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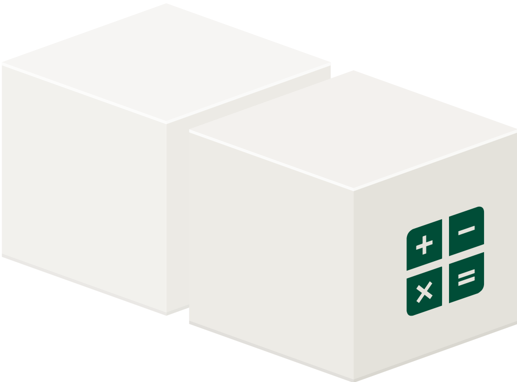
NEDBANK GROUP

NEDBANK GROUP LIMITED

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

A Member of the OLDMUTUAL Group



CONTENTS

DIRECTORS' RESPONSIBILITY

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Nedbank Group Limited (comprising the statements of financial position at 31 December 2014, the statements of comprehensive income, the statements of changes in equity and statements of cashflows for the year then ended), the segmental reporting and the notes to the financial statements (including a summary of significant accounting policies and other explanatory notes) in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listings Requirements. In addition, the directors are responsible for the preparation of the directors' report.

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

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

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

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Nedbank Group Limited, as identified in the first paragraph, were approved by the Nedbank Group board of directors on 20 February 2015 and are signed on its behalf by:

Dr RJ Khoza
Chairman

MWT Brown
Chief Executive

Sandown

20 February 2015

COMPANY SECRETARY'S CERTIFICATION

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

TSB Jali
Company Secretary

Sandown

20 February 2015

REPORT FROM OUR GROUP AUDIT COMMITTEE

Overview

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

Composition

The GAC consists of four members, all of whom are independent non-executive directors, and is chaired by Malcolm Wyman. The GAC met five times during the year at times which were aligned with the group's financial reporting cycle. The Chief Executive (CE), the Chief Financial Officer (CFO), the Chief Operating Officer (COO), the Chief Risk Officer (CRO), the Chief Internal Auditor (CIA), the Chief Governance and Compliance Officer and representatives of the external auditors are invited to attend all GAC meetings.

GAC members	Scheduled meeting attendance
Malcolm Wyman (Chairman)	5/5
Nomavuso Mnxasana	5/5
Paul Makwana	5/5
Tom Boardman (appointed 12 May 2014)	2/2

Committee governance and effectiveness

The legal responsibilities of the GAC are governed by the Companies Act, 71 of 2008 ('Companies Act'), and the Banks Act, 94 of 1990 (as amended) ('Banks Act'). These responsibilities, and compliance with appropriate governance and international best practice, are dealt with in the committee's charter, which is reviewed annually and was approved by the board.

The chairman of the committee reports to the board on the matters discussed at each committee meeting and the minutes of each meeting are circulated to all boardmembers.

The GAC Chairman has regular contact with the management team, including the CEO, the COO, the CRO, the CIA and the CFO, to address relevant matters directly. The CIA and the external auditors have direct access to the committee, including closed sessions without management, on any matter that they regard as relevant to the fulfilment of the committee's responsibilities.

New members of the GAC undergo an induction programme, which includes briefings on matters relevant to the responsibilities of the committee, and meet with the finance executive. Ongoing training is provided to committee members on a range of financial, regulatory and other compliance matters. During 2014 training was conducted on the investor relations function and Johannesburg Stock Exchange (JSE) reporting requirements; non-interest income key drivers and areas of judgement; integrated reporting framework and developments; and global mega trends within the taxation environment.

The performance of the committee is reviewed annually through a self-assessment questionnaire. The 2014 review concluded that the committee continued to operate effectively and meet its objectives.

Internal control

The GAC monitored the effectiveness of the group's internal controls and compliance with the Enterprisewide Risk Management Framework (ERMF). The emphasis on risk governance is based on three lines of defence and the GAC uses the regular reports received from the three lines of defence to evaluate the effectiveness of the internal controls. The ERMF places weight on accountability, responsibility, independence, reporting, communication and transparency, both internally and with all Nedbank's key external stakeholders.

The functions of the three lines of defence, as well as the principal responsibilities that extend across the group, are set out in the Risk and Balance Sheet Management Review available at **nedbankgroup.co.za**. For the period under review the GAC monitored management's effectiveness at:

- creating and maintaining an effective internal control environment throughout the group;
- demonstrating the necessary respect for the control environment; and
- identifying and correcting weaknesses in systems and internal controls.

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

The GAC received 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.

As required by King III the GAC received confirmation from the CIA regarding the effectiveness of internal financial controls, internal controls and risk management.

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

Financial reporting process

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

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

The GAC also:

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

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

Over the past year and a half, there have been significant changes in reporting by audit committees in the United Kingdom, driven by regulatory and stakeholder requirements for greater transparency from audit committees in reporting the matters that the audit committee considered to be significant to the financial statements and how they addressed these matters. The GAC considered the UK audit committee reporting developments to be best practice and have chosen to adopt them in the current year. Key areas of management judgement applied in the preparation of the financial statements and assessed by the GAC in the current year are:

- **Fair value of financial instruments –** The GAC reviewed reports from the CFO regarding the Investment Committee review of investment valuations and details of critical valuation judgements applied to the valuation of group treasury and trading instruments. Financial instruments and investments are disclosed in notes 37 and 38 to the financial statements and in the accounting policy discussed in note 1.5.
- **Taxation-related matters –** The GAC reviewed reports from the CFO regarding the tax computation and, where applicable, levels of judgement in determining tax accrual and the deferred tax balance. The taxation expense and related balances are disclosed in note 11 to the financial statements.
- **Credit risk provisions –** The GAC reviewed reports from the Group Credit Committee regarding the level and appropriateness of impairments, provisioning methodologies, and related key judgements in determining the impairment balances.
- **Impairment considerations for goodwill, intangible assets and associate investments –** The GAC reviewed reports from the CFO regarding the annual goodwill impairment assessment, the consideration of impairment applied to certain intangible assets, and related assumptions and judgements and the consideration of the indicators of impairment for associate investments. The methodology used by the group for goodwill impairment testing is set out in note 1.7 to the financial statements.
- **Employee benefits –** The GAC reviewed reports from the CFO regarding the valuation of postretirement medical aid and pension fund obligations by independent actuaries and the level of judgement applied in those actuarial valuations. Details of the key assumptions used are set out in note 27 to the financial statements.

In future, our external auditors will be required to report key audit matters in their report, those matters that in the auditors' judgement were of most significance in their audit. Those key audit matters may include the key areas of management judgement described above or may extend to other matters. The GAC will continue to provide information in their report to allow users of the financial statements to understand how the GAC considered and evaluated the significant matters described by the external auditors.

Regulatory reporting process

The GAC reviewed the adequacy of the regulatory reporting processes as required by the Banks Act, which includes evaluation of the quality of reporting and the adequacy of systems and processes, and consideration of any findings regarding the regulatory reports by the external auditors. The GAC also hosts an annual trilateral meeting with representatives of the Bank Supervision Department of the 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 and the SARB provides feedback on industry-related issues.

Internal Audit

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

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 Group Internal Audit plan. In particular the GAC:

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

External auditors

The group's external auditors are Deloitte & Touche and KPMG. The GAC has a well-established policy on auditor independence and audit effectiveness. During the period the GAC:

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

A further annual review of the quality of the audit and the performance of the joint external auditors was performed by Internal Audit by analysing critical competencies expected of the external auditors through interviews with and the responses to questionnaires by key finance staff, Group Internal Audit members central to the assessment process and members of the GAC.

The GAC also approved the Non-audit Services Policy that specifies that the external auditors are precluded from engaging in non-audit services that would compromise their independence or violate any professional requirements or regulations affecting their appointment as auditors. However, the external auditors may provide non-audit services that do not interfere with their independence and where their skills and experience make them a logical supplier, subject to preapproval by the committee. The GAC received regular reports as to the scope and quantum of non-audit services proposed and delivered and confirmation from the external auditors that their independence (in respect of audit services and non-audit services) has not been impaired. Fees paid to the auditors are disclosed in note 8 to the annual financial statements.

During the period under review Nedbank Group's ultimate holding company, Old Mutual plc, invited tenders for its external audit. Although the Nedbank Group audit was not itself required to be the subject of a tender, the GAC did support the Old Mutual plc process by evaluating, in respect of Nedbank Group, the tender participants determined by Old Mutual plc and reporting observations for consideration to Old Mutual plc. Old Mutual plc subsequently confirmed that KPMG had been retained as their external auditors and therefore, since KPMG is one of our joint external auditors, there were no implications for Nedbank Group.

The GAC considered the independence of the joint external auditors on an ongoing basis during the year. The GAC also examined the auditors' proposed audit plan in July and assessed their skills, reporting and overall performance based on a formal review following the year end audit. It was confirmed that the joint external auditors were effective, and they were recommended to the board for reappointment in 2015.

Key focus areas for 2015

- Review and consideration of management plans in respect of future changes to the International Financial Reporting Standards (IFRS), most notably:
  - IFRS 9: Financial Instruments, which comprises three main sections, namely classification and measurement of financial assets and financial liabilities, impairment methodology and hedge accounting. This standard will be effective from 1 January 2018 and is expected to have a significant impact on impairment methodologies in banking across the globe.
  - IFRS 15: This standard relates to revenue from contracts with clients and although significant and very relevant to the group, it is not expected to bring material changes when it becomes effective on 1 January 2017.
- Monitoring of major technology implementations, the largest of which was the SAP enterprise resource planning (ERP) programme undertaken in 2014 and implemented early in 2015, impacting the entire financial accounting control environment.
- Continued focus on ensuring that the group's financial systems, processes and controls are operating effectively, are consistent with the group's complexity and are responsive to changes in the environment and industry.

Annual financial statements and integrated reporting process

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

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

Malcolm Wyman

Group Audit Committee Chairman

20 February 2015

REPORT FROM OUR DIRECTORS

The board of directors have pleasure in presenting the annual financial statements of Nedbank Group for the year ended 31 December 2014.

Nature of business

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

Annual financial statements

Details of the financial results are set out on pages 10 to 146 of the annual financial statements, which have been prepared under the supervision of the Nedbank Group Chief Financial Officer, Mrs RK Morathi, and audited in compliance with the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, and the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listings Requirements.

Integrated report

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

Year under review

The year under review is fully covered in the Chairman's Review, Chief Executive's Review and the Chief Financial Officer's Review in the Nedbank Group Limited Integrated Report.

Share capital

Details of the authorised and issued share capital, together with details of shares issued during the year, appear in note 29 to the annual financial statements available at **nedbankgroup.co.za**.

American depositary shares

At 31 December 2014, Nedbank Group had 2 710 700 (31 December 2013: 3 159 022) American Depositary Shares in issue, through The Bank of New York Mellon as depositary, and trading on the OTC markets in the US. Each American depositary share is equal to one ordinary share.

Ownership

The holding company of Nedbank Group is Old Mutual Life Assurance Company (SA) Limited and associates, which holds 54,04% of the issued ordinary shares of the company. The ultimate holding company is Old Mutual plc, incorporated in England and Wales. Further details of shareholders appear in note 15 to the separate annual financial statements.

Dividends

The following dividends were declared in respect of the year ended 31 December 2014:

- Interim ordinary dividend of 460 cents per share (2013: 390 cents per share)
- Final ordinary dividend of 568 cents per share (2013: 505 cents per share)

Borrowings

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

Directors

Biographical details of the current directors and details of directors' and prescribed officers' remuneration and Nedbank Group shares issued to directors and prescribed officers appear in the Nedbank Group Limited Integrated Report.

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

- David Adomakoh was appointed as an independent non-executive director on 21 February 2014;
- Mantsika Matooane was appointed as an independent non-executive director on 15 May 2014;
- Brian Dames was appointed as an independent non-executive director on 30 June 2014;
- Paul Hanratty was appointed as a non-executive director on 8 August 2014;
- Mfundo Nkuhlu was appointed as an executive director and Chief Operating Officer on 1 January 2015;
- Graham Dempster stood down as Chief Operating Officer on 1 January 2015, but remained on the board as an executive director.

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

Paul Hanratty, Vassi Naidoo and Mfundo Nkuhlu were appointed by the board of directors subsequent to the shareholders meeting held on 7 August 2014 and, in terms of the memorandum of incorporation, their appointments terminate at the close of the AGM. They are available for election.

Mpho Makwana, Nomavuso Mnxasana, Raisibe Morathi and Julian Roberts are also required to seek reelection at the AGM. The aforementioned directors make themselves available for reelection and separate resolutions will be submitted for approval at the annual general meeting to be held on 11 May 2015.

In terms of Nedbank Group policy, non-executive directors and independent non-executive directors of Nedbank Group who have served on the board for a period longer than nine years are required to retire. Reuel Khoza, Mustaq Enus-Brey and Gloria Serobe were appointed to the Nedbank Group board on 16 August 2005 and they will retire at the close of the AGM. The board has resolved to elect Vassi Naidoo as Chairman of Nedbank Group immediately after the close of the Nedbank Group AGM, subject to shareholders having elected him as a non-executive director.

Graham Dempster has reached the retirement age for executive directors and he also retires from the board at the close of this AGM.

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	Independent non-executive director	21 February 2014	
TA Boardman	Independent non-executive director	1 November 2002 (1 March 2010 as non-executive, 1 January 2014 as independent non-executive)	
MWT Brown	Chief Executive	17 June 2004	
BA Dames	Independent non-executive director	30 June 2014	
GW Dempster	Executive director	5 August 2009	
MA Enus-Brey	Non-executive director	16 August 2005	
ID Gladman	Non-executive director	7 June 2012	
PB Hanratty	Non-executive director	8 August 2014	
RJ Khoza	Chairman and non-executive director	16 August 2005	
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	
JK Netshitenzhe	Independent non-executive director	5 August 2010	
MC Nkuhlu	Chief Operating Officer and executive director	1 January 2015	
JVF Roberts (British)	Non-executive director	1 December 2009	
GT Serobe	Non-executive director	16 August 2005	
MI Wyman (British)	Senior independent director	1 August 2009	

Vassi Naidoo was appointed as a non-executive director and Chairman-designate with effect from 1 May 2015.

Directors' interests

The directors' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative preference shares in Nedbank Limited at 31 December 2014 are set out in the Reporting back on remuneration section of the Nedbank Group Limited Integrated Report. The directors had no interest in any third party or company responsible for managing any of the business activities of the group. Banking transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

Audit Committee and Group Transformation, Social and Ethics Committee Reports

The Report from Group Audit Committee Chair and the Report from Group Transformation, Social and Ethics Committee Chair appear in the Nedbank Group Limited Integrated Report.

Company secretary and registered office

The board of directors has conducted an assessment of the Company Secretary and 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. Mr Jali is not a director of the company and the board is satisfied that as far as is reasonably possible, an arms-length relationship between the Company Secretary and the board is intact.

Details of Mr Jali's qualifications and experience appear in the Established and admired leadership teams section of the Nedbank Group Limited Integrated Report.

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

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

Property and equipment

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

Political donations

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

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

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

In 2005 the WIPHOLD Consortium and the Brimstone Consortium were chosen as active black business partners to assist in growing and repositioning the Nedbank Group business and driving its internal transformation. Consequently, performance agreements were entered into between Nedbank Group and the aforementioned parties, which govern, inter alia, the setting of the performance criteria, their evaluation and the resultant performance fees in respect of the black business partners. Mrs GT Serobe is founder, executive director and 9% shareholder of Women Investment Portfolio Holdings Limited (WIPHOLD) and Chief Executive of Wipcapital (Pty) Limited, a wholly owned subsidiary of WIPHOLD. Mr MA Enus-Brey is Chief Executive Officer and 8,83% shareholder of Brimstone Investment Corporation Limited and a director of various Brimstone subsidiary companies. The WIPHOLD Financial Services Number Two Trust and the Brimstone-Mtha Financial Services Trust matured on 1 January 2015.

Also in 2005, Aka Capital (Pty) Limited ('Aka Capital'), in which Dr RJ Khoza is a director and 27% shareholder, was appointed as business development partner of Nedbank Group and a performance agreement was similarly entered into between Nedbank Group and Aka Capital. The AKA-Nedbank Eyethu Trust subsequently matured on 1 January 2011.

Mr JK Netshitenzhe is an executive director of the Mapungubwe Institute for Strategic Reflection (MISTRA). In 2014, Mistra received a grant of R1m (2013: R2m) from the Nedbank Eyethu Community Trust (formed in 2005 as part of Nedbank Group's BEE transaction). The Nedbank Eyethu Community Trust provides funding to charitable or non–profit organisations that qualify. The grant to MISTRA was evaluated against the normal criteria for funding by the trust.

Directors' and prescribed officers' service contracts

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

The key responsibilities relating to Reuel Khoza's position as Chairman of Nedbank Group, and similarly for Vassi Naidoo who is the Chairman-designate, are encapsulated in contracts .

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

Details relating to the service contracts of prescribed officers are incorporated in the Reporting back on remuneration section of the Nedbank Group Limited Integrated Report.

Insurance

The group has placed cover in the London insurance market for up to R2,55bn for losses in excess of R50m. Group captive insurers provide cover for total losses below the R50m level engagement point, retaining R100m, in any one year. Selected insurance covers are placed with the Old Mutual Group.

Subsidiary companies

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

Acquisition of shares

14 715 049 ordinary shares in Nedbank Group were acquired from NBG Capital Management Limited (a wholly-owned subsidiary of Nedbank Group) at R229.65 per share under a specific authority granted by shareholders on 7 August 2014. These shares were delisted and reverted to authorised but unissued shares on 22 August 2014.

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

Events after the reporting period

The various BBBEE schemes that reached their maturity dates on 1 January 2015 were rationalised through a specific repurchase of Nedbank Group shares. Full details were announced on SENS on 23 February 2015. The repurchased shares did not have a significant impact on the consolidated financial position of the group and were delisted, cancelled and reinstated as authorised but unissued shares. Following this, the Community Trust, which matures only in 2030, subscribed for Nedbank Group shares to maintain its shareholding in the group.

On 15 January 2015 Nedbank Limited's unsecured subordinated NEDH1A and NEDH1B notes were redeemed and R225m of new-style tier 2 debt instruments issued. A further R5,4bn of senior unsecured debt was issued on 12 February 2015.

At 31 December the carrying value of our long-term strategic investment in ETI was R6,2bn. Based on the ETI share price at year-end the market value was R5,5bn. We assessed the indicators of impairment as at 31 December 2014 in terms of International accounting Standard (IAS) 39 and, inter alia, took into consideration ETI shares trade in low volume, the price is therefore subject to volatility and does not reflect the underlying financial and strategic value of the investment to the Nedbank Group. Therefore we did not impair the carrying value of our investment at 31 December 2014. Subsequent to the year-end on 19 February 2015 the market value of ETI based on the share price, was R4,4bn. We will continue to assess the indicators of impairment in future reporting periods.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEDBANK GROUP LIMITED

We have audited the consolidated and separate financial statements of Nedbank Group Limited set out on pages 10 to 146, which comprise the statements of financial position as at 31 December 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, and specified sections of the remuneration report.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Nedbank Group Limted at 31 December 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc

KPMG Inc.
Registered Auditor

Per Heather Berrange
Chartered Accountant (SA)
Director

KPMG Crescent
85 Empire Road
Parktown, Johannesburg
2193

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

Sandown
20 February 2015

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per Mgcinisihlalo Jordan
Chartered Accountant (SA)
Partner

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December

	Accounting policy	Notes	2014 Rm	2013 Rm
Interest and similar income	1.23	5	**52 619**	46 087
Interest expense and similar charges	1.23	6	**29 658**	24 867
Net interest income			**22 961**	21 220
Impairments charge on loans and advances	1.5	19.1	**4 506**	5 565
Income from lending activities			**18 455**	15 655
Non-interest revenue	1.18, 1.21, 1.23	7	**20 312**	19 361
Operating income			**38 767**	35 016
Total operating expenses	1.23	8	**24 534**	22 419
Indirect taxation		9	**635**	601
Profit from operations before non-trading and capital items			**13 598**	11 996
Non-trading and capital items		10	**(109)**	(56)
Fair-value adjustments of investment properties	1.10	25.1	**6**	6
Profit from operations			**13 495**	11 946
Share of profits of associate companies and joint arrangements	1.3	22.1	**161**	27
Profit before direct taxation			**13 656**	11 973
Direct taxation	1.6	11.1	**3 468**	3 016
Profit for the year			**10 188**	8 957
Other comprehensive income net of taxation			**647**	1 675
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	1.4		**390**	690
Fair-value adjustments on available-for-sale assets	1.5		**21**	32
Items that may not be reclassified subsequently to profit or loss				
Gains on property revaluations	1.9		**202**	222
Remeasurements on long-term employee benefit assets	1.8		**34**	731
Total comprehensive income for the year			**10 835**	10 632
Profit attributable to:				
– equity holders of the parent	1.3		**9 796**	8 637
– non-controlling interest – ordinary shareholders	1.3		**69**	28
– non-controlling interest – preference shareholders	1.3		**323**	292
			10 188	8 957
Total comprehensive income attributable to:				
– equity holders of the parent	1.3		**10 431**	10 295
– non-controlling interest – ordinary shareholders	1.3		**81**	45
– non-controlling interest – preference shareholders	1.3		**323**	292
Total comprehensive income for the year			**10 835**	10 632
Basic earnings per share (cents)		12.1	**2 109**	1 877
Diluted earnings per share (cents)		12.1	**2 049**	1 822

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2014

	Accounting policy	Notes	2014 Rm	2013 Rm
Assets				
Cash and cash equivalents	1.5, 1.25	14	**13 339**	20 842
Other short-term securities	1.5	15	**67 234**	42 451
Derivative financial instruments	1.5	16	**15 573**	13 390
Government and other securities	1.5	17	**27 177**	32 091
Loans and advances	1.5	18	**613 021**	579 372
Other assets	1.5	20	**8 715**	8 673
Current taxation assets	1.6		**291**	565
Investment securities	1.5	21	**20 029**	19 348
Non-current assets held for sale	1.11	23	**16**	12
Investments in private-equity associates, associate companies and joint arrangements	1.3, 1.5	22	**7 670**	1 101
Deferred taxation assets	1.6	24	**309**	216
Investment property	1.10	25	**130**	214
Property and equipment	1.9, 1.19	26	**7 773**	6 818
Long-term employee benefit assets	1.8	27	**4 546**	2 980
Mandatory reserve deposits with central banks	1.5, 1.25	14	**14 911**	13 231
Intangible assets	1.3, 1.7, 1.12	28	**8 579**	8 290
Total assets			**809 313**	749 594
Equity and liabilities				
Ordinary share capital	1.15, 1.16	29.1	**466**	461
Ordinary share premium	1.15		**16 781**	16 343
Reserves	1.4, 1.14		**49 777**	43 813
Total equity attributable to equity holders of the parent			**67 024**	60 617
Non-controlling interest attributable to:				
– ordinary shareholders	1.3		**326**	246
– preference shareholders	1.3	29.2	**3 561**	3 473
Total equity			**70 911**	64 336
Derivative financial instruments	1.5	16	**15 472**	16 580
Amounts owed to depositors	1.5	30	**653 450**	602 952
Provisions and other liabilities	1.5. 1.13	31	**13 788**	14 682
Current taxation liabilities	1.6		**134**	301
Deferred taxation liabilities	1.6	24	**931**	789
Long-term employee benefit liabilities	1.8	27	**3 071**	1 842
Investment contract liabilities	1.5. 1.17	32	**11 747**	11 523
Insurance contract liabilities	1.5. 1.18	33	**4 171**	3 321
Long-term debt instruments	1.5	34	**35 638**	33 268
Total liabilities			**738 402**	685 258
Total equity and liabilities			**809 313**	749 594

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency trans-lation reserve[1]
Balance at 31 December 2012	457 303 304	457	16 033	599
Shares issued in terms of employee incentive schemes	2 792 902	3	472	
Shares (acquired)/no longer held by group entities and BEE trusts	1 097 253	1	(162)	
Preference share dividends paid				
Dividends to shareholders				
Total comprehensive income for the year				673
Transfer (from)/to reserves				(35)
Share-based payments reserve movement				
Regulatory risk reserve provision				
Preference shares held by group entities				
Disposal of subsidiary				
Other movements				
Balance at 31 December 2013	**461 193 459**	**461**	**16 343**	**1 237**
Shares issued in terms of employee incentive schemes	**3 670 463**	**4**	**767**	
Shares delisted	**(14 715 049)**	**(15)**	**1 598**	
Treasury shares no longer held by group entities	**14 715 049**	**15**	**(1 598)**	
Shares (acquired)/no longer held by group entities and BEE trusts	**778 996**	**1**	**(329)**	
Acquisition of additional shareholding in subsidiary				
Preference share dividends paid				
Dividends to shareholders				
Total comprehensive income for the year				**378**
Transfer (from)/to reserves				
Share-based payments reserve movement				
Regulatory risk reserve provision				
Preference shares no longer held by group entities				
Other movements				
Balance at 31 December 2014	**465 642 918**	**466**	**16 781**	**1 615**

[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 that is disposed of is included in the determination of profit/loss on disposal of the subsidiary.

[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.

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

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

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

All movements are reflected net of taxation.

Property revaluation reserve[2]	Share-based payments reserve[3]	Other non-distributable reserves[4]	Available-for-sale reserve[5]	Other distributable reserves[6]	Total equity attributable to equity holders of the parent	Non-controlling interest attributable to ordinary shareholders	Non-controlling interest attributable to preference shareholders	Total equity
1 383	1 334	141	126	33 528	53 601	213	3 561	57 375
					475			475
				29	(132)			(132)
							(292)	(292)
				(3 821)	(3 821)	(9)		(3 830)
222			32	9 368	10 295	45		10 340
(28)	(17)	10		70			292	292
	206				206			206
		(4)			(4)			(4)
							(88)	(88)
						(3)		(3)
				(3)	(3)			(3)
1 577	**1 523**	**147**	**158**	**39 171**	**60 617**	**246**	**3 473**	**64 336**
					771			**771**
					1 583			**1 583**
					(1 583)			**(1 583)**
				21	**(307)**			**(307)**
						8		**8**
							(323)	**(323)**
				(4 643)	**(4 643)**	**(9)**		**(4 652)**
202			**21**	**9 830**	**10 431**	**81**	**323**	**10 835**
(38)	**(20)**	**13**	**(1)**	**46**				
	151				**151**			**151**
		7			**7**			**7**
							88	**88**
				(3)	**(3)**			**(3)**
1 741	**1 654**	**167**	**178**	**44 422**	**67 024**	**326**	**3 561**	**70 911**

CONSOLIDATED STATEMENT OF CASHFLOWS
for the year ended 31 December

	Notes	2014 Rm	2013 Rm
Cash generated by operations	35.1	**21 332**	20 553
Cash received from clients	35.2	**72 826**	65 392
Cash paid to clients, employees and suppliers	35.3	**(52 527)**	(45 768)
Dividends received on investments		**92**	41
Recoveries on loans previously written off		**941**	888
Change in funds for operating activities		**(11 231)**	(4 507)
Increase in operating assets	35.4	**(62 820)**	(61 874)
Increase in operating liabilities	35.5	**51 589**	57 367
Net cash from operating activities before taxation		**10 101**	16 046
Taxation paid	35.6	**(4 283)**	(3 890)
Cashflows from operating activities		**5 818**	12 156
Cashflows utilised by investing activities		**(9 455)**	(4 341)
Acquisition of property and equipment, computer software and development costs and investment property		**(2 483)**	(1 737)
Disposal of property and equipment, computer software and development costs and investment property		**61**	6
Net movement on non-current assets held for sale		**(4)**	496
Disposal of investment banking assets		**13**	15
Acquisition of private-equity associates, associate companies and joint arrangements		**(6 541)**	(122)
Disposal of private-equity associates, associate companies and joint arrangements		**133**	80
Acquisition of other investments		**(5 587)**	(4 113)
Disposal of other investments		**4 953**	1 034
Cashflows utilised by financing activities		**(2 132)**	(800)
Net proceeds from issue of ordinary shares		**464**	343
Issue of long-term debt instruments		**7 005**	8 785
Redemption of long-term debt instruments		**(4 635)**	(5 815)
Dividends paid to ordinary shareholders	35.7	**(4 643)**	(3 821)
Preference share dividends paid		**(323)**	(292)
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)		**(54)**	(64)
Net (decrease)/increase in cash and cash equivalents		**(5 823)**	6 951
Cash and cash equivalents at the beginning of year[1]		**34 073**	27 122
Cash and cash equivalents at the end of the year[1]	14	**28 250**	34 073

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

SEGMENTAL REPORTING

The group's identification of its segments and the measurement of segment results are based on the group's internal management reporting as used for day-to-day decisionmaking and as reviewed by the chief operating decisionmaker, which in Nedbank Group Limited's case is the Group Executive Committee. The segments have been identified according to the nature of their respective products and services and their related target markets.

Nedbank Capital

Nedbank Capital comprises the group's investment banking businesses that together manage the structuring, lending, underwriting and trading businesses. Nedbank Capital seeks to provide seamless specialist advice, debt and equity raising and execution and trading capabilities in all the major SA business sectors.

Nedbank Corporate

Nedbank Corporate comprises the client-focused businesses of Corporate Banking, Property Finance as well as the specialist support areas of Transactional Banking and Corporate Shared Services. These businesses focus mainly on providing lending, deposit-taking, commercial property finance and transactional banking to large corporates, financial institutions, the public sector and government clients. Corporate Banking engages with companies that have annual turnovers exceeding R700m (with strategic exceptions) and lending requirements greater than R50m. This target market also includes the public sector and strategic BEE partnerships. Property Finance specialises in providing specifically structured property finance solutions to commercial, industrial, retail, residential and affordable housing developments as well as partnerships through joint ventures or minority equity investments. Transactional Banking supports the wholesale clusters and segments of retail with business solutions, transactional product solutions and innovation, and is also responsible for managing our correspondent banking relationships. Corporate Shared Services is the delivery and service centre for transactional processing. It also houses Nedbank Investor Services (NIS) through which it provides custodial services and secured lending to the collective investments industry.

Nedbank Retail

Nedbank Retail serves the financial needs of all individuals (excluding high-net-worth individuals) 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 Nedbank 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.

Nedbank Business Banking

Nedbank Business Banking offers the full spectrum of commercial banking products and related services to companies with an annual turnover of up to R700m.

Nedbank Wealth

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

Rest of Africa Division

The Rest of Africa Division is responsible for the group's banking operations and expansion activities in the rest of Africa. The Rest of Africa Division has client-facing subsidiaries (retail and wholesale banking) in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe and an investment, with management control, in a bank in Mozambique. The division also holds the 20,7% investment in Ecobank Transnational Incorporated, manages the Ecobank-Nedbank alliance and facilitates investments in other countries in Africa.

