefits paid	(371)	(72)	(443)
Scheme-settled administration costs	(13)		(13)
Impact of foreign currency exchange rate changes	141		141
Balance at the end of the year	7 485	1 343	8 828

[1] *The R375m (2016: R233m loss) recognised in other comprehensive income is the sum of the actuarial loss/gain on the plan liabilities and the actuarial gain/loss on plan assets less taxation, less the IAS 19 paragraph 65 limit.*

H1 Long-term employee benefits (continued)

H1.1 Analysis of long-term employee benefit assets and liabilities (continued)

H1.1.2 Postemployment benefits (continued)

Rm	Pension and provident funds	Medical aid funds	Total
Net (income)/expense recognised			
2017			
Current service cost	**22**	**98**	**120**
Interest (received)/cost	**(232)**	**83**	**(149)**
Scheme-settled plan administration costs	**8**		**8**
Past service cost	**5**		**5**
Effect of application of asset ceiling	**1**		**1**
	(196)	**181**	**(15)**
2016			
Current service cost	27	74	101
Interest (received)/cost	(250)	67	(183)
Scheme-settled plan administration costs	13		13
Past service cost	6		6
Effect of application of asset ceiling	2		2
	(202)	141	(61)
Movements in net asset/(liability) recognised			
2017			
Balance at the beginning of the year	**2 504**	**(790)**	**1 714**
Net income/(expense) recognised in the statement of comprehensive income	**196**	**(181)**	**15**
Net remeasurements – debit for the year	**373**	**141**	**514**
Contributions paid by the employer	**24**	**68**	**92**
Impact of foreign currency exchange rate changes	**3**		**3**
Balance at the end of the year	**3 100**	**(762)**	**2 338**
2016			
Balance at the beginning of the year	2 454	(578)	1 876
Net income/(expense) recognised in the statement of comprehensive income	202	(141)	61
Net remeasurements – credit for the year	(462)	(137)	(599)
Contributions paid by the employer	37	66	103
Impact of foreign currency exchange rate changes	273		273
Balance at the end of the year	2 504	(790)	1 714
Distribution of plan assets (%)			
2017			
Equity instruments	**27,10**		**23,16**
Debt instruments	**25,62**	**84,00**	**34,24**
Property	**4,11**		**3,48**
Cash	**19,34**	**16,00**	**19,24**
International	**23,83**		**19,88**
	100,00	**100,00**	**100,00**
2016			
Equity instruments	33,32	23,00	31,76
Debt instruments	34,33	7,00	30,16
Property	5,57	3,00	5,18
Cash	3,66	49,00	10,55
International	23,12	15,00	21,89
Other		3,00	0,46
	100,00	100,00	100,00
Actual return on plan assets (Rm)			
2017	**878**	**107**	**985**
2016	105	95	200

Principal actuarial assumptions (%)	Range	Used in valuation
2017		
Discount rates	**2,45–8,80**	**9,60–9,60**
Expected rates of return on plan assets	**2,45–8,80**	**10**
Inflation rate	**2,25–5,80**	**6,00–6,00**
Expected rates of salary increases	**6,80–6,80**	**6,00**
Pension increase allowance	**0,55–5,80**	
Annual increase to medical aid subsidy		**7,50–7,50**
Average expected retirement age (years)	**60–60**	**60**
2016		
Discount rates	2,80–9,30	9,80–9,80
Expected rates of return on plan assets	2,80–9,30	9,8
Inflation rate	2,35–6,70	6,70–6,70
Expected rates of salary increases	7,70–8,70	6,70
Pension increase allowance	0,54–6,70	
Annual increase to medical aid subsidy		8,20–8,20
Average expected retirement age (years)	55–65	60

SENSITIVITY ANALYSIS

Defined-benefit obligation

The defined-benefit obligation has been recalculated to show the effect of the discount rate and inflation rate assumptions on the defined-benefit obligation by adding and subtracting 1% to each assumption. This sensitivity analysis is for Nedgroup Pension Fund.

Rm	Main result	Discount rate plus 1%	Dicount rate minus 1%	Inflation rate plus 1%	Inflation rate minus 1%
Defined-benefit obligation	**4 247**	**4 025**	**4 509**	**4 519**	**4 014**
Change (%)		**(5,2)**	**6,2**	**6,4**	**(5,5)**

Medical aid accrued liability

The sensitivity analysis provided below shows the impact of changes to these assumptions on the accrued liability value as at 31 December 2017.

Rm	Main result	Medical subsidy rate plus 1%	Medical subsidy rate minus 1%	Discount rate plus 0,5%	Discount rate minus 0,5%
Medical aid accrued liability	**2 204**	**2 536**	**1 933**	**2 058**	**2 367**
Change (%)		**15,1**	**(12,3)**	**(6,6)**	**7,4**

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	2017	2016
Discount rate	**8,45%**	8,95%
Expected return on plan assets	**8,45%**	8,95%
Future salary increases	**6,42%**	7,07%
Future pension increases	**5,51%**	6,29%

H1 Long-term employee benefits (continued)

H1.1 Analysis of long-term employee benefits assets and liabilities (continued)

H1.1.2 Postemployment benefits (continued)

SENSITIVITY ANALYSIS (continued)

Medical aid funds

The overall expected long-term rate of return on plan assets is 9,6%. 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.

		2017 Rm	2016 Rm
Experience adjustments on present value of defined-benefit obligations for the past five years			
2017	**(48)**	**163**	**115**
2016	(64)	(97)	(161)
2015	(89)	113	24
2014	55	(42)	13
2013	229	148	377
2012	10	18	28
Experience adjustments on fair value of plan assets for the past five years			
2017		**(24)**	**(24)**
2016		(40)	(40)
2015		(14)	(14)
2014		(24)	(24)
2013		28	28
2012		18	18

Estimate of future contributions

Contributions expected for ensuing year	**24**		**24**

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Fund surplus/(deficit) for the past five years			
Pension funds			
2017	**4 616**	**7 780**	**3 164**
2016	4 954	7 485	2 531
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
Medical aid funds			
2017	**2 203**	**1 441**	**(762)**
2016	2 133	1 343	(790)
2015	1 832	1 254	(578)
2014	1 772	1 170	(602)
2013	1 571	893	(678)
2012	1 584	854	(730)

Effect of 1% change in assumed medical cost trend rates

Rm	2017	2016
1% increase – effect on current service cost and interest cost	**59**	49
1% increase – effect on accumulated benefit obligation	**333**	332
1% decrease – effect on current service cost and interest cost	**(46)**	(39)
1% decrease – effect on accumulated benefit obligation	**(271)**	(269)

H2 Non-current assets held for sale

Accounting policy

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.

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.

Non-current assets held for sale	Previously included in	2017 Rm	2016 Rm
Properties sold not yet transferred[1]	Property and equipment	**388**	287
		388	287

[1] *Commitments for the sale of properties had been entered into at year-end by the group, transfer of which had not been effected at year-end. Transfer of the properties is expected to take place during the following year.*

H3 Other assets

	2017 Rm	2016 Rm
Sundry debtors and other accounts	**7 332**	8 164
	7 332	8 164

SECTION I: FINANCIAL INSTRUMENTS

Accounting policy

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.

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 FVTPL 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 or loss.

Financial instruments that are not carried at FVTPL 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 FVTPL
  Financial instruments at FVTPL consist of instruments that are held for trading and instruments that the group has designated, at the initial recognition date, as at FVTPL.

  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 profit-taking 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 FVTPL are those that meet any one of the following conditions:

  - The FVTPL designation 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.
  - 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 FVTPL (excluding interest income and interest expense calculated on the amortised-cost basis relating to interest-bearing instruments that have been designated as at FVTPL) 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-rate 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.

Accounting policy (continued)

- Non-trading financial liabilities
  All financial liabilities, other than those at FVTPL, 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 FVTPL or those that are AFS. 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 FVTPL, AFS 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
  AFS financial assets are non-derivative financial assets that the group has designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets as at FVTPL.

  AFS financial assets are measured at fair value, with fair-value gains or losses recognised in OCI, 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 or 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 are recognised in OCI.

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-rate method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

  The effective-interest-rate 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 I2.

SECTION I: FINANCIAL INSTRUMENTS (continued)

Accounting policy (continued)

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 estimated reliably. 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.

- AFS financial assets
  When a decline in the fair value of an AFS 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 AFS are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as AFS 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.

Accounting policy (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 offset amounts 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.

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-rate 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.

Cash and cash equivalents
Cash and cash equivalents represents cash on hand and demand deposits and cash equivalents that 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.

SECTION I: FINANCIAL INSTRUMENTS (continued)

Key assumptions concerning the future and key sources of estimation

Fair value of financial instruments

Certain of the group's financial instruments are carried at FVTPL, 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 AFS. AFS 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 OCI and presented in equity.

The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer the liability in an orderly transaction at the measurement date between knowledgeable and 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 disclosed in note I2 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, that they can 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.
- 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 therefore changes in these assumptions will arise as the market develops.

New standards and interpretations not yet adopted (continued)

IFRS 9: Financial Instruments

IFRS 9: Financial Instruments (IFRS 9) was issued in July 2014 and will replace IAS 39: Financial Instruments: Recognition and Measurement. The standard is effective and will be implemented by the group from 1 January 2018. 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 financial assets measured at amortised cost and fair value through other comprehensive income. IFRS 9's enhanced disclosure requirements will result in improved credit risk disclosures and increased transparency with respect to impairment judgements and estimates.

As permitted by the transitional provisions of IFRS 9, the group has elected not to restate comparative figures. Any adjustments to the carrying amount of financial assets and financial liabilities at the date of transition will be recognised in the opening retained earnings and other reserves at 1 January 2018. The group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

- Classification and measurement

Financial assets are classified based on (i) the business model within which the financial assets are held and managed and (ii) the contractual cashflow characteristics of the financial assets, whether the cashflows represent 'solely payments of principal and interest'.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold those assets for the purpose of collecting contractual cashflows and those cashflows comprise solely payments of principal and interest ('hold to collect' business model).

Financial assets are measured at fair value through other comprehensive income (FVOCI) if they are held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets and those contractual cashflows comprise solely payments of principal and interest ('hold to collect and sell' business model'). Movements in the carrying amount of these financial assets should be taken through other comprehensive income (OCI), except for impairment gains or losses, interest revenue and foreign exchange gains or losses, which are recognised in profit or loss. Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The remaining financial assets are measured at fair value through profit or loss (FVTPL). All derivative instruments that are either financial assets or financial liabilities will continue to be classified as held for trading and measured at fair value through profit or loss.

SECTION I: FINANCIAL INSTRUMENTS (continued)

New standards and interpretations not yet adopted

IFRS 9: Financial Instruments (continued)

The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at FVTPL. Changes in the fair value of these financial liabilities that are attributable to the group'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. However, it may be reclassified within equity.

For equity investments that are neither held for trading nor contingent consideration, the group may irrevocably elect to present subsequent changes in fair value of these equity investments in other comprehensive income (OCI). Where the equity investment is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity.

Alternatively, where the group does not make the aforementioned election, fair-value changes are recognised in profit or loss. This election is made on an investment by investment basis.

On the initial application of IFRS 9, an entity may revoke its previous designation of a financial assets and financial liabilities measured at fair value through profit or loss (fair value option) with the loans being reclassified into amortised cost or FVOCI depending on the entity's business model for the asset.

