Nedbank Limited Annual Report

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FOR THE YEAR ENDED 31 DECEMBER 2016

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NEDBANK

A Member of the OLDMUTUAL Group

Nedbank Ltd Reg No 1951/000009/06. Authorised financial services and registered credit provider (NCRCP16).

2016 highlights

Headline earnings of R10 143m
▲ **22,6%** in 2016 (R8 275m in 2015)

NIR/expenses ratio **76,6%**
(74,7% in 2015)

Return on equity **17,3%**
(15,4% in 2015)

Common-equity tier 1 ratio **11,7%**
(10,6% in 2015)

Credit loss ratio **67 bps**
(78 bps in 2015)

Return on assets **1,20%**
(1,05% in 2015)

Contents

Refer to nedbankgroup.co.za for the group's Pillar 3 Risk and Capital Management Report and for further information on the qualifications of the group's directors.

ABOUT THIS REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

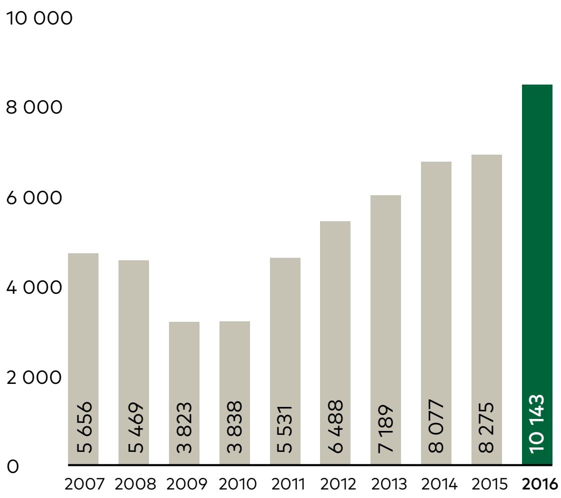
Section M: Cashflow information
This section contains notes to the group's statement of cashflows.

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

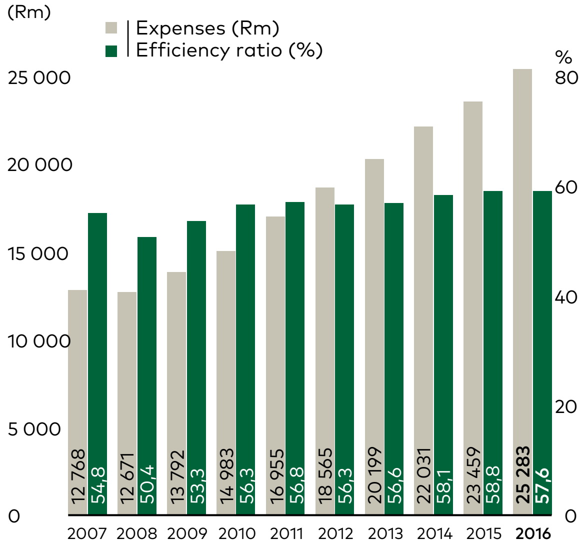
Financial highlights
for the year ended 31 December

		2016	2015
Headline earnings reconciliation			
Profit attributable to equity holders of the parent	Rm	**9 896**	8 163
Non-trading and capital items	Rm	**(247)**	(112)
Non-trading and capital items	Rm	**(289)**	(144)
Taxation on non-trading and capital earnings items	Rm	**42**	32
Headline earnings	Rm	**10 143**	8 275
Key ratios			
Net interest income to average interest-earning banking assets	%	**3,41**	3,07
Credit loss ratio – banking advances	%	**0,67**	0,78
Non-interest revenue to total income	%	**44,1**	43,9
Efficiency ratio	%	**57,6**	58,8
Total equity attributable to equity holders of the parent	Rm	**61 908**	56 170
Return on ordinary shareholders' equity	%	**17,3**	15,4
Average interest-earning banking assets	Rm	**718 901**	674 935
Total assets	Rm	**900 061**	860 733
Return on total assets	%	**1,20**	1,05
Total risk-weighted assets	Rm	**425 405**	415 541
Bank capital adequacy ratios (including unappropriated profits):			
– Common equity tier 1	%	**11,7**	10,6
– Tier 1	%	**12,9**	11,5
– Total	%	**16,0**	14,1
Share statistics			
Number of shares in issue:			
– Ordinary shares	m	**27,9**	27,6
– Preference shares	m	**358,3**	358,3
Headline earnings per ordinary share	cents	**36 355**	30 030
Dividends per preference share:			
– Declared per share	cents	**86,74290**	78,24198
Interim	cents	**42,75385**	38,22487
Final	cents	**43,98905**	40,01711
– Paid per share	cents	**82,77096**	76,98627
– Preference share traded price			
Closing	cents	**925**	899
High	cents	**960**	983
Low	cents	**810**	825
– Number of preference shares traded	m	**107,2**	54,4

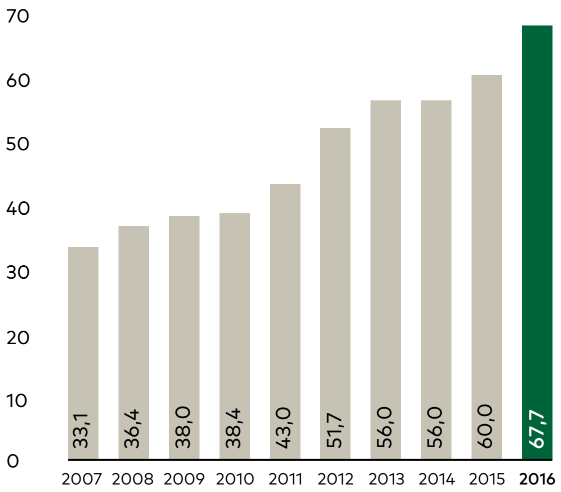
Headline earnings
(Rm)



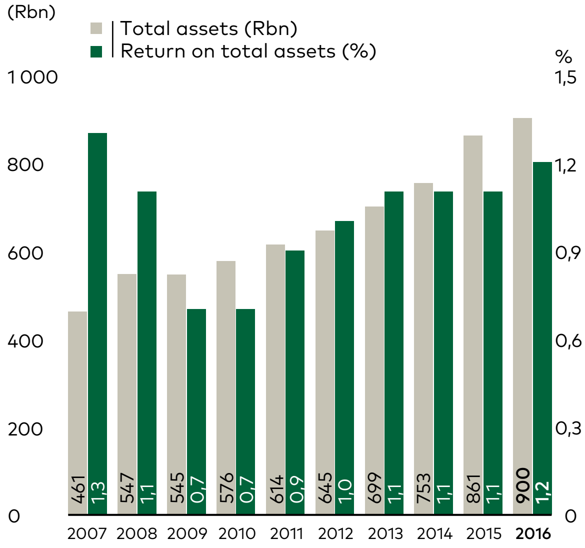
Expenses and efficiency ratio
(Rm)



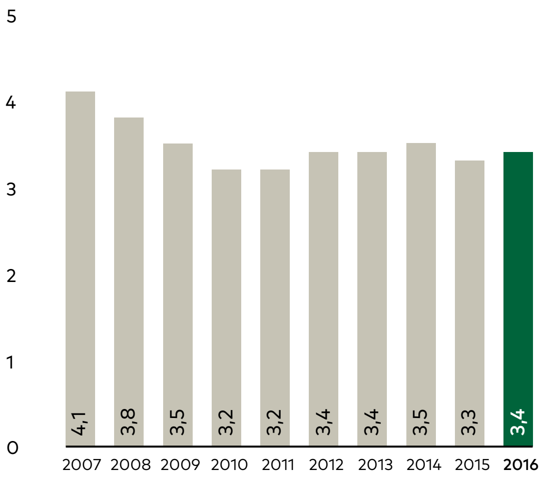
Total equity
(Rbn)



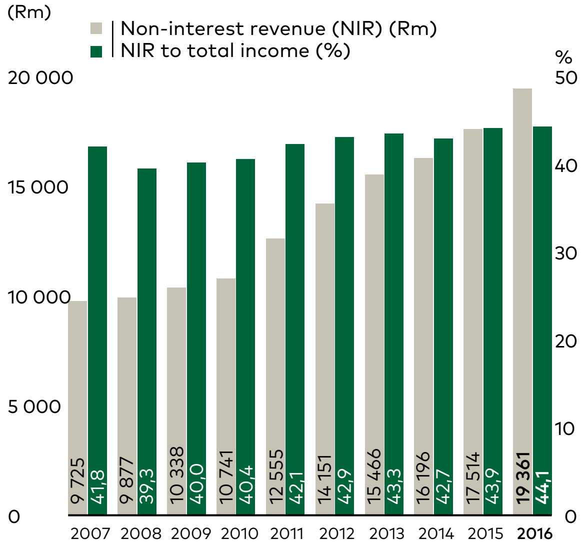
Total assets and return on total assets
(Rbn)



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



Non-interest revenue to total income
(Rm)



Ten-year review

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Rm	2016	2015	2014	2013
Interest and similar income	**69 862**	55 128	50 075	44 107
Interest expense and similar charges	**45 344**	32 724	28 322	23 873
Net interest income	**24 518**	22 404	21 753	20 234
Impairments charge on loans and advances	**4 254**	4 608	4 478	5 529
Income from lending activities	**20 264**	17 796	17 275	14 705
Non-interest revenue	**19 361**	17 514	16 196	15 466
Operating income	**39 625**	35 310	33 471	30 171
Total operating expenses	**25 283**	23 459	22 031	20 199
Indirect taxation	**810**	668	522	480
Profit from operations before non-trading and capital items	**13 532**	11 183	10 918	9 492
Non-trading and capital items	**(289)**	(144)	(96)	(55)
Profit from operations	**13 243**	11 039	10 822	9 437
Share of (losses)/profits of associate companies and joint arrangements	**(20)**	(1)	12	28
Profit before direct taxation	**13 223**	11 038	10 834	9 465
Direct taxation	**3 286**	2 828	2 786	2 297
Profit for the year	**9 937**	8 210	8 048	7 168
Profit attributable to:				
– Ordinary and preference equity holders	**9 896**	8 163	7 998	7 152
– Non-controlling interest – ordinary shareholders	**41**	47	50	16
– Non-controlling interest – preference shareholders				
Profit for the year	**9 937**	8 210	8 048	7 168
Headline earnings	**10 143**	8 275	8 077	7 189

	2012	2011	2010	2009	2008	2007
	42 900	41 417	43 421	49 332	55 154	40 185
	24 102	24 119	27 556	33 795	39 874	26 631
	18 798	17 298	15 865	15 537	15 280	13 554
	5 239	5 321	6 360	6 659	4 755	2 115
	13 559	11 977	9 505	8 878	10 525	11 439
	14 151	12 555	10 741	10 338	9 877	9 725
	27 710	24 532	20 246	19 216	20 402	21 164
	18 601	16 955	14 983	13 792	12 671	12 768
	460	413	387	402	356	298
	8 649	7 164	4 876	5 022	7 375	8 098
	(49)	(48)	(103)	(32)	745	25
	8 600	7 116	4 773	4 990	8 120	8 123
				(1)	9	54
	8 600	7 116	4 773	4 989	8 129	8 177
	2 159	1 610	983	960	1 791	2 185
	6 441	5 506	3 790	4 029	6 338	5 992
	6 410	5 483	3 737	3 790	6 106	5 681
	31	23	53	224	217	298
				15	15	13
	6 441	5 506	3 790	4 029	6 338	5 992
	6 460	5 531	3 838	3 823	5 469	5 656

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rm	2016	2015	2014	2013
Assets				
Cash and cash equivalents	**20 241**	18 151	10 757	17 467
Other short-term securities	**68 218**	60 078	56 322	35 004
Derivative financial instruments	**18 044**	30 948	15 644	13 811
Government and other securities	**50 687**	42 733	26 828	31 279
Loans and advances	**691 925**	666 807	603 329	566 047
Other assets	**8 164**	3 925	5 393	4 204
Current taxation assets	**440**	904	236	340
Investment securities	**1 908**	1 648	2 369	2 932
Non-current assets held for sale	**287**	2	16	12
Investments in private-equity associates, associate companies and joint arrangements	**2 575**	1 400	1 158	1 098
Deferred taxation assets	**266**	67	165	69
Investment property				87
Property and equipment	**8 197**	8 114	7 459	6 571
Long-term employee benefit assets	**5 042**	4 885	4 409	2 847
Mandatory reserve deposits with central banks	**18 139**	16 190	14 843	13 199
Intangible assets	**5 928**	4 881	4 516	4 188
Total assets	**900 061**	860 733	753 444	699 155
Equity and liabilities				
Ordinary share capital	**28**	28	27	27
Ordinary share premium	**19 182**	18 532	17 422	17 422
Reserves	**42 698**	37 610	34 787	30 524
Total equity attributable to equity holders of the parent	**61 908**	56 170	52 236	47 973
Preference share capital and premium	**3 561**	3 561	3 561	3 561
Additional tier 1 capital instruments	**2 000**			
Non-controlling interest attributable to:				
– ordinary shareholders	**253**	223	183	141
– preference shareholders				
Total equity	**67 722**	59 954	55 980	51 675
Derivative financial instruments	**13 469**	33 996	15 479	16 588
Amounts owed to depositors	**750 319**	708 036	634 623	585 497
Provisions and other liabilities	**12 717**	9 911	8 404	10 016
Current taxation liabilities	**53**	87	35	13
Other liabilities held for sale				
Deferred taxation liabilities	**391**	763	287	297
Long-term employee benefit liabilities	**3 328**	3 009	3 002	1 804
Long-term debt instruments	**52 062**	44 977	35 634	33 265
Total liabilities	**832 339**	800 779	697 464	647 480
Total equity and liabilities	**900 061**	860 733	753 444	699 155

	2012	2011	2010	2009	2008	2007
	12 587	11 514	7 469	6 823	7 638	9 545
	37 575	31 715	21 955	14 408	10 411	11 775
	14 660	14 314	14 077	12 871	23 114	9 924
	26 194	29 991	31 667	35 754	41 834	29 271
	520 116	493 107	471 447	446 428	436 420	375 421
	4 528	3 989	3 613	3 917	4 731	4 920
	241	629	440	580	314	29
	2 832	3 549	2 999	3 012	2 743	2 739
	508	8	5	12	10	
	1 029	565	933	922	913	735
	362	66	48	36	71	65
	84	488	82	102	104	75
	6 171	6 082	5 394	4 754	4 124	3 757
	1 992	2 027	1 965	1 783	1 667	1 305
	12 641	11 862	11 068	10 437	10 061	8 351
	3 830	3 634	3 328	3 151	2 977	2 715
	645 350	613 540	576 490	544 990	547 132	460 627
	27	27	27	27	27	27
	17 422	14 422	14 422	14 422	14 422	14 422
	26 140	24 856	20 281	18 174	16 927	13 954
	43 589	39 305	34 730	32 623	31 376	28 403
	3 561	3 561	3 560	3 483	3 122	3 122
	136	121	110	1 796	1 644	1 307
				91	300	300
	47 286	42 987	38 400	37 993	36 442	33 132
	13 475	13 791	11 930	10 799	23 077	10 336
	542 671	516 540	491 038	467 924	464 082	391 526
	9 273	8 286	6 179	5 218	6 145	10 419
	67	27	76	162	117	275
	36					
	367	997	1 358	1 514	1 982	1 470
	1 880	1 473	1 408	1 298	1 227	1 145
	30 295	29 439	26 101	20 082	14 060	12 324
	598 064	570 553	538 090	506 997	510 690	427 495
	645 350	613 540	576 490	544 990	547 132	460 627

Consolidated annual financial statements

The consolidated annual financial statements were audited in terms of the Companies Act, 71 of 2008.

Responsibility of our directors

The directors are responsible for the preparation and fair presentation of the consolidated financial statements of Nedbank Ltd (comprising the statement of financial position at 31 December 2016, the statement of comprehensive income, the statement of changes in equity and statement of cashflows for the year then ended), the segmental reporting and the notes to the financial statements (including a summary of significant accounting policies and other explanatory notes) in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008, and the JSE Listings Requirements. In addition, the directors are responsible for the preparation of the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and there is no reason to believe that the business will not be a going concern in the year ahead.

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

Approval of consolidated annual financial statements
The consolidated annual financial statements of Nedbank Ltd, as identified in the first paragraph, were approved by the Nedbank Ltd Board of Directors on 27 February 2017 and are signed on its behalf by:

V Naidoo
Chairman

MWT Brown
Chief Executive

Sandown

27 February 2017

Certification from our company secretary

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

27 February 2017

Report from the Group Audit Committee

'The Audit Committee continues to play an essential role in ensuring the integrity and transparency of corporate reporting. This year the committee paid specific attention to the key accounting issues and key audit matters, including the scheduling of two additional ad hoc meetings.'

The Nedbank Group Audit Committee (GAC) is pleased to present its report for the 2016 financial year. This report has been prepared based on the requirements of the South African Companies Act, 71 of 2008 as amended (the Companies Act), the King Code of Governance for South Africa (King III and King IV), the Johannesburg Stock Exchange (JSE) Listings Requirements and other applicable regulatory requirements.

The GAC's main objective is to assist the board in fulfilling its oversight responsibilities, in particular with regard to evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes. In addition, the GAC assesses the effectiveness of the internal auditors, and the independence and effectiveness of the external auditors.

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

Composition and governance

The committee is chaired by Malcolm Wyman who, together with the other four members – Nomavuso Mnxasana, Mpho Makwana, Tom Boardman and Stanley Subramoney, are all independent non-executive directors. 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 discuss relevant matters directly. The CIA and the external auditors have direct access to the committee, including closed sessions without management, on any matter that they regard as relevant to the fulfilment of the committee's responsibilities. The GAC Chair meets with the CIA and external auditors separately between Audit Committee meetings. In addition, the GAC meeting agenda allows for a meeting solely with the members of the GAC.

Eight GAC meetings were held in respect of the 2016 financial year aligned with the key reporting and regulatory timelines and included two additional ad hoc meetings. The meetings' key focus areas were:

4 May 2016	Review Nedbank Ltd Banks Act Returns Audit Report and approve and discuss the 2016 external audit strategy presentation. Review first-quarter trading update.
1 Jul 2016	Annual trilateral meeting with representatives of the Bank Supervision Department of the South African Reserve Bank (SARB) where, among other things, key external audit findings, internal audit matters and reporting responsibilities in terms of the regulations are discussed.
14 Jul 2016	Ad hoc meeting to review key financial and accounting judgements in respect of the associate investment in Ecobank.
27 Jul 2016	Review of the interim results for the six months to 30 June 2016 and the press and SENS announcements.
27 Oct 2016	Review and approve the Nedbank Group Internal Audit Plan for 2017. Review and approve key financial policies.
23 Jan 2017	Review of unaudited preliminary results and key financial and accounting judgements including associate investment in Ecobank.
13 Feb 2017	Ad hoc meeting to review key financial and accounting judgements in respect of the associate investment in Ecobank.
23 Feb 2017	Discussion and review of year-end reports from Internal Audit and External Audit, feedback from subsidiary audit committees, Credit Committee, Risk Committee, IT Committee and other relevant committees. Review and approval of annual financial statements and related SENS and results announcements.

There was full attendance from the members for the above meetings with the exception of Mpho Makwana who extended apologies for two of the meetings listed above.

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 require action and providing recommendations for their resolution.

The performance of the committee is reviewed annually as part of the effectiveness review of the board and of all its committees. The 2016 review concluded that the committee continued to operate effectively and successfully discharged its responsibilities and duties.

Significant audit matters

With the enhancement of the new audit report, the GAC has considered the appropriateness of the key audit matters reported in the external audit opinion. The GAC also considered the significant audit matters relating to the annual financial statements and how these were addressed by the committee.

Significant matter[1]	How the GAC addressed the matter
Impairment of loans and advances	The GAC reviewed and discussed the reports from the 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 appropriateness of the level of impairments.
Valuation of financial instruments held at fair value	The GAC reviewed and challenged 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. The GAC satisfied itself that the process followed was reasonable.
Taxation exposures and related provisions	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, and were satisfied that these were reasonable.
Associate investment in Ecobank	The GAC received regular reports from management in connection with the financial performance of Ecobank Transnational Incorporated (ETI) and the accounting considerations for Nedbank. The GAC received comprehensive reports detailing management's assessment of value in use (VIU) of the investment and the resulting impairment review. The GAC reviewed and discussed management's key assumptions, challenged the appropriateness of the judgement applied to the calculation and considered the sensitivity of the result of the impairment review to changes in estimates and assumptions. The GAC noted that the determination of the VIU calculation in accordance with IFRS is subject to signification judgement and concluded that the impairment raised was reasonable.

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

Financial and regulatory reporting process

The GAC received regular reports from the CFO regarding the financial performance of the group, the tracking and monitoring of key performance indicators, details of budgets, forecasts, long-term plans and capital expenditures, financial reporting controls and processes, and the adequacy and reliability of management information used during the financial reporting process. During the year Nedbank implemented a SAP enterprise resource planning system to enhance the financial reporting system and processes.

The GAC received regular feedback from the CFO regarding the implementation of the solution as well as post-go-live reporting to ensure that the control environment remained effective.

The GAC is satisfied with the appropriateness of the expertise and experience of the CFO and the resource, expertise, succession and experience of Nedbank's finance function. The GAC reviewed the adequacy of the regulatory reporting processes as required by the Banks Act of SA, which includes evaluation of the quality of reporting and the adequacy of systems and processes, and consideration of any findings regarding the regulatory reports by the external auditors.

Annual financial statements and integrated reporting process

The GAC reviewed the audited annual financial statements and assessed, and found to be effective and appropriate, the financial reporting process and controls that led to the compilation of the annual financial statements. The GAC also assessed and confirmed the appropriateness of the going-concern assumption used in the annual financial statements, taking into account management budgets and the capital and the liquidity profiles.

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

Future accounting developments

The IASB has published IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers and IFRS 16: Leases, with the effective date of implementation of 1 January 2018 for IFRS 9 and IFRS 15, and the effective date of 1 January 2019 for IFRS 16.

An IFRS 9 Impairments Implementation Programme has been set up to prepare for the implementation of IFRS 9 and is jointly sponsored by the CRO and the CFO. Significant progress has been made with parallel reporting scheduled for the latter part of 2017. The classification and measurement and hedging requirements programme is sponsored by the CFO, and is aligned to the impairments programme timetable. The GAC and Group Risk Committee (GRC) received regular reporting updates and specific training updates to understand and remain abreast of key judgement areas.

In respect of IFRS 15: Revenue and IFRS 16: Leases the overall impact to Nedbank will not be significant, although certain systems, processes and disclosures will have to be enhanced. Nedbank determined the overall impact as not significant.

Internal control and risk management

The GAC 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 of the Enterprisewide Risk Management Framework (ERMF) to assist in evaluating the group's internal controls. The ERMF places emphasis on accountability, responsibility, independence, reporting, communication and transparency, both internally and in respect of all Nedbank's key external stakeholders.

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

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

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

Internal Audit

Internal Audit performs an independent assurance function and forms part of the third line of defence. The CIA has a functional reporting line to the GAC Chair and an operational reporting line to the CRO.

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 had 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.

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

External auditors

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

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. The annual review of the quality of the audit and the performance of the joint external auditors was undertaken by means of questionnaires completed by key finance staff, internal audit members and members of the GAC.

The GAC has a well-established policy on auditor independence and audit effectiveness. The GAC reviewed and approved the non-audit services policy, which governs the types of service that can be performed by the auditors, as well as the value and scope of the non-audit services provided by the auditors. Only those non-audit services that do not affect their independence and entail skills and experience that make them the most appropriate suppliers were approved during the period.

The GAC is of the view that the group external auditors continue to provide an efficient, effective and independent audit service, and recommended to the board the reappointment of the external auditors for 2017.

The GAC continues to monitor the developments and reports from the Independent Regulatory Board of Auditors (IRBA) in connection with mandatory audit rotation.

As part of Nedbank's transformation commitment and the development of the auditing profession, Nedbank identified a number of smaller statutory audits during 2016, which were put out to tender and awarded to a mid-tier black-owned accounting firm, with effect from 2017.

Combined assurance

Nedbank has introduced a combined assurance programme across the group with the key intention of optimising the efficiency and effectiveness of the activities of risk management, compliance and audit, and to better illustrate, consolidate and report on all assurance activities.

Management has established a combined assurance framework and project plan that engages with the three lines of defence. An effectiveness framework is also in the process of being integrated into the combined assurance framework.

This process will ensure a continuum of assurance being provided through testing, validation and verification of controls and risk management frameworks.

The GAC is of the view that the arrangements in place for the combined assurance model are adequate and is achieving the objective of a more effective, integrated approach across the disciplines of risk management, compliance and audit. The journey of combined assurance will continuously evolve as the process matures within the organisation.

Key focus areas for 2017

- Review and consideration of management's plans in respect of future changes to the IFRS and other regulations, most notably:
  - IFRS 9: Financial Instruments – including review of the outcome of parallel reporting during 2017 and review and assessment of the key judgements.
  - IFRS 15: Revenue – including review of the final implementation assessment of impact on systems, processes and disclosure.
  - King IV: Assessment of the updated requirements to be complied with from 1 April 2017.
- Continued focus on ensuring that the group's financial systems, processes and controls are operating effectively, are consistent with the group's complexity and are responsive to changes in the environment and industry.
- Monitoring of management’s operating model review to ensure that governance and controls processes remain robust during this time and after the resulting changes have been implemented.
- Continued focus on the accounting implications and resulting judgments pertaining to the ETI associate investment.
- Monitoring the developments and reports from the IRBA in connection with mandatory audit rotation and ensuring that appropriate action is taken.

On behalf of the GAC

M Wyman
Group Audit Committee Chair

27 February 2017

Directors' Report

for the year ended 31 December 2016

The board of directors is pleased to present the annual financial statements of Nedbank Ltd for the year ended 31 December 2016.

Nature of business

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

Annual financial statements

Details of the financial results are set out on pages 22 to 157 of the annual financial statements, which have been prepared under the supervision of the Nedbank CFO, Mrs RK Morathi, and audited in compliance with IFRS as issued by the IASB and the IFRIC, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listings Requirements.

Year under review

The year under review is fully covered in the Chairman's Review, Chief Executive's Review, Growing our Franchises section, the Chief Operating Officer's Review, and the Financial Report sections of the 2016 Nedbank Group Integrated Report, available at nedbankgroup.co.za.

Share capital

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

Ownership

The holding company of Nedbank Ltd is Nedbank Group Ltd ('Nedbank Group'), whose holding company is Old Mutual Life Assurance Company (SA) Ltd and associates. Nedbank Group holds 100% of the issued ordinary shares of the company. The ultimate holding company is Old Mutual plc, incorporated in England and Wales. Further details of shareholders appear in note N3 to the annual financial statements.

Dividends

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

Directors

Biographical details of the current directors appear in the 2016 Nedbank Group Integrated Report. Details of directors' and prescribed officers' remuneration and Nedbank Group shares and Nedbank non-redeemable, non-cumulative, non-participating preference shares issued to directors and prescribed officers appear in the Remuneration Report available at nedbankgroup.co.za.

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

- Errol Kruger was appointed as an independent non-executive director on 1 August 2016; and
- Robert Leith was appointed as a non-executive director on 13 October 2016.

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

Errol Kruger and Robert Leith were appointed by the board of directors since the previous Nedbank annual general meeting on 4 May 2016 and in terms of the memorandum of incorporation, their appointments terminate at the close of the annual general meeting to be held on 17 May 2017. They are available for election. Mike Brown, Brian Dames, Mpho Makwana and Joel Netshitenzhe are also required to seek reelection at the annual general meeting. The aforementioned directors make themselves available for reelection and separate resolutions will be submitted for approval at the annual general meeting to be held on 17 May 2017.

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

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

Name	Position as director	Date appointed as director	Date resigned/retired as director (where applicable)
DKT Adomakoh (Ghanaian)	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 and executive director	17 June 2004	
BA Dames	Independent non-executive director	30 June 2014	
ID Gladman	Non-executive director	7 June 2012	
PB Hanratty (Irish)	Non-executive director	8 August 2014	12 March 2016
JB Hemphill	Non-executive director	25 November 2015	
EM Kruger	Independent non-executive director	1 August 2016	
RAG Leith	Non-executive director	13 October 2016	
PM Makwana	Independent non-executive director	17 November 2011	
MA Matooane	Independent non-executive director	15 May 2014	
NP Mnxasana	Independent non-executive director	1 October 2008	
RK Morathi	Chief Financial Officer and executive director	1 September 2009	
V Naidoo	Chairman and non-executive director	1 May 2015	
JK Netshitenzhe	Independent non-executive director	5 August 2010	
MC Nkuhlu	Chief Operating Officer and executive director	1 January 2015	
S Subramoney	Independent non-executive director	23 September 2015	
MI Wyman (British)	Lead independent director	1 August 2009	

Directors' interests

Nedbank Group holds the issued ordinary shares.

The directors' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative, non-participating preference shares in Nedbank at 31 December 2016 are set out online in the full supplementary Remuneration Report. The directors had no interest in any third party or company responsible for managing any of the business activities of the group. Banking transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

Audit Committee and Group Transformation, Social and Ethics Committee reports

The Audit Committee Report appears on pages 12 to 15 and the Group Transformation, Social and Ethics Committee Report appears in the 2016 Nedbank Group 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 24 February 2017 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 throughout the year. Mr Jali is not a director of the company and the board is satisfied that as far as is reasonably possible, an arm's length relationship between the Company Secretary and the board is intact.

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

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

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

Property and equipment

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

Political donations

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

Contracts and matters in which directors and officers of the company have an interest

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

Directors' and prescribed officers' service contracts

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

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

Service contracts have been entered into for Mike Brown, Mfundo Nkuhlu and Raisibe Morathi. These service contracts are effective until the executive directors reach the normal retirement age and stipulate a maximum notice period of six months (12 months for Mike Brown) under most circumstances.

Details relating to the service contracts of prescribed officers are incorporated in the Remuneration Report, which can be found at nedbankgroup.co.za.

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 R125m, 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 F3 to the annual financial statements available at nedbankgroup.co.za.