Centre

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

for the year ended 31 December

	Nedbank Group		Nedbank Capital		Nedbank Corporate		Total Nedbank Retail and Nedbank Business Banking	
	2014	2013	2014	2013	2014	2013	2014	2013
Statement of financial position (Rm)								
Cash and cash equivalents	28 250	34 073	2 619	10 986	3 435	2 755	2 932	2 616
Other short-term securities	67 234	42 451	29 414	30 969				
Derivative financial instruments	15 573	13 390	15 551	13 327	(52)	(52)		
Government and other securities	27 177	32 091	10 084	9 635	5 926	6 117	377	379
Loans and advances	613 021	579 372	105 601	109 549	199 557	175 274	268 882	258 220
Other assets	58 058	48 217	4 903	6 242	4 203	4 269	5 888	5 014
Intergroup assets							45 761	36 142
Total assets	809 313	749 594	168 172	180 708	213 069	188 363	323 840	302 371
Equity and liabilities								
Total equity	70 911	64 336	6 891	5 863	10 606	8 514	27 565	26 683
Derivative financial instruments	15 472	16 580	15 429	16 546				
Amounts owed to depositors	653 450	602 952	137 391	106 226	182 009	176 234	224 103	201 928
Provisions and other liabilities	33 842	32 458	6 626	6 372	1 558	2 042	3 373	3 002
Long-term debt instruments	35 638	33 268	1 159	1 051			1 775	1 994
Intergroup liabilities			676	44 650	18 896	1 573	67 024	68 764
Total equity and liabilities	809 313	749 594	168 172	180 708	213 069	188 363	323 840	302 371
Statement of comprehensive income (Rm)								
Net interest income	22 961	21 220	1 937	1 608	3 982	3 525	15 216	14 314
Impairments charge on loans and advances	4 506	5 565	106	306	400	385	3 771	4 765
Income from lending activities	18 455	15 655	1 831	1 302	3 582	3 140	11 445	9 549
Non-interest revenue	20 312	19 361	3 206	3 078	2 256	1 944	10 530	10 380
Operating income	38 767	35 016	5 037	4 380	5 838	5 084	21 975	19 929
Total operating expenses	24 534	22 419	2 256	2 156	2 408	2 169	16 076	14 824
Indirect taxation	635	601	68	36	6	32	243	242
Profit from operations	13 598	11 996	2 713	2 188	3 424	2 883	5 656	4 863
Share of profits/(losses) of associate companies and joint arrangements	161	27			12	26		
Profit before direct taxation	13 759	12 023	2 713	2 188	3 436	2 909	5 656	4 863
Direct taxation	3 487	3 033	572	473	837	664	1 562	1 357
Profit/(Loss) after direct taxation	10 272	8 990	2 141	1 715	2 599	2 245	4 094	3 506
Profit attributable to non-controlling interest:								
– ordinary shareholders	69	28	13	(11)				
– preference shareholders	323	292					63	38
Headline earnings/(loss)	9 880	8 670	2 128	1 726	2 599	2 245	4 031	3 468
Selected ratios								
Average interest-earning banking assets (Rm)	652 194	594 715	117 151	97 506	193 751	173 642	306 401	289 113
Return on total assets (%)	1,27	1,23	1,18	1,11	1,30	1,25	1,24	1,16
Return on ordinary shareholders' equity (%)	15,8	15,6	30,9	29,4	24,5	26,4	14,6	13,0
Net interest income to average interest-earning banking assets (%)	3,52	3,57	1,65	1,65	2,06	2,03	4,97	4,95
Non-interest revenue to total income (%)	46,9	47,7	62,3	65,7	36,2	35,5	40,9	42,0
Non-interest revenue to total operating expenses (%)	82,8	86,4	142,1	142,7	93,7	89,7	65,5	70,0
Credit loss ratio – banking advances (%)	0,79	1,06	0,14	0,51	0,21	0,23	1,39	1,80
Efficiency ratio	56,5	55,2	43,9	46,0	38,5	39,5	62,4	60,0
Effective taxation rate (%)	25,3	25,2	21,1	21,6	24,4	22,8	27,6	27,9
Contribution to group economic profit	2 112	2 114	1 198	963	1 167	1 138	310	
Number of employees	30 499	29 513	665	683	2 123	2 186	20 373	19 499

[1] *Includes all group eliminations.*

The 2013 comparative results for the segmental reporting have been restated. The Rest of Africa Division is now reported separately, and Central Management and Shared Services are collectively reported as the Centre. The restatement has had no effect on the group results and ratios, and only affects segment results and ratios.

Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Rest of Africa Division		Centre	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
2 932	2 616			934	1 706	3 328	2 779	15 002	13 231
				9 943	6 847	1 849	958	26 028	3 677
				1	2	24	20	49	93
377	379					336	709	10 454	15 251
203 063	195 435	65 819	62 785	24 819	22 082	14 073	14 700	89	(453)
5 532	4 725	356	289	21 912	20 274	7 818	951	13 334	11 467
		45 761	36 142					(45 761)	(36 142)
211 904	203 155	111 936	99 216	57 609	50 911	27 428	20 117	19 195	7 124
22 109	21 903	5 456	4 780	2 830	2 487	3 549	1 998	19 470	18 791
				4	1	47	27	(8)	6
118 134	107 931	105 969	93 997	26 122	21 704	17 058	14 406	66 767	82 454
2 862	2 563	511	439	17 626	16 560	876	566	3 783	3 916
1 775	1 994					4	4	32 700	30 219
67 024	68 764			11 027	10 159	5 894	3 116	(103 517)	(128 262)
211 904	203 155	111 936	99 216	57 609	50 911	27 428	20 117	19 195	7 124
11 720	11 206	3 496	3 108	628	531	898	801	300	441
3 500	4 355	271	410	41	59	35	50	153	
8 220	6 851	3 225	2 698	587	472	863	751	147	441
8 820	8 651	1 710	1 729	3 399	3 081	768	675	153	203
17 040	15 502	4 935	4 427	3 986	3 553	1 631	1 426	300	644
12 689	11 705	3 387	3 119	2 484	2 218	1 256	1 126	54	(74)
215	217	28	25	102	108	30	23	186	160
4 136	3 580	1 520	1 283	1 400	1 227	345	277	60	558
					(1)	149			2
4 136	3 580	1 520	1 283	1 400	1 226	494	277	60	560
1 136	1 003	426	354	358	326	85	64	73	149
3 000	2 577	1 094	929	1 042	900	409	213	(13)	411
						52	40	4	(1)
63	38							260	254
2 937	2 539	1 094	929	1 042	900	357	173	(277)	158
198 343	193 027	108 058	96 086	32 351	27 455	18 920	17 207	(16 380)	(10 208)
1,42	1,27	1,01	0,96	1,91	1,95	1,58	0,90		
13,3	11,6	20,1	19,4	36,8	36,2	10,1	8,7		
5,91	5,81	3,24	3,24	1,94	1,93	4,75	4,66		
42,9	43,6	32,9	35,7	84,4	85,3	46,1	45,7		
69,5	73,9	50,5	55,4	136,9	138,9	61,2	59,9		
1,70	2,16	0,42	0,65	0,17	0,28	0,23	0,37		
61,8	58,9	65,1	64,5	61,7	61,4	69,2	76,3		
27,5	28,0	28,0	27,6	25,6	26,6	17,2	23,1		
(48)	(308)	358	308	660	577	(122)	(87)	(1 101)	(477)
18 026	17 153	2 347	2 346	2 119	2 056	1 605	1 501	3 614	3 588

Depreciation costs of R946m (2013: R870m) and amortisation costs of R719m (2013: R648m) for property, equipment, computer software, capitalised development and other intangible assets are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

1 PRINCIPAL ACCOUNTING POLICIES

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

1.1 Basis of preparation

The financial statements have been prepared on a going-concern basis and have been prepared on a consistent basis with the prior year, except as detailed in note 2.2.

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

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

The financial statements are presented in SA rand, the functional currency of Nedbank Group Limited, and are rounded to the nearest million rands. The statements are prepared on the accrual and historical cost basis of accounting, except for:

- non-current assets and disposal groups held for sale, which are all stated at the lower of the carrying amount and the fair value less costs to sell;
- employee benefit liabilities, valued using the projected-unit credit method, less the net total fair value of the plan assets; and
- the following assets and liabilities, which are stated at their fair value:
  - financial assets and financial liabilities classified as at fair value through profit or loss;
  - financial assets classified as available for sale; and
  - investment properties and owner-occupied properties.

1.2 Accounting policy elections

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

Property and equipment	■ Land and buildings are stated at revalued amounts. ■ Revaluation surpluses are recognised directly in equity, through other comprehensive income.
Investment in venture capital divisions	■ In venture capital divisions the group has elected to carry associate and joint-venture entities at fair value through profit and loss.
Financial instruments	■ 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.
Investment properties	■ The group has elected to recognise all investment properties at fair value, with changes in fair value being recognised in profit and loss for the period.
Investments in subsidiaries, associate companies and joint arrangements	■ The group has elected to recognise these investments at cost in the company financial statements.

1.3 Group accounting

The group has adopted IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, as well as the consequential amendments to International Accounting Standards (IAS) 28 Investments in Associates and Joint Ventures (2011), with effect from 1 January 2013.

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 group 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.

Where a subsidiary has a reporting period that is different from that of the group, the results of the subsidiary are adjusted to reflect a reporting period consistent with the group's reporting period. Where necessary, adjustments are made to the financial statements of subsidiaries to align any difference in accounting policies with those of the group.

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

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

Associates

An associate is an entity, including an unincorporated 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 investment (that is neither a subsidiary nor an investment in a joint arrangement). This is generally demonstrated by the group holding in excess of 20%, but no more than 50%, of the voting rights.

The profit or loss of the associate and assets and liabilities, including goodwill identified on acquisition, net of any accumulated impairment losses, are included in the group financial statements using the equity method of accounting from the date significant influence commences until the date significant influence ceases. Where an associate has a reporting period that is different from that of the group, the results of the associate are adjusted to reflect a reporting period consistent with the group's reporting period. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments. 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 or guaranteed obligations in respect of the associate.

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 objective evidence of impairment. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology described in 1.12.

Investments in associates that are held with the intention of disposing thereof within 12 months are accounted for and classified as noncurrent assets held for sale in accordance with the methodology described in 1.11.

Joint arrangements

Joint arrangements are those entities over which the group has joint control, established by contractual agreements requiring unanimous consent for decisions about activities that significantly affect the arrangements' returns. They are classified and accounted 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.
- Joint venture – when the group has rights only to the net assets of the arrangement, it accounts for its interest using the equity method. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments, by applying the impairment methodology described in 1.12.

Where an entity within the group transacts with a joint arrangement of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the joint arrangement. When the group's share of losses exceeds the carrying amount of the joint arrangement, the carrying amount is reduced to nil. The recognition of further losses is discontinued, except to the extent that the group has incurred or guaranteed obligations in respect of the joint arrangement.

Investments in joint arrangements that are held with the intention of disposing thereof within 12 months are accounted for and classified as non-current assets held for sale in accordance with the methodology described in 1.11.

Company

Investments in group companies are accounted for at cost less impairment losses in the company financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary by applying the impairment methodology described in 1.12.

Common control transactions

For 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 would be 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.

Investments 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.

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. For all transactions subsequent to 31 December 2008 acquisition-related costs are recognised in profit or loss as incurred. Prior to this date all acquisition-related costs were capitalised to the cost of the acquisition.

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 adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of a contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. Changes in the fair value of a contingent consideration that has been classified as equity are not recognised.

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

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

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

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

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

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

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

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

Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as an asset on the date that control is acquired, being the acquisition date. Goodwill is measured as 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.

1.4 Foreign currency translation

Foreign currency transactions

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

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

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

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

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

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

Investments in foreign operations

Nedbank Group Limited's presentation currency is SA rand.

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

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

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

1.5 Financial instruments

Financial instruments, as recognised in the statement of financial position, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, associate companies and joint arrangements (other than investments held by venture capital divisions) and employee benefit plans. 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.

The group commenced hedge accounting during the 2014 financial period. This is neither a change in accounting policy nor as a result of the adoption of a new or amended standard, but merely the first time application of an accounting treatment currently permitted under existing and currently effective IFRS.

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

Initial recognition

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

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

Initial measurement

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

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

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

Categories of financial instruments

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

- Financial instruments at fair value through profit or loss

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

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

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

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

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

- Non-trading financial liabilities

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

- Held-to-maturity financial assets

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

- Loans and receivables

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

Financial assets that are classified as loans and receivables are carried at amortised cost, with interest income recognised in interest and similar income. Gains or losses arising on disposal are recognised in non-interest revenue. The majority of the group's advances are included in the loans and receivables category.

- Available-for-sale financial assets

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

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

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

Derivative financial instruments and hedge accounting

Derivatives are classified as assets when their fair value is positive or as 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. When derivatives are designated as hedging instruments, the group classifies them as either:

- hedges of the change in fair value of recognised assets or liabilities or firm commitments ('fair value hedges');
- hedges of the variability in highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction ('cash flow hedges'); or
- a hedge of a net investment in a foreign operation ('net investment hedges').

Cashflow hedges and hedges of net investments in foreign entities do not currently form part of the group's hedging strategy.

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 cash flows attributable to the hedges risk during the period for which the hedge is designated. For actual effectiveness to be achieved, the changes in fair value or cash flows must offset each other in the range of 80% to 125%.

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

- Fair value hedges

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

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

- Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair value of derivatives that do not qualify for 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; and
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined contract is not measured at fair value, with changes in fair value recognised in profit or loss.

The host contract is accounted for:

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

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

Measurement basis of financial instruments

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

- Amortised cost

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

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

- Fair value

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

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

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

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

Impairment of financial assets

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

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

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

- Assets carried at amortised cost

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

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

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

- Available-for-sale financial assets

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

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

- Maximum credit risk

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

Derecognition

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

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

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

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

Securitisations

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

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

Offsetting financial instruments and related income

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

Collateral

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

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

Sale and repurchase agreements and lending of securities

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

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

Acceptances

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

Financial guarantee contracts

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

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

1.6 Taxation

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

Current taxation

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

Deferred taxation

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

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

Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are generally 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 is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will not reverse in the foreseeable future.

Deferred taxation assets are recognised to the extent that it is probable that future taxable income will be available against which the unutilised taxation losses and deductible temporary differences can be used. 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.

Deferred taxation assets and liabilities are not discounted.

1.7 Goodwill and intangible assets

Goodwill and goodwill impairment

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

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

Impairment testing procedures

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

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

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

Computer software and capitalised development costs

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

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

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

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

Contractual client relationships

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

1.8 Employee benefits

The group operates a number of 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.

Defined-benefit plans

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

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

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

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

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

Defined-contribution plans

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

Postemployment benefit plans

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

Short-term employee benefits

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

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

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

1.9 Property and equipment

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and they have a cost that can be measured reliably. Certain items of property and equipment that had been revalued to fair value on 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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 equity in Other comprehensive income under the heading Revaluation reserve. However, revaluation increases are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss. Revaluation decreases are recognised in profit or loss. However, decreases are debited directly to equity to the extent of any credit balance existing in the revaluation surplus in respect of the same asset. Land and buildings are revalued on the same basis as investment properties.

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

Depreciation

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

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

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

The maximum initial estimated useful lives are as follows:

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

Derecognition

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

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

1.10 Investment properties

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

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

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

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

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

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

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

1.11 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

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

1.12 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 is recognised in profit or loss for the period. Intangible assets not yet available for use are tested, at least of an annual basis, for impairment.

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

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

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

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

1.13 Other 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. Specific policies include:

- Onerous contracts

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

- Restructuring

A provision for restructuring is recognised when the group has a detailed formal plan for restructuring and has raised a valid expectation, among those parties directly affected, that the plan will be carried out, either by having begun implementation or by publicly announcing the plan's main features. Restructuring provisions include only those costs that arise directly from restructuring that is not associated with the ongoing activities of the group.

Future operating costs or losses are not provided for.

1.14 Share-based payments

Equity-settled share-based payment transactions with employees

The services received in an equity-settled share-based payment transaction with employees are measured at the fair value of the equity instruments granted. The fair value of the equity instruments is measured at the grant date and is not subsequently remeasured.

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

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

Cash-settled share-based payment transactions with employees

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

Measurement of fair value of equity instruments granted

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

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

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

1.15 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 the notes to the financial statements.

1.16 Treasury shares

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

1.17 Investment contracts

Investment contract liabilities

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

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

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

Revenue on investment management contracts

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

Contribution income relating to investment contracts

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

Benefits relating to investment contracts

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

1.18 Insurance contracts

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

Policy liabilities

The policy liabilities under unmatured policies, including unintimated claims, are computed at the reporting date by PC Falconer, the statutory actuary, according to the financial soundness valuation method as set out in the guidelines issued by the Actuarial Society of SA in Professional Guidance Note (PGN) 104. Claims intimated but not paid are provided for. The actuarial statement of financial position is included as a separate item in the group's annual financial statements. The group performs a liability adequacy test on its liabilities in line with IFRS 4 Insurance Contracts.

Linked products

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

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

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

The group as lessor

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

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

Recognition of lease of land

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

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

1.20 Borrowing costs

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

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

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

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

1.21 Government grants

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

1.22 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 customers.

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

1.23 Revenue and expenditure

Interest income and expense

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

Non-interest revenue

- Fees and commissions

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

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

- Dividend income

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

- Net trading income

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

- Income from investment contracts

Refer to 1.17 for non-interest revenue arising on investment management contracts.

- Other

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

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

Gains or losses on derecognition of any financial assets or financial liabilities are included in non-interest revenue.

1.24 Segmental reporting

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

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

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

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

1.25 Cash and cash equivalents

Cash and cash equivalents comprise balances with a maturity of less than 90 days from the date of acquisition, including cash and balances with central banks that are not mandatory, other eligible bills and amounts due from other banks.

2 STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued and not yet effective

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued in its entirety in July 2014. The final version of this standard incorporates amendments to the classification and measurement guidance as well as the accounting requirements for the impairment of financial assets measured at amortised cost. These elements of the final standard are discussed in detail below:

- Financial assets are to be classified and measured based on the business model for managing the financial asset and the cashflow characteristics of the financial asset. There are two measurement approaches, namely fair value and amortised cost. The financial asset is carried at amortised cost if it is the business model of the entity to hold that asset for the purpose of collecting contractual cashflows and if those cashflows comprise principal repayments and interest.
- For financial liabilities designated as at fair value through profit or loss, a further requirement is that all changes in the fair value of financial liabilities attributable to credit risk be transferred to other comprehensive income with no recycling through profit or loss on disposal.
- Impairments in terms of IFRS 9 will be determined based on an expected-loss model that considers the significant changes to the asset's credit risk and the expected loss that will arise in the event of default.
- IFRS 9 allows financial liabilities not held for trading to be measured at either amortised cost or fair value. If fair value is elected, then changes in the fair value as a result of changes in own credit risk should be recognised in other comprehensive income.
- 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. Hedge effectiveness will now be proved based on management's risk management objectives rather than the 80% to 125% band that was previously stipulated. IFRS 9 also allows for rebalancing of the hedge and the deferral of hedging costs.

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

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a client (with limited exceptions), regardless of the type of revenue transaction or the industry.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not outputs of the entity's ordinary activities (eg the sale of property, plant and equipment or intangibles).

Extensive disclosures will be required, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgements and estimates.

The standard is effective for financial years commencing on or after 1 January 2017.

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

Amendment to IAS 19 Employee Benefits: Defined Benefit Plans – Employee Contributions

The amendment applies to contributions from employees or third parties and simplifies the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

The amendment is effective for the group for the financial year commencing 1 January 2015. The group is evaluating the impact of this standard on the group financial statements.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments to IAS 16 and IAS 38 are to clarify the basis for the calculation of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

The amendments prohibit the use of revenue-based depreciation for property, plant and equipment and significantly limit the use of revenue-based amortisation for intangible assets. As a result the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective for the group for the financial year commencing 1 January 2016 and are not expected to have an effect on the group's financial statements.

Amendment to IFRS 11 Joint Arrangements on Acquisition of an Interest in a Joint Operation

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendment specifies the appropriate accounting treatment for such acquisitions.

The amendment is effective for the group for the financial year commencing 1 January 2016 and is not expected to have an effect on the group's financial statements.

Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Regarding Bearer Plants

These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. The International Accounting Standards Board (IASB) decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include bearer plants in the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

The amendments are effective for the group for the financial year commencing 1 January 2016 and are not expected to have an effect on the group's financial statements.

IFRS 14 Regulatory Deferral Accounts

The standard IFRS 14 Regulatory Deferral Accounts permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous Generally Accepted Accounting Practices (GAAP) requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

The standard is effective for the group for the financial year commencing 1 January 2016 and is not expected to have an effect on the group's financial statements.

Amendments to IAS 27 Separate Financial Statements on the equity method

These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The amendments are effective for the group for the financial year commencing 1 January 2016 and are not expected to have a significant effect on the group's financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 for dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments are effective for the group for the financial year commencing 1 January 2016 and are not expected to have an effect on the group's financial statements.

IASB Annual Improvement Project

The IASB issued annual improvements to IFRS cycles 2010 to 2012 and 2011 to 2013, and for 2014.

The improvements focus on areas of inconsistency in IFRS or where clarification of wording is required. As a consequence, the improvements are either clarifying or correcting in nature, and do not propose new principles or changes to existing ones.

The amendments are effective for the group for the financial year commencing 1 January 2015 and are not expected to have a material impact on the group's financial statements.

2.2 Standards and interpretations adopted in the current year

The following standards and interpretations, or amendments thereto, effective for the financial year-end commencing 1 January 2014, have been adopted by the group:

IFRIC 21 Levies

International Financial Reporting Interpreting Committee (IFRIC) 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and considers how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements.IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The amendment did not have a material effect on the group's financial statements.

Revised standards

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for that investment entity. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement in its consolidated and separate financial statements.

The amendments also introduce new disclosure requirements for investment entities in IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements.

The amendments did not have an effect on the group's financial statements.

Amendment to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendment to IAS 32 clarifies offsetting by explaining:

- when an entity currently has a legally enforceable right of setoff; and
- when gross settlement is equivalent to net settlement.

The adoption of the amendment did not have an impact on the group's financial statements.

Amendment to IAS 36 Impairment of Assets Recoverable Amounts Disclosures for Non-financial Assets

The amendment removes certain disclosures required in respect of the recoverable amount of declined-value cash-generating units, which had previously been included in IAS 36 by the issue of IFRS 13 Fair Value Measurement.

The amendment did not have a material effect on the group's financial statements.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement

The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The amendment covers novations in the following circumstances:

- As a consequence of laws or regulations, or the introduction of laws or regulations.
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties.
- Where it did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception.

The amendment did not have an effect on the group's financial statements.

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

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

3.1 Allowances for loan impairment and other credit risk provisions

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

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

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

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

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

3.2 Fair value of financial instruments

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

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

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

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

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

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

3.3 Derecognition, securitisations and structured entities

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

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

3.4 Goodwill

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

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

The most significant amount of goodwill relates to Nedbank Limited. The goodwill impairment testing performed in 2014 indicated that none of the goodwill was impaired in the year under review. Management believes that reasonable changes in key assumptions used to determine the recoverable amount of Nedbank Limited's goodwill would not result in impairment.

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

3.5 Intangible assets

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

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

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

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

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

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

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

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

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

3.6 Employee benefits

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

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

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

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

3.7 Income taxes

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

3.8 Financial risk management

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

4 CAPITAL MANAGEMENT

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

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

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

Capital, reserves and long-term debt instruments

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

Further details on the ERMF, capital management and regulatory requirements are disclosed in the Worldclass at Managing Risk section of the group's integrated report, available at **nedbankgroup.co.za**, which is unaudited, unless stated otherwise.

5 INTEREST AND SIMILAR INCOME

	2014 Rm	2013 Rm
Home loans (including properties in possession)	**10 764**	9 818
Commercial mortgages	**9 811**	8 117
Finance lease and instalment debtors	**8 942**	7 753
Credit cards	**1 712**	1 473
Overdrafts	**1 432**	1 263
Term loans	**10 009**	9 412
Personal loans	**4 318**	4 662
Other term loans	**5 691**	4 750
Government and other securities	**3 581**	3 571
Interest on government and other securities	**3 581**	3 571
Fair-value adjustments on hedged items (refer to note 16.5)	**(3)**	
Fair-value adjustments on hedging instruments (refer to note 16.5)	**3**	
Short-term funds and securities	**2 487**	1 673
Other loans	**3 881**	3 007
	52 619	46 087
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments not at fair value through profit and loss	**43 838**	38 288
– Interest and similar income from financial instruments at fair value through profit or loss	**8 781**	7 799
	52 619	46 087

6 INTEREST EXPENSE AND SIMILAR CHARGES

	2014 Rm	2013 Rm
Deposit and loan accounts	**18 410**	14 751
Current and savings accounts	**672**	584
Negotiable certificates of deposit	**5 138**	5 134
Other interest-bearing liabilities	**2 594**	2 042
Long-term debt instruments	**2 844**	2 356
	29 658	24 867
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments not at fair value through profit and loss	**26 501**	20 705
– Interest expense and similar charges from financial instruments at fair value through profit or loss	**3 157**	4 162
	29 658	24 867

An unaudited margin analysis of the interest income and interest expense by asset and liability category is presented in the 'Additional information' section.

7 NON-INTEREST REVENUE

	2014 Rm	2013 Rm
Commission and fee income[1]	**14 570**	14 023
Administration fees	**733**	472
Cash-handling fees	**882**	844
Insurance commission	**624**	613
Exchange commission	**456**	400
Other fees	**2 342**	2 212
Guarantee income	**174**	169
Card income	**2 996**	2 759
Service charges	**3 497**	3 605
Other commission[2]	**2 866**	2 949
Insurance income (note 7.2)	**1 986**	1 927
Fair-value adjustments (note 7.1)	**35**	40
Fair-value adjustments	**73**	46
Fair-value adjustments – own debt	**(38)**	(6)
Net trading income	**2 648**	2 564
Foreign exchange	**1 202**	1 187
Debt securities	**1 194**	1 146
Equities	**227**	208
Commodities	**25**	23
Private-equity income	**423**	225
Securities dealing – realised	**350**	34
Securities dealing – unrealised	**(11)**	33
Dividends received	**84**	158
Investment income	**105**	56
Dividends received from unlisted investments	**92**	41
Long-term-asset sales	**13**	15
Net sundry income	**545**	526
Rents received	**103**	80
Rental income from properties in possession	**4**	3
Other sundry income	**438**	443
	20 312	19 361

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

[1] *Commission and fee income includes R2 196m (2013: R1 947m) related to trust and fiduciary fees.*

[2] *2013 includes administration-related fee of R156m, currently in administration fees.*

7.1 Analysis of fair-value adjustments

Fair-value adjustments can be analysed as follows:

	2014 Rm	2013 Rm
– Held for trading	**142**	2 183
– Designated as at fair value through profit or loss	**(107)**	(2 143)
	35	40

7.2 Insurance income

	2014 Rm	2013 Rm
Insurance contract income	**1 889**	1 923
Net insurance premium income	**3 900**	3 498
Gross premiums received	**4 229**	3 784
Reinsurance premiums	**(329)**	(286)
Net insurance claims and benefits	**(1 280)**	(1 153)
Gross claims and benefits paid	**(1 582)**	(1 358)
Reinsurance recoveries	**302**	205
Net commission and administration fees paid	**(258)**	(300)
Investment income	**377**	220
Changes in insurance contracts	**(850)**	(342)
Investment contract expense	**97**	4
Premium income	**247**	178
Claims and benefits paid	**(127)**	(104)
Investment income	**40**	39
Changes in investment contracts	**(63)**	(109)
	1 986	1 927

7.3 Government grants

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

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

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

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

7 NON-INTEREST REVENUE (continued)

	Nedbank Group		Nedbank Capital		Nedbank Corporate		Total Nedbank Retail and Nedbank Business Banking	
	2014	2013	2014	2013	2014	2013	2014	2013
Commission and fee income	**14 570**	14 023	**613**	614	**1 600**	1 430	**9 978**	9 790
Administration fees	**733**	472			**13**	12	**413**	229
Cash-handling fees	**882**	844			**153**	125	**611**	612
Insurance commission	**624**	613					**423**	431
Exchange commission	**456**	400			**141**	115	**221**	214
Other fees	**2 342**	2 212	**545**	579	**372**	339	**69**	69
Guarantee income	**174**	169			**121**	117	**44**	43
Card income	**2 996**	2 759					**2 968**	2 734
Service charges	**3 497**	3 605			**33**	36	**3 314**	3 441
Other commission[1]	**2 866**	2 949	**68**	35	**767**	686	**1 915**	2 017
Insurance income (note 15.2)	**1 986**	1 927					**354**	456
Fair-value adjustments (note 7.1)	**35**	40	**(12)**	4	**(49)**	176	**22**	(41)
Fair-value adjustments	**73**	46	**(12)**	4	**(49)**	176	**22**	(41)
Fair-value adjustments – own debt	**(38)**	(6)						
Net trading income	**2 648**	2 564	**2 404**	2 347	**30**		**148**	145
Foreign exchange	**1 202**	1 187	**958**	970	**30**		**148**	145
Debt securities	**1 194**	1 146	**1 194**	1 146			**–**	–
Equities	**227**	208	**227**	208			**–**	–
Commodities	**25**	23	**25**	23			**–**	–
Private-equity income	**423**	225	**160**	64	**263**	161	**–**	–
Securities dealing – realised	**350**	34	**60**		**290**	34	**–**	–
Securities dealing – unrealised	**(11)**	33	**60**	(91)	**(71)**	124	**–**	–
Dividends received	**84**	158	**40**	155	**44**	3	**–**	–
Investment income	**105**	56	**33**	31	**6**	5	**12**	16
Dividends received	**92**	41	**33**	31	**6**	5	**1**	1
Long-term-asset sales	**13**	15					**11**	15
Net sundry income	**545**	526	**8**	18	**406**	172	**16**	14
Total non-interest revenue	**20 312**	19 361	**3 206**	3 078	**2 256**	1 944	**10 530**	10 380

The 2013 comparative results for the segmental reporting have been restated. The Rest of Africa Division is now reported separately, and Central Management and Shared Services are collectively reported as the Centre. The restatement has had no effect on the group results and ratios, and only affects segment results and ratios.

[1] *2013 includes administration-related fee of R156m, currently reported in administration fees.*

Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Rest of Africa Division		Centre	
2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
8 422	8 196	**1 556**	1 594	**1 783**	1 650	**609**	542	**(13)**	(3)
409	224	**4**	5	**268**	200	**33**	24	**6**	7
256	253	**355**	359	**2**	1	**116**	106		
419	427	**4**	4	**189**	171	**12**	11		
87	86	**134**	128	**63**	47	**26**	19	**5**	5
		69	69	**1 240**	1 120	**157**	134	**(41)**	(29)
4	3	**40**	40		1	**9**	8		
2 891	2 658	**77**	76			**28**	25		
2 829	2 907	**485**	534	**17**	13	**133**	116		(1)
1 527	1 638	**388**	379	**4**	97	**95**	99	**17**	15
354	456			**1 630**	1 470	**1**		**1**	1
14	(44)	**8**	3	**–**	–	**–**	–	**74**	(99)
14	(44)	**8**	3					**112**	(93)
								(38)	(6)
46	50	**102**	95	**–**	–	**66**	72	**–**	–
46	50	**102**	95			**66**	72		
–	–	**–**	–	**–**	–	**–**	–	**–**	–
1	1	**11**	15	**3**	–	**12**	–	**39**	4
1	1			**1**		**12**		**39**	4
		11	15	**2**					
(17)	(8)	**33**	22	**(17)**	(39)	**80**	61	**52**	300
8 820	8 651	**1 710**	1 729	**3 399**	3 081	**768**	675	**153**	203

8 OPERATING EXPENSES

	2014 Rm	2013 Rm
Staff costs	**13 838**	12 629
Remuneration and other staff costs	**11 097**	10 126
Short-term incentives	**2 100**	1 833
Long-term employee benefits (note 27.2)[1]	**29**	116
Share-based payments expense – employees	**612**	554
BEE transaction expenses[2]	**47**	57
BEE share-based payments expenses	**21**	32
Fees	**26**	25
Computer processing	**3 097**	2 720
Depreciation for computer equipment	**412**	356
Amortisation of computer software	**655**	584
Operating lease charges for computer equipment	**281**	238
Development costs	**181**	192
Other computer processing expenses	**1 568**	1 350
Communication and travel	**835**	820
Depreciation for vehicles	**5**	5
Other communication and travel	**830**	815
Occupation and accommodation	**1 987**	1 838
Depreciation for owner-occupied land and buildings	**136**	129
Operating lease charges for land and buildings	**769**	703
Other occupation and accommodation expenses	**1 082**	1 006
Marketing and public relations	**1 517**	1 451
Fees and assurances	**2 260**	2 042
Auditors' remuneration	**132**	129
Statutory audit – current year	**96**	92
– prior year		2
Non-audit services – interim reviews	**8**	7
– other services	**28**	28
Other fees and assurance costs	**2 128**	1 913
Furniture, office equipment and consumables	**493**	454
Depreciation for furniture and other equipment	**393**	380
Operating lease charge for furniture and other equipment	**8**	7
Other office equipment and consumables	**92**	67
Other operating expenses	**460**	408
Amortisation of intangible assets	**64**	64
Other sundries	**396**	344
	24 534	22 419

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

Refer to note 8.1 for a breakdown of total expenses by operating segment and the Remuneration Report for a detailed breakdown of directors' and prescribed officers' remuneration.

