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NEDBANK
GROUP

2015
NEDBANK GROUP
**AUDITED
CONSOLIDATED AND
SEPARATE ANNUAL
FINANCIAL
STATEMENTS**

for the year ended 31 December 2015

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RESPONSIBILITY OF OUR DIRECTORS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Nedbank Group Ltd (comprising the statements of financial position at 31 December 2015, the statements of comprehensive income, the statements of changes in equity and statements of cashflows for the year then ended), the segmental reporting and the notes to the financial statements (including a summary of significant accounting policies and other explanatory notes) in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretation Committee (IFRS IC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008 (as amended), and the JSE Listings Requirements. 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 businesses will not be going concerns in the year ahead.

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

APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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



V Naidoo
Chairman

Sandown

1 March 2016



MWT Brown
Chief Executive

CERTIFICATION FROM OUR COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, 71 of 2008 (as amended), I certify that, to the best of my knowledge and belief, Nedbank Group Ltd has filed with the Commissioner all such returns and notices as are required by the Companies Act, 71 of 2008, and that all such returns and notices are true, correct and up to date.



TSB Jali
Company Secretary

Sandown

1 March 2016

Overview

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

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

Composition and governance

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

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

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

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

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

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

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

Internal control

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

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

- identifying and managing material risks within the group and changes to these risk profiles during the year;
- creating and maintaining an effective internal control environment throughout the group;
- demonstrating the necessary respect for the control environment; and
- identifying and correcting weaknesses in systems and internal controls.

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

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

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

Financial reporting process

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

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

The GAC also:

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

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

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

- *Fair value of financial instruments* - The GAC reviewed and discussed reports from the CFO regarding the Investment Committee review of investment valuations and details of critical

valuation judgements applied to the valuation of group treasury and trading instruments. Financial instruments and investments are disclosed in notes 36 and 37 of the financial statements and in the accounting policy discussed in note 1.6.

- *Credit risk provisions* – The GAC reviewed and challenged reports from the Group Credit Committee regarding the level and appropriateness of impairments, provisioning methodologies and related key judgements in determining the impairment balances, and satisfied itself as to the level of impairments.
- *Taxation-related matters* – The GAC reviewed reports from the CFO regarding the tax computation and, where applicable, the judgements made in determining tax accrual and the deferred tax balance. The taxation expense and related balances are disclosed in note 11 to the financial statements.
- *Impairment considerations for goodwill, intangible assets and associate investments* – The GAC reviewed reports from the CFO regarding the annual goodwill impairment assessment, the consideration of impairment applied to certain intangible assets, and related assumptions and judgements as well as the consideration of the indicators of impairment for associate investments. The methodology used by the group for goodwill impairment testing is set out in note 1.8 to the financial statements.
- *Investment in associate accounting* – in 2015 Nedbank held the ETI investment for the full financial year and reported its related associate earnings estimate. The GAC considered management's accounting treatment for the estimate of the earnings from ETI, the assessment of impairment indicators and the resulting impairment assessment. The related disclosures are detailed in note 53 to the financial statements.

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

Update on key focus areas in 2015

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

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

Regulatory reporting processes

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 regulatory reports by the external auditors. The GAC also hosts an annual trilateral meeting with representatives of the Bank Supervision Department of SARB, where, among other things, key external audit findings, internal audit matters and reporting responsibilities in terms of the regulations are discussed.

Internal Audit

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

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

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

External auditors

The GAC is responsible for the appointment, compensation and oversight of the external auditors for the group, namely Deloitte & Touche and KPMG Inc. The GAC has a well-established policy on auditor independence and audit effectiveness. During the period the GAC:

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

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

As part of the assessment of the external auditors' independence, the committee reviewed and approved the Non-audit Services Policy, which governs the types of service that can be performed by the auditors, as well as the value and scope of the non-audit services provided by the auditors. Only those non-audit services that do not affect their independence and entail skills and experience that make them the most appropriate suppliers were approved during the period. As part of the assessment of the external auditors' independence, the committee reviewed and approved the non-audit Services Policy, which governs the types of service that can be performed by the auditors, as well as the value and scope of the non-audit services provided by the auditors. Only those non-audit services that do not affect their independence and entail skills and experience that make them the most appropriate suppliers were approved during the period. During the 2015 financial year it was identified that non-audit service assignments would result in significantly higher non-audit fees compared with the previous year. This was duly assessed by the GAC taking into account the auditors' involvement in the assignment, the auditors' expertise and that the programme is not part of the scope of the statutory or regulatory audits. The GAC, having considered the impact on the auditors' independence, approved the assignment. Fees paid to the auditors are disclosed in note 8 to the annual financial statements.

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

Key focus areas for 2016

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

Annual financial statements and integrated reporting process

The GAC reviewed and discussed the audited annual financial statements with the CFO, the CE, the CRO, Internal Audit and the external auditors. The GAC assessed, and found to be effective and appropriate, the financial reporting process and controls that led to the compilation of the annual financial statements as well as the presentation and disclosure in the annual financial statements with regard to the approved accounting policies, IFRS and the requirements of the Companies Act for fair presentation.

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

The GAC recommended to the board that the annual financial statements and the financial information included in the integrated report be approved. The board subsequently approved the annual financial statements and the integrated report, which will be open for discussion at the forthcoming annual general meeting.



M Wyman

Group Audit Committee Chair

1 March 2016

REPORT FROM OUR DIRECTORS

for the year ended 31 December 2015

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

NATURE OF BUSINESS

Nedbank Group Ltd ('Nedbank Group' or 'the company') is a registered bank controlling company that, through its subsidiaries, provides a wide range of banking and financial services. Nedbank Group maintains a primary listing under 'Banks' on JSE Limited ('the JSE'), with a secondary listing on the Namibian Stock Exchange.

ANNUAL FINANCIAL STATEMENTS

Details of the financial results are set out on pages 10 to 146 of the annual financial statements, which have been prepared under the supervision of the Nedbank Group Chief Financial Officer, Raisibe Morathi, and audited in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretation Committee (IFRS IC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listings Requirements.

INTEGRATED REPORT

The board of directors acknowledges its responsibility to ensure the integrity of this integrated report. The board has accordingly applied its mind to this integrated report and in the opinion of the board the integrated report addresses all material issues, and presents fairly the integrated performance of the organisation and its impacts. The integrated report has been prepared in line with best practice pursuant to the recommendations of the King III Code (principle 9.1).

YEAR UNDER REVIEW

The year under review is fully covered in the 'Reflections from our Chief Executive, Reflections from our Chairman and Reflections from our Chief Financial Officer sections of the group's integrated report.

SHARE CAPITAL

Details of the authorised and issued share capital, together with details of shares issued during the year, appear in note 29.1 to the annual financial statements available at nedbankgroup.co.za.

AMERICAN DEPOSITARY SHARES

At 31 December 2015 Nedbank Group had 2 738 658 (31 December 2014: 2 710 700) American Depositary Shares in issue, through the Bank of New York Mellon as depositary, and trading on the over-the-counter (OTC) markets in the US. Each American depositary share is equal to one ordinary share.

OWNERSHIP

The holding company of Nedbank Group is Old Mutual Life Assurance Company (SA) Ltd and associates, which holds 53,66% of the issued ordinary shares of the company. The ultimate holding company is Old Mutual plc, incorporated in England and Wales. Further details of shareholders appear in note 15 of the separate annual financial statements.

DIVIDENDS

The following dividends were declared in respect of the year ended 31 December 2015:

- Interim ordinary dividend of 537 cents per share (2014: 460 cents per share)
- Final ordinary dividend of 570 cents per share (2014: 568 cents per share).

BORROWINGS

Nedbank Group's borrowing powers are unlimited pursuant to the company's memorandum of incorporation. The details of borrowings appear in note 34 to the annual financial statements available at nedbankgroup.co.za.

DIRECTORS

Biographical details of the current directors appear in the 'Established and admired leadership teams' section of the group's integrated report. Details of directors' and prescribed officers' remuneration and Nedbank Group shares issued to directors and prescribed officers appear in the reporting bank on remuneration section of the group's integrated report.

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

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

In terms of Nedbank Group's memorandum of incorporation, one-third of the directors are required to retire at each Nedbank Group annual general meeting (AGM) and may offer themselves for election or reelection. The rotating directors are firstly those directors appointed since the last shareholders' meeting, and thereafter those longest in office since their last election.

Stanley Subramoney and Bruce Hemphill were appointed by the board of directors subsequent to the AGM held on 11 May 2015 and in terms of the memorandum of incorporation their appointments terminate at the close of the AGM to be held on 5 May 2016. They are available for election.

David Adomakoh, Ian Gladman and Malcolm Wyman are also required to seek reelection at the AGM. The aforementioned directors make themselves available for reelection and separate resolutions will be submitted for approval at the AGM to be held on 5 May 2016.

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

Details of the members of the board who served during the year and at the reporting date are given below:

Name	Position as director	Date appointed as director	Date resigned/retired as director (where applicable)
DKT Adomakoh (Ghanaian)	Independent non-executive director	21 February 2014	
TA Boardman	Independent non-executive director	1 November 2002 (1 March 2010 as non-executive, 1 January 2014 as independent non-executive)	
MWT Brown	Chief Executive	17 June 2004	
BA Dames	Independent non-executive director	30 June 2014	
GW Dempster	Executive director	5 August 2009	11 May 2015
MA Enus-Brey	Non-executive director	16 August 2005	11 May 2015
ID Gladman	Non-executive director	7 June 2012	
PB Hanratty (Irish)	Non-executive director	8 August 2014	
JB Hemphill	Non-executive director	25 November 2015	
RJ Khoza	Chairman and non-executive director	16 August 2005	11 May 2015
PM Makwana	Independent non-executive director	17 November 2011	
MA Matoane	Independent non-executive director	15 May 2014	
NP Mnxasana	Independent non-executive director	1 October 2008	
RK Morathi	Chief Financial Officer and executive director	1 September 2009	
JK Netshitenzhe	Independent non-executive director		5 August 2010
MC Nkuhlu	Chief Operating Officer and executive director		1 January 2015
V Naidoo	Chairman and non-executive director		1 May 2015
JVF Roberts (British)	Non-executive director	1 December 2009	31 October 2015
GT Serobe	Non-executive director	16 August 2005	11 May 2015
S Subramoney	Independent non-executive director	23 September 2015	
MI Wyman (British)	Senior independent director	1 August 2009	

DIRECTORS' INTERESTS

The directors' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative preference shares in Nedbank Ltd at 31 December 2015 (and any movements therein up to the reporting date) are set out in the 'Reporting back on Remuneration' section of the group's integrated 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 3 to 5 and the Report from the Group Transformation, Social and Ethics Committee Chair appears in the group's integrated report.

COMPANY SECRETARY AND REGISTERED OFFICE

As part of the annual board evaluation process, the board of directors has conducted an assessment of the Company Secretary. The results were discussed by the board of directors on 26 February 2016 and the board is satisfied that Mr Jali is suitably competent, qualified and experienced and has adequately and effectively performed the role and duties of a company secretary. Mr Jali has direct access to, and ongoing communication with, the Chairman of the board and the Chairman and the Company Secretary meet regularly through the year. Mr Jali is not a director of the company and the board is satisfied that, as far as is reasonably possible, an arms-length relationship between the Company Secretary and the board is intact.

Details of Mr Jali's qualifications and experience appear in the 'Establish and Admired Leadership Teams' section of the group's integrated report.

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

BUSINESS ADDRESS	REGISTERED ADDRESS	POSTAL ADDRESS
Nedbank Group Ltd	135 Rivonia Road	Nedbank Group Ltd
Nedbank 135 Rivonia Campus, 135 Rivonia Road	Sandown, Sandton 2196	PO Box 1144 Johannesburg, 2000
Sandown, Sandton, 2196		SA

PROPERTY AND EQUIPMENT

There was no material change in the nature of the fixed assets of Nedbank Group or its subsidiaries or in the policy regarding their use during the year.

POLITICAL DONATIONS

Nedbank Group has an established policy of not making donations to any political party.

CONTRACTS AND MATTERS IN WHICH DIRECTORS AND OFFICERS OF THE COMPANY HAVE AN INTEREST

No contracts in which directors and officers of the company had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries were entered into during the year.

Joel Netshitenzhe is an executive director of the Mapungubwe Institute for Strategic Reflection (Mistra). In 2014 Mistra received a grant of R1m (2013: R2m) from the Nedbank Eyethu Community Trust (formed in 2005 as part of Nedbank Group's BEE transaction). The Nedbank Eyethu Community Trust provides funding to charitable or non-profit organisations that qualify. The grant to Mistra was evaluated against the normal criteria for funding by the trust. No grant was received by Mistra in 2015.

DIRECTORS' AND PRESCRIBED OFFICERS' SERVICE CONTRACTS

There are no service contracts with the directors of the company, other than for the Chairman and executive directors as set out below. The directors who entered into these service contracts remain subject to retirement by rotation in terms of Nedbank Group's memorandum of incorporation.

The key responsibilities relating to Vassi Naidoo's position as Chairman of Nedbank Group 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 Mr Brown) under most circumstances.

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

INSURANCE

The group has placed cover in the London insurance market for up to R3,5bn for losses in excess of R50m. Our group captive insurer provides cover for total losses below the R50m level engagement point, retaining R100m, in any one year. Selected insurance covers are placed with the Old Mutual Group.

SUBSIDIARY COMPANIES

Details of principal subsidiary companies are reflected in note 54 to the annual financial statements at nedbankgroup.co.za.

ACQUISITION OF SHARES

As part of the process of terminating components of Nedbank Group's SA black economic empowerment (BEE) transaction introduced in 2005, on 2 March 2015 Nedbank Group repurchased 8 916 159 shares from the Brimstone-Mtha Financial Services Trust, the WIPHOLD Financial Services Number Two Trust, the Nedbank Custodial Retail Trust (formerly the Nedbank Eyethu Retail Trust) and the Nedbank Eyethu Community Trust. The specific repurchase represented 1,79% of shares then in issue. In terms of the JSE Listings Requirements and section 48 of the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), the specific repurchase was approved by shareholders at the general meetings of Nedbank Group held on 22 July 2005 and 13 May 2008 respectively and ratified on 3 May 2013. Full details are set out in the SENS announcement dated 23 February 2015.

No shares in Nedbank Group were acquired by Nedbank Group or by a Nedbank Group subsidiary during the financial year under review in terms of the general authority previously granted by shareholders. Members will be requested to renew the general authority, enabling the company or a subsidiary of the company to repurchase shares.

EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated and separate financial statements of Nedbank Group Ltd set out on pages 10 to 146, which comprise the statements of financial position at 31 December 2015, and the statements of comprehensive income, statements of changes in equity and statements of cashflows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, and specified sections of the remuneration report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

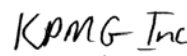
In our opinion these consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Nedbank Group Ltd at 31 December 2015, and its consolidated and separate financial performance and consolidated and separate cashflows for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

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

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

REPORT ON OTHER LEGAL AND REPORTING REQUIREMENTS

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in *Government Gazette* Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Nedbank Group Ltd for 42 years and KPMG Inc has been the auditor of Nedbank Group Ltd for 42 years. We are independent of the group in accordance with the IRBA Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in 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).



KPMG Inc
Registered Auditor

Per Heather Berrange
Chartered Accountant (SA)
Director

KPMG Crescent
85 Empire Road
Parktown, Johannesburg
2193

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

Sandown
1 March 2016



Deloitte & Touche
Registered Auditor

Per Mgcinisihlalo Jordan
Chartered Accountant (SA)
Partner

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December

	Accounting policy	Notes	2015 Rm	2014 Rm
Interest and similar income	1.24	5	60 289	52 619
Interest expense and similar charges	1.24	6	36 404	29 658
Net interest income			23 885	22 961
Impairments charge on loans and advances	1.6	19.1	4 789	4 506
Income from lending activities			19 096	18 455
Non-interest revenue	1.19, 1.22, 1.24	7	21 748	20 312
Operating income			40 844	38 767
Total operating expenses	1.24	8	26 110	24 534
Indirect taxation		9	783	635
Profit from operations before non-trading and capital items			13 951	13 598
Non-trading and capital items		10	(141)	(109)
Fair-value adjustments of investment properties	1.11	25.1		6
Profit from operations			13 810	13 495
Share of profits of associate companies and joint arrangements	1.3	22.1	871	161
Profit before direct taxation			14 681	13 656
Direct taxation	1.7	11.1	3 519	3 468
Profit for the year			11 162	10 188
Other comprehensive income net of taxation			2 149	647
Items that may subsequently be reclassified to profit or loss				
- Exchange differences on translating foreign operations	1.4		3 203	390
- Share of other comprehensive income of investments accounted for using the equity method	1.3		(1 572)	
- Fair-value adjustments on available-for-sale assets	1.6		(4)	21
Items that may not subsequently be reclassified to profit or loss				
- Gains on property revaluations	1.10		167	202
- Remeasurements on long-term employee benefit assets	1.9		298	34
- Share of other comprehensive income of investments accounted for using the equity method	1.3		57	
Total comprehensive income for the year			13 311	10 835
Profit attributable to:				
- Equity holders of the parent	1.3		10 721	9 796
- Non-controlling interest - ordinary shareholders	1.3		70	69
- Non-controlling interest - preference shareholders	1.3		371	323
			11 162	10 188
Total comprehensive income attributable to:				
- Equity holders of the parent	1.3		12 820	10 431
- Non-controlling interest - ordinary shareholders	1.3		120	81
- Non-controlling interest - preference shareholders	1.3		371	323
Total comprehensive income for the year			13 311	10 835
Basic earnings per share (cents)		12.1	2 261	2 109
Diluted earnings per share (cents)		12.1	2 219	2 049

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December

	Accounting policy	Notes	2015 Rm	2014 Rm
Assets				
Cash and cash equivalents	1.5, 1.6	14	22 840	13 339
Other short-term securities	1.6	15	75 614	67 234
Derivative financial instruments	1.6	16	30 488	15 573
Government and other securities	1.6	17	43 060	27 177
Loans and advances	1.6	18	681 632	613 021
Other assets	1.6	20	8 984	8 715
Current taxation assets	1.7		1 032	291
Investment securities	1.6	21	13 155	20 029
Non-current assets held for sale	1.12	23	2	16
Investments in private-equity associates, associate companies and joint arrangements	1.3, 1.6	22	9 579	7 670
Deferred taxation assets	1.7	24	227	309
Investment property	1.11	25	32	130
Property and equipment	1.10, 1.20	26	8 784	7 773
Long-term employee benefit assets	1.9	27	5 055	4 546
Mandatory reserve deposits with central banks	1.5, 1.6	14	16 232	14 911
Intangible assets	1.3, 1.8, 1.13	28	9 010	8 579
Total assets			925 726	809 313
Equity and liabilities				
Ordinary share capital	1.16, 1.17	29.1	477	466
Ordinary share premium	1.16		17 569	16 781
Reserves	1.4, 1.15		56 708	49 777
Total equity attributable to equity holders of the parent			74 754	67 024
Non-controlling interest attributable to:				
– Ordinary shareholders	1.3		436	326
– Preference shareholders	1.3	29.2	3 561	3 561
Total equity			78 751	70 911
Derivative financial instruments	1.6	16	33 628	15 472
Amounts owed to depositors	1.6	30	725 851	653 450
Provisions and other liabilities	1.6, 1.14	31	23 240	13 788
Current taxation liabilities	1.7		412	134
Deferred taxation liabilities	1.7	24	1 182	931
Long-term employee benefit liabilities	1.9	27	3 074	3 071
Investment contract liabilities	1.6, 1.18	32	10 988	11 747
Insurance contract liabilities	1.6, 1.19	33	3 618	4 171
Long-term debt instruments	1.6	34	44 982	35 638
Total liabilities			846 975	738 402
Total equity and liabilities			925 726	809 313

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency translation reserve ¹	
Balance at 31 December 2013	461 193 459	461	16 343	1 237	
Shares issued in terms of employee incentive schemes	3 670 463	4	767		
Shares delisted ⁷	(14 715 049)	(15)	1 598		
Treasury shares no longer held by group entities ⁷	14 715 049	15	(1 598)		
Shares (acquired)/no longer held by group entities and BEE trusts ⁷	778 996	1	(329)		
Acquisition of additional shareholding in subsidiary					
Preference share dividends paid					
Dividends to shareholders					
Total comprehensive income for the year					378
Transfer (from)/to reserves					
Share-based payments reserve movement					
Regulatory risk reserve provision					
Preference shares no longer held by group entities					
Other movements					
Balance at 31 December 2014	465 642 918	466	16 781	1 615	
Shares issued in terms of employee incentive schemes	3 332 101	3	843		
Shares delisted ⁷	(8 916 159)	(9)	(327)		
Shares (acquired)/no longer held by group entities and BEE trusts ⁷	16 496 927	17	272		
Preference share dividends paid					
Dividends to shareholders					
Total comprehensive income for the year					1 723
Transfer (from)/to reserves					(20)
Share-based payments reserve movement					
Other movements					
Balance at 31 December 2015	476 555 787	477	17 569	3 318	

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 payments 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.

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

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

⁶ This represents the accumulated profits after distributions to shareholders and appropriation of retained earnings to other non-distributable earnings.

⁷ This includes shares acquired by group entities and BEE trusts of R751m (2014: R749m) less shares that vested and are no longer held of R527m (2014: R421m), less shares issued to BEE schemes of R177m (2014: Rnil).

All movements are reflected net of taxation.

Reserves						Total equity attributable to equity holders of the parent	Non-controlling interest attributable to ordinary shareholders	Non-controlling interest attributable to preference shareholders	Total equity
Property revaluation reserve ²	Share-based payments reserve ³	Other non-distributable reserves ⁴	Available-for-sale reserve ⁵	Other distributable reserves ⁶					
1 577	1 523	147	158	39 171	60 617	246	3 473	64 336	
					771			771	
					1 583			1 583	
					(1 583)			(1 583)	
				21	(307)			(307)	
					-	8		8	
					-		(323)	(323)	
				(4 643)	(4 643)	(9)		(4 652)	
202			21	9 830	10 431	81	323	10 835	
(38)	(20)	13	(1)	46	-			-	
	151				151			151	
		7			7			7	
					-		88	88	
				(3)	(3)			(3)	
1 741	1 654	167	178	44 422	67 024	326	3 561	70 911	
					846			846	
					(336)			(336)	
				(575)	(286)			(286)	
					-		(371)	(371)	
				(5 395)	(5 395)	(10)		(5 405)	
167			(144)	11 074	12 820	120	371	13 311	
(23)	(424)	32	1	434	-			-	
	82				82			82	
				(1)	(1)			(1)	
1 885	1 312	199	35	49 959	74 754	436	3 561	78 751	

CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December

	Notes	2015 Rm	2014 Rm
Cash generated by operations	35.1	22 455	21 332
Cash received from clients	35.2	81 978	72 826
Cash paid to clients, employees and suppliers	35.3	(60 704)	(52 527)
Dividends received on investments		44	92
Recoveries on loans previously written off		1 137	941
Change in funds for operating activities		(13 602)	(11 231)
Increase in operating assets	35.4	(114 266)	(62 820)
Increase in operating liabilities	35.5	100 664	51 589
Net cash from operating activities before taxation		8 853	10 101
Taxation paid	35.6	(4 400)	(4 283)
Cashflows from operating activities		4 453	5 818
Cashflows from/(utilised by) investing activities		2 867	(9 455)
Acquisition of property and equipment, computer software and development costs and investment property		(2 867)	(2 483)
Disposal of property and equipment, computer software and development costs and investment property		43	61
Disposal/(Acquisition) of non-current assets held for sale		14	(4)
Disposal of investment banking assets		15	13
Acquisition of private-equity associates, associate companies and joint arrangements		(1 121)	(6 541)
Disposal of private-equity associates, associate companies and joint arrangements		83	133
Acquisition of other investments		(5 126)	(5 587)
Disposal of other investments		11 826	4 953
Cashflows from/(utilised by) financing activities		3 802	(2 132)
Net proceeds from issue of ordinary shares		224	464
Issue of long-term debt instruments		19 814	7 005
Redemption of long-term debt instruments		(10 470)	(4 635)
Dividends paid to ordinary shareholders	35.7	(5 395)	(4 643)
Preference share dividends paid		(371)	(323)
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)		(300)	(54)
Net increase/(decrease) in cash and cash equivalents		10 822	(5 823)
Cash and cash equivalents at the beginning of the year ¹		28 250	34 073
Cash and cash equivalents at the end of the year¹	14	39 072	28 250

¹ Including mandatory reserve deposits with central banks.

SEGMENTAL REPORTING

for the year ended 31 December

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

Nedbank Corporate and Investment Banking

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

Nedbank Retail and Business Banking

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

Nedbank Wealth

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

Rest of Africa

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

Centre

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

SEGMENTAL REPORTING (continued)
for the year ended 31 December

	Nedbank Group		Nedbank Corporate and Investment Banking		Nedbank Retail and Business Banking		
	2015	2014	2015	2014	2015	2014	
Statement of financial position (Rm)							
Assets							
Cash and cash equivalents	39 072	28 250	12 910	6 054	3 161	2 932	
Other short-term securities	75 614	67 234	35 005	29 414			
Derivative financial instruments	30 488	15 573	30 102	15 499			
Government and other securities	43 060	27 177	24 950	16 010	3 839	377	
Loans and advances	681 632	613 021	355 784	305 158	279 929	268 882	
Other assets	55 860	58 058	11 816	9 106	5 631	5 888	
Total assets	925 726	809 313	470 567	381 241	292 560	278 079	
Equity and liabilities							
Total equity	78 751	70 911	23 096	17 497	26 924	27 565	
Average allocated capital	69 417	63 306	23 096	17 497	26 924	27 565	
Non-controlling interest	3 997	3 887					
Other equity ²	5 337	3 718					
Derivative financial instruments	33 628	15 472	32 987	15 429			
Amounts owed to depositors	725 851	653 450	346 868	319 400	248 135	224 103	
Provisions and other liabilities	42 514	33 842	18 176	8 184	3 686	3 373	
Long-term debt instruments	44 982	35 638	1 563	1 159	6 816	1 775	
Intergroup liabilities	-	-	47 877	19 572	6 999	21 263	
Total equity and liabilities	925 726	809 313	470 567	381 241	292 560	278 079	
Statement of comprehensive income (Rm)							
Net interest income	23 885	22 961	6 781	5 919	15 955	15 216	
Impairments charge on loans and advances	4 789	4 506	1 188	506	3 212	3 771	
Income from lending activities	19 096	18 455	5 593	5 413	12 743	11 445	
Non-interest revenue	21 748	20 312	6 508	5 462	10 972	10 530	
Operating income	40 844	38 767	12 101	10 875	23 715	21 975	
Total operating expenses	26 110	24 534	5 105	4 664	17 077	16 076	
Indirect taxation	783	635	78	74	302	243	
Profit from operations	13 951	13 598	6 918	6 137	6 336	5 656	
Share of profits/(losses) of associate companies and joint arrangements	871	161	(1)	12			
Profit before direct taxation	14 822	13 759	6 917	6 149	6 336	5 656	
Direct taxation	3 550	3 487	1 702	1 409	1 781	1 562	
Profit/(Loss) after direct taxation	11 272	10 272	5 215	4 740	4 555	4 094	
Profit attributable to non-controlling interest:							
- Ordinary shareholders	70	69	7	13			
- Preference shareholders	371	323			95	63	
Headline earnings/(loss)	10 831	9 880	5 208	4 727	4 460	4 031	
Selected ratios							
Average interest-earning banking assets (Rm)	724 080	652 194	342 898	310 902	325 997	306 401	
Return on total assets (%) ³	1,25	1,27	1,24	1,24	1,57	1,49	
Return on ordinary shareholders' equity (%)	15,7	15,8	22,6	27,0	16,6	14,6	
Net interest income to average interest-earning banking assets (%)	3,30	3,52	1,98	1,90	4,89	4,97	
Non-interest revenue to total income (%)	47,7	46,9	49,0	48,0	40,7	40,9	
Non-interest revenue to total operating expenses (%)	83,3	82,8	127,5	117,1	64,3	65,5	
Credit loss ratio - banking advances (%)	0,77	0,79	0,40	0,19	1,14	1,39	
Efficiency ratio	56,1	56,5	38,4	41,0	63,4	62,4	
Effective taxation rate (%)	24,0	25,3	24,6	22,9	28,1	27,6	
Contribution to group economic profit	2 525	2 112	2 205	2 365	960	310	
Number of employees (permanent staff)	31 312	30 499	2 728	2 788	20 921	20 373	

¹ Includes all group eliminations.

² Other equity includes the variance between actual equity and average allocated capital.

³ Includes the elimination of intercluster balances.