- Impairments

Impairments in terms of IFRS 9 will be determined based on an expected credit loss (ECL) model rather than the current incurred loss model required by IAS 39. The group will be required to recognise an allowance for either 12-month or lifetime 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 ECL model applies to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments as well as financial guarantee contracts.

New standards and interpretations not yet adopted

IFRS 9: Financial Instruments (continued)

The IFRS 9 impairment implementation progressed during 2017. The following were the main areas of focus for 2017:

- Finalisation of the IFRS 9 impairment model methodology.
- Implementation of an IT framework facilitating efficient model execution and management.
- Development, build and testing of IFRS 9 impairment models with respect to a substantial portion of the group's portfolios, leveraging off the aforementioned IT framework.
- Documentation and implementation of the relevant control environment and related governance processes.

- Transitional impact

The implementation of the IFRS 9 ECL requirements increases balance sheet impairments at 1 January 2018 by approximately R3,0bn, with reserves decreasing by approximately R2,2bn on an after-tax basis. The following areas will continue to receive attention as the implementation of IFRS 9 progresses during the 2018 financial reporting period:

- Further refinement of certain models;
- Finalisation of the reporting and disclosure framework, and completion of the supporting business rules; and
- Observing local and international industry trends with respect to IFRS 9 adoption.

The group has implemented the following classification and measurement changes on adoption of IFRS 9:

- Revocation of the fair value through profit or loss designation for certain loans and advances, amounts owed to depositors and long-term debt instruments to facilitate the implementation of macro fair-value hedge accounting of interest rate risk and hedge accounting of inflation risk. It is anticipated that the aforementioned changes will reduce accounting volatility experienced with respect to fair value through profit or loss accounting;
- Reclassified certain loans from amortised cost including the IFRS 9 ECL impact above to FVOCI and FVTPL due to the group's business models for the affected portfolios; and
- Reviewed the effective-interest-rate calculation for certain loans based on the additional guidance provided in IFRS 9.

The implementation of the IFRS 9 classification and measurement requirements decreases reserves at 1 January 2018 by approximately R200m.

These estimates are based on accounting policies, assumptions, judgements and estimation techniques, which will be regularly reviewed and assessed during the year in preparation for the financial statements for the year ending 31 December 2018.

I1 Consolidated statement of financial position – categories of financial instruments

	Notes	Total Rm
2017		
Assets		
Cash and cash equivalents	C6	8 823
Other short-term securities	C4	73 472
Derivative financial instruments	C7	30 698
Government and other securities	C3	48 749
Loans and advances	C1.1	689 637
Other assets	H3	7 332
Current taxation assets		75
Investment securities	F1	2 250
Non-current assets held for sale	H2	388
Investments in private-equity associates, associate companies and joint arrangements	F2	3 277
Deferred taxation assets	B8.3	37
Property and equipment	G1	7 976
Long-term employee benefit assets	H1.1	5 761
Mandatory reserve deposits with central bank	C6	18 145
Intangible assets	G2	7 341
Total assets		903 961
Equity and liabilities		
Ordinary share capital	B3.1	28
Ordinary share premium		19 182
Reserves		48 215
Total equity attributable to equity holders of the parent		67 425
Preference share capital and premium	B3.2	3 561
Holders of preference shares		561
Holders of additional tier 1 capital instruments	B4	2 600
Non-controlling interest attributable to ordinary shareholders		7
Total equity		74 154
Derivative financial instruments	C7	23 561
Amounts owed to depositors	D1	736 752
Provisions and other liabilities	K1.1	14 047
Current taxation liabilities		191
Deferred taxation liabilities	B8.3	351
Long-term employee benefit liabilities	H1.1	3 423
Long-term debt instruments	D2	51 482
Total liabilities		829 807
Total equity and liabilities		903 961

[1] *Refer to note I4 in respect of financial instruments designated as at FVTPL.*

	At fair value through profit or loss						
	Held for trading Rm	Designated[1] Rm	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
					8 823		
	46 811	1 468		25 193			
	30 698						
	6 265	10 271	3 351	24 437	4 425		
	19 598	57 934			612 105		
					7 332		
							75
		1 820	430				
							388
		3 053					224
							37
							7 976
							5 761
					18 145		
							7 341
	103 372	74 546	3 781	49 630	650 830	–	21 802
							28
							19 182
							48 215
	–	–	–	–	–	–	67 425
							3 561
							561
							2 600
							7
	–	–	–	–	–	–	74 154
	23 561						
	23 201	54 694				658 857	
	2 436					10 611	1 000
							191
							351
							3 423
		348				51 134	
	49 198	55 042	–	–	–	720 602	4 965
	49 198	55 042	–	–	–	720 602	79 119

I1 Consolidated statement of financial position – categories of financial instruments (continued)

	Notes	Total Rm
2016		
Assets		
Cash and cash equivalents	C6	20 241
Other short-term securities	C4	68 218
Derivative financial instruments	C7	18 044
Government and other securities[2]	C3	50 687
Loans and advances[3, 4]	C1.1	691 925
Other assets	H3	8 164
Current taxation assets		440
Investment securities	F1	1 908
Non-current assets held for sale	H2	287
Investments in private-equity associates, associate companies and joint arrangements	F2	2 575
Deferred taxation assets	B8.3	266
Property and equipment	G1	8 197
Long-term employee benefit assets	H1.1	5 042
Mandatory reserve deposits with central bank	C6	18 139
Intangible assets	G2	5 928
Total assets		900 061
Equity and liabilities		
Ordinary share capital	B3.1	28
Ordinary share premium		19 182
Reserves		42 698
Total equity attributable to equity holders of the parent		61 908
Preference share capital and premium	B3.2	3 561
Holders of additional tier 1 capital instruments	B4	2 000
Non-controlling interest attributable to ordinary shareholders		253
Total equity		67 722
Derivative financial instruments	C7	13 469
Amounts owed to depositors[5]	D1	750 319
Provisions and other liabilities	K1.1	12 717
Current taxation liabilities		53
Deferred taxation liabilities	B8.3	391
Long-term employee benefit liabilities	H1.1	3 328
Long-term debt instruments	D2	52 062
Total liabilities		832 339
Total equity and liabilities		900 061

[1] *Refer to note I4 in respect of financial instruments designated as at FVTPL.*
[2] *A total of R786m of government and other securities were designated at fair value through profit or loss. However, they were incorrectly included in the held-for-trading category in the prior year. The classification of these instruments has now been corrected.*
[3] *Loans and advances of R10 128m were included in the previous year as held-for-trading assets, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the held-for-trading and financial assets at amortised cost categories have been restated to reflect the correct classification.*
[4] *Loans and advances of R3 326m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the designated at fair value through profit or loss and financial assets at amortised cost categories have been restated to reflect the correct classification.*
[5] *Amounts owed to depositors of R9 332m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial liabilities at amortised cost. Accordingly, the designated at fair value through profit or loss and financial liabilities at amortised cost categories have been restated to reflect the correct classification.*

At fair value through profit or loss						
Held for trading Rm	Designated[1] Rm	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
				20 241		
33 312	1 722		33 184			
18 044						
18 851	8 703	740	22 393			
19 450	56 883			615 592		
5				8 159		
						440
	1 477	431				
						287
	2 350					225
						266
						8 197
						5 042
				18 139		
						5 928
89 662	71 135	1 171	55 577	662 131	–	20 385
						28
						19 182
						42 698
–	–	–	–	–	–	61 908
						3 561
						2 000
						253
–	–	–	–	–	–	67 722
13 469						
11 781	54 422				684 116	
2 612					9 127	978
						53
						391
						3 328
	301				51 761	
27 862	54 723	–	–	–	745 004	4 750
27 862	54 723	–	–	–	745 004	72 472

I2 Fair-value measurement – financial instruments

I2.1 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 to sell the asset or paid to transfer 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 backtested 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.
- 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 I2.7.

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.
- 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 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.

12 Fair-value measurement – financial instruments (continued)

12.1 Valuation of financial instruments (continued)

OBSERVABLE MARKETS (continued)

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.

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 JSE Limited 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 FVTPL is adjusted by reference to the movement in the appropriate spreads. The resulting gain or loss is recognised in profit or loss in the consolidated statement of 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 be traded either through an exchange or over the counter (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 through 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, depending 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 FVTPL.

The fair value of these financial liabilities is determined by discounting the contractual cashflows using a Nedbank Limited-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.

I2 Fair-value measurement – financial instruments (continued)

I2.1 Valuation of financial instruments (continued)

VALUATION TECHNIQUES BY INSTRUMENT (continued)

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 transactions 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 middle-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.

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	Risk-free rates 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	Risk-free rates 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 is set out in note 12.7.

I2 Fair-value measurement – financial instruments (continued)

I2.2 Fair-value hierarchy

I2.2.1 Financial assets

Rm	Note	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value
2017		**882 159**	**700 460**	**181 699**
Cash and cash equivalents	**C6**	**26 968**	**26 968**	**–**
Other short-term securities	**C4**	**73 472**	**25 193**	**48 279**
Derivative financial instruments	**C7**	**30 698**		**30 698**
Government and other securities	**C3**	**48 749**	**28 862**	**19 887**
Loans and advances	**C1**	**689 637**	**612 105**	**77 532**
Other assets	**H3**	**7 332**	**7 332**	**–**
Investments in private-equity associates, associate companies and joint arrangements	**F2**	**3 053**		**3 053**
Investment securities	**F1**	**2 250**		**2 250**
2016		879 676	717 708	161 968
Cash and cash equivalents	C6	38 380	38 380	–
Other short-term securities	C4	68 218	33 184	35 034
Derivative financial instruments	C7	18 044		18 044
Government and other securities[1]	C3	50 687	22 393	28 294
Loans and advances[2, 3]	C1	691 925	615 592	76 333
Other assets	H3	8 164	8 159	5
Investments in private-equity associates, associate companies and joint arrangements	F2	2 350		2 350
Investment securities	F1	1 908		1 908

[1] *A total of R786m of government and other securities were designated at fair value through profit or loss. However, they were incorrectly included in the held-for-trading category in the prior year. The classification of these instruments has now been corrected.*
[2] *Loans and advances of R10 128m were included in the previous year as held-for-trading assets, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the held-for-trading and financial assets at amortised cost categories have been restated to reflect the correct classification.*
[3] *Loans and advances of R3 326m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the designated at fair value through profit or loss and financial assets at amortised cost categories have been restated to reflect the correct classification.*

Summary of fair-value hierarchies

Rm
Other short-term securities
Derivative financial instruments
Government and other securities[1]
Loans and advances[2, 3]
Other assets
Investments in private-equity associates, associate companies and joint arrangements
Investment securities

[1] *A total of R786m of government and other securities were designated at fair value through profit or loss. However, they were incorrectly included in the held-for-trading category in the prior year. The classification of these instruments has now been corrected.*
[2] *Loans and advances of R10 128m were included in the previous year as held-for-trading assets, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the held-for-trading and financial assets at amortised cost categories have been restated to reflect the correct classification.*
[3] *Loans and advances of R3 326m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the designated at fair value through profit or loss and financial assets at amortised cost categories have been restated to reflect the correct classification.*