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

[2] *See note 51 for a description of the BEE schemes.*

8 OPERATING EXPENSES (continued)

8.1 Segmental analysis

	Nedbank Group		Nedbank Capital		Nedbank Corporate		Total Nedbank Retail and Nedbank Business Banking	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Staff costs	**13 838**	12 629	**1 185**	1 103	**1 208**	1 143	**6 809**	6 289
BEE transaction expenses	**47**	57	**4**	4	**2**	4	**8**	11
Computer processing	**3 097**	2 720	**200**	176	**301**	266	**695**	566
Communication and travel	**835**	820	**111**	112	**116**	115	**394**	391
Occupation and accommodation	**1 987**	1 838	**67**	59	**153**	136	**1 560**	1 479
Marketing and public relations	**1 517**	1 451	**47**	41	**41**	38	**825**	799
Fees and insurances	**2 260**	2 042	**89**	106	**472**	391	**949**	877
Furniture, office equipment and consumables	**493**	454	**15**	9	**67**	61	**260**	237
Other operating expenses	**460**	408	**24**	26	**32**	27	**205**	156
Indirect transfer pricing			**514**	520	**16**	(12)	**4 371**	4 019
Total operating expenses	**24 534**	22 419	**2 256**	2 156	**2 408**	2 169	**16 076**	14 824

The 2013 comparative results for the segmental reporting have been restated. The Rest of Africa Division is now reported separately, and Central Management and Shared Services are collectively reported as the Centre. The restatement has had no effect on the group results and ratios, and only affects segment results and ratios.

Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Rest of Africa Division		Centre	
2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
5 416	5 019	**1 393**	1 270	**1 261**	1 144	**632**	520	**2 743**	2 430
5	8	**3**	3	**3**	2	**1**	1	**29**	35
621	519	**74**	47	**109**	90	**69**	60	**1 723**	1 562
351	349	**43**	42	**64**	61	**43**	38	**107**	103
1 424	1 352	**136**	127	**122**	107	**112**	94	**(27)**	(37)
746	725	**79**	74	**104**	114	**37**	31	**463**	428
874	799	**75**	78	**254**	181	**116**	120	**380**	367
249	227	**11**	10	**16**	17	**36**	37	**99**	93
194	145	**11**	11	**107**	93	**31**	48	**61**	58
2 809	2 562	**1 562**	1 457	**444**	409	**179**	177	**(5 524)**	(5 113)
12 689	11 705	**3 387**	3 119	**2 484**	2 218	**1 256**	1 126	**54**	(74)

9 INDIRECT TAXATION

	2014 Rm	2013 Rm
Value-added taxation	**499**	493
Other transaction taxes	**136**	108
	635	601
Value-added taxation comprises the VAT incurred that is irrecoverable in respect of the making of exempt supplies as defined in the Value-Added Tax Act, 1991.		

10 NON-TRADING AND CAPITAL ITEMS

	2014 Rm	2013 Rm
(Loss)/Profit on sale of subsidiaries and investments	**(12)**	11
Impairment of property and equipment, and capitalised development costs	**(97)**	(67)
	(109)	(56)

11 DIRECT TAXATION

11.1 Charge for the year

	2014 Rm	2013 Rm
SA normal taxation:		
– Current charge	**3 380**	3 074
– Capital gains taxation – deferred	**(28)**	(25)
– Deferred taxation	**(5)**	(139)
Foreign taxation	**180**	134
Current and deferred taxation on income	**3 527**	3 044
Prior-year overprovision/(underprovision) – current taxation	**221**	(131)
Prior-year (underprovision)/overprovision – deferred taxation	**(261)**	120
Total taxation on income	**3 487**	3 033
Taxation on non-headline earnings items	**(19)**	(17)
	3 468	3 016

11.2 Taxation rate reconciliation

	2014 %	2013 %
Standard rate of SA normal taxation	**28,0**	28,0
Non-taxable dividend income	**(2,4)**	(2,8)
Capital items	**0,1**	(0,2)
Foreign income and section 9D attribution	**(0,5)**	(0,4)
Other	**0,1**	0,6
Effective taxation rate	**25,3**	25,2

11.3 Income tax recognised in other comprehensive income

2014 Rm	Gross	Taxation	Net of taxation
Exchange differences on translating foreign operations	**390**		**390**
Fair-value adjustments on available-for-sale assets	**21**		**21**
Remeasurements on long-term employee benefit assets	**56**	**(22)**	**34**
Gains on property revaluations	**234**	**(32)**	**202**
2013			
Exchange differences on translating foreign operations	690		690
Fair-value adjustments on available-for-sale assets	49	(17)	32
Remeasurements on long-term employee benefit assets	1 016	(285)	731
Gains on property revaluations	333	(111)	222

11.4 Future taxation relief

The group has estimated taxation losses of R1 015m (2013: R1 124m) that can be set off against future taxable income, of which R581,0m (2013: R465,9m) has been applied to the deferred taxation balance.

12 EARNINGS

12.1 Earnings per share

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

	Basic		Headline	
	Basic	Diluted	Basic	Diluted
2014				
Profit attributable to equity holders of the parent (Rm)	**9 796**	**9 796**	**9 796**	**9 796**
Adjusted for:				
– Non-trading and capital items (note 10)			**109**	**109**
– Fair-value adjustments of investment properties			**(6)**	**(6)**
– Taxation on non-trading and capital items (note 11)			**(19)**	**(19)**
Adjusted profit attributable to equity holders of the parent (Rm)	**9 796**	**9 796**	**9 880**	**9 880**
Weighted-average number of ordinary shares	**464 442 212**	**464 442 212**	**464 442 212**	**464 442 212**
Adjusted for:				
– Share schemes that have a dilutive effect		**13 792 790**		**13 792 790**
Adjusted weighted average number of ordinary shares	**464 442 212**	**478 235 002**	**464 442 212**	**478 235 002**
Earnings per share (cents)	**2 109**	**2 049**	**2 127**	**2 066**
2013				
Profit attributable to equity holders of the parent (Rm)	8 637	8 637	8 637	8 637
Adjusted for:				
– Non-trading and capital items (note 10)			56	56
– Fair-value adjustments of investment properties			(6)	(6)
– Taxation on non-trading and capital items (note 11)			(17)	(17)
Adjusted profit attributable to equity holders of the parent (Rm)	8 637	8 637	8 670	8 670
Weighted-average number of ordinary shares	460 167 246	460 167 246	460 167 246	460 167 246
Adjusted for:				
– Share schemes that have a dilutive effect		13 954 845		13 954 845
Adjusted weighted average number of ordinary shares	460 167 246	474 122 091	460 167 246	474 122 091
Earnings per share (cents)	1 877	1 822	1 884	1 829

The diluted-earnings-per-share calculations are based on the group's daily average share price of 22 458 cents (2013: 19 205 cents) and exclude the effect of certain share options granted under certain share option schemes as they would be anti-dilutive. The number of share options not included in the weighted-average number of shares (as they would have been anti-dilutive) is nil (2013: 226 061).

12.2 Headline earnings reconciliation

	2014		2013	
Rm	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to equity holders of the parent		**9 796**		8 637
Less: Non-headline earnings items	**(103)**	**(84)**	(50)	(33)
Profit on sale of subsidiaries, investments and property and equipment	**(12)**	**7**	11	11
Net impairment of investments, property and equipment and capitalised development costs	**(97)**	**(97)**	(67)	(49)
Fair-value adjustments of investment properties	**6**	**6**	6	5
Headline earnings		**9 880**		8 670

13 DIVIDENDS

13.1 Ordinary shares

	Last day to trade (cum dividend)	Cents per share	Rm
2014			
Final declared for 2013 – paid 2014	**28 March 2014**	**505**	**2 433**
Interim declared for 2014	**5 September 2014**	**460[1]**	**2 210**
Ordinary dividends paid 2014		**965**	**4 643**
Final ordinary dividend declared for 2014		**568[1]**	

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

2013			
Final declared for 2012 – paid 2013	27 March 2013	412	1 967
Interim declared for 2013	6 September 2013	390[2]	1 854
Ordinary dividends paid 2013		802	3 821
Final ordinary dividend declared for 2013	28 March 2014	505[2]	

[2] *Total dividend declared for 2013 was 895 cents per share and the dividend cover ratio equalled 2,11 times.*

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

13.2 Non-controlling interest – preference shareholders

	Number of shares	Cents per share	Amount (Rm)
2014			
Nedbank Limited – Final declared for 2013 – paid March 2014	**358 277 491**	**35,70775**	**128**
Nedbank Limited – Interim declared for 2014 – paid September 2014	**358 277 491**	**36,86072**	**132**
			260
Nedbank Limited – Final declared for 2014 – payable March 2015	**358 277 491**	**38,76140**	**139**

Dividends declared calculations	Days	Rate	Amount (Rm)
2014			
Nedbank Limited			
1 July 2014 – 31 December 2014	**184**		**138,9**
1 July 2014 – 17 July 2014	**17**	**7,500%**	**12,5**
18 July 2014 – 31 December 2014	**167**	**7,708%**	**126,4**
Total declared			**138,9**

	Number of shares	Cents per share	Amount (Rm)
2013			
Nedbank Limited – Final declared for 2012 – paid March 2013	358 277 491	35,82649	128
Nedbank Limited – Interim declared for 2013 – paid August 2013	358 277 491	35,12556	126
			254
Nedbank Limited – Final declared for 2013 – paid March 2014	358 277 491	35,70775	128

Dividends declared calculations	Days	Rate	Amount (Rm)
2013			
Nedbank Limited			
1 July 2013 – 31 December 2013	184	7,083%	127,9
Total declared			127,9

13.2 Non-controlling interest – preference shareholders (continued)

Dividends paid calculations	Days	Rate	Amount (Rm)
2013 (Paid March 2014)			
Nedbank – 1 July 2013 – 31 December 2013	**184**		**127,9**
1 July 2013 – 31 December 2013	**184**	**7,083%**	**127,9**
2014 (Paid Sept 2014)			
Nedbank – 1 January 2014 – 30 June 2014	**181**		**132,1**
1 January 2014 – 29 January 2014	**29**	**7,083%**	**20,2**
30 January 2014 – 30 June 2014	**152**	**7,500%**	**111,9**
Nedbank (MFC) – Participating preference shares			**63,2**
Profit attributable to preference shareholders			**323,2**
2012 (Paid March 2013)			
Nedbank – 1 July 2012 – 31 December 2012	184		128,4
1 July 2012 – 19 July 2012	19	7,500%	14,0
20 July 2012 – 31 December 2012	165	7,083%	114,4
2013 (Paid September 2013)			
Nedbank – 1 January 2013 – 30 June 2013	181	7,083%	125,8
Nedbank (MFC) – Participating preference shares			37,7
Profit attributable to preference shareholders			291,9

14 CASH AND CASH EQUIVALENTS

	2014 Rm	2013 Rm
Coins and bank notes	**6 943**	5 841
Money at call and short notice	**5 865**	14 697
Balances with central banks – other than mandatory reserve deposits	**531**	304
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**13 339**	20 842
Mandatory reserve deposits with central banks	**14 911**	13 231
	28 250	34 073

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

15 OTHER SHORT-TERM SECURITIES

15.1 Analysis

	2014 Rm	2013 Rm
Negotiable certificates of deposit	**16 795**	16 095
Treasury bills and other bonds	**50 439**	26 356
	67 234	42 451

15.2 Sectoral analysis

	2014 Rm	2013 Rm
Banks	**18 002**	17 170
Government and public sector	**48 805**	24 956
Other services	**427**	325
	67 234	42 451

16 DERIVATIVE FINANCIAL INSTRUMENTS

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

Swaps

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

Options

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

Futures and forwards

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

Collateral

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

16.1 Total carrying amount of derivative financial instruments

	2014 Rm	2013 Rm
Gross carrying amount of assets	**15 573**	13 390
Gross carrying amount of liabilities	**(15 472)**	(16 580)
Net carrying amount	**101**	(3 190)

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

16.2 Notional principal of derivative financial instruments

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

	2014			2013		
Rm	Notional principal	Positive value	Negative value	Notional principal	Positive value	Negative value
Hedging derivatives						
Interest rate derivatives						
Interest rate swaps	275	275				
Other derivatives						
Equity derivatives	6 863	2 433	4 430	12 518	6 015	6 503
Options written	2 170		2 170	3 087		3 087
Options purchased	2 158	2 158		2 978	2 978	
Futures[1]	2 535	275	2 260	6 453	3 037	3 416
Commodity derivatives	1 957	1 173	784	1 285		1 285
Futures	1 957	1 173	784	1 285		1 285
Exchange rate derivatives	305 088	143 381	161 707	182 775	93 580	89 195
Forwards	243 353	115 986	127 367	156 812	82 279	74 533
Futures	1 214	108	1 106	379	336	43
Currency swaps	49 331	22 043	27 288	21 075	8 593	12 482
Options purchased	5 244	5 244		2 329	2 329	
Options written	5 946		5 946	2 180	43	2 137
Interest rate derivatives	682 182	344 037	338 145	757 066	378 581	378 485
Interest rate swaps	515 128	256 336	258 792	469 028	237 677	231 351
Forward rate agreements	121 403	65 299	56 104	242 826	120 099	122 727
Options purchased				723	723	
Futures	6 160	1 696	4 464	7 705	1 884	5 821
Caps	2 169	900	1 269	307		307
Floors	650	650		150		150
Credit default swaps	36 672	19 156	17 516	36 327	18 198	18 129
Total notional principal	996 365	491 299	505 066	953 644	478 176	475 468

[1] *Includes contracts for difference with positive notionals of R45m (2013: R342m) and negative notionals of R1 677m (2013: R2 014m).*

16.3 Carrying amount of derivative financial instruments

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

	2014			2013		
Rm	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities
Hedging derivatives						
Interest rate derivatives						
Interest rate swaps	**2**	**2**		-		
Other derivatives						
Equity derivatives	**(44)**	**306**	**350**	(8)	529	537
Options written	**(340)**		**340**	(532)		532
Options purchased	**295**	**295**		502	502	
Futures[1]	**1**	**11**	**10**	22	27	5
Commodity derivatives	**9**	**10**	**1**	(9)		9
Futures	**9**	**10**	**1**	(9)		9
Exchange rate derivatives	**1 123**	**6 647**	**5 524**	(922)	4 080	5 002
Forwards	**1 314**	**3 091**	**1 777**	(6)	2 436	2 442
Futures	**(3)**		**3**	1	1	
Currency swaps	**(263)**	**3 322**	**3 585**	(817)	1 443	2 260
Options purchased	**234**	**234**		200	200	
Options written	**(159)**		**159**	(300)		300
Interest rate derivatives	**(989)**	**8 608**	**9 597**	(2 251)	8 781	11 032
Interest rate swaps	**(1 196)**	**7 527**	**8 723**	(2 342)	7 496	9 838
Forward rate agreements	**19**	**56**	**37**	14	101	87
Futures	**(2)**		**2**	(2)		2
Caps	**(8)**	**4**	**12**	(1)		1
Floors	**4**	**4**		2	2	
Credit default swaps	**194**	**1 017**	**823**	78	1 182	1 104
Total carrying amount	**101**	**15 573**	**15 472**	(3 190)	13 390	16 580

[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 R2m (2013: R17m).*

16.4 Analysis of derivative financial instruments

	Hedging derivatives	Other derivatives				
Rm	Interest rate derivatives	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	Total
Derivative assets						
2014						
Maturity analysis:						
Under one year		**271**	**10**	**3 427**	**784**	**4 492**
One to five years	**1**	**35**		**1 932**	**3 151**	**5 119**
Over five years	**1**			**1 288**	**4 673**	**5 962**
	2	**306**	**10**	**6 647**	**8 608**	**15 573**
2013						
Maturity analysis:						
Under one year		353		2 332	416	3 101
One to five years		176		1 173	4 018	5 367
Over five years				575	4 347	4 922
	–	529	–	4 080	8 781	13 390
Derivative liabilities						
2014						
Maturity analysis:						
Under one year		**268**	**1**	**2 393**	**632**	**3 294**
One to five years		**82**		**1 653**	**3 096**	**4 831**
Over five years				**1 478**	**5 869**	**7 347**
	–	**350**	**1**	**5 524**	**9 597**	**15 472**
2013						
Maturity analysis:						
Under one year		335	9	2 772	531	3 647
One to five years		202		1 013	4 329	5 544
Over five years				1 217	6 172	7 389
	–	537	9	5 002	11 032	16 580
Notional principal of derivatives						
2014						
Maturity analysis:						
Under one year		**5 805**	**1 957**	**258 393**	**224 699**	**490 854**
One to five years	**75**	**1 058**		**28 404**	**255 294**	**284 831**
Over five years	**200**			**18 291**	**202 189**	**220 680**
	275	**6 863**	**1 957**	**305 088**	**682 182**	**996 365**
2013						
Maturity analysis:						
Under one year		8 305	1 285	154 652	289 840	454 082
One to five years		1 857		19 069	304 035	324 961
Over five years		2 356		9 054	163 191	174 601
	–	12 518	1 285	182 775	757 066	953 644

16.5 Derivatives designated as fair value hedges

As part of the group's hedging activities, it enters into transactions which are designated as fair-value hedge transactions. Cashflow hedges and hedges of net investments in foreign entities do not currently form part of the group's hedging strategy.

Fair-value hedges are used by the group to mitigate the risk of changes in 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 hedge transactions primarily consist of fixed rate government bonds (refer to note 17).

For qualifying fair-value hedges, all changes in the fair-value of the derivative and in the fair value of the hedged item in relation to the risk being hedged are recognised in profit and loss. If the hedge relationship is terminated, the fair-value adjustment to be hedged item continues to be reported as part to the basis of the item and is amortised to profit and loss as a yield adjustment over the remainder of the hedging period.

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

Rm	2014	2013
Losses on hedged items (assets) (note 5)	**(3)**	
Gains on hedging instruments (assets) (note 5)	**3**	

17 GOVERNMENT AND OTHER SECURITIES

17.1 Analysis

	2014 Rm	2013 Rm
Government and government-guaranteed securities	**14 176**	17 884
Other dated securities[1]	**13 001**	14 207
	27 177	32 091

17.2 Sectoral analysis

	2014 Rm	2013 Rm
Financial services, insurance and real estate	**2 516**	2 628
Banks	**2 910**	3 278
Manufacturing	**1 882**	2 171
Transport, storage and communication	**694**	1 082
Government and public sector	**17 907**	21 046
Other sectors	**1 268**	1 886
	27 177	32 091

[1] *Includes securitised assets. See note 45.*

18 LOANS AND ADVANCES

The group extends advances to individuals and to the corporate, commercial and public sectors. Advances made to individuals are mostly in the form of mortgages, instalment credit, overdrafts, personal loans and credit card borrowings. The group's main activity is in the corporate and commercial sector, where advances are made to a large cross-section of businesses, predominantly in the finance and service area, manufacturing and building and property finance sectors.

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

18.1 Categories of loans and advances

	2014 Rm	2013 Rm
Mortgage loans	**261 101**	242 481
Home loans	**137 449**	136 156
Commercial mortgages	**123 652**	106 325
Net finance lease and instalment debtors (note 18.4)	**94 237**	85 038
Gross investment	**117 907**	106 234
Unearned finance charges	**(23 670)**	(21 196)
Credit cards	**13 404**	11 441
Other loans and advances	**255 374**	251 868
Properties in possession	**596**	772
Overdrafts	**16 141**	15 048
Term loans	**106 175**	97 528
Personal loans	**18 346**	21 145
Other term loans	**87 829**	76 383
Overnight loans	**21 638**	17 927
Other loans to clients	**69 161**	70 976
Foreign client lending	**12 512**	12 658
Remittances in transit	**195**	237
Other loans[1]	**56 454**	58 081
Preference shares and debentures	**18 098**	18 984
Factoring accounts	**4 986**	4 796
Deposits placed under reverse repurchase agreements	**18 291**	25 796
Trade, other bills and bankers' acceptances	**288**	41
	624 116	590 828
Impairment of loans and advances (note 19)	**(11 095)**	(11 456)
	613 021	579 372
Comprises:		
Loans and advances to customers	**602 175**	557 956
Loans and advances to banks	**21 941**	32 872
	624 116	590 828

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

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

18.2 Sectoral analysis

	2014 Rm	2013 Rm
Individuals	**231 002**	221 012
Financial services, insurance and real estate	**155 387**	134 386
Banks	**21 941**	32 872
Manufacturing	**41 015**	44 832
Building and property development	**9 048**	7 712
Transport, storage and communication	**26 876**	26 769
Retailers, catering and accommodation	**23 728**	16 880
Wholesale and trade	**17 526**	12 925
Mining and quarrying	**26 907**	32 393
Agriculture, forestry and fishing	**4 857**	5 716
Government and public sector	**21 721**	21 822
Other services	**44 108**	33 509
	624 116	590 828

18.3 Geographical analysis

	2014 Rm	2013 Rm
SA	**563 500**	532 998
Rest of Africa	**27 204**	27 659
Europe	**19 354**	20 421
Asia	**4 474**	2 137
United States	**4 169**	1 279
Other	**5 415**	6 334
	624 116	590 828

18.4 Net finance lease and instalment debtors

	2014			2013		
Rm	Gross	Unearned finance charges	Net	Gross	Unearned finance charges	Net
No later than one year	**30 515**	**(6 028)**	**24 487**	28 164	(5 622)	22 542
Later than one year and no later than five years	**82 067**	**(17 206)**	**64 861**	73 427	(14 631)	58 796
Later than five years	**5 325**	**(436)**	**4 889**	4 643	(943)	3 700
	117 907	**(23 670)**	**94 237**	106 234	(21 196)	85 038

18 LOANS AND ADVANCES (continued)

18.5 Classification of loans and advances

	Total		Neither past due nor impaired		Past due but not impaired		Defaulted	
Rm	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Mortgage loans[1]	**261 101**	242 481	**244 525**	224 695	**8 968**	9 123	**7 608**	8 663
Net finance lease and instalment debtors[1]	**94 237**	85 038	**86 314**	77 637	**5 614**	4 978	**2 309**	2 423
Credit cards	**13 404**	11 441	**11 416**	9 755	**1 084**	856	**904**	830
Properties in possession	**596**	772					**596**	772
Overdrafts	**16 141**	15 048	**14 507**	13 144	**920**	989	**714**	915
Term loans	**106 175**	97 528	**101 001**	91 502	**1 963**	2 527	**3 211**	3 499
Overnight loans	**21 638**	17 927	**21 638**	17 921		6		
Other loans to clients[1]	**69 161**	70 976	**68 553**	70 171	**219**	159	**389**	646
Preference shares and debentures	**18 098**	18 984	**18 098**	18 984				
Factoring accounts	**4 986**	4 796	**4 574**	4 491	**297**	205	**115**	100
Deposits placed under reverse repurchase agreements	**18 291**	25 796	**18 291**	25 796				
Trade, other bills and bankers' acceptances	**288**	41	**288**	41				
	624 116	590 828	**589 205**	554 137	**19 065**	18 843	**15 846**	17 848
Loans and advances defaulted – not impaired							**365**	446
Loans and advances defaulted – impaired[1]							**15 481**	17 402
							15 846	17 848

[1] *2013 comparatives have been restated due to reclassifications of restructures in MFC as defaulted advances.*

18.6 Age analysis of loans and advances

Rm	Total		<1 month		>1 month <3 months		>3 months <6 months	
	2014	2013	2014	2013	2014	2013	2014	2013
Neither past due nor impaired	**589 205**	554 137	**589 205**	554 137				
Mortgage loans	**244 525**	224 695	**244 525**	224 695				
Net finance lease and instalment debtors	**86 314**	77 637	**86 314**	77 637				
Credit cards	**11 416**	9 755	**11 416**	9 755				
Overdrafts	**14 507**	13 144	**14 507**	13 144				
Term loans	**101 001**	91 502	**101 001**	91 502				
Overnight loans	**21 638**	17 921	**21 638**	17 921				
Other loans to clients	**68 553**	70 171	**68 553**	70 171				
Preference shares and debentures	**18 098**	18 984	**18 098**	18 984				
Factoring accounts	**4 574**	4 491	**4 574**	4 491				
Deposits placed under reverse repurchase agreements	**18 291**	25 796	**18 291**	25 796				
Trade, other bills and bankers' acceptances	**288**	41	**288**	41				
Past due but not impaired	**19 065**	18 843	**11 086**	10 370	**7 938**	8 358	**41**	115
Mortgage loans[1]	**8 968**	9 123	**5 747**	5 740	**3 198**	3 372	**23**	11
Net finance lease and instalment debtors[1]	**5 614**	4 978	**2 341**	2 533	**3 268**	2 439	**5**	6
Credit cards	**1 084**	856	**741**	81	**343**	679		96
Overdrafts	**920**	989	**843**	633	**64**	354	**13**	2
Term loans	**1 963**	2 527	**901**	1 039	**1 062**	1 488		
Overnight loans	**–**	6		6				
Other loans to clients[1]	**219**	159	**216**	133	**3**	26		
Factoring accounts	**297**	205	**297**	205				
Subtotal	**608 270**	572 980	**600 291**	564 507	**7 938**	8 358	**41**	115
Defaulted	**15 846**	17 848						
Mortgage loans[1]	**7 608**	8 663						
Net finance lease and instalment debtors[1]	**2 309**	2 423						
Credit cards	**904**	830						
Properties in possession	**596**	772						
Overdrafts	**714**	915						
Term loans	**3 211**	3 499						
Other loans to clients[1]	**389**	646						
Factoring accounts	**115**	100						
Total loans and advances	**624 116**	590 828						

[1] *2013 comparatives have been restated due to reclassifications of restructures in MFC as defaulted advances.*

18 LOANS AND ADVANCES (continued)

18.7 Credit quality of loans and advances

Rm	Total 2014	Total 2013	NGR 1-12 2014	NGR 1-12 2013
Neither past due nor impaired	**589 205**	554 137	**235 110**	220 044
Mortgage loans	**244 525**	224 695	**62 567**	54 541
Net finance lease and instalment debtors	**86 314**	77 637	**4 391**	4 958
Credit cards	**11 416**	9 755	**1 099**	1 328
Overdrafts	**14 507**	13 144	**3 619**	3 812
Term loans	**101 001**	91 502	**74 740**	60 138
Overnight loans	**21 638**	17 921	**16 834**	13 815
Other loans to clients	**68 553**	70 171	**42 962**	43 853
Preference shares and debentures	**18 098**	18 984	**11 401**	15 830
Factoring accounts	**4 574**	4 491	**143**	280
Deposits placed under reverse repurchase agreements	**18 291**	25 796	**17 354**	21 451
Trade, other bills and bankers' acceptances	**288**	41		38
Past due but not impaired	**19 065**	18 843	**11**	1
Mortgage loans[1]	**8 968**	9 123	**2**	1
Net finance lease and instalment debtors[1]	**5 614**	4 978		
Credit cards	**1 084**	856		
Overdrafts	**920**	989	**7**	
Term loans	**1 963**	2 527	**2**	
Overnight loans	**–**	6		
Other loans to clients[1]	**219**	159		
Factoring accounts	**297**	205		
Defaulted	**15 846**	17 848	**–**	–
Mortgage loans[1]	**7 608**	8 663		
Net finance lease and instalment debtors[1]	**2 309**	2 423		
Credit cards	**904**	830		
Properties in possession	**596**	772		
Overdrafts	**714**	915		
Term loans	**3 211**	3 499		
Other loans to clients[1]	**389**	646		
Factoring accounts	**115**	100		
Total loans and advances	**624 116**	590 828	**235 121**	220 045

[1] *2013 comparatives have been restated due to reclassifications of restructures in MFC as defaulted advances.*

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

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

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

NGR 13-20		NGR 21-25		NP 1-3		Unrated	
2014	2013	2014	2013	2014	2013	2014	2013
314 177	296 868	22 792	19 727	–	–	17 126	17 498
165 950	153 044	8 976	6 943			7 032	10 167
72 841	66 036	6 929	4 902			2 153	1 741
8 714	6 823	1 581	1 592			22	12
9 093	8 018	253	252			1 542	1 062
20 489	24 936	4 822	5 680			950	748
4 800	3 918	4	187				1
22 676	22 594	227	171			2 688	3 553
3 958	2 940					2 739	214
4 431	4 211						
937	4 345						
288	3						
3 064	3 252	15 649	14 637	26	471	315	482
1 471	1 245	7 363	7 530	2	195	130	152
731	1 114	4 760	3 679	9	139	114	46
230	168	835	676	15	12	4	
407	249	482	471		58	24	211
224	475	1 720	1 945		67	17	40
			6				
1	1	192	125			26	33
		297	205				
–	–	–	87	13 973	16 368	1 873	1 393
			35	7 103	8 089	505	539
			8	2 295	2 354	14	61
			1	902	829	2	
						596	772
			33	679	875	35	7
			10	2 546	3 484	665	5
				333	637	56	9
				115	100		
317 241	300 120	38 441	34 451	13 999	16 839	19 314	19 373

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.

18 LOANS AND ADVANCES (continued)

18.8 Segmental analysis

Rm	Nedbank Group 2014	Nedbank Group 2013	Nedbank Capital 2014	Nedbank Capital 2013	Nedbank Corporate 2014	Nedbank Corporate 2013
Mortgage loans	**261 101**	242 481	**–**	–	**101 805**	86 603
Home loans	**137 449**	136 156			**10**	621
Commercial mortgages	**123 652**	106 325			**101 795**	85 982
Net finance lease and instalment debtors	**94 237**	85 038			**3 436**	3 400
Credit cards	**13 404**	11 441				
Other loans and advances	**255 374**	251 868	**105 942**	110 046	**95 456**	86 182
Properties in possession	**596**	772			**388**	498
Overdrafts	**16 141**	15 048	**7**	2	**2 137**	2 635
Term loans	**106 175**	97 528	**20 293**	14 992	**64 108**	58 388
Personal loans	**18 346**	21 145				
Other term loans	**87 829**	76 383	**20 293**	14 992	**64 108**	58 388
Overnight loans	**21 638**	17 927			**20 513**	17 265
Other loans to clients	**69 161**	70 976	**55 545**	56 408	**2 068**	1 600
Foreign client lending	**12 512**	12 658	**10 173**	7 532	**1 357**	874
Remittances in transit	**195**	237	**(25)**	5	**15**	2
Other loans	**56 454**	58 081	**45 397**	48 871	**696**	724
Preference shares and debentures	**18 098**	18 984	**11 523**	12 845	**6 242**	5 758
Factoring accounts	**4 986**	4 796	**(5)**			
Deposits placed under reverse repurchase agreements	**18 291**	25 796	**18 291**	25 796		
Trade, other bills and bankers' acceptances	**288**	41	**288**	3		38
Loans and advances before impairments	**624 116**	590 828	**105 942**	110 046	**200 697**	176 185
Impairment of advances	**(11 095)**	(11 456)	**(341)**	(497)	**(1 140)**	(911)
Total loans and advances	**613 021**	579 372	**105 601**	109 549	**199 557**	175 274
Comprises:						
Loans and advances to clients	**602 175**	557 956	**91 905**	83 827	**194 831**	174 033
Loans and advances to banks	**21 941**	32 872	**14 037**	26 219	**5 866**	2 152
Loans and advances before impairments	**624 116**	590 828	**105 942**	110 046	**200 697**	176 185

The 2013 comparative results for the segmental reporting have been restated. The Rest of Africa Division is now reported separately, and Central Management and Shared Services are collectively reported as the Centre. The restatement has had no effect on the group results and ratios, and only affects segment results and ratios.

Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Rest of Africa Division		Centre	
2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
135 345	134 315	**102 873**	102 629	**32 472**	31 686	**20 038**	18 210	**4 364**	3 804	**(451)**	(451)
119 561	119 113	**102 239**	101 977	**17 322**	17 136	**14 430**	13 448	**3 651**	3 213	**(203)**	(239)
15 784	15 202	**634**	652	**15 150**	14 550	**5 608**	4 762	**713**	591	**(248)**	(212)
88 220	79 680	**75 509**	67 599	**12 711**	12 081	**284**	273	**2 330**	1 708	**(33)**	(23)
13 376	11 428	**13 215**	11 281	**161**	147			**28**	13		
40 874	42 333	**19 066**	22 181	**21 808**	20 152	**4 665**	3 767	**7 531**	9 362	**906**	178
176	258	**167**	242	**9**	16	**32**	16				
10 607	9 588	**1 498**	1 599	**9 109**	7 989	**119**	111	**3 271**	2 712		
19 009	21 893	**17 086**	20 129	**1 923**	1 764	**989**	781	**1 779**	1 478	**(3)**	(4)
17 088	20 131	**17 086**	20 129	**2**	2	**7**	1	**1 251**	1 013		
1 921	1 762			**1 921**	1 762	**982**	780	**528**	465	**(3)**	(4)
607	695		1	**607**	694			**518**	469		(502)
5 215	4 811	**315**	210	**4 900**	4 601	**3 524**	2 858	**1 940**	4 680	**869**	619
435	636	**1**	1	**434**	635			**547**	3 616		
158	63	**151**	70	**7**	(7)		3	**47**	164		
4 622	4 112	**163**	139	**4 459**	3 973	**3 524**	2 855	**1 346**	900	**869**	619
269	292			**269**	292	**1**	1	**23**	23	**40**	65
4 991	4 796			**4 991**	4 796						
–	–										
–	–										
277 815	267 756	**210 663**	203 690	**67 152**	64 066	**24 987**	22 250	**14 253**	14 887	**422**	(296)
(8 933)	(9 536)	**(7 600)**	(8 255)	**(1 333)**	(1 281)	**(168)**	(168)	**(180)**	(187)	**(333)**	(157)
268 882	258 220	**203 063**	195 435	**65 819**	62 785	**24 819**	22 082	**14 073**	14 700	**89**	(453)
277 657	267 693	**210 512**	203 620	**67 145**	64 073	**23 421**	20 814	**13 939**	14 271	**422**	(2 682)
158	63	**151**	70	**7**	(7)	**1 566**	1 436	**314**	616		2 386
277 815	267 756	**210 663**	203 690	**67 152**	64 066	**24 987**	22 250	**14 253**	14 887	**422**	(296)

19 IMPAIRMENT OF LOANS AND ADVANCES

19.1 Impairment of loans and advances

	Total impairments		Specific impairments		Portfolio impairments	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Balance at the beginning of the year	**11 456**	10 870	**7 543**	7 443	3 913	3 427
Impairments charge	**5 447**	6 453	**5 084**	5 979	363	474
Statement of comprehensive income charge net of recoveries:	**4 506**	5 565	**4 143**	5 091	363	474
– loans and advances[1]	**4 508**	5 591	**4 145**	5 117	363	474
– advances designated as at fair value through profit or loss (see note 38.1)	**(2)**	(26)	**(2)**	(26)		
Recoveries	**941**	888	**941**	888		
Amounts written off against the impairment/Other transfers	**(5 808)**	(5 867)	**(5 795)**	(5 879)	(13)	12
Impairment of loans and advances	**11 095**	11 456	**6 832**	7 543	4 263	3 913

[1] *2013 comparatives have been restated due to reclassifications of restructures in MFC as defaulted advances.*

19.2 Impairment of loans and advances by classification

	Balance at the beginning of the year Rm	Impairments charge/ (release) Rm	Amounts written off against the impairments/ Other transfers Rm	Total Rm
Total impairments – 2014				
Home loans	**2 895**	**247**	**(669)**	**2 473**
Commercial mortgages	**785**	**304**	**(178)**	**911**
Properties in possession	**18**	**19**	**18**	**55**
Credit cards	**887**	**800**	**(715)**	**972**
Overdrafts	**531**	**189**	**(176)**	**544**
Other loans to clients	**3 780**	**2 816**	**(2 815)**	**3 781**
Net finance lease and instalment debtors	**2 560**	**1 072**	**(1 273)**	**2 359**
Impairment of loans and advances	**11 456**	**5 447**	**(5 808)**	**11 095**
Total impairments – 2013				
Home loans	3 312	531	(948)	2 895
Commercial mortgages	854	337	(406)	785
Properties in possession	23	(7)	2	18
Credit cards	701	713	(527)	887
Overdrafts	550	208	(227)	531
Other loans to clients	3 253	3 610	(3 083)	3 780
Net finance lease and instalment debtors	2 176	1 061	(677)	2 560
Preference shares and debentures	1		(1)	–
Impairment of loans and advances	10 870	6 453	(5 867)	11 456
Specific impairments – 2014				
Home loans	**1 932**	**312**	**(669)**	**1 575**
Commercial mortgages	**477**	**248**	**(181)**	**544**
Properties in possession	**18**	**19**	**18**	**55**
Credit cards	**774**	**791**	**(715)**	**850**
Overdrafts	**390**	**177**	**(176)**	**391**
Other loans to clients	**2 334**	**2 625**	**(2 796)**	**2 163**
Net finance lease and instalment debtors	**1 619**	**912**	**(1 276)**	**1 255**
Preference shares and debentures	**(1)**			**(1)**
Specific impairment of loans and advances	**7 543**	**5 084**	**(5 795)**	**6 832**

19.2 Impairment of loans and advances by classification (continued)

	Balance at the beginning of the year Rm	Impairments charge/ (release) Rm	Amounts written off against impairments/ Other transfers Rm	Total Rm
Specific impairments – 2013				
Home loans	2 508	359	(935)	1 932
Commercial mortgages	569	281	(373)	477
Properties in possession	23	(7)	2	18
Credit cards	604	697	(527)	774
Overdrafts	414	203	(227)	390
Other loans to clients	2 035	3 393	(3 094)	2 334
Net finance lease and instalment debtors[1]	1 290	1 053	(724)	1 619
Preference shares and debentures			(1)	(1)
Specific impairment of loans and advances	7 443	5 979	(5 879)	7 543
Portfolio impairments – 2014				
Home loans	**963**	**(65)**		**898**
Commercial mortgages	**308**	**56**	**3**	**367**
Credit cards	**113**	**9**		**122**
Overdrafts	**141**	**12**		**153**
Other loans to clients	**1 446**	**191**	**(19)**	**1 618**
Net finance lease and instalment debtors	**941**	**160**	**3**	**1 104**
Preference shares and debentures	**1**			**1**
Portfolio impairment of loans and advances	**3 913**	**363**	**(13)**	**4 263**
Portfolio impairments – 2013				
Home loans	804	172	(13)	963
Commercial mortgages	285	56	(33)	308
Credit cards	97	16		113
Overdrafts	136	5		141
Other loans to clients	1 218	217	11	1 446
Net finance lease and instalment debtors[1]	886	8	47	941
Preference shares and debentures	1			1
Portfolio impairment of loans and advances	3 427	474	12	3 913

[1] *2013 comparatives have been restated due to reclassifications of restructures in MFC as defaulted advances.*

19 IMPAIRMENT OF LOANS AND ADVANCES (continued)

19.3 Sectoral analysis

	Total impairments		Specific impairments		Portfolio impairments	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Individuals[1]	**7 771**	8 260	**5 131**	5 646	**2 640**	2 614
Financial services, insurance and real estate	**1 326**	978	**498**	428	**828**	550
Manufacturing	**521**	285	**354**	95	**167**	190
Building and property development	**103**	113	**42**	63	**61**	50
Transport, storage and communication	**188**	191	**73**	96	**115**	95
Retailers, catering and accommodation	**34**	51	**7**	6	**27**	45
Wholesale and trade	**133**	244	**79**	213	**54**	31
Mining and quarrying	**160**	195	**47**	132	**113**	63
Agriculture, forestry and fishing	**47**	165	**19**	142	**28**	23
Government and public sector	**58**	60	**47**	47	**11**	13
Other services	**754**	914	**535**	675	**219**	239
	11 095	11 456	**6 832**	7 543	**4 263**	3 913

[1] *2013 comparatives have been restated due to reclassifications of restructures in MFC as defaulted advances.*

19.4 Geographical analysis

	Total impairments		Specific impairments		Portfolio impairments	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
SA[1]	**10 555**	10 934	**6 445**	7 181	**4 110**	3 753
Other African countries	**200**	204	**105**	85	**95**	119
Europe	**297**	174	**245**	149	**52**	25
Asia		2				2
United States	**41**	130	**37**	128	**4**	2
Other	**2**	12			**2**	12
	11 095	11 456	**6 832**	7 543	**4 263**	3 913

[1] *2013 comparatives have been restated due to reclassifications of restructures in MFC as defaulted advances.*

19.5 Interest on specifically impaired loans and advances

	2014 Rm	2013 Rm
Interest on specifically impaired loans and advances	**893**	977

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

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

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

19 IMPAIRMENT OF LOANS AND ADVANCES (continued)

19.6 Segmental analysis

2014 Rm	Nedbank Group	Nedbank Capital	Nedbank Corporate
2014			
Opening balance	**11 456**	**497**	**911**
Specific impairments	**7 543**	**323**	**482**
Portfolio impairments	**3 913**	**174**	**429**
Impairments charge	**5 447**	**109**	**448**
Statement of comprehensive income impairments charge net of recoveries	**4 506**	**106**	**400**
Specific impairments	**4 143**	**42**	**338**
Portfolio impairments	**363**	**64**	**62**
Recoveries	**941**	**3**	**48**
Amounts written off/other transfers	**(5 808)**	**(265)**	**(219)**
Specific impairments	**(5 795)**	**(268)**	**(204)**
Portfolio impairments	**(13)**	**3**	**(15)**
Total impairments	**11 095**	**341**	**1 140**
Specific impairments	**6 832**	**100**	**664**
Portfolio impairments	**4 263**	**241**	**476**
2013			
Opening balance	10 870	419	896
Specific impairments	7 443	259	532
Portfolio impairments	3 427	160	364
Impairments charge	6 453	309	437
Statement of comprehensive income impairments charge net of recoveries	5 565	306	385
Specific impairments	5 091	298	324
Portfolio impairments	474	8	61
Recoveries	888	3	52
Amounts written off/other transfers	(5 867)	(231)	(422)
Specific impairments	(5 879)	(237)	(426)
Portfolio impairments	12	6	4
Total impairments	11 456	497	911
Specific impairments	7 543	323	482
Portfolio impairments	3 913	174	429

The 2013 comparative results for the segmental reporting have been restated. The Rest of Africa Division is now reported separately, and Central Management and Shared Services are collectively reported as the Centre. The restatement has had no effect on the group results and ratios, and only affects segment results and ratios.

Total Nedbank Retail and Nedbank Business Banking	Nedbank Retail	Nedbank Business Banking	Nedbank Wealth	Rest of Africa Division	Centre
9 536	**8 255**	**1 281**	**168**	**187**	**157**
6 528	**5 693**	**835**	**141**	**85**	**(16)**
3 008	**2 562**	**446**	**27**	**102**	**173**
4 644	**4 354**	**290**	**46**	**48**	**152**
3 771	**3 500**	**271**	**41**	**35**	**153**
3 681	**3 494**	**187**	**43**	**36**	**3**
90	**6**	**84**	**(2)**	**(1)**	**150**
873	**854**	**19**	**5**	**13**	**(1)**
(5 247)	**(5 009)**	**(238)**	**(46)**	**(55)**	**24**
(5 247)	**(5 009)**	**(238)**	**(46)**	**(29)**	**(1)**
				(26)	**25**
8 933	**7 600**	**1 333**	**168**	**180**	**333**
5 835	**5 032**	**803**	**143**	**105**	**(15)**
3 098	**2 568**	**530**	**25**	**75**	**348**
9 141	7 881	1 260	112	147	155
6 525	5 631	894	88	57	(18)
2 616	2 250	366	24	90	173
5 582	5 134	448	63	60	2
4 765	4 355	410	59	50	
4 373	4 043	330	56	40	
392	312	80	3	10	
817	779	38	4	10	2
(5 187)	(4 760)	(427)	(7)	(20)	
(5 187)	(4 760)	(427)	(7)	(22)	
–				2	
9 536	8 255	1 281	168	187	157
6 528	5 693	835	141	85	(16)
3 008	2 562	446	27	102	173

20 OTHER ASSETS

	2014 Rm	2013 Rm
Sundry debtors and other accounts	**6 620**	5 412
Trading securities and spot positions	**2 095**	3 261
	8 715	8 673

21 INVESTMENT SECURITIES

	2014 Rm	2013 Rm
Listed investments at market value	**635**	826
Private-equity portfolio	**624**	819
Other	**11**	7
Unlisted investments at directors' valuation	**3 228**	3 390
Taquanta Asset Managers portfolio	**424**	421
Strate Ltd	**51**	43
Private-equity portfolio	**1 194**	1 506
Other	**1 559**	1 420
Total listed and unlisted investments	**3 863**	4 216
Listed policyholder investments at market value	**11 576**	11 088
Equities	**193**	219
Government, public and private sector stock	**979**	808
Unit trusts	**10 404**	10 061
Unlisted policyholder investments at directors' valuation	**4 658**	4 133
Negotiable certificates of deposit, money market and other short-term funds	**4 658**	4 133
Net policyholder liabilities	**(68)**	(89)
Total policyholder investments	**16 166**	15 132
Total investment securities	**20 029**	19 348

22 SUMMARISED FINANCIAL INFORMATION OF INVESTMENTS IN PRIVATE EQUITY ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS

	Profit/(loss) from continuing operations		Posttax profit/(loss) from discontinued operations		Other comprehensive income/(loss)		Total comprehensive income	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Comprehensive income								
Associates								
Banking associates	**3 489**		**(25)**		**(1 048)**		**2 416**	
Private-equity associates (Manufacturing, industrial, leisure and other)	**248**	130	**5**	1	**162**	6	**176**	104
Private-equity associates (Property investment associates)	**141**	116	**(4)**				**135**	116
Other	**77**	117			**(8)**		**70**	136
Joint arrangements	**(4)**	(16)						
	3 951	347	**(24)**	1	**(894)**	6	**2 797**	356

22.1 MOVEMENT IN CARRYING AMOUNT

	2014 Rm	2013 Rm
Carrying amount at the beginning of the year	**1 101**	1 032
Share of associate companies' and joint arrangements' profit after taxation for the current year	**161**	27
Net movement of associate companies and joint arrangements at cost[1]	**6 222**	62
Fair-value movements	**38**	(20)
Foreign currency translation and other movements	**148**	
Carrying amount at the end of the year	**7 670**	1 101

22.2 ANALYSIS OF CARRYING AMOUNT

	2014 Rm	2013 Rm
Associate investments – on acquisition: net asset value	**6 943**	706
Share of retained earnings since acquisition	**190**	29
Fair-value movements	**389**	366
Foreign currency translation and other movements	**148**	
	7 670	1 101

22.3 VALUATION

	2014 Rm	2013 Rm
Directors' valuation	**7 670**	1 101
	7 670	1 101

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

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

23 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale	Previously included in:	2014 Rm	2013 Rm
Properties sold not yet transferred[1]	Property and equipment	**16**	12
		16	12

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

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

24 DEFERRED TAXATION

24.1 Reconciliation of deferred taxation balance

	2014 Rm	2013 Rm
Deferred taxation assets		
Balance at the beginning of the year	**216**	541
Current year temporary differences recognised in the statement of comprehensive income	**321**	(54)
Capital gains taxation	**20**	(2)
Client credit agreements	**(5)**	
Deferred acquisition costs	**(37)**	
Deferred fee income	**20**	1
Depreciation	**(17)**	
Fair-value adjustments of financial instruments	**(33)**	(5)
Impairment of loans and advances	**114**	2
Other income and expense items	**194**	(4)
Property revaluations	**11**	
Share-based payments	**21**	
Taxation losses recognised	**33**	(46)
Recognised directly in equity	**(25)**	(3)
Other movements	**(203)**	(268)
Balance at the end of the year	**309**	216
Deferred taxation liabilities		
Balance at the beginning of the year	**789**	793
Current year temporary differences recognised in the statement of comprehensive income	**26**	(115)
Capital gains taxation	**9**	53
Client credit agreements		(3)
Deferred acquisition costs		64
Deferred fee income		(46)
Depreciation	**6**	78
Fair-value adjustments of financial instruments	**11**	(30)
Impairment of loans and advances	**2**	(7)
Other income and expense items	**(2)**	(199)
Property revaluations		(10)
Share-based payments		(63)
Taxation losses recognised		48
Recognised directly in equity	**13**	403
Other movements	**103**	(292)
Balance at the end of the year	**931**	789

24.2 Analysis of deferred taxation

	2014 Rm	2013 Rm
Deferred taxation assets		
Capital gains taxation	(184)	
Client credit agreements	(16)	
Deferred acquisition costs	(396)	
Deferred fee income	281	4
Depreciation	(408)	
Fair-value adjustments of financial instruments	86	8
Impairment of loans and advances	1 253	15
Other income and expense items	(9)	59
Property revaluations	(434)	
Share-based payments	(27)	
Taxation losses	163	130
	309	216
Deferred taxation liabilities		
Capital gains taxation	75	323
Client credit agreements		11
Deferred acquisition costs		358
Deferred fee income		(257)
Depreciation	28	419
Fair-value adjustments of financial instruments	64	(60)
Impairment of loans and advances	(6)	(1 124)
Other income and expense items	636	533
Property revaluations	134	532
Share-based payments		54
	931	789

25 INVESTMENT PROPERTY

25.1 Fair value

	2014 Rm	2013 Rm
Fair value at the beginning of the year	214	205
Acquisitions	4	
Disposals	(8)	
Effect of movements in foreign exchange rates	1	3
Transferred to non-current assets held for sale (note 23)	(87)	
Net profit from fair-value adjustments	6	6
Fair value at the end of the year	130	214

25 INVESTMENT PROPERTY (continued)

25.2 Fair value of investment property

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

Type of property	Valuation method	Significant inputs	Parameters	2014 Rm	2013 Rm
Commercial property	Discounted cashflow	Income capitalisation rates	10,0%	**8**	98
Residential property	Average of market comparable sales, replacement cost and investment values	Rate per square metre		**122**	116
Total investment properties measured at fair value				**130**	214

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

25.3 Rental income and operating expenses from investment property

	2014 Rm	2013 Rm
Rental income from investment property	**15**	23
Direct operating expense arising from investment property that generated rental income	**23**	36

25.4 Minimum contractual lease rental income from investment property

2014		12
	–	12

26 PROPERTY AND EQUIPMENT

	Land		Buildings		Computer equipment		Furniture and other equipment		Vehicles		Total	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Gross carrying amount												
Balance at 1 January	**813**	808	**4 135**	3 846	**3 040**	2 711	**3 484**	3 224	**34**	34	**11 506**	10 623
Acquisitions	**3**	3	**188**	94	**746**	451	**772**	466	**5**	7	**1 714**	1 021
Increases arising from revaluations[1]	**104**	7	**176**	345							**280**	352
Transfers to non-current assets held for sale	**(1)**	(3)	**(3)**	(5)							**(4)**	(8)
Disposals		(3)	**(15)**	(1)	**(552)**	(129)	**(202)**	(164)	**(5)**	(7)	**(774)**	(304)
Writeoff of accumulated depreciation on revaluations			**(85)**	(132)							**(85)**	(132)
Transfers to software (note 28)				(13)				(47)			**–**	(60)
Effect of movements in foreign exchange rates and other movements	**1**	1	**1**	1	**3**	7	**2**	5	**1**		**8**	14
Balance at 31 December	**920**	813	**4 397**	4 135	**3 237**	3 040	**4 056**	3 484	**35**	34	**12 645**	11 506

[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.*

	Land		Buildings		Computer equipment		Furniture and other equipment		Vehicles		Total	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Accumulated depreciation and impairment losses												
Balance at 1 January			**392**	406	**2 257**	2 015	**2 017**	1 783	**22**	21	**4 688**	4 225
Depreciation charge for the year			**136**	129	**412**	356	**393**	380	**5**	5	**946**	870
Writeoff of accumulated depreciation on revaluations			**(85)**	(132)							**(85)**	(132)
Disposals			**(15)**	(1)	**(517)**	(118)	**(144)**	(144)	**(4)**	(5)	**(680)**	(268)
Transfers to software (note 28)				(10)				(6)			**–**	(16)
Effect of movements in foreign exchange rates and other movements					**3**	4	**1**	4	**(1)**	1	**3**	9
Balance at 31 December	**–**	–	**428**	392	**2 155**	2 257	**2 267**	2 017	**22**	22	**4 872**	4 688
Carrying amount												
At 1 January	**813**	808	**3 743**	3 440	**783**	696	**1 467**	1 441	**12**	13	**6 818**	6 398
At 31 December	**920**	813	**3 969**	3 743	**1 082**	783	**1 789**	1 467	**13**	12	**7 773**	6 818

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

				Land		Buildings	
Type of property	**Valuation method**	**Significant inputs**	**Parameters**	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Commercial property	Market comparable approach and discounted cashflow	Income capitalisation rates	11,5% – 13,5% (2013: 11,0% – 13,5%)	**915**	808	**3 959**	3 733
Residential property	Market comparable	Price per square metre		**5**	5	**10**	8
Total land and buildings				**920**	813	**3 969**	3 741

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

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

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R2 477m (2013: R2 434m).

27 LONG-TERM EMPLOYEE BENEFITS

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

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

At the dates of the latest valuations the defined-benefit plans were in a sound financial position in terms of section 16 of the Pensions Funds Act. During 1998 active members in the Nedgroup Pension Fund (defined-benefit) were granted a further option to transfer to one of the defined-contribution funds and approximately three-quarters of the then valuation surplus was allocated to members and pensioners.

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 2014.

27 LONG-TERM EMPLOYEE BENEFITS (continued)

Postemployment benefits

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

Defined-contribution pension funds
Fairbairn Funds, consisting of Fairbairn Private Bank Pension Funds.

Defined-benefit medical aid schemes
Nedgroup Medical Aid Scheme for Nedbank employees and pensioners (including the Old Mutual Post-Retirement Medical Aid (PRMA) annuity policy).
Nedgroup Medical Aid Scheme for past BoE employees and pensioners.
Nedbank Namibia Medical Aid Fund.

Other long-term employee benefits

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

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

27.1 Analysis of long-term employee benefits assets and liabilities

Rm	Assets	Liabilities	Net asset
2014			
Postemployment benefits	**4 035**	**(2 698)**	**1 337**
Other long-term employee benefits – disability fund	**511**	**(373)**	**138**
	4 546	**(3 071)**	**1 475**
2013			
Postemployment benefits	2 527	(1 522)	1 005
Other long-term employee benefits – disability fund	453	(320)	133
	2 980	(1 842)	1 138

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. The value of the OMART asset held by the group is R511m (2013: R453m).

27.2 Postemployment benefits

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

27.2 Postemployment benefits (continued)

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised due to paragraph 64 limit	Net asset/ (liability)
2013					
Pension funds	4 917	6 625	1 708	(18)	1 690
Nedgroup Fund	4 267	6 017	1 750		1 750
Nedbank UK Fund	352	332	(20)		(20)
Fairbairn Funds	136	105	(31)		(31)
Other funds	162	171	9	(18)	(9)
Medical aid funds	1 578	893	(685)	–	(685)
Nedgroup scheme for Nedbank employees	1 481	893	(588)		(588)
Nedgroup scheme for BoE employees	90		(90)		(90)
Nedbank Namibia scheme (unfunded)	7		(7)		(7)
Total	6 495	7 518	1 023	(18)	1 005

Rm	Pension and provident funds	Medical aid funds	Total
Present value of defined benefit obligation (Rm)			
2014			
Balance at the beginning of the year	**4 917**	**1 578**	**6 495**
Current service cost	**34**	**68**	**102**
Interest cost	**389**	**151**	**540**
Contributions by plan participants	**10**		**10**
Actuarial losses	**172**	**42**	**214**
Benefits paid	**(336)**	**(59)**	**(395)**
Impact of foreign currency exchange rate changes	**20**		**20**
Balance at the end of the year	**5 206**	**1 780**	**6 986**
2013			
Balance at the beginning of the year	4 890	1 591	6 481
Current service cost	32	65	97
Interest cost	317	133	450
Contributions by plan participants	10		10
Actuarial gains	(158)	(148)	(306)
Benefits paid	(277)	(63)	(340)
Impact of foreign currency exchange rate changes	103		103
Balance at the end of the year	4 917	1 578	6 495
Fair value of plan assets (Rm)			
2014			
Balance at the beginning of the year	**6 625**	**893**	**7 518**
Expected return on plan assets	**533**	**92**	**625**
Actuarial gains/(losses)	**294**	**(24)**	**270**
Contributions by the employer	**40**		**40**
Contributions by plan participants	**10**	**266**	**276**
Benefits paid	**(335)**	**(57)**	**(392)**
Scheme-settled administration costs	**(11)**		**(11)**
Impact of foreign currency exchange rate changes	**17**		**17**
Balance at the end of the year	**7 173**	**1 170**	**8 343**
2013			
Balance at the beginning of the year	5 713	854	6 567
Expected return on plan assets	372	68	440
Actuarial gains	692	28	720
Contributions by the employer	32		32
Contributions by plan participants	10		10
Benefits paid	(275)	(57)	(332)
Scheme-settled administration costs	(8)		(8)
Impact of foreign currency exchange rate changes	89		89
Balance at the end of the year	6 625	893	7 518

27 LONG-TERM EMPLOYEE BENEFITS (continued)

27.2 Postemployment benefits

Rm	Pension and provident funds	Medical aid funds	Total
Net asset/(liability) recognised (Rm)			
2014			
Present value of defined-benefit obligation	**(5 206)**	**(1 780)**	**(6 986)**
Fair value of plan assets	**7 173**	**1 170**	**8 343**
Funded status	**1 967**	**(610)**	**1 357**
Unrecognised due to paragraph 64 limit	**(20)**		**(20)**
	1 947	**(610)**	**1 337**
Asset	**4 035**		**4 035**
Liability	**(2 088)**	**(610)**	**(2 698)**
2013			
Present value of defined-benefit obligation	(4 917)	(1 578)	(6 495)
Fair value of plan assets	6 625	893	7 518
Funded status	1 708	(685)	1 023
Unrecognised due to paragraph 64 limit	(18)		(18)
	1 690	(685)	1 005
Asset	2 527		2 527
Liability	(837)	(685)	(1 522)
Net (income)/expense recognised (Rm)			
2014			
Current service cost	**34**	**68**	**102**
Interest cost	**(143)**	**59**	**(84)**
Scheme-settled plan administration costs	**11**		**11**
	(98)	**127**	**29**
2013			
Current service cost	32	65	97
Interest cost	(54)	65	11
Scheme-settled plan administration costs	8		8
	(14)	130	116
Movements in net asset/(liability) recognised (Rm)			
2014			
Balance at the beginning of the year	**1 690**	**(685)**	**1 005**
Net income/(expense) recognised in the statement of comprehensive income	**98**	**(127)**	**(29)**
Net remeasurements – credit/(debit) for the year	**122**	**(67)**	**55**
Contributions paid by the employer	**40**	**269**	**309**
Impact of foreign currency exchange rate changes	**(3)**		**(3)**
Balance at the end of the year	**1 947**	**(610)**	**1 337**
2013			
Balance at the beginning of the year	814	(737)	77
Net income/(expense) recognised in the statement of comprehensive income	14	(130)	(116)
Net remeasurements – credit/(debit) for the year	842	175	1 017
Contributions paid by the employer	32	7	39
Impact of foreign currency exchange rate changes	(12)		(12)
Balance at the end of the year	1 690	(685)	1 005

27.2 Postemployment benefits (continued)

Rm	Pension and provident funds	Medical aid funds	Total
Distribution of plan assets (%)			
2014			
Equity instruments	**34,64**	**25,00**	**33,28**
Debt instruments	**28,52**	**17,00**	**26,91**
Property	**5,00**		**4,30**
Cash	**6,40**	**43,00**	**11,53**
International	**25,44**	**15,00**	**23,98**
	100,00	**100,00**	**100,00**
2013			
Equity instruments	32,35	25,00	31,47
Debt instruments	27,81	17,00	26,53
Property	4,46		3,93
Cash	5,96	43,00	10,36
International	29,42	15,00	27,71
	100,00	100,00	100,00
Actual return on plan assets (Rm)			
2014	**827**	**68**	**895**
2013	1 064	96	1 160

Principal actuarial assumptions (%)	Range	Used in valuation
2014		
Discount rates	**3,50 – 8,10**	**8,60 – 9,10**
Expected rates of return on plan assets	**3,50 – 8,10**	**9,10 – 9,10**
Inflation rate	**2,25 – 5,90**	**5,60 – 6,50**
Expected rates of salary increases	**6,90 – 7,10**	**6,5**
Pension increase allowance	**0,53 – 5,90**	
Annual increase to medical aid subsidy		**6.90 – 7.50**
Average expected retirement age (years)	**55 to 65**	**60 and 63**
2013		
Discount rates	4,40 – 8,50	8,60 – 9,40
Expected rates of return on plan assets	4,40 – 8,50	9,40 – 9,40
Inflation rate	2,50 – 6,10	5,60 – 6,80
Expected rates of salary increases	7,00 – 7,10	6,5
Pension increase allowance	0,57 – 6,10	
Annual increase to medical aid subsidy		6,90 – 7,80
Average expected retirement age (years)	55 to 65	60 and 63

Pension funds

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

Weighted average assumptions:	2014 %	2013 %
– Discount rate	**7,79**	8,24
– Expected return on plan assets	**7,79**	8,24
– Future salary increases	**6,23**	6,45
– Future pension increases	**5,49**	5,70

Medical aid funds

The overall expected long-term rate of return on plan assets is 9,4%. 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.