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

	Nedbank Wealth		Rest of Africa		Centre ¹	
	2015	2014	2015	2014	2015	2014
	1 774	934	4 438	3 328	16 789	15 002
	15 161	9 943	1 801	1 849	23 647	26 028
	5	1	76	24	305	49
			327	336	13 944	10 454
	28 206	24 819	16 515	14 073	1 198	89
	16 176	21 912	9 784	7 818	12 453	13 334
	61 322	57 609	32 941	27 428	68 336	64 956
	2 734	2 830	6 799	3 549	19 198	19 470
	2 734	2 830	6 799	3 549	9 864	11 865
					3 997	3 887
					5 337	3 718
	10	4	172	47	459	(8)
	34 083	26 122	21 208	17 058	75 557	66 767
	16 884	17 626	808	876	2 960	3 783
			5	4	36 598	32 700
	7 611	11 027	3 949	5 894	(66 436)	(57 756)
	61 322	57 609	32 941	27 428	68 336	64 956
	766	628	740	898	(357)	300
	39	41	201	35	149	153
	727	587	539	863	(506)	147
	3 593	3 399	819	768	(144)	153
	4 320	3 986	1 358	1 631	(650)	300
	2 730	2 484	1 526	1 256	(328)	54
	95	102	29	30	279	186
	1 495	1 400	(197)	345	(601)	60
			872	149		
	1 495	1 400	675	494	(601)	60
	361	358	(79)	85	(215)	73
	1 134	1 042	754	409	(386)	(13)
			63	52		4
					276	260
	1 134	1 042	691	357	(662)	(277)
	39 612	32 351	20 934	18 920	(5 361)	(16 380)
	1,84	1,91	2,31	1,58		
	41,5	36,8	10,2	10,1		
	1,93	1,94	3,53	4,75		
	82,4	84,4	52,5	46,1		
	131,6	136,9	53,7	61,2		
	0,15	0,17	1,25	0,23		
	62,6	61,7	62,8	69,2		
	24,1	25,6	(11,7)	17,2		
	778	660	(193)	(122)	(1 225)	(1 101)
	2 107	2 119	1 812	1 605	3 744	3 614

Depreciation costs of R1 027m (2014: R946m) and amortisation costs of R783m (2014: R719m) for property, equipment, computer software, capitalised development and other intangible assets are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

1 PRINCIPAL ACCOUNTING POLICIES

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

1.1 Basis of preparation

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

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

The financial information presented in the consolidated financial statements comprises that of the parent company, Nedbank Group Ltd, together with its subsidiaries, including consolidated structured entities, joint arrangements and associates, presented as a single entity ('the group'). The financial information presented in the separate financial statements comprises that of the parent company, Nedbank Group Ltd ('the company').

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

1.2 Accounting policy elections

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

Asset/Liability	Option	Election and implication	Accounting policy
Property and equipment	<ul style="list-style-type: none"> IAS 16 permits the use of the cost or revaluation model for the subsequent measurement of property and equipment. 	<ul style="list-style-type: none"> Land and buildings are stated at revalued amounts, being fair value less subsequent depreciation and impairment. Revaluation surpluses are recognised directly in equity, through other comprehensive income. When the property is disposed of, the cumulative revaluation surplus is transferred directly to retained income. Computer equipment, furniture and other equipment and vehicles are carried at cost less accumulated depreciation. 	1.10
Investment in venture capital divisions	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> In venture capital divisions the group has elected to carry associate and joint-venture entities at fair value through profit and loss under IAS 39. 	1.3
Financial instruments	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The group has elected to designate certain fixed-rate financial assets and liabilities at fair value through profit and loss to reduce the accounting mismatch. Regular-way purchases or sales of financial assets are recognised and derecognised using trade date accounting. 	1.6
Investment properties	<ul style="list-style-type: none"> IAS 40 permits the use of the cost or revaluation model for the subsequent measurement of investment properties. 	<ul style="list-style-type: none"> The group has elected to recognise all investment properties at fair value with changes in fair value recognised in profit and loss for the period. 	1.11
Investments in subsidiaries, associate companies and joint arrangements	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The group has elected to recognise these investments at cost less impairments in the separate financial statements. 	1.3

1.3 Group accounting

Subsidiary undertakings and consolidated structured entities

Subsidiary undertakings are those entities, including unincorporated entities such as trusts and partnerships that are controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The group is considered to have power over an entity when it has existing rights that give it the current ability to direct the relevant activities of the entity. The group is exposed, or has rights, to variable returns from its involvement with the entity when the investor's returns from its involvement have the potential to vary as a result of the entity's performance. The group considers all facts and circumstances relevant to its involvement with an entity to evaluate whether control exists. The group assesses any changes to the facts and circumstances relevant to the entity and reassesses the consolidation requirements on a continuous basis.

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

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

Subsidiaries include structured entities that are designed so that 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.

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

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

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

At each reporting date the group determines whether there is objective evidence that the investments in associates are impaired. Objective evidence of impairment for an associate investment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the

issuer operates, and indicates that the cost of the associate investment may not be recovered. A significant or prolonged decline in the fair value of an associate investment below its cost is also considered objective evidence of impairment. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology described in 1.13.

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

Joint arrangements

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

- Joint operation – when the group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation, in accordance with the applicable IFRS;
- Joint venture – when the group has rights only to the net assets of the arrangement, it accounts for its interest using the equity method as described in the associate's accounting policy.

Sponsored entities

Where the group does not have an interest in an unconsolidated structured entity, the group will assess whether it sponsors the specific structured entity. The group will sponsor such an entity is 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 1.13.

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 value of the assets 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 transactions or accounts 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.

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.

1.3 Group accounting (continued)

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

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

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

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

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

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

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

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

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

Goodwill

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

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

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

1.4 Foreign currency translation

Foreign currency transactions

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

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

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

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

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

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

Investments in foreign operations

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

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

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

1.5 Cash and cash equivalents

Cash and cash equivalents represent 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.

1.6 Financial instruments

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

This accounting policy should be read in conjunction with the group's categorised statement of financial position, the group's risk management policies and note 37.1.

Initial recognition

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

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

Initial measurement

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

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

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

Categories of financial instruments

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

■ *Financial instruments at fair value through profit or loss*

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

The group classifies instruments as held for trading if they have been acquired or incurred principally for the purpose of sale or repurchase in the near term, they are part of a portfolio of identified financial instruments for which there is evidence of a recent actual pattern of short-term 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 fair value through profit or loss are those that meet any one of the following conditions:

- the fair value through profit or loss 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; or
- a contract contains one or more embedded derivatives that require separation from the host contract or a derivative that significantly modifies the cashflows of the host contract.

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

■ *Non-trading financial liabilities*

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

■ *Held-to-maturity financial assets*

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

■ *Loans and receivables*

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

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

1.6 Financial instruments (continued)

■ *Available-for-sale financial assets*

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

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

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

Derivative financial instruments and hedge accounting

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

■ *Derivatives that qualify for hedge accounting*

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

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

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

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

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

■ *Fair-value hedges*

Where a hedging relationship is designated as a fair-value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Fair-value gains and losses arising on the remeasurement of both the hedging instrument and the hedged item are recognised in 'net interest income', for so long as the hedging relationship is effective. Any hedge ineffectiveness is recognised in profit and loss in non-interest revenue. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair-value hedge accounting, or the designation is revoked, then hedge accounting is discontinued.

■ *Derivatives that do not qualify for hedge accounting*

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

Embedded derivatives

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

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- 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 separately to measure the fair value of the embedded derivative, either at acquisition or at a subsequent financial reporting date, the entire hybrid instrument is categorised as at fair value through profit or loss and measured at fair value.

Measurement basis of financial instruments

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

■ *Amortised cost*

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

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

■ *Fair value*

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

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

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

For a detailed discussion of the fair value of financial instruments refer to note 37.1.

Impairment of financial assets

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

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

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

■ *Assets carried at amortised cost*

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

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

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

■ *Available-for-sale financial assets*

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

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

■ *Maximum credit risk*

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

Derecognition

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

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

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

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

Securitisations

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

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

1.6 Financial instruments (continued)

Offsetting financial instruments and related income

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

Collateral

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

Cash collateral is recognised when the group receives the cash and is reported as amounts received from depositors. Collateral is also given to counterparties under certain financial arrangements, but such assets are not derecognised where the group retains the risks and rewards of ownership. Such assets are at risk to the extent that the group is unable to fulfil its obligations to counterparties. For a detailed discussion on collateral see note 49.

Sale and repurchase agreements and lending of securities

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

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

Acceptances

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

Financial-guarantee contracts

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

Issued financial-guarantee contracts are recognised as insurance contracts and are measured at the best estimate of the expenditure

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

1.7 Taxation

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

Current taxation

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

Deferred taxation

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

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

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

Deferred taxation is not recognised for the following temporary differences:

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

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

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities against current taxation assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation

entities, but they intend to settle current tax liabilities and assets on a net basis or their taxation assets and liabilities will be realised simultaneously.

1.8 Intangible assets

Goodwill and goodwill impairment

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

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

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

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

Amortisation of computer software and development costs is charged to profit or loss on a straight-line basis over the estimated useful lives of these assets, which do not exceed five years and are reviewed annually. Subsequent expenditure relating to computer software is capitalised

only when it increases the future economic benefits embodied in the specific asset, in its current condition, to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. The profit or loss on the disposal of computer software is recognised in non-trading and capital items (in profit or loss). The profit or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.

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

Contractual client relationships

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

1.9 Employee benefits

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

Defined-benefit plans

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

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

Gains or losses resulting from remeasurements are recognised immediately in other comprehensive income. Remeasurements include actuarial gains and losses, returns 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.

1.9 Employee benefits (continued)

Short-term employee benefits

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

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

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

1.10 Property and equipment

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

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

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

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

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

Depreciation

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Items of property and equipment that are classified as held for sale in terms of IFRS 5 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.

1.11 Investment properties

Investment properties comprise real estate held for earning rentals and/or for capital appreciation. This does not include real estate held for use in the supply of services or for administrative purposes. Investment properties are initially measured at cost plus any directly attributable expenses.

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

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

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

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

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

This accounting policy should be read in conjunction with note 25.

1.12 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.14 Provisions

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

Reimbursements

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

Onerous contracts

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

Future operating costs or losses are not provided for.

1.15 Share-based payments

Equity-settled share-based payment transactions with employees

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

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

Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for the equity instruments, will be received 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.

1.15 Share-based payments (continued)

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.

1.16 Share capital

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

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

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

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

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

1.17 Treasury shares

When the group acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Shares

repurchased by the issuing entity are cancelled. Shares repurchased by group entities are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted-average number of shares and the cost price of the shares is presented as a deduction from total equity. The par value of the shares is presented as a deduction from ordinary share capital and the remainder of the cost is presented as a deduction from ordinary share premium. Dividends received on treasury shares are eliminated on consolidation.

1.18 Investment contracts

Investment contract liabilities

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

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

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

Revenue on investment management contracts

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

Contribution income relating to investment contracts

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

Benefits relating to investment contracts

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

1.19 Insurance contracts

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

Policy liabilities

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

Linked products

Linked products are investment-related products where the risk and reward of the underlying investment portfolio accrue to the policyholder. Linked products, which provide for returns based on the change in the value of the underlying instruments and market indicators, are initially

recorded at cost. These products are revalued at year-end using discounted-cashflow analysis, closing market values and index values based on the observation dates stated in the underlying investment agreements. Valuations are adjusted for the effects of changes in foreign exchange rates. Actuarial liabilities of these linked products are stated at the same value as the underlying investments.

1.20 Leases

The group as lessee

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

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

The group as lessor

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

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

Recognition of lease of land

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

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

classified as a finance lease, unless it is clear that both elements are operating leases.

1.21 Borrowing costs

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

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

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

1.22 Government grants

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

1.23 Client loyalty

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

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

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

1.24 Revenue and expenditure

Interest income and expense

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

1.24 Revenue and expenditure (continued)

Non-interest revenue

■ Fees and commissions

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

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

■ Dividend income

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

■ Net trading income

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

■ Income from investment contracts

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

■ Other

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

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

Profit from operations before non-trading and capital items

Non-trading and capital items and fair-value adjustments of investment properties are separately disclosed on the face of the statement of comprehensive income, being remeasurements excluded from the calculation of headline earnings per share in accordance with the guidance contained in South African Institute of Chartered Accountants (SAICA) Circular 2/2015: Headline Earnings. The principal items that will be included under these measures are: gains and losses on the sale of subsidiaries and available-for-sale financial assets; gains and losses on the sale of property and equipment; impairment of property and equipment and intangible assets; and fair-value adjustments of investment properties (other than those arising from the investment properties held by the group's life insurance subsidiaries).

1.25 Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues, the operating results of which 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 detail of which can be found in the segmental reporting section.

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

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

2 STANDARDS AND INTERPRETATIONS

2.1 Significant standards and interpretations issued and not yet effective

IFRS 9 Financial Instruments

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

■ *Classification and measurement*

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

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

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

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

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

For financial liabilities designated as at fair value through profit or loss a further requirement is that all changes in the fair value of financial liabilities attributable to changes in the entity's own credit risk are recognised in OCI. Where the financial liability is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss; however, it may be reclassified within equity. The group currently provides note disclosure in respect of the change in fair value due to credit risk of the group's financial liabilities designated at fair value through profit or loss in note 38.2.

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

■ *Impairments: IFRS 9's expected credit loss model*

Impairments in terms of IFRS 9 will be determined based on an expected credit loss model rather than the current incurred loss model required by IAS 39. Entities are required to recognise an allowance for either 12-month or lifetime expected credit losses (ECLs), depending on whether there has been a significant increase in credit risk since initial recognition. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The aforementioned probability-weighted outcome must consider the

possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is low.

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

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

■ *Hedge accounting*

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

IFRS 16 Leases

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

The group as lessee

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

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the income statement.

The group as lessor

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

2 STANDARDS AND INTERPRETATIONS (continued)

2.1 Significant standards and interpretations issued and not yet effective (continued)

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

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

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

The group's accounting policies are set out in note 1 of the annual financial statements. Certain of these policies, as well as estimates made by management, are considered to be important 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. The following accounting policies include estimates that are particularly sensitive in terms of judgements and the extent to which estimates are used. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has agreed the accounting policies and critical accounting estimates with the board and Nedbank Group Audit Committee.

3.1 Allowances for loan impairment and other credit risk provisions

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

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

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

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

For larger exposures impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the

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

3.2 Fair value of financial instruments

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

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

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

Details of the processes, procedures and assumptions used in the determination of fair value are discussed in note 37.1 to the financial statements. In particular, the areas that involve the greatest amount of judgement and complexity include the following:

- assessing whether instruments are trading with sufficient frequency and volume, 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; and
- the inclusion of own credit risk in the calculation of the fair value of financial liabilities.

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

3.3 Investment in Ecobank Transnational Incorporated (ETI)

As in previous financial years, one of the group's associate investments (ETI) will report results for the year ended 31 December 2015 subsequent to the release of the group's audited consolidated financial statements. Therefore, as allowed by IAS 28, the group uses the most recent public information of ETI as at 30 September 2015 (ie a quarter in arrears) to determine its share of ETI's earnings. In addition, as required by IAS 28, the group considers whether adjustments for significant transactions or events between 30 September 2015 and 31 December 2015 are required based on publicly available information. The resulting equity-accounted earnings is translated from US dollar to rand at the average exchange rate applicable for the quarter in which the group accounts for the earnings.

The group's share of the net assets of ETI is translated from US dollar to rand at the closing exchange rate.

After application of the equity method, an entity determines whether there are indicators of impairment in terms of IAS 39. If impairment is indicated, the amount to be recognised as an impairment loss is calculated by reference to IAS 36. In terms of IAS 39 indicators of impairment include a significant or prolonged decline in the fair value of an associate below its carrying value. In addition, information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate operates are also indicators that the carrying value of the associate may not be recovered.

The group has concluded that, while the market value based on the share price of ETI is below its carrying value, this decline is neither significant nor prolonged. However, recent macroeconomic events in the countries in which ETI operates have been considered and it has been determined that an indicator of potential impairment exists as at 31 December 2015.

Where an indicator of impairment exists, the impairment test compares the estimated recoverable amount and the carrying value of the investment. The recoverable amount is the higher of its fair value less costs of disposal or its value in use. If the recoverable amount is lower than the carrying value, the carrying value is impaired to the recoverable amount, with the resulting impairment loss reported within other operating expenses. As ETI's recoverable amount, based on the value-in-use calculation, as at 31 December 2015 exceeds the carrying value, no impairment loss has been recognised.

3.4 Derecognition, securitisations and structured entities

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

The group sponsors the formation of structured entities primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions, for asset financing and for buying or selling credit protection. The group consolidates structured entities it controls in terms of IFRS guidance. Where it is difficult to determine whether the group controls a structured entity, the group makes judgements, in terms of IFRS guidance, about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the structured entity in question. In arriving at judgements, these factors are considered both jointly and separately. Further information in respect of those securitisations, consolidated into the group financial statements, can be found in note 45 to the financial statements.

3.5 Goodwill

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

Detailed calculations may need to be carried out, taking into consideration changes in the market in which a business operates (eg competitive activity and regulatory change). In the absence of readily available market price data this calculation is based on discounting expected pretax cashflows at a risk-adjusted interest rate appropriate to the operating unit, the determination of both of which requires the exercise of judgement. The estimation of pretax cashflows is sensitive to the periods

for which detailed forecasts are available and to assumptions regarding the long-term sustainable cashflows. While forecasts are compared with actual performance and external economic data, expected cashflows naturally reflect management's view of future performance.

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

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

3.6 Intangible assets other than goodwill

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

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

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

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

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

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

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

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

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

3.7 Employee benefits

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

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

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

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

3.8 Income taxes

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

3.9 Financial risk management

The group's risk management policies and procedures are disclosed in the 'Worldclass risk management' section of the group's integrated report, available at nedbank.co.za. These risk management procedures include, but are not limited to, credit risk, securitisation risk, liquidity risk, interest rate risk in the banking book and market risk.

4 CAPITAL MANAGEMENT

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

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

The Group Capital Management Division is housed within the Balance Sheet Management Cluster, which 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 (Group ALCO), respectively.

Capital, reserves and long-term debt instruments

The group's Capital Management Framework, policies and processes cover the group's capital and reserves as per the consolidated statement of changes in equity, as well as the long-term debt instruments per note 34.

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

5 INTEREST AND SIMILAR INCOME

	2015 Rm	2014 Rm
Home loans (including properties in possession)	11 651	10 764
Commercial mortgages	11 576	9 811
Finance lease and instalment debtors	9 996	8 942
Credit cards	1 949	1 712
Overdrafts	1 553	1 432
Term loans	10 871	10 009
Personal loans	4 181	4 318
Other term loans	6 690	5 691
Government and other securities	3 441	3 581
Interest on government and other securities	3 437	3 581
Fair-value adjustments on hedged items (refer to note 16.5)	(20)	(3)
Fair-value adjustments on hedging instruments (refer to note 16.5)	24	3
Short-term funds and securities	3 620	2 487
Other loans	5 632	3 881
	60 289	52 619
Interest and similar income may be analysed as follows:		
- Interest and similar income from financial instruments not at fair value through profit and loss	51 783	43 838
- Interest and similar income from financial instruments at fair value through profit or loss	8 506	8 781
	60 289	52 619

6 INTEREST EXPENSE AND SIMILAR CHARGES

Deposit and loan accounts	21 013	18 410
Current and savings accounts	707	672
Negotiable certificates of deposit	6 192	5 138
Other interest-bearing liabilities	4 915	2 594
Long-term debt instruments	3 577	2 844
	36 404	29 658
Interest expense and similar charges may be analysed as follows:		
- Interest expense and similar charges from financial instruments not at fair value through profit and loss	33 883	26 501
- Interest expense and similar charges from financial instruments at fair value through profit or loss	2 521	3 157
	36 404	29 658

An unaudited margin analysis of the interest income and interest expense by asset and liability category is presented in the 'Additional information not covered by the auditor's report' section.

7 NON-INTEREST REVENUE

	2015 Rm	2014 Rm
Commission and fee income ¹	15 627	14 570
Administration fees	899	733
Cash-handling fees	883	882
Insurance commission	679	624
Exchange commission	522	456
Other fees	2 587	2 342
Guarantee income	187	174
Card income	3 272	2 996
Service charges	3 706	3 497
Other commission	2 892	2 866
Insurance income (note 7.2)	1 830	1 986
Fair-value adjustments (note 7.1)	(9)	35
Fair-value adjustments	(99)	73
Fair-value adjustments – own debt	90	(38)
Net trading income	3 167	2 648
Foreign exchange	1 306	1 202
Debt securities	1 545	1 194
Equities	296	227
Commodities	20	25
Private-equity income	886	762
Securities dealing – realised	394	350
Securities dealing – unrealised	(157)	(11)
Dividends received	384	84
Other income ²	76	188
Interest and distribution ²	189	151
Investment income	58	105
Dividends received	43	92
Long-term-asset sales	15	13
Net sundry income	189	206
Rents received	52	103
Rental income from properties in possession	1	4
Other sundry income ²	136	99
	21 748	20 312

See note 7.4 for a breakdown of non-interest revenue by operating segment.

¹ Commission and fee income includes R2 199m (2014: R2 196m) related to trust and fiduciary fees.

² 2014 restated to reflect a R339m reclassification of other sundry income to private-equity income.

7.1 Analysis of fair-value adjustments

Fair-value adjustments can be analysed as follows:

- Held for trading	1 639	142
- Designated as at fair value through profit or loss	(1 648)	(107)
	(9)	35

7.2 Insurance income

	2015 Rm	2014 Rm
Insurance contract income	1 830	1 889
Net insurance premium income	2 700	3 900
Gross premiums received	3 077	4 229
Reinsurance premiums	(377)	(329)
Net insurance claims and benefits	(1 331)	(1 280)
Gross claims and benefits paid	(1 554)	(1 582)
Reinsurance recoveries	223	302
Net commission and administration fees paid	(241)	(258)
Investment income	177	377
Changes in insurance contracts	525	(850)
Investment contract expense	-	97
Premium income		247
Claims and benefits paid		(127)
Investment income		40
Changes in investment contracts		(63)
	1 830	1 986

7.3 Government grants

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

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

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

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

7 NON-INTEREST REVENUE (continued)

7.4 Segmental analysis

Rm	Nedbank Group		Nedbank Corporate and Investment Banking	
	2015	2014	2015	2014
Commission and fee income	15 627	14 570	2 431	2 213
Administration fees	899	733	20	13
Cash-handling fees	883	882	170	153
Insurance commission	679	624		
Exchange commission	522	456	155	141
Other fees	2 587	2 342	1 154	917
Guarantee income	187	174	127	121
Card income	3 272	2 996		
Service charges	3 706	3 497	39	33
Other commission	2 892	2 866	766	835
Insurance income (note 15.2)	1 830	1 986		
Fair-value adjustments (note 7.1)	(9)	35	81	(61)
Fair-value adjustments	(99)	73	81	(61)
Fair-value adjustments – own debt	90	(38)		
Net trading income	3 167	2 648	3 009	2 434
Foreign exchange	1 306	1 202	1 148	988
Debt securities	1 545	1 194	1 545	1 194
Equities	296	227	296	227
Commodities	20	25	20	25
Private-equity income	886	762	909	762
Securities dealing – realised	394	350	417	350
Securities dealing – unrealised	(157)	(11)	(157)	(11)
Dividends received ¹	384	84	384	84
Other income ¹	76	188	76	188
Interest and distribution	189	151	189	151
Investment income	58	105	28	39
Dividends received	43	92	28	39
Long-term-asset sales	15	13		
Net sundry income ¹	189	206	50	75
Total non-interest revenue	21 748	20 312	6 508	5 462

¹ 2014 restated to reflect a R339m reclassification of other sundry income to private-equity income.

During the period the Nedbank Corporate and Nedbank Capital Clusters were merged to form the Nedbank Corporate and Investment Banking Cluster. Similarly, the Nedbank Retail and Nedbank Business Banking Clusters were merged to form the Nedbank Retail and Business Banking Cluster. The comparative segment information previously presented for Nedbank Corporate, Nedbank Capital, Nedbank Retail and Nedbank Business Banking has been represented based on the new merged clusters, ie Nedbank Corporate and Investment Banking and Nedbank Retail and Business Banking.

	Nedbank Retail and Business Banking		Nedbank Wealth		Rest of Africa		Centre	
	2015	2014	2015	2014	2015	2014	2015	2014
	10 574	9 978	2 047	1 783	622	609	(47)	(13)
	444	413	377	268	52	33	6	6
	623	611	2	2	88	116		
	433	423	216	189	30	12		
	226	221	82	63	57	26	2	5
	65	69	1 395	1 240	45	157	(72)	(41)
	48	44			12	9		
	3 243	2 968			28	28	1	
	3 452	3 314	26	17	189	133		
	2 040	1 915	(51)	4	121	95	16	17
	319	354	1 527	1 630	56	1	(72)	1
	(74)	22			4		(20)	74
	(74)	22			4		(110)	112
							90	(38)
	75	148			83	66		
	75	148			83	66		
							(23)	
							(23)	
	11	12	9	3	2	12	8	39
	1	1	1	1	2	12	11	39
	10	11	8	2			(3)	
	67	16	10	(17)	52	80	10	52
	10 972	10 530	3 593	3 399	819	768	(144)	153

8 TOTAL OPERATING EXPENSES

	2015 Rm	2014 Rm
Staff costs	14 296	13 838
Remuneration and other staff costs	11 700	11 097
Short-term incentives	2 163	2 100
Long-term employee benefits (note 27.2) ¹	21	29
Share-based payments expense – employees	412	612
BEE transaction expenses ²	32	47
BEE share-based payments expenses	26	21
Fees	6	26
Computer processing	3 543	3 097
Depreciation for computer equipment	445	412
Amortisation of computer software	718	655
Operating lease charges for computer equipment	320	281
Development costs	84	181
Other computer processing expenses	1 976	1 568
Communication and travel	856	835
Depreciation for vehicles	5	5
Other communication and travel	851	830
Occupation and accommodation	2 041	1 987
Depreciation for owner-occupied land and buildings	332	136
Operating lease charges for land and buildings	807	769
Other occupation and accommodation expenses	902	1 082
Marketing and public relations	1 595	1 517
Fees and insurances	2 801	2 260
Auditors' remuneration	208	132
Statutory audit – current year	116	96
– prior year	3	
Non-audit services – interim reviews	8	8
– other services	81	28
Other fees and assurance costs	2 593	2 128
Furniture, office equipment and consumables	579	493
Depreciation for furniture and other equipment	245	393
Operating lease charge for furniture and other equipment	9	8
Other office equipment and consumables	325	92
Other operating expenses	367	460
Amortisation of intangible assets	65	64
Other sundries	302	396
	26 110	24 534

Certain expenses incurred by the company on behalf of subsidiary companies are recovered from subsidiary companies. Refer to note 8.1 for a breakdown of total expenses by operating segment and the Remuneration Report for a detailed breakdown of directors' and prescribed officers' remuneration.

¹ *Includes contributions to defined-benefit and pension funds and postretirement medical aid funding and any adjustments for defined-benefit obligations together with any fair-value adjustments of plan assets held. See note 27.*

² *See note 51 for a description of the BBBEE schemes.*

8 TOTAL OPERATING EXPENSES (continued)

8.1 Segmental analysis

Rm	Nedbank Group		Nedbank Corporate and Investment Banking	
	2015	2014	2015	2014
Staff costs	14 296	13 838	2 433	2 393
BEE transaction expenses	32	47	5	6
Computer processing	3 543	3 097	486	501
Communication and travel	856	835	251	227
Occupation and accommodation	2 041	1 987	228	220
Marketing and public relations	1 595	1 517	76	88
Fees and insurances	2 801	2 260	718	561
Furniture, office equipment and consumables	579	493	90	82
Other operating expenses	367	460	55	56
Indirect transfer pricing	-	-	763	530
Total operating expenses	26 110	24 534	5 105	4 664

During the period the Nedbank Corporate and Nedbank Capital Clusters were merged to form the Nedbank Corporate and Investment Banking Cluster. Similarly, the Nedbank Retail and Nedbank Business Banking Clusters were merged to form the Nedbank Retail and Business Banking Cluster. The comparative segment information previously presented for Nedbank Corporate, Nedbank Capital, Nedbank Retail and Nedbank Business Banking has been represented based on the new merged clusters, ie Nedbank Corporate and Investment Banking and Nedbank Retail and Business Banking.

	Nedbank Retail and Business Banking		Nedbank Wealth		Rest of Africa		Centre	
	2015	2014	2015	2014	2015	2014	2015	2014
	7 031	6 809	1 341	1 261	753	632	2 738	2 743
	7	8	1	3	2	1	17	29
	794	695	121	109	90	69	2 052	1 723
	390	394	66	64	46	43	103	107
	1 700	1 560	115	122	137	112	(139)	(27)
	892	825	108	104	48	37	471	463
	1 094	949	364	254	119	116	506	380
	296	260	16	16	30	36	147	99
	171	205	96	107	31	31	14	61
	4 702	4 371	502	444	270	179	(6 237)	(5 524)
	17 077	16 076	2 730	2 484	1 526	1 256	(328)	54

9 INDIRECT TAXATION

	2015 Rm	2014 Rm
Value-added taxation ¹	584	499
Other transaction taxes	199	136
	783	635

¹ This 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 of 1991.

10 NON-TRADING AND CAPITAL ITEMS

Profit/(Loss) on sale of available-for-sale investments	3	(12)
Net loss on sale of property and equipment	(26)	
Net impairment of property and equipment, and intangible assets	(118)	(97)
	(141)	(109)

11 DIRECT TAXATION

11.1 Charge for the year

SA normal taxation:		
- Current charge	3 463	3 380
- Capital gains taxation - deferred	(27)	(28)
- Deferred taxation	46	(5)
Foreign taxation	62	180
Current and deferred taxation on income	3 544	3 527
Prior-year overprovision - current taxation	1	221
Prior-year overprovision/(underprovision) - deferred taxation	5	(261)
Total taxation on income	3 550	3 487
Taxation on non-headline earnings items	(31)	(19)
	3 519	3 468

11.2 Taxation rate reconciliation

	2015 %	2014 %
Standard rate of SA normal taxation	28,0	28,0
Non-taxable dividend income	(1,6)	(2,4)
Share of profits of associate companies and joint arrangements	(1,6)	(0,3)
Capital items	0,1	0,1
Foreign income and section 9D attribution	(0,1)	(0,5)
Other	(0,8)	0,4
Effective taxation rate	24,0	25,3

11.3 Income tax recognised in other comprehensive income

Rm	Gross	Taxation	Net of taxation
2015			
Exchange differences on translating foreign operations	3 203		3 203
Fair-value adjustments on available-for-sale assets	(4)		(4)
Remeasurements on long-term employee benefit assets	409	(111)	298
Gains on property revaluations	231	(64)	167
2014			
Exchange differences on translating foreign operations	390		390
Fair-value adjustments on available-for-sale assets	21		21
Remeasurements on long-term employee benefit assets	56	(22)	34
Gains on property revaluations	234	(32)	202

11.4 Future taxation relief

The group has estimated taxation losses of R659m (2014: R1 015m) that can be set off against future taxable income, of which R436m (2014: R581m) has been applied to the deferred taxation balance.