Special resolutions by subsidiaries

- 23 May 2016 by Esimio Trading 101 Ltd regarding the conversion from a public company to a private company.
- 23 May 2016 by Pyraned Ltd regarding the conversion from a public company to a private company.
- 23 May 2016 by MHF Properties Ltd regarding the conversion from a public company to a private company.
- 15 July 2016 by Depfin Investments (Pty) Ltd for the reclassification of 310 class N no-par-value preference shares.
- 1 November 2016 by IBL Asset Finance and Services Ltd regarding the conversion from a public company to a private company.
- 21 November 2016 by Depfin Investments (Pty) Ltd regarding the reclassification of 864 343 class O no-par-value preference shares.

Acquisition of shares

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

Events after the reporting period

The directors are not aware of any other material events that have occurred between the reporting date and 27 February 2017.

Independent auditors' report to the shareholders of Nedbank Ltd

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Nedbank Limited and its subsidiaries (the group) set out on pages 22 to 153, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nedbank Limited as at 31 December 2016, and its consolidated financial performance and consolidated cashflows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

Key audit matter	How the matter was addressed in the audit
IMPAIRMENT OF LOANS AND ADVANCES	
Refer to C2 for selected disclosures applicable to this matter. Loans and advances, which represent 77% of total assets, and the associated impairment provisions are significant in the context of the consolidated financial statements. The estimation of credit losses is inherently uncertain and is subject to significant judgement. Furthermore, models used to determine credit impairments are complex, and certain inputs used are not fully observable. Management compensates for any model and data deficiencies by applying overlays to these outputs, which increase the provision. The valuation of these overlays can be highly subjective. This estimation uncertainty is heightened due to the ongoing volatility in South Africa and wider regional economies. These factors, individually and collectively, result in a significant risk that credit impairments for loans and advances may be materially misstated. The Corporate and Investment Banking (CIB) cluster lends to corporate, institutional and public sector clients. CIB loans represent 54% of total loans and advances. Advances in CIB are typically individually significant, and therefore individually assessed for impairment. The assessment process requires detailed knowledge of the borrower and requires credit officers to use judgement to determine whether a loss event has occurred and the amount of the resulting loss. The Retail and Business Banking (RBB) cluster lends to small and medium-sized businesses and to individuals. RBB represents 42% of total loans and advances. These loans and advances are typically lower value and are assessed collectively by grouping into homogenous portfolios for monitoring and impairment assessment. This process relies on models to determine incurred losses across the portfolios. Given the combination of inherent subjectivity in the valuation, and the material nature of the balance, we considered the valuation of loan loss provisions to be a key audit matter in our audit of the consolidated financial statements.	Our audit included identifying relevant controls that address the impairment risks identified and evaluating the design and implementation, and where possible the operating effectiveness, of these controls. We focused on controls over the identification of impairment losses; the governance processes in place for credit models, inputs and overlays; the credit forums where key judgements are considered; and how the directors ensure they have appropriate oversight over loan provisions. In the CIB cluster: ■ We selected a sample of performing loans and advances and performed a detailed independent assessment of the credit losses identified, focusing on whether there is evidence of an incurred loss. ■ For a sample of loans and advances that had been individually assessed and impaired, including those loans on the watch list, we independently challenged the valuation of impairment losses that had been incurred, including developing our own expectation of the amount of the provision. ■ In order to focus our procedures on the areas where there is a higher risk, we performed detailed credit loss assessments of loans and advances with higher-risk credit grades. We also performed focused testing of loans in higher-risk and economically exposed sectors such as construction, oil and gas, mining and government-related institutions. ■ When performing work on the valuation of provisions, we paid particular attention to the valuation of, and rights to, security held. Where management has used specialists to provide valuations, we assessed their competence and the timeliness of these valuations. ■ We used our internal credit specialists to critically assess impairment models and the key assumptions that drive the collective impairment valuation.

Key audit matter	How the matter was addressed in the audit
	In the RBB cluster, impairment provisions are model-driven and we therefore focused on the data used to generate impairment provisions, as well as the appropriateness of key models, by: ■ Testing the historical accuracy of models by assessing historical projections against actual losses. ■ Focusing on the most significant model assumptions, including probability of default, loss given default, and roll rates. We performed detailed procedures on the completeness and accuracy of the information used, and also compared internal data and assumptions to those used more widely in the market. ■ Using our internal credit specialists to assess the appropriateness of the models used for each significant product type, and to perform an independent recalculation of the impairment provision for selected portfolios using our challenger models. ■ Challenging the appropriateness of post model adjustments made by management by assessing evidence to support the overlays. Where we concurred that the overlay was valid, we used our internal credit specialists to perform an independent valuation of the amounts.
VALUATION OF FINANCIAL INSTRUMENTS HELD AT FAIR VALUE	
Refer to I2 for selected disclosures applicable to this matter. At 31 December 2016, financial assets at fair value through profit or loss (FVTPL) represented 19% of total assets and financial liabilities at FVTPL represents 11% of total liabilities. Available for sale (AFS) financial assets represented 0.1% of total assets. Of the financial instruments (both assets and liabilities) carried at fair value or as AFS, 1% were classified as level 3. Financial instruments that are classified as level 2 or level 3 in the fair value hierarchy will have some element of estimation uncertainty inherent in their value, and the uncertainty is higher for level 3 financial instruments which, by their nature, are unobservable. These portfolios include unlisted equity investments, loans and advances and certain derivative instruments. This risk applies to both individual financial instruments and also to portfolio valuation adjustments which are applied to adjust portfolios for risks that are not included in the model valuation. These portfolio adjustments are subjective in nature and may rely on inputs that are unobservable. In addition certain financial instrument valuation techniques are subject to ever-developing market practices which may increase the estimation uncertainty. As the determination of the fair value of certain financial instruments is a key source of estimation uncertainty, is subject to significant management judgement and represents a material balance, this matter was considered to be a key audit matter in our audit of the consolidated financial statements.	As part of our audit, we identified relevant controls over valuation of financial instruments and evaluated the design and implementation, and where possible the operating effectiveness, of these controls. We focused on controls over model governance, independent price verification and the daily profit and loss attribution processes. We assessed the models used by management and rates applied at year-end, and used valuation tools to re-perform valuations across a range of financial instruments. For portfolio adjustments, we focused on the appropriateness of any changes made to the valuation methodology and inputs during the year. Additionally, these were benchmarked to current market best practices to assess the appropriateness of the methodologies applied. For unlisted private-equity investments and investment securities, we challenged the key inputs and assumptions driving the valuation, and assessed the models used. We considered sensitivities to key factors including: ■ assessing the appropriateness of the pricing multiples available from comparable listed companies, adjusted for comparability differences, size and liquidity; and ■ assessing the reasonability of the cashflows and discount rates used by comparing them to similar instruments. We also assessed the disclosures made relating to the valuation of financial instruments to ensure consistency with the requirements of the relevant accounting standards and with the methodologies applied by management.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Nedbank Limited for 43 years and KPMG Inc. has been the auditor of Nedbank Limited for 43 years.

KPMG Inc

KPMG Inc
Registered Auditor

Per: Sipho Malaba
Director

KPMG Crescent
85 Empire Road
Parktown
2193, South Africa

27 February 2017

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: Mgcinisihlalo Jordan
Partner

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

Consolidated statement of comprehensive income

for the year ended 31 December

	Notes	2016 Rm	2015 Rm
Interest and similar income	B5.1	**69 862**	55 128
Interest expense and similar charges	B5.2	**45 344**	32 724
Net interest income		**24 518**	22 404
Impairments charge on loans and advances	C2.1	**4 254**	4 608
Income from lending activities		**20 264**	17 796
Non-interest revenue	B6	**19 361**	17 514
Operating income		**39 625**	35 310
Total operating expenses	B7	**25 283**	23 459
Indirect taxation	B8.1	**810**	668
Profit from operations before non-trading and capital items		**13 532**	11 183
Non-trading and capital items	B9	**(289)**	(144)
Profit from operations		**13 243**	11 039
Share of losses of associate companies and joint arrangements		**(20)**	(1)
Profit before direct taxation		**13 223**	11 038
Direct taxation	B8.2.1	**3 286**	2 828
Profit for the year		**9 937**	8 210
Other comprehensive (losses)/income net of taxation		**(453)**	578
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		**(231)**	190
Fair value adjustments on available-for-sale assets		**(13)**	(9)
Items that may not subsequently be reclassified to profit or loss			
Gains on property revaluations		**24**	118
Remeasurements on long-term employee benefit assets		**(233)**	279
Total comprehensive income for the year		**9 484**	8 788
Profit attributable to:			
– Ordinary and preference equity holders		**9 896**	8 163
– Non-controlling interest – ordinary shareholders		**41**	47
		9 937	8 210
Total comprehensive income attributable to:			
– Ordinary and preference equity holders		**9 443**	8 739
– Non-controlling interest – ordinary shareholders		**41**	49
Total comprehensive income for the year		**9 484**	8 788

Consolidated statement of financial position

at 31 December

	Notes	2016 Rm	2015 Rm
ASSETS			
Cash and cash equivalents	C6	**20 241**	18 151
Other short-term securities	C4	**68 218**	60 078
Derivative financial instruments	C7	**18 044**	30 948
Government and other securities	C3	**50 687**	42 733
Loans and advances[1]	C1	**691 925**	666 807
Other assets	H3	**8 164**	3 925
Current taxation assets		**440**	904
Investment securities	F1	**1 908**	1 648
Non-current assets held for sale	H2	**287**	2
Investments in private-equity associates, associate companies and joint arrangements	F2	**2 575**	1 400
Deferred taxation assets	B8.3	**266**	67
Property and equipment	G1	**8 197**	8 114
Long-term employee benefit assets	H1	**5 042**	4 885
Mandatory reserve deposits with central banks	C6	**18 139**	16 190
Intangible assets	G2	**5 928**	4 881
Total assets		**900 061**	860 733
EQUITY AND LIABILITIES			
Ordinary share capital	B3.1	**28**	28
Ordinary share premium		**19 182**	18 532
Reserves		**42 698**	37 610
Total equity attributable to equity holders of the parent		**61 908**	56 170
Preference share capital and premium	B3.2	**3 561**	3 561
Additional tier 1 capital instruments		**2 000**	
Non-controlling interest attributable to ordinary shareholders		**253**	223
Total equity		**67 722**	59 954
Derivative financial instruments	C7	**13 469**	33 996
Amounts owed to depositors[2]	D1	**750 319**	708 036
Provisions and other liabilities	K1.1	**12 717**	9 911
Current taxation liabilities		**53**	87
Deferred taxation liabilities	B8.3	**391**	763
Long-term employee benefit liabilities	H1	**3 328**	3 009
Long-term debt instruments	D2	**52 062**	44 977
Total liabilities		**832 339**	800 779
Total equity and liabilities		**900 061**	860 733

[1] *Included in loans and advances are loans to fellow subsidiaries amounting to R23,8bn (2015: R19,9bn).*

[2] *Included in amounts owed to depositors are deposits from fellow subsidiaries amounting to R31,4bn (2015: R21,5bn).*

Consolidated statement of changes in equity

for the year ended 31 December

	Number of ordinary shares	Ordinary share capital Rm	Reserves		
			Ordinary share premium Rm	Foreign currency translation reserve[1] Rm	Property revaluation reserve[2] Rm
Balance at 31 December 2014	27 241 024	27	17 422	162	1 664
Shares issued	314 625	1	1 110		
Preference share dividend					
Dividend to shareholders					
Total comprehensive income for the year				190	118
Profit attributable to ordinary and preference equity holders					
Exchange differences on translating foreign operations				190	
Fair-value adjustments on available-for-sale assets					
Gains on property revaluations					118
Remeasurements on long-term employee benefit assets					
Transfer (from)/to reserves					(60)
Share-based payments reserve movement					
Other movements					
Balance at 31 December 2015	**27 555 649**	**28**	**18 532**	**352**	**1 722**
Shares issued	**320 830**		**650**		
Additional tier 1 capital instruments issued					
Preference share dividend					
Additional tier 1 capital instruments interest paid					
Dividend to shareholders					
Total comprehensive income for the year				**(231)**	**24**
Profit attributable to ordinary and preference equity holders					
Exchange differences on translating foreign operations				**(231)**	
Fair-value adjustments on available-for-sale assets					
Gains on property revaluations					**24**
Remeasurements on long-term employee benefit assets					
Transfer (from)/to reserves					**(48)**
Share-based payments reserve movement					
Regulatory risk reserve provision					
Other movements					
Balance at 31 December 2016	**27 876 479**	**28**	**19 182**	**121**	**1 698**

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

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

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

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

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

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

All movements are reflected net of taxation.

Reserves: Share-based payments reserve[3] Rm	Reserves: Other non-distributable reserves[4] Rm	Reserves: Available-for-sale reserve[5] Rm	Reserves: Other distributable reserves[6] Rm	Total equity attributable to equity holders of the parent Rm	Preference share capital and premium Rm	Additional tier 1 capital instruments	Non-controlling interest attributable to ordinary shareholders Rm	Total equity Rm
(515)	80	16	33 380	52 236	3 561		183	55 980
				1 111				1 111
			(371)	(371)			(9)	(380)
			(5 200)	(5 200)				(5 200)
–	–	(9)	8 440	8 739	–	–	49	8 788
			8 163	8 163			47	8 210
				190				190
		(9)		(9)				(9)
				118				118
			277	277			2	279
(177)	15		222	–				–
(343)				(343)				(343)
			(2)	(2)				(2)
(1 035)	95	7	36 469	56 170	3 561	–	223	59 954
				650				650
				–		2 000		2 000
			(377)	(377)				(377)
			(78)	(78)				(78)
			(4 250)	(4 250)			(11)	(4 261)
–	–	(13)	9 663	9 443	–	–	41	9 484
			9 896	9 896			41	9 937
				(231)				(231)
		(13)		(13)				(13)
				24				24
			(233)	(233)				(233)
(94)	20		122	–				–
360				360				360
	(10)			(10)				(10)
	1		(1)	–				–
(769)	106	(6)	41 548	61 908	3 561	2 000	253	67 722

Consolidated statement of cashflows

for the year ended 31 December

	Notes	2016 Rm	2015 Rm
Cash generated by operations	M1	**21 707**	19 257
Cash received from clients	M2	**89 203**	72 602
Cash paid to clients, employees and suppliers	M3	**(68 662)**	(54 509)
Dividends received on investments		**9**	30
Recoveries on loans previously written off		**1 157**	1 134
Change in funds for operating activities		**(14 185)**	(9 508)
Increase in operating assets	M4	**(38 057)**	(102 943)
Increase in operating liabilities	M5	**23 872**	93 435
Net cash from operating activities before taxation		**7 522**	9 749
Taxation paid	M6	**(4 020)**	(3 771)
Cashflows from operating activities		**3 502**	5 978
Cashflows utilised by investing activities		**(5 265)**	(2 070)
Acquisition of property and equipment, computer software and development costs and investment property		**(3 776)**	(2 604)
Disposal of property and equipment, computer software and development costs and investment property		**65**	43
Disposal of non-current assets held for sale			14
Disposal of investment banking assets		**11**	10
Acquisition of private-equity associates, associate companies and joint arrangements		**(1 403)**	(326)
Disposal of private-equity associates, associate companies and joint arrangements		**208**	83
Acquisition of other investments		**(818)**	(443)
Disposal of other investments		**448**	1 153
Cashflows from by financing activities		**5 030**	4 884
Net proceeds from issue of ordinary shares		**650**	1 112
Issue of additional tier 1 capital instruments		**2 000**	
Issue of long-term debt instruments		**13 587**	19 813
Redemption of long-term debt instruments		**(6 502)**	(10 470)
Dividends paid to ordinary shareholders		**(4 250)**	(5 200)
Preference share dividends paid		**(377)**	(371)
Additional tier 1 capital instruments interest paid		**(78)**	
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)		**772**	(51)
Net increase in cash and cash equivalents		**4 039**	8 741
Cash and cash equivalents at the beginning of year[1]		**34 341**	25 600
Cash and cash equivalents at the end of the year[1]	C6	**38 380**	34 341

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

SECTION A: ACCOUNTING POLICIES

A1 Principal accounting policies

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

A1.1 Basis of preparation

The financial statements have been prepared on a going-concern basis and have been prepared on a consistent basis with the prior year. The amendments to standards, effective 1 January 2016, did not have a significant impact on the basis of preparation. The amendments to standards, not yet effective as at 1 January 2016, except IFRS 9, IFRS 15 and IFRS 16, will not have a significant impact on implementation. During the year the group has complied with externally imposed capital requirements (refer to the Risk and Balance Sheet Management Review available at nedbank.co.za for further information).

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

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

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

A1.2 Accounting policy elections

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

Asset/ Liability	Option	Election and implication	Note/ Section
Property and equipment	■ International Accounting Standard (IAS) 16 permits the use of the cost or fair-value model for the subsequent measurement of property and equipment.	■ 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.	G2
Investment in venture capital divisions	■ IAS 28 provides an exemption from applying the equity method of accounting if an investment in an associate is held by or indirectly through a venture capital organisation.	■ In venture capital divisions the group has elected to carry associate and joint-venture entities at fair value through profit and loss under IAS 39.	F2
Financial instruments	■ IAS 39 allows for the irrevocable designation of financial assets and liabilities on initial recognition at fair value through profit or loss if the designation eliminates or significantly reduces an accounting mismatch. ■ IAS 39 permits trade date or settlement date accounting for the regular way purchase or sale of financial assets.	■ The group has elected to designate certain fixed-rate financial assets and liabilities at fair value through profit and loss to reduce the accounting mismatch. ■ Regular-way purchases or sales of financial assets are recognised and derecognised using trade date accounting.	I
Investments in subsidiar-ies, associate companies and joint arrange-ments	■ In terms of IAS 27, investments in subsidiaries, associates and joint arrangements can be accounted for in the separate financial statements, either at cost or in accordance with IAS 39 or in terms of IAS 28.	■ The group has elected to recognise these investments at cost less impairments in the separate financial statements.	F2

A2 Key assumptions concerning the future and key sources of estimation

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

A3 Standards issued but not yet effective

The following standards are issued by the IASB, but are not yet effective for the year ended 31 December 2016:

- IFRS 9: Financial Instruments.
- IFRS 15: Revenue from Contracts with Customers.
- IFRS 16: Leases.

The new standards are each addressed in the relevant note in the group's financial statements.

It is expected that other amendments, as issued by the IASB, will not have a material effect on the group's financial statements.

SECTION B: SEGMENTAL AND PERFORMANCE-RELATED INFORMATION

B1 Segmental reporting

Accounting policy

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

The group's identification of its segments and the measurement of segment results are based on the group's internal reporting to management. The segments have been identified according to the nature of their respective products and services and their related target markets.

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

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

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

DESCRIPTION OF SEGMENTS

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

NEDBANK CORPORATE AND INVESTMENT BANKING

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

NEDBANK RETAIL AND BUSINESS BANKING

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

NEDBANK WEALTH

Nedbank Wealth provides insurance, asset management and wealth management solutions to a wide spectrum of clients, ranging from entry-level clients to high-net-worth individuals. Nedbank Wealth has operations in SA, London, Isle of Man, Jersey, Guernsey and the United Arab Emirates.

NEDBANK REST OF AFRICA

Nedbank 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, Mozambique and Zimbabwe. The division also holds the 21,2% investment in ETI, manages the Ecobank–Nedbank alliance and facilitates investments in other countries in Africa.

CENTRE

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. Centre also includes Group Balance Sheet Management, which is responsible for capital management, funding and liquidity risk management, the management of banking-book interest rate risk, margin management and strategic portfolio tilt.

B1 Segmental reporting (continued)

	Nedbank Ltd		Fellow subsidiaries		Nedbank Corporate and Investment Banking	
	2016	2015	**2016**	2015	**2016**	2015
Statement of financial position (Rm)						
Assets						
Cash and cash equivalents	**38 380**	34 341	**(6 704)**	(4 731)	**15 306**	12 910
Other short-term securities	**68 218**	60 078	**(16 461)**	(15 536)	**46 625**	35 005
Derivative financial instruments	**18 044**	30 948	**411**	460	**17 582**	30 102
Government and other securities	**50 687**	42 733	**(361)**	(327)	**27 775**	24 950
Loans and advances	**691 925**	666 807	**(15 152)**	(14 825)	**370 199**	355 784
Other assets	**32 807**	25 826	**(27 694)**	(30 034)	**13 993**	11 816
Intergroup assets	**–**	–				
Total assets	**900 061**	860 733	**(65 961)**	(64 993)	**491 480**	470 567
Equity and liabilities						
Total equity	**67 722**	59 954	**(13 989)**	(18 797)	**28 462**	23 096
Derivative financial instruments	**13 469**	33 996	**173**	368	**13 239**	32 987
Amounts owed to depositors	**750 319**	708 036	**(11 223)**	(17 815)	**343 153**	346 868
Provisions and other liabilities	**16 489**	13 770	**(40 908)**	(28 744)	**25 128**	18 176
Long-term debt instruments	**52 062**	44 977	**(14)**	(5)	**1 378**	1 563
Intergroup liabilities	**–**	–			**80 120**	47 877
Total equity and liabilities	**900 061**	860 733	**(65 961)**	(64 993)	**491 480**	470 567
Statement of comprehensive income (Rm)						
Net interest income/(loss)	**24 518**	22 404	**(1 908)**	(1 481)	**7 291**	6 781
Impairments charge on loans and advances	**4 254**	4 608	**(300)**	(181)	**1 095**	1 188
Income/(Loss) from lending activities	**20 264**	17 796	**(1 608)**	(1 300)	**6 196**	5 593
Non-interest revenue	**19 361**	17 514	**(4 142)**	(4 234)	**7 453**	6 508
Operating income/(loss)	**39 625**	35 310	**(5 750)**	(5 534)	**13 649**	12 101
Total operating expenses	**25 283**	23 459	**(3 083)**	(2 651)	**5 751**	5 105
Indirect taxation	**810**	668	**(117)**	(115)	**96**	78
Profit/(Loss) from operations[4]	**13 532**	11 183	**(2 550)**	(2 768)	**7 802**	6 918
Share of (losses)/profits of associate companies and joint arrangements	**(20)**	(1)	**85**	(872)	**(20)**	(1)
Profit/(Loss) before direct taxation[4]	**13 512**	11 182	**(2 465)**	(3 640)	**7 782**	6 917
Direct taxation[4]	**3 328**	2 860	**(657)**	(690)	**1 769**	1 702
Profit/(Loss) after direct taxation[4]	**10 184**	8 322	**(1 808)**	(2 950)	**6 013**	5 215
Profit attributable to non-controlling interest:						
– Ordinary shareholders	**41**	47	**(47)**	(23)	**(1)**	7
– Preference shareholders	**–**	–	**(361)**	(371)		
– Additional tier 1 capital instruments note holders	**–**	–	**(78)**			
Headline earnings/(loss)	**10 143**	8 275	**(1 322)**	(2 556)	**6 014**	5 208
Selected ratios						
Average interest-earning banking assets (Rm)[3]	**718 901**	674 935	**(56 191)**	(49 145)	**369 525**	342 898
Return on total assets (%)[2 3]	**1,20**	1,05			**1,28**	1,24
Return on ordinary shareholders' equity (%)[3]	**17,3**	15,4			**21,10**	22,60
Net interest income to average interest-earning banking assets (%)[3]	**3,41**	3,32			**2,0**	2,0
Non-interest revenue to total income (%)	**44,1**	43,9			**50,5**	49,0
Non-interest revenue to total operating expenses (%)	**76,6**	74,7			**129,60**	127,50
Credit loss ratio – banking advances (%)[3]	**0,67**	0,78			**0,34**	0,40
Efficiency ratio (%)	**57,6**	58,8			**39,0**	38,4
Effective taxation rate (%)	**24,6**	25,6			**23**	25
Contribution to group economic profit (Rm)[3]	**1 552**	1 156	**1 446**	1 091	**1 970**	2 205
Number of employees (permanent staff)[3]	**29 378**	29 477	**27 813**	26 952	**2 729**	2 728

[1] *Includes all group eliminations.*
[2] *Includes the elimination of intercluster balances.*
[3] *This metric has not been audited by the group's external auditors.*
[4] *These items are presented on a headline earnings basis and therefore exclude the impact of non-trading and capital items.*

During 2015 the Nedbank Retail and Nedbank Business Banking Clusters were merged to form the Nedbank Retail and Business Banking (RBB) Cluster. This had the consequential effect that average interest-earning banking assets for Nedbank RBB (previously R325 997m asset) and Centre (previously R5 361m liability) and net interest income to average interest-earning banking assets for Nedbank RBB (previously 4,89%) have been restated.

Depreciation costs of R1 181m (2015: R969m) and amortisation costs of R784m (2015: R705m) for property, equipment, computer software and capitalised development are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

Nedbank Retail and Business Banking		Nedbank Wealth		Rest of Africa		Centre[1]	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
3 765	3 161	**994**	1 774	**7 166**	4 438	**17 853**	16 789
		15 604	15 161	**2 580**	1 801	**19 870**	23 647
		9	5	**44**	76	**(2)**	305
	3 839			**488**	327	**22 785**	13 944
289 882	279 929	**28 577**	28 206	**19 582**	16 515	**(1 163)**	1 198
6 530	5 631	**16 858**	16 176	**5 795**	9 784	**17 325**	12 453
4 665				**534**		**(5 199)**	
304 842	292 560	**62 042**	61 322	**36 189**	32 941	**71 469**	68 336
26 254	26 924	**3 387**	2 734	**7 942**	6 799	**15 666**	19 198
		4	10	**16**	172	**37**	459
272 274	248 135	**33 461**	34 083	**27 003**	21 208	**85 651**	75 557
3 796	3 686	**20 931**	16 884	**1 214**	808	**6 328**	2 960
2 518	6 816			**14**	5	**48 166**	36 598
	6 999	**4 259**	7 611		3 949	**(84 379)**	(66 436)
304 842	292 560	**62 042**	61 322	**36 189**	32 941	**71 469**	68 336
17 347	15 955	**974**	766	**1 013**	740	**(199)**	(357)
3 261	3 212	**22**	39	**177**	201	**(1)**	149
14 086	12 743	**952**	727	**836**	539	**(198)**	(506)
11 724	10 972	**3 410**	3 593	**877**	819	**39**	(144)
25 810	23 715	**4 362**	4 320	**1 713**	1 358	**(159)**	(650)
18 433	17 077	**2 704**	2 730	**1 887**	1 526	**(409)**	(328)
359	302	**108**	95	**32**	29	**332**	279
7 018	6 336	**1 550**	1 495	**(206)**	(197)	**(82)**	(601)
				(85)	872		
7 018	6 336	**1 550**	1 495	**(291)**	675	**(82)**	(601)
1 978	1 781	**358**	361	**(93)**	(79)	**(27)**	(215)
5 040	4 555	**1 192**	1 134	**(198)**	754	**(55)**	(386)
				89	63		
80	95					**281**	276
						78	
4 960	4 460	**1 192**	1 134	**(287)**	691	**(414)**	(662)
285 393	274 162	**45 209**	39 612	**24 305**	20 934	**50 660**	46 474
1,68	1,57	**1,93**	1,84	**(0,86)**	2,31		
18,90	16,60	**35,20**	41,50	**(3,60)**	10,20		
6,1	5,8	**2,2**	1,9	**4,2**	3,5		
40,3	40,7	**77,8**	82,4	**46,4**	52,5		
63,60	64,30	**126,10**	131,60	**46,50**	53,70		
1,12	1,14	**0,08**	0,15	**0,98**	1,25		
63,4	63,4	**61,7**	62,6	**104,5**	62,8		
28	28	**23**	24	**32**	(12)		
1 230	960	**711**	778	**(1 413)**	(193)	**(933)**	(1 225)
21 189	20 921	**2 232**	2 107	**2 386**	1 812	**3 865**	3 744

B2 Dividends

B2.1 Ordinary shares

	Millions of shares	Cents per shares	Rm
2016			
Final declared for 2015 – paid 2016	**28**	**9 073**	**2 500**
Interim declared for 2016	**28**	**6 278[1]**	**1 750**
Ordinary dividends paid 2016		**15 351**	**4 250**
Final ordinary dividend declared for 2016		**2 300[1]**	
2015			
Final declared for 2014 – paid 2015	27	11 747	3 200
Interim declared for 2015	28	7 258[2]	2 000
Ordinary dividends paid 2015		19 005	5 200
Final ordinary dividend declared for 2014		9 073[2]	

[1] *Total dividend declared for 2016: 8 578 cents per share.*

[2] *Total dividend declared for 2015: 16 331 cents per share.*

B2.2 Preference shares

Dividends declared	Number of shares	Cents per share	Amount Rm
2017			
Nedbank – Final (dividend no 28) declared for 2016 – payable April 2017	**358 277 491**	**43,98905**	**157,6**
2016			
Nedbank – Final (dividend no 26) declared for 2015 – paid April 2016	358 277 491	40,01711	143,4
Nedbank – Interim (dividend no 27) declared for 2016 – paid September 2016	358 277 491	42,75385	153,1
Total of dividends declared			296,5
Nedbank (MFC) – participating preference shares[1]			80,0
Less: Dividends declared in respect of shares held by group entities			(15,9)
			360,6
2015			
Nedbank – Final (dividend no 24) declared for 2014 – paid March 2015	358 277 491	38,76140	138,9
Nedbank – Interim (dividend no 25) declared for 2015 – paid September 2015	358 277 491	38,22487	136,9
Total of dividends declared			275,8
Nedbank (MFC) – participating preference shares[1]			94,7
			370,5

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

B3 Share capital

Accounting policy

Share capital

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

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

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

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 B3 to the financial statements.