	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
	5 133	**98 239**	**–**	**55**	**70 405**	**4 086**	**–**	**3 371**	**410**
		46 811			**1 468**				
		30 698							
	5 133	**1 132**		**40**	**10 231**			**3 351**	
		19 598			**57 901**	**33**			
						3 053			
				15	**805**	**1 000**		**20**	**410**
	15 418	74 219	25	560	67 467	3 108	–	761	410
	37	33 275			1 722				
	36	17 983	25						
	15 340	3 511		541	8 162			740	
		19 450			56 806	77			
	5								
						2 350			
				19	777	681		21	410

	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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	48 279	35 034		37	**48 279**	34 997		
	30 698	18 044		36	**30 698**	17 983		25
	19 887	28 294	**5 173**	15 881	**14 714**	12 413		
	77 532	76 333			**77 499**	76 256	**33**	77
	–	5		5				
	3 053	2 350					**3 053**	2 350
	2 250	1 908	**15**	19	**825**	798	**1 410**	1 091
	181 699	161 968	**5 188**	15 978	**172 015**	142 447	**4 496**	3 543

I2 Fair-value measurement – financial instruments (continued)

I2.2 Fair-value hierarchy (continued)

I2.2.1 Financial assets (continued)

Reconciliation to categorised statement of financial position

Rm
Level 1[2, 3]
Level 2[1, 2, 3]
Level 3

[1] *A total of R786m of government and other securities were designated at fair value through profit or loss. However, they were incorrectly included in the held-for-trading category in the prior year. The classification of these instruments has now been corrected.*
[2] *Loans and advances of R10 128m were included in the previous year as held-for-trading assets, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the held-for-trading and financial assets at amortised cost categories have been restated to reflect the correct classification.*
[3] *Loans and advances of R3 326m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the designated at fair value through profit or loss and financial assets at amortised cost categories have been restated to reflect the correct classification.*

Reconciliation to statement of financial position

Rm
Total financial assets
Total non-financial assets
Total assets

	Held for trading		Designated at fair value through profit or loss		Available for sale	
	2017	2016	**2017**	2016	**2017**	2016
	5 133	15 418	**55**	560		
	98 239	74 219	**70 405**	67 467	**3 371**	761
	–	25	**4 086**	3 108	**410**	410
	103 372	89 662	**74 546**	71 135	**3 781**	1 171

	Note	2017	2016
	I1	**882 159**	879 676
	I1	**21 802**	20 385
		903 961	900 061

I2 Fair-value measurement – financial instruments (continued)

I2.2 Fair-value hierarchy (continued)

I2.2.2 Financial liabilities

Rm	Note	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
2017		**824 842**	**720 602**	**104 240**
Derivative financial instruments	**C7**	**23 561**		**23 561**
Amounts owed to depositors	**D1**	**736 752**	**658 857**	**77 895**
Provisions and other liabilities	**K1.1**	**13 047**	**10 611**	**2 436**
Long-term debt instruments	**D2**	**51 482**	**51 134**	**348**
2016		827 589	745 004	82 585
Derivative financial instruments	C7	13 469		13 469
Amounts owed to depositors[1]	D1	750 319	684 116	66 203
Provisions and other liabilities	K1.1	11 739	9 127	2 612
Long-term debt instruments	D2	52 062	51 761	301

[1] *Amounts owed to depositors of R9 332m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial liabilities at amortised cost. Accordingly, the designated at fair value through profit or loss and financial liabilities at amortised cost categories have been restated to reflect the correct classification.*

Summary of fair-value hierarchies

Rm
Derivative financial instruments
Amounts owed to depositors[1]
Provisions and other liabilities
Long-term debt instruments

[1] *Amounts owed to depositors of R9 332m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial liabilities at amortised cost. Accordingly, the designated at fair value through profit or loss and financial liabilities at amortised cost categories have been restated to reflect the correct classification.*

Reconciliation to categorised statement of financial position

Rm
Level 1
Level 2[1]

[1] *Amounts owed to depositors of R9 332m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial liabilities at amortised cost. Accordingly, the designated at fair value through profit or loss and financial liabilities at amortised cost categories have been restated to reflect the correct classification.*

Reconciliation to statement of financial position

Rm
Total financial liabilities
Total equity and non-financial liabilities
Total equity and liabilities

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.

	Held for trading			Designated at fair value through profit or loss		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	2 405	**46 793**	**–**	**–**	**55 042**	**–**
		23 561				
		23 201			**54 694**	
	2 405	**31**				
					348	
	2 246	25 616	–	–	54 723	–
	11	13 458				
		11 781			54 422	
	2 235	377				
					301	

	Total financial liabilities recognised at fair value		Total financial liabilities classified as level 1		Total financial liabilities classified as level 2	
	2017	2016	2017	2016	2017	2016
	23 561	13 469		11	**23 561**	13 458
	77 895	66 203			**77 895**	66 203
	2 436	2 612	**2 405**	2 235	**31**	377
	348	301			**348**	301
	104 240	82 585	**2 405**	2 246	**101 835**	80 339

	Held for trading		Designated at fair value through profit or loss	
	2017	2016	2017	2016
	2 405	2 246		
	46 793	25 616	**55 042**	54 723
	49 198	27 862	**55 042**	54 723

	Note	2017	2016
	I1	**824 842**	827 589
	I1	**79 119**	72 472
		903 961	900 061

I2 Fair-value measurement – financial instruments (continued)

I2.3 Details of changes in valuation techniques

There have been no changes to valuation techniques.

I2.4 Transfers between levels of the fair-value hierarchy

There were no significant transfers between level 1 and level 2 of the fair-value hierarchy during 2017.

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.

I2.5 Level 3 reconciliation

Assets

Rm	Opening balance at 1 January	Gains in non-interest revenue in profit for the year
2017		
Held for trading	**25**	**–**
Derivative financial instruments	**25**	
Designated as at fair value	**3 108**	**130**
Investments in private-equity associates, associate companies and joint arrangements	**2 350**	**6**
Loans and advances	**77**	**45**
Investment securities	**681**	**79**
Available for sale	**410**	**–**
Investment securities	**410**	
Total financial assets classified as level 3	**3 543**	**130**

Rm	Opening balance at 1 January	Gains in non-interest revenue in profit for the year
2016		
Held for trading	18	7
Derivative financial instruments	18	7
Designated as at fair value	1 877	250
Investments in private-equity associates, associate companies and joint arrangements	1 154	274
Loans and advances	33	4
Investment securities	690	(28)
Available for sale	–	–
Investment securities		
Total financial assets classified as level 3	1 895	257

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

Purchases and issues	Sales and settlements	Closing balance at 31 December
–	**(25)**	**–**
	(25)	**–**
1 625	**(777)**	**4 086**
1 358	**(661)**	**3 053**
	(89)	**33**
267	**(27)**	**1 000**
–	**–**	**410**
		410
1 625	**(802)**	**4 496**

Purchases and issues	Sales and settlements	Transfers from level 2	Closing balance at 31 December
–	–	–	25
			25
1 183	(242)	40	3 108
1 130	(208)		2 350
		40	77
53	(34)		681
–	–	410	410
		410	410
1 183	(242)	450	3 543

12 Fair-value measurement – financial instruments (continued)

12.6 Unrealised gains

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

	2017 Rm	2016 Rm
Trading income		
Private-equity gains	**130**	257
	130	257

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

The fair-value measurement of financial instruments is, 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
2017		
Assets		
Loans and advances	**Discounted cashflows**	**Credit spreads and discount rates**
Investment securities	**Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields**	**Valuation multiples, correlations, volatilities and credit spreads**
Investments in private-equity associates, associate companies and joint arrangements	**Discounted cashflows, earnings multiples**	**Valuation multiples**
Total financial assets classified as level 3		

	Valuation technique	Significant unobservable input
2016		
Assets		
Derivative financial instruments	Discounted cashflows	Discount rates, Ebitda
Loans and advances	Discounted cashflows	Credit spreads and discount rates
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads
Investments in private-equity associates, associate companies and joint arrangements	Discounted cashflows, earnings multiples	Valuation multiples
Total financial assets classified as level 3		

Variance in fair value %	Amount recognised in the statement of financial position Rm	Favourable change in value Rm	Unfavourable change in value Rm
between (12) and 9	**33**	**3**	**(4)**
between (12) and 9	**1 410**	**132**	**(166)**
between (12) and 9	**3 053**	**285**	**(359)**
	4 496	**420**	**(529)**

Variance in fair value %	Amount recognised in the statement of financial position Rm	Favourable change in value Rm	Unfavourable change in value Rm
between (12) and 9	25	2	(3)
between (12) and 9	77	7	(9)
between (12) and 9	1 091	103	(129)
between (12) and 9	2 350	221	(278)
	3 543	333	(419)

I3 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
2017					
Financial assets	**666 160**	**661 408**	**23 993**	**29 962**	**607 453**
Other short-term securities	**25 193**	**25 130**		**25 130**	
Government and other securities	**28 862**	**28 825**	**23 993**	**4 832**	
Loans and advances	**612 105**	**607 453**			**607 453**
Financial liabilities	**51 134**	**52 028**	**23 975**	**28 053**	**–**
Long-term debt instruments	**51 134**	**52 028**	**23 975**	**28 053**	

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
2016					
Financial assets	671 169	661 807	21 828	33 128	606 851
Other short-term securities	33 184	33 128		33 128	
Government and other securities	22 393	21 828	21 828		
Loans and advances[1]	615 592	606 851			606 851
Financial liabilities	51 761	48 880	20 432	28 448	–
Long-term debt instruments	51 761	48 880	20 432	28 448	

[1] *Loans and advances of R10 128m were included in the previous year as held-for-trading assets, whereas these instruments were classified and measured as financial assets at amortised cost. Loans and advances of R3 326m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the held-for-trading, designated at fair value through profit or loss and financial assets at amortised cost categories have been restated to reflect the correct classification.*

Loans and advances

Loans and advances, recognised in note C1.1, 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 disposal 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 the periods 2018 to 2020 (2016: for the periods 2017 to 2019) are based on the latest available internal data and are 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 C3 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 C4 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.

I4 Financial instruments designated as at fair value through profit or loss

The group has satisfied the criteria for designation of financial instruments as at FVTPL 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 Asset and Liability Committee (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 FVTPL and are held at fair value.

Various instruments are designated as at FVTPL, 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.

I4 Financial instruments designated as at fair value through profit or loss (continued)

I4.1 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	2017	2016	2017	2016	2017	2016
Negotiable certificates of deposit	**1 468**	1 186				
Treasury bills and other bonds		537				
Government guaranteed[2]	**319**	1 287				
Other dated securities	**9 952**	7 416				
Mortgage loans	**24 030**	20 778				
Net finance lease and instalment debtors	**20 691**	20 247				
Leases and debentures	**54**	69				
Preference shares	**57**	942				
Loans and advances (secured and unsecured)	**5 548**	6 345				
Foreign client lending[3]		368				
Other loans	**7 554**	8 133				
Private-equity associates, associate companies and joint arrangements	**3 053**	2 350				
Listed investments	**15**	19				
Unlisted investments	**1 805**	1 458				
	74 546	71 135	**–**	–	**–**	–

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

[2] *A total of R786m of government and other securities were designated at fair value through profit or loss. However, they were incorrectly included in the held-for-trading category in the prior year. The classification of these instruments has now been corrected.*

[3] *Loans and advances of R3 326m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the designated at fair value through profit or loss and financial assets at amortised cost categories have been restated to reflect the correct classification.*

Nedbank Limited 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 FVTPL 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 FVTPL.