12 EARNINGS

12.1 Earnings per share

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted-average number of shares in issue. Diluted earnings and diluted headline earnings per share are calculated by dividing the relevant earnings by the weighted-average number of shares in issue after taking the dilutive impact of potential ordinary shares to be issued into account.

	Basic		Headline	
	Basic	Diluted	Basic	Diluted
2015				
Profit attributable to equity holders of the parent (Rm)	10 721	10 721	10 721	10 721
Adjusted for:				
- Non-trading and capital items (note 10)			141	141
- Taxation on non-trading and capital items (note 11.1)			(31)	(31)
Adjusted profit attributable to equity holders of the parent (Rm)	10 721	10 721	10 831	10 831
Weighted-average number of ordinary shares	474 151 635	474 151 635	474 151 635	474 151 635
Adjusted for:				
- Share schemes that have a dilutive effect		8 977 200		8 977 200
Adjusted weighted-average number of ordinary shares	474 151 635	483 128 835	474 151 635	483 128 835
Earnings per share (cents)	2 261	2 219	2 284	2 242
2014				
Profit attributable to equity holders of the parent (Rm)	9 796	9 796	9 796	9 796
Adjusted for:				
- Non-trading and capital items (note 10)			109	109
- Fair-value adjustments of investment properties			(6)	(6)
- Taxation on non-trading and capital items (note 11.1)			(19)	(19)
Adjusted profit attributable to equity holders of the parent (Rm)	9 796	9 796	9 880	9 880
Weighted-average number of ordinary shares	464 442 212	464 442 212	464 442 212	464 442 212
Adjusted for:				
- Share schemes that have a dilutive effect		13 792 790		13 792 790
Adjusted weighted-average number of ordinary shares	464 442 212	478 235 002	464 442 212	478 235 002
Earnings per share (cents)	2 109	2 049	2 127	2 066

The diluted-earnings-per-share calculations are based on the group's daily average share price of 23 712 cents (2014: 22 458 cents) and exclude the effect of certain share options granted under certain share option schemes (as they would be anti-dilutive). The number of share options not included in the weighted-average number of shares (as they would have been anti-dilutive) is nil (2014: nil).

12.2 Headline earnings reconciliation

Rm	2015		2014	
	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to equity holders of the parent		10 721		9 796
Less: Non-headline earnings items	(141)	(110)	(103)	(84)
Net (loss)/profit on sale of investments and property and equipment	(23)	(24)	(12)	7
Net impairment of investments, property and equipment and intangible assets	(118)	(86)	(97)	(97)
Fair-value adjustments of investment properties			6	6
Headline earnings		10 831		9 880

13 DIVIDENDS

13.1 Ordinary shares

	Last day to trade (cum dividend)	Cents per share	Rm
2015			
Final declared for 2014 – paid 2015	26 March 2015	568	2 775
Interim declared for 2015	5 September 2015	537 ¹	2 620
Ordinary dividends paid 2015		1 105	5 395
Final ordinary dividend declared for 2015	8 April 2016	570 ¹	

¹ Total dividend declared for 2015 was 1 107 cents per share and the dividend cover ratio equalled 2,06 times.

2014			
Final declared for 2013 – paid 2014	28 March 2014	505	2 433
Interim declared for 2014	5 September 2014	460 ²	2 210
Ordinary dividends paid 2014		965	4 643
Final ordinary dividend declared for 2014	26 March 2015	568 ²	

² Total dividend declared for 2014 was 1 028 cents per share and the dividend cover ratio equalled 2,07 times.

Dividend distributions include payments to participants in employee and BEE share schemes.

13.2 Non-controlling interest – preference shareholders

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

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

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

¹ Profit share calculated on an annual basis.

14 CASH AND CASH EQUIVALENTS

	2015 Rm	2014 Rm
Coins and banknotes	7 263	6 943
Money at call and short notice	14 669	5 865
Balances with central banks - other than mandatory reserve deposits	908	531
Cash and cash equivalents excluding mandatory reserve deposits with central banks	22 840	13 339
Mandatory reserve deposits with central banks	16 232	14 911
	39 072	28 250

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

15 OTHER SHORT-TERM SECURITIES

15.1 Analysis

Negotiable certificates of deposit	22 078	16 795
Treasury bills and other bonds	53 536	50 439
	75 614	67 234

15.2 Sectoral analysis

Banks	22 183	18 002
Government and public sector	51 802	48 805
Other services	1 629	427
	75 614	67 234

16 DERIVATIVE FINANCIAL INSTRUMENTS

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

• Swaps

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

• Options

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

• Futures and forwards

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

Collateral

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

16.1 Total carrying amount of derivative financial instruments

Rm	2015	2014
Gross carrying amount of assets	30 488	15 573
Gross carrying amount of liabilities	(33 628)	(15 472)
Net carrying amount	(3 140)	101

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

16.2 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.

Rm	2015			2014		
	Notional principal	Positive value	Negative value	Notional principal	Positive value	Negative value
Hedging derivatives						
Interest rate derivatives						
Interest rate swaps	275	275		275	275	
Other derivatives						
Equity derivatives	82 850	16 842	66 008	6 863	2 433	4 430
Options written	13 361		13 361	2 170		2 170
Options purchased	10 531	10 531		2 158	2 158	
Futures ¹	58 958	6 311	52 647	2 535	275	2 260
Commodity derivatives	421	214	207	1 957	1 173	784
Futures	421	214	207	1 957	1 173	784
Exchange rate derivatives	391 310	203 450	187 860	305 088	143 381	161 707
Forwards	354 801	179 308	175 493	243 353	115 986	127 367
Futures	63	9	54	1 214	108	1 106
Currency swaps	32 036	21 937	10 099	49 331	22 043	27 288
Options purchased	2 196	2 196		5 244	5 244	
Options written	2 214		2 214	5 946		5 946
Interest rate derivatives	1 085 351	518 803	566 548	682 182	344 037	338 145
Interest rate swaps	516 216	261 756	254 460	515 128	256 336	258 792
Forward rate agreements	531 653	236 290	295 363	121 403	65 299	56 104
Futures	3 105	598	2 507	6 160	1 696	4 464
Caps	2 948	1 050	1 898	2 169	900	1 269
Floors	1 843	1 050	793	650	650	
Credit default swaps	29 586	18 059	11 527	36 672	19 156	17 516
Total notional principal	1 560 207	739 584	820 623	996 365	491 299	505 066

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

16.3 Carrying amount of derivative financial instruments

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

Rm	2015			2014		
	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities
Hedging derivatives						
Interest rate derivatives						
Interest rate swaps	27	27		2	2	
Other derivatives						
Equity derivatives	(81)	447	528	(44)	306	350
Options written	(333)		333	(340)		340
Options purchased	109	109		295	295	
Futures ¹	143	338	195	1	11	10
Commodity derivatives	(59)	24	83	9	10	1
Futures	(59)	24	83	9	10	1
Exchange rate derivatives	(1 184)	17 760	18 944	1 123	6 647	5 524
Forwards	38	11 383	11 345	1 314	3 091	1 777
Futures	9	18	9	(3)		3
Currency swaps	(1 285)	6 175	7 460	(263)	3 322	3 585
Options purchased	184	184		234	234	
Options written	(130)		130	(159)		159
Interest rate derivatives	(1 843)	12 230	14 073	(989)	8 608	9 597
Interest rate swaps	(2 369)	10 822	13 191	(1 196)	7 527	8 723
Forward rate agreements	(19)	329	348	19	56	37
Futures	1	44	43	(2)		2
Caps	(23)	2	25	(8)	4	12
Floors	1	1		4	4	
Credit default swaps	566	1 032	466	194	1 017	823
Total carrying amount	(3 140)	30 488	33 628	101	15 573	15 472

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

16 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

16.4 Analysis of derivative financial instruments

Rm	Hedging derivatives	Other derivatives				Total
	Interest rate derivatives	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	
Derivative assets						
2015						
Maturity analysis						
Under one year		186	24	13 623	631	14 464
One to five years	5	261		3 155	3 597	7 018
Over five years	22			982	8 002	9 006
	27	447	24	17 760	12 230	30 488
2014						
Maturity analysis						
Under one year		271	10	3 427	784	4 492
One to five years	1	35		1 932	3 151	5 119
Over five years	1			1 288	4 673	5 962
	2	306	10	6 647	8 608	15 573
Derivative liabilities						
2015						
Maturity analysis						
Under one year		151	83	12 557	562	13 353
One to five years		377		2 999	3 958	7 334
Over five years				3 388	9 553	12 941
		528	83	18 944	14 073	33 628
2014						
Maturity analysis						
Under one year		268	1	2 393	632	3 294
One to five years		82		1 653	3 096	4 831
Over five years				1 478	5 869	7 347
		350	1	5 524	9 597	15 472
Notional principal of derivatives						
2015						
Maturity analysis						
Under one year		5 663	421	365 270	497 188	868 542
One to five years	75	75 736		17 653	384 367	477 831
Over five years	200	1 451		8 387	203 796	213 834
	275	82 850	421	391 310	1 085 351	1 560 207
2014						
Maturity analysis						
Under one year		5 805	1 957	258 393	224 699	490 854
One to five years	75	1 058		28 404	255 294	284 831
Over five years	200			18 291	202 189	220 680
	275	6 863	1 957	305 088	682 182	996 365

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

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

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

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

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

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

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

17 GOVERNMENT AND OTHER SECURITIES

17.1 Analysis

Government and government-guaranteed securities	26 692	14 176
Other dated securities ¹	16 368	13 001
	43 060	27 177

17.2 Sectoral analysis

Financial services, insurance and real estate	5 838	2 516
Banks	3 381	2 910
Manufacturing	3 872	1 882
Transport, storage and communication	1 647	694
Government and public sector	25 599	17 907
Other sectors	2 723	1 268
	43 060	27 177

¹ This includes securitised assets. See note 45.

18 LOANS AND ADVANCES

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

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

18.1 Categories of loans and advances

	2015 Rm	2014 Rm
Mortgage loans	279 566	261 101
Home loans	142 773	137 449
Commercial mortgages	136 793	123 652
Net finance lease and instalment debtors (note 18.4)	99 863	94 237
Gross investment	125 995	117 907
Unearned finance charges	(26 132)	(23 670)
Credit cards	14 063	13 404
Other loans and advances	299 551	255 374
Properties in possession	354	596
Overdrafts	15 833	16 141
Term loans	110 318	106 175
Personal loans	17 842	18 346
Other term loans	92 476	87 829
Overnight loans	27 527	21 638
Other loans to clients	99 313	69 161
Foreign client lending	22 772	12 512
Remittances in transit	201	195
Other loans ¹	76 340	56 454
Preference shares and debentures	20 698	18 098
Factoring accounts	5 329	4 986
Deposits placed under reverse repurchase agreements	20 173	18 291
Trade, other bills and bankers' acceptances	6	288
	693 043	624 116
Impairment of loans and advances (note 19)	(11 411)	(11 095)
	681 632	613 021
Comprises:		
Loans and advances to clients	663 314	602 175
Loans and advances to banks	29 729	21 941
	693 043	624 116

¹ This represents clients' indebtedness for acceptances and other loans.

See note 18.8 for a breakdown of loans and advances by operating segment.

18.2 Sectoral analysis

	2015 Rm	2014 Rm
Individuals	244 755	231 002
Financial services, insurance and real estate	184 134	155 387
Banks	29 729	21 941
Manufacturing	43 368	41 015
Building and property development	9 302	9 048
Transport, storage and communication	29 879	26 876
Retailers, catering and accommodation	20 833	23 728
Wholesale and trade	28 399	17 526
Mining and quarrying	34 194	26 907
Agriculture, forestry and fishing	5 806	4 857
Government and public sector	17 676	21 721
Other services	44 968	44 108
	693 043	624 116

18.3 Geographical analysis

	2015 Rm	2014 Rm
SA	620 618	563 500
Rest of Africa	35 807	27 204
Europe	27 347	19 354
Asia	7 063	4 474
United States	925	4 169
Other	1 283	5 415
	693 043	624 116

18.4 Net finance lease and instalment debtors

Rm	2015			2014		
	Gross	Unearned finance charges	Net	Gross	Unearned finance charges	Net
No later than one year	29 359	(5 991)	23 368	30 515	(6 028)	24 487
Later than one year and no later than five years	86 084	(17 933)	68 151	82 067	(17 206)	64 861
Later than five years	10 552	(2 208)	8 344	5 325	(436)	4 889
	125 995	(26 132)	99 863	117 907	(23 670)	94 237

18.5 Classification of loans and advances

	Total		Neither past due nor impaired		Past due but not individually impaired		Defaulted	
	2015	2014	2015	2014	2015	2014	2015	2014
Mortgage loans	279 566	261 101	261 422	244 525	10 847	8 968	7 297	7 608
Net finance lease and instalment debtors	99 863	94 237	91 855	86 314	5 386	5 614	2 622	2 309
Credit cards	14 063	13 404	11 838	11 416	1 142	1 084	1 083	904
Properties in possession	354	596					354	596
Overdrafts	15 833	16 141	14 493	14 507	644	920	696	714
Term loans	110 318	106 175	105 230	101 001	1 704	1 963	3 384	3 211
Overnight loans	27 527	21 638	27 527	21 638				
Other loans to clients	99 313	69 161	96 974	68 553	280	219	2 059	389
Preference shares and debentures	20 698	18 098	20 698	18 098				
Factoring accounts	5 329	4 986	5 102	4 574	163	297	64	115
Deposits placed under reverse repurchase agreements	20 173	18 291	20 173	18 291				
Trade, other bills and bankers' acceptances	6	288	6	288				
	693 043	624 116	655 318	589 205	20 166	19 065	17 559	15 846
Loans and advances defaulted - not impaired							445	365
Loans and advances defaulted - impaired							17 114	15 481
							17 559	15 846

18 LOANS AND ADVANCES (continued)

18.6 Age analysis of loans and advances

Rm	Total		< 1 month	
	2015	2014	2015	2014
Neither past due nor impaired	655 318	589 205	655 318	589 205
Mortgage loans	261 422	244 525	261 422	244 525
Net finance lease and instalment debtors	91 855	86 314	91 855	86 314
Credit cards	11 838	11 416	11 838	11 416
Overdrafts	14 493	14 507	14 493	14 507
Term loans	105 230	101 001	105 230	101 001
Overnight loans	27 527	21 638	27 527	21 638
Other loans to clients	96 974	68 553	96 974	68 553
Preference shares and debentures	20 698	18 098	20 698	18 098
Factoring accounts	5 102	4 574	5 102	4 574
Deposits placed under reverse repurchase agreements	20 173	18 291	20 173	18 291
Trade, other bills and bankers' acceptances	6	288	6	288
Past due but not individually impaired	20 166	19 065	12 490	11 086
Mortgage loans	10 847	8 968	7 384	5 747
Net finance lease and instalment debtors	5 386	5 614	2 660	2 341
Credit cards	1 142	1 084	785	741
Overdrafts	644	920	570	843
Term loans	1 704	1 963	655	901
Other loans to clients	280	219	276	216
Factoring accounts	163	297	160	297
Subtotal	675 484	608 270	667 808	600 291
Defaulted	17 559	15 846		
Mortgage loans	7 297	7 608		
Net finance lease and instalment debtors	2 622	2 309		
Credit cards	1 083	904		
Properties in possession	354	596		
Overdrafts	696	714		
Term loans	3 384	3 211		
Other loans to clients	2 059	389		
Factoring accounts	64	115		
Total loans and advances	693 043	624 116		

18 LOANS AND ADVANCES (continued)

18.7 Credit quality of loans and advances

Rm	Total		NGR 1-12	
	2015	2014	2015	2014
Neither past due nor impaired	655 318	589 205	277 718	235 110
Mortgage loans	261 422	244 525	79 019	62 567
Net finance lease and instalment debtors	91 855	86 314	4 272	4 391
Credit cards	11 838	11 416	1 134	1 099
Overdrafts	14 493	14 507	3 805	3 619
Term loans	105 230	101 001	71 615	74 740
Overnight loans	27 527	21 638	21 088	16 834
Other loans to clients	96 974	68 553	62 121	42 962
Preference shares and debentures	20 698	18 098	15 084	11 401
Factoring accounts	5 102	4 574	1 025	143
Deposits placed under reverse repurchase agreements	20 173	18 291	18 551	17 354
Trade, other bills and bankers' acceptances	6	288	4	
Past due but not individually impaired	20 166	19 065	32	11
Mortgage loans	10 847	8 968	23	2
Net finance lease and instalment debtors	5 386	5 614	1	
Credit cards	1 142	1 084		
Overdrafts	644	920		7
Term loans	1 704	1 963	8	2
Other loans to clients	280	219		
Factoring accounts	163	297		
Defaulted	17 559	15 846		
Mortgage loans	7 297	7 608		
Net finance lease and instalment debtors	2 622	2 309		
Credit cards	1 083	904		
Properties in possession	354	596		
Overdrafts	696	714		
Term loans	3 384	3 211		
Other loans to clients	2 059	389		
Factoring accounts	64	115		
Total loans and advances	693 043	624 116	277 750	235 121

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

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

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

NGR 21-25: Represents borrowers who are of higher risk. This category comprises higher-risk individuals or small businesses, as well as borrowers who 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		NP 1-3		Unrated	
	2015	2014	2015	2014	2015	2014	2015	2014
	335 160	314 177	28 303	22 792			14 137	17 126
	166 328	165 950	10 470	8 976			5 605	7 032
	76 862	72 841	8 319	6 929			2 402	2 153
	8 958	8 714	1 715	1 581			31	22
	9 726	9 093	292	253			670	1 542
	26 777	20 489	5 665	4 822			1 173	950
	5 700	4 800	739	4				
	32 169	22 676	1 103	227			1 581	2 688
	2 939	3 958					2 675	2 739
	4 077	4 431						
	1 622	937						
	2	288						
	2 732	3 064	16 558	15 649	85	26	759	315
	1 609	1 471	8 704	7 363	7	2	504	130
	703	731	4 461	4 760	60	9	161	114
	246	230	875	835	18	15	3	4
	47	407	596	482			1	24
	120	224	1 519	1 720			57	17
	7	1	240	192			33	26
			163	297				
					16 376	13 973	1 183	1 873
					6 705	7 103	592	505
					2 534	2 295	88	14
					1 079	902	4	2
							354	596
					666	679	30	35
					3 362	2 546	22	665
					1 966	333	93	56
					64	115		
	337 892	317 241	44 861	38 441	16 461	13 999	16 079	19 314

18 LOANS AND ADVANCES (continued)

18.8 Segmental analysis

Rm	Nedbank Group		Nedbank Corporate and Investment Banking	
	2015	2014	2015	2014
Mortgage loans	279 566	261 101	112 289	101 805
Home loans	142 773	137 449	8	10
Commercial mortgages	136 793	123 652	112 281	101 795
Net finance lease and instalment debtors	99 863	94 237	3 280	3 436
Credit cards	14 063	13 404		
Other loans and advances	299 551	255 374	241 950	201 398
Properties in possession	354	596	210	388
Overdrafts	15 833	16 141	1 766	2 144
Term loans	110 318	106 175	88 897	84 401
Personal loans	17 842	18 346		
Other term loans	92 476	87 829	88 897	84 401
Overnight loans	27 527	21 638	26 509	20 513
Other loans to clients	99 313	69 161	83 736	57 613
Foreign client lending	22 772	12 512	21 221	11 530
Remittances in transit	201	195	2	(10)
Other loans	76 340	56 454	62 513	46 093
Preference shares and debentures	20 698	18 098	20 659	17 765
Factoring accounts	5 329	4 986		(5)
Deposits placed under reverse repurchase agreements	20 173	18 291	20 173	18 291
Trade, other bills and bankers' acceptances	6	288		288
Loans and advances before impairments	693 043	624 116	357 519	306 639
Impairment of advances	(11 411)	(11 095)	(1 735)	(1 481)
Total loans and advances	681 632	613 021	355 784	305 158
Comprises:				
- Loans and advances to clients	663 314	602 175	329 576	286 736
- Loans and advances to banks	29 729	21 941	27 943	19 903
Loans and advances before impairments	693 043	624 116	357 519	306 639

During the period the Nedbank Corporate and Nedbank Capital Clusters were merged to form the Nedbank Corporate and Investment Banking Cluster. Similarly, the Nedbank Retail and Nedbank Business Banking Clusters were merged to form the Nedbank Retail and Business Banking Cluster. The comparative segment information previously presented for Nedbank Corporate, Nedbank Capital, Nedbank Retail and Nedbank Business Banking has been represented based on the new merged clusters, ie Nedbank Corporate and Investment Banking and Nedbank Retail and Business Banking.

	Nedbank Retail and Business Banking		Nedbank Wealth		Rest of Africa		Centre	
	2015	2014	2015	2014	2015	2014	2015	2014
	138 708	135 345	22 887	20 038	6 152	4 364	(470)	(451)
	122 060	119 561	15 995	14 430	4 908	3 651	(198)	(203)
	16 648	15 784	6 892	5 608	1 244	713	(272)	(248)
	93 332	88 220	264	284	3 026	2 330	(39)	(33)
	14 025	13 376			38	28		
	42 536	40 874	5 210	4 665	7 667	7 531	2 188	906
	101	176	43	32				
	11 161	10 607	155	119	2 751	3 271		
	18 308	19 009	1 587	989	1 529	1 779	(3)	(3)
	16 311	17 088	26	7	1 505	1 251		
	1 997	1 921	1 561	982	24	528	(3)	(3)
	584	607			434	518		
	7 053	5 215	3 424	3 524	2 947	1 940	2 153	869
	491	435			1 060	547		
	101	158			77	47	21	
	6 461	4 622	3 424	3 524	1 810	1 346	2 132	869
		269	1	1		23	38	40
	5 329	4 991			6			
	288 601	277 815	28 361	24 987	16 883	14 253	1 679	422
	(8 672)	(8 933)	(155)	(168)	(368)	(180)	(481)	(333)
	279 929	268 882	28 206	24 819	16 515	14 073	1 198	89
	288 500	277 657	27 566	23 421	16 012	13 939	1 660	422
	101	158	795	1 566	871	314	19	
	288 601	277 815	28 361	24 987	16 883	14 253	1 679	422

19 IMPAIRMENT OF LOANS AND ADVANCES

19.1 Impairment of loans and advances

	Total impairment		Specific impairment		Portfolio impairment	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Balance at beginning of year	11 095	11 456	6 832	7 543	4 263	3 913
Impairments charge	5 926	5 447	5 492	5 084	434	363
Statement of comprehensive income charge net of recoveries:	4 789	4 506	4 355	4 143	434	363
– loans and advances	4 791	4 508	4 357	4 145	434	363
– advances designated as at fair value through profit or loss (see note 38.1)	(2)	(2)	(2)	(2)		
Recoveries	1 137	941	1 137	941		
Amounts written off against the impairment/Other transfers	(5 610)	(5 808)	(5 660)	(5 795)	50	(13)
Impairment of loans and advances	11 411	11 095	6 664	6 832	4 747	4 263

19.2 Impairment of loans and advances by classification

	Balance at the beginning of the year Rm	Impairment charge/ (release) Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Total impairment – 2015				
Home loans	2 473	186	(496)	2 163
Commercial mortgages	911	292	(241)	962
Properties in possession	55	(41)	11	25
Credit cards	972	949	(755)	1 166
Overdrafts	544	235	(186)	593
Other loans to clients	3 781	3 087	(2 646)	4 222
Net finance lease and instalment debtors	2 359	1 217	(1 297)	2 279
Preference shares and debentures		1		1
Impairment of loans and advances	11 095	5 926	(5 610)	11 411
Total impairment – 2014				
Home loans	2 895	247	(669)	2 473
Commercial mortgages	785	304	(178)	911
Properties in possession	18	19	18	55
Credit cards	887	800	(715)	972
Overdrafts	531	189	(176)	544
Other loans to clients	3 780	2 816	(2 815)	3 781
Net finance lease and instalment debtors	2 560	1 072	(1 273)	2 359
Impairment of loans and advances	11 456	5 447	(5 808)	11 095
Specific impairment – 2015				
Home loans	1 575	313	(490)	1 398
Commercial mortgages	544	165	(241)	468
Properties in possession	55	(41)	11	25
Credit cards	850	938	(755)	1 033
Overdrafts	391	215	(189)	417
Other loans to clients	2 163	2 718	(2 696)	2 185
Net finance lease and instalment debtors	1 255	1 184	(1 300)	1 139
Preference shares and debentures	(1)			(1)
Specific impairment of loans and advances	6 832	5 492	(5 660)	6 664
Specific impairment – 2014				
Home loans	1 932	312	(669)	1 575
Commercial mortgages	477	248	(181)	544
Properties in possession	18	19	18	55
Credit cards	774	791	(715)	850
Overdrafts	390	177	(176)	391
Other loans to clients	2 334	2 625	(2 796)	2 163
Net finance lease and instalment debtors	1 619	912	(1 276)	1 255
Preference shares and debentures	(1)			(1)
Specific impairment of loans and advances	7 543	5 084	(5 795)	6 832

	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 - 2015				
Home loans	898	(127)	(6)	765
Commercial mortgages	367	127		494
Credit cards	122	11		133
Overdrafts	153	20	3	176
Other loans to clients	1 618	369	50	2 037
Net finance lease and instalment debtors	1 104	33	3	1 140
Preference shares and debentures	1	1		2
Portfolio impairment of loans and advances	4 263	434	50	4 747
Portfolio impairment - 2014				
Home loans	963	(65)		898
Commercial mortgages	308	56	3	367
Credit cards	113	9		122
Overdrafts	141	12		153
Other loans to clients	1 446	191	(19)	1 618
Net finance lease and instalment debtors	941	160	3	1 104
Preference shares and debentures	1			1
Portfolio impairment of loans and advances	3 913	363	(13)	4 263

19.3 Sectoral analysis

	Total impairment		Specific impairment		Portfolio impairment	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Individuals	7 481	7 771	4 911	5 131	2 570	2 640
Financial services, insurance and real estate	1 516	1 326	419	498	1 097	828
Manufacturing	387	521	108	354	279	167
Building and property development	125	103	53	42	72	61
Transport, storage and communication	246	188	79	73	167	115
Retailers, catering and accommodation	39	34	16	7	23	27
Wholesale and trade	139	133	73	79	66	54
Mining and quarrying	414	160	251	47	163	113
Agriculture, forestry and fishing	97	47	61	19	36	28
Government and public sector	31	58	17	47	14	11
Other services	936	754	676	535	260	219
	11 411	11 095	6 664	6 832	4 747	4 263

19.4 Geographical analysis

SA	10 621	10 555	6 127	6 445	4 494	4 110
Other African countries	550	200	371	105	179	95
Europe	202	297	144	245	58	52
Asia	20	-	9		11	
United States	4	41	3	37	1	4
Other	14	2	10		4	2
	11 411	11 095	6 664	6 832	4 747	4 263
					983	893

19.5 Interest on specifically impaired loans and advances

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

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

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

19 IMPAIRMENT OF LOANS AND ADVANCES (continued)

19.6 Segmental analysis

2015

Rm	Nedbank Group	Nedbank Corporate and Investment Banking	Nedbank Retail and Business Banking	Nedbank Wealth	Rest of Africa	Centre
Opening balance	11 095	1 481	8 933	168	180	333
Specific impairments	6 832	764	5 835	143	105	(15)
Portfolio impairments	4 263	717	3 098	25	75	348
Impairments charge	5 926	1 262	4 265	44	206	149
Statement of comprehensive income impairments charge net of recoveries	4 789	1 188	3 212	39	201	149
Specific impairments	4 355	891	3 231	32	202	(1)
Portfolio impairments	434	297	(19)	7	(1)	150
Recoveries	1 137	74	1 053	5	5	
Amounts written off/Other transfers	(5 610)	(1 008)	(4 526)	(57)	(18)	(1)
Specific impairments	(5 660)	(1 033)	(4 521)	(58)	(48)	
Portfolio impairments	50	25	(5)	1	30	(1)
Total impairments	11 411	1 735	8 672	155	368	481
Specific impairments	6 664	696	5 598	122	264	(16)
Portfolio impairments	4 747	1 039	3 074	33	104	497

2014

Opening balance	11 456	1 408	9 536	168	187	157
Specific impairments	7 543	805	6 528	141	85	(16)
Portfolio impairments	3 913	603	3 008	27	102	173
Impairments charge	5 447	557	4 644	46	48	152
Statement of comprehensive income impairments charge net of recoveries	4 506	506	3 771	41	35	153
Specific impairments	4 143	380	3 681	43	36	3
Portfolio impairments	363	126	90	(2)	(1)	150
Recoveries	941	51	873	5	13	(1)
Amounts written off/Other transfers	(5 808)	(484)	(5 247)	(46)	(55)	24
Specific impairments	(5 795)	(472)	(5 247)	(46)	(29)	(1)
Portfolio impairments	(13)	(12)			(26)	25
Total impairments	11 095	1 481	8 933	168	180	333
Specific impairments	6 832	764	5 835	143	105	(15)
Portfolio impairments	4 263	717	3 098	25	75	348

During the period the Nedbank Corporate and Nedbank Capital Clusters were merged to form the Nedbank Corporate and Investment Banking Cluster. Similarly, the Nedbank Retail and Nedbank Business Banking Clusters were merged to form the Nedbank Retail and Business Banking Cluster. The comparative segment information previously presented for Nedbank Corporate, Nedbank Capital, Nedbank Retail and Nedbank Business Banking has been represented based on the new merged clusters, ie Nedbank Corporate and Investment Banking and Nedbank Retail and Business Banking.