27 LONG-TERM EMPLOYEE BENEFITS (continued)

27.2 Postemployment benefits

Experience adjustments on present value of defined-benefit obligation for past five years

Principal actuarial assumptions (%)		Range	Used in valuation
2014		**(42)**	**(42)**
2013		148	148
2012	23	18	41
2011	(104)	(153)	(257)
2010	14	(48)	(34)
2009	190	(98)	92
Experience adjustments on fair value of plan assets for past five years			
2014		**(24)**	**(24)**
2013		28	28
2012		18	18
2011	(34)	(2)	(36)
2010	95	(10)	85
2009	188	27	215
Estimate of future contributions			
Contributions expected for ensuing year	**36**		**36**

Fund surplus/(deficit) for past five years

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Pension funds			
2014	**5 206**	**7 173**	**1 967**
2013	4 917	6 625	1 708
2012	4 890	5 713	823
2011	4 281	5 183	902
2010	3 985	4 965	980
2009	3 510	4 694	1 184
Medical aid funds			
2014	**1 780**	**1 170**	**(610)**
2013	1 578	893	(685)
2012	1 591	854	(737)
2011	1 489	830	(659)
2010	1 229	810	(419)
2009	1 092	790	(302)

Effect of 1% change in assumed medical cost trend rates (Rm)

	2014	2013
1% increase – effect on current service cost and interest cost	**50**	37
1% increase – effect on accumulated benefit obligation	**275**	229
1% decrease – effect on current service cost and interest cost	**(20)**	(29)
1% decrease – effect on accumulated benefit obligation	**(223)**	(186)

28 INTANGIBLE ASSETS

Rm	Goodwill	Software	Software development costs	Client relationships, contractual rights and other	Total
2014					
Cost					
Balance at the beginning of the year	**6 603**	**6 996**	**958**	**641**	**15 198**
Acquisitions		**257**	**809**		**1 066**
Development costs commissioned to software		**766**	**(766)**		**–**
Impairment losses		**(33)**	**(38)**		**(71)**
Disposals and retirements		**(213)**			**(213)**
Foreign currency translation and other movements	**15**	**2**			**17**
Balance at the end of the year	**6 618**	**7 775**	**963**	**641**	**15 997**
Accumulated amortisation					
Balance at the beginning of the year	**1 477**	**5 012**	**136**	**283**	**6 908**
Amortisation charge		**655**		**64**	**719**
Disposals and retirements		**(211)**			**(211)**
Foreign currency translation and other movements		**2**			**2**
Balance at the end of the year	**1 477**	**5 458**	**136**	**347**	**7 418**
Carrying amount					
At the beginning of the year	**5 126**	**1 984**	**822**	**358**	**8 290**
At the end of the year	**5 141**	**2 317**	**827**	**294**	**8 579**
2013					
Cost					
Balance at the beginning of the year	6 518	6 010	1 006	641	14 175
Acquisitions	2	273	683		958
Development costs commissioned to software		669	(669)		–
Impairment losses		(5)	(62)		(67)
Transfers to non-current assets held for sale (note 32)					–
Disposals and retirements		(18)			(18)
Transfers from property and equipment (note 35)		60			60
Foreign currency translation and other movements	83	7			90
Balance at the end of the year	6 603	6 996	958	641	15 198
Accumulated amortisation					
Balance at the beginning of the year	1 477	4 424	134	218	6 253
Amortisation charge		584		64	648
Transfers to non-current assets held for sale					–
Disposals and retirements		(17)			(17)
Transfers from property and equipment (note 35)		16			16
Foreign currency translation and other movements		5	2	1	8
Balance at the end of the year	1 477	5 012	136	283	6 908
Carrying amount					
At the beginning of the year	5 041	1 586	872	423	7 922
At the end of the year	5 126	1 984	822	358	8 290

28 INTANGIBLE ASSETS

28.1 Analysis of goodwill

Rm	2014			2013		
	Cost	Accumulated impairment losses	Carrying amount	Cost	Accumulated impairment losses	Carrying amount
Original subsidiary companies						
Nedbank Private Wealth Ltd (Isle of Man)/Nedgroup Trust Ltd (Guernsey)	**547**	**(138)**	**409**	532	(138)	394
Peoples Mortgage Ltd	**198**	**(198)**	**-**	198	(198)	-
IBL Asset Finance and Services Ltd	**285**	**(25)**	**260**	285	(25)	260
Nedbank Limited	**3 938**	**(1 114)**	**2 824**	3 938	(1 114)	2 824
Old Mutual Bank	**206**		**206**	206		206
Nedgroup Private Wealth (Pty) Ltd	**725**		**725**	725		725
Nedgroup Life Assurance Company Ltd	**401**		**401**	401		401
Nedbank Namibia Ltd	**136**	**(2)**	**134**	136	(2)	134
Capital One	**82**		**82**	82		82
American Express	**81**		**81**	81		81
Visigro Investments (Pty) Ltd	**19**		**19**	19		19
	6 618	**(1 477)**	**5 141**	6 603	(1 477)	5 126

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

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

	2014	2013
Risk-free rate range (%)	**1,72 – 7,98**	2,94 – 8,23
Beta range	**0,21 – 1,53**	0,15 – 2,00
Equity Risk Premium (%)	**6,00**	6,00
Terminal growth rate range (%)	**0,00 – 5,80**	0,00 – 5,00
Cashflow projection (years)	**3**	3
Discount rate range (%)	**9,08 – 13,29**	9,06 – 14,94

	2014 Rm	2013 Rm
Geographical split is based on the area in which the CGU operates:		
SA	**4 598**	4 598
Rest of Africa	**134**	134
Rest of world	**409**	394
	5 141	5 126
The value in use is estimated as follows:		
SA	**192 898**	189 598
Rest of Africa	**6 108**	3 523
Rest of world	**1 306**	768
	200 312	193 889
Net estimated recoverable amounts:		
SA	**188 300**	184 999
Rest of Africa	**5 974**	3 390
Rest of world	**897**	374
	195 171	188 763

29 SHARE CAPITAL

29.1 Ordinary share capital

	2014 Rm	2013 Rm
Authorised		
600 000 000 (2013: 600 000 000) ordinary shares of R1 each	**600**	600
Issued		
499 257 807 (2013: 510 302 393) fully paid ordinary shares of R1 each	**499**	510
Treasury shares arising from share repurchases by subsidiaries of 33 614 889 (2013: 49 108 934) fully paid ordinary shares of R1 each	**(33)**	(49)
	466	461

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

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

29.2 Preference share capital and premium

Nedbank Limited preference share capital and premium

	2014 Rm	2013 Rm
Authorised		
1 000 000 000 (2013: 1 000 000 000) non-redeemable non-cumulative preference shares of R0,001 each	**1**	1
5 000 Class A redeemable cumulative preference shares of R0,0001 each	[1]	[1]
5 000 Class B redeemable cumulative preference shares of R0,0001 each	[1]	[1]
Issued		
358 277 491 (2013: 358 277 491) non-redeemable non-cumulative preference shares of R0,001 each	[1]	[1]
100 Class "A" redeemable cumulative preference shares of R0,0001 each	[1]	[1]
100 Class "B" redeemable cumulative preference shares of R0,0001 each	[1]	[1]
Preference share premium	**3 561**	3 561
Treasury shares arising from share repurchases by subsidiaries of Rnil (2013: 8 797 290) preference shares, including the share premium.		(88)
	3 561	3 473

[1] *Represents amounts less than R1m.*

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

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

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

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

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

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

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

30 AMOUNTS OWED TO DEPOSITORS

30.1 Classifications

	2014 Rm	2013 Rm
Current accounts	**65 170**	58 704
Savings deposits	**25 386**	22 631
Other deposits and loan accounts	**449 705**	407 593
Call and term deposits	**257 634**	237 393
Fixed deposits	**42 800**	38 289
Cash management deposits	**60 820**	56 571
Other deposits and loan accounts	**88 451**	75 340
Foreign currency liabilities	**30 153**	14 309
Negotiable certificates of deposit	**70 377**	87 457
Deposits received under repurchase agreements[1]	**12 659**	12 258
	653 450	602 952
Comprises:		
– Amounts owed to depositors	**604 294**	557 645
– Amounts owed to banks	**49 156**	45 307
	653 450	602 952

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.

See note 30.4 for a breakdown of amounts owed to depositors by operating segment.

[1] *Government and other securities (note 17) and negotiable certificates of deposit (note 15) amounting to R11 827m (2013: R12 258m) have been pledged 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.*

30.2 Sectoral analysis

	2014 Rm	2013 Rm
Banks	**49 156**	45 307
Government and public sector	**47 057**	47 359
Individuals	**163 056**	148 580
Business sector	**394 181**	361 706
	653 450	602 952

30.3 Geographical analysis

	2014 Rm	2013 Rm
SA	**604 784**	563 050
Rest of Africa	**18 858**	15 710
Europe	**28 098**	21 017
Asia	**1 315**	803
United States	**395**	2 372
	653 450	602 952

30.4 Segmental analysis

Rm	Nedbank Group 2014	Nedbank Group 2013	Nedbank Capital 2014	Nedbank Capital 2013	Nedbank Corporate 2014	Nedbank Corporate 2013	Total Nedbank Retail and Nedbank Business Banking 2014	Total Nedbank Retail and Nedbank Business Banking 2013
Current accounts	**65 170**	58 704	**665**	602	**4 728**	3 278	**54 321**	49 854
Savings deposits	**25 386**	22 631			**3**	3	**9 244**	9 019
Other deposits and loan accounts	**449 705**	407 593	**102 075**	86 278	**172 633**	167 172	**157 289**	140 242
Call and term deposits	**257 634**	237 393	**9 200**	7 511	**115 426**	113 394	**120 818**	106 807
Fixed deposits	**42 800**	38 289	**8 914**	6 215	**3 235**	2 869	**28 538**	27 216
Cash management deposits	**60 820**	56 571	**110**	261	**53 639**	50 635	**5 666**	4 610
Other deposits and loan accounts	**88 451**	75 340	**83 851**	72 291	**333**	274	**2 267**	1 609
Foreign currency liabilities	**30 153**	14 309	**21 908**	5 199	**4 645**	5 781	**3 249**	2 813
Negotiable certificates of deposit	**70 377**	87 457	**160**	2 398			**–**	–
Deposits received under repurchase agreements	**12 659**	12 258	**12 583**	11 749			**–**	–
Amounts owed to depositors	**653 450**	602 952	**137 391**	106 226	**182 009**	176 234	**224 103**	201 928
Comprises:								
– Amounts owed to clients	**604 294**	557 645	**96 588**	66 298	**179 161**	172 125	**223 543**	201 560
– Amounts owed to banks	**49 156**	45 307	**40 803**	39 928	**2 848**	4 109	**560**	368
Total amounts owed to depositors	**653 450**	602 952	**137 391**	106 226	**182 009**	176 234	**224 103**	201 928

The 2013 comparative results for the segmental reporting have been restated. The Rest of Africa Division is now reported separately, and Central Management and Shared Services are collectively reported as the Centre. The restatement has had no effect on the group results and ratios, and only affects segment results and ratios.

Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Rest of Africa Division		Centre	
2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
32 111	29 622	**22 210**	20 232	**1 375**	1 195	**3 999**	3 695	**82**	80
8 992	8 778	**252**	241	**15 309**	12 867	**830**	734		8
76 514	69 043	**80 775**	71 199	**9 438**	7 642	**8 274**	6 578	**(4)**	(319)
47 613	41 776	**73 205**	65 031	**8 658**	7 270	**3 816**	2 870	**(284)**	(459)
27 397	26 091	**1 141**	1 125	**180**	149	**1 933**	1 840		
12	18	**5 654**	4 592	**598**	219	**798**	629	**9**	217
1 492	1 158	**775**	451	**2**	4	**1 727**	1 239	**271**	(77)
517	488	**2 732**	2 325			**351**	516		
						3 528	2 883	**66 689**	82 176
						76			509
118 134	107 931	**105 969**	93 997	**26 122**	21 704	**17 058**	14 406	**66 767**	82 454
117 583	107 569	**105 960**	93 991	**26 122**	21 704	**15 363**	13 513	**63 517**	82 445
551	362	**9**	6			**1 695**	893	**3 250**	9
118 134	107 931	**105 969**	93 997	**26 122**	21 704	**17 058**	14 406	**66 767**	82 454

31 PROVISIONS AND OTHER LIABILITIES

	2014 Rm	2013 Rm
Creditors and other accounts	**7 982**	8 767
Deferred revenue: customer loyalty programmes	**258**	277
Insurance contracts provision	**328**	442
Short-trading securities and spot positions	**4 451**	4 467
Provision for onerous contracts (note 31.1)	**12**	14
Leave pay accrual (note 31.2)	**757**	715
	13 788	14 682

31.1 Provision for onerous contracts

	2014 Rm	2013 Rm
Balance at the beginning of the year	**14**	12
Recognised in profit or loss	**(2)**	2
Balance at the end of the year	**12**	14

31.2 Leave pay accrual

	2014 Rm	2013 Rm
Balance at the beginning of the year	**715**	675
Recognised in profit or loss	**404**	376
Utilised during the year	**(362)**	(336)
Balance at the end of the year	**757**	715

31.3 Day-one gains and losses

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

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

The group's day-one profits are attributable to commodity financial instruments.

	2014 Rm	2013 Rm
Balance at the beginning of the year		33
Loss recognised in the statement of comprehensive income		(33)
Balance at the end of the year	**–**	–

32 INVESTMENT CONTRACT LIABILITIES

	2014 Rm	2013 Rm
Balance at the beginning of the year	**11 523**	9 513
Premium income	**3 638**	4 663
Investment income	**983**	1 396
Annuities	**(390)**	(373)
Death and disability benefits	**(331)**	(178)
Withdrawals/Surrenders	**(3 498)**	(3 415)
Other movements	**(178)**	(83)
Balance at the end of the year	**11 747**	11 523

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

33 INSURANCE CONTRACT LIABILITIES

	2014 Rm	2013 Rm
Balance at the beginning of the year	**3 321**	2 979
Net premiums	**3 049**	2 624
Individual – single premiums	**1 334**	569
Individual – recurring premiums	**1 926**	2 259
Group – recurring premiums		2
Net reinsurance premiums	**(211)**	(206)
Investment income	**322**	220
Dividends	**3**	4
Interest	**266**	229
Realised and unrealised gains/(losses) on investments	**53**	(13)
Policyholders' benefits paid	**(883)**	(689)
Annuities	**(141)**	(118)
Death and disability benefits	**(445)**	(332)
Maturities	**(181)**	(130)
Gross surrenders and withdrawals	**(116)**	(109)
Total expenses	**(659)**	(691)
Administration expenses	**(149)**	(133)
Commission	**(437)**	(479)
Indirect taxation	**(73)**	(79)
Other income	**3**	4
Transfer to operating profit	**(982)**	(1 126)
Balance at the end of the year	**4 171**	3 321

34 LONG-TERM DEBT INSTRUMENTS

	Nominal value	Instrument terms	2014 Rm	2013 Rm
Subordinated debt			**9 817**	8 949
Rand-denominated	**Rm**		**8 654**	7 895
Callable notes repayable on 8 February 2019 (NED8) (a)	1 700	8,90% per annum[1]		1 765
Callable notes repayable on 6 July 2022 (NED9) (c)	2 000	JIBAR + 0,47% per annum[2]	**2 031**	2 026
Callable notes repayable on 17 September 2020 (NED11) (b)	1 000	10,54% per annum[1]	**1 048**	1 070
Callable notes repayable on 25 July 2023 (NED13) (g)	1 800	JIBAR + 2,75 per annum[2]	**1 828**	1 826
Callable notes repayable on 29 November 2023 (NED14) (g)	1 200	JIBAR + 2,55% per annum[2]	**1 209**	1 208
Callable notes repayable on 8 April 2024 (NED15) (h)	450	10.49% per annum[1]	**461**	
Callable notes repayable on 8 April 2024 (NED16) (g)	1 737	JIBAR + 2,55% per annum[2]	**1 771**	
Callable notes repayable on 14 October 2024 (NED17) (g)	300	JIBAR + 2,75% per annum[2]	**306**	
Namibian dollar-denominated	**NAM$m**		**4**	3
Long-term debenture repayable on 15 September 2030	40	17% per annum until 15 September 2000 – thereafter zero coupon	**4**	3
US dollar-denominated	**US$m**		**1 159**	1 051
Callable notes repayable on 3 March 2022 (EMTN01) (e)	100	Three-month USD LIBOR[2]	**1 159**	1 051
Hybrid subordinated debt – Rand-denominated	**Rm**		**1 900**	1 831
Callable notes repayable on 20 November 2018 (NEDH1A) (d)	487	15,05% per annum[1]	**575**	552
Callable notes repayable on 20 November 2018 (NEDH1B) (d)	1 265	JIBAR + 4,75% per annum[2]	**1 325**	1 279
Securitised liabilities – Rand-denominated	**Rm**		**1 395**	1 593
Callable notes repayable on 25 October 2039 (GRH1A1) (f)	480	JIBAR + 1,1% per annum[2]	**32**	232
Callable notes repayable on 25 October 2039 (GRH1A2) (f)	336	JIBAR + 1,25% per annum[2]	**340**	340
Callable notes repayable on 25 October 2039 (GRH1A3) (f)	900	JIBAR + 1,54% per annum[2]	**912**	910
Callable notes repayable on 25 October 2039 (GRH1B) (f)	110	JIBAR + 1,90% per annum[2]	**111**	111

[1] *Interest on these notes is payable biannually.*
[2] *Interest on these notes is payable quarterly.*

34 LONG-TERM DEBT INSTRUMENTS (continued)

	Nominal value	Instrument terms	2014 Rm	2013 Rm
Senior unsecured debt – Rand-denominated	**Rm**		**22 511**	20 882
Senior unsecured notes repayable on 15 September 2015 (NBK2A)	3 244	10,55% per annum[1]	**3 347**	3 347
Senior unsecured notes repayable on 15 September 2015 (NBK2B)	1 044	JIBAR + 2,20% per annum[2]	**1 054**	1 053
Senior unsecured notes repayable on 9 September 2019 (NBK3A)	1 273	11,39% per annum[1]	**1 385**	1 397
Senior unsecured notes repayable on 28 October 2024 (NBK4)	660	Zero coupon	**263**	236
Senior unsecured notes repayable on 19 April 2015 (NBK6A)	478	9,68% per annum[1]	**487**	487
Senior unsecured notes repayable on 19 April 2015 (NBK6B)	1 027	JIBAR + 1,75% per annum[2]	**1 043**	1 041
Senior unsecured notes repayable on 19 April 2020 (NBK7B)	80	JIBAR + 2,15% per annum[2]	**81**	81
Senior unsecured notes repayable on 24 March 2014 (NBK8A)	450	8,39% per annum[1]		460
Senior unsecured notes repayable on 24 March 2014 (NBK8B)	988	JIBAR + 1,05% per annum[2]		869
Senior unsecured notes repayable on 23 March 2016 (NBK9A)	1 137	9,36% per annum[1]	**1 166**	1 166
Senior unsecured notes repayable on 23 March 2016 (NBK9B)	677	JIBAR + 1,25% per annum[2]	**678**	678
Senior unsecured notes repayable on 25 July 2016 (NBK10A)	151	6,91% per annum[1]	**154**	155
Senior unsecured notes repayable on 21 April 2014 (NBK10B)	500	JIBAR + 1,00% per annum[2]		455
Senior unsecured notes repayable on 28 November 2020 (NBK11A)	1 888	8,92% per annum[1]	**1 903**	1 903
Senior unsecured notes repayable on 27 October 2014 (NBK11B)	1 075	JIBAR + 0,94% per annum[2]		1 086
Senior unsecured notes repayable on 19 March 2021 (NBK12A)	855	9,38% per annum[1]	**878**	
Senior unsecured notes repayable on 20 February 2015 (NBK12B)	1 297	JIBAR + 1,00% per annum[2]	**1 307**	1 306
Senior unsecured notes repayable on 19 March 2024 (NBK13A)	391	9,73% per annum[1]	**402**	
Senior unsecured notes repayable on 21 February 2017 (NBK13B)	405	JIBAR + 1,30% per annum[2]	**408**	408
Senior unsecured notes repayable on 28 November 2016 (NBK14A)	500	9,29% per annum[1]	**501**	
Senior unsecured notes repayable on 27 August 2015 (NBK14B)	250	JIBAR + 1,00% per annum[2]	**252**	251
Senior unsecured notes repayable on 27 August 2017 (NBK15B)	786	JIBAR + 1,31% per annum[2]	**700**	730
Senior unsecured notes repayable on 25 July 2016 (NBK16B)	3 056	JIBAR + 0,8% per annum[2]	**3 068**	3 074
Senior unsecured notes repayable on 28 November 2016 (NBK17B)	694	JIBAR + 0,75% per annum[2]	**698**	699
Senior unsecured notes repayable on 20 March 2017 (NBK18B)	1 035	JIBAR + 0,85% per annum[2]	**1 037**	
Senior unsecured notes repayable on 26 June 2017 (NBK19B)	806	JIBAR + 0,9% per annum[2]	**806**	
Senior unsecured notes repayable on 25 June 2021 (NBK20B)	650	JIBAR + 1,3% per annum[2]	**650**	
Senior unsecured notes repayable on 10 November 2017 (NBK21B)	241	JIBAR + 1,12% per annum[2]	**243**	
Other – Rand-denominated	Rm		**15**	13
Unsecured debentures repayable on 30 November 2029	200	Zero coupon	**15**	13
Total long-term debt instruments in issue			**35 638**	33 268

[1] *Interest on these notes is payable biannually.*
[2] *Interest on these notes is payable quarterly.*

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

Coupon holders are entitled, in the event of interest default, to put the coupon covering such interest payments to Nedbank Group Limited. The US dollar subordinated-debt instruments are either matched by advances to clients or covered against exchange rate fluctuations. In accordance with the group's memorandum of incorporation the borrowing powers of the group are unlimited.

(a) Callable by the issuer, Nedbank Limited, after seven years from the date of issue, being 8 February 2007 (ie 8 February 2014), at which time the interest converts to a floating three-month JIBAR rate, plus a spread 2,17% respectively.

(b) Callable by the issuer, Nedbank Limited, after eight years from the date of issue, being 17 September 2007 (ie 17 September 2015), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,85%.

(c) Callable by the issuer, Nedbank Limited, after 10 years from the date of issue, being 6 July 2007 (ie 6 July 2017), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,20%.

(d) Callable by the issuer, Nedbank Limited, after ten and a half years from the date of issue, being 20 May 2008 (ie 20 Nov 2018), at which time the interest converts to a floating three-month JIBAR rate plus 712,5 bps in perpetuity unless called.

(e) Callable by the issuer, Nedbank Limited, after eight years from the date of issue 3 March 2009 (ie 3 March 2017), at which time the interest rate converts to a floating three-month USD LIBOR rate, plus a spread of 3,00 %.

(f) Callable by the issuer, Greenhouse Funding (RF) Ltd, after approximately five years from the date of issue, being 19 November 2012 (ie 25 October 2017), at which time the interest rate on the notes (GRH1A1, GRH1A2, GRH1A3, GRH1B) will step up to three-month JIBAR rate, plus a spread of 1,49%, 1,69%, 2,08% and 2,57% respectively.

(g) Callable by the issuer, Nedbank Limited, after five years from the date of issue, 24 July 2013, 28 November 2013, 7 April 2014 and 13 October 2014 (ie 25 July 2018, 29 November 2018, 8 April 2019 and 14 October 2019), at which time the interest remains at a floating three-month JIBAR rate, plus a spread of 2,75%, 2,55%, 2,55% and 2,75% respectively.

(h) Callable by the issuer, Nedbank Limited, after five years from the date of issue, 7 April 2014 (ie 8 April 2019), at which time the interest remains at a fixed rate of 10,49%.

35 CASHFLOW INFORMATION

35.1 Reconciliation of profit from operations to cash generated by operations

	2014 Rm	2013 Rm
Profit from operations	**13 495**	11 946
Adjusted for:		
– Depreciation (note 8)	**946**	870
– Amortisation: computer software and intangible assets (note 8)	**655**	584
– Amortisation: other intangible assets (note 8)	**64**	64
– Movement in impairment of loans and advances	**5 447**	6 453
– Net income on investment banking assets	**(13)**	(15)
– Impairment losses on investments, property and equipment, and capitalised development costs (note 10)	**97**	67
– Profit on sale of subsidiaries, investments, property and equipment (note 10)	**12**	(11)
– Fair-value adjustments of investment properties (note 25)	**(6)**	(6)
– Indirect taxation (note 9)	**635**	601
Cash generated by operations	**21 332**	20 553

35.2 Cash received from clients

	2014 Rm	2013 Rm
Interest and similar income (note 5)	**52 619**	46 087
Commission and fees (note 7)	**14 570**	14 023
Net trading income (note 7)	**2 648**	2 564
Other income	**2 989**	2 718
	72 826	65 392

35.3 Cash paid to clients, employees and suppliers

	2014 Rm	2013 Rm
Interest expense and similar charges (note 6)	**(29 658)**	(24 867)
Staff costs (note 8)	**(13 838)**	(12 629)
Other operating expenses	**(9 031)**	(8 272)
	(52 527)	(45 768)

35 CASHFLOW INFORMATION

35.4 Increase in operating assets

	2014 Rm	2013 Rm
Other short-term securities	**(24 783)**	1 006
Government and other securities	**4 914**	(5 338)
Loans and advances and other operating assets	**(42 951)**	(57 542)
	(62 820)	(61 874)

35.5 Increase in operating liabilities

	2014 Rm	2013 Rm
Current and savings accounts	**9 221**	8 119
Other deposits, loan accounts and foreign currency liabilities	**57 956**	37 689
Negotiable certificates of deposit	**(17 080)**	10 569
Deposits received under repurchase agreements	**401**	(4 303)
Creditors and other liabilities	**1 091**	5 293
	51 589	57 367

35.6 Taxation paid

	2014 Rm	2013 Rm
Amounts receivable at the beginning of the year	**264**	53
Statement of comprehensive income charge (excluding deferred taxation)	**(3 762)**	(3 076)
Other taxation received/(paid)	**7**	(2)
Amounts receivable at the end of the year	**(157)**	(264)
	(3 648)	(3 289)
Total indirect taxation (note 9)	**(635)**	(601)
Taxation paid	**(4 283)**	(3 890)

35.7 Dividends paid

	2014 Rm	2013 Rm
Recognised in the consolidated statement of changes in shareholders' equity	**(4 643)**	(3 821)

36 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS

		At fair value through profit or loss							
	Notes	Total Rm	Held for trading Rm	Desig-nated[1] Rm	Available-for-sale financial assets Rm	Held-to-maturity invest-ments Rm	Loans and receiv-ables Rm	Financial liabilities at amortised cost Rm	Non-financial assets, liabilities and equity Rm
2014									
Assets									
Cash and cash equivalents	14	13 339					13 339		
Other short-term securities	15	67 234	9 629	15 689	9 323	32 593			
Derivative financial instruments	16	15 573	15 573						
Government and other securities	17	27 177	5 491	8 691	2 653	9 245	1 097		
Loans and advances	18	613 021	26 947	60 241	40		525 793		
Other assets	20	8 715	2 113	383			6 219		
Current taxation assets		291							291
Investment securities	21	20 029		19 541	488				
Non-current assets held for sale	23	16							16
Investments in private-equity associates, associate companies and joint arrangements	22	7 670		898					6 772
Deferred taxation assets	24	309							309
Investment property	25	130							130
Property and equipment	26	7 773							7 773
Long-term employee benefit assets	27	4 546							4 546
Mandatory reserve deposits with central banks	14	14 911					14 911		
Intangible assets	28	8 579							8 579
Total assets		809 313	59 753	105 443	12 504	41 838	561 359	–	28 416
Equity and liabilities									
Ordinary share capital	29.1	466							466
Ordinary share premium		16 781							16 781
Reserves		49 777							49 777
Total equity attributable to equity holders of the parent		67 024	–	–	–	–	–	–	67 024
Non-controlling interest attributable to:									
– ordinary shareholders		326							326
– preference shareholders	29.2	3 561							3 561
Total equity		70 911	–	–	–	–	–	–	70 911
Derivative financial instruments[1]	16	15 472	15 472						
Amounts owed to depositors	30	653 450	77 201	39 576				536 673	
Provisions and other liabilities	31	13 788	4 509					9 279	
Current taxation liabilities		134							134
Deferred taxation liabilities	24	931							931
Long-term employee benefit liabilities	27	3 071							3 071
Investment contract liabilities	32	11 747		11 747					
Insurance contract liabilities	33	4 171		4 171					
Long-term debt instruments	34	35 638		2 040				33 598	
Total liabilities		738 402	97 182	57 534	–	–	–	579 550	4 136
Total equity and liabilities		809 313	97 182	57 534	–	–	–	579 550	75 047

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

	Notes	At fair value through profit or loss			Available-for-sale financial assets Rm	Held-to-maturity invest-ments Rm	Loans and receiv-ables Rm	Financial liabilities at amortised cost Rm	Non-financial assets, liabilities and equity Rm
		Total Rm	Held for trading Rm	Desig-nated[1] Rm					
2013									
Assets									
Cash and cash equivalents	14	20 842					20 842		
Other short-term securities	15	42 451	10 946	11 322	6 774	13 409			
Derivative financial instruments	16	13 390	13 390						
Government and other securities	17	32 091	5 938	10 194	2 027	12 033	1 899		
Loans and advances	18	579 372	37 426	60 929	65		480 952		
Other assets	20	8 673	3 369	335			4 969		
Current taxation assets		565							565
Investment securities	21	19 348	45	18 823	480				
Non-current assets held for sale	23	12							12
Investments in private-equity associates, associate companies and joint arrangements	22	1 101		860					241
Deferred taxation assets	24	216							216
Investment property	25	214							214
Property and equipment	26	6 818							6 818
Long-term employee benefit assets	27	2 980							2 980
Mandatory reserve deposits with central banks	14	13 231					13 231		
Intangible assets	28	8 290							8 290
Total assets		749 594	71 114	102 463	9 346	25 442	521 893	–	19 336
Equity and liabilities									
Ordinary share capital	29.1	461							461
Ordinary share premium		16 343							16 343
Reserves		43 813							43 813
Total equity attributable to equity holders of the parent		60 617	–	–	–	–	–	–	60 617
Non-controlling interest attributable to:									
– ordinary shareholders		246							246
– preference shareholders	29.2	3 473							3 473
Total equity		64 336	–	–	–	–	–	–	64 336
Derivative financial instruments	16	16 580	16 580						
Amounts owed to depositors	30	602 952	57 562	90 264				455 126	
Provisions and other liabilities	31	14 682	4 586					10 096	
Current taxation liabilities		301							301
Deferred taxation liabilities	24	789							789
Long-term employee benefit liabilities	27	1 842							1 842
Investment contract liabilities	32	11 523		11 523					
Insurance contract liabilities	33	3 321		3 321					
Long-term debt instruments	34	33 268		3 778				29 490	
Total liabilities		685 258	78 728	108 886	–	–	–	494 712	2 932
Total equity and liabilities		749 594	78 728	108 886	–	–	–	494 712	67 268

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

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS

37.1 Valuation of financial instruments

Background

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

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

Control environment

Validation and approval

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

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

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

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

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

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

Stress testing and sensitivity measures

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

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

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

Valuation methodologies

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

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

Quoted price

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

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

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.

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.1 Valuation of financial instruments (continued)

Valuation techniques

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

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

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

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

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

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

Therefore, a valuation technique:

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

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

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

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

Observable markets

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

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

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

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

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

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

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

Inputs to valuation techniques

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

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

Valuation adjustments

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

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

Valuation techniques by instrument

Other short-term securities and government and other securities

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

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

Derivative financial instruments

Derivative contracts can either be traded via an exchange or 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 via model calibration procedures. Other inputs are not observable, but can generally be estimated from historical data or other sources.

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.1 Valuation of financial instruments (continued)

Loans and advances

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

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

Investment securities

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

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

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

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

Other assets

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

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

Amounts owed to depositors

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

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

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

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

Investment contract liabilities

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

Long-term debt instruments

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

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

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

Complex instruments

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

Other liabilities

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

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

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:

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

Summary of principal valuation techniques – level 3 instruments

The summary of the valuation techniques applicable to those financial assets and financial liabilities classified as level 3 in the fair value hierarchy is set out in note 37.7.