Treasury shares

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

B3.1 Ordinary share capital

	2016 Rm	2015 Rm
Authorised		
30 000 000 (2015: 30 000 000) ordinary shares of R1 each	**30**	30
Issued		
27 876 479 (2015: 27 555 649) fully paid ordinary shares of R1 each	**28**	28
	28	28

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

B3.2 Preference share capital and premium

	2016 Rm	2015 Rm
Nedbank Ltd preference share capital and premium		
Authorised		
1 000 000 000 (2015: 1 000 000 000) non-redeemable non-cumulative non-participating preference shares of R0,001 each	**1**	1
5 000 class A redeemable cumulative preference shares of R0,0001 each	[1]	[1]
5 000 class B redeemable cumulative preference shares of R0,0001 each	[1]	[1]
Issued		
358 277 491 (2015: 358 277 491) non-redeemable non-cumulative non-participating preference shares of R0,001 each		
100 class A redeemable cumulative preference shares of R0,0001 each	[1]	[1]
100 class B redeemable cumulative preference shares of R0,0001 each	[1]	[1]
Preference share premium	**3 561**	3 561
	3 561	3 561

[1] *Represents amounts less than R1m.*

B3 Share capital (continued)

B3.2 Preference share capital and premium (continued)

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

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

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

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

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

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

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

B4 Additional tier 1 capital instruments

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

Instrument code	Date of issue	Call date	Instrument terms	2016 Rm	2015 Rm
Subordinated					
Callable notes (rand-denominated)					
NEDT1A	20 May 2016	21 May 2021	3-month JIBAR + 7,00% per annum	**1 500**	
NEDT1B	25 November 2016	26 November 2021	3-month JIBAR + 6,25% per annum	**500**	
				2 000	–

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

B5 Net interest income

Accounting policy

Interest income and expense

Interest income and expense are recognised in profit or loss using the effective-interest 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.

B5.1 Interest and similar income

	2016 Rm	2015 Rm
Home loans (including properties in possession)	**12 923**	11 126
Commercial mortgages	**13 888**	11 513
Finance lease and instalment debtors	**11 183**	9 781
Credit cards	**2 111**	1 945
Overdrafts	**1 566**	1 342
Term loans and other	**20 345**	12 678
Government and other securities	**3 606**	3 378
Interest on government and other securities	**3 603**	3 374
Fair-value adjustments on hedged items (refer to note C7.5)	**25**	(20)
Fair-value adjustments on hedging instruments (refer to note C7.5)	**(22)**	24
Short-term funds and securities	**4 240**	3 365
	69 862	55 128
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments not at fair value through profit or loss	**62 873**	46 426
– Interest and similar income from financial instruments at fair value through profit or loss	**6 989**	8 702
	69 862	55 128

B5.2 Interest expense and similar charges

	2016 Rm	2015 Rm
Deposit and loan accounts	**25 767**	20 731
Current and savings accounts	**913**	683
Negotiable certificates of deposit	**7 458**	5 883
Other liabilities	**6 764**	1 851
Long-term debt instruments	**4 442**	3 576
	45 344	32 724
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments not at fair value through profit or loss	**41 259**	29 123
– Interest expense and similar charges from financial instruments at fair value through profit or loss	**4 085**	3 601
	45 344	32 724

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

B6 Non-interest revenue

Accounting policy

- Commission and fee income

  The group earns fees and commissions from a range of services it provides to clients and these are accounted for as follows:
  - Income earned on the execution of a significant act is recognised when the significant act has been performed.
  - Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.
  - Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income.
  - Fees charged for servicing a loan are recognised in revenue as the service is provided, which in most instances occurs monthly when the fees are levied.
- Insurance income

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

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

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

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

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

Standards and interpretations issued and not yet effective

IFRS 15: Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers, unless the contracts are in 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.

During the year, the group performed an assessment to determine the potential impact of the new standard on the group's statement of financial position and performance. Based on this assessment, the group does not expect the impact of the new standard to be significant.

Key matters arising from the assessment relate to the determination of when performance obligations are satisfied.

B6 Non-interest revenue (continued)

	2016 Rm	2015 Rm
Commission and fee income	**14 587**	13 404
Administration fees	**591**	505
Cash-handling fees	**936**	850
Insurance commission	**657**	652
Exchange commission	**387**	398
Other fees	**1 265**	1 104
Guarantee income	**182**	181
Card income	**3 452**	3 247
Service charges	**3 865**	3 601
Other commission	**3 252**	2 866
Insurance income	**250**	260
Fair-value adjustments (note B6.1)	**21**	(12)
Fair-value adjustments	**(52)**	(102)
Fair-value adjustments – own debt	**73**	90
Net trading income	**3 321**	2 783
Foreign exchange	**1 356**	1 225
Debt securities	**1 933**	1 545
Equities	**(15)**	(7)
Commodities	**47**	20
Private-equity income	**869**	905
Securities dealing – realised	**(41)**	417
Securities dealing – unrealised	**435**	(161)
Dividends received from unlisted investments	**179**	384
Other income	**94**	76
Interest and distribution	**202**	189
Investment income	**20**	40
Dividends received from unlisted investments	**9**	30
Long-term-asset sales	**11**	10
Net sundry income	**293**	134
Rents received	**10**	10
Rental income from properties in possession	**1**	1
Other sundry income	**282**	123
	19 361	17 514

B6.1 Analysis of fair-value adjustments

	2016 Rm	2015 Rm
Fair-value adjustments can be analysed as follows:		
– Held for trading	**(1 364)**	1 617
– Designated as at fair value through profit or loss	**1 385**	(1 629)
	21	(12)

B7 Total operating expenses

	2016 Rm	2015 Rm
Staff costs	**13 819**	12 893
Remuneration and other staff costs	**11 098**	10 508
Short-term incentives	**2 234**	1 953
Long-term employee benefits (note H1.1.2)[1]	**(61)**	19
Share-based payments expense – employees	**548**	413
BBBEE transaction expenses	**12**	20
BBBEE share-based payments expenses	**12**	16
Fees		4
Computer processing	**3 751**	3 312
Depreciation for computer equipment	**599**	428
Amortisation of computer software	**784**	705
Operating lease charges for computer equipment	**393**	320
Development costs	**196**	65
Other computer processing expenses	**1 779**	1 794
Communication and travel	**754**	773
Depreciation for vehicles	**3**	3
Other communication and travel	**751**	770
Occupation and accommodation	**2 086**	1 858
Depreciation for owner-occupied land and buildings	**368**	316
Operating lease charges for land and buildings	**815**	738
Other occupation and accommodation expenses	**903**	804
Marketing and public relations	**1 618**	1 538
Fees and assurances	**2 421**	2 323
Auditors' remuneration	**125**	153
Statutory audit – current year	**104**	106
– prior-year		1
Non-audit services – other services	**21**	46
Other fees and assurance costs	**2 296**	2 170
Furniture, office equipment and consumables	**525**	547
Depreciation for furniture and other equipment	**211**	222
Operating lease charge for furniture and other equipment	**5**	8
Other office equipment and consumables	**309**	317
Other sundries	**297**	195
	25 283	23 459

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

[1] *Includes contributions to defined-benefit and pension funds and postretirement medical aid funding and any adjustments for defined-benefit obligations together with any fair-value adjustments of plan assets held. See note H1.*

B8 Taxation

Accounting policy

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

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

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

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

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

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

Key assumptions concerning the future and key sources of estimation

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

	2016 Rm	2015 Rm
B8.1 Indirect taxation		
Value-added taxation[1]	**627**	492
Other transaction taxes	**183**	176
	810	668

[1] *Comprises the value-added taxation incurred that is irrecoverable in respect of the making of exempt supplies as defined in the Value-Added Tax Act, 89 of 1991.*

	2016 Rm	2015 Rm
B8.2 Direct taxation		
B8.2.1 Charge for the year		
SA normal taxation:		
– Current charge	**3 471**	2 851
– Capital gains taxation – deferred	**10**	(29)
– Deferred taxation	**(293)**	24
Foreign taxation	**157**	10
Current and deferred taxation on income	**3 345**	2 856
Prior-year underprovision – current taxation	**(16)**	(1)
Prior-year (underprovision)/overprovision – deferred taxation	**(1)**	5
Total taxation on income	**3 328**	2 860
Taxation on non-trading and capital items	**(42)**	(32)
	3 286	2 828

B8 Taxation (continued)

B8.2 Direct taxation (continued)

B8.2.2 Taxation rate reconciliation

	2016 %	2015 %
Standard rate of SA normal taxation	**28,0**	28,0
Non-taxable dividend income	**(2,7)**	(2,5)
Other	**(0,7)**	0,1
Effective taxation rate	**24,6**	25,6

B8.2.3 Income tax recognised in other comprehensive income

	Gross	Taxation	Net of taxation
2016			
Exchange differences on translating foreign operations	**(231)**		**(231)**
Fair-value adjustments on available-for-sale assets	**(17)**	**4**	**(13)**
Remeasurements on long-term employee benefit assets	**(322)**	**89**	**(233)**
Gains on property revaluations	**35**	**(11)**	**24**
2015			
Exchange differences on translating foreign operations	190		190
Fair-value adjustments on available-for-sale assets	(9)		(9)
Remeasurements on long-term employee benefit assets	388	(109)	279
Gains on property revaluations	162	(44)	118

B8.2.4 Future taxation relief

The group has estimated taxation losses of R239m (2015: R203m) that can be set off against future taxable income, of which R4m (2015: R91m) has been applied to the deferred taxation balance.

B8.3 Deferred taxation

B8.3.1 Reconciliation of deferred taxation balance

	2016 %	2015 %
Deferred taxation assets		
Balance at the beginning of the year	**67**	165
Current-year temporary differences recognised in the statement of comprehensive income	**326**	22
Deferred acquisition costs	**(20)**	
Deferred fee income	**(3)**	(3)
Depreciation	**27**	
Fair-value adjustments of financial instruments	**(32)**	(3)
Impairment of loans and advances	**165**	9
Other income and expense items	**193**	2
Share-based payments	**32**	
Taxation losses recognised	**(36)**	17
Recognised directly in equity	**112**	
Other movements	**(239)**	(120)
Balance at the end of the year	**266**	67

	2016 %	2015 %
B8.3 Deferred taxation (continued)		
B8.3.1 Reconciliation of deferred taxation balance (continued)		
Deferred taxation liabilities		
Balance at the beginning of the year	**763**	287
Current-year temporary differences recognised in the statement of comprehensive income	**41**	22
Capital gains taxation	**29**	(62)
Client credit agreements		(20)
Deferred acquisition costs		83
Deferred fee income		(4)
Depreciation		150
Fair-value adjustments of financial instruments		40
Impairment of loans and advances	**(3)**	(23)
Other income and expense items	**15**	(188)
Property revaluations		(4)
Share-based payments		50
Recognised directly in equity	**(9)**	154
Other movements	**(404)**	300
Balance at the end of the year	**391**	763

	2016 Rm	2015 Rm
B8.3.2 Analysis of deferred taxation		
Deferred taxation assets		
Deferred acquisition costs	**(499)**	
Deferred fee income	**271**	35
Depreciation	**(522)**	
Fair-value adjustments of financial instruments		14
Impairment of loans and advances	**1 453**	33
Other income and expense items	**136**	(41)
Property revaluations	**(480)**	
Share-based payments	**(94)**	
Taxation losses	**1**	26
	266	67
Deferred taxation liabilities		
Capital gains taxation	**73**	223
Deferred acquisition costs		479
Deferred fee income		(238)
Depreciation		549
Fair-value adjustments of financial instruments		50
Impairment of loans and advances	**(3)**	(1 260)
Other income and expense items	**202**	249
Property revaluations	**119**	591
Share-based payments		120
	391	763

B9 Non-trading and capital items

ACCOUNTING POLICY

Profit from operations before non-trading and capital items

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

	2016		2015	
Rm	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to ordinary and preference equity holders		**9 896**		8 163
Non-trading and capital items	**289**	**247**	144	112
IAS 16: Loss on disposal of property and equipment	**44**	**44**	35	35
IAS 36: Impairment of property and equipment			8	7
IAS 38: Impairment of intangible assets	**145**	**103**	110	79
IAS 39: Loss on sale of available-for-sale financial assets	**94**	**94**		
IAS 39: Profit on sale of available-for-sale financial assets			(9)	(9)
IAS 40: Loss on disposal of investment properties	**6**	**6**		
Headline earnings		**10 143**		8 275

SECTION C: CORE BANKING ASSETS

ACCOUNTING POLICY

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

C1 Loans and advances

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

This note should be read in conjunction with note C2 'Impairment of loans and advances', as this note represents the gross exposure before any impairment provision. Specific impairments have been raised against those loans identified as impaired, and the analysis per product type can be found in note C2.2. Portfolio impairments are recognised against loans and advances classified as 'neither past due nor impaired' or 'past due but not impaired'.

C1.1 Categories of loans and advances

	2016 Rm	2015 Rm
Mortgage loans	**286 190**	267 806
Home loans	**135 495**	132 217
Commercial mortgages	**150 695**	135 589
Net finance lease and instalment debtors (note C1.4)	**102 845**	97 500
Gross investment	**131 973**	123 068
Unearned finance charges	**(29 128)**	(25 568)
Credit cards	**14 818**	14 025
Other loans and advances	**299 886**	298 536
Properties in possession	**223**	354
Overdrafts	**15 357**	13 481
Term loans	**117 959**	107 636
Personal loans	**17 941**	16 746
Other term loans	**100 018**	90 890
Overnight loans	**21 913**	27 527
Other loans to clients	**103 720**	103 376
Foreign-client lending	**26 684**	22 129
Remittances in transit	**229**	184
Other loans[1]	**76 807**	81 063
Preference shares and debentures	**20 050**	20 660
Factoring accounts	**5 010**	5 329
Deposits placed under reverse repurchase agreements	**15 654**	20 173
	703 739	677 867
Impairment of loans and advances (note C2)	**(11 814)**	(11 060)
	691 925	666 807
Comprises:		
Loans and advances to clients	**676 389**	651 555
Loans and advances to banks	**27 350**	26 312
	703 739	677 867

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

C1 Loans and advances (continued)

C1.2 Sectoral analysis

	2016 Rm	2015 Rm
Individuals	**253 000**	230 688
Financial services, insurance and real estate	**185 276**	181 083
Banks	**27 350**	26 312
Manufacturing	**36 361**	42 726
Building and property development	**8 263**	9 119
Transport, storage and communication	**39 400**	25 649
Retailers, catering and accommodation	**8 665**	20 601
Wholesale and trade	**29 993**	28 208
Mining and quarrying	**22 326**	32 397
Agriculture, forestry and fishing	**24 386**	5 091
Government and public sector	**2 969**	17 377
Other services	**65 750**	58 616
	703 739	677 867

C1.3 Geographical analysis

	2016 Rm	2015 Rm
SA	**657 509**	636 467
Rest of Africa	**17 484**	17 667
Europe	**21 706**	18 504
Asia	**3 856**	4 294
United States of America	**412**	722
Other	**2 772**	213
	703 739	677 867

C1.4 Net finance lease and instalment debtors

Rm	2016			2015		
	Gross	Unearned finance charges	Net	Gross	Unearned finance charges	Net
No later than one year	**30 611**	**(6 707)**	**23 904**	28 525	(5 851)	22 674
Later than one year and no later than five years	**89 702**	**(19 822)**	**69 880**	83 993	(17 510)	66 483
Later than five years	**11 660**	**(2 599)**	**9 061**	10 550	(2 207)	8 343
	131 973	**(29 128)**	**102 845**	123 068	(25 568)	97 500

Rm	Total		Neither past due nor impaired		Past due but not individually impaired		Defaulted	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
C1.5 Classification of loans and advances								
Mortgage loans	**286 190**	267 806	**267 469**	250 241	**10 133**	10 442	**8 588**	7 123
Net finance lease and instalment debtors	**102 845**	97 500	**93 955**	89 669	**6 010**	5 263	**2 880**	2 568
Credit cards	**14 818**	14 025	**12 370**	11 807	**1 119**	1 139	**1 329**	1 079
Properties in possession	**223**	354					**223**	354
Overdrafts	**15 357**	13 481	**14 068**	12 215	**647**	641	**642**	625
Term loans	**117 959**	107 636	**113 435**	102 611	**1 767**	1 660	**2 757**	3 365
Overnight loans	**21 913**	27 527	**21 913**	27 527				
Other loans to clients	**103 720**	103 376	**100 935**	101 834	**154**	281	**2 631**	1 261
Preference shares and debentures	**20 050**	20 660	**20 050**	20 660				
Factoring accounts	**5 010**	5 329	**4 762**	5 102	**220**	160	**28**	67
Deposits placed under reverse repurchase agreements	**15 654**	20 173	**15 654**	20 173				
Trade, other bills and bankers' acceptances	**–**	–						
	703 739	677 867	**664 611**	641 839	**20 050**	19 586	**19 078**	16 442
Loans and advances defaulted – not impaired							**569**	403
Loans and advances defaulted – impaired							**18 509**	16 039
							19 078	16 442

C1 Loans and advances (continued)

C1.6 Age analysis of loans and advances

Rm	Total 2016	Total 2015	< 1 month 2016	< 1 month 2015
Neither past due nor impaired	**664 611**	641 839	**664 611**	641 839
Mortgage loans	**267 469**	250 241	**267 469**	250 241
Net finance lease and instalment debtors	**93 955**	89 669	**93 955**	89 669
Credit cards	**12 370**	11 807	**12 370**	11 807
Overdrafts	**14 068**	12 215	**14 068**	12 215
Term loans	**113 435**	102 611	**113 435**	102 611
Overnight loans	**21 913**	27 527	**21 913**	27 527
Other loans to clients	**100 935**	101 834	**100 935**	101 834
Preference shares and debentures	**20 050**	20 660	**20 050**	20 660
Factoring accounts	**4 762**	5 102	**4 762**	5 102
Deposits placed under reverse repurchase agreements	**15 654**	20 173	**15 654**	20 173
Trade, other bills and bankers' acceptances	**–**	–		
Past due but not individually impaired	**20 050**	19 586	**12 562**	12 035
Mortgage loans	**10 133**	10 442	**7 257**	7 040
Net finance lease and instalment debtors	**6 010**	5 263	**2 825**	2 580
Credit cards	**1 119**	1 139	**767**	783
Overdrafts	**647**	641	**609**	570
Term loans	**1 767**	1 660	**740**	627
Overnight loans	**–**	–		
Other loans to clients	**154**	281	**147**	275
Factoring accounts	**220**	160	**217**	160
Subtotal	**684 661**	661 425	**677 173**	653 874
Defaulted	**19 078**	16 442		
Mortgage loans	**8 588**	7 123		
Net finance lease and instalment debtors	**2 880**	2 568		
Credit cards	**1 329**	1 079		
Properties in possession	**223**	354		
Overdrafts	**642**	625		
Term loans	**2 757**	3 365		
Other loans to clients	**2 631**	1 261		
Factoring accounts	**28**	67		
Total loans and advances	**703 739**	677 867		

	> 1 month < 3 months		> 3 months < 6 months		> 6 months < 12 months		> 12 months	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	7 469	7 507	**19**	44				
	2 865	3 369	**11**	33				
	3 183	2 677	**2**	6				
	352	356						
	35	66	**3**	5				
	1 025	1 033	**2**					
	6	6	**1**					
	3							
	7 469	7 507	**19**	44	**–**	–	**–**	–

C1 Loans and advances (continued)

C1.7 Credit quality of loans and advances

Rm	Total 2016	Total 2015	NGR 1-12 2016	NGR 1-12 2015
Neither past due nor impaired	**664 611**	641 839	**314 993**	276 494
Mortgage loans	**267 469**	250 241	**105 873**	72 397
Net finance lease and instalment debtors	**93 955**	89 669	**3 280**	4 157
Credit cards	**12 370**	11 807	**1 834**	1 134
Overdrafts	**14 068**	12 215	**5 113**	3 305
Term loans	**113 435**	102 611	**82 148**	69 878
Overnight loans	**21 913**	27 527	**18 467**	21 088
Other loans to clients	**100 935**	101 834	**72 662**	69 875
Preference shares and debentures	**20 050**	20 660	**14 538**	15 084
Factoring accounts	**4 762**	5 102	**609**	1 026
Deposits placed under reverse repurchase agreements	**15 654**	20 173	**10 469**	18 550
Trade, other bills and bankers' acceptances	**–**	–		
Past due but not individually impaired	**20 050**	19 586	**72**	9
Mortgage loans[1]	**10 133**	10 442	**62**	9
Net finance lease and instalment debtors[1]	**6 010**	5 263		
Credit cards	**1 119**	1 139	**9**	
Overdrafts	**647**	641		
Term loans	**1 767**	1 660	**1**	
Overnight loans	**–**	–		
Other loans to clients[1]	**154**	281		
Factoring accounts	**220**	160		
Defaulted	**19 078**	16 442	**–**	–
Mortgage loans[1]	**8 588**	7 123		
Net finance lease and instalment debtors[1]	**2 880**	2 568		
Credit cards	**1 329**	1 079		
Properties in possession	**223**	354		
Overdrafts	**642**	625		
Term loans	**2 757**	3 365		
Other loans to clients[1]	**2 631**	1 261		
Factoring accounts	**28**	67		
Total loans and advances	**703 739**	677 867	**315 065**	276 503

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

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

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

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

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

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

NGR 13-20		NGR 21-25		NP1-NP3		Unrated[1]	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
315 325	331 665	**27 494**	27 395	**–**	–	**6 799**	6 285
152 707	165 776	**7 256**	10 370			**1 633**	1 698
81 091	76 677	**9 038**	8 285			**546**	550
8 263	8 958	**2 266**	1 715			**7**	
8 349	8 323	**255**	282			**351**	305
23 164	26 718	**7 708**	5 636			**415**	379
3 169	5 700	**277**	739				
26 583	30 875	**694**	368			**996**	716
2 661	2 939					**2 851**	2 637
4 153	4 076						
5 185	1 623						
2 677	2 729	**17 087**	16 555	**91**	85	**123**	208
2 029	1 609	**8 002**	8 704	**9**	7	**31**	113
278	703	**5 624**	4 461	**64**	60	**44**	39
147	246	**945**	875	**18**	18		
56	45	**591**	596				
167	119	**1 564**	1 519			**35**	22
	7	**141**	240			**13**	34
		220	160				
–	–	**–**	–	**18 281**	15 528	**797**	914
				8 120	6 689	**468**	434
				2 842	2 534	**38**	34
				1 329	1 079		
						223	354
				619	618	**23**	7
				2 737	3 357	**20**	8
				2 606	1 184	**25**	77
				28	67		
318 002	334 394	**44 581**	43 950	**18 372**	15 613	**7 719**	7 407

C2 Impairment of loans and advances

Key assumptions concerning the future and key sources of estimation

Allowances for loan impairment and other credit risk provisions
Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios at the reporting date.

The group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cashflows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that 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 RBB, 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 considered to be reasonable and supportable.

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

C2.1 Impairment of loans and advances

	Total impairments		Specific impairment		Portfolio impairment	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm
Balance at the beginning of the year	**11 059**	**10 948**	**6 415**	6 758	**4 644**	4 190
Impairments charge	**5 411**	**5 742**	**5 372**	5 304	**39**	438
Statement of comprehensive income charge net of recoveries	**4 254**	**4 608**	**4 215**	4 170	**39**	438
Loans and advances	**4 254**	**4 606**	**4 215**	4 168	**39**	438
Advances designated as at fair value through profit or loss (see note I4.1)	**–**	**2**		2		
Recoveries	**1 157**	**1 134**	**1 157**	1 134		
Amounts written off against the impairment/Other transfers	**(4 656)**	**(5 630)**	**(4 650)**	(5 647)	**(6)**	17
Impairment of loans and advances	**11 814**	**11 060**	**7 137**	6 415	**4 677**	4 645

C2.2 Impairments of loans and advances by classification

	Balance at the beginning of the year Rm	Impairment charge/ (release) Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Total impairment – 2016				
Home loans	**2 125**	**242**	**(380)**	**1 987**
Commercial mortgages	**957**	**124**	**(115)**	**966**
Properties in possession	**22**	**(40)**	**51**	**33**
Credit cards	**1 178**	**984**	**(854)**	**1 308**
Overdrafts	**478**	**215**	**(138)**	**555**
Other loans to clients	**4 059**	**2 482**	**(1 942)**	**4 599**
Net finance lease and instalment debtors	**2 239**	**1 362**	**(1 288)**	**2 313**
Preference shares and debentures		**42**	**10**	**52**
Trade, other bills and bankers' acceptances	**1**			**1**
Impairment of loans and advances	**11 059**	**5 411**	**(4 656)**	**11 814**
Total impairment – 2015				
Home loans	2 440	184	(499)	2 125
Commercial mortgages	908	290	(241)	957
Properties in possession	52	(41)	11	22
Credit cards	986	947	(755)	1 178
Overdrafts	436	222	(180)	478
Other loans to clients	3 782	2 945	(2 668)	4 059
Net finance lease and instalment debtors	2 343	1 194	(1 298)	2 239
Preference shares and debentures		29		29
Trade, other bills and bankers' acceptances	1			1
Impairment of loans and advances	10 948	5 770	(5 630)	11 088
Specific impairment – 2016				
Home loans	**1 370**	**364**	**(374)**	**1 360**
Commercial mortgages	**464**	**92**	**(113)**	**443**
Properties in possession	**22**	**(40)**	**51**	**33**
Credit cards	**1 045**	**990**	**(854)**	**1 181**
Overdrafts	**321**	**214**	**(88)**	**447**
Other loans to clients	**2 077**	**2 444**	**(1 996)**	**2 525**
Net finance lease and instalment debtors	**1 116**	**1 295**	**(1 276)**	**1 135**
Preference shares and debentures		**13**		**13**
Specific impairment of loans and advances	**6 415**	**5 372**	**(4 650)**	**7 137**
Specific impairment – 2015				
Home loans	1 552	311	(493)	1 370
Commercial mortgages	540	165	(241)	464
Properties in possession	52	(41)	11	22
Credit cards	864	936	(755)	1 045
Overdrafts	299	202	(180)	321
Other loans to clients	2 205	2 561	(2 689)	2 077
Net finance lease and instalment debtors	1 246	1 170	(1 300)	1 116
Specific impairment of loans and advances	6 758	5 304	(5 647)	6 415

C2 Impairment of loans and advances (continued)

C2.2 Impairments of loans and advances by classification (continued)

	Balance at the beginning of the year Rm	Impairment charge/ (release) Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Portfolio impairment – 2016				
Home loans	**755**	**(122)**	**(6)**	**627**
Commercial mortgages	**493**	**32**	**(2)**	**523**
Credit cards	**133**	**(6)**	**–**	**127**
Overdrafts	**157**	**1**	**(50)**	**108**
Other loans to clients	**1 982**	**38**	**54**	**2 074**
Net finance lease and instalment debtors	**1 123**	**67**	**(12)**	**1 178**
Preference shares and debentures		**29**	**10**	**39**
Trade, other bills and bankers' acceptances	**1**			**1**
Portfolio impairment of loans and advances	**4 644**	**39**	**(6)**	**4 677**
Portfolio impairment – 2015				
Home loans	888	(127)	(6)	755
Commercial mortgages	368	125		493
Credit cards	122	11		133
Overdrafts	137	20		157
Other loans to clients	1 577	384	21	1 982
Net finance lease and instalment debtors	1 097	24	2	1 123
Preference shares and debentures		1		1
Trade, other bills and bankers' acceptances	1			1
Portfolio impairment of loans and advances	4 190	438	17	4 645

	Total impairment		Specific impairment		Portfolio impairment	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm
C2.3 Sectoral analysis						
Individuals	**7 724**	7 380	**5 191**	4 855	**2 533**	2 525
Financial services, insurance and real estate	**1 572**	1 514	**403**	418	**1 169**	1 096
Manufacturing	**439**	365	**95**	95	**344**	270
Building and property development	**109**	123	**57**	52	**52**	71
Transport, storage and communication	**570**	229	**392**	72	**178**	157
Retailers, catering and accommodation	**83**	27	**61**	6	**22**	21
Wholesale and trade	**149**	131	**65**	67	**84**	64
Mining and quarrying	**380**	406	**306**	251	**74**	155
Agriculture, forestry and fishing	**70**	82	**36**	52	**34**	30
Government and public sector	**13**	31	**2**	17	**11**	14
Other services	**705**	772	**529**	530	**176**	242
	11 814	11 060	**7 137**	6 415	**4 677**	4 645
C2.4 Geographical analysis						
SA	**10 936**	10 621	**6 441**	6 127	**4 495**	4 494
Other African countries	**305**	363	**172**	275	**133**	88
Europe	**214**	54	**180**		**34**	54
Asia	**343**	8	**340**		**3**	8
United States	**4**	1	**4**			1
Other	**12**	13		13	**12**	
	11 814	11 060	**7 137**	6 415	**4 677**	4 645

C2.5 Interest on specifically impaired loans and advances

	2016	2015
Interest on specifically impaired loans and advances	**1 284**	953

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

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

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

C3 Government and other securities

C3.1 Analysis

	2016 Rm	2015 Rm
Government and government-guaranteed securities	**37 904**	26 398
Other dated securities[1]	**12 783**	16 335
	50 687	42 733

C3.2 Sectoral analysis

	2016 Rm	2015 Rm
Financial services, insurance and real estate	**10 441**	5 838
Banks	**2 102**	3 368
Manufacturing	**4 406**	3 872
Transport, storage and communication	**1 350**	1 647
Government and public sector	**30 979**	25 285
Other sectors	**1 409**	2 723
	50 687	42 733

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

C4 Other short-term securities

C4.1 Analysis

	2016 Rm	2015 Rm
Negotiable certificates of deposit	**11 183**	8 717
Treasury bills and other bonds	**57 035**	51 361
	68 218	60 078

C4.2 Sectoral analysis

	2016 Rm	2015 Rm
Banks	**11 150**	8 678
Government and public sector	**56 621**	49 786
Other services	**447**	1 614
	68 218	60 078

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

	Investment grade		Subinvestment grade		Not rated		Total	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm
CREDIT RATINGS								
Other short-term securities	**67 263**	58 880	**854**	1 071	**101**	127	**68 218**	60 078
Negotiable certificates of deposit	**11 133**	8 717	**50**				**11 183**	8 717
Treasury bills and other	**56 130**	50 163	**804**	1 071	**101**	127	**57 035**	51 361
Government and other securities	**47 570**	35 133	**2 453**	3 761	**664**	3 839	**50 687**	42 733
Government and government-guaranteed securities	**37 256**	25 738	**648**	660			**37 904**	26 398
Other dated securities	**10 314**	9 395	**1 805**	3 101	**664**	3 839	**12 783**	16 335
	114 833	94 013	**3 307**	4 832	**765**	3 966	**118 905**	102 811

Debt securities that are purchased by the group are rated using an internal rating system, being the Nedbank Group Rating (NGR) scale. The group requires that all investments be rated using the NGR scale to ensure that credit risk is measured consistently and accurately across the group. This ensures compliance with the group's policy on the rating of investments. The NGR scale has been mapped to the Standard & Poor's credit-rating system. According to the NGR scale, investment grade can be equated to a Standard & Poor's rating of above BBB- (stable). 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.