A breakdown of the financial assets that are designated as at FVTPL can be found in note I1. A detailed explanation of how each financial asset is valued can be found in note I2.

14.2 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
2017				
Long-term debt instruments	**348**	**348**		
Call and term deposits	**37 683**	**37 616**	**(99)**	**(127)**
Negotiable certificates of deposit	**17 011**	**17 011**	**(36)**	**(79)**
	55 042	**54 975**	**(135)**	**(206)**
2016				
Long-term debt instruments	301	283		
Call and term deposits	33 988	33 963	(38)	(61)
Foreign currency liabilities[2]	1	1		
Negotiable certificates of deposit	20 433	20 415	(35)	(89)
	54 723	54 662	(73)	(150)

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

[2] *Amounts owed to depositors of R9 332m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial liabilities at amortised cost. Accordingly, the designated at fair value through profit or loss and financial liabilities at amortised cost categories have been restated to reflect the correct classification.*

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 risk-free 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 Limited bonds are applied.

15 Offsetting financial assets and financial liabilities

Accounting policy

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.

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.

	Effects of netting on the statement of financial position		
Rm	Gross amounts	Amounts set off in the statement of financial position in accordance with IAS 32	Net amounts included in the statement of financial position[1]
2017			
Financial assets			
Derivative financial assets	**30 594**	**(978)**	**29 616**
Loans and advances	**63 026**	**(40 107)**	**22 919**
Cash and cash equivalents	**4 772**	**(3 286)**	**1 486**
Total financial assets	**98 392**	**(44 371)**	**54 021**
Financial liabilities			
Derivative financial liabilities	**(30 518)**	**7 507**	**(23 011)**
Amounts owed to depositors	**(216 770)**	**36 864**	**(179 906)**
Total financial liabilities	**(247 288)**	**44 371**	**(202 917)**
2016			
Financial assets			
Derivative financial assets	23 440	(5 909)	17 531
Loans and advances	32 440	(28 478)	3 962
Total financial assets	55 880	(34 387)	21 493
Financial liabilities			
Derivative financial liabilities	(19 078)	5 909	(13 169)
Amounts owed to depositors	(93 579)	28 478	(65 101)
Total financial liabilities	(112 657)	34 387	(78 270)

[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.*

	Related amounts not set off in the statement of financial position			
	Amounts that may be netted off on the occurrence of a future event	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
	(26 875)	**2 741**	**1 082**	**30 698**
		22 919	**666 718**	**689 637**
		1 486	**7 337**	**8 823**
	(26 875)	**27 146**	**675 137**	**729 158**
	(21 319)	**(44 330)**	**(550)**	**(23 561)**
		(179 906)	**(556 846)**	**(736 752)**
	(21 319)	**(224 236)**	**(557 396)**	**(760 313)**
	(12 939)	4 592	513	18 044
		3 962	687 963	691 925
	(12 939)	8 554	688 476	709 969
	6 787	(6 382)	(300)	(13 469)
		(65 101)	(685 218)	(750 319)
	6 787	(71 483)	(685 518)	(763 788)

I6 Collateral

Accounting policy

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.

I6.1 Collateral pledged

The group has pledged government and other securities (note C3) and negotiable certificates of deposit (note C4) amounting to R28 538m (2016: R19 162m) 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 R24 615m (2016: R19 127m) are disclosed in note D1.

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

I6.2 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 with 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.

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 under terms and conditions that are standard industry practice in 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.
- 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, 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 2017 management considered R192 015m (2016: R183 231m) to be a reasonable estimate of the gross 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, which includes a review of the security structure and covenants to ensure that proper title is retained over the relevant collateral. At 31 December 2017 management considered R254 261m (2016: R234 139m) to be a reasonable estimate of the gross collateral held in the wholesale portfolio.

During 2017 the group reviewed the classification of collateral held by securitisation vehicles and Nedbank Wealth. As a result, R43bn of collateral was reallocated from the wholesale portfolio to the retail portfolio to reflect the nature of the underlying collateral more accurately. Comparative information for 2016 has been restated accordingly.

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 in the absence of default. The fair value of these securities at the reporting date amount to R17 828m (2016: R14 359m), of which Rnil (2016: Rnil) have been sold or repledged.

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

Included in properties in possession (note C1.1) is an amount of R96m (2016: R120m), which represents assets the group has acquired during the year by taking possession of collateral held as security.

SECTION J: SHARE-BASED PAYMENTS

Accounting policy

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.

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 payments 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.

Nedbank Group Limited shares, share options over Nedbank Group Limited shares and equity instruments in respect of Nedbank Group Limited 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 facilitate 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 reliably estimate 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 its 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.

J1 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 Limited 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 reached.	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 Limited performance target. Where this performance target is not met, 50% will vest provided that the three years' service has been reached.	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 they are granted at a predetermined exercise 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
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

J1 Description of arrangements (continued)

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
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 Restricted-share Scheme	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 Africa Matched-share Scheme	n/a	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 corporate performance targets. Where these performance targets are not met, 50% will vest provided that the three years' service has been reached.	3 years

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
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 lies with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which one-third of the shares become unrestricted and one-third 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 lies with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which one-third of the shares become unrestricted and one-third 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 five years.	5 years
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 lies with the participants, including dividend rights.	Participants must remain in service for three, four and five years, after each of which one-third of the shares become unrestricted and one-third 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 lies 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 one-third of the shares become unrestricted and one-third 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.

J2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Traditional employee schemes	**589**	548	**1 184**	1 135
Nedbank Group (2005) Share Option and Restricted-share Scheme	**477**	434	**909**	879
Nedbank Group (2005) Matched-share Scheme	**122**	109	**239**	223
Nedbank UK Long-term Incentive Plan[1]	**(18)**	(2)	**10**	15
Nedbank UK Matched-share Scheme[1]	**1**	1	**3**	2
Nedbank Wealth Management International Long-term Incentive Plan[1]	**(1)**	1	**9**	8
Nedbank Wealth Management International Matched-share Scheme[1]	**1**	1	**2**	3
Nedbank Wealth Management Incentive Scheme[1]	**1**		**1**	
Nedbank Africa Restricted-share Scheme and Matched-share Scheme[1]	**6**	4	**11**	5
Nedbank Eyethu BEE schemes	**2**	12	**21**	42
Black Executive Scheme	**2**	10	**18**	33
Black Management Scheme		2	**3**	9
	591	560	**1 205**	1 177

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

J3 Movements in number of instruments

	2017		2016	
	Number of instruments	**Weighted-average exercise price R**	Number of instruments	Weighted-average exercise price R
Nedbank Group (2005) Share Option and Restricted-share Scheme				
Outstanding at the beginning of the year	**9 630 296**		9 234 425	
Granted	**3 252 604**		3 990 166	
Forfeited	**(495 899)**		(471 075)	
Exercised	**(2 985 722)**		(3 123 220)	
Outstanding at the end of the year	**9 401 279**		9 630 296	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**251,80**		190,74
Nedbank Group (2005) Matched-share Scheme				
Outstanding at the beginning of the year	**2 213 243**		1 917 120	
Granted	**811 034**		991 867	
Forfeited	**(175 301)**		(202 744)	
Exercised	**(603 753)**		(493 000)	
Outstanding at the end of the year	**2 245 223**		2 213 243	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**241,50**		189,10
Nedbank UK Long-term Incentive Plan				
Outstanding at the beginning of the year	**102 536**		119 502	
Granted	**43 932**		22 566	
Other			(1 172)	
Exercised	**(52 336)**		(38 360)	
Outstanding at the end of the year	**94 132**		102 536	
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	**14 249**		16 811	
Granted	**5 341**		4 198	
Exercised	**(2 811)**		(6 760)	
Outstanding at the end of the year	**16 779**		14 249	

	2017		2016	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
J3 Movements in number of instruments (continued)				
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	**72 917**		61 284	
Granted	**22 624**		33 130	
Other			11	
Exercised	**(19 274)**		(21 508)	
Outstanding at the end of the year	**76 267**		72 917	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–
Nedbank Wealth Management International Matched-share Scheme				
Outstanding at the beginning of the year	**15 915**		18 397	
Granted	**4 757**		4 180	
Exercised	**(7 613)**		(6 662)	
Outstanding at the end of the year	**13 059**		15 915	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–
Nedbank Africa Restricted-share Scheme				
Outstanding at the beginning of the year	**56 270**		30 096	
Granted	**49 496**		31 090	
Granted prior year	**5 770**			
Forfeited	**(4 272)**		(4 916)	
Outstanding at the end of the year	**107 264**		56 270	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**–**		–
Nedbank Africa Matched-share Scheme				
Granted	**731**			
Granted prior year	**2 109**			
Outstanding at the end of the year	**2 840**		–	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–
Black Executive Scheme				
Outstanding at the beginning of the year	**518 456**		820 207	241,38
Forfeited	**(52 104)**			
Exercised	**(179 251)**		(301 751)	
Outstanding at the end of the year	**287 101**		518 456	
Exercisable at the end of the year	**79 087**	**170,79**	26 001	162,29
Weighted-average share price for share instruments exercised (R)		**237,03**		194,31
Black Management Scheme				
Outstanding at the beginning of the year	**277 806**		706 559	248,07
Forfeited	**(20 686)**		(48 357)	126,03
Exercised	**(168 581)**		(377 842)	
Other movements			6 355	
Expired	**(5 291)**		(8 909)	77,69
Outstanding at the end of the year	**83 248**		277 806	
Exercisable at the end of the year	**63 599**	**137,08**	96 001	132,49
Weighted-average share price for share instruments exercised (R)		**242,05**		197,05

J4 Instruments outstanding at the end of the year by exercise price

	2017		2016	
	Number of instruments	Weighted-average remaining contractual life (years)	Number of instruments	Weighted-average remaining contractual life (years)
Nedbank Group (2005) Share Option and Restricted-share Scheme				
0,00	**9 401 279**	**1,3**	9 630 296	1,3
	9 401 279	**1,3**	9 630 296	1,3
Nedbank Group (2005) Matched-share Scheme				
0,00	**2 245 223**	**1,3**	2 213 243	1,4
	2 245 223	**1,3**	2 213 243	1,4
Nedbank UK Long-term Incentive Plan				
0,00	**94 132**	**1,4**	102 536	0,9
	94 132	**1,4**	102 536	0,9
Nedbank UK Matched-share Scheme				
0,00	**16 779**	**1,1**	14 249	1,3
	16 779	**1,1**	14 249	1,3
Nedbank Wealth Management International Long-term Incentive Plan				
0,00	**76 267**	**1,2**	72 917	1,4
	76 267	**1,2**	72 917	1,4
Nedbank Wealth Management International Matched-share Scheme				
0,00	**13 059**	**1,0**	15 915	1,0
	13 059	**1,0**	15 915	1,0
Black Executive Scheme				
0,00	**70 508**	**0,7**	160 652	1,3
121,08			1 942	0,2
128,44			28 622	1,2
140,00			20 400	0,6
161,88	**104 906**	**1,2**	136 710	2,2
182,98	**41 509**	**1,6**	80 649	2,6
189,90	**70 178**	**2,2**	89 481	3,2
	287 101	**1,4**	518 456	2,0
Black Management Scheme				
0,00	**1 737**	**1,2**	15 684	0,6
121,08			16 953	0,2
128,44	**34 749**	**0,1**	103 946	1,1
132,18			32 923	0,6
139,69	**18 893**		59 263	0,2
161,88	**27 869**	**1,2**	49 037	2,2
	83 248	**0,2**	277 806	1,0
Nedbank Africa Restricted-share Scheme				
0,00	**107 264**	**1,8**	56 270	1,7
	107 264	**1,8**	56 270	1,7
Nedbank Africa Matched-share Scheme				
0,00	**2 840**	**1,4**		
	2 840	**1,4**	56 270	1,7

J5 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, using the following inputs and assumptions.