20 OTHER ASSETS

	2015 Rm	2014 Rm
Sundry debtors and other accounts	4 844	6 620
Trading securities and spot positions	4 140	2 095
	8 984	8 715

21 INVESTMENT SECURITIES

	2015 Rm	2014 Rm
Listed investments	449	635
Unlisted investments	3 107	3 228
Taquanta Asset Managers portfolio	433	424
Strate Ltd	57	51
Private-equity portfolio	706	1 194
Other	1 911	1 559
Total listed and unlisted investments	3 556	3 863
Listed policyholder investments	8 212	11 576
Equities	57	193
Government, public and private sector stock	848	979
Unit trusts	7 307	10 404
Unlisted policyholder investments	1 467	4 658
Negotiable certificates of deposit, money market and other short-term funds	1 467	4 658
Net policyholder liabilities	(80)	(68)
Total policyholder investments	9 599	16 166
Total investment securities	13 155	20 029

Refer to note 37.2.1 for the classification of investment securities in terms of the fair-value hierarchy.

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

22.1 Movement in carrying amount

	2015 Rm	2014 Rm
Carrying amount at the beginning of the year	7 670	1 101
Share of associate companies' and joint arrangements' profit after taxation for the current year	871	161
Share of associate companies' and joint arrangements' other comprehensive income for the current year	(1 515)	
Net movement of associate companies and joint arrangements at cost ¹	652	6 222
Fair-value movements	24	38
Foreign currency translation and other movements	1 877	148
Carrying amount at the end of the year	9 579	7 670

22.2 Analysis of carrying amount

Associate investments - on acquisition: net asset value	7 609	6 943
Share of retained earnings since acquisition	1 061	190
Share of other comprehensive income since acquisition	(1 515)	
Fair-value movements	413	389
Foreign currency translation and other movements	2 011	148
	9 579	7 670

22.3 Valuation

Directors' valuation	9 579	7 670
	9 579	7 670

¹ These amounts include movements due to acquisitions and disposals.

Refer to note 53 for further information in respect of investments in private-equity associates, associate companies and joint arrangements.

23 NON-CURRENT ASSETS HELD FOR SALE

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

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

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

24 DEFERRED TAXATION

24.1 Reconciliation of deferred taxation balance

	2015 Rm	2014 Rm
<i>Deferred taxation assets</i>		
Balance at the beginning of the year	309	216
Current year temporary differences recognised in the statement of comprehensive income	10	321
Capital gains taxation		20
Client credit agreements		(5)
Deferred acquisition costs		(37)
Deferred fee income	(3)	20
Depreciation		(17)
Fair-value adjustments of financial instruments	(3)	(33)
Impairment of loans and advances	9	114
Other income and expense items	48	194
Property revaluations		11
Share-based payments		21
Taxation losses recognised	(41)	33
Recognised directly in equity	1	(25)
Other movements	(93)	(203)
Balance at the end of the year	227	309
<i>Deferred taxation liabilities</i>		
Balance at the beginning of the year	931	789
Current year temporary differences recognised in the statement of comprehensive income	34	26
Capital gains taxation	(63)	9
Client credit agreements	(20)	
Deferred acquisition costs	83	
Deferred fee income	(6)	
Depreciation	152	6
Fair-value adjustments of financial instruments	42	11
Impairment of loans and advances	(26)	2
Other income and expense items	(175)	(2)
Property revaluations	(3)	
Share-based payments	50	
Recognised directly in equity	189	13
Other movements	28	103
Balance at the end of the year	1182	931

	2015 Rm	2014 Rm
24.2 Analysis of deferred taxation		
<i>Deferred taxation assets</i>		
Capital gains taxation		(184)
Client credit agreements		(16)
Deferred acquisition costs	49	(396)
Deferred fee income		281
Depreciation		(408)
Fair-value adjustments of financial instruments	23	86
Impairment of loans and advances	44	1 253
Other income and expense items	(13)	(9)
Property revaluations	2	(434)
Share-based payments		(27)
Taxation losses	122	163
	227	309
<i>Deferred taxation liabilities</i>		
Capital gains taxation	246	75
Deferred acquisition costs	479	
Deferred fee income	(240)	
Depreciation	583	28
Fair-value adjustments of financial instruments	88	64
Impairment of loans and advances	(1 270)	(6)
Other income and expense items	566	636
Property revaluations	610	134
Share-based payments	120	
	1 182	931
25 INVESTMENT PROPERTY		
25.1 Fair value		
Fair value at the beginning of the year	130	214
Acquisitions	180	4
Disposals		(8)
Effect of movements in foreign exchange rates	3	1
Transferred to non-current assets held for sale (note 23)		(87)
Transferred to property and equipment (note 26)	(281)	
Net profit from fair value adjustments		6
Fair value at the end of the year	32	130

25 INVESTMENT PROPERTY (continued)

25.2 Fair value of investment property

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

Type of property	Valuation method	Significant inputs	Parameters	2015 Rm	2014 Rm
Commercial property	Discounted cashflow Average of market comparable sales, replacement cost and investment values	Income capitalisation rates	10,0%	10	8
Residential property		Rate per square meter		22	122
Total investment properties measured at fair value				32	130

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

25.3 Rental income and operating expenses from investment property

	2015 Rm	2014 Rm
Rental income from investment property	2	15
Direct operating expenses arising from investment property that generated rental income	(3)	(23)

26 PROPERTY AND EQUIPMENT

	Land		Buildings		Computer equipment		Furniture and other equipment		Vehicles		Total	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Gross carrying amount												
Balance at 1 January	920	813	4 397	4 135	3 237	3 040	4 056	3 484	35	34	12 645	11 506
Transfers from furniture and other equipment and buildings ¹			1 683		5		(1 688)				-	-
Acquisitions		3	459	188	896	746	228	772	9	5	1 592	1 714
Increases arising from revaluations ²	22	104	168	176							190	280
Transfers to non-current assets held for sale		(1)		(3)							-	(4)
Disposals			(146)	(15)	(71)	(552)	(89)	(202)	(1)	(5)	(307)	(774)
Writeoff of accumulated depreciation on revaluations			(134)	(85)							(134)	(85)
Transfers from investment property (note 25)	41		240								281	-
Effect of movements in foreign exchange rates and other movements	1	1		1	16	3	28	2	6	1	51	8
Balance at 31 December	984	920	6 667	4 397	4 083	3 237	2 535	4 056	49	35	14 318	12 645
Accumulated depreciation and impairment losses												
Balance at 1 January			428	392	2 155	2 257	2 267	2 017	22	22	4 872	4 688
Transfers from furniture and other equipment and buildings ¹			875				(875)				-	-
Depreciation charge for the year			332	136	445	412	245	393	5	5	1 027	946
Writeoff of accumulated depreciation on revaluations			(134)	(85)							(134)	(85)
Disposals			(120)	(15)	(63)	(517)	(76)	(144)	(1)	(4)	(260)	(680)
Effect of movements in foreign exchange rates and other movements			1		8	3	15	1	5	(1)	29	3
Balance at 31 December	-	-	1 382	428	2 545	2 155	1 576	2 267	31	22	5 534	4 872
Carrying amount												
At 1 January	920	813	3 969	3 743	1 082	783	1 789	1 467	13	12	7 773	6 818
At 31 December	984	920	5 285	3 969	1 538	1 082	959	1 789	18	13	8 784	7 773

¹ At the beginning of the year assets previously classified under furniture and other equipment were transferred to buildings and computer equipment to reflect the underlying nature of these assets.

² Gains on property revaluations are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss.

Equipment (principally computer equipment, motor vehicles, and 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:

26 PROPERTY AND EQUIPMENT (continued)

Type of property	Valuation method	Significant inputs	Parameters	Land		Buildings	
				2015 Rm	2014 Rm	2015 Rm	2014 Rm
Commercial property	Market comparable approach and discounted cashflow	Income capitalisation rates	8% - 13,5% (2014: 11,5% - 13,5%)	979	915	5 275	3 959
Residential property	Market comparable approach and replacement value	Price per square meter		5	5	10	10
Total land and buildings				984	920	5 285	3 969

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

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

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R3 291m (2014: R2 477m).

27 LONG-TERM EMPLOYEE BENEFITS

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

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

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

Postemployment benefits

Defined-benefit pension funds

Nedgroup Pension Fund (including the Optiplus policy).
Nedbank UK Pension Fund.
Other funds, consisting of Nedbank Swaziland Ltd Pension Fund and Nedbank Lesotho Pension Fund.

Defined-contribution pension funds

Nedbank Private Wealth Pension Scheme

Defined-benefit medical aid schemes

Nedgroup Medical Aid Scheme for Nedbank employees and pensioners [including the Old Mutual Post-retirement Medical Aid (PRMA) annuity policy].

Nedgroup Medical Aid Scheme for past BoE employees and pensioners.

Nedbank Namibia Medical Aid Fund.

Other long-term employee benefits

Disability fund

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

Insurance policies held with related parties

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

27.1 Analysis of long-term employee benefits assets and liabilities

Rm	Notes	Assets	Liabilities
2015			
Postemployment benefits	27.1.1	4 513	(2 703)
Other long-term employee benefits - disability fund		542	(371)
		5 055	(3 074)
2014			
Postemployment benefits	27.1.1	4 035	(2 698)
Other long-term employee benefits - disability fund		511	(373)
		4 546	(3 071)

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 R371m (2014: R373m). The value of the OMART asset held by the group is R542m (2014: R511m).

27.1.1 Net asset/(liability) recognised

Rm	Pension and provident funds	Medical aid funds	Total
2015			
Present value of defined-benefit obligation	(5 240)	(1 841)	(7 081)
Fair value of plan assets ¹	7 694	1 254	8 948
Funded status	2 454	(587)	1 867
Unrecognised due to paragraph 64 limit	(57)		(57)
	2 397	(587)	1 810
Asset	3 259	1 254	4 513
Liability	(862)	(1 841)	(2 703)
2014			
Present value of defined-benefit obligation	(5 206)	(1 780)	(6 986)
Fair value of plan assets ¹	7 173	1 170	8 343
Funded status	1 967	(610)	1 357
Unrecognised due to paragraph 64 limit	(20)		(20)
	1 947	(610)	1 337
Asset ²	2 856	1 179	4 035
Liability ²	(909)	(1 789)	(2 698)

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

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

27.2 Postemployment benefits

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised due to paragraph 64 limit	Net asset/ (liability)
Analysis of postemployment benefit assets and liabilities					
2015					
Pension funds	5 240	7 694	2 454	(57)	2 397
Nedgroup Pension Fund	4 434	6 890	2 456		2 456
Nedbank UK Pension Fund	461	487	26	(26)	-
Nedbank Private Wealth Funds	175	118	(57)		(57)
Other funds	170	199	29	(31)	(2)
Medical aid funds	1 841	1 254	(587)	-	(587)
Nedgroup scheme for Nedbank employees	1 705	1 254	(451)		(451)
Nedgroup scheme for BoE employees	127		(127)		(127)
Nedbank Namibia scheme (unfunded)	9		(9)		(9)
Total	7 081	8 948	1 867	(57)	1 810

27 LONG-TERM EMPLOYEE BENEFITS (continued)

27.2 Postemployment benefits (continued)

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised due to paragraph 64 limit	Net asset/ (liability)
2014					
Pension funds	5 206	7 173	1 967	(20)	1 947
Nedgroup Pension Fund	4 460	6 488	2 028		2 028
Nedbank UK Pension Fund	395	384	(11)		(11)
Fairbairn Funds	182	120	(62)		(62)
Other funds	169	181	12	(20)	(8)
Medical aid funds	1 780	1 170	(610)	-	(610)
Nedgroup scheme for Nedbank employees	1 644	1 170	(474)		(474)
Nedgroup scheme for BoE employees	128		(128)		(128)
Nedbank Namibia scheme (unfunded)	8		(8)		(8)
Total	6 986	8 343	1 357	(20)	1 337

Rm	Pension and provident funds	Medical aid funds	Total
Present value of defined-benefit obligation			
2015			
Balance at the beginning of the year	5 206	1 780	6 986
Current service cost	34	75	109
Interest cost	387	166	553
Contributions by plan participants	10		10
Actuarial losses	(165)	(112)	(277)
Benefits paid	(368)	(68)	(436)
Impact of foreign currency exchange rate changes	136		136
Balance at the end of the year	5 240	1 841	7 081
2014			
Balance at the beginning of the year	4 917	1 578	6 495
Current service cost	34	68	102
Interest cost	389	151	540
Contributions by plan participants	10		10
Actuarial losses	172	42	214
Benefits paid	(336)	(59)	(395)
Impact of foreign currency exchange rate changes	20		20
Balance at the end of the year	5 206	1 780	6 986
Fair value of plan assets			
2015			
Balance at the beginning of the year	7 173	1 170	8 343
Expected return on plan assets	546	106	652
Actuarial gains/(losses)	178	(14)	164
Contributions by the employer	38		38
Contributions by plan participants	10	59	69
Benefits paid	(367)	(67)	(434)
Scheme-settled administration costs	(10)		(10)
Impact of foreign currency exchange rate changes	126		126
Balance at the end of the year	7 694	1 254	8 948

Rm	Pension and provident funds	Medical aid funds	Total
2014			
Balance at the beginning of the year	6 625	893	7 518
Expected return on plan assets	533	92	625
Actuarial gains/(losses)	294	(24)	270
Contributions by the employer	40		40
Contributions by plan participants	10	266	276
Benefits paid	(335)	(57)	(392)
Scheme-settled administration costs	(11)		(11)
Impact of foreign currency exchange rate changes	17		17
Balance at the end of the year	7 173	1 170	8 343
Net (income)/expense recognised			
2015			
Current service cost	34	75	109
Interest cost	(158)	60	(98)
Scheme-settled plan administration costs	10		10
	(114)	135	21
2014			
Current service cost	34	68	102
Interest cost	(143)	59	(84)
Scheme-settled plan administration costs	11		11
	(98)	127	29
Movements in net asset/(liability) recognised			
2015			
Balance at the beginning of the year	1 947	(610)	1 337
Net income/(expenses) recognised in the statement of comprehensive income	114	(135)	(21)
Net remeasurements - credit/(debit) for the year	308	97	405
Contributions paid by the employer	38	61	99
Impact of foreign currency exchange rate changes	(10)		(10)
Balance at the end of the year	2 397	(587)	1 810
2014			
Balance at the beginning of the year	1 690	(685)	1 005
Net income/(expenses) recognised in the statement of comprehensive income	98	(127)	(29)
Net remeasurements - credit/(debit) for the year	122	(67)	55
Contributions paid by the employer	40	269	309
Impact of foreign currency exchange rate changes	(3)		(3)
Balance at the end of the year	1 947	(610)	1 337
Distribution of plan assets (%)			
2015			
Equity instruments	32,56	23,00	31,22
Debt instruments	27,05	7,00	24,24
Property	5,17	3,00	4,87
Cash	6,19	49,00	12,19
International	29,03	15,00	27,06
Other		3,00	0,42
	100,00	100,00	100,00
2014			
Equity instruments	34,64	25,00	33,28
Debt instruments	28,52	17,00	26,91
Property	5,00		4,30
Cash	6,40	43,00	11,53
International	25,44	15,00	23,98
	100,00	100,00	100,00

27 LONG-TERM EMPLOYEE BENEFITS (continued)

27.2 Postemployment benefits (continued)

Rm	Pension and provident funds	Medical aid funds	Total
Actual return on plan assets			
2015	724	92	816
2014	827	68	895

	Range	Used in valuation
Principal actuarial assumptions (%)		
2015		
Discount rates	3.70 - 10.10	10.80 - 10.90
Expected rates of return on plan assets	3.70 - 10.10	10.80 - 10.80
Inflation rate	2.10 - 7.70	7.90 - 8.00
Expected rates of salary increases	8.70 - 8.70	6,5
Pension increase allowance	0.49 - 7.70	
Annual increase to medical aid subsidy		8.90 - 9.30
Average expected retirement age (years)	55 to 65	60 and 63
2014		
Discount rates	3,50 - 8,10	8,60 - 9,10
Expected rates of return on plan assets	3,50 - 8,10	9,10 - 9,10
Inflation rate	2,25 - 5,90	5,60 - 6,50
Expected rates of salary increases	6,90 - 7,10	6,5
Pension increase allowance	0,53 - 5,90	
Annual increase to medical aid subsidy		6,90 - 7,50
Average expected retirement age (years)	55 to 65	60 and 63

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.

	2015	2014
Weighted-average assumptions (%)		
- Discount rate	9,60	7,79
- Expected return on plan assets	9,60	7,79
- Future salary increases	7,80	6,23
- Future pension increases	7,07	5,49

Medical aid funds

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

Rm	Pension and provident funds	Medical aid funds	Total
Experience adjustments on present value of defined-benefit obligation for past five years			
2015	(94)	112	18
2014	55	(42)	13
2013	229	148	377
2012	23	18	41
2011	(104)	(153)	(257)
2010	14	(48)	(34)
Experience adjustments on fair value of plan assets for past five years			
2015		(14)	(14)
2014		(24)	(24)
2013		28	28
2012		18	18
2011	(34)	(2)	(36)
2010	95	(10)	85
Estimate of future contributions			
Contributions expected for ensuing year	57		57

Rm	Present value of obligation	Fair value of plan asset	Surplus/(Deficit)
Fund surplus/(deficit) for past five years			
Pension funds			
2015	5 240	7 694	2 454
2014	5 206	7 173	1 967
2013	4 917	6 625	1 708
2012	4 890	5 713	823
2011	4 281	5 183	902
2010	3 985	4 965	980
Medical aid funds			
2015	1 841	1 254	(587)
2014	1 780	1 170	(610)
2013	1 578	893	(685)
2012	1 591	854	(737)
2011	1 489	830	(659)
2010	1 229	810	(419)
Rm		2015	2014
Effect of 1% change in assumed medical cost trend rates			
1% increase - effect on current service cost and interest cost		44	50
1% increase - effect on accumulated benefit obligation		273	275
1% decrease - effect on current service cost and interest cost		(35)	(20)
1% decrease - effect on accumulated benefit obligation		(222)	(223)

28 INTANGIBLE ASSETS

Rm	Goodwill	Software	Software development costs	Client relationships, contractual rights and other	Total
2015					
Cost					
Balance at the beginning of the year	6 618	7 775	963	641	15 997
Acquisitions		165	1 042		1 207
Development costs commissioned to software		621	(621)		-
Impairment losses		(42)	(68)		(110)
Disposals and retirements		(6)			(6)
Foreign currency translation and other movements	116	12	1		129
Balance at the end of the year	6 734	8 525	1 317	641	17 217
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	1 477	5 458	136	347	7 418
Amortisation charge		718		65	783
Disposals and retirements		(6)			(6)
Foreign currency translation and other movements		12	1	(1)	12
Balance at the end of the year	1 477	6 182	137	411	8 207
Carrying amount					
At the beginning of the year	5 141	2 317	827	294	8 579
At the end of the year	5 257	2 343	1 180	230	9 010
2014					
Cost					
Balance at the beginning of the year	6 603	6 996	958	641	15 198
Acquisitions		257	809		1 066
Development costs commissioned to software		766	(766)		-
Impairment losses		(33)	(38)		(71)
Disposals and retirements		(213)			(213)
Foreign currency translation and other movements	15	2			17
Balance at the end of the year	6 618	7 775	963	641	15 997
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	1 477	5 012	136	283	6 908
Amortisation charge		655		64	719
Disposals and retirements		(211)			(211)
Foreign currency translation and other movements		2			2
Balance at the end of the year	1 477	5 458	136	347	7 418
Carrying amount					
At the beginning of the year	5 126	1 984	822	358	8 290
At the end of the year	5 141	2 317	827	294	8 579

28.1 Analysis of goodwill by segment

	2015 Rm	2014 Rm
Nedbank Corporate and Investment Banking	2 023	2 023
Nedbank Retail and Business Banking	1 449	1 449
Nedbank Wealth	1 651	1 535
Rest of Africa	134	134
	5 257	5 141

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 to the estimated value in use. The value in use is determined by discounting estimated future cashflows of each CGU. The discounted-cashflow calculations have been performed using Nedbank's cost of equity, which is calculated using the capital asset pricing model. No impairments resulting from impairment testing have been effected for the reporting periods presented. Management regards the useful lives of all CGUs to be indefinite. See note 3 for key assumptions used when assessing goodwill impairment.

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

	2015	2014
Riskfree rate range (%)	1,90 - 9,76	1,72 - 7,98
Beta range	0,30 - 1,46	0,21 - 1,53
Equity risk premium (%)	6,00	6,00
Terminal growth rate range (%)	0,00 - 4,80	0,00 - 5,80
Cashflow projection (years)	5	3
Discount rate range (%)	9,80 - 15,36	9,08 - 13,29

	2015 Rm	2014 Rm
Geographical split is based on the area in which the CGU operates:		
SA	4 598	4 598
Rest of Africa	134	134
Rest of world	525	409
	5 257	5 141
The value in use is estimated as follows:		
SA	182 569	192 898
Rest of Africa	7 045	6 108
Rest of world	2 129	1 306
	191 743	200 312
Net estimated recoverable amounts:		
SA	177 971	188 300
Rest of Africa	6 911	5 974
Rest of world	1 604	897
	186 486	195 171

29 SHARE CAPITAL

29.1 Ordinary share capital

	2015 Rm	2014 Rm
Authorised		
600 000 000 (2014: 600 000 000) ordinary shares of R1 each	600	600
Issued		
494 411 956 (2014: 499 257 807) fully paid ordinary shares of R1 each	494	499
Treasury shares arising from share repurchases by subsidiaries of 17 856 169 (2014: 33 614 889) fully paid ordinary shares of R1 each	(17)	(33)
	477	466

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.

The treasury shares held are used mainly for the purpose of fulfilling the options and share awards outstanding in terms of the share schemes (for both employees and third parties).

29.2 Preference share capital and premium

Nedbank Ltd preference share capital and premium

Authorised

1 000 000 000 (2014: 1 000 000 000) non-redeemable non-cumulative preference shares of R0,001 each	1	1
5 000 Class A redeemable cumulative preference shares of R0,0001 each	1	1
5 000 Class B redeemable cumulative preference shares of R0,0001 each	1	1

Issued

358 277 491 (2014: 358 277 491) non-redeemable non-cumulative preference shares of R0,001 each	1	1
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.

The preference shares are classified as equity instruments by Nedbank Ltd ('the company') and have therefore been classified as non-controlling interest in the consolidated financial statements.

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.

30 AMOUNTS OWED TO DEPOSITORS

30.1 Classifications

	2015 Rm	2014 Rm
Current accounts	70 757	65 170
Savings deposits	30 542	25 386
Other deposits and loan accounts	481 402	449 705
Call and term deposits	276 200	257 634
Fixed deposits	48 806	42 800
Cash management deposits	61 908	60 820
Other deposits and loan accounts	94 488	88 451
Foreign currency liabilities	45 475	30 153
Negotiable certificates of deposit	82 144	70 377
Deposits received under repurchase agreements ¹	15 531	12 659
	725 851	653 450
Comprises:		
- Amounts owed to depositors	672 122	604 294
- Amounts owed to banks	53 729	49 156
	725 851	653 450
<p>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.</p> <p>Foreign currency liabilities are either matched by advances to clients or hedged against exchange rate fluctuations.</p> <p>See note 30.4 for a breakdown of amounts owed to depositors by operating segment.</p>		
<p>¹ The group has pledged government and other securities (note 17) and negotiable certificates of deposit (note 15) amounting to R15 614m (2014: R11 986m) as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IAS 39. The associated liabilities amounted to R15 531m (2014: R12 659m).</p>		
30.2 Sectoral analysis		
Banks	53 729	49 156
Government and public sector	48 106	47 057
Individuals	180 260	163 056
Business sector	443 756	394 181
	725 851	653 450
30.3 Geographical analysis		
SA	667 091	604 784
Rest of Africa	23 523	18 858
Europe	29 629	28 098
Asia	5 052	1 315
United States	556	395
	725 851	653 450

30 AMOUNTS OWED TO DEPOSITORS (continued)

30.4 Segmental analysis

Rm	Nedbank Group		Nedbank Corporate and Investment Banking	
	2015	2014	2015	2014
Current accounts	70 757	65 170	4 947	5 393
Savings deposits	30 542	25 386	5	3
Other deposits and loan accounts	481 402	449 705	285 932	274 708
Call and term deposits	276 200	257 634	126 425	124 626
Fixed deposits	48 806	42 800	13 089	12 149
Cash management deposits	61 908	60 820	53 820	53 749
Other deposits and loan accounts	94 488	88 451	92 598	84 184
Foreign currency liabilities	45 475	30 153	40 297	26 553
Negotiable certificates of deposit	82 144	70 377	156	160
Deposits received under repurchase agreements	15 531	12 659	15 531	12 583
Amounts owed to depositors	725 851	653 450	346 868	319 400
Comprises:				
- Amounts owed to clients	672 122	604 294	296 517	275 749
- Amounts owed to banks	53 729	49 156	50 351	43 651
Total amounts owed to depositors	725 851	653 450	346 868	319 400

During the period the Nedbank Corporate and Nedbank Capital Clusters were merged to form the Nedbank Corporate and Investment Banking Cluster. Similarly, the Nedbank Retail and Nedbank Business Banking Clusters were merged to form the Nedbank Retail and Business Banking Cluster. The comparative segment information previously presented for Nedbank Corporate, Nedbank Capital, Nedbank Retail and Nedbank Business Banking has been represented based on the new merged clusters, ie Nedbank Corporate and Investment Banking and Nedbank Retail and Business Banking.

	Nedbank Retail and Business Banking		Nedbank Wealth		Rest of Africa		Centre	
	2015	2014	2015	2014	2015	2014	2015	2014
	59 328	54 321	1 572	1 375	4 770	3 999	140	82
	9 390	9 244	20 179	15 309	968	830		
	174 897	157 289	12 332	9 438	10 261	8 274	(2 020)	(4)
	134 469	120 818	10 720	8 658	4 848	3 816	(262)	(284)
	32 766	28 538	258	180	2 693	1 933		
	5 495	5 666	1 364	598	1 157	798	72	9
	2 167	2 267	(10)	2	1 563	1 727	(1 830)	271
	4 520	3 249			658	351		
					4 551	3 528	77 437	66 689
						76		
	248 135	224 103	34 083	26 122	21 208	17 058	75 557	66 767
	247 458	223 543	34 083	26 122	19 434	15 363	74 630	63 517
	677	560			1 774	1 695	927	3 250
	248 135	224 103	34 083	26 122	21 208	17 058	75 557	66 767

31 PROVISIONS AND OTHER LIABILITIES

	2015 Rm	2014 Rm
Creditors and other accounts	8 085	7 982
Deferred revenue: client loyalty programmes	256	258
Insurance contracts provision	313	328
Short-trading securities and spot positions	13 857	4 451
Provision for onerous contracts (note 31.1)	7	12
Leave pay accrual (note 31.2)	722	757
	23 240	13 788
31.1 Provision for onerous contracts		
Balance at the beginning of the year	12	14
Recognised in profit or loss	(5)	(2)
Balance at the end of the year	7	12
31.2 Leave pay accrual		
Balance at the beginning of the year	757	715
Recognised in profit or loss	1 412	404
Utilised during the year	(1 447)	(362)
Balance at the end of the year	722	757

31.3 Day-one gains and losses

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

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

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

32 INVESTMENT CONTRACT LIABILITIES

	2015 Rm	2014 Rm
Balance at the beginning of the year	11 747	11 523
Transfers to fellow subsidiaries	(2 203)	
Premium income	6 152	3 638
Investment income	1 062	983
Annuities	(376)	(390)
Death and disability benefits	(285)	(331)
Withdrawals/Surrenders	(4 983)	(3 498)
Other movements	(126)	(178)
Balance at the end of the year	10 988	11 747

Policies held within investment contracts are recorded at market-related values.