C6 Cash and cash equivalents

	2016 Rm	2015 Rm
Coins and bank notes	**7 344**	6 673
Money at call and short notice	**12 897**	10 686
Balances with central banks – other than mandatory reserve deposits	[1]	792
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**20 241**	18 151
Mandatory reserve deposits with central banks	**18 139**	16 190
	38 380	34 341

[1] *Represents amounts less than R1m.*

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

C7 Derivative financial instruments

Accounting policy

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

- Fair-value hedges
  Where a hedging relationship is designated as a fair-value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Fair-value gains and losses arising on the remeasurement of both the hedging instrument and the hedged item are recognised in net interest income, while 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 or exercised, no longer meets the criteria for fair-value hedge accounting, or the designation is revoked, then hedge accounting is discontinued.
- Derivatives that do not qualify for hedge accounting
  All gains and losses from changes in the fair value of derivatives that are not designated as being subject to hedge accounting are recognised immediately in non-interest revenue.

Embedded derivatives

Derivatives in a host contract that is a financial or non-financial instrument, such as an equity-conversion option in a convertible bond, are separated from the host contract when all of the following conditions are met:
- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- The combined contract is not measured at fair value, with changes in fair value recognised in profit or loss.

The host contract is accounted for:
- under IAS 39 if it is a financial instrument; and
- in accordance with other appropriate accounting standards if it is not a financial instrument.

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

Principal types of derivatives

These transactions have been entered into in the normal course of business and are carried at fair value. The principal types of derivative contracts into which the group enters are swaps, options, futures and forwards.

Collateral

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

	2016 Rm	2015 Rm

C7 Derivative financial instruments (continued)

C7.1 Total carrying amount of derivative financial instruments

Gross carrying amount of assets	**18 044**	30 948
Gross carrying amount of liabilities	**(13 469)**	(33 996)
Net carrying amount	**4 575**	(3 048)

A detailed breakdown of the carrying amount (fair value) and notional principal of the various types of derivative financial instruments held by the group is presented in the following tables in notes C7.2 – C7.5.

C7.2 Notional principal of derivative financial instruments

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

	2016			2015		
	Notional principal Rm	Positive value Rm	Negative value Rm	Notional principal Rm	Positive value Rm	Negative value Rm
Hedging derivatives						
Interest rate derivatives						
Interest rate swaps	**275**	**275**		275	275	
Other derivatives						
Equity derivatives	**9 128**	**4 090**	**5 038**	17 848	8 341	9 507
Options written	**2 208**		**2 208**	5 959		5 959
Options purchased	**2 208**	**2 208**		5 994	5 994	
Futures[1]	**4 712**	**1 882**	**2 830**	5 895	2 347	3 548
Commodity derivatives	**4 800**	**3 011**	**1 789**	421	214	207
Options purchased	**6**		**6**	–		–
Caps and floors	**3 006**	**3 006**		–		
Swaps	**10**	**5**	**5**	–		
Futures	**1 778**		**1 778**	421	214	207
Exchange rate derivatives	**316 107**	**165 389**	**150 718**	389 194	202 743	186 451
Forwards	**243 904**	**128 796**	**115 108**	352 685	178 601	174 084
Futures	**39**	**27**	**12**	63	9	54
Currency swaps	**58 967**	**30 363**	**28 604**	32 036	21 937	10 099
Options purchased	**6 203**	**6 203**		2 196	2 196	
Options written	**6 994**		**6 994**	2 214		2 214
Interest rate derivatives	**1 445 315**	**784 122**	**661 193**	1 086 256	519 084	567 172
Interest rate swaps	**789 543**	**422 789**	**366 754**	517 120	262 036	255 084
Forward rate agreements	**632 233**	**348 606**	**283 627**	531 654	236 291	295 363
Futures	**558**		**558**	3 105	598	2 507
Caps	**4 375**	**513**	**3 862**	2 948	1 050	1 898
Floors	**750**	**750**		1 843	1 050	793
Credit default swaps	**17 856**	**11 464**	**6 392**	29 586	18 059	11 527
Total notional principal	**1 775 625**	**956 887**	**818 738**	1 493 994	730 657	763 337

[1] *Includes contracts for difference with positive notionals of R81m (2015: R124m) and negative notionals of R1 029m (2015: R1 326m). The equity-forward agreement has positive notionals of R1 801m (2015: R591m) and negative notionals of R1 801m (2015: R1 536m).*

C7.3 Carrying amount of derivative financial instruments

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

	2016			2015		
	Net carrying amount Rm	Carrying amount of assets Rm	Carrying amount of liabilities Rm	Net carrying amount Rm	Carrying amount of assets Rm	Carrying amount of liabilities Rm
Hedging derivatives						
Interest rate derivatives						
Interest rate swaps	5	5		27	27	
Other derivatives						
Equity derivatives	–	445	445	–	902	902
Options written	(201)		201	(418)		418
Options purchased	201	201		418	418	
Futures[1]	–	244	244	–	484	484
Commodity derivatives	(97)	235	332	(59)	24	83
Options written	(1)		1	–		
Options purchased	4	4		–		
Swaps	(105)	226	331	–		
Futures	5	5		(59)	24	83
Exchange rate derivatives	2 253	8 769	6 516	(1 154)	17 760	18 914
Forwards	2 092	5 680	3 588	59	11 383	11 324
Futures	(6)	135	141	18	18	
Currency swaps	176	2 624	2 448	(1 285)	6 175	7 460
Options purchased	330	330		184	184	
Options written	(339)		339	(130)		130
Interest rate derivatives	2 414	8 590	6 176	(1 862)	12 235	14 097
Interest rate swaps	2 279	8 198	5 919	(2 388)	10 827	13 215
Forward rate agreements	57	240	183	(19)	329	348
Futures	(2)		2	1	44	43
Caps	(2)	4	6	(23)	2	25
Floors	1	1		1	1	
Credit default swaps	81	147	66	566	1 032	466
Total carrying amount	4 575	18 044	13 469	(3 048)	30 948	33 996

[1] *Includes contracts for difference and an equity-forward agreement. The fair value of the contracts for difference is zero as the variation margin is settled at the end of every day. The equity-forward agreement is an asset with a fair value of R90m (2015: R264m).*

C7 Derivative financial instruments (continued)

C7.4 Analysis of derivative financial instruments

Rm	Hedging derivatives	Other derivatives				
	Interest rate derivatives	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	Total
Derivative assets						
2016						
Maturity analysis						
Under one year		**173**	**10**	**6 155**	**952**	**7 290**
One to five years	**1**	**272**	**225**	**1 378**	**2 214**	**4 090**
Over five years	**4**			**1 236**	**5 424**	**6 664**
	5	**445**	**235**	**8 769**	**8 590**	**18 044**
2015						
Maturity analysis						
Under one year		283	24	13 623	616	14 546
One to five years	5	619		3 155	3 600	7 379
Over five years	22			982	8 019	9 023
	27	902	24	17 760	12 235	30 948
Derivative liabilities						
2016						
Maturity analysis						
Under one year		**173**	**1**	**4 106**	**640**	**4 920**
One to five years		**272**	**331**	**1 401**	**1 673**	**3 677**
Over five years				**1 009**	**3 863**	**4 872**
	–	**445**	**332**	**6 516**	**6 176**	**13 469**
2015						
Maturity analysis						
Under one year		283	83	12 527	569	13 462
One to five years		619		2 999	3 975	7 593
Over five years				3 388	9 553	12 941
	–	902	83	18 914	14 097	33 996
Notional principal of derivatives						
2016						
Maturity analysis						
Under one year		**3 107**	**4 790**	**259 980**	**653 056**	**920 933**
One to five years	**75**	**4 911**	**10**	**31 264**	**504 455**	**540 715**
Over five years	**200**	**1 110**		**24 863**	**287 804**	**313 977**
	275	**9 128**	**4 800**	**316 107**	**1 445 315**	**1 775 625**
2015						
Maturity analysis						
Under one year		10 541	421	363 155	497 390	871 507
One to five years	75	5 856		17 652	385 063	408 646
Over five years	200	1 451		8 387	203 803	213 841
	275	17 848	421	389 194	1 086 256	1 493 994

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

C7.5 Derivatives designated as fair-value hedges in terms of the group's fair-value hedge accounting solution

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

Fair-value hedges are used by the group to mitigate the risk of changes in the fair value of financial instruments due to movements in market interest rates. Derivatives that are designated by the group to form part of these fair-value hedge transactions principally consist of interest rate swaps. The corresponding hedged items forming part of these fair-value hedges, designated into the fair-value hedge accounting solution, primarily consist of fixed-rate government bonds (refer to note C3).

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

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

	2016 Rm	2015 Rm
Profit/(Loss) on hedged items (assets) (note B5.1)	**25**	(20)
(Loss)/Profit on hedging instruments (assets) (note B5.1)	**(22)**	24
	3	4

SECTION D: CORE BANKING LIABILITIES

ACCOUNTING POLICY

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

D1 Amounts owed to depositors

D1.1 Classifications

	2016 Rm	2015 Rm
Current accounts	**71 403**	67 504
Savings deposits	**10 036**	9 820
Other deposits and loan accounts	**529 166**	492 764
Call and term deposits	**286 647**	269 716
Fixed deposits	**49 070**	46 478
Cash management deposits	**66 946**	60 753
Other deposits and loan accounts	**126 503**	115 817
Foreign currency liabilities	**34 107**	44 823
Negotiable certificates of deposit	**86 480**	77 594
Deposits received under repurchase agreements[1]	**19 127**	15 531
	750 319	708 036
Comprises:		
– Amounts owed to depositors	**708 627**	655 024
– Amounts owed to banks	**41 692**	53 012
	750 319	708 036

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

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

[1] *The group has pledged government and other securities (note C3) and negotiable certificates of deposit (note C4) amounting to R19 162m (2015: R15 614m) 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 R19 127m (2015: R15 531m).*

D1.2 Sectoral analysis

	2016 Rm	2015 Rm
Banks	**41 692**	53 012
Government and public sector	**62 343**	47 880
Individuals	**188 621**	168 698
Business sector	**457 663**	438 446
	750 319	708 036

D1.3 Geographical analysis

	2016 Rm	2015 Rm
SA	**731 478**	685 149
Rest of Africa	**8 329**	8 316
Europe	**9 458**	11 338
Asia	**1 029**	3 233
United States of America	**25**	
	750 319	708 036

Instrument type	Maturity dates	Interest rates	2016 Rm	2015 Rm

D2 Long-term debt instruments

Instrument type	Maturity dates	Interest rates	2016 Rm	2015 Rm
Subordinated debt[1]				
Callable notes (rand-denominated – floating)	6 July 2022 to 22 September 2026	JIBAR plus 0,47% to JIBAR plus 4,00%	**11 065**	9 041
Callable notes (rand-denominated – fixed)	8 April 2024 to 1 July 2025	10,49% to 11,29%	**891**	891
Callable notes (US dollar-denominated)	3 March 2022	Three-month USD LIBOR	**1 378**	1 563
Securitised liabilities[2]				
Callable notes (rand-denominated – floating)	27 January 2028 to 25 February 2042	JIBAR plus 0,58% to 3,00%	**3 003**	2 679
Senior unsecured debt[3]				
Senior unsecured notes – fixed	23 March 2016 to 19 November 2027	8,79% to 11,39%	**17 967**	16 592
Senior unsecured notes – floating	23 March 2016 to 31 July 2026	JIBAR plus 0,75% to 2,25%	**17 736**	14 193
Unsecured debentures	30 November 2029	Zero coupon	**22**	18
Total long-term debt instruments in issue			**52 062**	44 977

[1] *During 2016 a R2bn floating-rate note was issued with a rate of JIBAR plus 400 bps, which is repayable on 22 September 2026.*

[2] *During 2016 three securitised liabilities were issued. A total of R787m was issued with a rate of three-month JIBAR plus 125 bps to 154 bps and is repayable on 27 January 2028.*

[3] *During 2016 five senior unsecured debt instruments were repaid and 16 senior unsecured debt instruments were issued. An amount of R1,8bn was issued as fixed-interest-rate notes with interest rates ranging between 10,01% and 11,15%, which are repayable between 17 February 2023 and 31 July 2026. A total of R9,0bn floating-rate notes with a rate of three-month JIBAR plus 140 bps to 225 bps were issued and are repayable between 18 February 2019 and 31 July 2026.*

D3 Contractual maturity analysis for financial liabilities

Rm	Statement of financial position amount	< 3 months
2016		
Long-term debt instruments	**52 062**	**3 363**
Amounts owed to depositors	**750 319**	**546 765**
Current accounts	**71 403**	**71 405**
Savings deposits	**10 036**	**10 036**
Other deposits and loan accounts	**529 166**	**405 528**
Foreign currency liabilities	**34 107**	**22 352**
Negotiable certificates of deposit	**86 480**	**18 301**
Deposits received under repurchase agreements	**19 127**	**19 143**
Derivative financial instruments – liabilities	**13 469**	**2 229**
Provisions and other liabilities	**16 489**	
	832 339	**552 357**
Contingent liabilities and undrawn facilities		
Guarantees on behalf of clients		**22 177**
Letters of credit and discounting transactions		**3 360**
Irrevocable unutilised facilities and other		**101 566**
		127 103
2015		
Long-term debt instruments	44 977	5 761
Amounts owed to depositors	708 036	515 772
Current accounts	67 504	67 506
Savings deposits	9 820	9 820
Other deposits and loan accounts	492 764	371 842
Foreign currency liabilities	44 823	30 693
Negotiable certificates of deposit	77 594	20 368
Deposits received under repurchase agreements	15 531	15 543
Derivative financial instruments – liabilities	33 996	7 998
Provisions and other liabilities	13 770	
	800 779	529 531
Contingent liabilities and undrawn facilities		
Guarantees on behalf of clients		26 374
Letters of credit and discounting transactions		4 419
Irrevocable unutilised facilities and other		101 747
		132 540

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

> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non-determinable maturity	Total
1 740	**4 578**	**38 488**	**25 163**		**73 332**
74 799	**70 444**	**70 281**	**9 699**	**–**	**771 988**
					71 405
					10 036
48 103	**33 506**	**44 571**	**9 699**		**541 407**
3 135	**5 860**	**2 762**			**34 109**
23 561	**31 078**	**22 948**			**95 888**
					19 143
1 329	**1 362**	**3 678**	**4 872**		**13 470**
				16 488	**16 488**
77 868	**76 384**	**112 447**	**39 734**	**16 488**	**875 278**
					22 177
					3 360
					101 566
					127 103
742	5 637	29 997	22 263		64 400
58 518	62 361	77 482	11 655	–	725 788
					67 506
					9 820
34 631	32 722	51 505	11 655		502 355
6 305	4 663	3 163			44 824
17 582	24 976	22 814			85 740
					15 543
2 882	2 582	7 593	12 941		33 996
				13 769	13 769
62 142	70 580	115 072	46 859	13 769	837 953
					26 374
					4 419
					101 747
					132 540

SECTION E: ASSET MANAGEMENT

E1 Managed funds

ACCOUNTING POLICY

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

	2016 Rm	2015 Rm
E2 Fair value of funds under management		
SA unit trusts	**170 933**	153 801

E3 Reconciliation of movement in funds under management

	SA unit trusts Rm
Balance at 31 December 2014	128 394
Inflows	240 622
Outflows	(222 072)
Mark-to-market value adjustment	6 857
Balance at 31 December 2015	**153 801**
Inflows	**310 782**
Outflows	**(292 253)**
Mark-to-market value adjustment	**(1 397)**
Balance at 31 December 2016	**170 933**

F SECTION F: INVESTMENTS

F1 Investment securities

ACCOUNTING POLICY

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

	2016 Rm	2015 Rm
Listed investments	**19**	432
Unlisted investments	**1 889**	1 216
Strate Ltd	**130**	57
Private-equity portfolio	**713**	618
Other	**1 046**	541
Total listed and unlisted investments	**1 908**	1 648

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

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

ACCOUNTING POLICY

Associates

An associate is an entity over which the group has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the entity. This is generally demonstrated by the group holding in excess of 20%, but no more than 50%, of the voting rights.

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

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

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

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

Investments in associates that are held with the intention of disposing thereof within 12 months are accounted for and classified as non-current assets held for sale in accordance with the methodology described in H2.

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

ACCOUNTING POLICY (continued)

Joint arrangements

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

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

Common control transactions

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

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

Associate companies and joint ventures held by venture capital divisions

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

	2016 Rm	2015 Rm
F2.1 Movement in carrying amount		
Carrying amount at the beginning of the year	**1 400**	1 158
Share of associate companies' and joint arrangements' (losses)/profits after taxation for the current year	**(20)**	(1)
Net movement of associate companies and joint arrangements at cost[1]	**921**	24
Fair-value movements	**274**	219
Carrying amount at the end of the year	**2 575**	1 400
F2.2 Analysis of carrying amount		
Associate investments – on acquisition: Net asset value	**1 870**	949
Share of retained earnings since acquisition	**19**	39
Fair-value movements	**686**	412
	2 575	1 400

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

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

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

		Percentage holding	
	Nature of activities	2016 %	2015 %
Century City JV	Property development	**50**	50
Friedshelf 113 (Pty) Ltd	Property development	**20**	20
Masingita Property Investment Holdings (Pty) Ltd	Property development	**35**	35
Odyssey Developments (Pty) Ltd[1]	Property development	**49**	49
Other individually immaterial associates[2]			
Private-equity associates (manufacturing, industrial, leisure and other)			
Private-equity associates (property investment associates)			
Other	Various		
Individually immaterial joint arrangements[2]	Various		

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

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

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

[1] *The group's proportion of ownership in the entity is 49%, while its voting right equates to 35%.*
[2] *Represents various investments that are not individually material.*

				Group					
				Carrying amount		Net indebtedness of loans to/(from) associates		Dividends received	
	Measurement method	Acquisition date	Year-end	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm
	Fair value	Dec 10	Dec	**55**	55				
	Fair value	Aug 02	Feb	**1**		**1**	1		
	Fair value	Aug 05	Feb	**279**	172	**98**	74		
	Fair value	Aug 07	Feb	**62**	56	**54**	49		
				601	487	**191**	226	**23**	22
				1 230	293	**985**	1 633	**133**	
				225	245		4		
				122	92	**127**	140		
				2 575	**1 400**	**1 456**	**2 127**	**156**	**22**

F3 Investments in subsidiary companies and related disclosure

Accounting policy

Subsidiary undertakings and consolidated structured entities

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

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

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

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

Sponsored entities

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

Company

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

Acquisitions and disposals of stakes in group companies

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

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

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

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

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

Accounting policy (continued)

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

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

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

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

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

Investments in foreign operations

Nedbank 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.

Key assumptions concerning the future and key sources of estimation

Derecognition

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

F3 Investments in subsidiary companies and related disclosure (continued)

F3.1 Analysis of investments in subsidiary companies

	Group			
	Issued capital		Effective holding	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Banking[2]				
Nedbank (Lesotho) Ltd	**20**	20	**100**	100
Nedbank (Swaziland) Ltd	**12**	12	**65,08**	65,08
Other companies[3]				
Depfin Investments (Pty) Ltd	**1**	1	**100**	100
Nedcor Trade Services Ltd (Mauritius)	**4**	4	**100**	100
Nedcor Investments Ltd	**28**	28	**100**	100

[1] *Represents amounts less than R1m.*

[2] *The banking subsidiary companies are restricted in terms of Basel regulations and prudential requirements with regard to the distributions 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.*

Unless otherwise stated, all entities are domiciled in SA. Unless otherwise stated, the financial statements of the subsidiaries used in the preparation of consolidated financial statements are as of the same date or same period as that of the consolidated financial statements. Unless otherwise stated, there are no significant restrictions (eg statutory, contractual and regulatory restrictions) on the group's ability to access or use the assets and settle the liabilities of the group.

Headline earnings from subsidiaries (after eliminating intercompany transactions):

	2016 Rm	2015 Rm
Aggregate headline earnings attributable to equity holders	**10 160**	8 315
Aggregate headline losses attributable to equity holders	**(17)**	(40)
	10 143	8 275

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.

F3.2 Material non-controlling interests

The table below provides detail of non-wholly owned subsidiaries of the group that have material non-controlling interests:

	Nedbank (Swaziland) Ltd	
	2016 Rm	2015 Rm
Financial position		
Total assets	**4 235**	3 874
Total liabilities	**3 576**	3 306
Accumulated non-controlling interests at the end of the year	**229**	198
Comprehensive income		
Income from lending activities	**222**	179
Non-interest revenue	**161**	156
Profit from continuing operations	**121**	115
Total comprehensive income	**120**	120
Profit allocated to non-controlling interests during the year	**42**	40
Cashflows		
Cashflows from operating activities	**216**	637
Cashflows utilised by investing activities	**(9)**	(9)
Cashflows utilised by financing activities	**(31)**	(27)
Net increase in cash and cash equivalents	**176**	601
Dividends paid to non-controlling interests	**11**	9

F4 Interests in structured consolidated and unconsolidated structured entities

F4.1 Consolidated structured entities

The group holds certain interests in consolidated structured entities in order to ringfence certain risks and/or achieve specific objectives. Structured entities are entities that have been designed so that voting rights are not the predominant factor in deciding who controls the entity.

The group has identified the following consolidated structured entities:

- Old Mutual Alternative Risk Transfer Fund (OMART) (refer to note H1)
- Securitisation vehicles (refer to note F5)
  - Synthesis Funding Ltd
  - Greenhouse Funding (RF) Ltd
  - Greenhouse Funding III (RF) Ltd
  - Precinct Funding 1 (RF) Ltd

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

SECURITISATION

The group orginated and sponsors certain securitisation vehicles and acts in various capacities with regard to these structures. The group controls these entities and has consolidated these structures since its inception. These securitisation structures include the following:

Synthesis 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. The group acts in various capacities with regard to this vehicle, which includes the role of master liquidity facility provider, programmewide credit enhancement provider, administrator, dealer, paying and settlement agent, custodian and hedge counterparty. The group is involved in the day-to-day activities of the vehicle. Although the activities and decisionmaking rights are predetermined and restricted; the group exercises a significant degree of discretion in its decisionmaking regarding investments, funding and risk management. Industry knowledge and experience of the group are crucial to successful operation of Synthesis. The group is exposed to variable returns from the entity in the form of fees and interest income as well as residual income subsequent to certain distributions through the provisioning of credit enhancement. As a result, the group has concluded that it controls the entity.

Other securitisation vehicles consist of Greenhouse Funding (RF) Ltd, Series 1 (Greenhouse), a residential mortgage-backed securitisation programme; and Precinct Funding 1 (RF) Ltd, a commercial mortgage-backed securitisation programme. The activities of these vehicles are predetermined and restricted in terms of the programme documentation established at its inception. The group does, however, exercise some discretion in its decisionmaking, which includes the selection and transfer of assets and the management of defaulted assets. Through the provision of administration services, the interest rate hedge, and credit enhancement, Nedbank Ltd has rights to the residual return of the vehicle. The group has concluded that it controls these entities.

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

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

F5 Securitisations

Accounting policy

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

Key assumptions concerning the future and key sources of estimation

The group sponsors the formation of structured entities primarily for the purpose of securitising financial assets for funding diversification purposes and to add flexibility in mitigating structural liquidity risk. Where it is difficult to determine whether the group controls a structured entity, the group makes judgements in terms of IFRS about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the structured entity in question. In arriving at judgements, these factors are considered both jointly and separately.

Active securitisation transactions

Nedbank 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;
- 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 Funding 1'), a commercial-mortgage-backed securitisation 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 SA local-currency credit rating by Global Credit Rating Co (Pty) Ltd. At 31 December 2016 none of the commercial paper in issue was listed on the JSE.

Liquidity facilities have been obtained from a bank rated as P-1.za (Moody's) or zaA-1 (Standard & Poor's) 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 the disbursement of funds relating to the redemption of financial liabilities. These liquidity facilities cover the nominal value of the commercial paper issued and exceed the maturity date of the underlying commercial paper by five days.

Synthesis is a partially supported conduit whose credit support is dependent on transaction-specific credit enhancement as well as available programmewide 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-(ZA)(sf), Synthesis must remove the asset from the portfolio or obtain a guarantee by an entity rated at least AA-(ZA)(sf) or Nedbank must post PWCE within 15 business days. Currently all securities in the conduit portfolio are rated at least AA-(ZA)(sf) or are guaranteed by Nedbank if rated below AA-(ZA)(sf). As a result no PWCE is currently required in accordance with Synthesis' transaction documentation.

On 8 December 2016 the directors and shareholder of Synthesis resolved, subject to the relevant regulatory approvals, to unwind the commercial-paper programme following the disposal by the company of all its assets ('the unwind disposal'). This unwind disposal will be affected during the 2017 financial year.

Greenhouse programmes (Greenhouse and Greenhouse III)

The Greenhouse transactions are securitisation vehicles through which the rights, title, interest and related security in respect of residential home loans are acquired 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, were 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 Moody's and listed on the JSE, were placed with third-party investors, and the junior notes and subordinated loans retained by the group. The home loans transferred to Greenhouse have continued to be recognised as financial assets.

Greenhouse III, a second standalone residential-mortgage-backed securitisation programme, was implemented during 2014. 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 a subordinated loan provided by Nedbank Ltd. The notes issued by Greenhouse III are listed on the JSE and rated by Moody's.

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

F6 Related parties

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

The group's parent company is Nedbank Group Ltd, which holds 100% (2015: 100%) of Nedbank Ltd's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the group are identified in note F3.1 and associate companies and joint arrangements of the group are identified in note F2.3.

F6.2 Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all directors of the company and its parent, as well as members of the executive committee who are not directors.