	Nedbank Group (2005) Share Option and Restricted-share 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 Restricted-share Scheme	Nedbank Africa Matched-share Scheme
2017								
Number of instruments granted	**3 252 604**	**811 034**	**43 932**	**5 341**	**22 624**	**4 757**	**49 496**	**731**
Weighted-average fair value per instrument granted (R)[1]	**261,40**	**193,47**	**255,74**	**193,47**	**263,31**	**193,47**	**261,26**	**193,47**
Weighted-average share price (R)	**261,87**	**241,50**	**260,26**	**241,50**	**263,31**	**241,50**	**261,26**	**241,50**
Weighted-average expected volatility (%)[2]	**26,9**	**0,3**	**26,9**	**26,8**	**26,8**	**26,8**	**26,9**	**26,8**
Weighted-average life (years)	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Weighted-average risk-free interest rate (%)	**7,4**	**7,7**					**7,3**	**7,4**
Number of participants	**1 437**	**1 730**	**7**	**6**	**12**	**17**	**65**	**1**
Weighted-average vesting period (years)	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**
2016								
Number of instruments granted	3 983 062	989 936	22 566	4 198	33 130	4 180	31 090	31 090
Weighted-average fair value per instrument granted (R)[1]	183,73	161,97			183,18	161,97	183,18	183,18
Weighted-average share price (R)	183,73	194,33	183,19	194,25	183,19	194,25	183,19	183,19
Weighted-average expected volatility (%)[2]	25,7	25,7			25,7	25,7	25,7	25,7
Weighted-average life (years)	3	3			3	3	3	3
Weighted-average risk-free interest rate (%)	8,2	8,2					8,2	8,2
Number of participants	1 353	1 648	6	4	11	13	39	39
Weighted-average vesting period (years)	3	3	3	3	3	3	3	3

[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.

SECTION K: OTHER LIABILITIES

K1 Provisions and other liabilities

Accounting policy

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.

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.

K1.1 Movement in carrying amount

	2017 Rm	2016 Rm
Creditors and other accounts	**10 611**	9 504
Deferred revenue: client loyalty programmes	**182**	224
Short-trading securities and spot positions	**2 436**	2 235
Leave pay accrual (note K1.2)	**818**	754
	14 047	12 717

K1.2 Leave pay accrual

	2017 Rm	2016 Rm
Balance at the beginning of the year	**754**	675
Recognised in profit or loss	**321**	1 966
Utilised during the year	**(257)**	(1 887)
Balance at the end of the year	**818**	754

K2 Contingent liabilities and undrawn facilities

	2017 Rm	2016 Rm
Guarantees on behalf of clients	**26 710**	22 177
Letters of credit and discounting transactions	**2 837**	3 360
Irrevocable unutilised facilities and other	**101 336**	101 566
	130 883	127 103

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 K1). 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 Limited and its subsidiary companies, the outcomes of which cannot at present be foreseen.

The largest potential claim relates to Pinnacle Point Group Limited, where Absa Bank Limited (Absa) has initiated an action in the High Court against Nedbank for the sum of R773m, where Absa alleges that Nedbank had a legal duty of care to it in relation to certain single-stock futures transactions.

In a matter relating to the same events New Port Finance Company Proprietary Limited and the Winifred Trust have sued Absa for R405m and R65m respectively, alleging that Absa had a duty of care towards them. During November 2016 Absa joined Nedbank as a third party to that action claiming that, should Absa be held liable, then Absa would be entitled to claim a contribution from Nedbank.

Nedbank's legal counsel is of the view that Nedbank has a strong case to resist both matters successfully.

K3 Commitments

New standards and interpretations not yet adopted

IFRS 16: Leases

IFRS 16 was issued in January 2016 and replaces IAS 17: Leases and its related interpretations for reporting periods beginning on or after 1 January 2019.

The group as lessee: IFRS 16 introduces a 'right of use' model whereby the lessee recognises a right-of-use asset and an associated financial obligation to make lease payments for all leases with a term of more than 12 months. The asset will be amortised over the lease term and the financial liability measured at amortised cost with interest recognised in profit or loss using the effective-interest-rate method.

The group as lessor: IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify and account for its leases as operating leases or finance leases.

The group is in the process of assessing the impact of IFRS 16 and which transitional approach it will follow.

K3.1 Capital expenditure approved by directors

	2017 Rm	2016 Rm
Contracted	**415**	515
Not yet contracted	**2 320**	2 092
	2 735	2 607

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.

K3.2 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:

2017	2018 Rm	2019 – 2023 Rm	Beyond 2023 Rm
Land and buildings[1]	**919**	**1 863**	**367**
Furniture and equipment	**20**		
	939	**1 863**	**367**

2016	2017 Rm	2018 – 2022 Rm	Beyond 2022 Rm
Land and buildings[1]	913	1 924	578
Furniture and equipment	177	66	59
	1 090	1 990	637

[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 6% and 8% per annum. For all major lease agreements entered into there is no requirement to pay contingent rent or purchase options.

K3.3 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 C7).

SECTION L: RISK AND BALANCE SHEET MANAGEMENT

Key assumptions concerning the future and key sources of estimation

Financial risk management
The group's risk management procedures include, but are not limited to, credit risk, liquidity risk, interest rate risk in the banking book and market risk. Additional information relating to the group's risk management policies and procedures are disclosed in the unaudited Risk and Capital Management Report, available at nedbank.co.za.

L1 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 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 ALCO and Executive Risk Committee, 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 D2.

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.

L2 Liquidity gap

Banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risks. Through the robust Liquidity Risk Management Framework the group manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objectives that underpin the Liquidity Risk Management Framework include maintaining financial market confidence at all times, protecting key stakeholder interests and meeting regulatory liquidity requirements.

In terms of measuring, managing and mitigating liquidity mismatches, Nedbank focuses on two types of liquidity risk: funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals, the inability to roll over maturing debt or meet contractual commitments to lend.

Liquidity risk management is a vital risk management function in all entities across all jurisdictions and currencies, and is a key focus for the group.

The board of directors retains ultimate responsibility for the effective management of liquidity risk. Through the Group Risk and Capital Management Committee (GRCMC) (a board committee), the board has delegated its responsibility for the management of liquidity risk to Group ALCO.

The group's Liquidity Risk Management Framework articulates the board-approved risk appetite in the form of limits and guidelines, and sets out the responsibilities, processes, reporting and assurance required to support the management of liquidity risk. The Liquidity Risk Management Framework is reviewed annually by Group Alco and approved by the GRCMC.

2017 Rm	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non- determined	Total
Cash and cash equivalents (including mandatory reserve deposits with central banks)	26 968						26 968
Other short-term securities	26 843	21 442	20 763	4 424			73 472
Derivative financial instruments	6 037	2 842	3 787	7 256	10 776		30 698
Government and other securities	170	3 502	3 309	23 108	18 660		48 749
Loans and advances	158 086	36 985	49 157	253 941	191 468		689 637
Other assets						34 437	34 437
	218 104	64 771	77 016	288 729	220 904	34 437	903 961
Total equity						74 154	74 154
Derivative financial instruments	5 102	2 335	3 269	5 490	7 365		23 561
Amounts owed to depositors	536 489	72 715	62 732	56 988	7 828		736 752
Provisions and other liabilities						18 012	18 012
Long-term debt instruments	477	1 437	3 720	27 804	18 044		51 482
	542 068	76 487	69 721	90 282	33 237	92 166	903 961
Net liquidity gap	(323 964)	(11 716)	7 295	198 447	187 667	(57 729)	–

2016 Rm	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non-determined	Total
Cash and cash equivalents (including mandatory reserve deposits with central banks)	37 875	201	304				38 380
Other short-term securities	21 164	16 723	20 419	9 912			68 218
Derivative financial instruments	3 454	1 906	1 930	4 090	6 664		18 044
Government and other securities	2 327	940	2 558	18 889	25 973		50 687
Loans and advances	149 176	31 975	52 826	271 353	186 595		691 925
Other assets						32 807	32 807
	213 996	51 745	78 037	304 244	219 232	32 807	900 061
Total equity						67 722	67 722
Derivative financial instruments	2 229	1 329	1 362	3 677	4 872		13 469
Amounts owed to depositors	542 572	71 633	65 354	61 857	8 903		750 319
Provisions and other liabilities						16 489	16 489
Long-term debt instruments	2 724	836	2 609	26 837	19 056		52 062
	547 525	73 798	69 325	92 371	32 831	84 211	900 061
Net liquidity gap	(333 529)	(22 053)	8 712	211 873	186 401	(51 404)	–

This note has been prepared on a contractual maturity basis.

The group has high-quality liquid assets and other sources of quick liquidity. Other sources of quick liquid assets include corporate bonds and listed equities, unencumbered trading securities, price-sensitive overnight loans, other banks' paper and unutilised bank credit lines.

L3 Interest rate risk in the banking book

	2017 Rm	2016 Rm
Net interest income sensitivity		
1% instantaneous decline in interest rates[1]	**(1 210)**	(1 197)

Management of interest rate risk in the banking book

The group employs various analytical techniques to measure interest rate sensitivity monthly within the banking book on both an earnings and economic value basis (where appropriate) for balance sheets with material exposure to interest rate risk. Assets, liabilities and derivative financial instruments are modelled and reported based on their contractual repricing or maturity characteristics. Where advances are exposed to prepayments and deposits to ambiguous repricing, Group ALCO approves the use of prepayment models for the hedging of fixed-rate advances and behavioural repricing assumptions for the modelling and reporting of ambiguous repricing deposits, where appropriate.

Sensitivity analysis

At the reporting date, the net interest income sensitivity of the banking book for a 1% parallel reduction in interest rates measured over 12 months is a decrease in net interest income of approximately R1 210m before tax (2016: R1 197m), which is within the board's approved risk limit. The group's net interest income sensitivity exhibits very little convexity and will therefore also result in an increase in pretax net interest income of similar amounts should interest rates increase by 1%. Net interest income sensitivity is actively managed through on- and off-balance-sheet interest rate risk management strategies for the group's expected interest rate view and impairment sensitivity.

[1] *Nedbank London: 0,5% instantaneous decline in interest rates.*

L4 Historical value at risk (99%, one-day) by risk type

Value at risk (VaR) is the potential loss in pretax profit due to adverse market movements over a defined holding period with a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. It facilitates the consistent measurement of risk across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The 99% one-day VaR number used by the group reflects, at a 99% confidence level, that the daily loss will not exceed the reported VaR and therefore that the daily losses exceeding the VaR figure are likely to occur, on average, once in every 100 business days.