33 INSURANCE CONTRACT LIABILITIES

	2015 Rm	2014 Rm
Balance at the beginning of the year	4 171	3 321
Net premiums	1 774	3 049
Individual - single premiums		1 334
Individual - recurring premiums	1 856	1 926
Group - recurring premiums	69	
Net reinsurance premiums	(151)	(211)
Investment income	18	322
Dividends	(112)	3
Interest	106	266
Realised and unrealised gains/(losses) on investments	24	53
Policyholders' benefits paid	(779)	(883)
Annuities	(202)	(141)
Death and disability benefits	(226)	(445)
Maturities	(226)	(181)
Gross surrenders and withdrawals	(125)	(116)
Total expenses	(524)	(659)
Administration expenses	(98)	(149)
Commission	(360)	(437)
Indirect taxation	(66)	(73)
Other income	3	3
Transfer to operating profit	(1 045)	(982)
Balance at the end of the year	3 618	4 171

34 LONG-TERM DEBT INSTRUMENTS

Instrument code	Date callable	Date repayable	Nominal value
Subordinated debt			
Callable notes (rand-denominated)			Rm
NED9	6 July 2017	6 July 2022	2 000
NED11	17 September 2015	17 September 2020	1 000
NED13	25 July 2018	25 July 2023	1 800
NED14	29 November 2018	29 November 2023	1 200
NED15	8 April 2019	8 April 2024	450
NED16	8 April 2019	8 April 2024	1 737
NED 17	14 October 2019	14 October 2024	300
NED18	16 January 2020	16 January 2025	225
NED19	01 July 2020	01 July 2025	1 624
NED 20	01 July 2020	01 July 2025	407
Long-term debenture (Namibian dollar-denominated)			NAM\$m
N\$40m long-term debenture issue		15 September 2030	40
Callable notes (US dollar-denominated)			US\$m
EMTN01	3 March 2017	3 March 2022	100
Hybrid subordinated debt			
Callable notes (rand-denominated)			Rm
NEDH1A	20 November 2018	20 November 2018	487
NEDH1B	20 November 2018	20 November 2018	1 265
Securitised liabilities			
Callable notes (rand-denominated)			Rm
GRH1A1	25 October 2017	25 October 2039	480
GRH1A2	25 October 2017	25 October 2039	336
GRH1A3	25 October 2017	25 October 2039	900
GRH1B	25 October 2017	25 October 2039	110
SUBLOAN 2	25 October 2017	25 October 2039	227
GH31A1	25 February 2018	25 February 2042	650
GH31A2	25 February 2020	25 February 2042	100
GH31A3	25 February 2020	25 February 2042	680
GH31B	25 February 2020	25 February 2042	80
GH31C	25 February 2020	25 February 2042	65
GH31D	25 February 2020	25 February 2042	100
SUBLOAN 1	25 February 2020	25 February 2042	180

Instrument terms up to callable date	Instrument terms after callable date	Interest on notes payable	2015 Rm	2014 Rm
			11 500	9 817
			9 932	8 654
JIBAR + 0,47% per annum	Floating 3-month JIBAR + 2,20%	Quarterly	2 032	2 031
10,54% per annum	Floating 3-month JIBAR + 2,85%	Biannually		1 048
JIBAR + 2,75% per annum	Floating 3-month JIBAR + 2,75%	Quarterly	1 829	1 828
JIBAR + 2,55% per annum	Floating 3-month JIBAR + 2,55%	Quarterly	1 209	1 209
10,49% per annum	Fixed at 10,49% per annum	Biannually	461	461
JIBAR + 2,55% per annum	Floating 3-month JIBAR + 2,55%	Quarterly	1 772	1 771
JIBAR + 2,75% per annum	Floating 3-month JIBAR + 2,75%	Quarterly	306	306
JIBAR + 2,75% per annum	JIBAR + 2,75% per annum	Quarterly	229	
JIBAR + 3,50% per annum	JIBAR + 3,50% per annum	Quarterly	1 664	
11,29% per annum	11,29% per annum	Biannually	430	
			5	4
17% per annum until 15 September 2000 - thereafter zero coupon			5	4
			1 563	1 159
3-month USD LIBOR	3-month USD LIBOR + 3,00%		1 563	1 159
				1 900
15,05% per annum		Quarterly		575
JIBAR + 4,75% per annum		Biannually		1 325
			2 679	1 395
JIBAR + 1,1% per annum	3-month JIBAR + 1,49%	Quarterly		32
JIBAR + 1,25% per annum	3-month JIBAR + 1,69%	Quarterly	161	340
JIBAR + 1,54% per annum	3-month JIBAR + 2,08%	Quarterly	913	912
JIBAR + 1,90% per annum	3-month JIBAR + 2,57%	Quarterly	112	111
JIBAR + 0,58% per annum	JIBAR + 0,58% per annum	Quarterly	1	
JIBAR + 1,2% per annum	JIBAR + 1,2% per annum	Quarterly	558	
JIBAR + 1,45% per annum	JIBAR + 1,45% per annum		101	
JIBAR + 1,55% per annum	JIBAR + 1,55% per annum	Quarterly	685	
JIBAR + 2,2% per annum	JIBAR + 2,2% per annum	Quarterly	81	
JIBAR + 3% per annum	JIBAR + 3% per annum	Quarterly	66	
JIBAR + 1,61% per annum	JIBAR + 1,61% per annum	Quarterly		
JIBAR + 1,10% per annum	JIBAR + 1,10% per annum	Quarterly	1	

34 LONG-TERM DEBT INSTRUMENTS (continued)

Instrument code	Date callable	Date repayable	Nominal value
Senior unsecured debt			
Senior unsecured notes (rand-denominated)			Rm
NBK2A	8 September 2009	15 September 2015	3 244
NBK2B	8 September 2009	15 September 2015	1 044
NBK3A	8 September 2009	9 September 2019	1 273
NBK4	28 October 2009	28 October 2024	660
NBK6A	13 April 2010	19 April 2015	478
NBK6B	13 April 2010	19 April 2015	1 027
NBK7B	13 April 2010	19 April 2020	80
NBK9A	23 March 2011	23 March 2016	1 137
NBK9B	23 March 2011	23 March 2016	677
NBK10A	25 July 2013	25 July 2016	151
NBK11A	28 November 2013	28 November 2020	1 888
NBK12A	19 March 2014	19 March 2021	855
NBK12B	21 February 2012	20 February 2015	1 297
NBK13A	19 March 2014	19 March 2024	391
NBK13B	21 February 2012	21 February 2017	405
NBK14A	26 June 2014	25 June 2021	500
NBK14B	24 August 2012	27 August 2015	250
NBK15A	12 February 2015	27 August 2022	215
NBK15B	24 August 2012	27 August 2017	786
NBK16A	12 February 2015	12 February 2025	2 607
NBK16B	25 July 2013	25 July 2016	3 056
NBK17A	22 April 2015	22 April 2026	800
NBK17B	28 November 2013	28 November 2016	694
NBK18A	1 June 2015	1 June 2020	380
NBK18B	14 March 2014	20 March 2017	1 035
NBK19A	1 June 2015	1 June 2022	280
NBK19B	26 June 2014	26 June 2017	806
NBK20A	1 June 2015	1 June 2026	1 739
NBK20B	26 June 2014	25 June 2021	650
NBK21A	21 July 2015	21 July 2027	2 000
NBK21B	7 November 2014	10 November 2017	241
NBK22A	19 November 2015	19 November 2022	952
NBK22B	12 February 2015	12 February 2018	472
NBK23A	19 November 2015	19 November 2025	884
NBK23B	11 February 2015	12 February 2020	90
NBK24A	19 November 2015	19 November 2027	666
NBK24B	11 February 2015	12 February 2022	12
NBK25B	12 February 2015	12 February 2025	1 980
NBK26B	22 April 2015	22 April 2026	500
NBK27B	1 June 2015	1 June 2018	1 427
NBK28B	19 November 2015	19 November 2020	476
Other			
Unsecured debentures (rand-denominated)			Rm
		30 November 2029	200
Total long-term debt instruments in issue			

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

Instrument terms up to callable date	Instrument terms after callable date	Interest on notes payable	2015 Rm	2014 Rm
			30 785	22 511
10,55% per annum	10,55% per annum	Biannually		3 347
JIBAR + 2,20% per annum	3-month JIBAR + 2,20% per annum	Quarterly		1 054
11,39% per annum	11,39% per annum	Biannually	1 372	1 385
Zero coupon	Zero coupon		245	263
9,68% per annum	9,68% per annum	Biannually		487
JIBAR + 1,75% per annum	3-month JIBAR + 1,75% per annum	Quarterly		1 043
JIBAR + 2,15% per annum	3-month JIBAR + 2,15% per annum	Quarterly	81	81
9,36% per annum	9,36% per annum	Biannually	1 166	1 166
JIBAR + 1,25% per annum ²	JIBAR + 1,25% per annum	Quarterly	678	678
6,91% per annum	6,91% per annum	Biannually	155	154
8,92% per annum	8,92% per annum	Biannually	1 903	1 903
9,38% per annum	9,38% per annum	Biannually	878	878
JIBAR + 1,00% per annum	JIBAR + 1,00% per annum	Quarterly		1 307
9,73% per annum	9,73% per annum	Biannually	402	402
JIBAR + 1,30% per annum	JIBAR + 1,30% per annum	Quarterly	408	408
9,29% per annum	9,29% per annum	Biannually	501	501
JIBAR + 1,00% per annum	JIBAR + 1,00% per annum	Biannually		252
8,79% per annum	8,79% per annum	Semi-annually	222	
JIBAR + 1,31% per annum	JIBAR + 1,31% per annum	Quarterly	700	700
9,44% per annum	9,44% per annum	Semi-annually	2 702	
JIBAR + 0,8% per annum	JIBAR + 0,8% per annum	Quarterly	3 070	3 068
JIBAR + 0,75% per annum	9,95% per annum	Semi-annually	815	
JIBAR + 0,75% per annum	JIBAR + 0,75% per annum	Quarterly	698	698
9,26% per annum	9,26% per annum	Semi-annually	383	
JIBAR + 0,85% per annum	JIBAR + 0,85% per annum	Quarterly	1 037	1 037
9,64% per annum	9,64% per annum	Semi-annually	282	
JIBAR + 0,9% per annum	JIBAR + 0,9% per annum	Quarterly	806	806
10,36% per annum	10,36% per annum	Semi-annually	1 754	
JIBAR + 1,3% per annum	JIBAR + 1,3% per annum	Quarterly	650	650
10,63% per annum	10,63% per annum	Semi-annually	2 095	
JIBAR + 1,12% per annum	JIBAR + 1,12% per annum	Quarterly	244	243
10,07% per annum	JIBAR + 1,25% per annum	Semi-annually	963	
JIBAR + 1,25% per annum	JIBAR + 1,45% per annum	Quarterly	477	
10,69% per annum	JIBAR + 1,55% per annum	Semi-annually	895	
JIBAR + 1,45% per annum	JIBAR + 2,00% per annum	Quarterly	91	
10,94% per annum	JIBAR + 2,10% per annum	Semi-annually	674	
JIBAR + 1,55% per annum	JIBAR + 1,30% per annum	Quarterly	12	
JIBAR + 2,00% per annum	10,07% per annum	Quarterly	2 002	
JIBAR + 2,10% per annum	10,69% per annum	Quarterly	508	
JIBAR + 1,30% per annum	10,94% per annum	Quarterly	1 436	
JIBAR + 1,55% per annum	JIBAR + 1,55% per annum	Quarterly	480	
			18	15
Zero coupon			18	15
			44 982	35 638

35 CASHFLOW INFORMATION

	2015 Rm	2014 Rm
35.1 Reconciliation of profit from operations to cash generated by operations		
Profit from operations	13 810	13 495
Adjusted for:		
- Depreciation (note 8)	1 027	946
- Amortisation: computer software and intangible assets (note 8)	718	655
- Amortisation: other intangible assets (note 8)	65	64
- Movement in impairment of loans and advances	5 926	5 447
- Net income on investment banking assets	(15)	(13)
- Net impairment of investments, property and equipment, and intangible assets (note 10)	118	97
- Net loss on sale of investments and property and equipment (note 10)	23	12
- Fair-value adjustments of investment properties (note 25)		(6)
- Indirect taxation (note 9)	783	635
Cash generated by operations	22 455	21 332
35.2 Cash received from clients		
Interest and similar income (note 5)	60 289	52 619
Commission and fees (note 7)	15 627	14 570
Net trading income (note 7)	3 167	2 648
Other income	2 895	2 989
	81 978	72 826
35.3 Cash paid to clients, employees and suppliers		
Interest expense and similar charges (note 6)	(36 404)	(29 658)
Staff costs (note 8)	(14 296)	(13 838)
Other operating expenses	(10 004)	(9 031)
	(60 704)	(52 527)
35.4 Increase in operating assets		
Other short-term securities	(8 380)	(24 783)
Government and other securities	(15 883)	4 914
Loans and advances and other operating assets	(90 003)	(42 951)
	(114 266)	(62 820)
35.5 Increase in operating liabilities		
Current and savings accounts	10 743	9 221
Other deposits, loan accounts and foreign currency liabilities	47 019	57 956
Negotiable certificates of deposit	11 767	(17 080)
Deposits received under repurchase agreements	2 872	401
Creditors and other liabilities	28 263	1 091
	100 664	51 589
35.6 Taxation paid		
Amounts receivable at the beginning of the year	157	264
Statement of comprehensive income charge (excluding deferred taxation)	(3 495)	(3 762)
Other taxation received	341	7
Amounts receivable at the end of the year	(620)	(157)
	(3 617)	(3 648)
Total indirect taxation (note 9)	(783)	(635)
Taxation paid	(4 400)	(4 283)
35.7 Dividends paid		
Recognised in the consolidated statement of changes in shareholders' equity	(5 395)	(4 643)

36 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS

	Notes	Total Rm	At fair value through profit or loss		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
			Held for trading Rm	Designated ¹ Rm					
2015									
Assets									
Cash and cash equivalents	14	22 840					22 840		
Other short-term securities	15	75 614	10 237	19 327	13 188	32 862			
Derivative financial instruments	16	30 488	30 488						
Government and other securities	17	43 060	9 928	11 318	3 007	18 807			
Loans and advances	18	681 632	34 013	65 127	38		582 454		
Other assets	20	8 984	4 152				4 832		
Current taxation assets		1 032							1 032
Investment securities	21	13 155		12 676	479				
Non-current assets held for sale	23	2							2
Investments in private-equity associates, associate companies and joint arrangements	22	9 579		1 162					8 417
Deferred taxation assets	24	227							227
Investment property	25	32							32
Property and equipment	26	8 784							8 784
Long-term employee benefit assets	27	5 055							5 055
Mandatory reserve deposits with central banks	14	16 232					16 232		
Intangible assets	28	9 010							9 010
Total assets		925 726	88 818	109 610	16 712	51 669	626 358		32 559
Equity and liabilities									
Ordinary share capital	29.1	477							477
Ordinary share premium		17 569							17 569
Reserves		56 708							56 708
Total equity attributable to equity holders of the parent		74 754							74 754
Non-controlling interest attributable to:									
- Ordinary shareholders		436							436
- Preference shareholders	29.2	3 561							3 561
Total equity		78 751							78 751
Derivative financial instruments ¹	16	33 628	33 628						
Amounts owed to depositors	30	725 851	104 504	65 839				555 508	
Provisions and other liabilities	31	23 240	13 904	50				7 988	1 298
Current taxation liabilities		412							412
Deferred taxation liabilities	24	1 182							1 182
Long-term employee benefit liabilities	27	3 074							3 074
Investment contract liabilities	32	10 988		10 988					
Insurance contract liabilities	33	3 618							3 618
Long-term debt instruments	34	44 982		401				44 581	
Total liabilities		846 975	152 036	77 278				608 077	9 584
Total equity and liabilities		925 726	152 036	77 278				608 077	88 335

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

	Notes	Total Rm	At fair value through profit or loss		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
			Held for trading Rm	Designated ¹ Rm					
2014									
Assets									
Cash and cash equivalents	14	13 339					13 339		
Other short-term securities	15	67 234	9 629	15 689	9 323	32 593			
Derivative financial instruments	16	15 573	15 573						
Government and other securities ²	17	27 177	5 491	8 691	3 750	9 245			
Loans and advances	18	613 021	26 947	60 241	40		525 793		
Other assets	20	8 715	2 113	383			6 219		
Current taxation assets		291							291
Investment securities	21	20 029		19 541	488				
Non-current assets held for sale	23	16							16
Investments in private-equity associates, associate companies and joint arrangements	22	7 670		898					6 772
Deferred taxation assets	24	309							309
Investment property	25	130							130
Property and equipment	26	7 773							7 773
Long-term employee benefit assets	27	4 546							4 546
Mandatory reserve deposits with central banks	14	14 911					14 911		
Intangible assets	28	8 579							8 579
Total assets		809 313	59 753	105 443	13 601	41 838	560 262		28 416
Equity and liabilities									
Ordinary share capital	29.1	466							466
Ordinary share premium		16 781							16 781
Reserves		49 777							49 777
Total equity attributable to equity holders of the parent		67 024							67 024
Non-controlling interest attributable to:									
– Ordinary shareholders		326							326
– Preference shareholders	29.2	3 561							3 561
Total equity		70 911							70 911
Derivative financial instruments	16	15 472	15 472						
Amounts owed to depositors	30	653 450	77 201	39 576				536 673	
Provisions and other liabilities ³	31	13 788	4 509					7 924	1 355
Current taxation liabilities		134							134
Deferred taxation liabilities	24	931							931
Long-term employee benefit liabilities	27	3 071							3 071
Investment contract liabilities	32	11 747		11 747					
Insurance contract liabilities ⁴	33	4 171							4 171
Long-term debt instruments	34	35 638		2 040				33 598	
Total liabilities		738 402	97 182	53 363				578 195	9 662
Total equity and liabilities		809 313	97 182	53 363				578 195	80 573

¹ Refer to note 38 in respect of financial instruments designated as at fair value through profit or loss.

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

³ R1 355m of provisions and other liabilities were previously included in the financial liabilities at amortised cost category within the categories of financial instruments. However, these balances are not within the scope of the IAS 39 categories of financial instruments. Therefore, this amount has been presented under non-financial assets, liabilities and equity and the comparative information has been restated to align with current-year presentation.

⁴ R4 171m of insurance contract liabilities were previously included in the designated at fair value through profit or loss category within the categories of financial instruments. However, these balances are accounted for in terms of IFRS 4 Insurance Contracts and thus are not within the scope of the IAS 39 categories of financial instruments. Therefore, insurance contract liabilities have been presented under non-financial assets, liabilities and equity and the comparative information has been restated to align with current-year presentation.

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS

37.1 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 back-tested for validity by using prices from any observable current market transaction in the same instrument (ie without modification or repackaging) or based on any observable market data. The group obtains market data consistently in the same market where the instrument was originated or purchased.

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

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

Stress testing and sensitivity measures

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

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

For further discussion in respect of stress testing and sensitivity measures refer to note 37.7.

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; and
- the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair-value hierarchy within which the inputs are categorised.

Quoted price

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

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

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.1 Valuation of financial instruments (continued)

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

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

Valuation techniques

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

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

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

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

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

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

Therefore, a valuation technique:

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

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

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

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

Observable markets

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

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

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

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

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

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

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

Inputs to valuation techniques

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

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

Valuation adjustments

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

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

Valuation techniques by instrument

Other short-term securities and government and other securities

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

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

Derivative financial instruments

Derivative contracts can either be traded 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 collateralised debt obligations, and other secured and unsecured loans.

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.1 Valuation of financial instruments (continued)

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

Investment securities

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

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

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

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

Other assets

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

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

Amounts owed to depositors

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

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

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

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

Investment contract liabilities

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

Long-term debt instruments

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

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

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

Complex instruments

These instruments are valued by using internally developed models that are specific to the instrument and that have been calibrated to market prices. In less active markets data is obtained from less frequent market transactions, 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	Riskfree rate and volatilities
	Multiple valuation techniques	Valuation multiples
Government and other securities	Discounted-cashflow model	Discount rates
Loans and advances	Discounted-cashflow model	Interest rate curves
Investment securities	Discounted-cashflow models	Money market rates and interest rates
	Adjusted net asset value	Underlying price of market-traded instruments
	Dividend yield method	Dividend growth rates
Liabilities		
Derivative financial instruments	Discounted-cashflow model	Discount rates
	Black-Scholes model	Riskfree rate and volatilities
	Multiple valuation techniques	Valuation multiples
Amounts owed to depositors	Discounted-cashflow model	Discount rates
Provisions and other liabilities	Discounted-cashflow model	Discount rates
Investment contract liabilities	Adjusted net asset value	Underlying price of market-traded instruments
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 37.7.

37 FAIR-VALUE MEASUREMENT - FINANCIAL INSTRUMENTS (continued)

37.2 Fair-value hierarchy

37.2.1 Financial assets

Rm	Note	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value
2015		893 167	678 027	215 140
Cash and cash equivalents	14	39 072	39 072	-
Other short-term securities	15	75 614	32 862	42 752
Derivative financial instruments	16	30 488		30 488
Government and other securities	17	43 060	18 807	24 253
Loans and advances	18	681 632	582 454	99 178
Other assets	20	8 984	4 832	4 152
Investments in private-equity associates, associate companies and joint arrangements	22	1 162		1 162
Investment securities	21	13 155		13 155
2014		780 897	602 100	178 797
Cash and cash equivalents	14	28 250	28 250	
Other short-term securities	15	67 234	32 593	34 641
Derivative financial instruments	16	15 573		15 573
Government and other securities ¹	17	27 177	9 245	17 932
Loans and advances	18	613 021	525 793	87 228
Other assets	20	8 715	6 219	2 496
Investments in private-equity associates, associate companies and joint arrangements	22	898		898
Investment securities	21	20 029		20 029

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

Summary of fair-value hierarchies	Total financial assets recognised at fair value	
	2015	2014
Rm		
Other short-term securities	42 752	34 641
Derivative financial instruments	30 488	15 573
Government and other securities ¹	24 253	17 932
Loans and advances	99 178	87 228
Other assets	4 152	2 496
Investments in private-equity associates, associate companies and joint arrangements	1 162	898
Investment securities	13 155	20 029
	215 140	178 797

Reconciliation to categorised statement of financial position

Rm	Note
Level 1	
Level 2 ¹	
Level 3	
Reconciliation to statement of financial position	
Rm	Note
Total financial assets	36
Total non-financial assets	36
Total assets	

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

	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
	11 964	76 836	18	4 846	102 878	1 886	54	16 658	-
		10 237		667	18 660			13 188	
	99	30 371	18						
	7 713	2 215		3 725	7 593			3 007	
		34 013		22	65 072	33	38		
	4 152					1 162			
				432	11 553	691	16	463	
	6 743	53 010		4 794	98 918	1 731	2 432	11 169	-
		9 629		668	15 021			9 323	
	27	15 546							
	4 603	888		3 096	5 595		2 381	1 369	
		26 947		23	60 185	33	40		
	2 113			383					
						898			
				624	18 117	800	11	477	

	Total financial assets classified as level 1		Total financial assets classified as level 2		Total financial assets classified as level 3	
	2015	2014	2015	2014	2015	2014
	667	668	42 085	33 973		
	99	27	30 371	15 546	18	
	11 438	10 080	12 815	7 852		
	60	63	99 085	87 132	33	33
	4 152	2 496				
					1 162	898
	448	635	12 016	18 594	691	800
	16 864	13 969	196 372	163 097	1 904	1 731

	Held for trading		Designated at fair value through profit or loss		Available for sale	
	2015	2014	2015	2014	2015	2014
	11 964	6 743	4 846	4 794	54	2 432
	76 836	53 010	102 878	98 918	16 658	11 169
	18		1 886	1 731		
	88 818	59 753	109 610	105 443	16 712	13 601

	2015	2014
	893 167	780 897
	32 559	28 416
	925 726	809 313

37 FAIR-VALUE MEASUREMENT - FINANCIAL INSTRUMENTS (continued)

37.2 Fair-value hierarchy (continued)

37.2.2 Financial liabilities

Rm	Note	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
2015		837 391	608 077	229 314
Derivative financial instruments	16	33 628		33 628
Amounts owed to depositors	30	725 851	555 508	170 343
Provisions and other liabilities	31	21 942	7 988	13 954
Investment contract liabilities	32/33	10 988		10 988
Long-term debt instruments	34	44 982	44 581	401
2014		728 740	578 195	150 545
Derivative financial instruments	16	15 472		15 472
Amounts owed to depositors	30	653 450	536 673	116 777
Provisions and other liabilities ¹	31	12 433	7 924	4 509
Investment contract liabilities ²	32/33	11 747		11 747
Long-term debt instruments	34	35 638	33 598	2 040

Rm	Total financial liabilities recognised at fair value	
	2015	2014
Derivative financial instruments	33 628	15 472
Amounts owed to depositors	170 343	116 777
Provisions and other liabilities ¹	13 954	4 509
Investment contract liabilities ²	10 988	11 747
Long-term debt instruments	401	2 040
	229 314	150 545

¹ R1 355m of provisions and other liabilities were previously included in the financial liabilities at amortised cost category within the categories of financial instruments. However, these balances are not within the scope of the IAS 39 categories of financial instruments. Therefore, this amount has been presented under non-financial assets, liabilities and equity and the comparative information has been restated to align with current-year presentation.

² R4 171m of insurance contract liabilities were previously included in the designated at fair value through profit or loss category within the categories of financial instruments. However, these balances are accounted for in terms of IFRS 4 Insurance Contracts and thus are not within the scope of the IAS 39 categories of financial instruments. Therefore, insurance contract liabilities have been presented under non-financial assets, liabilities and equity and the comparative information has been restated to align with current-year presentation.

Reconciliation to categorised statement of financial position

Rm

Level 1

Level 2¹

Level 3

Reconciliation to statement of financial position

Rm

Total financial liabilities^{1, 2} 36

Total equity and non-financial liabilities^{1, 2} 36

Total equity and liabilities

¹ R1 355m of provisions and other liabilities were previously included in the financial liabilities at amortised cost category within the categories of financial instruments. However, these balances are not within the scope of the IAS 39 categories of financial instruments. Therefore, this amount has been presented under non-financial assets, liabilities and equity and the comparative information has been restated to align with current-year presentation.

² R4 171m of insurance contract liabilities were previously included in the designated at fair value through profit or loss category within the categories of financial instruments. However, these balances are accounted for in terms of IFRS 4 Insurance Contracts and thus are not within the scope of the IAS 39 categories of financial instruments. Therefore, insurance contract liabilities have been presented under non-financial assets, liabilities and equity and the comparative information has been restated to align with current-year presentation.

	Held for trading			Designated at fair value through profit or loss		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	13 850	138 100	86	156	77 122	
	126	33 416	86		65 839	
		104 504			50	
	13 724	180			10 988	
				156	245	
	4 376	92 786	20	575	52 788	
	7	15 445	20		39 576	
		77 201			11 747	
	4 369	140			1 465	
				575		

	Total financial liabilities classified as level 1		Total financial liabilities classified as level 2		Total financial liabilities classified as level 3	
	2015	2014	2015	2014	2015	2014
	126	7	33 416	15 445	86	20
			170 343	116 777		
	13 724	4 369	230	140		
			10 988	11 747		
	156	575	245	1 465		
	14 006	4 951	215 222	145 574	86	20

	Held for trading		Designated at fair value through profit or loss	
	2015	2014	2015	2014
	13 850	4 376	156	575
	138 100	92 786	77 122	52 788
	86	20		
	152 036	97 182	77 278	53 363

	2015	2014
	837 391	728 740
	88 335	80 573
	925 726	809 313

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.2 Fair-value hierarchy (continued)

37.2.2 Financial liabilities (continued)

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.

37.3 Details of changes in valuation techniques

There have been no changes to valuation techniques.

37.4 Significant transfers between level 1 and level 2

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

- Held for trading – R1 308m
- Designated – R2 802m
- Available for sale – R2 074m

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

37.5 Level 3 reconciliation

Assets

Rm	Opening balance at 1 January	Gains in profit for the year	Gains in other comprehensive income for the year	Purchases and issues	Sales and settlements	Transfers from level 2	Transfers to level 2	Closing balance at 31 December
2015								
Held for trading		18						18
Derivative financial instruments		18						18
Designated as at fair value	1 731	53		314	(212)			1 886
Investments in private-equity associates, associate companies and joint arrangements	898	89		312	(137)			1 162
Loans and advances	33							33
Investment securities	800	(36)		2	(75)			691
Total financial assets classified as level 3	1 731	71		314	(212)			1 904
2014								
Held for trading	45				(45)			
Investment securities	45				(45)			
Designated as at fair value	1 803	250		169	(491)			1 731
Investments in private-equity associates, associate companies and joint arrangements	860	42		142	(146)			898
Loans and advances	33							33
Investment securities	910	208		27	(345)			800
Total financial assets classified as level 3	1 848	250		169	(536)			1 731

Liabilities

Rm	Opening balance at 1 January	(Gains)/ Losses in profit for the year	Gains in other comprehensive income for the year	Purchases and issues	Sales and settlements	Transfers from level 2	Transfers to level 2	Closing balance at 31 December
2015								
Held for trading	20	66						86
Derivative financial instruments	20	66						86
Total financial liabilities classified as level 3	20	66						86
2014								
Held for trading				20				20
Derivative financial instruments				20				20
Total financial liabilities classified as level 3				20				20

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

37.6 Unrealised gains or losses

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

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

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

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

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

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

	Valuation technique	Significant unobservable input	Variance in fair value %
2015			
Assets			
Derivative financial instruments	Discounted-cashflow model, Black-Scholes model and multiple valuation techniques	Discount rates, riskfree rates, volatilities, credit spreads and valuation multiples	between (13) and 10
Loans and advances	Discounted cashflows	Credit spreads and discount rates	between (13) and 10
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads	between (13) and 10
Investments in private-equity associates, associate companies and joint arrangements	Discounted cashflows, earnings multiples	Valuation multiples	between (7) and 8
Total financial assets classified as level 3			
Liabilities			
Derivative financial instruments	Discounted cashflows, earnings multiples	Growth rates, cost of equity and price/book	between (10) and 10
2014			
Assets			
Loans and advances	Discounted cashflows	Credit spreads and discount rates	between (13) and 13
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads	between (13) and 13
Investments in private-equity associates, associate companies and joint arrangements	Discounted cashflows, earnings multiples	Valuation multiples	between (16) and 16
Total financial assets classified as level 3			
Liabilities			
Derivative financial instruments	Discounted cashflows, earnings multiples	Growth rates, cost of equity and price/book	between (13) and 13

	Amounts recognised in the statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
	18	2	(2)
	33	3	(4)
	691	62	(77)
	1162	97	(109)
	1904	164	(192)
	(86)	37	(33)

	Amounts recognised in the statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
	33	3	(4)
	800	76	(95)
	898	124	(134)
	1 731	203	(233)
	(20)	15	(21)

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

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

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

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

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
2015					
Financial assets	634 123	628 792	17 415	32 709	578 668
Other short-term securities	32 862	32 709		32 709	
Government and other securities	18 807	17 415	17 415		
Loans and advances	582 454	578 668			578 668
Financial liabilities	44 581	42 933	24 269	18 664	
Long-term debt instruments	44 581	42 933	24 269	18 664	
2014					
Financial assets	567 631	567 238	9 338	32 580	525 320
Other short-term securities	32 593	32 580		32 580	
Government and other securities	9 245	9 338	9 338		
Loans and advances	525 793	525 320			525 320
Financial liabilities	33 598	33 558	23 385	10 173	
Long-term debt instruments	33 598	33 558	23 385	10 173	

Loans and advances

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

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

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

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

Government and other securities

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

Other short-term securities

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

Long-term debt instruments

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

Amounts owed to depositors

The amounts owed to depositors principally consist 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.