Compensation paid to the board of directors and compensation paid to other key management personnel, as well as the number of share instruments held, are shown below:

	Directors	Key management personnel	Total
Compensation (Rm)			
2016			
Directors' fees	**17**		**17**
Remuneration – paid by subsidiaries	**78**	**172**	**250**
Short-term employee benefits	**48**	**109**	**157**
Gain on exercise of share instruments	**30**	**63**	**93**
	95	**172**	**267**
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
Number of share instruments			
2016			
Outstanding at the beginning of the year	**517 704**	**1 532 489**	**2 050 193**
Granted	**205 927**	**480 001**	**685 928**
Forfeited		**(91 777)**	**(91 777)**
Exercised	**(192 368)**	**(555 720)**	**(748 088)**
Transferred	**8 401**	**(156 893)**	**(148 492)**
Outstanding at the end of the year	**539 664**	**1 208 100**	**1 747 764**
2015[1]			
Outstanding at the beginning of the year	578 469	1 574 989	2 153 458
Granted	151 434	475 147	626 581
Forfeited		(32 866)	(32 866)
Exercised	(212 199)	(505 584)	(717 783)
Expired		20 803	20 803
Outstanding at the end of the year	517 704	1 532 489	2 050 193

[1] *2015 comparatives have been restated due to key management personnel not classified in the correct category (56 531 shares which equates to R3m).*

F6.3 Related-party transactions

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

	Due from/(Owing to)	
Outstanding balances (Rm)	**2016**	**2015**
Parent/Ultimate controlling party		
Deposits owing to Old Mutual Life Assurance Company (SA) Ltd[1]	**(1 607)**	(850)
Bank accounts owing to Nedbank Group Ltd	**(501)**	(294)
Bank balances owing to Old Mutual Life Assurance Company (SA) Ltd[1]	**(7 993)**	(4 626)
Accounts payable to Old Mutual plc	**(54)**	
Accounts receivable from Old Mutual plc	**1**	
Derivatives receivable from Old Mutual subsidiaries	**360**	904
Derivatives payable to Old Mutual subsidiaries	**(285)**	(547)
Bonds payable to Old Mutual subsidiaries	**(1 077)**	(1 087)
Forward exchange rate contracts with Old Mutual plc	**41**	2
Fellow subsidiaries		
Loan due from other fellow subsidiaries	**427**	
Loans owing to Nedgroup Securities (Pty) Ltd	**7 103**	(561)
Loans owing to Nedbank Malawi Ltd	**(76)**	(168)
Loans (owing to)/due from other fellow subsidiaries	**(13 722)**	2 973
Deposits owing to Old Mutual Asset Managers (SA) (Pty) Ltd	**(55)**	(66)
Bank balances owing to Old Mutual Asset Managers (SA) (Pty) Ltd	**(2)**	(27)
Deposits due from/(owing to) Nedgroup Securities (Pty) Ltd	**58**	(764)
Bank balances owing to Syfrets Securities Ltd		(6)
Deposits owing to/(due from) Syfrets Securities Ltd	**(12 654)**	448
Deposits due from other fellow subsidiaries	**1 466**	912
Bank balances owing to other fellow subsidiaries	**(3 235)**	(4 473)
Equity derivatives with fellow subsidiaries	**(99)**	(2)
Forward exchange rate contracts with various fellow subsidiaries	**89**	
Interest rate contracts with various fellow subsidiaries	**(27)**	(2)
Associates		
Loans due from associates	**1 455**	2 127
Deposits owing to associates	**(60)**	(20)
Bank balances owing to associates	**(1)**	(14)
Key management personnel		
Mortgage bonds due from key management personnel	**20**	28
Deposits owing to key management personnel	**(4)**	(22)
Deposits owing to entities under the influence of key management personnel	**(103)**	(73)
Bank balances due from key management personnel	**3**	4
Bank balances owing to key management personnel	**(8)**	(27)
Bank balances due from entities under the influence of key management personnel		33
Bank balances owing to entities under the influence of key management personnel	**(43)**	(241)
Key management personnel – directors[2]	**(39)**	(38)
Key management personnel – other[2]	**(103)**	(128)
Share-based payments reserve	**(142)**	(166)
Performance fees are paid to the WIPHOLD and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme.		
WIPHOLD consortium		(2)
Brimstone consortium		(2)
Performance fee liability at the end of the year	**–**	(4)
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	**(2)**	(1)
Bank balances owing to Nedgroup Pension Fund	**(64)**	(23)
Bank balances and deposits owing to other funds[1]	**(2 390)**	(2 361)

[1] *Subsequent to the completion of the 2015 consolidated financial statements, additional related-party balances between the group and the group's parent and fellow subsidiaries were identified. The comparative disclosure has been restated accordingly. Previously the balances reported were as follows:*

F6 Related parties (continued)

F6.3 Related-party transactions (continued)

Outstanding balances (Rm)	Owing to
Parent/Ultimate controlling party	
Deposits owing to Old Mutual Life Assurance Company (Pty) Ltd	(7)
Bank balances owing to Old Mutual Life Assurance Company (Pty) Ltd	(351)
Derivatives receivable from Old Mutual subsidiaries	Rnil
Derivatives payable to Old Mutual subsidiaries	Rnil
Bonds payable to Old Mutual subsidiaries	Rnil
Long-term employee benefit plans	
Bank balances and deposits owing to other funds	(45)

[2] *2015 comparatives have been restated due to key management personnel not classified in the correct category (56 531 shares which equates to R3m).*

Transactions (Rm)	Income/(Expense) 2016	2015
Parent/Ultimate controlling party		
Interest expense to Old Mutual Life Assurance Company (Pty) Ltd[1]	**(468)**	(649)
Dividend declared to Nedbank Group Ltd	**(2 300)**	(2 500)
Fellow subsidiaries		
Interest income from Old Mutual Asset Managers (SA) (Pty) Ltd	**28**	25
Interest income from fellow subsidiaries	**122**	940
Interest income from Syfrets Securities Ltd	**203**	50
Interest income from Nedgroup Securities (Pty) Ltd	**5**	27
Interest expense to Syfrets Securities Ltd	**(893)**	(537)
Interest expense to other fellow subsidiaries	**(169)**	(394)
Interest expense to Old Mutual Asset Managers (SA) (Pty) Ltd	**(2)**	(12)
Interest expense to Nedgroup Securities (Pty) Ltd	**(17)**	(1 104)
Management fee income from fellow subsidiaries	**218**	168
Management fee expense to fellow subsidiaries	**(69)**	(75)
Fees received for provision of information technology services	**125**	
Associates		
Interest expense to associates	**(8)**	(24)
Key management personnel		
Interest income from key management personnel	**2**	3
Interest income from entities under the influence of key management personnel	**111**	85
Interest expense to key management personnel	**(2)**	(34)
Interest expense to entities under the influence of key management personnel	**(58)**	(147)
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	**(2)**	(3)
Share-based payments expense (included in BEE transaction expenses)	**(2)**	(3)
Key management personnel – directors	**(26)**	(8)
Key management personnel – other	**(45)**	(52)
Share-based payments expense (included in staff costs)	**(71)**	(60)

[1] *Subsequent to the completion of the 2015 consolidated financial statements, additional related-party balances between the group and the group's parent and fellow subsidiaries were identified. The comparative disclosure has been restated accordingly. Previously the balances reported were as follows:*

Transactions (Rm)	Expense
Parent/Ultimate controlling party	
Interest expense to Old Mutual Life Assurance Company (SA) (Pty) Ltd	(221)

[2] *2015 comparatives have been restated due to key management personnel not classified in the correct category (56 531 shares which equates to R3m).*

	Income/(Expense)	
	2016	2015
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	**(1)**	(3)
Interest expense to other funds	**(204)**	(159)

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:

	2016	2015
Optiplus policy reimbursement right	**784**	781
Symmetry policy reimbursement right	**1 342**	1 254
OMART policy reimbursement right (note H1.1)	**571**	543
Included in long-term employee benefit assets	**2 697**	2 578
Optiplus policy obligation	**(784)**	(781)
Postretirement medical aid obligation	**(1 342)**	(1 254)
Disability obligation	**(408)**	(373)
Included in long-term employee benefit liabilities	**(2 534)**	(2 408)

SECTION G: GENERIC ASSETS

Accounting policy

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

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

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

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

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

Borrowing costs

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

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

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

G1 Property and equipment

Accounting policy

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

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

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

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

Depreciation

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

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

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

The maximum initial estimated useful lives are as follows:

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

Derecognition

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

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

Accounting policy (continued)

Leases

THE GROUP AS LESSEE

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

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

THE GROUP AS LESSOR

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

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

RECOGNITION OF LEASE OF LAND

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

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

Standards and interpretations issued and not yet effective

IFRS 16: Leases

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

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

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

The group is in the process of assessing the impact of IFRS 16.

G1 Property and equipment (continued)

	Land		Buildings	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Gross carrying amount				
Balance at 1 January	**885**	873	**6 237**	4 221
Transfers from furniture and other equipment and buildings				1 683
Acquisitions			**356**	459
Increases arising from revaluations[1]	**1**	13	**56**	146
Transfers to non-current assets held for sale	**(62)**		**(162)**	
Disposals			**(150)**	(144)
Writeoff of accumulated depreciation on revaluations			**(86)**	(128)
Effect of movements in foreign exchange rates and other movements	**1**	(1)	**3**	
Balance at 31 December	**825**	885	**6 254**	6 237
Accumulated depreciation and impairment losses				
Balance at 1 January			**1 350**	402
Transfers from furniture and other equipment and buildings				875
Depreciation charge for the year			**368**	316
Transfers to non-current assets held for sale			**(7)**	
Writeoff of accumulated depreciation on revaluations			**(86)**	(128)
Disposals			**(103)**	(115)
Effect of movements in foreign exchange rates and other movements			**(1)**	
Balance at 31 December	**–**	–	**1 521**	1 350
Carrying amount				
At 1 January	**885**	873	**4 887**	3 819
At 31 December	**825**	885	**4 733**	4 887

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

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

Type of property	Valuation method
Commercial property	Market-comparable approach and discounted cashflow
Residential property	Market-comparable approach and replacement value
Total land and buildings	

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

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

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R3 089m (2015: R3 265m).

	Computer equipment		Furniture and other equipment		Vehicles		Total	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm
	3 895	3 083	**2 252**	3 840	**27**	24	**13 296**	12 041
				(1 683)			**–**	–
	895	874	**226**	164	**5**	4	**1 482**	1 501
							57	159
							(224)	–
	(139)	(67)	**(76)**	(83)	**(4)**		**(369)**	(294)
							(86)	(128)
	(5)	5	**(14)**	14		(1)	**(15)**	17
	4 646	3 895	**2 388**	2 252	**28**	27	**14 141**	13 296
	2 405	2 039	**1 408**	2 126	**19**	15	**5 182**	4 582
				(875)			**–**	–
	599	428	**211**	222	**3**	3	**1 181**	969
							(7)	–
							(86)	(128)
	(137)	(64)	**(70)**	(70)	**(4)**		**(314)**	(249)
	(2)	2	**(9)**	5		1	**(12)**	8
	2 865	2 405	**1 540**	1 408	**18**	19	**5 944**	5 182
	1 490	1 044	**844**	1 714	**8**	9	**8 114**	7 459
	1 781	1 490	**848**	844	**10**	8	**8 197**	8 114

	Significant inputs	Parameters	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm
	Income capitalisation rates	8,0% – 13,5% (2015: 8,0% – 13,5%)	**820**	880	**4 723**	4 877
	Price per square metre		**5**	5	**10**	10
			825	885	**4 733**	4 887

G2 INTANGIBLE ASSETS

Accounting policy

Goodwill

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

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

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

Goodwill and goodwill impairment

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

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

Impairment testing procedures

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

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

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

Computer software and capitalised development costs

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

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

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

The amortisation methods and residual values of these intangible assets are reviewed annually.

Key assumptions concerning the future and key sources of estimation

Goodwill

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

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

The most significant amount of goodwill relates to Nedbank Ltd. The goodwill impairment testing performed in 2016 indicated that none of the goodwill was impaired in the year under review. Management believes that reasonable changes in key assumptions used to determine the recoverable amount of Nedbank Ltd's goodwill would not result in impairment.

Intangible assets other than goodwill

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

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

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

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

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

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

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

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

G2 Intangible assets (continued)

Rm	Goodwill	Software	Software development costs	Total
2016				
Cost				
Balance at the beginning of the year	**1 633**	**8 361**	**1 299**	**11 293**
Acquisitions		**464**	**1 548**	**2 012**
Development costs commissioned to software		**1 084**	**(1 084)**	**-**
Impairment losses		**(89)**	**(56)**	**(145)**
Disposals and retirements		**(105)**	**(130)**	**(235)**
Foreign currency translation and other movements		**(6)**		**(6)**
Balance at the end of the year	**1 633**	**9 709**	**1 577**	**12 919**
Accumulated amortisation and impairment losses				
Balance at the beginning of the year	**224**	**6 053**	**135**	**6 412**
Amortisation charge		**784**		**784**
Disposals and retirements		**(69)**	**(130)**	**(199)**
Foreign currency translation and other movements		**(6)**		**(6)**
Balance at the end of the year	**224**	**6 762**	**5**	**6 991**
Carrying amount				
At the beginning of the year	**1 409**	**2 308**	**1 164**	**4 881**
At the end of the year	**1 409**	**2 947**	**1 572**	**5 928**
2015				
Cost				
Balance at the beginning of the year	1 633	7 629	957	10 219
Acquisitions		149	1 032	1 181
Development costs commissioned to software		621	(621)	-
Impairment losses		(42)	(68)	(110)
Disposals and retirements		(2)		(2)
Foreign currency translation and other movements		6	(1)	5
Balance at the end of the year	1 633	8 361	1 299	11 293
Accumulated amortisation and impairment losses				
Balance at the beginning of the year	224	5 344	135	5 703
Amortisation charge		705		705
Disposals and retirements		(2)		(2)
Foreign currency translation and other movements		6		6
Balance at the end of the year	224	6 053	135	6 412
Carrying amount				
At the beginning of the year	1 409	2 285	822	4 516
At the end of the year	1 409	2 308	1 164	4 881

[1] *Represents amounts less than R1m.*

G2.1 Analysis of goodwill by segment

	2016 Rm	2015 Rm
Nedbank Corporate and Investment Banking	776	776
Nedbank Retail and Business Banking	629	629
Other	4	4
	1 409	1 409

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

The VIU of the various CGUs were based on the following assumptions:

	2016	2015
Risk-free rate (%)	**8,96**	9,76
Beta range	**0,21 – 0,81**	0,30 – 0,76
Equity risk premium (%)	**6,00**	6,00
Terminal growth rate range (%)	**0,00 – 6,60**	0,00 – 4,80
Cashflow projection (years)	**4**	5
Discount rate range (%)	**9,39 – 13,84**	9,80 – 14,33

	2016 Rm	2015 Rm
Goodwill on a geographical basis relates to SA in total and is as follows:		
Carrying amount	**1 409**	1 409
Estimated value in use	**77 709**	84 497
Net estimated recoverable amounts	**76 300**	83 088

SECTION H: OTHER ASSETS

H1 Long-term employee benefits

Accounting policy

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

Defined-benefit plans

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

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

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

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

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

Defined-contribution plans

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

Postemployment benefit plans

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

Short-term employee benefits

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

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

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

Key assumptions concerning the future and key sources of estimation

The group provides pension plans for employees. Arrangements for staff retirement benefits vary from country to country and are made in accordance with local regulations and customs.

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

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

The inflation assumption reflects long-term expectations of both earnings and retail price inflation.

POSTEMPLOYMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

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

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

At the dates of the latest valuations, the defined-benefit plans were in a sound financial position in terms of section 16 of the Pensions Funds Act. The funds that constitute the assets and liabilities that the group has recognised in the statement of financial position in respect of its defined-benefit plans are listed below. The latest actuarial valuations were performed at 31 December 2016.

Postemployment benefits

DEFINED-BENEFIT PENSION FUNDS

Nedgroup Pension Fund (including the Optiplus policy).

BoE Funds, which consist of BoE Ltd Pension Fund (1969), Pension Fund of BoE Bank: Business Division.

Nedbank UK Pension Fund.

Other funds consisting of Nedbank Swaziland Ltd Pension Fund and Nedbank Lesotho Pension Fund.

DEFINED-BENEFIT MEDICAL AID SCHEMES

Nedgroup Medical Aid Scheme for Nedbank employees and pensioners.

Nedgroup Medical Aid Scheme for past BoE employees and pensioners.

Other long-term employee benefits

DISABILITY FUND

Nedbank Group Disability Fund (including the OMART policy).

INSURANCE POLICIES HELD WITH RELATED PARTIES

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

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

Rm	Notes	Assets	Liabilities
2016			
Postemployment benefits	**H1.1.1**	**4 633**	**(2 919)**
Other long-term employee benefits – disability fund		**409**	**(409)**
		5 042	**(3 328)**
2015			
Postemployment benefits	H1.1.1	4 512	(2 636)
Other long-term employee benefits – disability fund		373	(373)
		4 885	(3 009)

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 R409m (2015: R373m). The value of the OMART asset held by the group is R409m (2015: R373m).

H1 Long-term employee benefits (continued)

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

H1.1.1 Net asset/(liability) recognised

Rm	Pension and provident funds	Medical aid funds	Total
2016			
Present value of defined-benefit obligation	**(4 954)**	**(2 133)**	**(7 087)**
Fair value of plan assets[1]	**7 485**	**1 343**	**8 828**
Funded status	**2 531**	**(790)**	**1 741**
Unrecognised due to paragraph 64 limit	**(27)**		**(27)**
	2 504	**(790)**	**1 714**
Asset	**3 291**	**1 342**	**4 633**
Liability	**(787)**	**(2 132)**	**(2 919)**
2015			
Present value of defined-benefit obligation	(5 065)	(1 832)	(6 897)
Fair value of plan assets[1]	7 576	1 254	8 830
Funded status	2 511	(578)	1 933
Unrecognised due to paragraph 64 limit	(57)		(57)
	2 454	(578)	1 876
Asset	3 258	1 254	4 512
Liability	(804)	(1 832)	(2 636)

[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 R784m (2015: R781m) and for medical aid to the value of R1 342m (2015: R1 254m).*

H1.1.2 Postemployment benefits

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised due to paragraph 64 limit	Net asset/ (liability)
Analysis of postemployment benefit assets and liabilities					
2016					
Pension funds	**4 954**	**7 485**	**2 531**	**(27)**	**2 504**
Nedgroup Fund	**4 370**	**6 876**	**2 506**		**2 506**
Nedbank UK Fund	**381**	**404**	**23**	**(23)**	**–**
Other funds	**203**	**205**	**2**	**(4)**	**(2)**
Medical aid funds	**2 133**	**1 343**	**(790)**	**–**	**(790)**
Nedgroup scheme for Nedbank employees	**1 996**	**1 343**	**(653)**		**(653)**
Nedgroup scheme for BoE employees	**137**		**(137)**		**(137)**
Total	**7 087**	**8 828**	**1 741**	**(27)**	**1 714**
2015					
Pension funds	5 065	7 576	2 511	(57)	2 454
Nedgroup Fund	4 434	6 890	2 456		2 456
Nedbank UK Fund	461	487	26	(26)	–
Other funds	170	199	29	(31)	(2)
Medical aid funds	1 832	1 254	(578)	–	(578)
Nedgroup scheme for Nedbank employees	1 705	1 254	(451)		(451)
Nedgroup scheme for BoE employees	127		(127)		(127)
Total	6 897	8 830	1 933	(57)	1 876

Rm	Pension and provident funds	Medical aid funds	Total
Present value of defined-benefit obligation			
2016			
Balance at the beginning of the year	**5 065**	**1 832**	**6 897**
Current service cost	**27**	**74**	**101**
Past service cost – vested benefit	**6**		**6**
Interest cost	**465**	**202**	**667**
Contributions by plan participants	**10**		**10**
Actuarial (losses)/gains	**(113)**	**97**	**(16)**
Benefits paid	**(371)**	**(72)**	**(443)**
Impact of foreign currency exchange rate changes	**(135)**		**(135)**
Balance at the end of the year	**4 954**	**2 133**	**7 087**
2015			
Balance at the beginning of the year	5 024	1 772	6 796
Current service cost	34	75	109
Interest cost	384	165	549
Contributions by plan participants	10		10
Actuarial losses	(142)	(113)	(255)
Benefits paid	(339)	(67)	(406)
Impact of foreign currency exchange rate changes	94		94
Balance at the end of the year	5 065	1 832	6 897
Fair value of plan assets			
2016			
Balance at the beginning of the year	**7 576**	**1 254**	**8 830**
Expected return on plan assets	**715**	**135**	**850**
Actuarial losses	**(610)**	**(40)**	**(650)**
Contributions by the employer	**37**	**66**	**103**
Contributions by plan participants	**10**		**10**
Benefits paid	**(371)**	**(72)**	**(443)**
Scheme-settled administration costs	**(13)**		**(13)**
Impact of foreign currency exchange rate changes	**141**		**141**
Balance at the end of the year	**7 485**	**1 343**	**8 828**
2015			
Balance at the beginning of the year	7 053	1 170	8 223
Expected return on plan assets	543	106	649
Actuarial gains/(losses)	184	(14)	170
Contributions by the employer	36	58	94
Contributions by plan participants	10		10
Benefits paid	(339)	(66)	(405)
Scheme-settled administration costs	(10)		(10)
Impact of foreign currency exchange rate changes	99		99
Balance at the end of the year	7 576	1 254	8 830

H1 Long-term employee benefits (continued)

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

H1.1.2 Postemployment benefits (continued)

Rm	Pension and provident funds	Medical aid funds	Total
Net (income)/expense recognised			
2016			
Current service cost	**27**	**74**	**101**
Interest (received)/cost	**(250)**	**67**	**(183)**
Scheme-settled plan administration costs	**13**		**13**
Past service cost	**6**		**6**
Effect of application of asset ceiling	**2**		**2**
	(202)	**141**	**(61)**
2015			
Current service cost	34	75	109
Interest (received)/cost	(159)	59	(100)
Scheme-settled plan administration costs	10		10
	(115)	134	19
Movements in net asset/(liability) recognised			
2016			
Balance at the beginning of the year	**2 454**	**(578)**	**1 876**
Net income/(expense) recognised in the statement of comprehensive income	**202**	**(141)**	**61**
Net remeasurements – debit for the year	**(462)**	**(137)**	**(599)**
Contributions paid by the employer	**37**	**66**	**103**
Impact of foreign currency exchange rate changes	**273**		**273**
Balance at the end of the year	**2 504**	**(790)**	**1 714**
2015			
Balance at the beginning of the year	2 009	(602)	1 407
Net income/(expense) recognised in the statement of comprehensive income	115	(134)	(19)
Net remeasurements – credit for the year	289	99	388
Contributions paid by the employer	36	59	95
Impact of foreign currency exchange rate changes	5		5
Balance at the end of the year	2 454	(578)	1 876
Distribution of plan assets (%)			
2016			
Equity instruments	**33,32**	**23,00**	**31,75**
Debt instruments	**34,31**	**7,00**	**30,16**
Property	**5,57**	**3,00**	**5,18**
Cash	**3,66**	**49,00**	**10,55**
International	**23,12**	**15,00**	**21,89**
Other		**3,00**	**0,46**
	99,98	**100,00**	**99,99**
2015			
Equity instruments	32,14	23,00	30,84
Debt instruments	27,23	7,00	24,36
Property	5,07	3,00	4,78
Cash	6,08	49,00	12,17
International	29,48	15,00	27,42
Other		3,00	0,43
	100,00	100,00	100,00
Actual return on plan assets (Rm)			
2016	**105**	**95**	**200**
2015	727	92	819

Principal actuarial assumptions (%)	Range	Used in valuation
2016		
Discount rates	**2,80 – 9,30**	**9,80 – 9,80**
Expected rates of return on plan assets	**2,80 – 9,30**	**9,80**
Inflation rate	**2,35 – 6,70**	**6,70 – 6,70**
Expected rates of salary increases	**7,70 – 8,70**	**6,70**
Pension increase allowance	**0,54 – 6,70**	**–**
Annual increase to medical aid subsidy		**8,20 – 8,20**
Average expected retirement age (years)	**55 – 65**	**60**
2015		
Discount rates	3,70 – 10,10	10,8
Expected rates of return on plan assets	3,70 – 10,10	10,8
Inflation rate	2,10 – 7,70	7,9
Expected rates of salary increases	8,70 – 8,70	7,9
Pension increase allowance	0,49 – 7,70	
Annual increase to medical aid subsidy		8,9
Average expected retirement age (years)	55 to 65	60

Pension funds

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

Weighted-average assumptions (%)	2016	2015
Discount rate	**8,95**	9,69
Expected return on plan assets	**8,95**	9,69
Future salary increases	**7,07**	7,92
Future pension increases	**6,29**	7,14

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.

Experience adjustments on present value of defined-benefit obligation for the past five years (Rm)

2016	(64)	(97)	(161)
2015	(89)	113	24
2014	55	(42)	13
2013	229	148	377
2012	10	18	28
2011	(106)	153	47

Experience adjustments on fair value of plan assets for the past five years (Rm)

2016		(40)	(40)
2015		(14)	(14)
2014		(24)	(24)
2013		28	28
2012		18	18
2011	(30)	(2)	(32)

Estimate of future contributions

Contributions expected for ensuing year	**35**		**35**

H1 Long-term employee benefits (continued)

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

H1.1.2 Postemployment benefits (continued)

Fund surplus/(deficit) for past five years

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Pension funds			
2016	**4 954**	**7 485**	**2 531**
2015	5 065	7 576	2 511
2014	5 024	7 053	2 029
2013	4 781	6 520	1 739
2012	4 784	5 635	851
2011	4 191	5 115	924
Medical aid funds			
2016	**2 133**	**1 343**	**(790)**
2015	1 832	1 254	(578)
2014	1 772	1 170	(602)
2013	1 571	893	(678)
2012	1 584	854	(730)
2011	1 482	830	(652)

Effect of 1% change in assumed medical cost trend rates

Rm	2016	2015
1% increase – effect on current service cost and interest cost	**49**	44
1% increase – effect on accumulated benefit obligation	**332**	272
1% decrease – effect on current service cost and interest cost	**(39)**	(35)
1% decrease – effect on accumulated benefit obligation	**(269)**	(222)

H2 Non-current assets held for sale

Accounting policy

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

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

Non-current assets held for sale	Previously included in	2016 Rm	2015 Rm
Properties sold but not yet transferred[1]	Property and equipment	287	2
		287	2

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

H3 OTHER ASSETS

	2016 Rm	2015 Rm
Sundry debtors and other accounts	**8 164**	3 925
	8 164	3 925

SECTION I: FINANCIAL INSTRUMENTS

Accounting policy

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

Initial recognition

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

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

Initial measurement

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

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

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

Categories of financial instruments

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

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

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

  Financial instruments that the group has elected, at the initial recognition date, to designate as at FVTPL are those that meet any one of the following conditions:
  - the FVTPL designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on assets and liabilities on different bases;
  - the instrument forms part of a group of financial instruments that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel, using a fair-value basis; 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 FVTPL (excluding interest income and interest expense calculated on the amortised-cost basis relating to interest-bearing instruments that have been designated as at FVTPL) are reported in non-interest revenue in the period in which they arise. Interest income and interest expense calculated in accordance with the effective-interest 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.

SECTION I: FINANCIAL INSTRUMENTS (continued)

Accounting policy (continued)

- Non-trading financial liabilities
  All financial liabilities, other than those at FVTPL, are classified as non-trading financial liabilities and are measured at amortised cost. The interest expense is recorded in interest expense and similar charges.
- Held-to-maturity financial assets
  Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the group has the positive intention and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at FVTPL or those that are AFS. Held-to-maturity financial assets are measured at amortised cost, with interest income recognised in interest and similar income.
- Loans and receivables
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those financial assets classified by the group on initial recognition as at FVTPL, AFS or loans and receivables that are held for trading.

  Financial assets that are classified as loans and receivables are carried at amortised cost, with interest income recognised in interest and similar income. Gains or losses arising on disposal are recognised in non-interest revenue.
- Available-for-sale financial assets
  AFS financial assets are non-derivative financial assets that the group has designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets as at FVTPL.

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

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 I2.

Accounting policy (continued)

Impairment of financial assets

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

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

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

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

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

  If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period.
- Available-for-sale financial assets
  When a decline in the fair value of an AFS financial asset has been recognised directly in equity, in the statement of comprehensive income, and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity, in the statement of comprehensive income, is removed from equity and recognised in profit or loss. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as 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 offset amounts and impairment losses. The maximum credit exposure for loan commitments is the full amount of the commitment if the loan cannot be settled net in cash or using another financial asset.

SECTION I: FINANCIAL INSTRUMENTS (continued)

Accounting policy (continued)

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.

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.

Cash and cash equivalents

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

Key assumptions concerning the future and key sources of estimation

Fair value of financial instruments

Certain of the group's financial instruments are carried at 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 AFS. AFS financial investments are initially recognised at fair value and are subsequently held at fair value. Gains and losses arising from changes in fair value of such assets are included as a separate component of 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 and willing parties, other than in a forced or liquidation sale. Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in net trading income, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains and losses on financial instruments held for trading are reported gross in trading portfolio assets and liabilities or derivative financial instruments, reduced by the effects of netting agreements where there is an intention to settle net with counterparties.

Details of the processes, procedures and assumptions used in the determination of fair value are disclosed in note I2 to the financial statements. In particular, the areas that involve the greatest amount of judgement and complexity include the following:

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

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

SECTION I: FINANCIAL INSTRUMENTS (continued)

Standards and interpretations issued and not yet effective

IFRS 9: Financial Instruments

IFRS 9: Financial Instruments was issued in July 2014 and will replace IAS 39: Financial Instruments: Recognition and Measurement. The standard is effective for financial years commencing on or after 1 January 2018. The final version of this standard incorporates amendments to the classification and measurement, hedge accounting guidance, as well as the accounting requirements for the impairment of financial assets measured at amortised cost and fair value through other comprehensive income (FVTOCI). 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 based on (i) the business model within which the financial assets are managed and (ii) the contractual cashflow characteristics of the financial assets (whether the cashflows represent 'solely payment of principal and interest'). Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold those assets for the purpose of collecting contractual cashflows and those cashflows comprise solely payments of principal and interest ('hold to collect').

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

  The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at FVTPL. Changes in the fair value of these financial liabilities which are attributable to the group's own credit risk, are recognised in OCI. Where the financial liability is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity. 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 FVTPL, in note I4.2.

  The group currently designates certain fixed-rate assets and liabilities, which are economically hedged through interest rate swaps, at FVTPL. This option remains available under IFRS 9. During the year the group conducted an assessment of potential classification and measurement changes to financial assets based on the composition of the balance sheet at 31 December 2015. This may not be fully representative of the impact at 1 January 2018 as IFRS 9 requires that business models be assessed based on facts and circumstances from the date of initial application. However, based on the assessment of financial assets at 31 December 2015, the group does not expect the impact of the changes to classification and measurement of financial assets to be significant to the group's statement of financial position and performance.

  Key matters arising from the assessment relate to monitoring the group's preliminary business model conclusions and development of the new required disclosures.

Standards and interpretations issued and not yet effective (continued)

- 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 FVTOCI, 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 2016.

- 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 macrohedging project is completed, so as to ensure that reporting entities do not have to comply with interim measures before macrohedging rules are finalised. Until such time as this project is complete, entities can choose between applying the hedge accounting requirements of IFRS 9 or to continue to apply the existing hedge accounting requirements in IAS 39. The group has decided to exercise the accounting policy choice to continue IAS 39 hedge accounting and, therefore, the group does not expect to have any significant impact on its microhedge accounting.

I1 Consolidated statement of financial position – categories of financial instruments

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

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

At fair value through profit or loss		Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets, liabilities and equity
Held for trading Rm	Designated[1] Rm	Rm	Rm	Rm	Rm	Rm
				20 241		
33 312	1 722		33 184			
18 044						
19 637	7 917	740	22 393			
29 577	60 209			602 139		
5				8 159		
						440
	1 477	431				
						287
	2 350					225
						266
						8 197
						5 042
				18 139		
						5 928
100 575	73 675	1 171	55 577	648 678	–	20 385
						28
						19 182
						42 698
–	–	–	–	–	–	61 908
						3 561
						2 000
						253
–	–	–	–	–	–	67 722
13 469						
11 781	63 754				674 784	
2 612					9 127	978
						53
						391
						3 328
	301				51 761	
27 862	64 055	–	–	–	735 672	4 750
27 862	64 055	–	–	–	735 672	72 472

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

	Notes	Total Rm
2015		
Assets		
Cash and cash equivalents	C6	18 151
Other short-term securities	C4	60 078
Derivative financial instruments	C7	30 948
Government and other securities	C3	42 733
Loans and advances	C1	666 807
Other assets	H3	3 925
Current taxation assets		904
Investment securities	F1	1 648
Non-current assets held for sale	H2	2
Investments in private-equity associates, associate companies and joint arrangements	F2	1 400
Deferred taxation assets	B8.3	67
Property and equipment	G1	8 114
Long-term employee benefit assets	H1	4 885
Mandatory reserve deposits with central bank	C6	16 190
Intangible assets	G2	4 881
Total assets		860 733
Equity and liabilities		
Ordinary share capital	B3.1	28
Ordinary share premium		18 532
Reserves		37 610
Total equity attributable to equity holders of the parent		56 170
Preference share capital and premium	B3.2	3 561
Non-controlling interest attributable to:		
– Ordinary shareholders		223
Total equity		59 954
Derivative financial instruments	C7	33 996
Amounts owed to depositors[2]	D1	708 036
Provisions and other liabilities	K1.1	9 911
Current taxation liabilities		87
Deferred taxation liabilities	B8.3	763
Long-term employee benefit liabilities	H1	3 009
Long-term debt instruments	D2	44 977
Total liabilities		800 779
Total equity and liabilities		860 733

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

[2] *Amounts owed to depositors of R93 079m were included in the previous year as held-for-trading liabilities, whereas these instruments were classified and measured as financial liabilities at amortised cost. Accordingly, the held-for-trading and financial liabilities at amortised cost categories have been restated to reflect the correct classification.*

	At fair value through profit or loss						
	Held for trading Rm	Designated[1] Rm	Available-for-sale financial assets Rm	Held-to-maturity investments Rm	Loans and receivables Rm	Financial liabilities at amortised cost Rm	Non-financial assets, liabilities and equity Rm
					18 151		
	9 346	17 869		32 863			
	30 948						
	9 614	11 305	3 007	18 807			
	32 120	63 084			571 603		
	12				3 913		
							904
		1 631	17				
							2
		1 154					246
							67
							8 114
							4 885
					16 190		
							4 881
	82 040	95 043	3 024	51 670	609 857	–	19 099
							28
							18 532
							37 610
	–	–	–	–	–		56 170
							3 561
							223
	–	–	–	–	–	–	59 954
	33 996						
	11 424	64 993				631 619	
	2 910	50				6 020	931
							87
							763
							3 009
		401				44 576	
	48 330	65 444	–	–	–	682 215	4 790
	48 330	65 444	–	–	–	682 215	64 744

I2 Fair-value measurement – financial instruments

I2.1 Valuation of financial instruments

BACKGROUND

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

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

CONTROL ENVIRONMENT

Validation and approval

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

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

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

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

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

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

Stress testing and sensitivity measures

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

- Anticipated future projected trading positions.
- Historical events.
- Scenario testing to evaluate plausible future events.
- Specific testing to supplement the value-at-risk (VaR) methodology (ie one-day holding period and 99% confidence interval).