The group uses one year of historical data to estimate VaR. Some of the considerations that are taken into account when reviewing the VaR numbers are:

- The assumed one-day holding period will not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day.
- The historical VaR assumes that the past is a good representation of the future, which may not always be the case.
- The 99% confidence level does not indicate the potential loss beyond this interval.
- If a product or listing is new in the market, limited historical data would be available. In such cases, a proxy is chosen to act as an estimate for the historical rates of the relevant risk factor. Depending on the amount of (limited) historical rates available, regression analysis is used on the chosen proxy to refine the link between the proxy and the actual rates.

Additional risk measures are used to monitor the individual trading desks, including performance triggers, approved trading products, concentration of exposures, maximum tenor limits and market liquidity constraints.

L4 Historical value at risk (99%, one-day) by risk type (continued)

All market risk models are subject to periodic independent validation in terms of the Group Market Risk Management Framework. A formal review of all existing valuation models is conducted at least annually. Should the review process indicate that models need to be updated, a formal independent review will take place. All new risk models developed are independently validated prior to implementation.

The group's current trading activities are focused on liquid markets, which are in line with the current regulatory liquidity horizon assumption of a 10-day holding period, as per Basel III.

	2017				2016			
Rm	Average	Minimum	Maximum	Year-end	Average	Minimum	Maximum	Year-end
Foreign exchange	**4,5**	**0,9**	**11,5**	**3,8**	9,3	1,0	25,4	2,8
Interest rate	**21,2**	**11,3**	**38,1**	**31,1**	16,0	7,7	33,5	11,6
Credit	**9,2**	**6,2**	**16,1**	**12,1**	7,3	4,9	10,9	8,4
Commodity	**0,1**	**<0.1**	**0,7**	**0,7**	0,3	<0.1	2,7	<0.1
Diversification	**(12,5)**			**(20,5)**	(8,1)			(6,4)
Total VaR exposure	**22,5**	**13,1**	**39,2**	**27,2**	24,8	8,2	52,0	16,4

SECTION M: CASHFLOW INFORMATION

		2017 Rm	2016 Rm
M1	**Reconciliation of profit from operations to cash generated by operations**		
	Profit from operations	**14 817**	13 243
	Adjusted for:		
	– Depreciation (note B7)	**1 319**	1 181
	– Amortisation: computer software and intangible assets (note B7)	**777**	784
	– Movement in impairment of loans and advances	**4 238**	5 411
	– Net income on investment banking assets	**(36)**	(11)
	– Non-trading and capital items (note B9)	**210**	289
	– Indirect taxation (note B8.1)	**858**	810
	Cash generated by operations	**22 183**	21 707
M2	**Cash received from clients**		
	Interest and similar income (note B5.1)	**71 311**	69 862
	Commission and fees income (note B6)	**14 890**	14 587
	Net trading income (note B6)	**3 426**	3 321
	Private-equity (losses)/income	**(17)**	690
	Other non-interest income	**862**	743
		90 472	89 203
M3	**Cash paid to clients, employees and suppliers**		
	Interest expense and similar charges (note B5.2)	**(46 111)**	(45 344)
	Staff costs (note B7)	**(14 562)**	(13 819)
	Computer processing	**(2 377)**	(2 368)
	Communication and travel	**(734)**	(751)
	Occupation and accommodation	**(1 695)**	(1 718)
	Marketing and public relations (note B7)	**(1 606)**	(1 618)
	Fees and assurances (note B7)	**(2 609)**	(2 421)
	Furniture, office equipment and consumables	**(292)**	(314)
	Other operating expenses	**(221)**	(309)
		(70 207)	(68 662)
M4	**Increase in operating assets**		
	Other short-term securities	**(5 909)**	(8 140)
	Government and other securities	**1 808**	(7 954)
	Loans and advances and other operating assets	**(20 043)**	(21 963)
		(24 144)	(38 057)
M5	**Increase in operating liabilities**		
	Current and savings accounts	**827**	4 115
	Other deposits, loan accounts and foreign currency liabilities	**(7 986)**	25 686
	Negotiable certificates of deposit	**(11 896)**	8 886
	Deposits received under repurchase agreements	**5 488**	3 596
	Creditors and other liabilities	**18 572**	(18 411)
		5 005	23 872

		2017 Rm	2016 Rm
M6	**Disposal of investments in subsidiary companies net of cash**		
	Other short-term securities	**492**	
	Derivative financial instruments	**20**	
	Government and other securities	**130**	
	Loans and advances	**4 756**	
	Other assets	**68**	
	Current taxation assets	**15**	
	Investments in associate companies and joint ventures	**3**	
	Deferred taxation assets	**31**	
	Property and equipment	**116**	
	Intergroup assets	**1 586**	
	Amounts owed to depositors	**(7 288)**	
	Deferred taxation liabilities	**(3)**	
	Derivative financial instruments	**(3)**	
	Current taxation liabilities	**(20)**	
	Other liabilities	**(148)**	
	Intergroup liabilities	**(110)**	
	Net assets disposed (excluding cash and cash equivalents)	**(355)**	–
	Non-controlling interest	**(244)**	
	Dividends paid to ordinary shareholders	**(907)**	
	Cash and cash equivalents disposed	**(1 506)**	–
M7	**Taxation paid**		
	Amounts receivable at the beginning of the year	**387**	817
	Statement of comprehensive income charge (excluding deferred taxation)	**(3 627)**	(3 570)
	Other taxation received	**69**	(70)
	Amounts receivable at the end of the year	**116**	(387)
		(3 055)	(3 210)
	Total indirect taxation (note B8.1)	**(858)**	(810)
	Taxation paid	**(3 913)**	(4 020)

SECTION N: ADDITIONAL INFORMATION

N1 Foreign currency conversion

Accounting policy

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. The consolidated financial statements are presented in SA rand, which is the group's presentation currency.

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 retranslated subsequently.

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.

Exchange rates

	Average		Closing	
	2017	2016	**2017**	2016
UK pound to rand	**17,15**	19,65	**16,60**	16,95
US dollar to rand	**13,31**	14,57	**12,29**	13,77

Geographic analyses

The geographic analyses within various notes are based on the geographic location of the clients or transactions and not the domicile of the group entity.

N2 Events after the reporting period

There are no material events after the reporting period to report on.

N3 Directors' emoluments

The following disclosures are those required by the Companies Act, 71 of 2008, in respect of remuneration of directors and prescribed officers:

N3.1 Total remuneration of executive directors and prescribed officers

	Mike Brown		Mfundo Nkuhlu		Raisibe Morathi	
R'000	2017	2016	2017	2016	2017	2016
Cash portion of package	**7 014**	6 680	**4 635**	4 415	**4 184**	3 654
Other benefits	**160**	148	**149**	137	**110**	105
Defined-contribution retirement fund	**1 001**	953	**668**	635	**576**	666
Guaranteed remuneration	**8 175**	7 781	**5 452**	5 187	**4 870**	4 425
Cash performance incentive	**7 875**	7 750	**4 500**	4 625	**4 625**	4 625
Cash performance incentive (delivered in shares)	**5 875**	6 750	**3 500**	3 625	**3 625**	3 625
Total short-term incentive (STI)[1]	**13 750**	14 500	**8 000**	8 250	**8 250**	8 250
Total remuneration[2]	**21 925**	22 281	**13 452**	13 437	**13 120**	12 675
Value of share-based awards (face value at award)[3]	**14 500**	14 500	**9 500**	9 250	**8 750**	8 000
Total direct remuneration	**36 425**	36 781	**22 952**	22 687	**21 870**	20 675

1 *In terms of the rules of the Matched-share Scheme this amount may increase by up to 27,5% (before share price movement), subject to fulfilment of the corporate performance targets (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 *This is the value of the share-based awards made in the following financial year.*

4 *Ciko Thomas was appointed as a prescribed officer on 1 April 2016.*

5 *Awards for 2016 include on-appointment awards made in respect of appointment to more senior roles.*

R'000	Iolanda Ruggiero 2017	Iolanda Ruggiero 2016	Ciko Thomas[4, 5] 2017	Ciko Thomas[4, 5] 2016	Brian Kennedy 2017	Brian Kennedy 2016
Cash portion of package	**3 160**	3 011	**3 746**	2 513	**4 015**	3 819
Other benefits	**91**	84	**113**	78	**236**	233
Defined-contribution retirement fund	**454**	432	**610**	410	**320**	305
Guaranteed remuneration	**3 705**	3 527	**4 469**	3 001	**4 571**	4 357
Cash performance incentive	**3 125**	3 550	**4 625**	4 250	**8 875**	9 320
Cash performance incentive (delivered in shares)	**2 125**	2 550	**3 625**	3 250	**7 875**	8 320
Total short-term incentive (STI)[1]	**5 250**	6 100	**8 250**	7 500	**16 750**	17 640
Total remuneration[2]	**8 955**	9 627	**12 719**	10 501	**21 321**	21 997
Value of share-based awards (face value at award)[3]	**6 000**	6 500	**8 500**	12 000	**8 500**	8 500
Total direct remuneration	**14 955**	16 127	**21 219**	22 501	**29 821**	30 497

[1] *In terms of the rules of the Matched-share Scheme this amount may increase by up to 27,5% (before share price movement), subject to fulfilment of the corporate performance targets (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] *This is the value of the share-based awards made in the following financial year.*

[4] *Ciko Thomas was appointed as a prescribed officer on 1 April 2016.*

[5] *Awards for 2016 include on-appointment awards made in respect of appointment to more senior roles.*

N3.2 Non-executive directors' remuneration

	Note	Nedbank and Nedbank Group board fees R'000	Committee fees R'000	Total 2017 R'000	Total 2016 R'000
DK Adomakoh	1,1a	172	50	**222**	572
TA Boardman	2,2a,2b,2c	836	505	**1 341**	2 432
BA Dames		463	319	**782**	718
ID Gladman	9	463	391	**854**	791
E Kruger	3,3a	463	814	**1 277**	346
PB Hanratty	10				137
JB Hemphill	9	463	231	**694**	635
PM Makwana		463	980	**1 443**	1 281
MA Matooane		463	363	**826**	717
NP Mnxasana		463	965	**1 428**	1 260
V Naidoo		5 178		**5 178**	4 875
JK Netshitenzhe		463	328	**791**	705
R Leith	9	463	391	**854**	181
SS Subramoney	4,4a	463	911	**1 374**	961
MI Wyman	5,5a	648	748	**1 396**	1 711
L Manzini	6	275	194	**469**	
N Dongwana	7	275	251	**526**	
H Brody	8	238	324	**562**	
Total		12 252	7 765	**20 017**	17 322