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.2 Fair value hierarchy

37.2.1 Financial assets

Rm	Note	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value
2014		**780 897**	**603 197**	**177 700**
Cash and cash equivalents	14	**28 250**	**28 250**	**–**
Other short-term securities	15	**67 234**	**32 593**	**34 641**
Derivative financial instruments	16	**15 573**		**15 573**
Government and other securities	17	**27 177**	**10 342**	**16 835**
Loans and advances	18	**613 021**	**525 793**	**87 228**
Other assets	20	**8 715**	**6 219**	**2 496**
Investments in private-equity associates, associate companies and joint arrangements	22	**898**		**898**
Investment securities	21	**20 029**		**20 029**
2013		730 258	547 335	182 923
Cash and cash equivalents	14	34 073	34 073	–
Other short-term securities	15	42 451	13 409	29 042
Derivative financial instruments	16	13 390		13 390
Government and other securities	17	32 091	13 932	18 159
Loans and advances	18	579 372	480 952	98 420
Other assets	20	8 673	4 969	3 704
Investments in private-equity associates, associate companies and joint arrangements	22	860		860
Investment securities	21	19 348		19 348

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	Note
Total financial assets	36
Total non-financial assets	36
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
	6 743	**53 010**	**–**	**4 794**	**98 918**	**1 731**	**2 432**	**10 072**	**–**
		9 629		**668**	**15 021**			**9 323**	
	27	**15 546**							
	4 603	**888**		**3 096**	**5 595**		**2 381**	**272**	
		26 947		**23**	**60 185**	**33**	**40**		
	2 113			**383**					
						898			
				624	**18 117**	**800**	**11**	**477**	
	8 598	62 471	45	5 447	95 213	1 803	1 970	7 376	–
	266	10 680		377	10 945			6 774	
	67	13 323							
	4 896	1 042		3 891	6 303		1 898	129	
		37 426		25	60 871	33	65		
	3 369			335					
						860			
			45	819	17 094	910	7	473	

	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	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	34 641	29 042	**668**	643	**33 973**	28 399		
	15 573	13 390	**27**	67	**15 546**	13 323		
	16 835	18 159	**10 080**	10 685	**6 755**	7 474		
	87 228	98 420	**63**	90	**87 132**	98 297	**33**	33
	2 496	3 704	**2 496**	3 704				
	898	860					**898**	860
	20 029	19 348	**635**	826	**18 594**	17 567	**800**	955
	177 700	182 923	**13 969**	16 015	**162 000**	165 060	**1 731**	1 848

	Held for trading		Designated at fair value through profit or loss		Available-for-sale	
	2014	2013	**2014**	2013	**2014**	2013
	6 743	8 598	**4 794**	5 447	**2 432**	1 970
	53 010	62 471	**98 918**	95 213	**10 072**	7 376
		45	**1 731**	1 803		
	59 753	71 114	**105 443**	102 463	**12 504**	9 346

	2014	2013
	780 897	730 258
	28 416	19 336
	809 313	749 594

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.2.2 Financial liabilities

Rm	Note	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
2014		**734 266**	**579 550**	**154 716**
Derivative financial instruments	16	**15 472**		**15 472**
Amounts owed to depositors	30	**653 450**	**536 673**	**116 777**
Provisions and other liabilities	31	**13 788**	**9 279**	**4 509**
Investment and insurance contract liabilities	32/33	**15 918**		**15 918**
Long-term debt instruments	34	**35 638**	**33 598**	**2 040**
2013		682 326	494 712	187 614
Derivative financial instruments	16	16 580		16 580
Amounts owed to depositors	30	602 952	455 126	147 826
Provisions and other liabilities	31	14 682	10 096	4 586
Investment and insurance contract liabilities	32/33	14 844		14 844
Long-term debt instruments	34	33 268	29 490	3 778

Summary of fair-value hierarchies	Total financial liabilities recognised at fair value	
Rm	2014	2013
Derivative financial instruments	**15 472**	16 580
Amounts owed to depositors	**116 777**	147 826
Provisions and other liabilities	**4 509**	4 586
Investment contract liabilities	**15 918**	14 844
Long-term debt instruments	**2 040**	3 778
	154 716	187 614

Reconciliation to categorised statement of financial position
Rm
Level 1
Level 2
Level 3

Reconciliation to statement of financial position	
Rm	Note
Total financial liabilities	36
Total equity and non-financial liabilities	36
Total equity and liabilities	

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

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

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

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

	Held for trading			Designated at fair value through profit or loss		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	4 376	**92 786**	**20**	**575**	**56 959**	**–**
	7	**15 445**	**20**			
		77 201			**39 576**	
	4 369	**140**				
					15 918	
				575	**1 465**	
	4 500	74 228	–	2 317	106 569	–
	31	16 549				
		57 562			90 264	
	4 469	117				
					14 844	
				2 317	1 461	

	Total financial liabilities classified as level 1		Total financial liabilities classified as level 2		Total financial liabilities classified as level 3	
	2014	2013	**2014**	2013	**2014**	2013
	7	31	**15 445**	16 549	**20**	
			116 777	147 826		
	4 369	4 469	**140**	117		
			15 918	14 844		
	575	2 317	**1 465**	1 461		
	4 951	6 817	**149 745**	180 797	**20**	–

	Held for trading		Designated at fair value through profit or loss	
	2014	2013	**2014**	2013
	4 376	4 500	**575**	2 317
	92 786	74 228	**56 959**	106 569
	20			
	97 182	78 728	**57 534**	108 886

	2014	2013
	734 266	682 326
	75 047	67 268
	809 313	749 594

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.3 Details of changes in valuation techniques

There have been no changes to valuation techniques during the current year.

37.4 Significant transfers between level 1 and level 2

There was a transfer of other short-term securities held for trading between level 1 and level 2 as the market in which the prices are quoted is no longer considered to be active.

37.5 Level 3 reconciliation

Assets

Rm	Opening balance at 1 January	Gains in profit for the year	Gains in other compre-hensive income for the year
2014			
Held for trading	**45**	**–**	**–**
Investment securities	**45**		
Designated as at fair value	**1 803**	**250**	**–**
Investments in private-equity associates, associate companies and joint arrangements	**860**	**42**	
Loans and advances	**33**		
Investment securities	**910**	**208**	
Total financial assets classified as level 3	**1 848**	**250**	**–**

Rm	Opening balance at 1 January	Gains in profit /(losses) for the year	Gains in other compre-hensive income for the year
2013			
Held for trading	54	11	–
Derivative financial instruments	2		
Investment securities	52	11	
Designated as at fair value	2 138	(12)	–
Investments in private-equity associates, associate companies and joint arrangements	1 000	(22)	
Loans and advances	117		
Investment securities	1 021	10	
Total financial assets classified as level 3	2 192	(1)	–

Liabilities

Rm	Opening balance at 1 January	Gains in profit for the year	Gains in other compre-hensive income for the year
2014			
Held for trading	**–**	**–**	**–**
Derivative financial instruments			
Total financial liabilities classified as level 3	**–**	**–**	**–**

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

2013			
Held for trading	1	–	–
Derivative financial instruments	1		
Total financial liabilities classified as level 3	1	–	–

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
	–	**(45)**	**–**	**–**	**–**
		(45)			
	169	**(491)**	**–**	**–**	**1 731**
	142	**(146)**			**898**
					33
	27	**(345)**			**800**
	169	**(536)**	**–**	**–**	**1 731**

	Purchases and issues	Sales and settlements	Transfers from level 2	Transfers to level 2	Closing balance at 31 December
	–	(20)	–	–	45
		(2)			–
		(18)			45
	259	(582)	–	–	1 803
	59	(177)			860
		(84)			33
	200	(321)			910
	259	(602)	–	–	1 848

	Purchases and issues	Sales and settlements	Transfers from level 2	Transfers to level 2	Closing balance at 31 December
	20	**–**	**–**	**–**	**20**
	20				**20**
	20	**–**	**–**	**–**	**20**

	–	(1)	–	–	–
		(1)			
	–	(1)	–	–	–

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.6 Unrealised gains and losses

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

	2014 Rm	2013 Rm
Trading income		11
Private-equity gains/(losses)	**193**	(12)
	193	(1)

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

The fair-value measurement of financial instruments are, in certain circumstances, measured using valuation techniques that include assumptions that are not market observable. Where these scenarios apply, the group performs stress testing on the fair value of the relevant instruments. In performing the stress testing, appropriate levels for the unobservable input parameters are chosen so that they are consistent with prevailing market evidence and in line with the group's approach to valuation control.

The sensitivity of the fair-value measurement is determined on the unobservable market inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value. 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, it is unlikely in practice that all unobservable parameters would simultaneously be at the extremes of their ranges of reasonably possible alternatives. Furthermore, the disclosure is neither predictive nor indicative of future movements in fair value.

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

	Valuation technique	Principle assumption stressed
2014		
Assets		
Loans and advances	**Discounted cashflows**	**Credit spreads and discount rates**
Investment securities	**Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields**	**Valuation multiples, correlations, volatilities and credit spreads**
Investments in private-equity associates, associate companies and joint arrangements	**Discounted cashflows, earnings multiples**	**Valuation multiples**
Total financial assets classified as level 3		
Liabilities		
Derivative financial instruments	**Discounted cashflows, earnings multiples**	**Growth rates, cost of equity and price-to-book**

	Valuation technique	Principle assumption stressed
2013		
Assets		
Loans and advances	Discounted cashflows	Credit spreads and discount rates
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads
Investments in private-equity associates, associate companies and joint arrangements	Discounted cashflows, earnings multiples	Valuation multiples
Total financial assets classified as level 3		

	Stress parameters %	Amounts recognised in the statement of financial position Rm	Favourable change in fair value due to stress test Rm	Unfavourable change in fair value due to stress test Rm
	between (13) and 13	**33**	**3**	**(4)**
	between (13) and 13	**800**	**76**	**(95)**
	between (16) and 16	**898**	**124**	**(134)**
		1 731	**203**	**(233)**
	between (13) and 13	**(20)**	**15**	**(21)**

	Stress parameters %	Amounts recognised in the statement of financial position Rm	Favourable change in fair value due to stress test Rm	Unfavourable change in fair value due to stress test Rm
	between (14) and 14	33	3	(4)
	between (25) and 25	955	104	(119)
	between (11) and 11	860	83	(93)
		1 848	190	(216)

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.8 Fair-value approximates carrying value

Certain financial instruments of the group are not carried at fair value, including those categorised as held to maturity, loans and receivables, and other financial assets 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:

Loans and advances

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

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

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

The group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cashflows per product type. Future cashflows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Methodologies and models are updated on a continuous basis for changes in assumptions, forecasts and modelling techniques. Future forecasts of the group's probability of default (PDs) and loss given defaults (LGDs) for periods 2015 to 2017 (2013: for periods 2014 to 2017) are based on the latest available internal data and 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.

The results of these fair-value calculations are summarised below:

	2014	2013
Positive scenario (%)	**0,28**	(0,88)
Base scenario (%)	**(0,09)**	(1,27)
Mild-risk scenario (%)	**(0,62)**	(1,83)

The table above indicates the differential between the fair value of performing loans and advances and the carrying value thereof. The scenarios are based on the group's assessment of future economic developments. Positive percentages (without brackets) indicate that the fair value of the performing loans and advances is greater than the carrying value. Similarly, negative percentages (included in brackets) indicate that the fair value of the performing loans and advances is less than its carrying value.

In the current year under review, the current carrying value of the loans and advances is greater than the calculated fair value. Loans and advances granted in prior periods, which are still performing, were priced at lower contractual interest rates compared to the higher pricing that loans and advances are currently contracted at within current circumstances. The estimated cashflows on the prior period underlying loans and advances are thus discounted at a higher rate to determine the fair value, compared to the lower contractual rate at inception date, resulting in a lower fair-value than the current carrying value.

The group is of the opinion that the carrying value of loans and advances approximates fair value. Loans and advances would be classified into level 3 of the fair-value hierarchy.

Government and other securities

The fair value of government and other securities are determined based on available market prices and directors' valuations where appropriate. See note 17 for further detail. Government and other securities would be classified into level 1 (available market prices) and level 2 (directors' valuations) of the fair-value hierarchy.

Other financial assets (excluding government and other securities and loans and advances) and financial liabilities (excluding amounts owed to depositors and long-term debt instruments)

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. Other financial assets and other financial liabilities would be classified into level 1 of the fair value hierarchy.

Amounts owed to depositors

The group is of the opinion that the carrying value of variable-rate amounts owed to depositors approximates fair value. Amounts owed to depositors would be classified into level 2 of the fair-value hierarchy.

Long-term debt instruments

The group is of the opinion that the carrying value of variable-rate long-term debt instruments approximates fair value. Long-term debt instruments would generally be classified into level 1 or level 2 of the fair-value hierarchy.

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

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

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

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

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

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

			Change in fair value due to change in credit risk[1]			
	Maximum exposure to credit risk		Current period		Cumulative	
Rm	**2014**	2013	**2014**	2013	**2014**	2013
Negotiable certificates of deposit purchased	**620**					
Treasury bills	**15 069**	11 322				
Government guaranteed	**2 880**	3 657				
Other dated securities	**5 810**	6 537				
Mortgage loans	**20 785**	19 698	**2**	26	**(2)**	(4)
Installment credit	**19 030**	17 169				
Leases and debentures	**44**	26				
Other lending-related investments	**23**	23				
Preference shares	**2 012**	2 522				
Loans and advances (secured and unsecured)	**5 588**	7 400				
Foreign correspondents	**4 188**	6 229				
Other loans	**8 331**	7 596				
Loans to other banks	**240**	266				
Debtors and accruals	**383**	335				
Private-equity associates, associate companies and joint arrangements	**898**	860				
Listed investments	**624**	818				
Unlisted investments	**2 752**	2 872				
Policyholder assets	**(68)**	(88)				
Policyholder investments	**16 234**	15 221				
	105 443	102 463	**2**	26	**(2)**	(4)

[1] *Positive amounts represent gains while negative amounts represent losses. See note 18.1.*

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

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

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

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

Rm	Fair value	Change in fair value due to change in credit risk[1]		
		Contractually payable at maturity "	Current period	Cumulative
2014				
Long-term debt instruments	**2 040**	**1 909**	**38**	**48**
Call and term deposits	**20 757**	**20 747**	**(16)**	**(39)**
Foreign currency liabilities	**8 406**	**8 407**		
Investment contract liabilities	**11 747**	**11 747**		
Negotiable certificates of deposit	**10 413**	**10 408**	**(16)**	**(54)**
Insurance funds	**4 171**	**4 171**		
	57 534	**57 389**	**6**	**(45)**
2013				
Long-term debt instruments	3 778	3 645	(6)	10
Call and term deposits	36 079	36 073	1	(23)
Fixed deposits	2 229	2 229		
Foreign currency liabilities	9 106	9 106		
Investment contract liabilities	11 523	11 523		
Negotiable certificates of deposit	42 850	42 812	(11)	(38)
Insurance funds	3 321	3 321		
	108 886	108 709	(16)	(51)

[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 Limited bonds are applied.

39 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

- these agreements create a right of setoff that is 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.

39 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	Effects of netting on the statement of financial position			Related amounts not set off in 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]	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
2014								
Derivative financial instruments	**(2 677)**	**2 788**	**111**	**(111)**			**(10)**	**101**
– Assets			**15 540**				**33**	**15 573**
– Liabilities			**(15 429)**				**(43)**	**(15 472)**
Assets excluding derivative financial instruments	**5 387**	**(2 874)**	**2 513**	**–**	**–**	**2 513**	**610 508**	**613 021**
– Loans and advances	**5 387**	**(2 874)**	**2 513**			**2 513**	**610 508**	**613 021**
Liabilities excluding derivative financial instruments	**(88 695)**	**29 516**	**(59 179)**	**–**	**–**	**(59 179)**	**(594 271)**	**(653 450)**
– Amounts owed to depositors	**(88 695)**	**29 516**	**(59 179)**			**(59 179)**	**(594 271)**	**(653 450)**
2013								
Derivative financial instruments[3]	(2 956)		(2 956)	506		(2 450)	(234)	(3 190)
– Assets			13 004				386	13 390
– Liabilities			(15 960)				(620)	(16 580)
Assets excluding derivative financial instruments[3]	2 885	(831)	2 054	–	–	2 054	577 318	579 372
– Loans and advances	2 885	(831)	2 054			2 054	577 318	579 372
Liabilities excluding derivative financial instruments[3]	(71 322)	16 187	(55 135)	–	–	(55 135)	(547 817)	(602 952)
– Amounts owed to depositors	(71 322)	16 187	(55 135)			(55 135)	(547 817)	(602 952)

[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.*

[3] *During 2014 the group enhanced its accounting processes and management information and expanded the disclosure relating to the offsetting of financial assets and liabilities in its consolidated financial statements. This expanded disclosure resulted in a restatement to 2013 comparative information.*

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

	Investment grade		Subinvestment grade		Not rated		Total	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Credit ratings								
Other short-term securities	**65 148**	41 568	**1 877**	796	**209**	87	**67 234**	42 451
Negotiable certificates of deposit	**16 193**	16 095	**602**				**16 795**	16 095
Treasury bills and other	**48 955**	25 473	**1 275**	796	**209**	87	**50 439**	26 356
Government and other securities	**25 413**	30 481	**1 294**	1 610	**470**	–	**27 177**	32 091
Government and government-guaranteed securities	**13 483**	17 447	**600**	437	**93**		**14 176**	17 884
Other dated securities	**11 930**	13 034	**694**	1 173	**377**		**13 001**	14 207
	90 561	72 049	**3 171**	2 406	**679**	87	**94 411**	74 542

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

41 LIQUIDITY GAP

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-determined	Total
2014							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	**27 930**	**220**	**100**				**28 250**
Other short-term securities	**30 050**	**14 821**	**16 743**	**5 620**			**67 234**
Derivative financial instruments	**2 750**	**555**	**1 187**	**5 119**	**5 962**		**15 573**
Government and other securities	**550**	**290**	**3 888**	**16 713**	**5 736**		**27 177**
Loans and advances	**128 855**	**21 935**	**40 827**	**262 405**	**158 999**		**613 021**
Other assets						**58 058**	**58 058**
	190 135	**37 821**	**62 745**	**289 857**	**170 697**	**58 058**	**809 313**
Total equity						**70 911**	**70 911**
Derivative financial instruments	**1 973**	**407**	**914**	**4 831**	**7 347**		**15 472**
Amounts owed to depositors	**477 516**	**46 970**	**48 900**	**69 513**	**10 551**		**653 450**
Provisions and other liabilities	**11 747**					**22 095**	**33 842**
Long-term debt instruments	**1 354**	**1 576**	**5 706**	**22 328**	**4 674**		**35 638**
	492 590	**48 953**	**55 520**	**96 672**	**22 572**	**93 006**	**809 313**
Net liquidity gap	**(302 455)**	**(11 132)**	**7 225**	**193 185**	**148 125**	**(34 948)**	**-**
2013							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	34 073						34 073
Other short-term securities	16 308	11 715	10 803	3 625			42 451
Derivative financial instruments	1 261	852	989	5 368	4 920		13 390
Government and other securities	4 455	797	3 122	18 666	5 051		32 091
Loans and advances	123 578	22 318	39 657	240 069	153 750		579 372
Other assets						48 217	48 217
	179 675	35 682	54 571	267 728	163 721	48 217	749 594
Total equity						64 336	64 336
Derivative financial instruments	1 600	940	1 107	5 544	7 389		16 580
Amounts owed to depositors	424 869	47 914	54 881	69 907	5 381		602 952
Provisions and other liabilities	11 523					20 935	32 458
Long-term debt instruments	3 106	494	1 162	24 882	3 624		33 268
	441 098	49 348	57 150	100 333	16 394	85 271	749 594
Net liquidity gap	(261 423)	(13 666)	(2 579)	167 395	147 327	(37 054)	-

This note has been prepared on a contractual maturity basis.

42 CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

Rm	Statement of financial position amount	<3 months	>3 months <6 months	>6 months <1 year	>1 year < 5 years	>5 years	Non-determinable maturity	Total
2014								
Long-term debt instruments	**35 638**	**1 891**	**2 026**	**6 934**	**27 312**	**5 302**		**43 465**
Investment contract liabilities	**11 747**	**11 747**						**11 747**
Insurance contract liabilities	**4 171**						**4 171**	**4 171**
Amounts owed to depositors	**653 450**	**480 872**	**49 208**	**51 926**	**75 700**	**10 758**	**–**	**668 464**
Current accounts	**65 170**	**65 171**						**65 171**
Savings deposits	**25 386**	**25 387**						**25 387**
Other deposits and loan accounts	**449 705**	**334 678**	**31 032**	**31 191**	**50 249**	**10 671**		**457 821**
Foreign currency liabilities	**30 153**	**25 659**	**2 315**	**1 160**	**1 020**			**30 154**
Negotiable certificates of deposit	**70 377**	**17 305**	**15 861**	**19 575**	**24 431**	**87**		**77 259**
Deposits received under repurchase agreements	**12 659**	**12 672**						**12 672**
Derivative financial instruments – liabilities	**15 472**	**1 973**	**407**	**914**	**4 831**	**7 347**		**15 472**
Provisions and other liabilities	**17 924**						**17 924**	**17 924**
	738 402	**496 483**	**51 641**	**59 774**	**107 843**	**23 407**	**22 095**	**761 243**
Guarantees on behalf of clients	**23 778**	**23 778**						**23 778**
Confirmed letters of credit and discounting transactions	**3 262**	**3 262**						**3 262**
Unutilised facilities and other	**104 429**	**104 429**						**104 429**
	131 469	**131 469**	**–**	**–**	**–**	**–**	**–**	**131 469**
2013								
Long-term debt instruments	33 268	3 641	810	2 145	30 215	4 120		40 931
Investment contract liabilities	11 523	11 523						11 523
Insurance contract liabilities	3 321						3 321	3 321
Amounts owed to depositors	602 952	428 353	50 542	58 093	75 169	5 513	–	617 670
Current accounts	58 704	58 671	5		30			58 706
Savings deposits	22 631	22 615	3		14			22 632
Other deposits and loan accounts	407 593	299 872	22 439	35 259	52 831	5 422		415 823
Foreign currency liabilities	14 309	12 687		1 622				14 309
Negotiable certificates of deposit	87 457	22 243	28 095	21 212	22 294	91		93 935
Deposits received under repurchase agreements	12 258	12 265						12 265
Derivative financial instruments – liabilities	16 580	1 600	940	1 107	5 544	7 389		16 580
Provisions and other liabilities	17 614						17 614	17 614
	685 258	445 117	52 292	61 345	110 928	17 022	20 935	707 639
Guarantees on behalf of clients	35 806	35 806						35 806
Confirmed letters of credit and discounting transactions	3 205	3 205						3 205
Unutilised facilities and other	95 255	95 255						95 255
	134 266	134 266	–	–	–	–	–	134 266

Provisions and other liabilities are included in this table in order to provide a reconciliation with the statement of financial position.

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

	2014				2013			
Rm	**Average**	**Minimum**	**Maximum**	**Year-end**	Average	Minimum	Maximum	Year-end
Foreign exchange	**3,7**	**0,6**	**10,7**	**0,9**	2,2	0,6	9,4	1,4
Interest rate	**7,8**	**5,2**	**12,1**	**5,8**	4,5	2,6	11,1	11,1
Equity products	**2,0**	**0,6**	**5,7**	**1,1**	1,6	0,6	5,4	1,1
Credit	**3,8**	**2,7**	**5,3**	**5,3**	3,2	2,4	4,7	2,8
Commodity	**0,3**		**0,9**	**0,9**	0,4		3,0	0,1
Diversification	**(6,9)**			**(4,8)**	(5,3)			(5,7)
Total VaR exposure	**10,7**	**6,9**	**16,5**	**9,2**	6,6	4,1	11,4	10,8

The Worldclass at Managing Risk section of the group's integrated report, available at **nedbankgroup.co.za**, contains information on the group trading book VaR and the comparison of trading VaR.

44 INTEREST RATE REPRICING GAP

Rm	**<3 months**	**>3 months <6 months**	**>6 months <1 year**	**>1 year <5 years**	**>5 years**	**Trading and non-rate**	**Total**
2014							
Total assets	**531 243**	**26 852**	**23 301**	**46 047**	**16 226**	**165 644**	**809 313**
Total equity and liabilities	**487 151**	**26 259**	**27 245**	**16 518**	**4 768**	**247 372**	**809 313**
Interest rate hedging activities	**24 380**	**7 528**	**1 270**	**(25 085)**	**(8 093)**		
Repricing profile	**68 472**	**8 121**	**(2 674)**	**4 444**	**3 365**	**(81 728)**	
Cumulative repricing profile	**68 472**	**76 593**	**73 919**	**78 364**	**81 729**		
Expressed as a percentage of total assets	**8,5**	**9,5**	**9,1**	**9,7**	**10,1**		
2013							
Total assets	521 808	19 146	7 844	45 867	18 564	136 365	749 594
Total equity and liabilities	461 483	35 284	27 927	17 230	3 900	203 770	749 594
Interest rate hedging activities	(8 666)	27 391	18 045	(24 708)	(12 062)		
Repricing profile	51 659	11 253	(2 038)	3 929	2 602	(67 405)	
Cumulative repricing profile	51 659	62 912	60 874	64 803	67 405		
Expressed as a percentage of total assets	6,9	8,4	8,1	8,6	9,0		

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

45 SECURITISATIONS

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

- Synthesis Funding Ltd (Synthesis), an asset-backed commercial paper (ABCP) programme launched in 2004;
- GreenHouse Funding (RF) Ltd, Series 2 (GreenHouse), a residential mortgage-backed securitisation programme;
- GreenHouse Funding III (RF) Ltd, Series 3 (GreenHouse 3), a residential mortgage-backed securitisation programme; and
- Precinct Funding 1 (RF) Ltd (Precinct), a commercial mortgage-backed securitisation programme.

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

Greenhouse 1 securitised R2bn of home loans originated by Nedbank Retail in 2007. The notes issued to finance the purchase of the home loan portfolio were assigned credit ratings by both Fitch and Moody's and listed on the JSE Limited.

Greenhouse 1 was restructured and refinanced on 19 November 2012 as a static amortising structure. The proceeds from the refinance of this transaction, through the issuance of new notes and subordinated loans, was utilised to repay the R1,3bn existing notes and subordinated loans upon their scheduled maturity, and to acquire additional home loans. The senior notes, which are rated by Fitch and listed on the JSE Limited, 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 RMBS programme was implemented during 2014. In anticipation of issuance of notes to the capital markets, a portfolio of R962m eligible residential mortgages originated by Nedbank Retail were sold to the vehicle and funded by way of a warehousing facility from Nedbank. It is anticipated that the notes will be issued in 2015.

45 SECURITISATIONS (continued)

Precinct is a commercial mortgage-backed securitisation programme. The originator, seller and servicer of the commercial property loan portfolio is Nedbank Corporate Property Finance, the market leader in commercial property finance in South Africa, with a portfolio of R109,1bn.

The Precinct structure takes the form of a static pool of small commercial property loans with limited substitution and redraws/further advance capabilities. The pool of assets at 31 December 2012 (provisional pool of assets prior to inception) had an outstanding balance of R2,5bn with an open market value of the associated properties of R5,3bn.

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

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

	2014		2013	
Rm	Carrying amount of assets	Associated liabilities	Carrying amount of assets	Associated liabilities
Loans and advances to customers:				
– Residential mortgage loans	**2 520**	**2 743**	1 762	1 994
Less: Impairments	**(24)**		(26)	
– Commercial mortgage loans	**1 586**	**2 309**	1 959	2 551
Less: Impairments	**(4)**		(6)	
Other financial assets:				
– Corporate and bank paper	**1 989**		2 809	
– Other securities	**1 295**		2 286	
– Commercial paper		**3 285**		5 096
Total	**7 362**	**8 337**	8 784	9 641

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

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

46 FOREIGN CURRENCY CONVERSION GUIDE

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

	2014 Actual	2013 Actual	2014 Average	2013 Average
United States dollar	**0,08638**	0,09524	**0,09202**	0,10289
Pound sterling	**0,05544**	0,05759	**0,05593**	0,06590
Euro	**0,07108**	0,06915	**0,06973**	0,07752

47 CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

	2014 Rm	2013 Rm
Guarantees on behalf of clients	**23 778**	35 806
Letters of credit and discounting transactions	**3 262**	3 205
Irrevocable unutilised facilities and other	**104 429**	95 255
	131 469	134 266

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

47 CONTINGENT LIABILITIES AND UNDRAWN FACILITIES (continued)

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

As disclosed in the group's 2009 annual financial statements, the largest of these potential actions are claims in the High Court against Nedbank Limited by certain shareholders in Pinnacle Point Group Limited, alleging that Nedbank Limited had a legal duty of care to them arising from a share swap transaction. In 2013 two of these claims of R147m and of R802m were dismissed by the North Gauteng High Court. The only claim remaining is for R355m.

Originally these shareholders and others lodged proceedings with the Securities Regulation Panel (SRP) for an order declaring that an affected transaction took place. The SRP ruled that no affected transaction took place. The last remaining claimant brought an application to the South Gauteng High Court for the review of the SRP ruling. This application was dismissed with costs on 15 November 2013. The applicant filed a notice to apply for leave to appeal this judgment, and on 16 July 2014 the Supreme Court of Appeal ruled in Nedbank's favour by refusing the application.

During 2011 further actions were instituted against Nedbank Limited by other stakeholders for R210m, and by Absa Bank Limited for R773m. In both these actions Nedbank filed exceptions against the claims. On 25 August 2014, the R210m claim was withdrawn.

Nedbank Limited and its legal advisers remain of the opinion that the remaining claims are ambitious, and that the remaining claimants will have great difficulty succeeding.

48 COMMITMENTS

48.1 Capital expenditure approved by directors

	2014 Rm	2013 Rm
Contracted	**1 294**	247
Not yet contracted	**1 286**	889
	2 580	1 136

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

48.2 Operating lease commitments

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

2014	2015 Rm	2016 – 2019 Rm	Beyond 2019 Rm
Land and buildings[1]	**726**	**2 033**	**2 598**
Furniture and equipment	**286**	**173**	
	1 012	**2 206**	**2 598**

2013	2014 Rm	2015 – 2018 Rm	Beyond 2018 Rm
Land and buildings[1]	756	2 002	2 682
Furniture and equipment	246	410	2
	1 002	2 412	2 684

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

The terms of renewal and escalation clauses are as follows:

The majority of material leases entered into by the group include an option to renew the lease. If the rental for the renewal period has not been agreed on or determined by the commencement date of the renewal period, the tenant must continue to pay the existing monthly rental. Once the rental is determined, cumulative adjustments will be made to the amount payable for the following month. Escalation clauses for major leases entered into by the group range between 6% and 10% per annum. For all major lease agreements entered into, there is no requirement to pay contingent rent or purchase options.

48.3 Commitments under derivative instruments

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

49 COLLATERAL

49.1 COLLATERAL PLEDGED

The group has pledged government and other securities (note 17) and negotiable certificates of deposit (note 15) amounting to R13 818m (2013: R12 258m) 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.

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

49.2 COLLATERAL HELD TO MITIGATE CREDIT RISK

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

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

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

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

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

(ii) Non-financial collateral:

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

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

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

(i) Retail portfolio:

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

(ii) Wholesale portfolio:

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

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

Management considers collateral held in the retail portfolio to be homogenous by nature and therefore more reliably identifiable. Generally, valuations in respect of mortgage portfolios are updated using statistical index models, published data by service providers are used for motor vehicles and physical inspection is performed for other types of collateral. Furthermore, physical valuations are performed six monthly on the defaulted book. At 31 December 2014 management considered R137 042m (2013: R132 268m) 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 2014 management considered R173 823m to be a reasonable estimate of the collateral held in the wholesale portfolio.

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

The group does not hold any collateral (financial or non-financial) that it is permitted to sell or repledge in the absence of default by its owner.

49.3 COLLATERAL TAKEN POSSESSION OF AND RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Included in properties in possession (note 18.1) is an amount of R241m (2013: R555m), which represents assets the group has acquired during the year by taking possession of collateral held as security.

50 MANAGED FUNDS

	2014 Rm	2013 Rm
50.1 Fair value of funds under management – by type		
Unit trusts	**154 869**	135 327
Third party	**1 846**	1 760
Private clients	**55 298**	53 254
	212 013	190 341
50.2 Fair value of funds under management – by geography		
SA	**180 884**	166 279
Rest of World	**31 129**	24 062
	212 013	190 341

50.3 Reconciliation of movement in funds under management – by type

	Unit trusts Rm	Third party Rm	Private clients Rm	Total Rm
Balance at 31 December 2012	101 036	1 060	48 399	150 495
Inflows	166 898	297	10 893	178 088
Outflows	(150 153)	(7)	(12 396)	(162 556)
Mark-to-market value adjustment	14 027	79	5 902	20 008
Foreign currency translation differences	3 519	331	456	4 306
Balance at 31 December 2013	**135 327**	**1 760**	**53 254**	**190 341**
Inflows	**209 746**	**16**	**10 054**	**219 816**
Outflows	**(200 072)**	**(153)**	**(11 106)**	**(211 331)**
Mark-to-market value adjustment	**7 631**	**155**	**2 953**	**10 739**
Foreign currency translation differences	**2 237**	**68**	**143**	**2 448**
Balance at 31 December 2014	**154 869**	**1 846**	**55 298**	**212 013**

50.4 Reconciliation of movement in funds under management – by geography

	SA Rm	Rest of world Rm	Total Rm
Balance at 31 December 2012	133 991	16 504	150 495
Inflows	172 859	5 229	178 088
Outflows	(157 786)	(4 770)	(162 556)
Mark-to-market value adjustment	17 215	2 793	20 008
Foreign currency translation differences		4 306	4 306
Balance at 31 December 2013	**166 279**	**24 062**	**190 341**
Inflows	**213 948**	**5 868**	**219 816**
Outflows	**(208 727)**	**(2 604)**	**(211 331)**
Mark-to-market value adjustment	**9 384**	**1 355**	**10 739**
Foreign currency translation differences		**2 448**	**2 448**
Balance at 31 December 2014	**180 884**	**31 129**	**212 013**

The group, through a number of subsidiaries, operates unit trusts, holds and invests funds on behalf of clients and acts as a trustee in a number of fiduciary capacities. In addition, companies in the group operate securities and custodial services on behalf of clients. Commissions and fees earned in respect of trust and management activities performed are included in the consolidated statement of comprehensive income as non-interest revenue.