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

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

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

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

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

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

Rm	Maximum exposure to credit risk		Change in fair value due to change in credit risk ¹			
			Current period		Cumulative	
	2015	2014	2015	2014	2015	2014
Negotiable certificates of deposit	1 973	620				
Treasury bills and other bonds	17 353	15 069				
Government guaranteed	1 265	2 880				
Other dated securities	10 054	5 810				
Mortgage loans	18 007	20 785	2	2		(2)
Net finance lease and instalment debtors	18 434	19 030				
Leases and debentures	82	44				
Other lending-related investments		23				
Preference shares	1 663	2 012				
Loans and advances (secured and unsecured)	5 558	5 588				
Foreign client lending	9 636	4 188				
Other loans	11 532	8 331				
Loans and advances to banks	215	240				
Debtors and accruals		383				
Private-equity associates, associate companies and joint arrangements	1 162	898				
Listed investments	432	624				
Unlisted investments	2 646	2 752				
Policyholder assets	(80)	(68)				
Policyholder investments	9 678	16 234				
	109 610	105 443	2	2		(2)

¹ Positive amounts represent gains while negative amounts represent losses. See note 19.1.

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

A breakdown of the financial assets that are designated as at fair value through profit or loss can be found in note 36. A detailed explanation of how each financial asset is valued can be found in note 37.1.

38 FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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

Rm	Fair value	Change in fair value due to change in credit risk ¹		
		Current payable at maturity	Contractually period	Cumulative
2015				
Long-term debt instruments	401	409		
Call and term deposits	31 223	31 291	(36)	(54)
Foreign currency liabilities	10 179	10 179		
Provisions and other liabilities	50			
Investment contract liabilities	10 988	10 988		
Negotiable certificates of deposit	24 437	24 369	(54)	(103)
	77 278	77 236	(90)	(157)
2014				
Long-term debt instruments	2 040	1 909	38	48
Call and term deposits	20 757	20 747	(16)	(39)
Foreign currency liabilities	8 406	8 407		
Investment contract liabilities	11 747	11 747		
Negotiable certificates of deposit	10 413	10 408	(16)	(54)
	53 363	53 218	6	(45)

¹ Positive amounts represent losses while negative amounts represent gains.

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

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

39 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

The group reports financial assets and financial liabilities on a net basis in the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Certain master netting arrangements may not meet the criteria for offsetting in the statement of financial position because:

- these agreements create a right of setoff that is an 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.

Rm	Effects of netting on the statement of financial position			Related amounts not set off in the statement of financial position				
	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	Amounts that may be netted on the occurrence of a future event	Financial collateral	Net amounts reflecting the effect of master netting arrangements	Amounts not subject to IFRS 7 offsetting disclosure ²	Total amounts recognised in the statement of financial position
2015								
Derivative financial instruments	(5 210)	2 292	(2 918)	1 039		(1 879)	(222)	(3 140)
- Assets			30 069				419	30 488
- Liabilities			(32 987)				(641)	(33 628)
Assets excluding derivative financial instruments	3 939	(1 551)	2 388			2 388	679 244	681 632
- Loans and advances	3 939	(1 551)	2 388			2 388	679 244	681 632
Liabilities excluding derivative financial instruments	(95 413)	36 296	(59 117)			(59 117)	(666 734)	(725 851)
- Amounts owed to depositors	(95 413)	36 296	(59 117)			(59 117)	(666 734)	(725 851)

Rm	Effects of netting on the statement of financial position			Related amounts not set off in the statement of financial position				
	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	Amounts that may be netted on the occurrence of a future event	Financial collateral	Net amounts reflecting the effect of master netting arrangements	Amounts not subject to IFRS 7 offsetting disclosure ²	Total amounts recognised in the statement of financial position
2014								
Derivative financial instruments	(2 677)	2 788	111	(111)			(10)	101
- Assets			15 540				33	15 573
- Liabilities			(15 429)				(43)	(15 472)
Assets excluding derivative financial instruments	5 387	(2 874)	2 513			2 513	610 508	613 021
- Loans and advances	5 387	(2 874)	2 513			2 513	610 508	613 021
Liabilities excluding derivative financial instruments	(88 695)	29 516	(59 179)			(59 179)	(594 271)	(653 450)
- Amounts owed to depositors	(88 695)	29 516	(59 179)			(59 179)	(594 271)	(653 450)

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.

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

Credit ratings

	Investment grade		Subinvestment grade		Not rated		Total	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Other short-term securities	73 784	65 148	1 405	1 877	425	209	75 614	67 234
Negotiable certificates of deposit	21 744	16 193	334	602			22 078	16 795
Treasury bills and other	52 040	48 955	1 071	1 275	425	209	53 536	50 439
Government and other securities	35 460	25 413	3 762	1 294	3 838	470	43 060	27 177
Government and government-guaranteed securities	26 031	13 483	661	600		93	26 692	14 176
Other dated securities	9 429	11 930	3 101	694	3 838	377	16 368	13 001
	109 244	90 561	5 167	3 171	4 263	679	118 674	94 411

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

41 LIQUIDITY GAP

Rm	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non-determined	Total
2015							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	37 110	1 962					39 072
Other short-term securities	30 750	15 180	19 732	9 952			75 614
Derivative financial instruments	8 769	3 336	2 359	7 018	9 006		30 488
Government and other securities	1 091	1 688	7 481	17 298	15 502		43 060
Loans and advances	156 528	28 219	50 957	268 010	177 918		681 632
Other assets						55 860	55 860
	234 248	50 385	80 529	302 278	202 426	55 860	925 726
Total equity						78 751	78 751
Derivative financial instruments	8 024	2 884	2 445	7 334	12 941		33 628
Amounts owed to depositors	529 953	56 012	59 603	69 956	10 327		725 851
Provisions and other liabilities	10 988					31 526	42 514
Long-term debt instruments	5 252		3 923	19 805	16 002		44 982
	554 217	58 896	65 971	97 095	39 270	110 277	925 726
Net liquidity gap	(319 969)	(8 511)	14 558	205 183	163 156	(54 417)	-
2014							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	27 930	220	100				28 250
Other short-term securities	30 050	14 821	16 743	5 620			67 234
Derivative financial instruments	2 750	555	1 187	5 119	5 962		15 573
Government and other securities	550	290	3 888	16 713	5 736		27 177
Loans and advances	128 855	21 935	40 827	262 405	158 999		613 021
Other assets						58 058	58 058
	190 135	37 821	62 745	289 857	170 697	58 058	809 313
Total equity						70 911	70 911
Derivative financial instruments	1 973	407	914	4 831	7 347		15 472
Amounts owed to depositors	477 516	46 970	48 900	69 513	10 551		653 450
Provisions and other liabilities	11 747					22 095	33 842
Long-term debt instruments	1 354	1 576	5 706	22 328	4 674		35 638
	492 590	48 953	55 520	96 672	22 572	93 006	809 313
Net liquidity gap	(302 455)	(11 132)	7 225	193 185	148 125	(34 948)	-

This note has been prepared on a contractual maturity basis.

42 CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

Rm	Statement of financial position amount	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non-determinable maturity	Total
2015								
Long-term debt instruments	44 982	5 761	742	5 637	29 997	22 268		64 405
Investment contract liabilities	10 988	10 988						10 988
Insurance contract liabilities	3 618						3 618	3 618
Amounts owed to depositors	725 851	533 751	58 075	63 678	76 744	11 226	-	743 474
Current accounts	70 757	70 758						70 758
Savings deposits	30 542	30 542						30 542
Other deposits and loan accounts	481 402	364 260	33 538	32 228	49 690	11 147		490 863
Foreign currency liabilities	45 475	31 307	6 305	4 664	3 202			45 478
Negotiable certificates of deposit	82 144	21 341	18 232	26 786	23 852	79		90 290
Deposits received under repurchase agreements	15 531	15 543						15 543
Derivative financial instruments - liabilities	33 628	8 024	2 884	2 445	7 334	12 941		33 628
Provisions and other liabilities	27 908						27 908	27 908
	846 975	558 524	61 701	71 760	114 075	46 435	31 526	884 021
Guarantees on behalf of clients	27 300	27 300						27 300
Confirmed letters of credit and discounting transactions	4 463	4 463						4 463
Unutilised facilities and other	103 519	103 519						103 519
	135 282	135 282	-	-	-	-	-	135 282
2014								
Long-term debt instruments	35 638	1 891	2 026	6 934	27 312	5 302		43 465
Investment contract liabilities	11 747	11 747						11 747
Insurance contract liabilities	4 171						4 171	4 171
Amounts owed to depositors	653 450	480 872	49 208	51 926	75 700	10 758	-	668 464
Current accounts	65 170	65 171						65 171
Savings deposits	25 386	25 387						25 387
Other deposits and loan accounts	449 705	334 678	31 032	31 191	50 249	10 671		457 821
Foreign currency liabilities	30 153	25 659	2 315	1 160	1 020			30 154
Negotiable certificates of deposit	70 377	17 305	15 861	19 575	24 431	87		77 259
Deposits received under repurchase agreements	12 659	12 672						12 672
Derivative financial instruments - liabilities	15 472	1 973	407	914	4 831	7 347		15 472
Provisions and other liabilities	17 924						17 924	17 924
	738 402	496 483	51 641	59 774	107 843	23 407	22 095	761 243
Guarantees on behalf of clients	23 778	23 778						23 778
Confirmed letters of credit and discounting transactions	3 262	3 262						3 262
Unutilised facilities and other	104 429	104 429						104 429
	131 469	131 469	-	-	-	-	-	131 469

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

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

Rm	2015				2014			
	Average	Minimum	Maximum	Year-end	Average	Minimum	Maximum	Year-end
Foreign exchange	3,2	0,6	17,8	17,7	3,7	0,6	10,7	0,9
Interest rate	7,4	3,7	23,4	22,4	7,8	5,2	12,1	5,8
Equity products	3,4	0,6	11,1	6,3	2,0	0,6	5,7	1,1
Credit	7,0	4,9	11,6	9,2	3,8	2,7	5,3	5,3
Commodity	0,4		2,4	1,7	0,3		0,9	0,9
Diversification	(7,7)			(15,0)	(6,9)			(4,8)
Total VaR exposure	13,7	7,5	44,6	42,3	10,7	6,9	16,5	9,2

The 'Worldclass risk management' section of the group's integrated report, available at nedbank.co.za, contains information on the group trading book VaR and the comparison of trading VaR.

44 INTEREST RATE REPRICING GAP

Rm	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Trading and non-rate	Total
2015							
Total assets	597 726	33 918	23 121	44 658	23 613	202 690	925 726
Total equity and liabilities	532 725	25 927	32 988	20 289	12 741	301 056	925 726
Interest rate hedging activities	13 445	7 021	11 049	(24 462)	(7 053)		-
Repricing profile	78 446	15 012	1 182	(93)	3 819	(98 366)	-
Cumulative repricing profile	78 446	93 458	94 640	94 547	98 366		
Expressed as a percentage of total assets (%)	8,5	10,1	10,2	10,2	10,6		
2014							
Total assets	531 243	26 852	23 301	46 047	16 226	165 644	809 313
Total equity and liabilities	487 151	26 259	27 245	16 518	4 768	247 372	809 313
Interest rate hedging activities	24 380	7 528	1 270	(25 085)	(8 093)		-
Repricing profile	68 472	8 121	(2 674)	4 444	3 365	(81 728)	-
Cumulative repricing profile	68 472	76 593	73 919	78 364	81 729		
Expressed as a percentage of total assets (%)	8,5	9,5	9,1	9,7	10,1		

The 'Worldclass risk management' section of the group's integrated report, available at nedbank.co.za, contains information on interest rate risk in the banking book.

45 SECURITISATIONS

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

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

Nedbank Group also has two active committed liquidity facility (CLF) transactions:

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

Synthesis Funding Ltd

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

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

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

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

Greenhouse programmes

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

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

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

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

Nedbank has provided the Greenhouse programmes with interest-bearing subordinated loans at the commencement of each programme, in order 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 termination date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

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

Precinct Funding 1

Precinct is a commercial mortgage-backed securitisation programme. The originator, seller and servicer of the commercial property loan portfolio is Nedbank CIB Property Finance, the market leader in commercial property finance in South Africa.

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

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

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

Nedbank has provided Precinct with an interest-bearing subordinated loan at the commencement of this transaction, in order 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 termination date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

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

45 SECURITISATIONS (continued)

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

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

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

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

46 FOREIGN CURRENCY CONVERSION GUIDE

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

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

47 CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

	2015 Rm	2014 Rm
Guarantees on behalf of clients	27 300	23 778
Letters of credit and discounting transactions	4 463	3 262
Irrevocable unutilised facilities and other	103 519	104 429
	135 282	131 469

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

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

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

Nedbank's legal counsel is of the view that Nedbank has a strong case to succeed with its opposition against the claim.

48 COMMITMENTS

48.1 Capital expenditure approved by directors

	2015 Rm	2014 Rm
Contracted	1 317	1 294
Not yet contracted	2 222	1 286
	3 539	2 580

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.

48.2 Operating-lease commitments

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

	2016 Rm	2016 - 2020 Rm	Beyond 2020 Rm
2015			
Land and buildings ¹	865	2 274	2 236
Furniture and equipment	181		
	1 046	2 274	2 236

	2015 Rm	2015 - 2019 Rm	Beyond 2019 Rm
2014			
Land and buildings ¹	726	2 033	2 598
Furniture and equipment	286	173	
	1 012	2 206	2 598

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 has been determined, cumulative adjustments will be made to the amount payable for the following month. Escalation clauses for major leases entered into by the group range between 5% and 10% per annum. For all major lease agreements entered into there is no requirement to pay contingent rent or purchase options.

48.3 Commitments under derivative instruments

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

49 COLLATERAL

49.1 Collateral pledged

The group has pledged government and other securities (note 17) and negotiable certificates of deposit (note 15) amounting to R15 614m (2014: R11 986m) as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IAS 39. The associated liabilities of R15 531m (2014: R12 659m) are disclosed in note 30.

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

49.2 Collateral held to mitigate credit risk

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

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

49 COLLATERAL (continued)

49.2 Collateral held to mitigate credit risk (continued)

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

(i) Financial collateral

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

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

(ii) Non-financial collateral

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

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

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

(i) Retail portfolio

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

(ii) Wholesale portfolio

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

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

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

Management considers collateral held in the wholesale portfolio to be non-homogenous and often exhibiting illiquid characteristics and therefore valuing collateral of this nature requires a significant level of judgement. Collateral of this nature is valued at the inception of a transaction and at least annually during the life of the transaction usually as part of the facility review, which includes a review of the security structure and covenants to ensure that proper title is retained over the relevant collateral. At 31 December 2015 management considered R267 784m (2014: R173 823m) to be a reasonable estimate of the collateral held in the wholesale portfolio.

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

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

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

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

50 MANAGED FUNDS

50.1 Fair value of funds under management - by type

	2015 Rm	2014 Rm
Unit trusts	197 308	154 869
Third party	2 290	1 846
Private clients	57 697	55 298
	257 295	212 013

50.2 Fair value of funds under management - by geography

	2015 Rm	2014 Rm
SA	207 301	180 884
Rest of world	49 994	31 129
	257 295	212 013

50.3 Reconciliation of movement in funds under management - by type

	Unit trusts Rm	Third party Rm	Private clients Rm	Total Rm
Balance at 31 December 2013	135 327	1 760	53 254	190 341
Inflows	209 746	16	10 054	219 816
Outflows	(200 072)	(153)	(11 106)	(211 331)
Mark-to-market value adjustment	7 631	155	2 953	10 739
Foreign currency translation differences	2 237	68	143	2 448
Balance at 31 December 2014	154 869	1 846	55 298	212 013
Inflows	251 538	19	11 171	262 728
Outflows	(226 625)	(117)	(11 498)	(238 240)
Mark-to-market value adjustment	7 054	30	1 802	8 886
Foreign currency translation differences	10 472	512	924	11 908
Balance at 31 December 2015	197 308	2 290	57 697	257 295

50.4 Reconciliation of movements in funds under management - by geography

	SA Rm	Rest of world Rm	Total Rm
Balance at 31 December 2013	166 279	24 062	190 341
Inflows	213 948	5 868	219 816
Outflows	(208 727)	(2 604)	(211 331)
Mark-to-market value adjustment	9 384	1 355	10 739
Foreign currency translation differences		2 448	2 448
Balance at 31 December 2014	180 884	31 129	212 013
Inflows	250 959	11 769	262 728
Outflows	(233 156)	(5 084)	(238 240)
Mark-to-market value adjustment	8 614	272	8 886
Foreign currency translation differences		11 908	11 908
Balance at 31 December 2015	207 301	49 994	257 295

The group, 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 consolidated statement of comprehensive income as non-interest revenue.

51 SHARE-BASED PAYMENTS

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

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

51.1 Description of arrangements

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Traditional employee schemes				
Nedbank Group (2005) Share Option and Restricted-share Scheme	Nedbank Group (2005) Share Scheme Trust	Restricted shares are granted to key personnel to motivate senior employees to remain with the group. The granting of restricted shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Three years' service and achievement of performance targets based on average return on equity, as well as the Nedbank Group Ltd share price performance against the financial index. In addition, the 2015 grants include a strategic collaboration condition with Old Mutual applicable to group and cluster executives only. Where the performance target is not met, 50% will vest where applicable, provided that the three years' service has been achieved.	3 years
Nedbank Group (2005) Matched-share scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Three years' service and achievement of Nedbank Group Ltd performance targets. Where these performance targets are not met, 50% will vest, provided that the three years' service has been achieved.	3 years
Old Mutual UK Sharesave Scheme	n/a	All eligible employees of Nedbank Private Wealth Ltd (Isle of Man) and Nedgroup Trust Ltd (Guernsey) are entitled to participate in the Old Mutual UK Sharesave Plan, which allows them to elect to save between £5 and £500 per month over a 3- or 5-year period, and receive an option to purchase Old Mutual plc shares in the future at an exercise price that is set at the start of the plan. Invitations to participate in the plan are issued annually.	Completion of three or five years' service.	5 years
Nedbank UK Long-term Incentive Plan (LTIP)	n/a	Employees who perform services in the United Kingdom on behalf of the group will be considered for participation in the UK LTIP. Selected employees will be granted share appreciation rights (SARs). SARs are similar to options in that SARs are granted at a predetermined exercise price, and 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

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	n/a	Restricted shares are granted to key Nedbank Africa personnel to motivate senior employees to remain with the group. The granting of restricted shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years
Nedbank Eyethu BEE schemes - employees				
Black Executive Scheme	Nedbank Eyethu Black Executive Trust	Restricted shares and share options were granted to certain black employees at a senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees at a middle and senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Nedbank Eyethu BEE schemes - clients and business partners				
Community Trust	Nedbank Eyethu Community Trust	The trust has been formed with the specific purpose of providing previously disadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group Ltd's BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 10 years the net assets of the trust will be allocated to participants as determined by the trustees.	10 years Subsequent to December 2013 the termination date of the trust was extended from 2015 to 2030 so as to provide an ongoing flexible vehicle for deploying the residual assets of the trust and continued support of community affairs in line with the group's BEE and Fair Share 2030 initiatives.

51 SHARE-BASED PAYMENTS (continued)

51.1 Description of arrangements (continued)

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Nedbank Namibia Omufima BEE schemes - employees				
Namibia Black Management Scheme	Nedbank Offiya Black Management Trust	Restricted shares and share options were granted to certain black employees at a middle and senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Namibia Broad-based Employee Scheme	Nedbank Offiya Broad-based Employee Trust	Restricted shares were granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	No dealing in these shares during the restricted period of five years.	5 years
Nedbank Namibia Omufima BEE schemes - business partners and affinity groups and long-term incentive plans				
Namibia Black Business Partner Scheme	Central Consortium SPV Three Investments (Pty) Ltd, Coastal Consortium SPV Three Investments (Pty) Ltd and Northern Empowerment SPV Three Investments (Pty) Ltd	Each SPV was issued an equal number of restricted shares at R2,53 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	No dealing in these shares during the 10-year notional funding period.	10 years
Namibia Affinity Group Scheme	Southern Consortium SPV Three Investments (Pty) Ltd and Eastern Consortium SPV Three Investments (Pty) Ltd	Each SPV was issued an equal number of restricted shares at R1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	No dealing in these shares during the 10-year notional funding period.	10 years
Namibia Education Scheme	Nedbank Namibia Education Trust	The SPV was issued an equal number of restricted shares at R1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	No dealing in these shares during the 10-year notional funding period.	10 years
Nedbank Namibia LTIP Scheme	Nedbank Namibia Holdings Trust	Share options and restricted shares are granted to key personnel to motivate senior employees to remain with the group. The granting of share options 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 plus predetermined targets for average return on income, average fully dilutive headline earnings per share growth and average cost-to-income ratio.	5 years

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

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

51 SHARE-BASED PAYMENTS (continued)

51.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Traditional employee schemes	412	612	1130	1177
Nedbank Group (2005) Share Option and Restricted-share Scheme	379	517	880	939
Nedbank Group (2005) Matched-share Scheme	102	79	181	148
Old Mutual UK Sharesave Scheme	(1)	5	40	39
Nedbank UK Long-term Incentive Plan ¹	(59)		14	16
Nedbank UK Matched-share Scheme ¹	2		3	19
Nedbank Wealth Management International Long-term Incentive Plan ¹	(14)	9	8	13
Nedbank Wealth Management International Matched-share Scheme ¹	2	2	3	3
Nedbank Africa ¹	1		1	
Nedbank Eyethu BEE schemes	26	21	189	507
Black Business Partner Scheme	10			301
Community Scheme			124	124
Black Executive Scheme	12	14	44	42
Black Management Scheme	4	7	21	40
Nedbank Namibia Omufima BEE and other schemes			22	21
Namibia Black Business Partner Scheme			13	13
Namibia Affinity Group Scheme			5	4
Namibia Education Scheme			4	4
	438	633	1341	1705

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

51.3 Movements in number of instruments

	2015		2014	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Nedbank Group (2005) Share Option and Restricted-share Scheme				
Outstanding at the beginning of the year	9 868 377		10 710 356	
Granted	3 087 302		3 444 280	
Forfeited	(438 408)		(719 950)	
Exercised	(3 282 846)		(3 566 309)	
Outstanding at the end of the year	9 234 425		9 868 377	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)		251,42		196,76
Nedbank Group (2005) Matched-share Scheme				
Outstanding at the beginning of the year	1 649 973		1 274 585	
Granted	773 259		732 501	
Forfeited	(108 820)		(104 291)	
Exercised	(397 292)		(252 822)	
Outstanding at the end of the year	1 917 120		1 649 973	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)		240,75		222,54
Old Mutual UK Sharesave Scheme				
Outstanding at the beginning of the year	1 704 698	1,49	2 637 872	0,75
Granted	612 120		947 451	
Forfeited	(136 727)		(132 844)	
Exercised	(539 918)		(1 747 781)	
Outstanding at the end of the year	1 640 173		1 704 698	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)		2,15		2,00

51 SHARE-BASED PAYMENTS (continued)

51.3 Movements in number of instruments (continued)

	2015		2014	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Nedbank UK Long-term Incentive Plan				
Outstanding at the beginning of the year	197 288		198 960	
Granted	28 806		52 336	
Forfeited			(9 414)	
Other	(44 046)			
Exercised	(62 546)		(44 594)	
Outstanding at the end of the year	119 502		197 288	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				
Nedbank UK Matched-share Scheme				
Outstanding at the beginning of the year	17 427		16 099	
Granted	7 240		2 811	
Exercised	(7 856)			
Other			(1 483)	
Outstanding at the end of the year	16 811		17 427	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				
Nedbank Wealth Management International Long-term Incentive Plan				
Outstanding at the beginning of the year	73 223		83 255	
Granted	20 513		20 708	
Forfeited	(2 750)			
Exercised	(29 702)		(30 740)	
Outstanding at the end of the year	61 284		73 223	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				
Nedbank Wealth Management International Matched-share Scheme				
Outstanding at the beginning of the year	20 207		12 643	
Granted	4 122		7 613	
Exercised	(5 932)			
Forfeited			(49)	
Outstanding at the end of the year	18 397		20 207	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				
Nedbank Africa				
Granted	30 096			
Outstanding at the end of the year	30 096			
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				
Black Business Partner Scheme				
Outstanding at the beginning of the year	7 891 300		7 891 300	163,53
Other	(7 891 300)			
Outstanding at the end of the year			7 891 300	163,53
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)				

51.3 Movements in number of instruments (continued)

	2015		2014	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Black Executive Scheme				
Outstanding at the beginning of the year	1 014 319	223,06	1 251 781	101,73
Forfeited	(25 795)		(59 335)	
Exercised	(168 317)		(178 127)	
Outstanding at the end of the year	820 207		1 014 319	
Exercisable at the end of the year	20 205	121,08	641	121,08
Weighted-average share price for share instruments exercised (R)		241,38		223,06
Black Management Scheme				
Outstanding at the beginning of the year	1 545 884	227,59	2 710 812	105,23
Forfeited	(100 113)		(220 356)	
Exercised	(731 182)		(964 666)	
Other	13 281		23 526	
Expired	(21 311)		(3 432)	
Outstanding at the end of the year	706 559		1 545 884	
Exercisable at the end of the year	164 204	101,41	262 053	107,36
Weighted-average share price for share instruments exercised (R)		248,07		227,59
Namibia Black Business Partner Scheme				
Outstanding at the beginning of the year	199 929	278,98	199 929	278,98
Outstanding at the end of the year	199 929	278,98	199 929	278,98
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)				
Namibia Affinity Group Scheme				
Outstanding at the beginning of the year	74 048	282,47	74 048	282,47
Outstanding at the end of the year	74 048	282,47	74 048	282,47
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)				
Namibia Education Scheme				
Outstanding at the beginning of the year	98 730	282,47	98 730	282,47
Outstanding at the end of the year	98 730	282,47	98 730	282,47
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)				
Namibia Black Management Scheme				
Outstanding at the beginning of the year			5 166	102,55
Exercised			(5 166)	
Outstanding at the end of the year				
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)				224,04
Community Scheme				
Outstanding at the beginning of the year	851 111		851 111	
Outstanding at the end of the year	851 111		851 111	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)				

51 SHARE-BASED PAYMENTS (continued)

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

	2015		2014	
	Number of instruments	Weighted-average remaining contractual life (years)	Number of instruments	Weighted-average remaining contractual life (years)
Nedbank Group (2005) Share Option Scheme				
0,00	9 234 425	1,2	9 868 377	1,2
	9 234 425	1,2	9 868 377	1,2
Nedbank Group (2005) Matched-share Scheme				
0,00	1 917 120	1,4	1 649 973	1,4
	1 917 120	1,4	1 649 973	1,4
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares - GBP)				
0,94			38 125	0,3
1,10	35 685	0,3	35 685	1,3
1,28	74 758	1,3	553 545	1,1
1,63	964 654	1,7	1 077 343	2,7
1,87	565 076	2,6		
	1 640 173	1,9	1 704 698	1,9
Nedbank UK Long-term Incentive Plan				
0,00	119 502		197 288	
	119 502		197 288	
Nedbank UK Matched-share Scheme				
0,00	16 811		17 427	
	16 811		17 427	
Nedbank Wealth Management International Long-term Incentive Plan				
0,00	61 284	1,2	73 223	1,1
	61 284	1,2	73 223	1,1
Nedbank Wealth Management International Matched-share Scheme				
0,00	18 397	1,1	20 207	1,3
	18 397	1,1	20 207	1,3
Black Business Partner Scheme				
163,53			7 891 300	
			7 891 300	
Black Executive Scheme				
0,00	257 212	1,8	319 169	2,4
75,74			19 623	1,2
121,08	84 616	1,2	127 569	2,2
128,44	56 402	2,2	84 182	3,2
132,18	3 797	1,6	7 480	2,6
140,00	40 200	1,1	60 000	1,6
161,88	174 489	3,2	174 489	4,2
182,98	114 010	3,6	114 010	4,6
189,90	89 481	4,2	107 797	5,2
	820 207	2,5	1 014 319	3,2

51.4 Instruments outstanding at the end of the year by exercise price (continued)

	2015		2014	
	Number of instruments	Weighted-average remaining contractual life (years)	Number of instruments	Weighted-average remaining contractual life (years)
Black Management Scheme				
0,00	47 523	1,0	112 718	1,3
75,74	82 016	0,2	303 526	1,2
104,51	578	(0,4)	71 605	0,6
108,45	8 204	0,6	72 620	1,6
120,62			95 668	0,2
121,08	98 111	1,2	164 806	2,2
128,44	186 481	2,2	287 811	3,2
132,18	103 086	1,6	183 378	2,5
139,69	107 907	1,0	169 609	1,6
161,88	72 653	3,2	84 144	4,2
	706 559	1,5	1 545 885	2,0
Nedbank Africa				
0,00	30 096	2,2		
	30 096	2,2		
Namibia Black Business Partner Scheme				
278,98	199 929	1,0	199 929	2,0
	199 929	1,0	199 929	2,0
Namibia Affinity Group Scheme				
282,47	74 048	1,0	74 048	2,0
	74 048	1,0	74 048	2,0
Namibia Education Scheme				
282,47	98 730	1,0	98 730	2,0
	98 730	1,0	98 730	2,0
Community Scheme				
0,00	851 111	15,0	851 111	16,0
	851 111	15,0	851 111	16,0

51 SHARE-BASED PAYMENTS (continued)

51.5 Instruments granted during the year

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

	Nedbank Group (2005) Share Option and Restricted-share Scheme	Nedbank Group (2005) Matched-share Scheme	Old Mutual UK Sharesave Scheme (GBP)
2015			
Number of instruments granted	3 087 302	773 259	612 120
Weighted-average fair value per instrument granted (R) ¹	244,45	185,48	1,87
Weighted-average share price (R)	244,45	237,78	2,31
Weighted-average expected volatility (%) ²	23,0	23,0	29,1
Weighted-average life (years)	3,0	3,0	3,2
Weighted-average riskfree interest rate (%)	7,0	7,0	0,8
Number of participants	1 350	1 635	
Weighted-average vesting period (years)	3,0	3,0	1,9
2014			
Number of instruments granted	3 440 886	731 882	947 451
Weighted-average fair value per instrument granted (R) ¹	203,61	188,72	1,63
Weighted-average share price (R)	215,58	224,01	2,00
Weighted-average expected volatility (%) ²	23,0	22,0	31,4
Weighted-average life (years)	3,0	3,0	3,5
Weighted-average riskfree interest rate (%)	7,2	6,8	1,4
Number of participants	1 615	668	
Weighted-average vesting period (years)	3,0	3,0	3,5

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.