[1] *David Adomakoh resigned as a director of Nedbank Limited and Nedbank Group Limited on 18 May 2017.*
[1a] *David Adomakoh resigned as a member of the Group Transformation, Social and Ethics Committee and the Group Related-party Transactions Committee on 18 May 2017.*
[2] *Tom Boardman resigned as a director of Nedbank Limited and Nedbank Group Limited on 18 May 2017.*
[2a] *Tom Boardman resigned as member and Chairman of the Group Credit Committee, Large-exposure Approval Committee and Group Risk and Capital Management Committee on 18 May 2017.*
[2b] *Tom Boardman resigned as a member of the Group Audit Committee, Group Directors' Affairs Committee and Group Related-party Transactions Committee on 18 May 2017.*
[2c] *Tom Boardman sat on the Board of Nedbank Private Wealth (Isle of Man). His board fees are inclusive of the Nedbank Private Wealth (Isle of Man) fees of £40 000. He resigned with effect from 20 March 2018.*
[3] *Errol Kruger was appointed as the Chairman of the Group Credit Committee, Large-exposure Approval Committee and Group Risk and Capital Management Committee on 18 May 2017.*
[3a] *Errol Kruger was appointed as a member of the Group Directors' Affairs Committee on 18 May 2017.*
[4] *Stanley Subramoney was appointed as the Chairman of the Group Audit Committee on 18 May 2017.*
[4a] *Stanley Subramoney was appointed as a member of the Group Directors' Affairs Committee and the Group Related-party Transactions Committee on 18 May 2017.*
[5] *Malcolm Wyman resigned as Chairman and member of the Group Audit Committee on 18 May 2017.*
[5a] *Malcolm Wyman resigned as a member of the Group Risk and Capital Management Committee on 18 May 2017.*
[6] *Linda Manzini was appointed a director of Nedbank and Nedbank Group with effect from 1 June 2017, and was appointed as a member of the Group Transformation, Social and Ethics Committee and Group Credit Committee also on 1 June 2017.*
[7] *Neo Dongwana was appointed a director of Nedbank and Nedbank Group with effect from 1 June 2017, and was appointed as a member of the Group Remuneration Committee and Group Audit Committee also on 1 June 2017.*
[8] *Hubert Brody was appointed a director of Nedbank and Nedbank Group with effect from 1 July 2017, and was appointed a member of the Group Credit Committee, Large-exposure Approval Committee, Group Audit Committee and Group Remuneration Committee also with effect from 1 July 2017.*
[9] *Fees for Ian Gladman, Bruce Hemphill and Rob Leith were paid to Old Mutual plc.*
[10] *Paul Hanratty resigned as a director of Nedbank Ltd and Nedbank Group Ltd and all the committees on 12 March 2016.*

N3 Directors' emoluments (continued)

N3.2 Non-executive directors' remuneration (continued)

Number of shares	Beneficial direct 2017	Beneficial direct 2016	Beneficial indirect 2017	Beneficial indirect 2016
Tom Boardman[1]	**4 012**	4 012	**10 988**	10 988
Mike Brown	**281 766**	216 087	**262 255**	286 375
Rob Leith		44		
Mantsika Matooane	**2 261**	2 261		
Mantsika Matooane (Nedbank Limited preference shares)		11 000		
Nomavuso Mnxasana			**7 420**	7 420
Raisibe Morathi	**136 794**	119 876	**134 315**	118 197
Vassi Naidoo			**47 135**	45 785
Mfundo Nkuhlu	**62 028**	8 178	**160 863**	165 527
Stanley Subramoney			**2 300**	2 300
Total ordinary shares	**486 861**	350 458	**625 276**	636 592
Total preference shares		11 000		

[1] *Resigned/retired during 2017.*

No change in the above interests occurred between 31 December 2017 and 1 March 2018.

N3 Directors' emoluments (continued)

N3.3 Share-based payments to executive directors and prescribed officers

	Opening balance at 1 January 2017				Awards made during 2017			
Executive directors	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
MWT Brown								
Nedbank restricted shares	62 200	06/03/2014	209,00	07/03/2017				
	50 826	12/03/2015	255,77	13/03/2018				
	70 851	17/03/2016	190,54	17/03/2019				
					58 197	15/03/2017	249,15	16/03/2020
Compulsory Bonus Share Scheme[1]	16 141	31/03/2014	223,03	01/04/2017	16 141	31/03/2014[3]	232,59	01/04/2017
	16 435	31/03/2015	251,29	01/04/2018				
	22 563	31/03/2016	189,58	01/04/2019				
					14 371	31/03/2017	258,33	01/04/2020
Voluntary Bonus Share Scheme[4]	Own shares	31/03/2014	223,03	01/04/2017	1 345	01/04/2017[3]	232,59	01/04/2017
	Own shares	31/03/2015	251,29	01/04/2018				
	Own shares	31/03/2016	189,58	01/04/2019				
					Own shares	31/03/2017	220,17	01/04/2020
Total value of dividends								
Total								
MC Nkuhlu								
Nedbank restricted shares	20 334	06/03/2014	209,00	07/03/2017				
	20 334	07/03/2014[2]	209,00	08/03/2017				
	45 939	12/03/2015	255,77	13/03/2018				
	45 922	17/03/2016	190,54	17/03/2019				
					37 126	15/03/2017	249,15	16/03/2020
Compulsory Bonus Share Scheme[1]	8 743	31/03/2014	223,03	01/04/2017	8 743	31/03/2014[3]	232,59	01/04/2017
	8 511	31/03/2015	251,29	01/04/2018				
	11 670	31/03/2016	189,58	01/04/2019				
					7 717	31/03/2017	258,33	01/04/2020
Voluntary Bonus Share Scheme[4]	Own shares	01/04/2014	223,03	02/04/2017	1 345	01/04/2014[3]	232,59	02/04/2017
	Own shares	31/03/2015	251,29	01/04/2018				
	Own shares	31/03/2016	189,58	01/04/2019				
					Own shares	31/03/2017	220,17	01/04/2020
Total value of dividends								
Total								
RK Morathi								
Nedbank restricted shares	33 492	06/03/2014	209,00	07/03/2017				
	27 368	12/03/2015	255,77	13/03/2018				
	39 361	17/03/2016	190,54	17/03/2019				
					32 109	15/03/2017	249,15	16/03/2020
Compulsory Bonus Share Scheme[1]	7 936	31/03/2014	223,03	01/04/2017	7 936	01/04/2017[3]	223,03	01/04/2017
	7 924	31/03/2015	251,29	01/04/2018				
	10 892	31/03/2016	189,58	01/04/2019				
					7 717	31/03/2017	258,33	01/04/2020
Voluntary Bonus Share Scheme[4]	Own shares	01/04/2014	223,03	02/04/2017	1 345	02/04/2017[3]	232,59	02/04/2017
	Own shares	31/03/2015	251,29	01/04/2018				
	Own shares	31/03/2016	189,58	01/04/2019				
Total value of dividends					Own shares	31/03/2017	220,17	01/04/2020
Total								

Awards vesting/lapsing during 2017					Dividends	Closing balance at 31 December 2017		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing[5] (R)	Total value of dividends paid in respect of all plans[6] (R)	Number of restricted shares/ options	End of perfor-mance period	Final vesting/ exercise date
40 804	21 396	232,59	9 490 602	(4 976 496)		50 826	31/12/2017	13/03/2018
						70 851	31/12/2018	17/03/2019
						58 197	31/03/2019	16/03/2020
						16 435	31/12/2017	01/04/2018
32 282		250,93	8 100 522			22 563	31/12/2018	01/04/2019
						14 371	31/12/2019	01/04/2020
2 690		250,93	675 002					
					3 411 061			
			18 266 126	(4 976 496)	3 411 061			
13 340	6 994	232,59	3 102 751	(1 626 734)				
20 334		232,59	4 729 485					
						45 939	31/12/2017	13/03/2018
						45 922	31/12/2018	17/03/2019
						37 126	31/12/2019	16/03/2020
17 486		250,93	4 387 762					
						8 511	31/12/2017	01/04/2018
						11 670	31/12/2018	01/04/2019
						7 717	31/12/2019	01/04/2020
2 690		250,93	675 002					
					2 326 088			
			12 895 000	(1 626 734)	2 326 088			
21 971	11 521	232,59	5 110 235	(2 679 669)				
						39 361	31/12/2018	17/03/2019
						32 109	31/12/2019	16/03/2020
15 872		250,93	3 982 761					
						10 892	31/12/2018	01/04/2018
						7 717	31/12/2019	01/04/2020
2 690		250,93	675 002					
					1 851 417			
			9 767 998	(2 679 669)	1 851 417			

N3 Directors' emoluments (continued)

N3.3 Share-based payments to executive directors and prescribed officers (continued)

Prescribed officers	Opening balance at 1 January 2017				Awards made during 2017			
	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
B Kennedy								
Nedbank restricted shares	16 746	06/03/2014	209,00	07/03/2017				
	16 746	07/03/2014[2]	209,00	08/03/2017				
	22 285	12/03/2015	255,77	13/03/2018				
	14 857	13/03/2015	255,77	14/03/2018				
	23 617	17/03/2016	190,54	17/03/2019				
	15 744	18/03/2016	190,54	18/03/2019				
					20 469	15/03/2017	249,15	16/03/2020
					13 646	16/03/2017	249,15	17/03/2020
Compulsory Bonus Share Scheme[1]	16 141	31/03/2014	223,03	01/04/2017	16 141	01/04/2017[3]	232,59	01/04/2017
	17 609	31/03/2015	251,29	01/04/2018				
	23 730	31/03/2016	189,58	01/04/2019				
					17 713	31/03/2016	258,33	01/04/2020
Voluntary Bonus Share Scheme[4]	Own shares	01/04/2014	223,03	02/04/2017	1 345	01/04/2017[3]	232,59	01/04/2017
	Own shares	31/03/2015	251,29	01/04/2018				
	Own shares	31/03/2016	189,58	01/04/2019				
					Own shares	31/03/2017	220,17	01/04/2020
Total value of dividends								
Total								
C Thomas								
Nedbank restricted shares	10 287	06/03/2014	209,00	07/03/2017				
	10 287	07/03/2014[2]	209,00	08/03/2017				
	10 204	12/03/2015	255,77	13/03/2018				
	6 803	13/03/2015	255,77	14/03/2018				
	14 957	17/03/2016	190,54	17/03/2019				
	9 971	18/03/2016	190,54	18/03/2019				
	14 169	11/08/2016	211,87	11/08/2019				
	9 447	12/08/2016	211,87	12/08/2019				
					18 061	15/03/2017	249,15	16/03/2020
					12 040	16/03/2017	249,15	17/03/2020
Compulsory Bonus Share Scheme[1]	1 486	31/03/2015	251,29	01/04/2018				
	4 564	31/03/2016	189,58	01/04/2019				
					6 919	31/03/2017	258,33	01/04/2020
Voluntary Bonus Share Scheme[4]								
Total value of dividends								
Total								