For further discussion in respect of stress testing and sensitivity measures refer to note I2.7.

VALUATION METHODOLOGIES

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

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

Quoted price

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

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

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

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

Valuation techniques

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

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

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

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

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

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

Therefore, a valuation technique:

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

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

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

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

OBSERVABLE MARKETS

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

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

12 Fair-value measurement – financial instruments (continued)

12.1 Valuation of financial instruments (continued)

OBSERVABLE MARKETS (continued)

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

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

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

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

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

INPUTS TO VALUATION TECHNIQUES

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

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

VALUATION ADJUSTMENTS

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

- Own credit on financial liabilities: The carrying amount of financial liabilities held at fair value is adjusted to reflect the effect of changes in the group's own credit spreads. As a result, the carrying value of issued bonds and subordinated-debt instruments that have been designated at FVTPL is adjusted by reference to the movement in the appropriate spreads. The resulting gain or loss is recognised in profit and loss in the statement of OCI.
- 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 collaterised debt obligations, and other secured and unsecured loans.

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

Investment securities

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

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

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

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

Other assets

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

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

12 Fair-value measurement – financial instruments (continued)

12.1 Valuation of financial instruments (continued)

VALUATION TECHNIQUES BY INSTRUMENT (continued)

Amounts owed to depositors

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

The fair value of these financial liabilities is determined by discounting the contractual cashflows using a Nedbank 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 and broker quotes, and through extrapolation and interpolation techniques. Where observable prices or inputs are not available, other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions are used. These models are continually reviewed and assessed to ensure that the best available data is being utilised in the determination of fair value.

Other liabilities

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

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

SUMMARY OF PRINCIPAL VALUATION TECHNIQUES – LEVEL 2 INSTRUMENTS

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

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

SUMMARY OF PRINCIPAL VALUATION TECHNIQUES – LEVEL 3 INSTRUMENTS

The summary of the valuation techniques applicable to those financial assets and financial liabilities classified as level 3 in the fair-value hierarchy is set out in note I2.7.

I2 Fair-value measurement (continued)

I2.2 Fair-value hierarchy

I2.2.1 Financial assets

Rm	Note	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value
2016		**879 676**	**704 255**	**175 421**
Cash and cash equivalents	**C6**	**38 380**	**38 380**	**–**
Other short-term securities	**C4**	**68 218**	**33 184**	**35 034**
Derivative financial instruments	**C7**	**18 044**		**18 044**
Government and other securities	**C3**	**50 687**	**22 393**	**28 294**
Loans and advances	**C1**	**691 925**	**602 139**	**89 786**
Other assets	**H3**	**8 164**	**8 159**	**5**
Investments in private-equity associates, associate companies and joint arrangements	**F2**	**2 350**		**2 350**
Investment securities	**F1**	**1 908**		**1 908**
2015		841 634	661 527	180 107
Cash and cash equivalents	C6	34 341	34 341	–
Other short-term securities	C4	60 078	32 863	27 215
Derivative financial instruments	C7	30 948		30 948
Government and other securities	C3	42 733	18 807	23 926
Loans and advances	C1	666 807	571 603	95 204
Other assets	H3	3 925	3 913	12
Investments in private-equity associates, associate companies and joint arrangements	F2	1 154		1 154
Investment securities	F1	1 648		1 648

Summary of fair-value hierarchies

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

Reconciliation to categorised statement of financial position

Rm
Level 1
Level 2
Level 3

Reconciliation to statement of financial position

Rm
Total financial assets
Total non-financial assets
Total assets

	Held for trading			Designated at fair value through profit or loss			Available for sale		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	15 418	**85 132**	**25**	**560**	**70 007**	**3 108**	**–**	**761**	**410**
	37	**33 275**			**1 722**				
	36	**17 983**	**25**						
	15 340	**4 297**		**541**	**7 376**			**740**	
		29 577			**60 132**	**77**			
	5								
						2 350			
				19	**777**	**681**		**21**	**410**
	7 587	74 435	18	4 182	88 984	1 877	–	3 024	–
		9 346			17 869				
	86	30 844	18						
	7 489	2 125		3 750	7 555			3 007	
		32 120			63 051	33			
	12								
						1 154			
				432	509	690		17	

	Total financial assets recognised at fair value		Total financial assets classified as level 1		Total financial assets classified as level 2		Total financial assets classified as level 3	
	2016	2015	2016	2015	2016	2015	2016	2015
	35 034	27 215	**37**		**34 997**	27 215		
	18 044	30 948	**36**	86	**17 983**	30 844	**25**	18
	28 294	23 926	**15 881**	11 239	**12 413**	12 687		
	89 786	95 204			**89 709**	95 171	**77**	33
	5	12	**5**	12				
	2 350	1 154					**2 350**	1 154
	1 908	1 648	**19**	432	**798**	526	**1 091**	690
	175 421	180 107	**15 978**	11 769	**155 900**	166 443	**3 543**	1 895

	Held for trading		Designated at fair value through profit or loss		Available for sale	
	2016	2015	2016	2015	2016	2015
	15 418	7 587	**560**	4 182		
	85 132	74 435	**70 007**	88 984	**761**	3 024
	25	18	**3 108**	1 877	**410**	
	100 575	82 040	**73 675**	95 043	**1 171**	3 024

	Note	2016	2015
	I1	**879 676**	841 634
	I1	**20 385**	19 099
		900 061	860 733

I2 Fair-value measurement (continued)

I2.2 Fair-value hierarchy (continued)

I2.2.2 Financial liabilities

Rm	Note	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
2016		**827 589**	**735 672**	**91 917**
Derivative financial instruments	**C7**	**13 469**		**13 469**
Amounts owed to depositors	**D1**	**750 319**	**674 784**	**75 535**
Provisions and other liabilities	**K1.1**	**11 739**	**9 127**	**2 612**
Long-term debt instruments	**D2**	**52 062**	**51 761**	**301**
2015		795 989	682 215	113 774
Derivative financial instruments	C7	33 996		33 996
Amounts owed to depositors[1]	D1	708 036	631 619	76 417
Provisions and other liabilities	K1.1	8 980	6 020	2 960
Long-term debt instruments	D2	44 977	44 576	401

[1] *Amounts owed to depositors of R93 079m were included in the previous year as held-for-trading liabilities, whereas these instruments were classified and measured as financial liabilities at amortised cost. Accordingly, the held-for-trading and financial liabilities at amortised cost categories have been restated to reflect the correct classification.*

Summary of fair-value hierarchies

Rm	Total financial liabilities recognised at fair value 2016	Total financial liabilities recognised at fair value 2015
Derivative financial instruments	**13 469**	33 996
Amounts owed to depositors[1]	**75 535**	76 417
Provisions and other liabilities	**2 612**	2 960
Long-term debt instruments	**301**	401
	91 917	113 774

[1] *Amounts owed to depositors of R93 079m were included in the previous year as held-for-trading liabilities, whereas these instruments were classified and measured as financial liabilities at amortised cost. Accordingly, the held-for-trading and financial liabilities at amortised cost categories have been restated to reflect the correct classification.*

Reconciliation to categorised statement of financial position

Rm
Level 1
Level 2[1]

[1] *Amounts owed to depositors of R93 079m were included in the previous year as held-for-trading liabilities, whereas these instruments were classified and measured as financial liabilities at amortised cost. Accordingly, the held-for-trading and financial liabilities at amortised cost categories have been restated to reflect the correct classification.*

Reconciliation to statement of financial position

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

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

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

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

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

	Held for trading			Designated at fair value through profit or loss		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	2 246	**25 616**	**–**	**–**	**64 055**	**–**
	11	**13 458**				
		11 781			**63 754**	
	2 235	**377**				
					301	
	2 870	45 460	–	156	65 288	–
	126	33 870				
		11 424			64 993	
	2 744	166			50	
				156	245	

	Total financial liabilities classified as level 1		Total financial liabilities classified as level 2		Total financial liabilities classified as level 3	
	2016	2015	2016	2015	2016	2015
	11	126	**13 458**	33 870		
			75 535	76 417		
	2 235	2 744	**377**	216		
		156	**301**	245		
	2 246	3 026	**89 671**	110 748	**–**	–

	Held for trading		Designated at fair value through profit or loss	
	2016	2015	2016	2015
	2 246	2 870		156
	25 616	45 460	**64 055**	65 288
	27 862	48 330	**64 055**	65 444

	Note	2016	2015
	I1	**827 589**	795 989
	I1	**72 472**	64 744
		900 061	860 733

12 Fair-value measurement (continued)

12.3 Details of changes in valuation techniques

There have been no changes to valuation techniques.

12.4 Significant transfers between level 1 and level 2

There were no significant transfers between level 1 and level 2 of the fair-value hierarchy during 2016.

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.

12.5 Level 3 reconciliation

ASSETS

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

Rm	Opening balance at 1 January	Gains/ (Losses) in profit for the year	Gains in other comprehensive income for the year
2015			
Held for trading	–	18	–
Derivative financial instruments		18	
Designated as at fair value	1 731	53	–
Investments in private-equity associates, associate companies and joint arrangements	898	89	
Loans and advances	33		
Investment securities	800	(36)	
Total financial assets classified as level 3	1 731	71	–

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

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

Purchases and issues	Sales and settlements	Transfers from level 2	Transfers to level 2	Closing balance at 31 December
–	–	–	–	18
				18
305	(212)	–	–	1 877
304	(137)			1 154
				33
1	(75)			690
305	(212)	–	–	1 895

I2 Fair-value measurement

I2.6 Unrealised gains or losses

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

	2016 Rm	2015 Rm
Trading income		
Private-equity gains	**257**	71
	257	71

I2.7 Effect of changes in significant unobservable assumptions to reasonable possible alternatives

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

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

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

	Valuation technique	Significant unobservable input
2015		
Assets		
Derivative financial instruments	Discounted-cashflow model, Black-Scholes model and multiple valuation techniques	Discount rates, risk-free rates, volatilities, credit spreads and valuation multiples
Loans and advances	Discounted cashflows	Credit spreads and discount rates
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads
Investments in private-equity associates, associate companies and joint arrangements	Discounted cashflows, earnings multiples	Valuation multiples
Total financial assets classified as level 3		

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

	Variance in fair value %	Amount recognised in the statement of financial position Rm	Favourable change in value Rm	Unfavourable change in value Rm
	between (13) and 10	18	2	(2)
	between (13) and 10	33	3	(4)
	between (13) and 10	690	62	(77)
	between (7) and 8	1 154	96	(108)
		1 895	163	(191)

I3 Assets and liabilities not measured at fair value for which fair value is disclosed

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

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

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
2016					
Financial assets	**657 716**	**648 545**	**21 828**	**33 128**	**593 589**
Other short-term securities	**33 184**	**33 128**		**33 128**	
Government and other securities	**22 393**	**21 828**	**21 828**		
Loans and advances	**602 139**	**593 589**			**593 589**
Financial liabilities	**51 761**	**48 880**	**20 432**	**28 448**	**–**
Long-term debt instruments	**51 761**	**48 880**	**20 432**	**28 448**	

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
2015					
Financial assets	623 273	618 012	17 415	32 709	567 888
Other short-term securities	32 863	32 709		32 709	
Government and other securities	18 807	17 415	17 415		
Loans and advances	571 603	567 888			567 888
Financial liabilities	44 576	42 933	24 269	18 664	–
Long-term debt instruments	44 576	42 933	24 269	18 664	

Loans and advances

Loans and advances, recognised in note C1, that are not recognised at fair value, principally comprise variable-rate financial assets. The interest rates on these variable rate-financial assets are adjusted when the applicable benchmark interest rate changes.

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

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

The group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cashflows per product type. Future cashflows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Methodologies and models are updated on a continuous basis for changes in assumptions, forecasts and modelling techniques. Future forecasts of the group's probability of default (PDs) and loss given defaults (LGDs) for the periods 2017 to 2019 (2015: for periods 2016 to 2018) are based on the latest available internal data and are applied to the first three years' projected cashflows. Thereafter, PDs and LGDs are gradually reverted to their long-run averages and are applied to the remaining projected cashflows. Inputs into the model include various assumptions utilised in the pricing of loans and advances. The determination of such inputs is highly subjective and therefore any change to one or more of the assumptions may result in a significant change in the determination of the fair value of loans and advances.

Government and other securities

The fair value of government and other securities is determined based on available market prices (level 1) or discounted cashflow analysis (level 2), where an instrument is not quoted or the market is considered to be inactive. See note C3 for further detail.

Other short-term securities

The fair value of other short-term securities is determined using a discounted cashflow analysis (level 2). See note C4 for further detail.

Long-term debt instruments

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

Amounts owed to depositors

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

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

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

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

The group has satisfied the criteria for designation of financial instruments as at FVTPL in terms of the accounting policies.

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

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

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

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

I4.1 Financial assets designated as at fair value through profit or loss

	Maximum exposure to credit risk		Change in fair value due to change in credit risk[1]			
			Current period		Cumulative	
Rm	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Negotiable certificates of deposit	**1 186**	913				
Treasury bills and other bonds	**537**	16 956				
Government guaranteed	**501**	1 265				
Other dated securities	**7 416**	10 041				
Mortgage loans	**20 778**	18 007		2		
Net finance lease and instalment debtors	**20 247**	18 434				
Leases and debentures	**69**	82				
Preference shares	**942**	1 663				
Loans and advances (secured and unsecured)	**6 345**	5 558				
Foreign client lending	**3 694**	8 993				
Other loans	**8 133**	10 345				
Private-equity associates, associate companies and joint arrangements	**2 350**	1 155				
Listed investments	**19**	432				
Unlisted investments	**1 458**	1 199				
	73 675	95 043	**–**	2	**–**	–

[1] *Positive amounts represent gains while negative amounts represent losses. See note C2.1.*

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

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

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

Rm	Fair value	Contractually payable at maturity	Change in fair value due to change in credit risk[1]	
			Current period	Cumulative
2016				
Long-term debt instruments	**301**	**283**		
Call and term deposits	**33 988**	**33 963**	**(38)**	**(61)**
Foreign currency liabilities	**9 333**	**9 333**		
Negotiable certificates of deposit	**20 433**	**20 415**	**(35)**	**(89)**
	64 055	**63 994**	**(73)**	**(150)**
2015				
Long-term debt instruments	401	409		
Call and term deposits	31 221	31 291	(36)	(54)
Foreign currency liabilities	9 527	9 527		
Provisions and other liabilities	50			
Negotiable certificates of deposit	24 245	24 369	(54)	(103)
	65 444	65 596	(90)	(157)

[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 risk-free liability curve.

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

15 Offsetting financial assets and financial liabilities

ACCOUNTING POLICY

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

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

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

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

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

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

Master netting arrangements and similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

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

	Effects of netting on the statement of financial position		
Rm	Gross amounts	Amounts set off in the statement of financial position in accordance with IAS 32	Net amounts included in the statement of financial position[1]
2016			
Financial assets			
Derivative financial assets	**23 440**	**(5 909)**	**17 531**
Loans and advances	**32 440**	**(28 478)**	**3 962**
Total financial assets	**55 880**	**(34 387)**	**21 493**
Financial liabilities			
Derivative financial liabilities	**(19 078)**	**5 909**	**(13 169)**
Amounts owed to depositors	**(93 579)**	**28 478**	**(65 101)**
Total financial liabilities	**(112 657)**	**34 387**	**(78 270)**
2015			
Financial assets			
Derivative financial assets	42 598	(12 543)	30 055
Loans and advances	40 235	(37 847)	2 388
Total financial assets	82 833	(50 390)	32 443
Financial liabilities			
Derivative financial liabilities	(45 489)	12 543	(32 946)
Amounts owed to depositors	(96 964)	37 847	(59 117)
Total financial liabilities	(142 453)	50 390	(92 063)

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

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

	Related amounts not set off in the statement of financial position				
	Amounts that may be netted off on the occurrence of a future event	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
	(12 939)		**4 592**	**513**	**18 044**
			3 962	**687 963**	**691 925**
	(12 939)	**–**	**8 554**	**688 476**	**709 969**
	6 787		**(6 382)**	**(300)**	**(13 469)**
			(65 101)	**(685 218)**	**(750 319)**
	6 787	**–**	**(71 483)**	**(685 518)**	**(763 788)**
	(26 874)		3 181	893	30 948
			2 388	664 419	666 807
	(26 874)	–	5 569	665 312	697 755
	27 909		(5 037)	(1 050)	(33 996)
			(59 117)	(648 919)	(708 036)
	27 909	–	(64 154)	(649 969)	(742 032)

16 Collateral

ACCOUNTING POLICY

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

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

16.1 Collateral pledged

The group has pledged government and other securities (note C3) and negotiable certificates of deposit (note C4) amounting to R19 162m (2015: R15 614m) 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 R19 127m (2015: R15 531m) are disclosed in note D1.

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

16.2 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.

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

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

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

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

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

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

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

(ii) Wholesale portfolio:

- Commercial properties that 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).
- Credit exposure to other banks where the risk is commonly mitigated through the use of financial control and netting agreements.

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

Management considers collateral held in the retail portfolio to be homogenous by nature and therefore more reliably identifiable. Generally, valuations in respect of mortgage portfolios are updated using statistical index models, published data by service providers are used for motor vehicles and physical inspection is performed for other types of collateral. Physical valuations are performed six monthly on the defaulted book. At 31 December 2016 management considered R141 957m (2015: R142 614m) 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 2016 management considered R277 261m (2015: R234 525m) to be a reasonable estimate of the collateral held in the wholesale portfolio.

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

As part of the reverse repurchase agreements, the group has received securities as collateral that are allowed to be sold or repledged. The fair value of these securities at the reporting date amounts to R14 359m (2015: R20 191m), of which Rnil (2015: Rnil) have been sold or repledged.

I6.3 Collateral taken possession of and recognised in the statement of financial position

Included in properties in possession (note C1.1) is an amount of R120m (2015: R149m), which represents assets the group has acquired during the year by taking possession of collateral held as security.

SECTION J: SHARE-BASED PAYMENTS

Accounting policy

Equity-settled share-based payment transactions with employees

The group receives services from employees as consideration for equity instruments of the group. The fair value of the employee services is measured at the grant date, by reference to the fair value of the equity instruments.

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

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

Cash-settled share-based payment transactions with employees

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

Measurement of fair value of equity instruments granted

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

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

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

Nedbank Group 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 facilitate growth within the group. The following are the share and share option schemes that have been in place during the year. All schemes are equity-settled at group level, except the Nedbank UK schemes, the Nedbank Wealth Management International schemes and the Nedbank Africa scheme, all of which are cash-settled.

As the group cannot 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 its fair value by reference to the fair value of the shares, share options or equity instruments granted, in line with the group's accounting policy. The fair value of share option awards is measured at the grant date utilising the Black-Scholes valuation model. For the non-option equity awards the fair value is measured by reference to the listed share price, which includes the participant's right to dividends over the vesting period.

J1 Description of arrangements

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

J1 Description of arrangements (continued)

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Nedbank Wealth Management International 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 lies with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which one-third of the shares become unrestricted and one-third of the options vest.	7 years
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees at a middle- and senior-management level. The beneficial ownership of the shares lies with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which one-third of the shares become unrestricted and one-third of the options vest.	7 years

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

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

J2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm
Traditional employee schemes	**548**	413	**1 135**	1 090
Nedbank Group (2005) Share Option and Restricted-share Scheme	**434**	379	**879**	880
Nedbank Group (2005) Matched-share Scheme	**109**	102	**223**	181
Nedbank UK Long-term Incentive Plan[1]	**(2)**	(59)	**15**	14
Nedbank UK Matched-share Scheme[1]	**1**	2	**2**	3
Nedbank Wealth Management International Long-term Incentive Plan[1]	**1**	(14)	**8**	8
Nedbank Wealth Management International Matched-share Scheme[1]	**1**	2	**3**	3
Nedbank Africa[1]	**4**	1	**5**	1
Nedbank Eyethu BEE schemes	**12**	16	**42**	65
Black Executive Scheme	**10**	12	**33**	44
Black Management Scheme	**2**	4	**9**	21
	560	429	**1 177**	1 155

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

J3 Movements in number of instruments

	2016		2015	
	Number of instruments	**Weighted-average exercise price R**	Number of instruments	Weighted-average exercise price R
Nedbank Group (2005) Share Option Scheme				
Outstanding at the beginning of the year	**9 234 425**		9 868 377	
Granted	**3 990 166**		3 087 302	
Forfeited	**(471 075)**		(438 408)	
Exercised	**(3 123 220)**		(3 282 846)	
Outstanding at the end of the year	**9 630 296**		9 234 425	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**190,74**		251,42
Nedbank Group (2005) Matched-share Scheme				
Outstanding at the beginning of the year	**1 917 120**		1 649 973	
Granted	**991 867**		773 259	
Forfeited	**(202 744)**		(108 820)	
Exercised	**(493 000)**		(397 292)	
Outstanding at the end of the year	**2 213 243**		1 917 120	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**189,10**		240,75
Nedbank UK Long-term Incentive Plan				
Outstanding at the beginning of the year	**119 502**		197 288	
Granted	**22 566**		28 806	
Other	**(1 172)**		(44 046)	
Exercised	**(38 360)**		(62 546)	
Outstanding at the end of the year	**102 536**		119 502	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–

	2016		2015	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Nedbank UK Matched-share Scheme				
Outstanding at the beginning of the year	**16 811**		17 427	
Granted	**4 198**		7 240	
Exercised	**(6 760)**		(7 856)	
Outstanding at the end of the year	**14 249**		16 811	
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	**61 284**		73 223	
Granted	**33 130**		20 513	
Other	**11**		(2 750)	
Exercised	**(21 508)**		(29 702)	
Outstanding at the end of the year	**72 917**		61 284	
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	**18 397**		20 207	
Granted	**4 180**		4 122	
Exercised	**(6 662)**		(5 932)	
Outstanding at the end of the year	**15 915**		18 397	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–
Nedbank Africa				
Outstanding at the beginning of the year	**30 096**			
Granted	**31 090**		30 096	
Forfeited	**(4 916)**			
Outstanding at the end of the year	**56 270**		30 096	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**–**		–
Black Executive Scheme				
Outstanding at the beginning of the year	**820 207**	**241,38**	1 014 319	223,06
Forfeited	**–**		(25 795)	
Exercised	**(301 751)**		(168 317)	
Outstanding at the end of the year	**518 456**		820 207	
Exercisable at the end of the year	**26 001**	**162,29**	20 205	121,08
Weighted-average share price for share instruments exercised (R)		**194,31**		241,38
Black Management Scheme				
Outstanding at the beginning of the year	**706 559**	**248,07**	1 545 884	227,59
Forfeited	**(48 357)**	**126,03**	(100 113)	
Exercised	**(377 842)**		(731 182)	
Other movements	**6 355**		13 281	
Expired	**(8 909)**	**77,69**	(21 311)	
Outstanding at the end of the year	**277 806**		706 559	
Exercisable at the end of the year	**96 001**	**132,49**	164 204	101,41
Weighted-average share price for share instruments exercised (R)		**197,05**		248,07

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

	2016		2015	
	Number of instruments	Weighted-average remaining contractual life (years)	Number of instruments	Weighted-average remaining contractual life (years)
Nedbank Group (2005) Share Option and Restricted-share Scheme				
0,00	**9 630 296**	**1,3**	9 234 425	1,2
	9 630 296	**1,3**	9 234 425	1,2
Nedbank Group (2005) Matched Share Scheme				
0,00	**2 213 243**	**1,4**	1 917 120	1,4
	2 213 243	**1,4**	1 917 120	1,4
Nedbank UK Long-term Incentive Plan				
0,00	**102 536**	**0,9**	119 502	
	102 536	**0,9**	119 502	
Nedbank UK Matched-share Scheme				
0,00	**14 249**	**1,3**	16 811	
	14 249	**1,3**	16 811	
Nedbank Wealth Management International Long-term Incentive Plan				
0,00	**72 917**	**1,4**	61 284	1,2
	72 917	**1,4**	61 284	1,2
Nedbank Wealth Management International Matched-share Scheme				
0,00	**15 915**	**1,0**	18 397	1,1
	15 915	**1,0**	18 397	1,1
Black Executive Scheme				
0,00	**160 652**	**1,3**	257 212	1,8
121,08	**1 942**	**0,2**	84 616	1,2
128,44	**28 622**	**1,2**	56 402	2,2
132,18			3 797	1,6
140,00	**20 400**	**0,6**	40 200	1,1
161,88	**136 710**	**2,2**	174 489	3,2
182,98	**80 649**	**2,6**	114 010	3,6
189,90	**89 481**	**3,2**	89 481	4,2
	518 456	**2,0**	820 207	2,5
Black Management Scheme				
0,00	**15 684**	**0,6**	47 523	1,0
75,74			82 016	0,2
104,51			578	(0,4)
108,45			8 204	0,6
121,08	**16 953**	**0,2**	98 111	1,2
128,44	**103 946**	**1,1**	186 481	2,2
132,18	**32 923**	**0,6**	103 086	1,6
139,69	**59 263**	**0,2**	107 907	1,0
161,88	**49 037**	**2,2**	72 653	3,2
	277 806	**1,0**	706 559	1,5
Nedbank Africa				
0,00	**56 270**	**1,7**	30 096	2,2
	56 270	**1,7**	30 096	2,2

J5 Instruments granted during the year

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

	Nedbank Group (2005) Share Option and Restricted-share Scheme	Nedbank Group (2005) Matched-share Scheme	Nedbank UK Long-term Incentive Plan	Nedbank UK Matched Scheme	Nedbank Wealth Management International Long-term Incentive Plan	Nedbank Wealth Management International Matched Scheme	Nedbank Africa
2016							
Number of instruments granted	**3 983 062**	**989 936**	**22 566**	**4 198**	**33 130**	**4 180**	**31 090**
Weighted-average fair value per instrument granted (R)[1]	**183,73**	**161,97**			**183,18**	**161,97**	**183,18**
Weighted-average share price (R)	**183,73**	**194,33**	**183,19**	**194,25**	**183,19**	**194,25**	**183,19**
Weighted-average expected volatility (%)[2]	**25,7**	**25,7**			**25,71**	**25,7**	**25,7**
Weighted-average life (years)	**3,0**	**3,0**			**3,0**	**3,0**	**3,0**
Weighted-average risk-free interest rate (%)	**8,2**	**8,2**					**8,2**
Number of participants	**1 353**	**1 648**	**6**	**4**	**11**	**13**	**39**
Weighted-average vesting period (years)	**3,0**	**3,0**	**3,0**	**3,0**	**3,0**	**3,0**	**3,0**
2015							
Number of instruments granted	3 087 302	773 259	28 806	7 240	20 513	4 122	30 096
Weighted-average fair value per instrument granted (R)[1]	244,45	185,48			244,40	237,78	242,84
Weighted-average share price (R)	244,45	237,78	109,66	237,78	244,40	237,78	242,84
Weighted-average expected volatility (%)[2]	23,0	23,0			23,0	23,0	23,0
Weighted-average life (years)	3,0	3,0			3,0	3,0	3,0
Weighted-average risk-free interest rate (%)	7,0	7,0			7,0	7,0	7,0
Number of participants	1 350	1 635	14	6	11	19	41
Weighted-average vesting period (years)	3,0	3,0	3,0	3,0	3,0	3,0	3,0

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

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

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

SECTION K: OTHER LIABILITIES

K1 Provisions and other liabilities

Accounting policy

Provisions

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

Reimbursements

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

Onerous contracts

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

Future operating costs or losses are not provided for.

Client loyalty

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

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

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

	2016 Rm	2015 Rm
K1.1 Movement in carrying amount		
Creditors and other accounts	**9 504**	6 236
Deferred revenue: client loyalty programmes	**224**	256
Short-trading securities and spot positions	**2 235**	2 744
Leave pay accrual (note K1.2)	**754**	675
	12 717	9 911
K1.2 Leave pay accrual		
Balance at the beginning of the year	**675**	711
Recognised in profit or loss	**1 966**	1 391
Utilised during the year	**(1 887)**	(1 427)
Balance at the end of the year	**754**	675

K1.3 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.