	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
	28 806	7 240	20 513	4 122	30 096
			244,40	237,78	242,84
	109,66	237,78	244,40	237,78	242,84
			23,00	23,00	23,00
			3,00	3,00	3,00
			7,0	7,0	7,0
	14	6	11	19	41
	3,0	3,0	3,0	3,0	3,0
	52 336	2 811	20 708	7 613	
			181,75	188,72	
	210,25	223,03	215,77	224,04	
			22,0	22,0	
			3,0	3,0	
			6,8	6,8	
	13	11	11	24	
	3,0	3,0	3,0	3,0	

52 RELATED PARTIES

52.1 Relationship with parent, ultimate controlling party and investees

The group's parent company is Old Mutual (SA) Ltd (OMSA), which, through its subsidiaries, holds 53,66% (2014: 54,04%) of Nedbank Group Ltd's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the group are identified in note 54 and associate companies and joint arrangements of the group are identified in note 53.

52.2 Key management personnel compensation

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

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

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

52.3 Related-party transactions

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

Outstanding balances (Rm)	Due from/(owing to)	
	2015	2014
Parent/Ultimate controlling party		
Deposits owing to Old Mutual Life Assurance Company (SA) Ltd	(7)	(14)
Bank balances owing to Old Mutual Life Assurance Company (SA) Ltd	(351)	(237)
Forward exchange rate contracts with Old Mutual plc	2	(4)
Account payable owing to Old Mutual plc		(1)
Fellow subsidiaries		
Deposits owing to Old Mutual Asset Managers (SA) (Pty) Ltd	(66)	(24)
Deposits owing to other fellow subsidiaries	(7 824)	(9 076)
Bank balances owing to Old Mutual Asset Managers (SA) (Pty) Ltd	(27)	(15)
Bank balances owing to other fellow subsidiaries	(1 407)	(873)
Associate companies		
Loans due from associate companies	2 336	2 157
Deposits owing to associate companies	(20)	(47)
Bank balances owing to associate companies	(14)	(5)
Key management personnel		
Mortgage bonds due from key management personnel	28	27
Deposits owing to key management personnel	(22)	(33)
Deposits owing to entities under the influence of key management personnel	(73)	(1 099)
Bank balances due from key management personnel	4	4
Bank balances owing to key management personnel	(27)	(43)
Bank balances due from entities under the influence of key management personnel	33	1
Bank balances owing to entities under the influence of key management personnel	(241)	(179)
The WIPHOLD and Brimstone consortia and Aka Capital (Pty) Ltd are related parties, since certain key management personnel of the company have significant influence over these entities. These entities are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these entities and key management personnel is detailed below:		
WIPHOLD consortium		(154)
Brimstone consortium		(147)
Key management personnel - directors	(40)	(52)
Key management personnel - other	(124)	(129)
Share-based payments reserve	(164)	(482)
Performance fees are paid to the WIPHOLD and Brimstone consortia in terms of the Nedbank Eyethu BEE schemes.		
WIPHOLD consortium	(2)	(12)
Brimstone consortium	(2)	(12)
Performance fee liability at the end of the year	(4)	(24)
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	(1)	(1)
Bank balances owing to Nedgroup Pension Fund	(23)	(100)
Bank balances and deposits owing to other funds	(46)	(73)

52 RELATED PARTIES (continued)

52.3 Related-party transactions (continued)

Transactions (Rm)	Income/(Expense)	
	2015	2014
Parent/Ultimate controlling party		
Interest expense to Old Mutual Life Assurance Company (SA) (Pty) Ltd	(221)	(342)
Dividend declared to OMSA through its subsidiaries	(2 905)	(2 525)
Fellow subsidiaries		
Interest income from Old Mutual Asset Managers (SA) (Pty) Ltd	25	27
Interest income from other fellow subsidiaries		5
Interest expense to other fellow subsidiaries	(1 842)	(2 815)
Interest expense to Old Mutual Asset Managers (SA) (Pty) Ltd	(12)	(41)
Insurance premiums to Mutual & Federal Insurance Company Ltd	(151)	(148)
Claims recovered from Mutual & Federal Insurance Company Ltd	64	99
Commission income from Mutual & Federal Insurance Company Ltd	28	27
Asset management fee to Old Mutual Asset Managers (Pty) Ltd		(4)
Associate companies		
Interest expense to associate companies	(24)	(22)
Key management personnel		
Interest income from key management personnel	3	4
Interest income from entities under the influence of key management personnel	85	348
Interest expense to key management personnel	(34)	(31)
Interest expense to entities under the influence of key management personnel	(147)	(227)
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
- Key management personnel - other	(3)	(5)
Share-based payments expense (included in BEE transaction expenses)	(3)	(5)
Key management personnel - directors	(10)	(17)
Key management personnel - other	(50)	(60)
Share-based payments expense (included in staff costs)	(60)	(77)

52.3 Related-party transactions (continued)

	Income/(Expense)	
	2015	2014
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	(3)	(4)
Interest expense to other funds	(159)	(25)
<p>The Nedbank Group Pension Fund has an insurance policy (Optiplus policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) Ltd, in respect of its pension plan obligations. Nedbank Ltd has an insurance policy (Symmetry policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) (Pty) Ltd, in respect of its postretirement medical aid obligations. The group has an interest in the OMART cell captive within a fellow subsidiary in respect of its disability plan obligations. The value of this policy and this interest are shown as reimbursement rights, with a corresponding liability. In the case of the interest in the cell captive the group recognises the surplus in the cell captive. The amounts included in the financial statements in respect of this policy and this interest are as follows:</p>		
- Optiplus policy reimbursement right	781	827
- Symmetry policy reimbursement right	1 254	1 179
- OMART policy reimbursement right (note 27.1)	543	511
Included in long-term employee benefit assets	2 578	2 517
Optiplus policy obligation	(781)	(827)
Postretirement medical aid obligation	(1 254)	(1 179)
Disability obligation	(373)	(374)
Included in long-term employee benefit liabilities	(2 408)	(2 380)

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

		Percentage holding 2015 %	2014 %
Private-equity associates and associate companies			
Listed			
Ecobank Transnational Incorporated (Togo) ¹	Banking	21,8	20,7
Individually immaterial associates			
Unlisted			
Century City JV	Property development	50	50
Erf 7 Sandown (Pty) Ltd ²	Property development		35
Falcon Forest Trading 85 (Pty) Ltd ³	Property development		
Friedshelf 113 (Pty) Ltd	Property development	20	20
Masingita Property Investment Holdings (Pty) Ltd	Property development	35	35
Odyssey Developments (Pty) Ltd ⁴	Property development	49	49
Other individually immaterial associates ⁵			
Private-equity associates (manufacturing, industrial, leisure and other) ⁶			
Private-equity associates (property investment associates) ⁶			
Other	Various		
Joint arrangements			
Unlisted			
Banco Único, S.A. (Mozambique)	Banking	38,3	36,6
Individually immaterial joint arrangements ⁵	Various		

Unless otherwise stated above, 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.

¹ Ecobank Transnational Incorporated is a pan-African bank and its shares are listed on the stock exchanges of Nigeria, Ghana and the Ivory Coast.

² Entity consolidated as a wholly owned subsidiary from 1 October 2015.

³ Entity disposed of during 2014.

⁴ The group's proportion of ownership in the entity is 49% while its voting right equates to 35%.

⁵ Represents various investments that are not individually material.

⁶ Includes entities that have been reclassified from investment securities to investments in private-equity associates, associate companies and joint arrangements to align better with industry practice. Refer to note 56.

				Group					
				Carrying amount		Net indebtedness of loans to/(from) associates		Dividends received	
	Measurement method	Acquisition date	Year-end	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm
	Equity-accounted	October 14	December	7 808	6 223	209	466		
	Fair value	December 10	December	55	55				
	Fair value	July 07	February		63		5		
	Fair value	March 05	February						39
	Fair value	August 02	February		85	1	43		
	Fair value	August 05	February	172	125	74	38		
	Fair value	August 07	February	56	57	49	49		
				487	373	226	235	22	26
				318	123	1 633	1 270		1
				232	238	4	(4)		
	Equity-accounted	June 14	December	359	286				
				92	42	140	55		
				9 579	7 670	2 336	2 157	22	66

53 ANALYSIS OF INVESTMENTS IN PRIVATE-EQUITY ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS (continued)

53.1 Additional disclosures relating to material associate companies and joint arrangements

	Ecobank Transnational Incorporated ¹		Banco Único, S.A.	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Fair value of investment in Ecobank Transnational Incorporated based on the closing quoted price on the Nigerian Stock Exchange ²	6 916	5 483		
Statement of comprehensive income				
Revenue	20 679	17 745	446	345
Profit/(Loss) from continuing operations	3 970	3 490	35	7
Posttax profit/(loss) from discontinued operations	(14)	(25)		
Other comprehensive income/(losses)	(3 516)	(1 048)		
Total comprehensive income	440	2 416	35	7
Statement of financial position				
Current assets	209 119	149 278	3 452	2 496
Non-current assets	155 964	115 204	2 153	1 820
Current liabilities	172 628	122 754	2 569	2 095
Non-current liabilities	150 992	114 555	2 390	1 807
Additional disclosures relating to joint ventures				
Banco Único, S.A.				
Statement of comprehensive income				
Interest and similar income			434	374
Interest and similar charges			159	162
Depreciation and amortisation			24	44
Income tax income/(expense)			(16)	(5)
Statement of financial position				
Cash and cash equivalents included in current assets			265	175
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities			2 471	2 018
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities			2 379	1 795

¹ The information provided for ETI has been based on the latest available financial information, being the financial results available at 30 September 2015.

² ETI's value in use as at 31 December 2015 has been determined using the following assumptions:

Adjusted riskfree rate (%)	8,2
Equity risk premium (%)	6
Beta	1,1
Terminal growth rate (%)	2,0
Cashflow projection (years)	5
Discount rate (%)	16,6

54 ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES

	Group				Company			
	Issued capital		Effective holding		Book value of investments		Net indebtedness	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Banking²								
Nedbank Ltd	27	27	100	100	22 058	20 954	(5 575)	(5 734)
Nedbank Namibia Ltd	17	17	100	100				
Nedbank (Malawi) Ltd	9	7	100	100				
Nedbank (Lesotho) Ltd	20	20	100	100				
Nedbank (Swaziland) Ltd	12	12	65,08	65,08				
Nedbank Private Wealth Ltd (Isle of Man)	255	198	100	100				
MBCA Bank Ltd (Zimbabwe)	2	1	71,37	71,37				
Trust and securities entities³								
Nedgroup Private Wealth Stockbrokers (Pty) Ltd	1	1	100	100				
Nedgroup Trust Ltd (Jersey)	2	2	100	100				
Nedgroup Collective Investments Ltd ⁵	6	6	100	100				
Syfrets Securities Ltd	1	1	100	100	353	353	200	200
Other companies³								
Nedgroup Private Wealth (Pty) Ltd	1	1	100	100	566	566		
BoE Holdings (Pty) Ltd, formerly BoE Holdings Ltd	2	2	100	100				
BoE Investment Holdings Ltd	11	11	100	100	31	937	(11)	(869)
Depfin Investments (Pty) Ltd	1	1	100	100				
Dr Holsboer Benefit Fund ⁴	1	1	100	100				
Nedgroup Investments Africa (Mauritius)	1	1	100	100	118	98		
NBG Capital Management (Pty) Ltd, formerly NBG Capital Management Ltd	1	1	100	100	1	1		
Nedbank Group Insurance Company Ltd	11	11	100	100	11	11		
Nedcapital Investment Holdings (Pty) Ltd (Namibia)	1	1	100	100	25	25		
Ned Settle Services (Pty) Ltd	1	1	100	100	1	1	71	
Nedcor Investments Ltd	28	28	100	100				
Nedcor Trade Services Ltd (Mauritius)	4	4	100	100				
NedEurope Ltd (Isle of Man)	6 998	5 186	100	100	1 612	1 612		
Nedgroup Insurance Company Ltd ⁵	5	5	100	100				
Nedgroup International Holdings Ltd (Isle of Man)	1	1	100	100				
Nedgroup Investment 102 Ltd	6	6	100	100				
Nedbank Group Insurance Holdings Ltd, formerly Nedgroup Investment Holdings 101 Ltd	17	17	100	100	196	196	260	260
Nedgroup Life Assurance Company Ltd	15	15	100	100				
Nedgroup Securities (Pty) Ltd	10	10	100	100	34	34	500	500
Nedgroup Structured Life Ltd	1	1	100	100				
NedInvest (Pty) Ltd	5	5	100	100	5	5		
NedNamibia Holdings Ltd (Namibia)	18	18	100	100	429	429		
NIB Blue Capital Investments (Pty) Ltd	1	1	100	100				
Peoples Mortgage Ltd	45	45	100	100				
The Board of Executors	1	1	100	100			22	(45)
Other companies							(5)	(4)
					25 439	25 221	(4 538)	(5 692)

¹ Represents amounts less than R1m.

² The banking subsidiary companies are restricted in terms of Basel regulations and prudential requirements with regard to the distribution of funds to their holding company.

³ These entities are free of any restrictions imposed on the distribution of funds, save for compliance with any local regulations.

⁴ The entity is governed by the terms of a trust deed. Restrictions are in place with regard to access or the use of the entity's assets.

⁵ In terms of a dispensation received from the Financial Services Board these companies are not allowed to declare any distributions to its holding company.

The composition of the group is illustrated in note 54.2. Unless otherwise stated, all entities are domiciled in SA. Unless otherwise stated, the financial statements of the subsidiaries used in the preparation of consolidated financial statements are as of the same date or same period than that of the consolidated financial statements. Unless otherwise stated, there are no significant restrictions (eg statutory, contractual and regulatory restrictions) on the group's ability to access or use the assets and settle the liabilities of the group.

54 ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES

Headline earnings from subsidiaries (after eliminating intercompany transactions):

	2015 Rm	2014 Rm
Aggregate headline earnings attributable to equity holders	10 969	9 900
Aggregate headline losses attributable to equity holders	(138)	(20)

General information required in terms of the Companies Act, 71 of 2008, is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities.

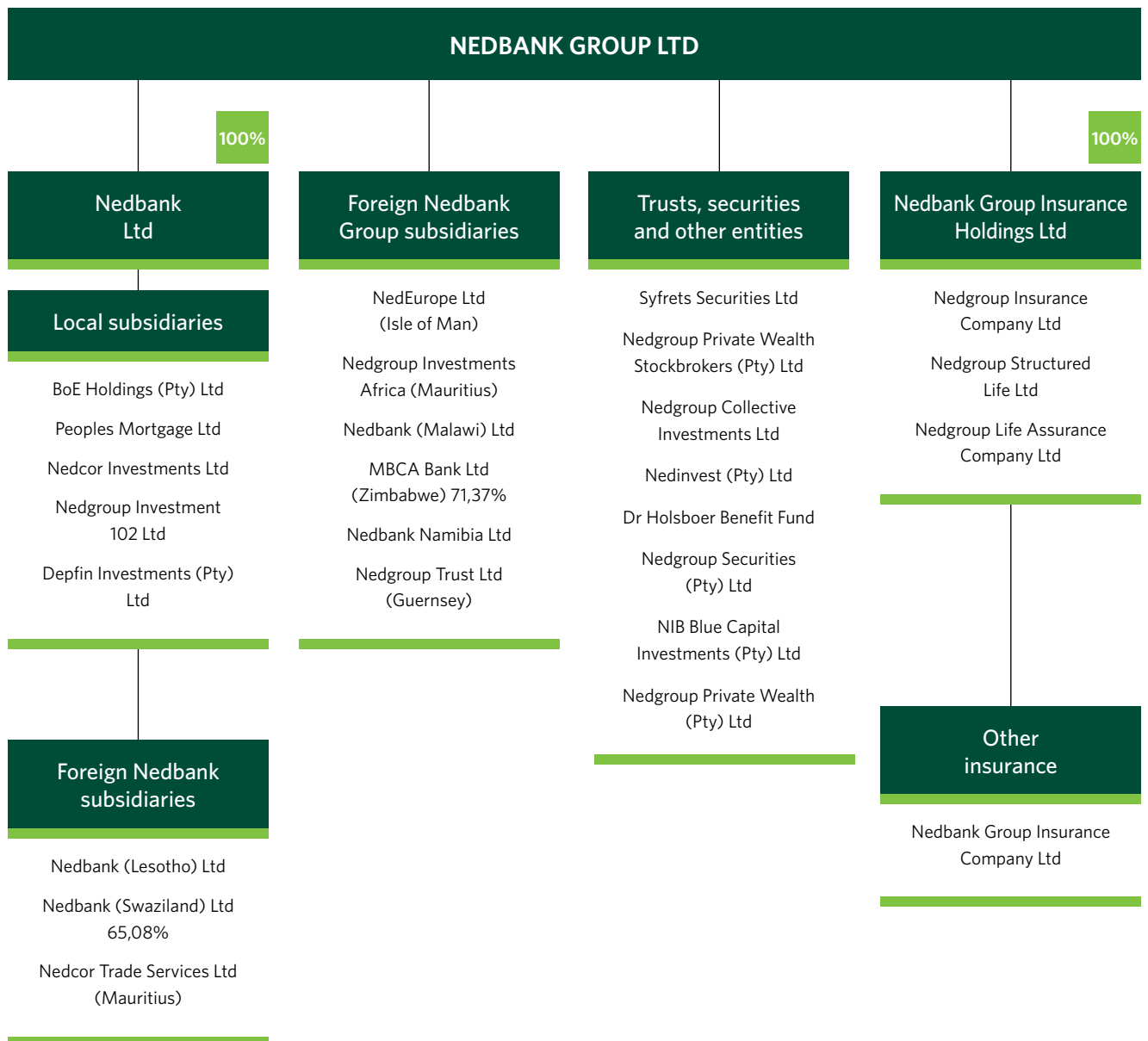
Nedbank Group Ltd will ensure that, except in the case of political risk, and unless specifically excluded by public notice in a country where a subsidiary is domiciled, its banking subsidiaries, and its principal non-banking subsidiaries, are able to meet their contractual liabilities.

54.1 Material non-controlling interests

The table below provides details of non-wholly-owned subsidiaries of the group that have material non-controlling interests:

	Nedbank (Swaziland) Ltd		MBCA Bank Ltd (Zimbabwe)	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Financial position				
Total assets	3 874	3 596	3 821	2 219
Total liabilities	3 306	3 122	3 152	1 790
Accumulated non-controlling interests at the end of the year	198	165	196	126
Comprehensive income				
Income from lending activities	179	149	154	148
Non-interest revenue	156	139	192	129
Profit from continuing operations	115	97	80	58
Total comprehensive income	120	98	80	58
Profit allocated to non-controlling interests during the reporting period	40	38	23	17
Cashflows				
Cashflows from/(utilised by) operating activities	637	62	570	(34)
Cashflow utilised by investing activities	(9)	(8)	(24)	(10)
Cashflow utilised by financing activities	(27)	(25)		
Net increase/(decrease) in cash and cash equivalents	601	29	546	(44)
Dividends paid to non-controlling interests	9	9		

54.2 Major subsidiary companies



All subsidiaries are wholly owned, unless stated otherwise.

55 INTERESTS IN STRUCTURED CONSOLIDATED AND UNCONSOLIDATED STRUCTURED ENTITIES

55.1 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 27)
- Employee Benefit Trust Schemes (refer to note 51.3)
- Community Trust (refer to note 51.1)
- Dr Holsboer Benefit Fund
- Securitisation vehicles (refer to note 45)
 - Synthesis Funding Ltd
 - Greenhouse Funding (RF) Ltd
 - Greenhouse Funding III (RF) Ltd
 - Greenhouse Funding 4 (RF) Ltd
 - Precinct Funding 1 (RF) Ltd
 - West Road South No. 3 (RF) Ltd

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

Securitisation

The group 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 their inception. These securitisation structures include the following:

Synthesis Funding Ltd (Synthesis), an asset-backed commercial paper (ABCP) programme; invests in long-term-rated bonds and offers capital market funding to SA corporates, which is funded through the issuance of short-dated investment-grade commercial paper. The group acts in various capacities with regard to this vehicle, which includes the role of master liquidity facility provider, programme-wide credit enhancement provider, administrator, dealer, paying and settlement agent, custodian and hedge counterparty. The group is involved in the day-to-day activities of the vehicle. Although the activities and decisionmaking rights are predetermined and restricted, the group exercises a significant degree of discretion in its decisionmaking regarding investments, funding and risk management. Industry knowledge and experience of the group are crucial to successful operation of Synthesis. The group is exposed to variable returns from the entity in the form of fees and interest income as well as residual income subsequent to certain distributions through the provisioning of credit enhancement. As a result, the group has concluded that it controls the entity.

Other securitisation vehicles consist of Greenhouse Funding (RF) Ltd, Series 1 (Greenhouse), a residential mortgage-backed securitisation programme, and Precinct Funding 1 (RF) Ltd, a commercial mortgage-backed securitisation programme. The activities of these vehicles are predetermined and restricted in terms of the programme documentation established at their inception. The group does, however, exercise some discretion in its decisionmaking, which includes the selection and transfer of assets and the management of defaulted assets. Through the provision of administration services, the interest rate hedge and credit enhancement. Nedbank Ltd has rights to the residual return of the vehicle. The group has concluded that it controls these entities.

Westroad South No. 3 and Greenhouse Funding 4 are securitisation vehicles that acquires the rights, title, interest and related security of commercial and residential mortgage bonds from Nedbank Ltd. The creation of these vehicles facilitated the group having appropriately collateralised instruments that have been pledged against the group's committed liquidity facility provided by SARB. The group has concluded that it controls these entities.

Refer to note 45 for further information on the securitisation activities of the group.

Employee share schemes

The group has established employee share schemes for the benefit of its employees in return for their employment services rendered. Funding is provided by the group or its subsidiaries to acquire shares that are held on behalf of employees. The trustees have limited rights and act within narrowly defined parameters in terms of the trust deed. The trustees receive limited remuneration (if any) for their services rendered in terms of the trust. The group has concluded that the trustees merely act in an agent capacity and that the group has control over the trust.

Dr Holsboer Benefit Fund

Nedbank is the founder of the trust. The fund was established in terms of a trust deed for the benefit of employees of the group. The beneficiaries of the trust include employees, contractors and pensioners, as nominated by the trustees in their sole discretion. The trustees have the right to vest or distribute net income of the trust in their discretion. The founder, Nedbank Group Ltd, reserves the right to terminate the appointment of any of the trustees. In terms of the trust deed, the trustees are not entitled to remuneration for their services, unless the founder and all the trustees unanimously agree. The group has concluded that the trustees merely act in an agent capacity and that the group has control over the trust.

Community Trust

The trust was formed with the specific purpose of providing previously disadvantaged communities with the opportunity to receive certain benefits. The group consolidates this trust because of the specific purpose the trust was formed for and the group's involvement in the key decisionmaking processes relating to the operation of the trust.

55.2 Unconsolidated structured entities

The following judgements were used in determining that the group does not have control over the following structured entities:

Investment funds

The group acts as fund manager to a number of investment funds. The group holds seed capital in certain investment funds where the group assists in starting the investment fund and the group is required by ASISA rules to hold a minimum interest in the investment fund. Determining whether the group controls such an investment fund usually focuses on the assessment of decisionmaking rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the group in the fund in the form of interest held and management fees.

In most instances the group's decisionmaking authority, in capacity as fund manager with regard to these investment funds, is regarded to be well defined. Discretion is, however, exercised when decisions regarding the relevant activities of these funds are being made.

Fees earned by the group, in its capacity as fund manager, are considered to be market-related, commensurate with the services provided and includes only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's length basis.

As a result, the group has concluded that it acts as agent on behalf of the investors in all instances. Therefore the group does not control these funds and has not consolidated these investment funds.

Analysis of the group's interests in unconsolidated structured entities

The following table summarises the carrying values recognised in the statement of financial position of the group's interests in unconsolidated structured entities:

	Rm
2015	
Carrying amount of the group's interest (Rm)	12
Fees earned (Rm)	1 249
2014	
Carrying amount of the group's interest (Rm)	5
Fees earned (Rm)	1 178

Investment funds

The group's maximum exposure to losses from its interests in unconsolidated structured entities is limited to the group's interests in the investment funds. The group does not provide any financial support to these investment funds.

Sponsored entities

In addition to the above unconsolidated structured entities, the group has sponsored certain BEE schemes in which it does not have an interest. The group does not earn any fees or income from these entities, nor has the group transferred any assets to these sponsored entities.

56 EVENTS AFTER THE REPORTING PERIOD

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December

	Notes	2015 Rm	2014 Rm
Interest and similar income		1	(26)
Interest expense and similar charges		(11)	1
Net interest expense		(10)	(25)
Impairment of intergroup loans and advances release	7		166
(Loss)/Income from lending activities		(10)	141
Non-interest revenue		1	
Operating (loss)/income		(9)	141
Dividends from subsidiaries		6 008	6 254
Fair-value adjustments		(18)	46
Profit on share buyback/Loss on cancellation of treasury shares		328	(1 767)
Foreign exchange loss			(12)
Operating income		6 309	4 662
Operating expenses	1	28	33
Profit before taxation		6 281	4 629
Direct taxation	2	2	15
Total comprehensive income for the year		6 279	4 614

SEPARATE STATEMENT OF FINANCIAL POSITION
at 31 December

	Notes	2015 Rm	2014 Rm
Assets			
Cash and cash equivalents		3	1
Loans and advances			288
Other assets		12	1
Deferred taxation assets		11	
Investments in associate companies and joint arrangements	4	6 655	6 223
Investment in subsidiary companies		26 787	26 327
Shares at cost - unlisted		25 439	25 221
Owing by subsidiaries		1 348	1 106
Total assets		33 468	32 840
Shareholders' equity and liabilities			
Ordinary share capital	5	494	499
Ordinary share premium		21 334	20 644
Share-based payments reserve		125	340
Other non-distributable reserves		41	41
Distributable reserves		5 491	4 458
Equity attributable to equity holders of the parent		27 485	25 982
Other liabilities	6	97	57
Current taxation liabilities			3
Amounts owing to subsidiaries		5 886	6 798
Total liabilities		5 983	6 858
Total shareholders' equity and liabilities		33 468	32 840

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Share-based payments reserve ¹ Rm	Other non-distributable reserves ²	Distributable reserves ³	Total ordinary shareholders' equity
Balance at 31 December 2013	510 302 393	510	21 474	340	41	4 736	27 101
Shares issued in terms of employee incentive schemes	3 670 463	4	767				771
Shares delisted	(14 715 049)	(15)	(1 597)				(1 612)
Total comprehensive income for the year						4 614	4 614
Dividends to shareholders						(4 892)	(4 892)
Balance at 31 December 2014	499 257 807	499	20 644	340	41	4 458	25 982
Shares issued in terms of employee incentive schemes	3 332 101	3	841				844
Shares issued in terms of BEE transaction	738 207	1	176				177
Shares delisted	(8 916 159)	(9)	(327)				(336)
Transfer (from)/to reserves				(215)		215	-
Total comprehensive income for the year						6 279	6 279
Dividends to shareholders						(5 461)	(5 461)
Balance at 31 December 2015	494 411 956	494	21 334	125	41	5 491	27 485

¹ All share-based payments expenses are recognised in the statement of comprehensive income, with the corresponding amount recognised in share-based payments 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.

² Represents other non-distributable revaluation surplus on capital items.

³ Represents the accumulated profits after distributions to shareholders and appropriation of retained earnings to other non-distributable earnings.

SEPARATE STATEMENT OF CASHFLOWS

for the year ended 31 December

	Notes	2015 Rm	2014 Rm
Cash generated by operations	8	5 970	6 196
Cash paid to clients, employees and suppliers		(38)	(58)
Dividends received on investments		6 008	6 254
Change in funds for operating activities		(836)	7 322
Decrease in operating assets		35	1 400
(Decrease)/Increase in operating liabilities		(871)	5 922
Net cash from operating activities before taxation		5 134	13 518
Taxation paid	9	16	31
Cashflows from operating activities		5 118	13 487
Cashflows utilised by investing activities		(340)	(7 752)
Disposal of investments in subsidiaries, associate companies and joint arrangements		(340)	(7 752)
Cashflows utilised by financing activities		(4 776)	(5 734)
Proceeds from issue of ordinary shares		1 021	771
Shares delisted/bought back		(336)	(1 613)
Dividends paid to ordinary shareholders		(5 461)	(4 892)
Net increase in cash and cash equivalents for the year		2	1

The separate annual financial statements have been prepared in accordance with accounting policies consistent with those applied in the preparation of the consolidated annual financial statements, except where stated otherwise.