	Awards vesting/lapsing during 2017					Dividends	Closing balance at 31 December 2017		
	Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing[5] (R)	Total value of dividends paid in respect of all plans[6] (R)	Number of restricted shares/ options	End of perfor- mance period	Final vesting/ exercise date
	10 986	5 760	232,59	2 555 234	(1 339 718)				
	16 746		232,59	3 894 952					
							22 285	31/12/2017	13/03/2018
							14 857	31/12/2017	14/03/2018
							23 617	31/12/2018	17/03/2019
							15 744	31/12/2018	18/03/2019
							20 469	31/12/2019	16/03/2020
							13 646	31/12/2019	17/03/2020
	32 282		250,93	8 100 522					
							17 609	31/12/2016	01/04/2018
							23 730	31/12/2017	01/04/2019
							17 713	31/12/2018	01/04/2020
	2 690		250,93	675 002					
						2 540 402			
				15 225 710	(1 339 718)	2 540 402			
	6 749	3 538	232,59	1 569 750	(822 903)				
	10 287		232,59	2 392 653					
							10 204	31/12/2017	13/03/2018
							6 803	31/12/2017	14/03/2018
							14 957	31/12/2018	17/03/2019
							9 971	31/12/2018	18/03/2019
							14 169	31/12/2018	11/08/2019
							9 447	31/12/2018	12/08/2019
							18 061	31/12/2019	16/03/2020
							12 040	31/12/2019	17/03/2020
	1 486		235,00	349 210					
	2 282		209,66	478 444			2 282	31/12/2017	01/10/2018
	2 306		214,60	494 868			4 613	31/12/2018	01/04/2020
						1 454 227			
				5 284 925	(822 903)	1 454 227			

N3 Directors' emoluments (continued)

N3.3 Share-based payments to executive directors and prescribed officers (continued)

	Opening balance at 1 January 2017				Awards made during 2017			
Prescribed officers	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
I Ruggiero								
Nedbank restricted shares	4 186	06/03/2014	209,00	07/03/2017				
	4 186	07/03/2014[2]	209,00	08/03/2017				
	4 457	12/03/2015	255,77	13/03/2018				
	2 971	13/03/2015	255,77	14/03/2018				
	7 959	12/08/2015	263,84	13/08/2018				
	5 306	13/08/2015	263,84	14/08/2018				
	18 893	17/03/2016	190,54	17/03/2019				
	12 595	18/03/2016	190,54	18/03/2019				
					15 653	15/03/2017	249,15	16/03/2020
					10 435	17/03/2017	249,15	17/03/2020
Compulsory Bonus Share Scheme[1]	3 093	31/03/2014	223,03	01/04/2017	3 093	01/04/2017[3]	232,59	01/04/2017
	3 110	31/03/2015	251,29	01/04/2018				
	7 780	31/03/2016	189,58	01/04/2019				
					5 429	31/03/2017	258,33	01/04/2020
Voluntary Bonus Share Scheme[4]	Own shares	01/04/2014	223,03	02/04/2017	1 265	01/04/2017[3]	232,59	01/04/2017
	Own shares	31/03/2015	251,29	01/04/2018				
	Own shares	31/03/2016	189,58	01/04/2019				
					Own shares	31/03/2017	220,17	01/04/2020
Total value of dividends								
Total								

1 *Matching on the Compulsory Bonus Share Scheme occurs only on shares in the scheme at the vesting date. If CPTs are met, 100% matching occurs, otherwise a 50% matching occurs.*
2 *Restricted-share awards with time-based vesting only.*
3 *Match occurred at one share for each share in the Compulsory Bonus Share Scheme and Voluntary Bonus Share Scheme at the vesting date.*
4 *For the Voluntary Bonus Share Scheme employees invest their own Nedbank shares in the scheme. After three years, if the CPTs are met, a 100% matching occurs, otherwise a 50% matching occurs.*
5 *Value determined based on the number of shares lapsing, multiplied by the market share price on the scheduled vesting date.*
6 *Plans exclude the Voluntary Bonus Share Scheme, which consists of own shares.*

Awards vesting/lapsing during 2017					Dividends	Closing balance at 31 December 2017		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing[5] (R)	Total value of dividends paid in respect of all plans[6] (R)	Number of restricted shares/ options	End of perfor- mance period	Final vesting/ exercise date
2 747	1 439	232,59	638 925	(334 697)				
4 186		232,59	973 622					
						4 457	31/12/2017	13/03/2018
						2 971	31/12/2017	14/03/2018
						7 959	31/12/2017	13/08/2018
						5 306	31/12/2017	14/08/2018
						18 893	31/12/2018	17/03/2019
						12 595	31/12/2018	18/03/2019
						15 653	31/12/2019	16/03/2020
						10 435	31/12/2019	17/03/2020
6 186		250,93	1 552 253					
						3 110	31/12/2017	01/04/2018
						7 780	31/12/2018	01/04/2019
2 530		250,93	634 853			5 429	31/12/2019	01/04/2020
					1 312 938			
			3 799 653	(334 697)	1 312 938			

N4 Preference shareholders' analysis

Register date:	29 December 2017
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	256	4,14	111 777	0,03
1 001–10 000 shares	2 574	41,60	14 288 815	3,99
10 001–100 000 shares	2 911	47,04	94 778 962	26,45
100 001–1 000 000 shares	412	6,66	96 611 132	26,97
1 000 001 shares and over	35	0,56	152 486 805	42,56
Total	6 188	100,00	358 277 491	100,00

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks	6	0,10	326 710	0,09
Close corporations	69	1,12	6 263 062	1,75
Endowment funds	70	1,13	9 927 451	2,77
Individuals	4 055	65,53	92 054 522	25,69
Insurance companies	25	0,40	26 677 659	7,45
Investment companies	6	0,10	12 568 540	3,51
Medical aid schemes	3	0,05	757 322	0,21
Mutual funds	85	1,37	72 932 451	20,36
Nominees and trusts	1 578	25,50	66 834 334	18,65
Other corporations	42	0,68	2 191 008	0,61
Private companies	208	3,36	21 100 449	5,89
Public companies	5	0,08	2 323 800	0,65
Own holdings	1	0,02	37 300 000	10,41
Retirement funds	35	0,56	7 020 183	1,96
Total	6 188	100,00	358 277 491	100,00

Public/non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	16	0,26	52 031 449	14,52
Old Mutual Life Assurance Company (SA) Limited and associates	6	0,10	173 476	0,05
Nedbank Group Limited and associates	10	0,16	51 857 973	14,47
Public shareholders	6 172	99,74	306 246 042	85,48
Total	6 188	100,00	358 277 491	100,00

Beneficial shareholders holding 5% or more	Number of shares	%
Nedbank Group Limited	51 857 973	14,47
Prescient	30 855 879	8,61
Total	82 713 852	23,08

Major managers	Number of shares	Dec 2017 % holding	Dec 2016 % holding
Prescient Investment Management (SA)	41 714 265	11,64	8,92
Nedbank Group Limited	37 300 000	10,41	10,41
Nedgroup Private Wealth Proprietary Limited (SA)	35 752 365	9,98	10,04
Sanlam Investment Management (SA)	22 251 908	6,21	6,12
Investec Securities Proprietary Limited	18 502 595	5,16	4,13
Grindrod Asset Management (SA)	11 795 843	3,29	3,56
Abax Investments (SA)	9 639 792	2,69	2,56
Outsurance Insurance Company Limited (SA)	7 586 720	2,12	2,12
PSG Konsult (SA)	5 343 194	1,49	1,51
STANLIB Asset Management	4 957 866	1,38	1,78
Regent Insurance Company Limited (SA)	4 848 485	1,35	1,35
Ashburton Investments	4 211 909	1,18	1,40
BJM Private Client Services Limited (SA)	4 025 598	1,12	1,10
Sasfin Asset Managers Proprietary Limited	3 864 691	1,08	1,10
Graaff Baronetcy Fund (SA)	3 281 296	0,92	0,92

COMPLIANCE WITH IFRS – FINANCIAL STATEMENT NOTES

Note number	Note description	IFRS required
A1	Principal accounting policies	IAS 1
A2	Key assumptions concerning the future and key sources of estimation	IAS 1
A3	Standards issued but not yet effective	IAS 8
B1	Segmental reporting	IFRS 8
B2	Dividends	IAS 1, IAS 10, and IAS 32
B3	Share capital	IAS 1 and IAS 32
B4	Additional tier 1 capital instruments	IAS 32, IAS 39, IFRS 7 and IFRS 13
B5	Net interest income	IAS 18, IAS 32, IAS 39, IFRS 7 and IFRS 13
B6	Non-interest revenue	IAS 18, IAS 20, IAS 32, IAS 39, IFRS 4, IFRS 7, IFRS 8 and IFRS 13
B7	Total operating expenses	IAS 1, IAS 19, IFRS 2 and IFRS 8
B8.1	Indirect taxation	IAS 1
B8.2	Direct taxation	IAS 12
B8.3	Deferred taxation	IAS 12
B9	Non-trading and capital items	IAS 1, IAS 16 and IAS 36
C1	Loans and advances	IAS 17, IAS 39, IFRS 7, IFRS 8 and IFRS 13
C2	Impairment of loans and advances	IAS 39, IFRS 7 and IFRS 8
C3	Government and other securities	IAS 1,IAS 32, IAS 39, IFRS 7; IFRS 8 and IFRS 13
C4	Other short-term securities	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
C5	Credit analysis of other short-term securities, and government and other securities	IFRS 7
C6	Cash and cash equivalents	IAS 1, IAS 7 and IFRS 7
C7	Derivative financial instruments	IAS 32, IAS 39, IFRS 7 and IFRS 13
D1	Amounts owed to depositors	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
D2	Long-term debt instruments	IAS 32, IAS 39, IFRS 7 and IFRS 13
D3	Contractual maturity analysis for financial liabilities	IFRS 7
E	Managed funds	IAS 1, IFRS 7 and IFRS 13
F1	Investment securities	IAS 32, IAS 39, IFRS 7 and IFRS 13
F2	Investments in private-equity associates, associate companies and joint arrangements	IAS 28, IFRS 11, IFRS 12 and IFRS 13
F3	Investments in subsidiary companies and related disclosure	IAS 27, IFRS 10 and IFRS 12
F4	Interests in structured consolidated and unconsolidated structured entities	IFRS 12
F5	Securitisations	IAS 39, IFRS 7, IFRS 12 and IFRS 13
F6	Related parties	IAS 24
G1	Property and equipment	IAS 16, IAS 36 and IFRS 13
G2	Intangible assets	IAS 38 and IAS 36
H1	Long-term employee benefits	IAS 19 and IFRIC 14
H2	Non-current assets and liabilities held for sale	IFRS 5 and IFRS 13
H3	Other assets	IAS 1, IAS 39, IFRS 7 and IFRS 13
I1	Consolidated statement of financial position – categories of financial instruments	IAS 39 and IFRS 7
I2	Fair-value measurement – financial instruments	IAS 39, IFRS 7 and IFRS 13
I3	Assets and liabilities not measured at fair value for which fair value is disclosed	IAS 39, IFRS 7 and IFRS 13
I4	Financial instruments designated as at fair value through profit or loss	IAS 32, IAS 39, IFRS 7 and IFRS 13
I5	Offsetting financial assets and financial liabilities	IFRS 7 and IAS 32
I6	Collateral	IFRS 7
J	Share-based payments	IFRS 2
K1	Provisions and other liabilities	IAS 37, IAS 32, IAS 39, IFRS 7 and IFRS 13
K2	Contingent liabilities and undrawn facilities	IAS 37 and IAS 10
K3	Commitments	IAS 37, IAS 10, IAS 17 and IFRS 7
L1	Capital management	IAS 1
L2	Liquidity gap	IFRS 7
L3	Interest rate risk in the banking book	IFRS 7
L4	Historical value at risk (99%, one-day) by risk type	IFRS 7
M	Cashflow information	IAS 7
N1	Foreign currency conversion	IAS 21
N2	Events after the reporting period	IAS 10
N4	Preference shareholders' analysis	IAS 1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