	2016 Rm	2015 Rm
K2 Contingent liabilities and undrawn facilities		
Guarantees on behalf of clients	**22 177**	26 374
Letters of credit and discounting transactions	**3 360**	4 419
Irrevocable unutilised facilities and other	**101 566**	101 747
	127 103	132 540

The group, in the ordinary course of business, enters into transactions that expose the group to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise (refer to note K1). Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities. This is in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

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

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

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

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

	2016 Rm	2015 Rm
K3 Commitments		
K3.1 Capital expenditure approved by directors		
Contracted	**515**	1 314
Not yet contracted	**2 092**	2 222
	2 607	3 536

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

K3.2 Operating lease commitments

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

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

2015	2016 Rm	2017–2021 Rm	Beyond 2021 Rm
Land and buildings[1]	760	1 892	767
Furniture and equipment	181		
	941	1 892	767

[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.*

K3 Commitments (continued)

K3.2 Operating lease commitments (continued)

The terms of renewal and escalation clauses are as follows:

The majority of material leases entered into by the group include an option to renew the lease. If the rental for the renewal period has not been agreed on or determined by the commencement date of the renewal period, the tenant must continue to pay the existing monthly rental. Once the rental is determined, cumulative adjustments will be made to the amount payable for the following month. Escalation clauses for major leases entered into by the group range between 6% and 8% per annum. For all major lease agreements entered into there is no requirement to pay contingent rent or purchase options.

K3.3 Commitments under derivative instruments

The group enters into option contracts, financial futures contracts, forward rate and interest rate swap agreements, and other financial agreements in the normal course of business (note C7).

SECTION L: RISK AND BALANCE SHEET MANAGEMENT

Key assumptions concerning the future and key sources of estimation

Financial risk management

The group's risk management policies and procedures are disclosed in the Pillar 3: Basel III Public Disclosure 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.

L1 Capital management

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

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

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

CAPITAL, RESERVES AND LONG-TERM DEBT INSTRUMENTS

The group's capital management framework, policies and processes cover the group's capital and reserves as per the consolidated statement of changes in equity, as well as the long-term debt instruments per note D2.

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

L2 Liquidity gap

Rm	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non-determined	Total
2016							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	37 875	201	304				38 380
Other short-term securities	21 164	16 723	20 419	9 912			68 218
Derivative financial instruments	3 454	1 906	1 930	4 090	6 664		18 044
Government and other securities	2 327	940	2 558	18 889	25 973		50 687
Loans and advances	149 176	31 975	52 826	271 353	186 595		691 925
Other assets						32 807	32 807
	213 996	51 745	78 037	304 244	219 232	32 807	900 061
Total equity						67 722	67 722
Derivative financial instruments	2 229	1 329	1 362	3 677	4 872		13 469
Amounts owed to depositors	542 572	71 633	65 354	61 857	8 903		750 319
Provisions and other liabilities						16 489	16 489
Long-term debt instruments	2 724	836	2 609	26 837	19 056		52 062
	547 525	73 798	69 325	92 371	32 831	84 211	900 061
Net liquidity gap	(333 529)	(22 053)	8 712	211 873	186 401	(51 404)	–
2015							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	32 529	1 812					34 341
Other short-term securities	22 047	12 712	18 055	7 264			60 078
Derivative financial instruments	8 795	3 336	2 415	7 379	9 023		30 948
Government and other securities	1 091	1 688	7 481	17 172	15 301		42 733
Loans and advances	155 029	27 290	48 309	259 479	176 700		666 807
Other assets						25 826	25 826
	219 491	46 838	76 260	291 294	201 024	25 826	860 733
Total equity						59 954	59 954
Derivative financial instruments	7 998	2 882	2 582	7 593	12 941		33 996
Amounts owed to depositors	511 986	56 433	58 386	70 542	10 689		708 036
Provisions and other liabilities						13 770	13 770
Long-term debt instruments	5 252		3 923	19 805	15 997		44 977
	525 236	59 315	64 891	97 940	39 627	73 724	860 733
Net liquidity gap	(305 745)	(12 477)	11 369	193 354	161 397	(47 898)	–

This note has been prepared on a contractual maturity basis.

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

L3 Interest rate repricing gap

Rm	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Trading and non-rate	Total
2016							
Total assets	**600 299**	**25 712**	**22 075**	**47 375**	**24 907**	**179 693**	**900 061**
Total equity and liabilities	**539 110**	**43 391**	**41 241**	**27 158**	**14 580**	**234 581**	**900 061**
Interest rate hedging activities	**(11 444)**	**25 364**	**15 942**	**(20 183)**	**(9 679)**		**–**
Repricing profile	**49 745**	**7 685**	**(3 224)**	**34**	**648**	**(54 888)**	**–**
Cumulative repricing profile	**49 745**	**57 430**	**54 206**	**54 240**	**54 888**		
Expressed as a percentage of total assets	**5,5**	**6,4**	**6,0**	**6,0**	**6,1**		
2015							
Total assets	553 361	31 050	21 915	43 452	22 773	188 182	860 733
Total equity and liabilities	518 086	25 943	32 805	20 080	12 555	251 264	860 733
Interest rate hedging activities	13 375	7 120	10 936	(24 385)	(7 046)		–
Repricing profile	48 650	12 227	46	(1 013)	3 172	(63 082)	–
Cumulative repricing profile	48 650	60 877	60 923	59 910	63 082		
Expressed as a percentage of total assets	5,7	7,1	7,1	7,0	7,3		

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

	2016				2015			
Rm	Average	Minimum	Maximum	Year-end	Average	Minimum	Maximum	Year-end
Foreign exchange	**9,3**	**1,0**	**25,4**	**2,8**	3,2	0,6	17,8	17,7
Interest rate	**16,0**	**7,7**	**33,5**	**11,6**	7,3	3,8	22,4	21,4
Credit	**7,3**	**4,9**	**10,9**	**8,4**	7,0	4,9	11,6	9,2
Commodity	**0,3**	**< 0,1**	**2,7**	**< 0.1**	0,4		2,4	1,7
Diversification	**(8,1)**			**(6,4)**	(5,2)			(8,8)
Total VAR exposure	**24,8**	**8,2**	**52,0**	**16,4**	12,7	7,4	41,9	41,2

	2016 Rm	2015 Rm

SECTION M: CASHFLOW INFORMATION

M1 Reconciliation of profit from operations to cash generated by operations

	2016 Rm	2015 Rm
Profit from operations	**13 243**	11 039
Adjusted for:		
– Depreciation (note B7)	**1 181**	969
– Amortisation: computer software and intangible assets (note B7)	**784**	705
– Movement in impairment of loans and advances	**5 411**	5 742
– Net income on investment banking assets	**(11)**	(10)
– Non-trading and capital items (note B9)	**289**	144
– Indirect taxation (note B8.1)	**810**	668
Disposal of non-current assets held for sale	**21 707**	19 257

M2 Cash received from clients

	2016 Rm	2015 Rm
Interest and similar income (note B5.1)	**69 862**	55 128
Commission and fees (note B6)	**14 587**	13 404
Net trading income (note B6)	**3 321**	2 783
Other income	**1 433**	1 287
	89 203	72 602

M3 Cash paid to clients, employees and suppliers

	2016 Rm	2015 Rm
Interest expense and similar charges (note B5.2)	**(45 344)**	(32 724)
Staff costs (note B7)	**(13 819)**	(12 893)
Other operating expenses	**(9 499)**	(8 892)
	(68 662)	(54 509)

M4 Increase in operating assets

	2016 Rm	2015 Rm
Other short-term securities	**(8 140)**	(3 756)
Government and other securities	**(7 954)**	(15 905)
Loans and advances and other operating assets	**(21 963)**	(83 282)
	(38 057)	(102 943)

M5 Increase in operating liabilities

	2016 Rm	2015 Rm
Current and savings accounts	**4 115**	5 290
Other deposits, loan accounts and foreign currency liabilities	**25 686**	54 430
Negotiable certificates of deposit	**8 886**	10 745
Deposits received under repurchase agreements	**3 596**	2 948
Creditors and other liabilities	**(18 411)**	20 022
	23 872	93 435

M6 Taxation paid

	2016 Rm	2015 Rm
Amounts receivable at the beginning of the year	**817**	201
Statement of comprehensive income charge (excluding deferred taxation)	**(3 570)**	(2 828)
Other taxation received	**(70)**	341
Amounts receivable at the end of the year	**(387)**	(817)
	(3 210)	(3 103)
Total indirect taxation (note B8.1)	**(810)**	(668)
Taxation paid	**(4 020)**	(3 771)

SECTION N: ADDITIONAL INFORMATION

N1 Foreign currency conversion

Accounting policy

Foreign currency transactions

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

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

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

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

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

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

Monetary figures in these financial statements are expressed in SA rand to the nearest million. The approximate value of the SA rand as at 31 December 2016 against the following currencies was:

	2016 Actual	2015 Actual	2016 Average	2015 Average
United States dollar	**0,07264**	0,06401	**0,06863**	0,07727
Pound sterling	**0,05899**	0,04318	**0,05088**	0,05067
Euro	**0,06860**	0,05861	**0,06215**	0,06997

Geographic analyses

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

N2 Events after the reporting period

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

N3 Directors' emoluments

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

N3.1 Total remuneration of executive directors and prescribed officers

	Mike Brown		Mfundo Nkuhlu		Raisibe Morathi		Brian Kennedy	
R000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Cash portion of package	**6 680**	6 374	**4 415**	4 258	**3 654**	3 405	**3 819**	3 620
Other benefits	**148**	141	**137**	130	**105**	100	**233**	239
Defined-contribution Retirement Fund	**953**	910	**635**	613	**666**	621	**305**	291
Guaranteed remuneration	**7 781**	7 425	**5 187**	5 000	**4 425**	4 125	**4 357**	4 150
Cash performance incentive	**7 750**	8 250	**4 625**	4 750	**4 625**	4 500	**9 320**	8 625
Cash performance incentive (delivered in shares)	**6 750**	7 250	**3 625**	3 750	**3 625**	3 500	**8 320**	7 625
Total short-term incentive (STI)[1]	**14 500**	15 500	**8 250**	8 500	**8 250**	8 000	**17 640**	16 250
Total remuneration[2]	**22 281**	22 925	**13 437**	13 500	**12 675**	12 125	**21 997**	20 400
Value of share-based awards (face value at award)[3]	**14 500**	13 500	**9 250**	8 750	**8 000**	7 500	**8 500**	7 500
Total direct remuneration	**36 781**	36 425	**22 687**	22 250	**20 675**	19 625	**30 497**	27 900

	Iolanda Ruggiero[4]		Ciko Thomas[5, 6, 7, 8]		Philip Wessels[6, 8]	
R000	**2016**	2015	**2016**	2015	**2016**	2015
Cash portion of package	**3 011**	1 934	**2 513**		**1 036**	4 146
Other benefits	**84**	54	**78**		**29**	113
Defined-contribution Retirement Fund	**432**	262	**410**		**98**	391
Guaranteed remuneration	**3 527**	2 250	**3 001**	–	**1 163**	4 650
Cash performance incentive	**3 550**	3 500	**4 250**			4 875
Cash performance incentive (delivered in shares)	**2 550**	2 500	**3 250**			3 875
Total STI[1]	**6 100**	6 000	**7 500**	–	**–**	8 750
Total remuneration[2]	**9 627**	8 250	**10 501**		**1 163**	13 400
Value of share-based awards (face value at award)[3]	**6 500**	6 000	**12 000**			8 000
Total direct remuneration	**16 127**	14 250	**22 501**	–	**1 163**	21 400

[1] *In terms of the rules of the Matched-share Scheme this amount may increase by up to 27,5% (before share price movement), subject to fulfilment of the corporate performance targets (CPTs), and the amount remaining being invested in the scheme for 36 months.*

[2] *Total remuneration is the sum of guaranteed remuneration and total STI.*

[3] *This is the value of the share-based awards made in the following financial year.*

[4] *Iolanda Ruggiero became a prescribed officer on 1 May 2015.*

[5] *Comparative values are not given for items that reflect part-year service in the role.*

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

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

[8] *Philip Wessels retired from the bank on 30 March 2016. Amounts therefore reflect part-year service.*

N3 Directors' emoluments (continued)

N3.2 Non-executive directors' remuneration

	Note	Nedbank and Nedbank Group Board fees R000	Committee fees R000	Total 2016 R000	Total 2015 R000
David Adomakoh	1,6	428	144	**572**	514
Tom Boardman	2,6	1 194	1 238	**2432**	2 233
Brian Dames		428	290	**718**	663
Mustaq Enus-Brey					273
Ian Gladman	7	428	363	**791**	732
Errol Kruger	3	188	158	**346**	
Paul Hanratty	4,7	81	56	**137**	600
Bruce Hemphill	7	428	207	**635**	59
Reuel Khoza					1 623
Mpho Makwana	6	428	853	**1 281**	1 140
Mantsika Matooane		428	289	**717**	623
Nomavuso Mnxasana		428	832	**1 260**	1 078
Vassi Naidoo		4 875		**4 875**	3 043
Joel Netshitenzhe	6	428	277	**705**	628
Rob Leith	5,7	98	83	**181**	
Julian Roberts	7				476
Gloria Serobe					235
Stanley Subramoney		428	533	**961**	205
Malcolm Wyman	6	599	1 112	**1 711**	1 481
Total		10 887	6 435	**17 322**	15 606

1 *David Adomakoh resigned as member of the Group Credit Committee and Large-exposure Approval Committee effective 1 August 2016. He was appointed as a member of the GTSEC on 28 October 2016.*

2 *Tom Boardman sits on the Board of Nedbank Private Wealth (Isle of Man). His board fees are inclusive of the Nedbank Private Wealth (Isle of Man) fees of £39 000.*

3 *Errol Kruger was appointed as a director of Nedbank Ltd and Nedbank Group Ltd with effect from 1 August 2016 and as a member of the Group Credit Committee, Large-exposure Approval Committee and Capital Management Committee.*

4 *Paul Hanratty resigned as a director of Nedbank Ltd and Nedbank Group Ltd and all committes on 12 March 2016.*

5 *Rob Leith was appointed as a director of Nedbank Ltd and Nedbank Group Ltd as a member of the Group Credit Committee and Group Risk and Capital Management Committee on 13 October 2016.*

6 *Joel Netshitenzhe, Tom Boardman, Mpho Makwana, David Adomakoh and Malcolm Wyman were appointed members of the Group Related-party Transactions Committee on 11 May 2015.*

7 *Fees for Ian Gladman, Paul Hanratty, Bruce Hemphill, Rob Leith and Julian Roberts were paid to Old Mutual plc.*

N3 Directors' emoluments (continued)

N3.3 Directors' interests

At 31 December 2016, the directors' interests in ordinary shares in Nedbank Group Ltd and preference shares in Nedbank Ltd were as follows:

	Beneficial direct		Beneficial indirect	
Number of shares	2016	2015	2016	2015
David Adomakoh				
Tom Boardman	**4 012**	4 012	**10 988**	10 988
Mike Brown	**216 087**	140 421	**286 375**	268 517
Brian Dames				
Ian Gladman				
Paul Hanratty[1]				
Bruce Hemphill				
Errol Kruger[2]				
Rob Leith[2]	**44**			
Mpho Makwana				
Mantsika Matooane	**2 261**	2 261		
Mantsika Matooane (Nedbank Ltd preference shares)	**11 000**	11 000		
Nomavuso Mnxasana			**7 420**	7 420
Raisibe Morathi	**119 876**	72 641	**118 197**	156 916
Vassi Naidoo			**45 785**	43 575
Joel Netshitenzhe				
Mfundo Nkuhlu	**8 178**		**165 527**	149 962
Stanley Subramoney			**2 300**	2 300
Malcolm Wyman				
Total ordinary shares	**350 458**	219 335	**636 592**	632 258
Total preference shares	**11 000**	11 000		

[1] *Resigned/Retired during 2016.*

[2] *Appointed during 2016.*

No change in the above interests occurred between 31 December 2016 and 1 March 2017.

N3 Directors' emoluments (continued)

N3.4 Share-based payments to executive directors and prescribed officers

	Opening balance at 1 January 2016				Awards made during 2016			
Executive directors	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
MWT Brown								
Nedbank restricted shares	28 962	07/03/2013	189,90	08/03/2016				
	28 962	08/03/2013	189,90	09/03/2016				
	62 200	06/03/2014	209,00	07/03/2017				
	50 826	12/03/2015	255,77	13/03/2018				
					70 851	17/03/2016	190,54	17/03/2019
Compulsory Bonus Share Scheme	16 099	31/03/2013	195,66	01/04/2016		01/04/2016	191,00	01/04/2016
	16 141	31/03/2014	223,03	01/04/2017				
	16 435	31/03/2015	251,29	01/04/2018				
					22 563	31/03/2016	189,58	01/04/2019
Voluntary Bonus Share Scheme	Own shares	31/03/2013	195,66	01/04/2016	1 533	01/04/2016	191,00	01/04/2016
	Own shares	31/03/2014	223,03	01/04/2017				
	Own shares	31/03/2015	251,29	01/04/2018				
					Own shares	31/03/2016	189,58	01/04/2019
Total value of dividends								
Total								
MC Nkuhlu								
Nedbank restricted shares	19 747	07/03/2013	189,90	08/03/2016				
	19 747	08/03/2013	189,90	09/03/2016				
	20 334	06/03/2014	209,00	07/03/2017				
	20 334	07/03/2014	209,00	08/03/2017				
	45 939	12/03/2015	255,77	13/03/2018				
					45 922	17/03/2016	190,54	17/03/2019
Compulsory Bonus Share Scheme	2 556	31/03/2013	195,66	01/04/2016	2 556	01/04/2016	191,00	01/04/2016
	8 743	31/03/2014	223,03	01/04/2017				
	8 511	31/03/2015	251,29	01/04/2018				
					11 670	31/03/2016	189,58	01/04/2019
Voluntary Bonus Share Scheme	Own shares	31/03/2013	195,66	01/04/2016	1 533	01/04/2016	191,00	01/04/2016
	Own shares	01/04/2014	223,03	02/04/2017				
	Own shares	31/03/2015	251,29	01/04/2018				
					Own shares	31/03/2016	189,58	01/04/2019
Total value of dividends								
Total								

	Awards vesting/lapsing during 2016					Dividends	Closing balance at 31 December 2016		
	Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing (R)	Total value of dividends paid in respect of all plans (7) (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
	11 440	17 522	181,00	2 070 640	(3 171 482)				
	28 962	–	181,00	5 242 122					
							62 200	31/12/2016	07/03/2017
							50 826	31/12/2017	13/03/2018
							70 851	31/12/2018	17/03/2019
	32 198	–	191,00	6 149 818	–				
							16 141	31/12/2016	01/04/2017
							16 435	31/12/2017	01/04/2018
							22 563	31/12/2018	01/04/2019
	3 066	–	191,00	585 606	–				
						2 862 859			
				14 048 186	(3 171 482)	2 862 859			
	7 801	11 946	181,00	1 411 981	(2 162 226)				
	19 747	–	181,00	3 574 207	–				
							20 334	31/12/2016	07/03/2017
							20 334	31/12/2016	08/03/2017
							45 939	31/12/2017	13/03/2018
							45 922	31/12/2018	17/03/2019
	5 112		191,00	976 392	–				
							8 743	31/12/2016	01/04/2017
							8 511	31/12/2017	01/04/2018
							11 670	31/12/2018	01/04/2019
	3 066		191,00	585 606					
						2 090 646			
				6 548 186	(2 162 226)	2 090 646			

N3 **Directors' emoluments** (continued)

N3.4. **Share-based payments to executive directors and prescribed officers** (continued)

Executive directors	Opening balance at 1 January 2016					Awards made during 2016		
	Number of restricted shares/options	Date of issue/inception	Issue price (R)	Vesting date	Number of restricted shares/options	Date of issue/inception	Issue price (R)	Final vesting/exercise date
RK Morathi								
Nedbank restricted shares	15 797	07/03/2013	189,90	08/03/2016				
	15 797	08/03/2013	189,90	09/03/2016				
	33 492	06/03/2014	209,00	07/03/2017				
	27 368	12/03/2015	255,77	13/03/2018				
					39 361	17/03/2016	190,54	17/03/2019
Compulsory Bonus Share Scheme	7 666	31/03/2013	195,66	01/04/2016	7 666	01/04/2016	191,00	01/04/2016
	7 936	31/03/2014	223,03	01/04/2017				
	7 924	31/03/2015	251,29	01/04/2018				
					10 892	31/03/2016	189,58	01/04/2019
Voluntary Bonus Share Scheme	Own shares	31/03/2013	195,66	01/04/2016	1 533	01/04/2016	191,00	01/04/2016
	Own shares	01/04/2014	223,03	02/04/2017				
	Own shares	31/03/2015	251,29	01/04/2018				
					Own shares	31/03/2016	189,58	01/04/2019
Eyethu restricted shares	6 800	03/03/2010	–	04/03/2016				
Eyethu restricted options	20 400	03/03/2010	121,08	04/03/2016				
Total value of dividends								
Total								
Prescribed officers								
P Wessels								
Nedbank restricted shares	14 481	07/03/2013	189,90	08/03/2016				
	14 481	08/03/2013	189,90	09/03/2016				
	16 746	06/03/2014	209,00	07/03/2017				
	16 746	07/03/2014	209,00	07/03/2017				
	10 898	12/11/2014	229,39	12/11/2017				
	10 898	13/11/2014	229,39	13/11/2017				
	12 902	12/03/2015	255,77	13/03/2018				
	8 601	13/03/2015	255,77	14/03/2018				
					25 191	17/03/2016	190,54	17/03/2019
					16 794	18/03/2016	190,54	18/03/2019
Compulsory Bonus Share Scheme	7 666	31/03/2013	195,66	01/04/2016	7 666	01/04/2016	191,00	01/04/2016
	7 936	31/03/2014	223,03	01/04/2017				
	8 217	31/03/2015	251,29	01/04/2018				
					12 059	31/03/2016	189,58	01/04/2019
Voluntary Bonus Share Scheme	Own shares	31/03/2013	195,66	01/04/2016	1 533	01/04/2016	191,00	01/04/2016
	Own shares	01/04/2014	223,03	02/04/2017				
	Own shares	31/03/2015	251,29	01/04/2018				
					Own shares	31/03/2016	189,58	01/04/2019
Total value of dividends								
Total								

Awards vesting/lapsing during 2016					Dividends	Closing balance at 31 December 2016		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing (R)	Total value of dividends paid in respect of all plans (7) (R)	Number of restricted shares/ options	End of perfor-mance period	Final vesting/ exercise date
6 240	9 557	181,00	1 129 440	(1 729 817)				
15 797		181,00	2 859 257					
						33 492	31/12/2016	08/03/2016
						27 368	31/12/2017	09/03/2016
						39 361	31/12/2018	17/03/2019
15 332		191,00	2 928 412	–				
						7 936	31/12/2016	01/04/2017
						7 924	31/12/2017	01/04/2017
						10 892	31/12/2018	01/04/2018
3 066		191,00	585 606					
6 800		181,00	1 230 800					
20 400		178,02	1 161 576					
					1 763 175			
			9 895 091	(1 729 817)	1 763 175			
5 720	8 761	181,00	1 035 320	(1 585 741)				
14 481		181,00	2 621 061					
						16 746	31/12/2016	07/03/2017
						16 746	31/12/2016	07/03/2017
						10 898	31/12/2016	12/11/2017
						10 898	31/12/2016	13/11/2017
						12 902	31/12/2017	13/03/2018
						8 601	31/12/2017	14/03/2018
						25 191	31/12/2018	17/03/2019
						16 794	31/12/2018	18/03/2019
15 332		191,00	2 928 412	–				
						7 936	31/12/2016	01/04/2017
						8 217	31/12/2017	01/04/2018
						12 059	31/12/2018	01/04/2019
3 066		191,00	585 606					
					1 826 975			
			7 170 399	(1 585 741)	1 826 975			

N3 Directors' emoluments (continued)

N3.4. Share-based payments to executive directors and prescribed officers (continued)

	Opening balance at 1 January 2016					Awards made during 2016		
Executive directors	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
B Kennedy								
Nedbank restricted shares	15 797	07/03/2013	189,90	08/03/2016				
	15 797	08/03/2013	189,90	09/03/2016				
	16 746	06/03/2014	209,00	07/03/2017				
	16 746	07/03/2014	209,00	08/03/2017				
	22 285	12/03/2015	255,77	13/03/2018				
	14 857	13/03/2015	255,77	14/03/2018				
					23 617	17/03/2016	190,54	17/03/2019
					15 744	18/03/2016	190,54	18/03/2019
Compulsory Bonus Share Scheme	15 026	31/03/2013	195,66	01/04/2016	15 026	01/04/2016	191,00	01/04/2016
	16 141	31/03/2014	223,03	01/04/2017				
	17 609	31/03/2015	251,29	01/04/2018				
					23 730	31/03/2016	189,58	01/04/2019
Voluntary Bonus Share Scheme	Own shares	31/03/2013	195,66	01/04/2016	1 533	01/04/2016	191,00	01/04/2016
	Own shares	01/04/2014	223,03	02/04/2017				
	Own shares	31/03/2015	251,29	01/04/2018				
					Own shares	31/03/2016	189,58	01/04/2019
Total value of dividends								
Total								
C Thomas								
Nedbank restricted shares	9 873	07/03/2013	189,90	08/03/2016				
	9 873	08/03/2013	189,90	09/03/2016				
	10 287	06/03/2014	209,00	07/03/2017				
	10 287	07/03/2014	209,00	08/03/2017				
	10 204	12/03/2015	255,77	13/03/2018				
	6 803	13/03/2015	255,77	14/03/2018				
					14 957	17/03/2016	190,54	17/03/2019
					9 971	18/03/2016	190,54	18/03/2019
					14 169	11/08/2016	211,87	11/08/2019
					9 447	12/08/2016	211,87	12/08/2019
Compulsory Bonus Share Scheme	1 345	31/03/2014	223,03	01/04/2017				
	2 973	31/03/2015	251,29	01/04/2018				
					6 846	31/03/2016	189,58	04/10/2019
Voluntary Bonus Share Scheme					Own shares	31/03/2016	189,58	01/04/2019
Total value of dividends								
Total								

Awards vesting/lapsing during 2016					Dividends	Closing balance at 31 December 2016		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing (R)	Total value of dividends paid in respect of all plans (7) (R)	Number of restricted shares/ options	End of perfor-mance period	Final vesting/ exercise date
6 240	9 557	181,00	1 129 440	(1 729 817)				
15 797		181,00	2 859 257					
						16 746	31/12/2016	07/03/2017
						16 746	31/12/2016	08/03/2017
						22 285	31/12/2017	13/03/2018
						14 857	31/12/2017	14/03/2018
						23 617	31/12/2018	17/03/2019
						15 744	31/12/2018	18/03/2019
30 412		191,00	5 808 692	–				
						16 141	31/12/2015	01/04/2017
						17 609	31/12/2016	01/04/2018
						23 730	31/12/2017	01/04/2019
3 066		191,00	585 606					
					1 955 659			
			10 382 995	(1 729 817)	1 955 659			
3 900	5 973	181,00	705 900	(1 081 113)				
9 873		181,00	1 787 013					
						10 287	31/12/2016	07/03/2017
						10 287	31/12/2016	08/03/2017
						10 204	31/12/2017	13/03/2018
						6 803	31/12/2017	14/03/2018
						14 957	31/12/2018	17/03/2019
						9 971	31/12/2018	18/03/2019
						14 169	31/12/2018	11/08/2019
						9 447	31/12/2018	12/08/2019
1 345		222,35	299 061					
1 487		222,35	330 634			1 486	31/12/2016	01/04/2018
2 282		222,35	507 403			4 564	31/12/2017	01/04/2019
1 556		222,35	345 977					
					1 100 619			
			3 975 988	(1 081 113)	1 100 619			

N3 Directors' emoluments (continued)

N3.4. Share-based payments to executive directors and prescribed officers (continued)

	Opening balance at 1 January 2016					Awards made during 2016		
Executive directors	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
I Ruggiero								
Nedbank restricted shares	3 949	07/03/2013	189,90	08/03/2016				
	3 949	08/03/2013	189,90	09/03/2016				
	4 186	06/03/2014	209,00	07/03/2017				
	4 186	07/03/2014	209,00	08/03/2017				
	4 457	12/03/2015	255,77	13/03/2018				
	2 971	13/03/2015	255,77	14/03/2018				
	7 959	12/08/2015	263,84	13/08/2018				
	5 306	13/08/2015	263,84	14/08/2018				
					18 893	17/03/2016	190,54	17/03/2019
					12 595	18/03/2016	190,54	18/03/2019
Compulsory Bonus Share Scheme	2 299	31/03/2013	195,66	01/04/2016	2 299	01/04/2016	191,00	01/04/2016
	3 093	31/03/2014	223,03	01/04/2017				
	3 110	31/03/2015	251,29	01/04/2018				
					7 780	31/03/2016	189,58	01/04/2019
Voluntary Bonus Share Scheme	Own shares	31/03/2013	195,66	01/04/2016	1 533	01/04/2016	191,00	01/04/2016
	Own shares	01/04/2014	223,03	02/04/2017				
	Own shares	31/03/2015	251,29	01/04/2018				
					Own shares	31/03/2016	189,58	01/04/2019
Total value of dividends								
Total								

1 *Matching on the Compulsory Bonus Share Scheme occurs only on shares in the scheme at the vesting date. If CPTs are met, a 100% matching occurs, otherwise a 50% matching occurs.*

2 *Restricted share awards with time-based vesting only.*

3 *Match occurred at one shares for each in the Compulsory Bonus Share Scheme and Voluntary Bonus Share Scheme as at the vesting date.*

4 *For the Voluntary Bonus Share Scheme employees invest their own Nedbank shares into the scheme. After three years, if the corporate targets are met, a 100% matching occurs, otherwise a 50% matching occurs.*

5 *Value determined based on number of shares lapsing multiplied by the market share price on scheduling vesting date.*

6 *Eyethu restricted options have a lifespan of seven years from the date of issue.*

7 *Plans excludes Voluntary Bonus Share Scheme, which are own shares.*

	Awards vesting/lapsing during 2016					Dividends	Closing balance at 31 December 2016		
	Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing (R)	Total value of dividends paid in respect of all plans (7) (R)	Number of restricted shares/ options	End of perfor-mance period	Final vesting/ exercise date
	1 560	2 389	181,00	282 360	(432 409)				
	3 949		181,00	714 769					
							4 186	31/12/2016	07/03/2017
							4 186	31/12/2016	08/03/2017
							4 457	31/12/2017	13/03/2018
							2 971	31/12/2017	14/03/2018
							7 959	31/12/2017	13/08/2018
							5 306	31/12/2017	14/08/2018
							18 893	31/12/2018	17/03/2019
							12 595	31/12/2018	18/03/2019
	4 598		191,00	878 218	–				
							3 093	31/12/2016	01/04/2017
							3 110	31/12/2017	01/04/2018
							7 780	31/12/2017	01/04/2019
	3 066		191,00	585 606					
						957 908			
				2 460 953	(432 409)	957 908			