1 OPERATING EXPENSES

	2015 Rm	2014 Rm
Audit fees	15	19
Directors' fees	3	9
Other	10	5
	28	33

2 DIRECT TAXATION

2.1 Charge for the year

Statement of comprehensive income charge - SA normal taxation	7	9
Statement of comprehensive income charge - deferred taxation	(11)	
Statement of comprehensive income charge - section 9D attribution	1	6
Securities transfer tax (STT) paid	5	
	2	15

2.2 Taxation rate reconciliation

	2015 %	2014 %
Standard rate of SA normal taxation	28	28
Non-taxable income	(28)	(39)
Other taxation		11
Effective taxation rate	-	-

3 INVESTMENT SECURITIES

	2015 Rm	2014 Rm
Balance at the beginning of year		40
Fair-value gain		73
Capitalised to investments in associate companies and joint arrangements		(113)
Balance at the end of the year	-	-

4 INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS

The investments in ETI and Banco Único are held at cost

Balance at the beginning of the year	6 223	
Investments in associate companies and joint arrangements	422	6213
Loans to associate companies and joint arrangements	10	10
Balance at the end of the year	6 655	6 223

5 SHARE CAPITAL

Ordinary share capital

Authorised

600 000 000 (2014: 600 000 000) ordinary shares of R1 each

Issued ordinary share capital

494 411 956 (2014 : 499 257 807) fully paid ordinary shares of R1 each

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.

6 OTHER LIABILITIES

Banco Único derivative liability	86	
Creditors and other accounts	11	57
	97	57

7 IMPAIRMENT OF INTERGROUP LOANS AND ADVANCES

	2015 Rm	2014 Rm
A specific impairment was raised on intergroup loans and advances made by Nedbank Ltd to fellow subsidiary companies in prior years. This impairment provision is no longer required, as these intergroup loans are being monitored through Nedbank Ltd's credit-monitoring process.		
Balance at the beginning of the year		166
Statement of comprehensive income release		(166)
Balance at the end of the year	-	-

8 CASH GENERATED BY OPERATIONS

Reconciliation of profit before taxation to cash generated by operations		
Profit before taxation	6 281	4 629
Adjusted for:		
- Movement in impairment of loans and advances		(166)
- Fair-value option	18	(46)
- Loss on cancellation of treasury shares	(328)	1 767
- Foreign exchange loss	(1)	12
Cash generated by operations	5 970	6 196

9 TAXATION PAID

Amounts payable at the beginning of the year	3	19
Statement of comprehensive income charge - SA normal taxation	(4)	9
Statement of comprehensive income charge - deferred taxation	11	
Statement of comprehensive income charge - section 9D attribution	1	6
Other tax paid - STT	5	
Amounts payable at the end of the year		(3)
	16	31

10 SHARE-BASED PAYMENTS

Equity instruments are granted to business partners and non-executive directors as an incentive to retain business and develop growth within the group. The share-based payments expenses and reserve balances in respect of the Black Business Partner Scheme and the Non-executive Directors' Scheme, implemented in 2005, were accounted for in the Nedbank Group Ltd consolidated financial statements and in the Nedbank Group Ltd standalone financial statements. Both of these schemes will be equity-settled.

As the company cannot estimate reliably the fair value of services received nor the value of additional business received, the company rebuts the presumption that such services and business can be measured reliably. The company therefore measures their fair value by reference to the fair value of the 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 award the fair value is measured by reference to the listed share price, which includes the participant's right to dividends over the vesting period.

10.1 Description of arrangements

Scheme	Trust/SPV	Description	Vesting requirements	Maximum term
Nedbank Eyethu BEE schemes				
Community Trust	Nedbank Eyethu Community Trust	The trust has been formed with the specific purpose of providing previously disadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group Ltd's BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 10 years the net assets of the trust will be allocated to participants as determined by the trustees.	10 years Subsequent to December 2013 the termination date of the trust was extended from 2015 to 2030 so as to provide an ongoing flexible vehicle for deploying the residual assets of the trust and continued support of community affairs in line with the group's BEE and Fair Share 2030 initiatives.

10 SHARE-BASED PAYMENTS (continued)

10.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Community Scheme	-	-	124	124
	-	-	124	124

10.3 Movements in number of instruments

	2015		2014	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Black Business Partner Scheme				
Outstanding at the beginning of the year	7 891 300		7 891 300	163,53
Share buyback	(7 891 300)			
Outstanding at the end of the year	-		7 891 300	163,53
Exercisable at the end of the year	-	-	-	-
Weighted-average share price for share instruments exercised (R)		-		-
Community Scheme				
Outstanding at the beginning of the year	851 111		851 111	
Outstanding at the end of the year	851 111		851 111	
Exercisable at the end of the year	-	-	-	-
Weighted-average share price for share instruments exercised (R)		-		-
10.4 Instruments outstanding at the end of the year by exercise price				
Black Business Partner Scheme			7 891 300	
0,00			7 891 300	

11 RELATED PARTIES

11.1 Relationship with parent, ultimate controlling party and investees

The company's parent company is Old Mutual (SA) Ltd (OMSA), which, through its subsidiaries, holds 53,66% (2014: 54,04%) of Nedbank Group Ltd's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the company are identified in note 54 and associate companies and joint arrangements of the company are identified in note 53.

11.2 Key management personnel compensation

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

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

11.2 Key management personnel compensation (continued)

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

11.3 Related-party transactions

The following significant transactions were entered into between Nedbank Group Ltd and the following related parties. All of these transactions were entered into in the normal course of business.

Outstanding balances (Rm)	Due from/(owing to)	
	2015	2014
Subsidiaries		
Loan from BoE Investment Holdings Ltd - interest-free	(11)	(869)
Loan from Nedbank Nominees (Pty) Ltd - interest-free	(4)	(4)
Advance to Nedbank Group Insurance Holdings Ltd	260	260
Advance to Syfrets Securities Ltd	200	200
Advance to Nedgroup Securities Ltd	500	500
Loan from The Board of Executors 1838	22	(45)
Bank accounts with Nedbank Ltd - interest-free	295	144
Loan from Nedbank Ltd - interest-bearing		(878)
Loan from Nedbank Ltd - interest-free	(5 870)	(5 000)
Advance to Ned Settle Services (Pty) Ltd - interest-free	71	
Other - interest-free	(1)	
Key management personnel		
The WIPHOLD and Brimstone consortia are related parties since certain key management personnel of the group have significant influence over these entities. These consortia are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these consortia and key management personnel is detailed below:		
- WIPHOLD consortium		(154)
- Brimstone consortium		(147)
- Community Trust	(125)	(125)
Share-based payments reserve	(125)	(426)

11 RELATED PARTIES (continued)

11.3 Related-party transactions (continued)

Transactions (Rm)	Income/(Expense)	
	2015	2014
Interest expense to subsidiaries		
Nedbank Ltd		(26)
Dividends from subsidiaries		
Nedcor Employee Shareholders Trust	35	
NBG Capital Management (Pty) Ltd		1 842
Nedbank Ltd	5 200	3 400
Nedeurope Ltd	136	138
Nedcor (SA) Insurance Company Ltd		34
Nedgroup Insurance Company Ltd	57	50
Nedbank Group Insurance Holdings Ltd	470	480
Nedgroup Investments (Pty) Ltd	110	160
Nedgroup Private Wealth (Pty) Ltd		150
Dividends declared by subsidiaries	6 008	6 254

12 LIQUIDITY, CREDIT RISK AND MARKET RISK INFORMATION

Assets and liabilities consist of primarily non-financial assets and liabilities. These are not subject to liquidity, credit risk and market risk for disclosure purposes.

13 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Assets and liabilities consist of primarily non-financial assets and liabilities. These are not subject to offsetting disclosures as envisaged in IFRS 7.

14 EVENTS AFTER THE REPORTING PERIOD

Refer to the report from our directors for information on these events.

15 SHAREHOLDERS' ANALYSIS

Register date: 31 December 2015

Authorised share capital: 600 000 000 shares

Issued share capital: 494 411 956 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 - 1 000 shares	18 582	82,09	4 354 923	0,88
1 001 - 10 000 shares	3 096	13,68	8 490 864	1,72
10 001 - 100 000 shares	714	3,15	23 319 449	4,72
100 001 - 1 000 000 shares	207	0,91	60 270 017	12,19
1 000 001 shares and over	39	0,17	397 976 703	80,49
Total	22 638	100,00	494 411 956	100,00
Distribution of shareholders				
Banks/Brokers	274	1,21	68 853 908	13,93
Close corporations	120	0,53	123 522	0,02
Empowerment	24	0,11	10 453 821	2,11
Endowment funds	140	0,62	1 056 889	0,21
Government	4	0,02	122 586	0,02
Individuals	17 912	79,13	10 063 697	2,04
Insurance companies	130	0,58	2 943 023	0,60
Investment companies	27	0,12	4 521 082	0,91
Medical aid schemes	37	0,16	421 998	0,09
Mutual funds	395	1,74	47 867 312	9,68
Old Mutual Life Assurance Company (SA) Ltd and associates	34	0,15	265 302 566	53,66
Other corporations	62	0,27	155 403	0,03
Private companies	338	1,49	1 372 190	0,28
Public companies	21	0,09	112 363	0,02
Retirement funds	486	2,15	63 558 500	12,86
Share trusts ¹	12	0,05	13 495 853	2,73
Nominees and trusts	2 622	11,58	3 987 243	0,81
Total	22 638	100,00	494 411 956	100,00
Public/Non-public shareholders				
Non-public shareholders	89	0,39	290 576 334	58,77
Directors and associates of the company ²	8	0,04	859 013	0,17
Old Mutual Life Assurance Company (SA) Ltd and associates	34	0,15	265 302 566	53,66
Nedbank/Nedbank Group pension funds	3	0,01	93 537	0,02
Nedbank Group Ltd and associates (share trusts) ¹	12	0,05	12 990 564	2,63
Nedbank Group Ltd and associates (mutual funds)	9	0,04	955 395	0,19
Nedbank Group BEE trusts - SA ¹	7	0,03	9 531 914	1,93
Nedbank Group BEE trusts - Namibia	16	0,07	843 345	0,17
Public shareholders	22 549	99,61	203 835 622	41,23
Total	22 638	100,00	494 411 956	100,00

¹ Excludes shares held by directors in share trusts (executive directors only) and Eyethu schemes.

² Includes shares held by directors in share trusts (executive directors only) and Eyethu schemes.

15 SHAREHOLDERS' ANALYSIS (continued)

Major shareholders/Managers	Number of shares	2015 % holding	2014 % holding
Old Mutual Life Assurance Company (SA) Ltd and associates ¹	267 531 866	54,11	54,57
Nedbank Group treasury shares	17 856 169	3,61	6,74
BEE trusts:	7 290 984	1,47	4,55
- Eyethu scheme - Nedbank SA	6 495 276	1,31	4,38
- Omufima scheme - Nedbank Namibia	795 708	0,16	0,17
Nedbank Group (2005) Share Option, Matched-share and Restricted-share Scheme	10 517 673	2,13	2,18
Nedbank Namibia Ltd	47 512	0,01	0,01
Coronation Fund Managers (SA)	37 432 178	7,57	6,62
Public Investment Corporation (SA)	30 875 907	6,24	6,56
Lazard Asset Management (US and UK)	13 053 114	2,64	2,70
Dimensional Fund Advisors (US, UK and AU)	7 857 545	1,59	1,58
BlackRock Inc (US and UK)	7 690 629	1,56	1,58
Sanlam Investment Management (SA)	4 674 435	0,95	1,53

¹ Old Mutual Life Assurance Company (SA) Ltd and associates as shareholder/manager includes funds managed on behalf of other beneficial owners.

Beneficial shareholders holding of 5% or more	Number of shares	2015 % holding	2014 % holdings
Old Mutual Life Assurance Company (SA) Ltd and associates (SA)	265 302 566	53,66	54,04
Government Employees Pension Fund (SA)	32 881 885	6,65	7,38

Geographical distribution of shareholders	Number of shares	2015 % holding	2014 % holdings
Domestic	426 290 505	86,22	86,07
South Africa	411 843 509	83,30	83,33
Namibia	10 325 049	2,09	1,95
Swaziland	109 300	0,02	0,01
Unclassified	4 012 647	0,81	0,78
Foreign	68 121 451	13,78	13,93
United States of America	36 968 745	7,48	7,47
United Kingdom and Ireland	5 944 480	1,20	1,31
Europe	8 918 488	1,80	2,05
Other countries	16 289 738	3,30	3,10
	494 411 956	100,00	100,00

COMPLIANCE WITH IFRS¹ – FINANCIAL STATEMENT NOTES

Note number	Note description	IFRS required
1	PRINCIPAL ACCOUNTING POLICIES	IAS ² 1
2	STANDARDS AND INTERPRETATIONS	IAS 1 and IAS 8
3	KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION	IAS 1
4	CAPITAL MANAGEMENT	IAS 1
5	INTEREST AND SIMILAR INCOME	IAS 18, IAS 32, IAS 39, IFRS 7 and IFRS 13
6	INTEREST EXPENSE AND SIMILAR CHARGES	IAS 18, IAS 32, IAS 39, IFRS 7 and IFRS 13
7	NON-INTEREST REVENUE	IAS 18, IAS 20, IAS 32, IAS 39, IFRS 4, IFRS 7, IFRS 8 and IFRS 13
8	OPERATING EXPENSES	IAS 1, IAS 19, IFRS 2 and IFRS 8
9	INDIRECT TAXATION	IAS 1
10	NON-TRADING AND CAPITAL ITEMS	IAS 1, IAS 16, IAS 36 and IFRS 10
11	DIRECT TAXATION	IAS 12
12	EARNINGS	IAS 33
13	DIVIDENDS	IAS 1 and IAS 10
14	CASH AND CASH EQUIVALENTS	IAS 1, IAS 7 and IFRS 7
15	OTHER SHORT-TERM SECURITIES	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
16	DERIVATIVE FINANCIAL INSTRUMENTS	IAS 32, IAS 39, IFRS 7 and IFRS 13
17	GOVERNMENT AND OTHER SECURITIES	IAS 1, IAS 32, IAS 39, IFRS 7, IFRS 8 and IFRS 13
18	LOANS AND ADVANCES	IAS 17, IAS 39, IFRS 7, IFRS 8 and IFRS 13
19	IMPAIRMENT OF LOANS AND ADVANCES	IAS 39, IFRS 7 and IFRS 8
20	OTHER ASSETS	IAS 1, IAS 39, IFRS 7 and IFRS 13
21	INVESTMENT SECURITIES	IAS 32, IAS 39, IFRS 7 and IFRS 13
22	INVESTMENTS IN PRIVATE ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS	IAS 28, IFRS 11, IFRS 12 and IFRS 13
23	NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE	IFRS 5 and IFRS 13
24	DEFERRED TAXATION	IAS 12
25	INVESTMENT PROPERTY	IAS 40 and IFRS 13
26	PROPERTY AND EQUIPMENT	IAS 16, IAS 36 and IFRS 13
27	LONG-TERM EMPLOYEE BENEFITS	IAS 19 and IFRIC ³ 14
28	INTANGIBLE ASSETS	IAS 38 and IAS 36
29	SHARE CAPITAL	IAS 1
30	AMOUNTS OWED TO DEPOSITORS	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
31	PROVISIONS AND OTHER LIABILITIES	IAS 37, IAS 32, IAS 39, IFRS 7 and IFRS 13
32	INVESTMENT CONTRACT LIABILITIES	IAS 1, IAS 39, IFRS 4, IFRS 7 and IFRS 13
33	INSURANCE CONTRACT LIABILITIES	IAS 1 and IFRS 4
34	LONG-TERM DEBT INSTRUMENTS	IAS 32, IAS 39, IFRS 7 and IFRS 13
35	CASHFLOW INFORMATION	IAS 7
36	CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CATEGORIES OF FINANCIAL INSTRUMENTS	IAS 39 and IFRS 7
37	FAIR-VALUE MEASUREMENT - FINANCIAL INSTRUMENTS	IAS 39, IFRS 7 and IFRS 13
38	FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS	IAS 32, IAS 39, IFRS 7 and IFRS 13
39	OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES	IFRS 7 and IAS 32
40	CREDIT ANALYSIS OF OTHER SHORT-TERM SECURITIES, AND GOVERNMENT AND OTHER SECURITIES	IFRS 7
41	LIQUIDITY GAP	IFRS 7
42	CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES	IFRS 7
43	HISTORICAL VALUE AT RISK (99%, ONE-DAY) BY RISK TYPE	IFRS 7
44	INTEREST RATE REPRICING GAP	IFRS 7
45	SECURITISATIONS	IAS 39, IFRS 7 and IFRS 13
46	FOREIGN CURRENCY CONVERSION GUIDE	IAS 21
47	CONTINGENT LIABILITIES AND UNDRAWN FACILITIES	IAS 37 and IAS 10
48	COMMITMENTS	IAS 37, IAS 10, IAS 17 and IFRS 7
49	COLLATERAL	IFRS 7
50	MANAGED FUNDS	IFRS 7 and IFRS 13
51	SHARE-BASED PAYMENTS	IFRS 2
52	RELATED PARTIES	IAS 24
53	ANALYSIS OF INVESTMENTS IN PRIVATE EQUITY ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS	IAS 28, IFRS 11, IFRS 12 and IFRS 13
54	ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES	IAS 27, IFRS 10 and IFRS 12
55	UNCONSOLIDATED STRUCTURED ENTITIES	IFRS 12
Integrated Report	WORLDCLASS AT MANAGING RISK	IFRS 7 and IFRS 13

¹ International Financial Reporting Standards (IFRS).

² International Accounting Standards (IAS).

³ International Financial Reporting Interpretations Committee (IFRIC).

CONSOLIDATED AVERAGE BANKING STATEMENT OF FINANCIAL POSITION AND RELATED INTEREST

Rm	2015			2014		
	Average balance	Margin statement interest		Average balance	Margin statement interest	
	Assets	Received	%	Assets	Received	%
Average prime rate			9,39			9,07
Loans and advances						
Home loans (including properties in possession)	140 418	11 651	8,30	136 669	10 764	7,88
Commercial mortgages	129 866	11 576	8,91	113 525	9 811	8,64
Finance lease and instalment debtors	95 240	9 996	10,50	88 119	8 942	10,15
Credit cards	14 251	1 949	13,68	12 715	1 712	13,46
Overdrafts	16 212	1 553	9,58	15 541	1 432	9,21
Term loans and other ¹	206 371	12 322	5,97	185 310	9 572	5,17
Personal loans	18 040	4 181	23,18	19 838	4 318	21,77
Impairment of loans and advances	(11 292)			(11 536)		
Government and other securities	42 697	3 441	8,06	41 692	3 581	8,59
Short-term funds and trading securities	72 277	3 620	5,01	50 321	2 487	4,94
Interest-earning banking assets	724 080	60 289	8,33	652 194	52 619	8,07
Net interdivisional assets-trading book	(57 465)			(34 551)		
Revaluation of FVTP-designated assets	768			761		
Derivative financial instruments	4 912			129		
Insurance assets	124			15 968		
Cash and banknotes	11 540			4 095		
Other assets	15 964			10 739		
Associate companies and investments	11 217			7 117		
Property and equipment	7 678			7 143		
Intangible assets	14 945			8 301		
Mandatory reserve deposits with central banks	9 243			13 555		
Total assets	743 006	60 289	8,11	685 451	52 619	7,68
	Liabilities	Paid	%	Liabilities	Paid	%
Deposit and loan accounts	377 466	21 013	5,57	354 275	18 410	5,20
Current and savings accounts	88 998	707	0,79	79 876	672	0,84
Negotiable certificates of deposit	89 105	6 192	6,95	82 210	5 138	6,25
Other interest-bearing liabilities ²	42 599	4 915	11,54	37 796	2 594	6,86
Long-term debt instruments	41 554	3 577	8,61	34 516	2 844	8,24
Interest-bearing banking liabilities	639 722	36 404	5,69	588 673	29 658	5,04
Other liabilities	768			13 223		
Revaluation of FVTPL ³ -designated liabilities	1 315			761		
Derivative financial instruments	13 309			931		
Investment contract liabilities	16 337			15 765		
Ordinary shareholders' equity	67 634			62 274		
Non-controlling interest	3 921			3 824		
Total equity and liabilities	743 006	36 404	4,90	685 451	29 658	4,33
Interest margin on interest-earning banking assets	724 080	23 885	3,30	652 194	22 961	3,52

Where possible, averages are calculated on daily balances.

¹ Includes term loans, preference shares, factoring debtors, other lending-related instruments and interest on derivatives.

² Includes foreign currency liabilities.

³ Fair value through profit or loss.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - BANKING/TRADING CATEGORISATION

Rm	2015				2014			
	Banking	Trading	Eliminations	Total	Banking	Trading	Eliminations	Total
Assets								
Cash and cash equivalents	22 836	4		22 840	13 335	4		13 339
Other short-term securities	66 267	18 563	(9 216)	75 614	58 787	15 012	(6 565)	67 234
Derivative financial instruments	212	30 498	(222)	30 488	116	16 873	(1 416)	15 573
Government and other securities	47 669	10 912	(15 521)	43 060	36 486	6 880	(16 189)	27 177
Loans and advances	647 547	34 085		681 632	586 016	27 005		613 021
Other assets	4 356	4 628		8 984	6 159	2 556		8 715
Current taxation assets	1 008	24		1 032	291			291
Investment securities	13 155			13 155	20 029			20 029
Non-current assets held for sale	2			2	16			16
Investments in private-equity associates, associate companies and joint arrangements	9 579			9 579	7 670			7 670
Deferred taxation assets	118	109		227	165	144		309
Property and equipment	8 814	2		8 816	7 900	3		7 903
Long-term employee benefit assets	5 055			5 055	4 546			4 546
Mandatory reserve deposits with central banks	16 232			16 232	14 911			14 911
Intangible assets	9 008	2		9 010	8 568	11		8 579
Interdivisional assets	-	77 451	(77 451)	-		56 793	(56 793)	-
Total assets	851 858	176 278	(102 410)	925 726	764 995	125 281	(80 963)	809 313
Equity and liabilities								
Total equity attributable to equity holders of the parent	70 875	3 879		74 754	64 007	3 017		67 024
Non-controlling interest attributable to:								
Ordinary shareholders	436			436	326			326
Preference shareholders	3 561			3 561	3 561			3 561
Total equity	74 872	3 879	-	78 751	67 894	3 017	-	70 911
Derivative financial instruments	374	33 476	(222)	33 628	1 498	15 390	(1 416)	15 472
Amounts owed to depositors	626 498	109 867	(10 514)	725 851	576 163	85 403	(8 116)	653 450
Provisions and other liabilities	8 499	28 964	(14 223)	23 240	7 028	21 398	(14 638)	13 788
Current taxation liabilities	371	41		412	128	6		134
Deferred taxation liabilities	1 131	51		1 182	864	67		931
Long-term employee benefit liabilities	3 074			3 074	3 071			3 071
Investment contract liabilities	10 988			10 988	11 747			11 747
Insurance contract liabilities	3 618			3 618	4 171			4 171
Long-term debt instruments	44 982			44 982	35 638			35 638
Interdivisional liabilities	77 451		(77 451)	-	56 793		(56 793)	-
Total liabilities	776 986	172 399	(102 410)	846 975	697 101	122 264	(80 963)	738 402
Total equity and liabilities	851 858	176 278	(102 410)	925 726	764 995	125 281	(80 963)	809 313

SCOPE OF THE EMBEDDED-VALUE REPORT

This report deals with the embedded value of Nedgroup Life ('the company') and the value of new business written during the financial year.

EMBEDDED-VALUE

The embedded value (EV) and value of new business of the covered business at 31 December are:

	% change	2015 Rm	2014 Rm
Adjusted net worth		1 362	1 053
Required capital		422	208
Free surplus		940	845
Value of inforce (VIF) business		1 295	1 340
Present value of future profits		1 410	1 445
Frictional costs		(25)	(28)
Cost of non-hedgeable risk		(90)	(77)
Total EV	11,0%	2 657	2 393
Value of new business	(3,9%)	247	257
New business sales (APE ¹)	19,2%	796	668
APE ¹ margin		31,0%	38,5%
PVNB ²	(4,9%)	1 614	1 698
PVNB ² margin		15,3%	15,1%
Analysis of EV earnings:			
		2015 Rm	2014 Rm
EV at the beginning of the year		2 393	2 137
Total EV earnings		684	676
Operating EV earnings		660	595
Value of new business		247	257
Expected return		104	155
Experience variances and once-off modelling changes		238	250
Non-economic assumption changes		71	(67)
Economic variances		(24)	38
Return on adjusted net worth		48	43
Adjustment: dividends paid		(420)	(420)
EV at the end of the year	11,0%	2 657	2 393
Return on EV (%)		27,6%	27,8%

¹ Annualised premium equivalent.

² Present value of new-business premiums.

Nedgroup Life paid dividends totalling R420m (2014: R420m) during the year.

Methodology

Covered business refers to all long-term life insurance business underwritten by the company.

Embedded value

The EV of the covered business is the discounted value of the projected future after-tax shareholder earnings arising from covered business in force at the valuation date, plus the adjusted net worth. The EV is net of internal charges paid to the group.

Adjusted net worth (ANW) represents the excess of the market value of assets over the statutory financial soundness valuation of liabilities. The actuarial liabilities are determined in accordance with the Long-term Insurance Act.

Required capital

Required capital is the market value of assets that is required to support the covered business over and above that required to back the statutory liabilities, whose distribution to shareholders is restricted. The following capital measures are considered acceptable when determining the required capital:

- economic capital and
- regulatory capital

For the company the required capital has been set equal to the economic capital.

Economic capital for the covered business is based on the company's own internal assessment of risk inherent in the business, consistent with a 99,93% confidence interval over a one-year time horizon.

Free surplus

Free surplus is the excess of market value of assets over the statutory liabilities and the required capital. It is the assets that are available for distribution to shareholders.

Value of inforce business (VIF) business

VIF consists of the following components:

- present value of future profits; less
- frictional costs of required capital; less
- cost of non-hedgeable risks.

Projected liabilities and cashflows are calculated net of outward reinsurance.

Present value of future profits (PVFP)

PVFP is calculated as the discounted value of future distributable earnings (taking account of local statutory reserving requirements) that are expected to emerge from the inforce covered business and internal charges to the group, including the value of contractual renewal of inforce business, on a best-estimate basis where assumed earned rates of return and discount rates are equal to riskfree rates.

Frictional costs

Due to the requirement to hold capital in addition to statutory liabilities (ie required capital), there is a cost to shareholders, since this capital is locked in the company. Frictional cost is the cost in respect of the taxation on the investment return and investment costs on the assets backing the required capital.

Cost of non-hedgeable risk (CNHR)

Non-hedgeable risks are those risks that cannot be hedged in deep and liquid markets (eg mortality, morbidity, persistency, expense, reinsurance and operational risk). These risks are managed by holding risk capital. CNHR is calculated using a capital approach, ie it is determined as the present value of capital charges for all future non-hedgeable risk capital requirements until the liabilities have run off. A weighted-average cost of capital rate of 2,0% has been applied to residual symmetric and asymmetric non-hedgeable capital.

Value of new business (VNB)

This is a measure of the value added to a company as a result of writing new business. This is calculated as the discounted value, at the valuation date, of projected after-tax shareholder profit from covered new business commenced during the reporting period net of frictional costs and the CNHR associated with writing new business, using economic assumptions at the start of the reporting period.

APE and PVNBP margins

APE is the annual premium for regular premiums sales plus 10% of single-premium sales sold during the reporting period. The APE margin is defined as the ratio of VNB to APE.

PVNBP is the present value of future premiums and is calculated using a calculation approach that is consistent with the calculation of VNB where both are net of reinsurance. The PVNBP margin is defined as the ratio of VNB to PVNBP.

Assumptions

Non-economic assumptions

The EV and VNB were determined using best-estimate assumptions regarding future mortality, morbidity, persistency rates and expenses. These best-estimate assumptions are determined using past, current and expected future experience.

Economic assumptions

Economic assumptions for best-estimate cashflows are determined such that projected cashflows are valued in line with the prices of similar cashflows that are traded in the capital markets. Investment return and discounting assumptions are based on the SA swap yield curve. The swap curve is sourced from a third-party market-consistent asset model. Expense inflation assumptions are determined considering a spread to the swap yield curve.

The riskfree spot yields and expense inflation at various terms are provided in the tables below:

Riskfree yields	2015	2014
Term (years)		
1	7,7%	6,6%
5	9,3%	7,6%
10	9,9%	8,3%

Expense inflation	2015	2014
Term (years)		
1	6,2%	5,8%
5	7,7%	6,4%
10	8,3%	7,0%

The liabilities were discounted based on the BEASSA yield curve.

Sensitivities

The table below shows the sensitivities of VNB, VIF and EV at 31 December to changes in key assumptions where both the reserving and EV assumptions were changed.

Rm	VIF	EV	VNB
2015			
Central assumptions	1294	2657	247
Economic assumptions increasing by 1%	1236	2597	244
Economic assumptions decreasing by 1%	1325	2687	266
Equity and property market value decreasing by 10%	1296	2654	246
Voluntary discontinuance rates decreasing by 10%	1379	2719	268
Mortality and morbidity rates decreasing by 5%	1353	2731	268
Maintenance expenses decreasing by 10%, with no corresponding change in expense charges	1313	2709	273
Acquisition expenses increasing by 10%	1294	2657	237
2014			
Rm	VIF	EV	VNB
Central assumptions	1340	2393	257
Economic assumptions increasing by 1%	1289	2343	246
Economic assumptions decreasing by 1%	1371	2424	268
Equity and property market value decreasing by 10%	1321	2418	257
Voluntary discontinuance rates decreasing by 10%	1401	2437	270
Mortality and morbidity rates decrease by 5%	1409	2481	270
Maintenance expenses decreasing by 10%, with no corresponding change in expense charges	1348	2424	271
Acquisition expenses increasing by 10%	1340	2393	253

Review by independent actuaries

Independent consulting actuaries have reviewed the results, methodology and assumptions underlying the calculation of the EV and the VNB. Based on the information supplied to them by Nedgroup Life, they are satisfied that the methodology and assumptions have been determined in accordance with generally accepted actuarial principles and in accordance with the European Insurance CFO Forum Market Consistent Embedded Value Principles. Disclosure requirements follow Advisory Practice Note APN107 (version 7) - Embedded Value Reporting, except for the following:

- the analysis of EV earning is not split between ANW, VIF and cost of capital; and
- the VNB does not separately show the cost of capital.