51 SHARE-BASED PAYMENTS

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

As the group cannot estimate reliably the fair value of services received nor the value of additional business received, the group rebuts the presumption that such services and business can be measured reliably. The group therefore measures their fair value by reference to the fair value of the shares, share options or equity instruments granted, in line with the group's accounting policy. The fair value of such shares, share options and equity instruments is measured at the grant date utilising the Black-Scholes valuation model.

51.1 Description of arrangements

Scheme	Trust/special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Traditional employee schemes				
Nedbank Group (2005) Share Option and Restricted Share Scheme	Nedbank Group (2005) Share Scheme Trust	Restricted shares are granted to key personnel to motivate senior employees to remain with the group. The granting of Restricted shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff on a date determined by the trustees.	2012, 2013 and 2014 grants: Three years' service and achievement of performance targets based on average return on equity and Nedbank Group Limited share price performance against the financial index. Where the performance target is not met, 50% will vest, provided that the three years' service has been achieved.	3 years
Nedbank Group (2005) Matched Share Scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Three years' service and achievement of Nedbank Group Limited performance target. Where this performance targets is not met, 50% will vest provided that the three years' service has been achieved.	3 years
Old Mutual UK Sharesave Scheme	n/a	All eligible employees of Nedbank Private Wealth Limited (Isle of Man) and Nedgroup Trust Limited (Guernsey) are entitled to participate in the Old Mutual UK Sharesave Plan, which allows them to elect to save between £5 and £250 per month over a three- or five-year period, and receive an option to purchase Old Mutual plc shares in the future at an exercise price that is set at the start of the plan. Invitations to participate in the plan are issued annually.	Completion of three or five years' service.	5,5 years
Nedbank UK Long term incentive Plan (LTIP)	n/a	Employees who perform services in the United Kingdom on behalf of the group will be considered for participation in the UK LTIP. Selected employees will be granted share appreciation rights (SARs). SARs are similar to options in that SARs are granted at a predetermined exercised price vesting and expiry date. When the participant elects to exercise SARs, the employer settles the difference between the current market price and the exercise price in cash.	Completion of three years' service, from grant date subject to corporate performance targets being met.	3 years
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

51 SHARE-BASED PAYMENTS (continued)

51.1 Description of arrangements (continued)

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Nedbank Wealth Management International Long-term incentive Plan (LTIP)	n/a	Restricted shares are granted to key Nedbank Wealth Management International personnel to motivate senior employees to remain with the group. The granting of restricted shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff on a date determined by the trustees.	Completion of three years' service, from grant date subject to corporate performance targets being met.	3 years
Nedbank Wealth Management International Matched Scheme	n/a	All Nedbank Wealth Management International employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Completion of three years' service, from grant date subject to corporate performance targets being met.	3 years
Nedbank Eyethu BEE schemes - Employees				
Black Executive Scheme	Nedbank Eyethu Black Executive Trust	Restricted shares and share options were granted to certain black employees at a senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees at a middle- and senior-management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Nedbank Eyethu BEE schemes – Clients and business partners				
Black Business Partner Scheme	WIPHOLD Financial Services Number Two Trust and Brimstone-Mtha Financial Services Trust	Each trust was issued an equal number of restricted shares at R1,87 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	No dealing in the shares during the 10-year notional funding period.	10 years
Community Trust	Nedbank Eyethu Community Trust	The trust has been formed with the specific purpose of providing previously disadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group Limited's BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 10 years, the net assets of the trust will be allocated to participants as determined by the trustees.	10 years Subsequent to December 2013 the termination date of the trust was extended from 2015 to 2030 so as to provide an ongoing flexible vehicle for deploying the residual assets of the trust and continued support of community affairs in line with the group's BEE and Fair Share 2030 initiatives.

51.1 Description of arrangements (continued)

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

51 SHARE-BASED PAYMENTS (continued)

51.1 Description of arrangements (continued)

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

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

51.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Traditional employee schemes	**612**	554	**1 177**	1 011
Nedbank Group (2005) Share Option and Restricted Share Scheme	**517**	493	**939**	850
Nedbank Group (2005) Matched Share Scheme	**79**	51	**148**	93
Old Mutual UK Sharesave Scheme	**5**	4	**39**	23
Nedbank UK Long-term Incentive Plan[1]		7	**16**	33
Nedbank UK Matched Share Scheme[1]		1	**19**	2
Nedbank Wealth Management International Long-term Incentive Plan[1]	**9**	(3)	**13**	9
Nedbank Wealth Management International Matched Share Scheme[1]	**2**	1	**3**	1
Nedbank Eyethu BEE schemes	**21**	33	**507**	496
Black Business Partner Scheme			**301**	274
Community Scheme			**124**	124
Black Executive Scheme	**14**	17	**42**	38
Black Management Scheme	**7**	16	**40**	60
Nedbank Namibia Omufima BEE and Other schemes		(1)	**21**	16
Namibia Black Business Partner Scheme			**13**	9
Namibia Affinity Group Scheme			**4**	3
Namibia Education Scheme			**4**	4
Namibia Black Management Scheme		(1)		
	633	586	**1 705**	1 523

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

51.3 Movements in number of instruments

	2014		2013	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
Nedbank Group (2005) Share Option and Restricted Share Scheme				
Outstanding at the beginning of the year	**10 710 356**		11 321 761	
Granted	**3 444 280**		3 500 768	
Forfeited	**(719 950)**		(411 640)	
Exercised	**(3 566 309)**		(3 700 533)	
Outstanding at the end of the year	**9 868 377**		10 710 356	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**196,76**		192,45
Nedbank Group (2005) Matched Share Scheme				
Outstanding at the beginning of the year	**1 274 585**		917 581	
Granted	**732 501**		626 785	
Forfeited	**(104 291)**		(168 694)	
Exercised	**(252 822)**		(101 087)	
Outstanding at the end of the year	**1 649 973**		1 274 585	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**222,54**		189,01
Old Mutual UK Sharesave Scheme				
Outstanding at the beginning of the year	**2 637 872**	**0,75**	2 672 000	0,70
Granted	**947 451**		232 225	1,63
Forfeited	**(132 844)**		(100 298)	1,28
Exercised	**(1 747 781)**		(161 496)	0,85
Expired			(4 559)	0,94
Outstanding at the end of the year	**1 704 698**		2 637 872	0,75
Exercisable at the end of the year	**–**		88 030	0,35
Weighted average share price for options exercised (GBP)		**2,00**		1,97
Nedbank UK Long-term Incentive Plan				
Outstanding at the beginning of the year	**198 960**		263 972	17,84
Granted	**52 336**		38 084	
Forfeited	**(9 414)**		(58 708)	51,47
Exercised	**(44 594)**		(44 388)	
Outstanding at the end of the year	**197 288**	**–**	198 960	
Exercisable at the end of the year	**–**	**–**	66 196	–
Weighted average share price for options exercised (GBP)		**–**		–
Nedbank UK Matched Share Scheme				
Outstanding at the beginning of the year	**16 099**		7 856	
Granted	**2 811**		7 584	
Other	**(1 483)**		659	
Outstanding at the end of the year	**17 427**		16 099	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (GBP)		**–**		–

51 SHARE-BASED PAYMENTS (continued)

51.3 Movements in number of instruments (continued)

	2014		2013	
	Number of instruments	**Weighted average exercise price R**	Number of instruments	Weighted average exercise price R
Nedbank Wealth Management International Long-term Incentive Plan				
Outstanding at the beginning of the year	**83 255**		99 349	
Granted	**20 708**		22 812	
Forfeited			(21 135)	
Exercised	**(30 740)**		(17 772)	
Outstanding at the end of the year	**73 223**		83 255	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (GBP)		**–**		–
Nedbank Wealth Management International Matched Share Scheme				
Outstanding at the beginning of the year	**12 643**		6 612	
Granted	**7 613**		6 690	
Forfeited	**(49)**		(659)	
Outstanding at the end of the year	**20 207**		12 643	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (GBP)		**–**		–
Black Business Partner Scheme				
Outstanding at the beginning of the year	**7 891 300**	**163,53**	7 891 300	171,82
Outstanding at the end of the year	**7 891 300**	**163,53**	7 891 300	171,82
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**–**		–
Black Executive Scheme				
Outstanding at the beginning of the year	**1 251 781**	**101,73**	1 244 440	95,45
Granted			158 276	129,34
Forfeited	**(59 335)**		(10 880)	78,38
Exercised	**(178 127)**		(140 055)	78,93
Outstanding at the end of the year	**1 014 319**		1 251 781	101,73
Exercisable at the end of the year	**641**	**121,08**	10 788	144,30
Weighted average share price for options exercised (R)		**223,06**		202,25
Black Management Scheme				
Outstanding at the beginning of the year	**2 710 812**	**105,23**	3 992 039	88,01
Forfeited	**(220 356)**		(304 510)	106,55
Exercised	**(964 666)**		(990 044)	97,43
Other movements	**23 526**		17 040	123,33
Expired	**(3 432)**		(3 713)	110,98
Outstanding at the end of the year	**1 545 884**		2 710 812	105,23
Exercisable at the end of the year	**262 053**	**107,36**	338 429	118,69
Weighted average share price for options exercised (R)		**227,59**		191,04
Namibia Black Business Partner Scheme				
Outstanding at the beginning of the year	**199 929**	**278,98**	199 929	278,98
Outstanding at the end of the year	**199 929**	**278,98**	199 929	278,98
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**–**		–
Namibia Affinity Group Scheme				
Outstanding at the beginning of the year	**74 048**	**282,47**	74 048	282,47
Outstanding at the end of the year	**74 048**	**282,47**	74 048	282,47
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**–**		–

51.3 Movements in number of instruments (continued)

	2014		2013	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
Namibia Education Scheme				
Outstanding at the beginning of the year	98 730	282,47	98 730	282,47
Outstanding at the end of the year	98 730	282,47	98 730	282,47
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Namibia Black Management Scheme				
Outstanding at the beginning of the year	5 166	102,55	20 651	95,19
Forfeited			(2 244)	
Exercised	(5 166)		(14 740)	95,57
Other			1 499	120,62
Outstanding at the end of the year	–		5 166	102,55
Exercisable at the end of the year	–	–	1 071	120,62
Weighted average share price for options exercised (R)		224,04		186,77
Community Scheme				
Outstanding at the beginning of the year	851 111		851 111	
Outstanding at the end of the year	851 111		851 111	
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–

51 SHARE-BASED PAYMENTS (continued)

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

	2014		2013	
	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
Nedbank Group (2005) Share Option Scheme				
0,00	**9 868 377**	**1,2**	10 710 356	1,2
	9 868 377	**1,2**	10 710 356	1,2
Nedbank Group (2005) Matched Share Scheme				
0,00	**1 649 973**	**1,4**	1 274 585	1,5
	1 649 973	**1,4**	1 274 585	1,5
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares – GBP)				
0,35			1 537 595	(0,8)
0,94	**38 125**	**0,3**	38 125	1,3
1,10	**35 685**	**1,3**	243 604	0,9
1,28	**553 545**	**1,1**	594 604	2,1
1,63	**1 077 343**	**2,7**	223 944	2,8
	1 704 698	**1,9**	2 637 872	0,8
Nedbank UK Long-term Incentive Plan				
0,00	**197 288**		198 960	0,4
	197 288		198 960	0,4
Nedbank UK Matched Share Scheme				
0,00	**17 427**		16 099	1,7
	17 427		16 099	1,7
Nedbank Wealth Management International Long-term Incentive Plan				
0,00	**73 223**	**1,1**	83 255	0,9
	73 223	**1,1**	83 255	0,9
Nedbank Wealth Management International Matched Share Scheme				
0,00	**20 207**	**1,3**	12 643	1,8
	20 207	**1,3**	12 643	1,8
Black Business Partner Scheme				
163,53	**7 891 300**		7 891 300	1,6
	7 891 300	**-**	7 891 300	1,6
Black Executive Scheme				
0,00	**319 169**	**2,4**	390 541	2,9
75,74	**19 623**	**1,2**	38 669	2,2
104,51			22 341	1,6
120,62			12 435	1,2
121,08	**127 569**	**2,2**	189 445	3,2
128,44	**84 182**	**3,2**	84 182	4,2
132,18	**7 480**	**2,6**	11 163	3,6
140,00	**60 000**	**1,6**	60 000	2,6
144,30			10 788	0,2
161,88	**174 489**	**4,2**	210 410	5,2
182,98	**114 010**	**4,6**	114 010	5,6
189,90	**107 797**	**5,2**	107 797	6,2
	1 014 319	**3,2**	1 251 781	3,8

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

	2014		2013	
	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
Black Management Scheme				
0,00	**112 718**	**1,3**	207 111	1,3
75,74	**303 526**	**1,2**	593 412	2,2
104,51	**71 605**	**0,6**	222 144	1,6
108,45	**72 620**	**1,6**	138 836	2,6
120,62	**95 668**	**0,2**	230 188	1,2
121,08	**164 806**	**2,2**	296 582	3,2
128,44	**287 811**	**3,2**	339 237	4,2
132,18	**183 378**	**2,5**	265 306	3,5
134,30			69 438	0,6
139,69	**169 609**	**1,6**	186 886	2,6
144,30			63 865	0,2
161,88	**84 144**	**4,2**	97 807	5,2
	1 545 885	**2,0**	2 710 812	2,5
Namibia Black Business Partner Scheme				
278,98	**199 929**	**2,0**	199 929	3,0
	199 929	**2,0**	199 929	3,0
Namibia Affinity Group Scheme				
282,47	**74 048**	**2,0**	74 048	3,0
	74 048	**2,0**	74 048	3,0
Namibia Education Scheme				
282,47	**98 730**	**2,0**	98 730	3,0
	98 730	**2,0**	98 730	3,0
Namibia Black Management Scheme				
0,00			774	0,2
120,62			4 393	1,2
	–		5 167	1,0
Community Scheme				
0,00	**851 111**	**16,0**	851 111	1,6
	851 111	**16,0**	851 111	1,6

51 SHARE-BASED PAYMENTS (continued)

51.5 Instruments granted during the year

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

	Nedbank Group (2005) Share Option and Restricted Share Scheme	Nedbank Group (2005) Matched Share Scheme	Old Mutual UK Sharesave Scheme (GBP)
2014			
Number of instruments granted	**3 440 886**	**731 882**	**947 451**
Weighted average fair value per instrument granted (R)[3]	**203,61**	**188,72**	**1,63**
Weighted average share price (R)	**215,58**	**224,01**	**2,00**
Weighted average expected volatility (%)[1]	**23,0**	**22,0**	**31,4**
Weighted average life (years)	**3,0**	**3,0**	**3,5**
Weighted average risk-free interest rate (%)	**7,2**	**6,8**	**1,4**
Number of participants	**1 615**	**668**	
Weighted average vesting period (years)	**3,0**	**3,0**	**3,5**
Possibility of not vesting (%)	**10,0**	**7,0**	
Expectation of meeting performance criteria (%)	**90,0**	**93,0**	
2013			
Number of instruments granted	3 491 184	626 280	232 225
Weighted average fair value per instrument granted (R)[3]	187,76	169,98	0,47
Weighted average share price (R)	197,02	190,53	1,99
Weighted average expected volatility (%)[1]	20,0	20,0	33,1
Weighted average life (years)	3,0	3,0	3,3
Weighted average expected dividends (%)[2]			4,0
Weighted average risk-free interest rate (%)	5,3	5,3	0,4
Number of participants	1 792	559	
Weighted average vesting period (years)	3,0	3,0	3,3
Possibility of not vesting (%)	10,0	7,0	
Expectation of meeting performance criteria (%)	90,0	93,0	

[1] 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.
[2] The dividend yield used for grants made has been based on forecast dividends.
[3] Fair value per instrument has been recalculated in line with a change in the valuation methodology for shares linked to the Financial Index

	Nedbank UK Long-term Incentive Plan	Nedbank UK Matched Scheme	Nedbank Wealth Management International Long-term Incentive Plan	Nedbank Wealth Management International Matched Scheme	Black Executive Scheme
	52 336	**2 811**	**20 708**	**7 613**	
			181,75	**188,72**	
	210,25	**223,03**	**215,77**	**224,04**	
			22,00	**22,00**	
			3,00	**3,00**	
			6,8	**6,8**	
	13	**11**	**11**	**24**	
	3,0	**3,0**	**3,0**	**3,0**	
	10,0	**10,0**	**10,0**	**10,0**	**5,0**
	90,0	**90,0**	**90,0**	**90,0**	**95,0**
	38 084	7 584	22 812	6 690	158 276
	171,36	173,25	171,58	169,98	92,40
	197,21	190,53	197,21	190,53	198,50
	20,0	20,0	22,0	22,0	20,0
	3,0	2,5	3,0	3,0	5,7
					2,6
	5,3	5,3	5,3	5,3	6,1
	13	11	12	15	7
	3,0	3,0	3,0	3,0	
	10,0	10,0	10,0	10,0	5,0
	90,0	90,0	90,0	90,0	95,0

52 RELATED PARTIES

52.1 Relationship with parent, ultimate controlling party and investees

The group's parent company is Old Mutual (South Africa) Ltd (OMSA) which, through its subsidiaries, holds 54,04% (2013: 52,03%) of Nedbank Group Limited's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

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

52.2 Key management personnel compensation

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

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

	Directors	Key management personnel	Total
Compensation (Rm)			
2014			
Directors' fees	**14**		**14**
Remuneration - paid by subsidiaries	**84**	**202**	**286**
Short-term employee benefits	**47**	**120**	**167**
Gain on exercise of share instruments	**37**	**82**	**119**
	98	**202**	**300**
2013			
Directors' fees	11		11
Remuneration - paid by subsidiaries	78	151	229
Short-term employee benefits	43	118	161
Gain on exercise of share instruments	35	33	68
	89	151	240
Number of share instruments			
2014			
Outstanding at the beginning of the year	**571 714**	**1 666 293**	**2 238 007**
Granted	**173 902**	**456 115**	**630 017**
Forfeited	**(7 965)**	**(91 879)**	**(99 844)**
Exercised	**(159 183)**	**(455 540)**	**(614 723)**
Outstanding at the end of the year	**578 468**	**1 574 989**	**2 153 457**
2013			
Outstanding at the beginning of the year	645 194	1 686 127	2 331 321
Granted	165 168	441 334	606 502
Forfeited		(11 541)	(11 541)
Exercised	(238 648)	(449 627)	(688 275)
Outstanding at the end of the year	571 714	1 666 293	2 238 007

52.3 Related-party transactions

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

Outstanding balances (Rm)	Due from/(owing to) 2014	2013
Parent/Ultimate controlling party		
Deposits owing to Old Mutual Life Assurance Company (SA) Ltd	**(14)**	(749)
Bank balances owing to Old Mutual Life Assurance Company (SA) Ltd	**(237)**	(5 970)
Forward exchange rate contracts with Old Mutual plc	**(4)**	
Account payable owing to Old Mutual plc	**(1)**	(1)
Fellow subsidiaries		
Deposits owing to Old Mutual Asset Managers (SA) (Pty) Ltd	**(24)**	(60)
Deposits owing to other fellow subsidiaries	**(9 076)**	(10 637)
Bank balances owing to Old Mutual Asset Managers (SA) (Pty) Ltd	**(15)**	(5)
Bank balances owing to other fellow subsidiaries	**(873)**	(1 163)
Associate companies		
Loans due from associate companies	**2 157**	1 489
Deposits owing to associate companies	**(47)**	(12)
Bank balances owing to associate companies	**(5)**	(9)
Key management personnel		
Mortgage bonds due from key management personnel	**27**	32
Deposits owing to key management personnel	**(33)**	(33)
Deposits owing to entities under the influence of key management personnel	**(1 099)**	(1 398)
Bank balances due from key management personnel	**4**	4
Bank balances owing to key management personnel	**(43)**	(40)
Bank balances due from entities under the influence of key management personnel	**1**	35
Bank balances owing to entities under the influence of key management personnel	**(179)**	(362)
The WIPHOLD and Brimstone consortia and Aka Capital (Pty) Ltd are related parties since certain key management personnel of the company have significant influence over these entities. These entities are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these entities and key management personnel is detailed below:		
WIPHOLD consortium	**(154)**	(108)
Brimstone consortium	**(147)**	(107)
Key management personnel - directors	**(52)**	(48)
Key management personnel - other	**(129)**	(113)
Share-based payments reserve	**(482)**	(376)
Performance fees are paid to the WIPHOLD and Brimstone consortia in terms of the Nedbank Eyethu BEE schemes.		
WIPHOLD consortium	**(12)**	
Brimstone consortium	**(12)**	
Performance fee liability at the end of the year	**(24)**	–
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	**(1)**	
Bank balances owing to Nedgroup Pension Fund	**(100)**	(64)
Bank balances and deposits owing to other funds	**(73)**	(275)

52 RELATED PARTIES (continued)

52.3 Related-party transactions (continued)

Transactions (Rm)	Income/(Expense) 2014	2013
Parent/Ultimate controlling party		
Interest expense to Old Mutual Life Assurance Company (SA) (Pty) Ltd	**(342)**	(344)
Dividend declared to OMSA via its subsidiaries	**(2 525)**	(2 103)
Fellow subsidiaries		
Interest income from Old Mutual Asset Managers (SA) (Pty) Ltd	**27**	30
Interest income from other fellow subsidiaries	**5**	3
Interest expense to other fellow subsidiaries	**(2 815)**	(1 526)
Interest expense to Old Mutual Asset Managers (SA) (Pty) Ltd	**(41)**	(25)
Insurance premiums to Mutual & Federal Insurance Company Ltd	**(148)**	(163)
Claims recovered from Mutual & Federal Insurance Company Ltd	**99**	94
Commission income from Mutual & Federal Insurance Company Ltd	**27**	29
Asset management fee to Old Mutual Asset Managers (SA) (Pty) Ltd	**(4)**	
Associate companies		
Interest expense to associate companies	**(22)**	(11)
Key management personnel		
Interest income from key management personnel	**4**	1
Interest income from entities under the influence of key management personnel	**348**	316
Interest expense to key management personnel	**(31)**	(17)
Interest expense to entities under the influence of key management personnel	**(227)**	(227)
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
– Key management personnel - other	**(5)**	(5)
Share-based payments expense (included in BEE transaction expenses)	**(5)**	(5)
Key management personnel - directors	**(17)**	(7)
Key management personnel - other	**(60)**	(24)
Share-based payments expense (included in staff costs)	**(77)**	(31)
Performance fees are paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme:		
– Wiphold consortium		(14)
– Brimstone consortium		(13)
Performance fee expense	**-**	(27)

52.3 Related-party transactions (continued)

	Income/(Expense)	
	2014	2013
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	(4)	(4)
Interest expense to other funds	(25)	(12)

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 Limited 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:

	2014	2013
– Optiplus policy reimbursement right	827	777
– Symmetry policy reimbursement right	1 179	
– OMART policy reimbursement right (note 27.1)	511	453
Included in long-term employee benefit assets	2 517	1 230
Optiplus policy obligation	(827)	(777)
Postretirement medical aid obligation	(1 179)	
Disability obligation	(374)	(320)
Included in long-term employee benefit liabilities	(2 380)	(1 097)

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

	Nature of activities	Percentage holding 2014 %	Percentage holding 2013 %
Private equity associates and associate companies			
Listed			
Ecobank Transnational Incorporated (Togo)[1]	Banking	**20,7**	
Individually immaterial associates			
Unlisted			
Century City JV	Property development	**50**	50
Erf 7 Sandown (Pty) Ltd	Property development	**35**	35
Falcon Forest Trading 85 (Pty) Ltd	Property development		30
Friedshelf 113 (Pty) Ltd	Property development	**20**	20
Masingita Property Investment Holdings (Pty) Ltd	Property development	**35**	35
Odyssey Developments (Pty) Ltd[2]	Property development	**49**	49
Other individually immaterial associates[3]			
Private-equity associates (Manufacturing, industrial, leisure and other)[4]			
Private-equity associates (Property investment associates)[4]			
Other	Various		
Joint arrangements			
Unlisted			
Banco Único, S.A. (Mozambique)	Banking	**36,6**	
Individually immaterial joint arrangements[3]	Various		

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

[1] *Ecobank Transnational Incorporated, which is a Pan-African bank and its shares are listed on the stock exchanges of Nigeria, Ghana and Ivory Coast.*
[2] *The group's proportion of ownership in the entity is 49% while its voting right equates to 35%.*
[3] *Represents various investments that are not individually material.*
[4] *Includes entities that have been reclassified from investment securities to investments in private-equity associates, associate companies and joint arrangements to align better with industry practice. Refer to note 56.*

				Group					
				Carrying amount		Net indebtedness of loans to/ (from) associates		Dividends received	
	Measurement method	Acquisition date	Year-end	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
	Equity-accounted	Oct 14	Dec	6 223		466			
	Fair value	Dec 10	Dec	55	55				
	Fair value	Jul 07	Feb	63	57	5	5		
	Fair value	Mar 05	Feb		40		2	39	
	Fair value	Aug 02	Feb	85	83	43	43		
	Fair value	Aug 05	Feb	125	83	38	14		
	Fair value	Aug 07	Feb	57	79	49	43		
				373	342	235	242	26	17
				123	125	1 270	1 103	1	3
				238	230	(4)	2		
	Equity-accounted	Jun 14	Dec	286					
				42	7	55	35		
				7 670	1 101	2 157	1 489	66	20

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

53.1 ADDITIONAL DISCLOSURE RELATING TO MATERIAL ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS

	Ecobank Transnational Incorporated[1]		Banco Único, SA	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Fair-value of investment in Ecobank Transnational Incorporated based on the closing quoted price on the Nigerian Stock Exchange	5 483			
Statement of comprehensive income				
Revenue	17 745		345	
Profit/(loss) from continuing operations	3 489		7	
Posttax profit/(loss) from discontinued operations	(25)			
Other comprehensive income/(loss)	(1 048)			
Total comprehensive income	2 416		7	
Statement of financial position				
Current assets	149 278		2 496	
Non-current assets	115 204		1 820	
Current liabilities	122 754		2 095	
Non-current liabilities	114 555		1 807	
ADDITIONAL DISCLOSURES RELATING TO JOINT VENTURES				
Banco Único, SA				
Statemement of comprehensive income				
Interest and similar income			374	
Interest and similar charges			162	
Depreciation and amortisation			44	
Income tax income/(expense)			(5)	
Statement of financial position				
Cash and cash equivalents included in current assets			175	
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities			2 018	
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities			1 795	

[1] *The information provided for Ecobank Transnational Incorporated has been based on the latest available financial information, being the financial results for the nine months ended 30 September 2014 .*

54 ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES

	Group				Company			
	Issued capital		Effective holding		Book value of investments		Net indebtedness	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Banking[2]								
Nedbank Limited	**27**	27	**100**	100	**20 949**	20 949	**(5 733)**	482
Nedbank Namibia Ltd	**17**	17	**100**	100				
Nedbank (Malawi) Ltd	**7**	5	**100**	97,1				
Nedbank (Lesotho) Ltd	**20**	20	**100**	100				
Nedbank (Swaziland) Ltd	**12**	12	**65,0**	65,0				
Nedbank Private Wealth Ltd (Isle of Man)	**198**	191	**100**	100				
MBCA Bank Ltd (Zimbabwe)	**1**	1	**71,4**	71,4				
Trust and securities entities[3]								
Nedgroup Private Wealth Stockbrokers (Pty) Ltd	[1]	[1]	**100**	100				
Nedgroup Trust Ltd (Guernsey)	**2**	2	**100**	100				
Nedgroup Collective Investments Ltd[5]	**6**	6	**100**	100				
Syfrets Securities Ltd	**1**	1	**100**	100	**353**	353	**200**	200
Other companies[3]								
Nedgroup Private Wealth (Pty) Ltd	[1]	[1]	**100**	100	**566**	456		
BoE Holdings (Pty) Ltd, formerly BoE Holdings Ltd	**2**	2	**100**	100				
BoE Investment Holdings Ltd	**11**	11	**100**	100	**937**	937	**(869)**	(869)
Depfin Investments (Pty) Ltd[4]	[1]	[1]	**100**	100				
Dr Holsboer Benefit Fund[6]	[1]	[1]	**100**	100				
Nedgroup Investments Africa (Mauritius)	[1]	[1]	**100**	100	**98**	78		
NBG Capital Management (Pty) Ltd, formerly NBG Capital Management Ltd	[1]	[1]	**100**	100	**1**			1 612
Nedbank Group Insurance Company Ltd	[1]	[1]	**100**	100	**10**	10		
Nedcapital Investment Holdings (Pty) Ltd (Namibia)	[1]	[1]	**100**	100	**25**			
Ned Settle Services (Pty) Ltd	[1]	[1]	**100**	100	**6**			
Nedcor Investments Ltd	**28**	28	**100**	100				
Nedcor Trade Services Ltd (Mauritius)		3	**100**	100				
NedEurope Ltd (Isle of Man)	**5 186**	4 704	**100**	100	**1 612**	1 612		
Nedgroup Insurance Company Ltd[5]	**5**	5	**100**	100		49		
Nedgroup International Holdings Ltd (Isle of Man)	[1]	[1]	**100**	100				
Nedgroup Investment 102 Ltd	**6**	6	**100**	100				
Nedbank Group Insurance Holdings Ltd, formerly Nedgroup Investment Holdings 101 Ltd	**17**	17	**100**	100	**196**	196	**260**	
Nedgroup Life Assurance Company Ltd	**15**	15	**100**	100		310		
Nedgroup Securities (Pty) Ltd	**10**	10	**100**	100	**34**		**500**	500
Nedgroup Structured Life Ltd	**1**	1	**100**	100				
NedInvest (Pty) Ltd	**5**	5	**100**	100	**5**	5		
NedNamibia Holdings Ltd (Namibia)	**18**	18	**100**	100	**429**	429		
NIB Blue Capital Investments (Pty) Ltd	[1]	[1]	**100**	100				
Peoples Mortgage Ltd	**45**	45	**100**	100				
The Board of Executors	[1]	[1]	**100**	100			**(45)**	(45)
Other companies							**(5)**	(5)
					25 221	25 384	**(5 692)**	1 875

[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.*
[4] *The entity is considered to be consolidated structured entity. Put options exist between the group and subscribers of issued preference shares of the entity. These options can be excercised if the entity breaches the terms of the preference share subscription agreement. The group has not provided financial or any other support to the entity without the contractual obligation to do so. The group has no current intention to provide financial or other support to the entity without the contractual obligation to do so.*
[5] *In terms of a dispensation received from the Financial Services Board these companies are not allowed to declare any distributions to its holding company.*
[6] *The entity is governed by the terms of a trust deed. Restrictions are in place with regard to access or the use of the entity's assets.*

The composition of the group is illustrated in note 54.3. Unless otherwise stated, all entities are domiciled in SA. Unless otherwise stated, the financial statements of the subsidiaries used in the preparation of consolidated financial statements are as of the same date or same period than that of the consolidated financial statements. Unless otherwise stated, there are no significant restrictions (eg statutory, contractual and regulatory restrictions) on the group's ability to access or use the assets and settle the liabilities of the group.

54 ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

Headline earnings from subsidiaries (after eliminating intercompany transactions):

	2014 Rm	2013 Rm
Aggregate headline earnings attributable to equity holders	**9 900**	8 719
Aggregate headline losses attributable to equity holders	**(20)**	(49)

General information required in terms of the Companies Act, 71 of 2008 (as amended), is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities.