N4 Preference shareholders' analysis

Register date:	31 December 2016
Authorised share capital:	1 000 000 000 shares
Issued share capital:	358 277 491 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	187	3,32	93 334	0,03
1 001 – 10 000 shares	2 177	38,68	13 033 773	3,64
10 001 – 100 000 shares	2 815	50,01	93 150 451	26,00
100 001 – 1 000 000 shares	414	7,35	98 226 231	27,41
1 000 001 shares and over	36	0,64	153 773 702	42,92
Total	5 629	100,00	358 277 491	100,00

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks	5	0,09	28 128	0,01
Close corporations	61	1,08	4 007 601	1,12
Endowment funds	70	1,24	8 829 717	2,46
Individuals	3 577	63,55	87 981 564	24,56
Insurance companies	22	0,39	26 004 002	7,26
Investment companies	6	0,11	6 996 140	1,95
Medical aid schemes	5	0,09	678 052	0,19
Mutual funds	97	1,72	74 274 083	20,73
Nominees and trusts	1 544	27,43	76 187 680	21,26
Other corporations	29	0,51	955 657	0,27
Private companies	166	2,95	26 364 054	7,36
Public companies	4	0,07	1 973 800	0,55
Own holdings	1	0,02	37 300 000	10,41
Retirement funds	42	0,75	6 697 013	1,87
Total	5 629	100,00	358 277 491	100,00

Public/Non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	10	0,18	50 394 048	14,07
Directors and associates of the company	1	0,02	11 000	
Old Mutual Life Assurance Company (SA) Ltd and associates	3	0,05	92 875	0,03
Nedbank Group Ltd and associates	6	0,11	50 290 173	14,04
Public shareholders	5 619	99,82	307 883 443	85,93
Total	5 629	100,00	358 277 491	100,00

Beneficial shareholders holding 5% or more	Number of shares	%
Nedbank Group Ltd	50 290 173	14,04
Prescient	23 377 440	6,52
Total	73 667 613	20,56

N4 Preference shareholders' analysis (continued)

Major managers	Number of shares	Dec 2016 % holding	Dec 2015 % holding
Nedbank Group Ltd	37 300 000	**10,41**	
Nedgroup Private Wealth (Pty) Ltd (SA)	35 975 371	**10,04**	9,90
Prescient Investment Management (SA)	31 954 509	**8,92**	2,98
Sanlam Investment Management (SA)	21 918 062	**6,12**	6,30
Investec Securities (Pty) Ltd	14 797 245	**4,13**	4,16
Grindrod Asset Management (SA)	12 771 828	**3,56**	2,85
Abax Investments (SA)	9 174 861	**2,56**	2,61
Outsurance Insurance Company Ltd (SA)	7 589 720	**2,12**	2,12
STANLIB Asset Management	6 371 444	**1,78**	3,14
PSG Konsult (SA)	5 394 912	**1,51**	1,61
Coronation Asset Management (Pty) Ltd (SA)	5 087 724	**1,42**	11,36
Peregrine Capital (Pty) Ltd	5 049 713	**1,41**	0,87
Ashburton Investments	5 013 243	**1,40**	0,66
Regent Insurance Company Ltd (SA)	4 848 485	**1,35**	1,35
Sasfin Asset Managers (Pty) Ltd	3 941 924	**1,10**	1,01

Compliance with IFRS[1] – financial statement notes

Note number	Note description	IFRS required
A1	Principal accounting policies	IAS[2] 1
A2	Key assumptions concerning the future and key sources of estimation	IAS 1
A3	Standards issued but not yet effective	IAS 8
B1	Segmental reporting	IFRS 8
B2	Dividends	IAS 1 and IAS 10
B3	Share capital	IAS 1
B4	Additional tier 1 capital instruments	IAS 32, IAS 39, IFRS 7 and IFRS 13
B5	Net interest income	IAS 18, IAS 32, IAS 39, IFRS 7 and IFRS 13
B6	Non-interest revenue	IAS 18, IAS 20, IAS 32, IAS 39, IFRS 4, IFRS 7, IFRS 8 and IFRS 13
B7	Total operating expenses	IAS 1, IAS 19, IFRS 2 and IFRS 8
B8.1	Indirect taxation	IAS 1
B8.2	Direct taxation	IAS 12
B8.3	Deferred taxation	IAS 12
B9	Non-trading and capital items	IAS 1, IAS 16, IAS 36 and IFRS 10
C1	Loans and advances	IAS 17, IAS 39, IFRS 7, IFRS 8 and IFRS 13
C2	Impairment of loans and advances	IAS 39, IFRS 7 and IFRS 8
C3	Government and other securities	IAS 1, IAS 32, IAS 39, IFRS 7; IFRS 8 and IFRS 13
C4	Other short-term securities	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
C5	Credit analysis of other short-term securities, and government and other securities	IFRS 7
C6	Cash and cash equivalents	IAS 1, IAS 7 and IFRS 7
C7	Derivative financial instruments	IAS 32, IAS 39, IFRS 7 and IFRS 13
D1	Amounts owed to depositors	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
D2	Long-term debt instruments	IAS 32, IAS 39, IFRS 7 and IFRS 13
D3	Contractual maturity analysis for financial liabilities	IFRS 7
E	Managed funds	IFRS 7 and IFRS 13
F1	Investment securities	IAS 32, IAS 39, IFRS 7 and IFRS 13
F2	Investments in private-equity associates, associate companies and joint arrangements	IAS 28, IFRS 11, IFRS 12 and IFRS 13
F3	Investments in subsidiary companies and related disclosure	IAS 27, IFRS 10 and IFRS 12
F4	Interests in structured consolidated and unconsolidated structured entities	IFRS 12
F5	Securitisations	IAS 39, IFRS 7 and IFRS 13
F6	Related parties	IAS 24
G1	Property and equipment	IAS 16, IAS 36 and IFRS 13
G2	Intangible assets	IAS 38 and IAS 36
H1	Long-term employee benefits	IAS 19 and IFRIC[3] 14
H2	Non-current assets and liabilities held for sale	IFRS 5 and IFRS 13
H3	Other assets	IAS 1, IAS 39, IFRS 7 and IFRS 13
I1	Consolidated statement of financial position – categories of financial instruments	IAS 39 and IFRS 7
I2	Fair-value measurement – financial instruments	IAS 39, IFRS 7 and IFRS 13
I3	Assets and liabilities not measured at fair value for which fair value is disclosed	IAS 39, IFRS 7 and IFRS 13
I4	Financial instruments designated as at fair value through profit or loss	IAS 32, IAS 39, IFRS 7 and IFRS 13
I5	Offsetting financial assets and financial liabilities	IFRS 7 and IAS 32

Note number	Note description	IFRS required
I6	Collateral	IFRS 7
J	Share-based payments	IFRS 2
K1	Provisions and other liabilities	IAS 37, IAS 32, IAS 39, IFRS 7 and IFRS 13
K2	Contingent liabilities and undrawn facilities	IAS 37 and IAS 10
K3	Commitments	IAS 37, IAS 10, IAS 17 and IFRS 7
L1	Capital management	IAS 1
L2	Liquidity gap	IFRS 7
L3	Interest rate repricing gap	IFRS 7
L4	Historical value at risk (99%, one-day) by risk type	IFRS 7
M	Cashflow information	IAS 7
N1	Foreign currency conversion	IAS 21
N2	Events after the reporting period	IAS 10
N4	Preference shareholders' analysis	IAS 1
	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).*

Notice of our annual general meeting

NEDBANK LIMITED (Incorporated in the Republic of South Africa) Reg No 1951/000009/06
JSE share code: NBKP ISIN: ZAE0000043667 ('Nedbank or 'the company')

This notice is sent to holders of Nedbank non-redeemable non-cumulative non-participating preference shares ('perpetual preference shares') and the holders of the class A and class B redeemable cumulative preference shares ('redeemable preference shares') (the perpetual preference shares and redeemable preference shares collectively 'the preference shares') for information only.

In terms of article 44.8 of the memorandum of incorporation (MOI) of Nedbank, the holders of the perpetual preference shares will not be entitled to be present or to vote, either in person or by proxy, at any meeting of the company by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail at the date of the meeting:

- the preference dividend or any part thereof remains in arrears and unpaid after 6 (six) months from the due date thereof; and
- a resolution of the company is proposed (in which event the preference shareholders will be entitled to vote only on such resolution) that directly affects the rights attached to the preference shares or the interests of the holders thereof, including a resolution for the winding up of the company or for the reduction of its capital.

In terms of articles 45.9 and 46.9 of the MOI of Nedbank, the holders of the redeemable preference shares are entitled to receive notice and attend the annual general meeting, but will not be entitled to speak or vote thereat, unless the circumstances, as recorded in these articles, prevail at the date of the meeting.

Notice is hereby given to shareholders recorded in the securities register of Nedbank on Friday, 24 March 2017, that the annual general meeting of shareholders will be held in the Executive Boardroom, Ground Floor, Block A, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Wednesday, 17 May 2017 at 16:30 to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), as read with the JSE Ltd Listings Requirements.

Record date to receive the notice of the annual general meeting	Friday, 24 March 2017
Last date to trade to be eligible to participate in and vote at the annual general meeting	Tuesday, 9 May 2017
Record date to be eligible to participate in and vote at the annual general meeting	Friday, 12 May 2017
Last date for lodging forms and proxy with company secretary	Tuesday, 16 May 2017

The quorum requirement for the ordinary and special resolutions set out below is sufficient persons being present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the resolutions, provided that at least three shareholders of the company are present at the annual general meeting. Meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to attend or participate in the meeting. Forms of identification include valid identity documents, driving licences and passports.

AGENDA

1 Presentation of annual financial statements and reports

The annual financial statements of the company incorporating, among others, the Directors' Report and Auditors' Report, for the financial year ended 31 December 2016 are available at Nedbankgroup.co.za and will be presented to the shareholders in terms of the Companies Act. The summarised, audited annual financial statements, together with the reports, are contained in the 2016 Nedbank Annual Report.

ORDINARY RESOLUTIONS

2 Ordinary resolution 1 – Election of directors of the company appointed during the year

Subsequent to the Nedbank annual general meeting held on 4 May 2016, the board appointed Messrs EM Kruger and RAG Leith as directors of the company. These directors retire in terms of the company's MOI and, being eligible, make themselves available for election.

1.1 'Resolved that Mr EM Kruger be and is hereby elected as a director of the company.'

Independent non-executive Director
Qualifications: BCom
Expertise in banking and financial services

Errol joined the board as a non-executive director on 1 August 2016. He has extensive regulatory, banking and financial services experience. From September 2003 to July 2011 he was the Registrar of Banks at the South African Reserve Bank (SARB), having been with SARB from July 1978 until July 2011. As the Registrar of Banks, Errol represented South Africa as a full member of the Basel Committee on Banking Supervision from 2009 to 2011 and he successfully project-managed South Africa's early adoption and full implementation of both the revised 25 Basel Core Principles for Effective Banking Supervision and Basel II. Errol was appointed Managing Director of Supervision and Authorisation at the Qatar Financial Centre Regulatory Authority on 1 August 2011, following which he was also appointed by the board of the Qatar Central Bank to serve on Qatar's Financial Stability and Risk Control Committee. He relinquished his role at the Qatar Financial Centre Regulatory Authority on 31 July 2016.

Board committees: Group Credit Committee, Group Risk and Capital Management Committee and Large-exposure Approval Committee.

1.2 'Resolved that Mr RAG Leith be and is hereby elected as a director of the company.'

Non-executive Director
Qualifications: BCom(Hons), CA(SA)
Expertise in banking and financial services

Rob joined the board as non-executive director in October 2016. He was appointed as the Director of Managed Separation at Old Mutual plc (Nedbank Group's ultimate holding company) on 14 March 2016 after joining Old Mutual from a private investment company, where he had been since September 2014. Prior to that Rob was Global Head of Investment Banking and Global Markets of Sberbank CIB. He joined Sberbank CIB in January 2012 from Standard Bank, where he had served for over 20 years in the UK, latterly as Head of Group Strategic Development and Chief Executive of Global Corporate and Investment Banking.

Board committees: Group Credit Committee, Group Risk and Capital Management Committee and Large-exposure Approval Committee.

The percentage of voting rights required for the passing of each ordinary resolution contained under points 1.1 and 1.2 is more than 50% (fifty percent) of the voting rights exercised in respect of each resolution.

3 Ordinary resolution 2 – Reelection of directors retiring by rotation

The following directors retire by rotation in terms of clause 19.1 of the company's MOI, which requires not less than one-third of the directors to retire at each annual general meeting. These directors, being eligible, make themselves available for reelection, each by way of a separate vote. Biographical details of the directors to be reelected are set out below.

2.1 'Resolved that Mr MWT Brown be and is hereby reelected as a director of the company.'

Chief executive

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

Expertise in banking and financial services

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

Board committees: Group Credit Committee, Group Risk and Capital Management Committee and Large-exposure Approval Committee.

2.2 'Resolved that Mr BA Dames be and is hereby reelected as a director of the company'

Independent non-executive Director

Qualifications: BSc(Hons), MBA

Expertise in energy and resources. Large corporate and industrial experience, doing business in Africa.

Brian joined the board as an independent non-executive director on 30 June 2014. Brian is Chief Executive of African Rainbow Energy and Power. Previously Brian served as the Chief Executive of Eskom, the largest power utility in Africa and one of the largest utilities in the world, and has extensive experience with global (and specifically with African and South African) energy and resource issues. Brian serves as a member of the Administrative Board of Sustainability Energy for All, as a member of the World Economic Forum's Global Council on Future of Energy, as a non-executive director of the Industrial Development Corporation of South Africa Ltd and as a member of the Sol Plaatjie University Finance Committee.

Board committees: Group Credit Committee, Group Information Technology and Large-exposure Approval Committee.

2.3 'Resolved that Mr PM Makwana be and is hereby reelected as a director of the company.'

Independent non-executive Director

Qualifications: BAdmin(Hons)

Expertise in Human Resources, Marketing, Communications, Strategic Planning, Banking, Resources and large corporate and industrial experience.

Mpho joined the board as an independent non-executive director on 17 November 2011. Mpho is a past Chairman of Eskom Holdings Ltd, where he led the team that kept the lights on during the 2010 FIFA World Cup. He is an independent director of Adcock Ingram Ltd, Sephaku Holdings Ltd and enX Group Ltd and Chairman of ArcelorMittal SA Ltd. He serves in various non-profit initiatives, among these as a Trustee on the board of the Nelson Mandela Children's Fund.

Board committees: Chairman of Group Remuneration Committee. Member of Group Transformation, Social and Ethics Committee, Group Information Technology Committee, Group Audit Committee, Group Directors' Affairs Committee, and Group Related Party Transactions Committee.

2.4 'Resolved that Mr JK Netshitenzhe be and is hereby reelected as a director of the company.'

Independent non-executive Director

Qualifications: BSc(Hons), MBA

Expertise in energy and resources. Large corporate and industrial experience, doing business in Africa.

Joel joined the board as an independent non-executive director in August 2010. He is currently an executive director of the Mapungubwe Institute for Strategic Reflection. He has been a member of the National Executive Committee of the African National Congress since 1991, and serves on the African National Congress's Economic Transformation and Political Education board committees. He was a member of the National Planning Commission from 2010 to 2015, and served as Head of Policy Coordination and Advisory Services in the Presidency from 2001 until December 2009. He was previously Chief Executive of the Government Communication and Information System and also served as Head of Communication in the President's Office. Joel is also a non-executive director on the boards of Life Healthcare Group Holdings Ltd and the Council for Scientific and Industrial Research.

Board committees: Group Information Technology Committee, Group Risk and Capital Management Committee, Group Related-party Transactions Committee.

The percentage of voting rights required for the passing of each ordinary resolution contained under points 2.1 to 2.4 is more than 50% (fifty percent) of the voting rights exercised on each resolution.

4 Ordinary resolution 3 – Reappointment of external auditors

The Group Audit Committee considered the independence of the joint external auditors on an ongoing basis during the year and assessed the skills, reporting and overall performance of Deloitte & Touche (with Mr L Nunes as designated registered auditor, following the conclusion of Mr Jordan's term) and KPMG Inc (with Mr S Malaba as designated registered auditor), and recommend their reappointment as joint auditors of the group. It is proposed that the appointments be made on a joint basis. If either resolution 3.1 or resolution 3.2 is not passed, the resolution that is passed will be effective.

3.1 'Resolved that Deloitte & Touche be and is hereby reappointed as auditors to hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting of Nedbank.'

3.2 'Resolved that KPMG Inc be and is hereby reappointed as auditors to hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting of Nedbank.'

The percentage of voting rights required for the passing of each ordinary resolution contained under points 3.1 and 3.2 is more than 50% (fifty percent) of the voting rights exercised on each resolution.

5 Ordinary resolution 4 – Placing the authorised but unissued shares under the control of the directors

'Resolved that the authorised, but unissued, shares in the authorised share capital of Nedbank be and are hereby placed under the control of the directors to issue these shares, in such numbers and on such terms and conditions and at such times and at such prices as they deem fit, subject to the provisions of the Companies Act, 71 of 2008 (as amended), the Banks Act, 94 of 1990 (as amended) and the JSE Ltd Listings Requirements.'

The percentage of voting rights required for the passing of this ordinary resolution is more than 50% (fifty percent) of the voting rights exercised on this resolution.

6 Advisory endorsement of Remuneration Policy

'To endorse through a non-binding advisory vote the company's Remuneration Policy (excluding the remuneration of non-executive directors for their services as directors and members of the board committees), as set out in the Remuneration Report available at nedbankgroup.co.za.'

In accordance with the principle of King III, an advisory vote is being put to shareholders for the endorsement of Nedbank's Remuneration Policy. As the votes on this resolution are non-binding, the results would not be binding on the board. However, the board will consider the outcome of the vote when considering its Remuneration Policy in future.

SPECIAL RESOLUTIONS

7 Special resolution 1 – Remuneration of non-executive directors

'Resolved that the non-executive directors' fees for their services as directors, in accordance with the company's Remuneration Policy, as set out in the Remuneration Report available at nedbankgroup.co.za, be and are hereby approved'.

The percentage of voting rights required for the passing of special resolution 1 is more than 75% (seventy-five percent) of the voting rights exercised on each resolution.

8 Special resolution 2 – General authority to provide financial assistance to related and interrelated companies

'Resolved that, subject to the provisions of the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), the shareholders of the company hereby approve, as a general approval for a period of two years, the company providing direct or indirect financial assistance ('financial assistance') as contemplated in sections 44 and 45 of the Companies Act on such terms as may be authorised by the board of directors of the company in accordance with the following:

- the financial assistance can be provided to any related or interrelated company (and any person 'related' to such company) or any other person (a 'recipient') (which, for the avoidance of doubt, excludes financial assistance provided to any directors or prescribed officers of the company or of any such recipients); and
- nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and 45 of the Companies Act or falls within any exemption provided in these sections.'

Section 44 of the Companies Act essentially requires, subject to limited exceptions, approval by way of special resolution for the provision of financial assistance for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company. Section 45 of the Companies Act essentially requires, subject to limited exceptions, approval by way of special resolution for the provision of financial assistance, among others, to companies 'related' to and 'interrelated' with the company. Both sections 44 and 45 provide, among others, that the regulated financial assistance may only be provided pursuant to a special resolution passed by shareholders within the previous two years.

The provision of any direct or indirect financial assistance by the company will always be subject to the board being satisfied that, immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test referred to in sections 44(3)(b)(i) and 45(3)(b)(i) of the Companies Act, respectively, and that the terms under which such financial assistance is to be given are fair and reasonable to the company, as referred to in sections 44(3)(b)(i) and 45(3)(b)(ii) of the Companies Act.

The directors would like the authority to be able to provide financial assistance to companies 'related' and 'interrelated' to the company and persons related to such companies, including for the acquisition of securities issued by the company and related companies, where they regard it desirable. Such authorisation is generally required for providing loans and guarantees and other financial assistance to subsidiaries and group companies, which is often necessary or desirable for the conduct of Nedbank's business. The extension of this authority to 'any other person' is for the sole purpose of facilitating to mechanics of Nedbank's preference share business.

The percentage of voting rights required for the passing of special resolution 2 is more than 75% (seventy-five percent) of the voting rights exercised on this resolution.

9 Special resolution 3 – Amendment to clause 13.9 of the MOI in relation to the treatment of fractions

'Resolved that the memorandum of incorporation of the company be amended by the deletion and replacement of the existing clause 13.9 with the wording as follows:

13.9 If security holders would, on any capitalisation issue (for the sake of clarity, reference to a capitalisation issue will have its ordinary meaning and include the issue of 'scrip dividends' contemplated in the JSE Ltd Listings Requirements), consolidation, distribution or unbundling of securities would, but for the provisions of the clause, become entitled to fractions of securities, such fractions will be treated in accordance with the JSE Ltd Listings Requirements as amended from time to time.'

Explanatory information in respect of special resolution 3

Special resolution 3 is proposed to facilitate the amendment to the MoI to include the latest amendments to the JSE Ltd Listings Requirements in relation to the treatment of fractions.

The percentage of voting rights required for the passing of special resolution 3 is more than 75% (seventy-five percent) of the voting rights exercised on this resolution.

VOTING BY PROXY

A shareholder entitled to attend and vote at the annual general meeting may appoint a proxy or proxies to attend, speak and vote or abstain from voting in his/her/its stead. A proxy need not be a shareholder of the company. Completed proxy forms must please be received at the office of the company secretary no later than 24 hours before the time appointed for the holding of the annual general meeting.

By order of the board

TSB Jali
Company Secretary

31 March 2017

Sandown

Approved by the board on 17 March 2017

Registered office

Nedbank Ltd
Reg No 1951/000009/06
Nedbank 135 Rivonia Campus,
135 Rivonia Road, Sandown,
Sandton, 2196

PO Box 1144
Johannesburg, 2000
Tel: +27 (0)11 294 4444

Form of proxy

Nedbank Limited
(Incorporated in the Republic of South Africa)
Reg No 1951/000009/06
JSE share code: NBKP ISIN ZAE000043667
('Nedbank' or 'the company')

To be used by the holders of voting rights on ordinary shares

I/We

of (address)

being the holder(s) of ordinary shares in the company, appoint (see note 1):

1 or failing him/her

2 or failing him/her

the chair of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the annual general meeting that will be held in the Executive Boardroom, Ground Floor, Block A, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Wednesday, 17 May 2017, at 16:30, for the purpose of considering and, if deemed fit, passing with or without modification as ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against such resolutions and/or to abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes (one vote per ordinary share)		
Ordinary resolutions	For	Against	Abstain
ORDINARY RESOLUTION 1			
1.1 Election of Mr EM Kruger, who was appointed as a non-executive director since the previous annual general meeting of shareholders			
1.2 Election of Mr RAG Leith, who was appointed as a non-executive director since the previous annual general meeting of shareholders			
ORDINARY RESOLUTION 2			
2.1 Reelection as a director of Mr MWT Brown, who is retiring by rotation			
2.2 Reelection as a director of Mr BA Dames, who is retiring by rotation			
2.3 Reelection as a director of Mr PM Makwana, who is retiring by rotation			
2.4 Reelection as a director of Mr JK Netshitenzhe, who is retiring by rotation			
ORDINARY RESOLUTION 3			
3.1 Appointment of Deloitte & Touche as external auditors			
3.2 Appointment of KPMG Inc as external auditors			
ORDINARY RESOLUTION 4			
4.1 Placing of authorised but unissued shares under the control of the directors			
5 Advisory endorsement of Remuneration Policy			
Special resolutions			
SPECIAL RESOLUTION 1			
6 Remuneration of non-executive directors			
SPECIAL RESOLUTION 2			
7 General authority to provide financial assistance to related and interrelated companies			
SPECIAL RESOLUTION 3			
8 Amendment to clause 13.9 of the MOI in relation to the treatment of fractions			

On a show of hands a person entitled to vote is entitled to only one vote irrespective of the number of the relevant Nedbank shares he/she holds or represents.

On a poll, a person entitled to vote at the annual general meeting present in person or by proxy is entitled to that proportion of the total votes in the company that the aggregate amount of the nominal value of the Nedbank shares held or represented by him/her bears to the aggregate amount of the nominal value of all the Nedbank shares issued by the company and carrying the right to vote.

A proxy/proxies may delegate his/her/their authority in terms of this proxy to another person. This proxy form will lapse and cease to be of force and effect immediately after the annual general meeting of the company to be held in the Executive Boardroom, Ground Floor, Block A, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton on Wednesday, 17 May 2017, at 16:30 or at any adjournment thereof, unless it is revoked earlier.

Signed at (place) on (date) 2017

Signature

Assisted by me

(where applicable)

Please read the notes on the reverse side hereof.

Notes to form of proxy

Summary of the rights of a holder to be represented by proxy as contained in section 58 of the Companies Act, 71 of 2008 (as amended), and notes to the form of proxy.

1 Each holder entitled to attend and vote at the annual general meeting is entitled to appoint one or more individuals as proxy/proxies [who need not be person(s) entitled to vote at the annual general meeting] to attend, participate in, speak and vote or abstain from voting in place of that holder at the annual general meeting.

2 The proxy/proxies may delegate the authority received from the holder to a further person, subject to any restriction set out in this form of proxy.

3 A proxy appointment must be in writing, dated and signed by the holder appointing the proxy/proxies.

4 A holder may insert the name of a proxy or the names of two alternative proxies of the holder's choice in the space provided, with or without deleting 'the chair of the annual general meeting'. The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of the persons whose names follow. Further, a holder may appoint more than one proxy to exercise voting rights attached to different securities held by that holder.

5 A holder's instructions to the proxy/proxies have to be indicated by the insertion of the relevant number of votes exercisable by that holder in the appropriate box provided. Failure to comply with this will be deemed to authorise the chair of the annual general meeting, if the chair is the authorised proxy, to vote in favour of the ordinary and special resolutions at the annual general meeting, or the appointed proxy/proxies to vote or abstain from voting at the annual general meeting, without direction as he/she/they deem(s) fit, in respect of all the holder's votes exercisable thereat.

6 A holder or his/her proxy/proxies is/are not obliged to vote in respect of all the ordinary shares held by such holder or represented by such proxy/proxies, but the total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the holder or his/her proxy/proxies is/are entitled.

7 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity has to be attached to this form of proxy, unless previously recorded by the company secretary or waived by the chair of the annual general meeting. Examples of satisfactory identification include a valid identity document, a valid driving licence or a valid passport.

8 Any alterations or corrections to this form of proxy must be initialled by the signatory/signatories.

9 The completion and lodging of this form of proxy will not preclude the relevant holder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such holder wish to do so, in which case this proxy will be suspended accordingly.

10 Forms of proxy have to be lodged with or posted to the Company Secretary's office (for the attention of Jackie Katzin, Ground Floor, Block A, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196, PO Box 1144, Johannesburg, 2000) before a proxy/proxies may exercise any voting rights of a holder at the annual general meeting. The forms of proxy are requested to be received no later than 08:30 on Tuesday, 16 May 2017.

11 This form of proxy may be completed by:

11.1 those holders who are holding Nedbank shares in a certificated form; or

11.2 those holders who are recorded in the subregister as holding Nedbank shares in dematerialised electronic form in their own name; or

11.3 persons who are not shareholders but who are entitled to exercise any voting rights (irrespective of the form, title or nature of the securities to which those voting rights are attached) as at the record date of this annual general meeting.

12 Holders of Nedbank ordinary shares (whether certificated or dematerialised) through a nominee, should timeously make the necessary arrangements with that nominee or, if applicable, participant (previously referred to as central securities depository participant) or broker on how they wish their votes to be cast on their behalf at the annual general meeting. As far as holdings in a participant are concerned, these will be guided by the terms of the agreement entered into between shareholders and their participant or broker.

13 Holders attending the annual general meeting on 17 May 2017 will be afforded the opportunity of putting questions to the directors and management.

14 If this form of proxy has been delivered to the company in accordance with paragraph 10, and as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's memorandum of incorporation to be delivered by the company to a holder must be delivered by the company to the holder or, alternatively, if a holder has directed the company to do so in writing and has paid any reasonable fees charged by the company for doing so, to such holder's proxy/proxies.

15 Except if a holder provides in this proxy form that a proxy appointment is irrevocable, a holder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy/proxies; and (ii) delivering a copy of the revocation instrument to the proxy/proxies and to the Company Secretary's office at Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196, for the attention of Jackie Katzin, to be received before the replacement proxy/proxies exercise(s) any rights of the holder at the annual general meeting of the company or any adjournment thereof.

16 The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's/proxies' authority to act on behalf of the holder as of the later of: (i) the date stated in the revocation instrument, if any; or (ii) the date on which the revocation instrument was delivered, as required in paragraph 15 above.

Company details

NEDBANK LIMITED

Incorporated in the Republic of SA
Registration number
1951/000009/06

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

INSTRUMENT CODES

Nedbank Limited non-redeemable non-cumulative preference shares

JSE share code	NBKP
ISIN	ZAE000043667
Company Secretary:	TSB Jali
Sponsors:	Investec Bank Ltd, Nedbank CIB

This document is available on the group's website at nedbankgroup.co.za, together with the following additional information:

- Financial results presentation to analysts.
- Link to a webcast of the presentation to analysts.

For further information please contact Nedbank Group Investor Relations at nedbankgroupir@nedbank.co.za.

DISCLAIMER

Nedbank has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as 'forward-looking statements' within the meaning of US securities legislation.

Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'.

Forward-looking statements are not statements of fact, but statements by the management of Nedbank based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

The risks and uncertainties inherent in the forward-looking statements contained in this document include, but are not limited to: changes to International Financial Reporting Standards and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of both current and future litigation.

Nedbank does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.