Nedbank Group Ltd will ensure that, except in the case of political risk, and unless specifically excluded by public notice in a country where a subsidiary is domiciled, its banking subsidiaries, and its principal non-banking subsidiaries, are able to meet their contractual liabilities.

54.1 Material non-controlling interests

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

	Nedbank (Malawi) Ltd[2]		Nedbank (Swaziland) Ltd		MBCA Bank Ltd (Zimbabwe)	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Financial position						
Total assets		272	**3 596**	2 845	**2 219**	1 887
Total liabilities		231	**3 122**	2 444	**1 790**	1 554
Accumulated non-controlling interests at the end of the year		3	**165**	136	**126**	98
Comprehensive income						
Income from lending activities		24	**149**	119	**148**	103
Non-interest revenue		30	**139**	131	**129**	118
Profit/(loss) from continuing operations		(4)	**97**	112	**58**	55
Total comprehensive income/(loss)		(3)	**98**	78	**58**	40
Profit allocated to non-controlling interests during the reporting period		[1]	**38**	27	**17**	11
Cashflows						
Cashflow (utilised by)/from operating activities		(71)	**62**	(493)	**(34)**	100
Cashflow (utilised by)/from investing activities		8	**(8)**	(13)	**(10)**	(11)
Cashflow utilsed by financing activities			**(25)**	(23)		
Net increase/(decrease) in cash and cash equivalents		(63)	**29**	(529)	**(44)**	89

[1] Represents amounts less than R1m.
[2] Nedbank (Malawi) Ltd became a wholly owned subsidiary on 30 December 2014.

54.2 SIGNIFICANT JUDGEMENT AND ASSUMPTIONS IN THE ASSESSMENT OF CONTROL

No significant judgements and assumptions were used in determining whether the group has control over another entity except for the following:

Judgements and assumptions applied in concluding that the group has control over another entity:

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 have been consolidating these structures since its inception. These securitisation structures include the following:

Synthesis Funding Ltd (Synthesis), an asset-backed commercial paper (ABCP) programme; invests in long-term rated bonds and offers capital market funding to SA corporates which is funded through the issuance of short-dated investment-grade commercial paper. The group acts in various capacities with regard to this vehicle which includes the role of master liquidity facility provider, programme-wide credit enhancement provider, administrator, dealer, paying and settlement agent, custodian and hedge counterparty. The group is involved in the day-to-day activities of the vehicle. Although the activities and decisionmaking rights are predetermined and restricted; the group exercises a significant degree of discretion in its decisionmaking regarding investments, funding and risk management. Industry knowledge and experience of the group are crucial to successful operation of Synthesis. The group is exposed to variable returns from the entity in the form of fees and interest income as well as residual income subsequent to certain distributions through the provisioning of credit enhancement. As a result, the group has concluded that it controls the entity.

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

Refer to note 45 for further information on the securitisation activities of the group.

Employee share schemes

Employee share schemes were established by the group (or any of its subsidiaries) in terms of a trust deed for the benefit of its employees in return for their employment services rendered. Funding is provided by the group or its subsidiaries to acquire shares that are beneficially held on behalf of the beneficiaries of the trust. The beneficiaries of the trust are specified by group or its subsidiaries. The trustees have limited rights and act within narrowly defined parameters in terms of the trust deed. The trustees receive limited remuneration (if any) for their services rendered in terms of the trust. The group has concluded that the trustees merely act in an agent capacity and that the group has control over the trust.

Dr Holsboer Benefit Fund

Nedbank Limited is the founder of the trust. The fund was established in terms of a trust deed for the benefit of employees of Nedbank Limited. The beneficiaries of the trust include employees, contractors and pensioners as nominated by the trustees in their sole discretion. The trustees have the right to vest or distribute net income of the trust in their discretion. All trustees are required to act in accordance with trust deed. The founder, Nedbank Limited, reserves the right to terminate the appointment of any of the trustees. In terms of the trust deed, the trustees are not entitled to remuneration for their services unless the founder and all the trustees unanimously agree. The group has concluded that the trustees merely act in an agent capacity and that the group has control over the trust.

Judgements and assumptions applied in concluding that the group does not have control over another entity:

Investment funds

The group acts as fund manager to a number of investment funds. Determining whether the group controls such an investment fund usually focuses on the assessment of decisionmaking rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the group in the fund in the form of interest held and management fees.

In most instances the group's decisionmaking authority, in capacity as fund manager, with regard to these funds is regarded to be well defined. Discretion is however exercised when decisions regarding the relevant activities of these funds are being made. For all funds managed by the group, the investors have the right to remove the group as fund manager without cause.

Fees earned by the group, in its capacity as fund manager, are considered to be market related, commensurate with the services provided and includes only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm’s length basis.

As a result, the group has concluded that it acts as agent on behalf of the investors in all instances. The group does therefore not control these funds and has not consolidated these funds.

Investment-holding entities

The group provides funding to various investment-holding entities in the form of preference shares. The group's rights relating to these investment-holding entities, through the subscription of preference shares, are considered to be protective rather than substantive. As a result, the group has concluded that it does not have power nor control over these entities.

54.3 Major subsidiary companies

NEDBANK GROUP LTD

NEDBANK GROUP INSURANCE HOLDINGS LIMITED 100%

OTHER INSURANCE

- Nedgroup Insurance Company Ltd
- Nedgroup Structured Life Ltd
- Nedgroup Life Assurance Company Ltd

- Nedbank Group Insurance Company Ltd

TRUSTS, SECURITIES AND OTHER ENTITIES

- Syfrets Securities Ltd
- Nedgroup Private Wealth Stockbrokers (Pty) Ltd
- Nedgroup Collective Investments Ltd
- Nedinvest (Pty) Ltd
- Dr Holsboer Benefit Fund
- Nedgroup Securities (Pty) Ltd
- NBG Capital Management (Pty) Ltd
- NIB Blue Capital Investments (Pty) Ltd
- Nedgroup Private Wealth (Pty) Ltd

NEDBANK LIMITED 100%

Local subsidiaries

- BoE Holdings (Pty) Ltd
- Peoples Mortgage Ltd
- Nedcor Investments Ltd
- Nedgroup Investment 102 Ltd
- Depfin Investments (Pty) Ltd
- BoE Investment Holdings Ltd

Foreign Nedbank subsidiaries

- Nedbank (Lesotho) Ltd
- Nedbank (Swaziland) Ltd 65,0%
- Nedcor Trade Services Ltd (Mauritius)

FOREIGN NEDBANK GROUP SUBSIDIARIES

- NedEurope Ltd (Isle of Man)
- Nedgroup Investments Africa (Mauritius)
- Nedbank (Malawi) Ltd
- MBCA Bank Ltd (Zimbabwe) 71,4%
- Nedbank Namibia Ltd
- Nedgroup International Holdings Ltd (Isle of Man)
- Nedgroup Trust Ltd (Guernsey)

All subsidiaries are wholly-owned, unless stated otherwise.

55 UNCONSOLIDATED STRUCTURED ENTITIES

The group considers an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, to be a structured entity. The relevant activities of structured entities are normally directed by means of contractual arrangements and often have some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

However, interests in unconsolidated structured entities that result from typical customer supplier relationships are not regarded as exposures that are required to be disclosed in terms of IFRS 12 with specific reference to unconsolidated structured entities.

The group evaluates the nature of its involvement with all unconsolidated structured entities to determine whether it is based on a typical customer-supplier relationship. This assessment includes consideration of the following:

- the typical operations and business model of the business unit involved;
- the risk and variability of return the group is exposed to;
- the purpose and design of the structured entity and/or the instrument the group is exposed to; and
- the level of subordination of rights and concentration of risk relating to the exposure.

The group has various involvements in and exposures towards unconsolidated structured entities which includes:

- certain investments in exchange-traded funds and securitisation structures;
- certain funding structures;
- certain management and fiduciary functions performed in terms of trusts and partnerships; and
- security special-purpose vehicles (SPVs).

Through careful assessment, these involvements and exposure are regarded to be typical customer supplier relationships and are therefore not required to be disclosed in terms of IFRS 12.

56 EMBEDDED-VALUE REPORT OF NEDGROUP LIFE ASSURANCE COMPANY LIMITED (NEDGROUP LIFE)

SCOPE OF THE EMBEDDED-VALUE REPORT

This report deals with the embedded value of Nedgroup Life and the value of new business written during the financial year.

EMBEDDED-VALUE

The embedded-value (EV) and value of new business of the covered business at 31 December are:

	% change	2014 Rm	2013 Rm
Adjusted net worth		**1 053**	697
Required capital		**208**	454
Free surplus		**845**	243
Value of in-force business		**1 340**	1 440
Present value of future profits		**1 445**	1 554
Frictional costs		**(28)**	(59)
Cost of non-hedgeable risk		**(77)**	(55)
Total EV	12,0	**2 393**	2 137
Value of new business	-27,0	**257**	352
New business sales (APE[1])	-22,6	**668**	863
APE[1] margin (%)		**38,5**	40,8
PVNBP[2]	-27,9	**1 698**	2 354
PVNBP[2] margin (%)		**15,1**	15,0
Analysis of EV earnings:			
EV at the beginning of the year		**2 137**	2 030
Total EV earnings		**676**	683
Operating EV earnings		**595**	714
Value of new business		**257**	352
Expected return		**155**	114
Experience variances		**250**	299
Non-economic assumption changes		**(67)**	(51)
Economic variances		**38**	(59)
Return on adjusted net worth		**43**	28
Adjustment: dividends paid		**(420)**	(576)
EV at the end of the year	12,0	**2 393**	2 137
Return on EV (%)		**27,8**	35,2

[1] *Annualised premium equivalent.*
[2] *Present value of new-business premiums.*

56 EMBEDDED-VALUE REPORT OF NEDGROUP LIFE ASSURANCE COMPANY LTD (NEDGROUP LIFE) (continued)

The return on EV of 27,8% (2013: 35,2%) is driven by strong 2014 sales. Nedgroup Life paid dividends totalling R420m (2013: R576m).

METHODOLOGY

Covered business refers to all long-term life insurance business underwritten by the company.

Embedded value

The EV of the covered business is the discounted value of the projected future after-tax shareholder earnings arising from covered business in force at the valuation date, plus the adjusted net worth.

Adjusted net worth represents the excess of the market value of assets over the statutory financial soundness valuation of liabilities.

Required capital

Required capital is the market value of assets that is required to support the covered business over and above that required to back the statutory liabilities, whose distribution to shareholders is restricted. The following capital measures are considered acceptable when determining the required capital:

- economic capital and
- regulatory capital

Economical capital for the covered business is based on the company's own internal assessment of risk inherent in the business, consistent with a 99,93% confidence interval over a one-year time horizon.

Free surplus

Free surplus is the excess of market value of assets over the statutory liabilities and the required capital. It is the assets that are available for distribution to shareholders.

Value of in-force (VIF) business

VIF business consists of the following components:

- present value of future profits; less
- frictional costs of required capital; less
- cost of non-hedgeable risks.

Projected liabilities and cashflows are calculated net of outward reinsurance.

Present value of future profits (PVFP)

PVFP is calculated as the discounted value of future distributable earnings (taking account of local statutory reserving requirements) that are expected to emerge from the in-force covered business, including the value of contractual renewal of in-force business, on a best-estimate basis where assumed earned rates of return and discount rates are equal to risk-free rates.

Frictional costs

Due to the requirement to hold capital in addition to statutory liabilities (ie required capital), there is a cost to shareholders since this capital is locked in the company. Frictional cost is the cost in respect of the taxation on the investment return and investment costs on the assets backing the required capital.

Cost of non-hedgeable risk (CNHR)

Non-hedgeable risks are those risks which cannot be hedged in deep and liquid markets (eg mortality, morbidity, persistency, expense, reinsurance and operational risk). These risks are managed by holding risk capital. CNHR is calculated using a capital approach, ie it is determined as the present value of capital charges for all future non-hedgeable risk capital requirements until the liabilities have run off. A weighted-average cost of capital rate of 2,0% has been applied to residual symmetric and asymmetric non-hedgeable capital.

Value of new business (VNB)

This is a measure of the value added to a company as a result of writing new business. This is calculated as the discounted value, at the date of sale, of projected after-tax shareholder profit from covered new business written during the reporting period net of frictional costs and the CNHR associated with writing new business, using economic assumptions at the start of the reporting period.

APE and PVNBP margins

APE is the annual premium for regular premium sales plus 10% of single-premium sales sold during the reporting period. The APE margin is defined as the ratio of VNB to APE.

PVNBP is the present value of future premium and is calculated using a calculation approach that is consistent with calculation of VNB. The PVNBP margin is defined as the ratio of VNB to PVNBP.

ASSUMPTIONS

Non-economic assumptions

The EV and VNB were determined using best-estimate assumptions regarding future mortality, persistency rates and expenses. These best estimate assumptions are determined using past, current and expected future experience.

Economic assumptions

Economic assumptions are determined such that projected cashflows are valued in line with the prices of similar cashflows that are traded in the capital markets. Investment return and discounting assumptions are based on the SA swap yield curve. The swap curve is sourced from a third-party market-consistent asset model. Expense inflation assumptions are determined considering a spread to the swap yield curve.

The risk-free spot yields and expense inflation at various terms are provided in the tables below:

Risk-free yields	2014 %	2013 %
Term (years)		
1	**6,6**	5,7
5	**7,6**	7,7
10	**8,3**	8,8

Expense inflation	2014 %	2013 %
Term (years)		
1	**5,8**	6,3
5	**6,4**	7,1
10	**7,0**	7,8

SENSITIVITIES

The table below shows the sensitivities of VNB, VIF and EV at 31 December to changes in key assumptions.

2014

Rm	VIF	EV	VNB
Central assumptions	**1 339**	**2 393**	**257**
Economic assumptions increase by 1%	**1 289**	**2 343**	**246**
Economic assumptions decrease by 1%	**1 371**	**2 424**	**268**
Equity and property market value decreasing by 10%	**1 321**	**2 418**	**257**
Voluntary discontinuance rates decreasing by 10%	**1 401**	**2 437**	**270**
Mortality and morbidity rates decrease by 5%	**1 409**	**2 481**	**270**
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	**1 348**	**2 424**	**271**
Acquisition expenses increase by 10%	**1 339**	**2 393**	**253**
2013			
Central assumptions	1440	2 137	352
Economic assumptions increase by 1%	1395	2 098	339
Economic assumptions decrease by 1%	1488	2 178	367
Equity and property market value decreasing by 10%	1434	2 171	352
Voluntary discontinuance rates decreasing by 10%	1521	2 199	373
Mortality and morbidity rates decrease by 5%	1516	2 235	367
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	1462	2 174	366
Acquisition expenses increase by 10%	1440	2 137	350

REVIEW BY INDEPENDENT ACTUARIES

Independent consulting actuaries have reviewed the results, methodology and assumptions underlying the calculation of the EV and the VNB. Based on the information supplied to them by Nedgroup Life, they are satisfied that the methodology and assumptions have been determined in accordance with generally accepted actuarial principles and in accordance with guidance note APN107 – Embedded Value Reporting.

57 EVENTS AFTER THE REPORTING PERIOD

Refer to the directors' report for information on these events.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	Note	2014 Rm	2013 Rm
Interest and similar income		(26)	
Interest expense and similar charges		1	
Net interest expense		(25)	
Impairment of intergroup loans and advances release	7	166	12
Income from lending activities		141	12
Dividends from subsidiaries		6 254	4 462
Reversal of impairment on investment in subsidiary			6
Fair-value adjustments		46	9
Loss on cancellation of treasury shares		(1 767)	
Foreign exchange (loss)/gain on capital redemption		(12)	46
Operating income		4 662	4 535
Operating expenses	1	(33)	(24)
Profit before taxation		4 629	4 511
Direct taxation	2	15	53
Total comprehensive income for the year		4 614	4 458

SEPARATE STATEMENT OF FINANCIAL POSITION

at 31 December

	Note	2014 Rm	2013 Rm
Assets			
Cash and cash equivalents		1	
Loans and advances		288	
Other assets		1	
Investment securities	3		40
Investments in associate companies and joint arrangements	4	6 223	
Investment in subsidiary companies		26 327	28 179
Shares at cost – unlisted		25 221	25 384
Owing by subsidiaries		1 106	2 795
Total assets		32 840	28 219
Shareholders' equity and liabilities			
Ordinary share capital	5	499	510
Ordinary share premium		20 644	21 474
Share-based payments reserve		340	340
Other non-distributable reserves		41	41
Distributable reserves		4 458	4 736
Equity attributable to equity holders of the parent		25 982	27 101
Other liabilities	6	57	13
Current taxation liabilities		3	19
Impairment of intergroup loans and advances	7		166
Amounts owing to subsidiaries		6 798	920
Total liabilities		6 858	1 118
Total shareholders' equity and liabilities		32 840	28 219

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

	Number of ordinary shares Rm	Ordinary share capital Rm	Ordinary share premium Rm	Share-based payments reserve[1] Rm	Other non-distributable reserves[2] Rm	Distributable reserves[3] Rm	Total ordinary shareholders' equity Rm
Balance at 31 December 2012	507 509 491	507	21 002	340	41	4 370	26 260
Shares issued in terms of employee incentive schemes	2 792 902	3	527				530
Capital contribution			(55)				(55)
Total comprehensive income for the year						4 458	4 458
Dividends to shareholders						(4 092)	(4 092)
Balance at 31 December 2013	**510 302 393**	**510**	**21 474**	**340**	**41**	**4 736**	**27 101**
Shares issued in terms of employee incentive schemes	**3 670 463**	**4**	**767**				**771**
Shares delisted	**(14 715 049)**	**(15)**	**(1 597)**				**(1 612)**
Total comprehensive income for the year						**4 614**	**4 614**
Dividends to shareholders						**(4 892)**	**(4 892)**
Balance at 31 December 2014	**499 257 807**	**499**	**20 644**	**340**	**41**	**4 458**	**25 982**

[1] 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.
[2] Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves in order to comply with various banking regulations.
[3] Represents the accumulated profits after distributions to shareholders and appropriation of retained earnings to other non-distributable earnings.

SEPARATE STATEMENT OF CASHFLOWS

for the year ended 31 December

	Note	2014 Rm	2013 Rm
Cash generated by operations	8	**6 196**	4 438
Cash paid to clients, employees and suppliers		**(58)**	(24)
Dividends received on investments		**6 254**	4 462
Change in funds for operating activities		**7 322**	(835)
Decrease/(increase) in operating assets		**1 400**	(617)
Increase/(decrease) in operating liabilities		**5 922**	(218)
Net cash from operating activities before taxation		**13 518**	3 603
Taxation paid	9	**31**	38
Cashflows from operating activities		**13 487**	3 565
Cashflows (utilised by)/from investing activities		**(7 752)**	52
(Acquisition)/disposal of investments in subsidiaries, associate companies and joint arrangements		**(7 752)**	52
Cashflows utilised by financing activities		**(5 734)**	(3 617)
Proceeds from issue of ordinary shares		**771**	530
Capital contribution		**(1 613)**	(55)
Dividends paid to ordinary shareholders		**(4 892)**	(4 092)
Net increase in cash and cash equivalents for the year		**1**	–

The separate annual financial statements have been prepared in accordance with accounting policies consistent with those applied in the preparation of the consolidated annual financial statements, except where stated otherwise.

1 OPERATING EXPENSES

	2014 Rm	2013 Rm
Audit fees	**19**	13
Directors' fees	**9**	8
Other	**5**	3
	33	24

2 DIRECT TAXATION

2.1 Charge for the year

	2014 Rm	2013 Rm
Statement of comprehensive income charge – SA normal taxation	**9**	
Statement of comprehensive income charge – section 9D attribution	**6**	51
Deferred CGT on impairment of option		2
	15	53

2.2 Taxation rate reconciliation

	%	%
Standard rate of SA normal taxation	**28**	28
Non-taxable income	**(39)**	(28)
Other taxation	**11**	1
Effective taxation rate		1

3 INVESTMENT SECURITIES

	2014 Rm	2013 Rm
Balance at the beginning of year	**40**	31
Fair-value gain	**73**	9
Capitalised to investments in associate companies and joint arrangements	**(113)**	
Balance at end of the year		40

4 INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS

The investments in ETI and Banco Único are held at cost

	2014 Rm	2013 Rm
Investments in associate companies and joint arrangements	**6 213**	
Loans to associate companies and joint arrangements	**10**	
Balance at the end of the year	**6 223**	

5 SHARE CAPITAL

	2014 Rm	2013 Rm
Ordinary share capital		
Authorised		
600 000 000 (2013: 600 000 000) ordinary shares of R1 each	**600**	600
Issued ordinary share capital		
499 257 807 (2013 : 510 302 393) fully paid ordinary shares of R1 each	**499**	510

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

6 OTHER LIABILITIES

	2014 Rm	2013 Rm
Creditors and other accounts	**57**	13

7 IMPAIRMENT OF INTERGROUP LOANS AND ADVANCES

A specific impairment was raised on intergroup loans and advances made by Nedbank Limited to fellow subsidiary companies in prior years. This impairment provision is no longer required as these intergroup loans are being monitored through Nedbank Ltd's credit monitoring process.

	2014 Rm	2013 Rm
Balance at the beginning of the year	**166**	178
Statement of comprehensive income release	**(166)**	(12)
Balance at the end of the year		166

8 CASH GENERATED BY OPERATIONS

	2014 Rm	2013 Rm
Reconciliation of profit before taxation to cash generated by operations		
Profit before taxation	**4 629**	4 511
Adjusted for:		
– Movement in impairment of loans and advances	**(166)**	(12)
– Fair-value option	**(46)**	(9)
– Foreign exchange gain on capital redemption		(46)
– Reversal of impairment on investment in subsidiary		(6)
– Loss on cancellation of treasury shares	**1 767**	
– Foreign exchange loss	**12**	
Cash generated by operations	**6 196**	4 438

9 TAXATION PAID

	2014 Rm	2013 Rm
Amounts payable at the beginning of the year	**19**	6
Statement of comprehensive income charge – SA normal taxation	**9**	
Statement of comprehensive income charge – section 9D attribution	**6**	51
Amounts payable at the end of the year	**(3)**	(19)
	31	38

10 SHARE-BASED PAYMENTS

Equity instruments are granted to business partners and non-executive directors as an incentive to retain business and develop growth within the group. The share-based payments expenses and reserve balances in respect of the Black Business Partner Scheme and the Non-executive Directors' Scheme, implemented in 2005, were accounted for in the Nedbank Group Limited consolidated financial statements and in the Nedbank Group Limited standalone financial statements. Both of these schemes will be equity-settled.

As the company cannot estimate reliably the fair value of services received nor the value of additional business received, the company rebuts the presumption that such services and business can be measured reliably. The company therefore measures their fair value by reference to the fair value of the equity instruments granted, in line with the group's accounting policy. The fair value of such equity instruments is measured at the grant date utilising the Black-Scholes valuation model.

10.1 Description of arrangements

Scheme	Trust/SPV	Description	Vesting requirements	Maximum term
Nedbank Eyethu BEE schemes				
Black Business Partner Scheme	WIPHOLD Financial Services Number Two Trust and Brimstone-Mtha Financial Services Trust	Each trust was issued an equal number of restricted shares at R1,87 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	No dealing in the shares during the 10-year notional funding period.	10 years
Community Trust	Nedbank Eyethu Community Trust	The trust has been formed with the specific purpose of providing previously dissadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group's Limited BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 10 years the net assets of the trust will be allocated to participants as determined by the trustees.	10 years Subsequent to December 2013 the termination date of the trust was extended from 2015 to 2030 so as to provide an ongoing flexible vehicle for deploying the residual assets of the trust and continued support of community affairs in line with the group's BEE and Fair Share 2030 initiatives.

10.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Community Scheme			124	124
			124	124

10.3 Movements in number of instruments

	2014		2013	
	Number of instruments	**Weighted average exercise price R**	Number of instruments	Weighted average exercise price R
Black Business Partner Scheme				
Outstanding at the beginning of the year	**7 891 300**	**163,53**	7 891 300	171,82
Outstanding at the end of the year	**7 891 300**	**163,53**	7 891 300	171,82
Exercisable at the end of the year				
Weighted average share price for options exercised (R)				
Community Scheme				
Outstanding at the beginning of the year	**851 111**		851 111	
Outstanding at the end of the year	**851 111**		851 111	
Exercisable at the end of the year				
Weighted average share price for options exercised (R)				

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

Black Business Partner Scheme				
163,53	**7 891 300**		7 891 300	1,6
	7 891 300		7 891 300	1,6

11 RELATED PARTIES

11.1 Relationship with parent, ultimate controlling party and investees

The company's parent company is Old Mutual (South Africa) Ltd (OMSA), which, through its subsidiaries, holds 54,04% (2013: 52,03%) of Nedbank Group Limited's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

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

11.2 Key management personnel compensation

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

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

11.2 Key management personnel compensation (continued)

	Directors	Key management personnel	Total
Compensation (Rm)			
2014			
Directors' fees	**14**		**14**
Remuneration – Paid by subsidiaries	**84**	**202**	**286**
Short-term employee benefits	**47**	**120**	**167**
Gain on exercise of share instruments	**37**	**82**	**119**
	98	**202**	**300**
2013			
Directors' fees	11		11
Remuneration – Paid by subsidiaries	78	151	229
Short-term employee benefits	43	118	161
Gain on exercise of share instruments	35	33	68
	89	151	240
Number of share instruments			
2014			
Outstanding at the beginning of the year	**571 714**	**1 666 293**	**2 238 007**
Granted	**173 902**	**456 115**	**630 017**
Forfeited	**(7 965)**	**(91 879)**	**(99 844)**
Exercised	**(159 183)**	**(455 540)**	**(614 723)**
Outstanding at the end of the year	**578 468**	**1 574 989**	**2 153 457**
2013			
Outstanding at the beginning of the year	645 194	1 686 127	2 331 321
Granted	165 168	441 334	606 502
Forfeited		(11 541)	(11 541)
Exercised	(238 648)	(449 627)	(688 275)
Outstanding at the end of the year	571 714	1 666 293	2 238 007

11.3 Related-party transactions

The following significant transactions were entered into between Nedbank Group Limited and the following related parties. All of these transactions were entered into in the normal course of business.

	Due from/(owing to)	
Outstanding balances (Rm)	**2014**	2013
Subsidiaries		
Loan from BoE Investment Holdings Ltd – Interest free	**(869)**	(869)
Loan from Nedbank Nominees (Pty) Ltd – Interest free	**(4)**	(4)
Advance to Nedbank Group Insurance Holdings Ltd	**260**	
Advance to NBG Capital Management Ltd		1 612
Advance to Syfrets Securities Ltd	**200**	200
Advance to Nedgroup Securities Ltd	**500**	500
Loan from The Board of Executors 1838	**(45)**	(45)
Bank accounts with Nedbank Ltd – Interest free	**144**	482
Loan from Nedbank Ltd – interest bearing	**(878)**	
Loan from Nedbank Ltd – interest free	**(5 000)**	
Impairment provision in respect of amounts due to Nedbank Ltd by its subsidiaries		(166)
Key management personnel		
The WIPHOLD and Brimstone consortiums are related parties since certain key-management personnel of the group have significant influence over these entities. These consortia are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these consortiums and key management personnel is detailed below:		
– WIPHOLD consortium	**(154)**	(108)
– Brimstone consortium	**(147)**	(107)
– Community trust	**(125)**	(125)
Share-based payments reserve	**(426)**	(340)

11 RELATED PARTIES (continued)

11.3 Related-party transactions (continued)

Transactions (Rm)	Income/(Expense) 2014	2013
Interest expense to subsidiaries		
Nedbank Ltd	**(26)**	
Dividends from subsidiaries		
Alliance Investments Ltd		5
BoE Investment Holdings Ltd		309
NBG Capital Management (Pty) Ltd	**1 842**	
Nedbank Group Insurance Company Ltd		75
Nedbank Ltd	**3 400**	3 450
Nedeurope Ltd	**138**	50
Nedcor (SA) Insurance Company Ltd	**34**	
Nedgroup Insurance Company Ltd	**50**	50
Nedgroup Investment Holdings 101 Ltd	**480**	118
Nedgroup Investments (Pty) Ltd	**160**	105
Nedgroup Life Assurance Company Ltd		288
Nedgroup Private Wealth (Pty) Ltd	**150**	
Nedinvest Ltd		1
Tando AG		11
Dividends declared by subsidiaries	**6 254**	4 462

12 LIQUIDITY, CREDIT RISK AND MARKET RISK INFORMATION

Assets and liabilities consist of primarily non-financial assets and liabilities. These are not subject to liquidity, credit risk and market risk for disclosure purposes, except as disclosed in note 5.

13 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Assets and liabilities consist of primarily non-financial assets and liabilities. These are not subject to offsetting disclosures as envisaged in IFRS 7.

14 EVENTS AFTER THE REPORTING PERIOD

Refer to the directors' report for information on these events.

15 SHAREHOLDERS' ANALYSIS

Register date: 2 January 2015

Authorised share capital: 600 000 000 shares

Issued share capital: 499 257 807 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	17 190	80,47	4 189 529	0,84
1 001 – 10 000 shares	3 241	15,17	8 917 668	1,79
10 001 – 100 000 shares	704	3,30	23 175 378	4,64
100 001 – 1 000 000 shares	187	0,88	53 527 054	10,72
1 000 001 shares and over	40	0,18	409 448 178	82,01
Total	21 362	100,00	499 257 807	100,00

Distribution of shareholders				
Banks	200	0,94	65 431 449	13,11
Close corporations	119	0,56	121 492	0,02
Empowerment	21	0,10	23 132 880	4,63
Endowment funds	171	0,80	965 785	0,19
Government	3	0,01	85 573	0,02
Individuals	16 455	77,03	9 805 439	1,97
Insurance companies	149	0,70	3 116 313	0,62
Investment companies	63	0,29	3 140 861	0,63
Medical aid schemes	37	0,17	369 418	0,07
Mutual funds	405	1,90	40 036 708	8,02
Old Mutual Life Assurance Company (South Africa) Ltd and associates	36	0,17	269 776 225	54,04
Other corporations	68	0,32	106 802	0,02
Private companies	366	1,71	1 896 551	0,38
Public companies	22	0,10	140 067	0,03
Retirement funds	481	2,25	64 264 490	12,87
Share trusts[1]	10	0,05	12 536 625	2,51
Nominees and trusts	2 756	12,90	4 331 129	0,87
Total	21 362	100,00	499 257 807	100,00

Public/non-public shareholders				
Non-public shareholders	88	0,41	307 252 640	61,54
Directors and associates of the company[2]	9	0,04	796 059	0,16
Old Mutual Life Assurance Company (South Africa) Ltd and associates	36	0,17	269 776 225	54,04
Nedbank/Nedbank Group pension funds	6	0,03	265 981	0,05
Nedbank Group Ltd and associates (share trusts)[1]	10	0,05	12 037 266	2,41
Nedbank Group Ltd and associates (mutual funds)	7	0,03	1 332 143	0,27
Nedbank Group BEE trusts – SA[1]	9	0,04	22 226 463	4,45
Nedbank Group BEE trusts – Namibia	11	0,05	818 503	0,16
Public shareholders	21 274	99,59	192 005 167	38,46
Total	21 362	100,00	499 257 807	100,00

[1] *Excludes shares held by directors in share trusts (executive directors only) and Eyethu schemes.*
[2] *Includes shares held by directors in share trusts (executive directors only) and Eyethu schemes.*

15 SHAREHOLDERS' ANALYSIS (continued)

Major shareholders/managers	Number of shares	2014 % holding	2013 % holding
Old Mutual Life Assurance Company (South Africa) Ltd and associates	269 776 225	**54,04**	52,03
Nedbank Group treasury shares	33 614 889	**6,74**	9,63
BEE trusts:			
– Eyethu scheme – Nedbank South Africa	21 876 437	**4,38**	4,42
– Omufima scheme – Nedbank Namibia	827 607	**0,17**	0,15
Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme	10 863 333	**2,18**	2,17
Nedbank Group Ltd and associates (Capital Management)			2,88
Nedbank Namibia Ltd	47 512	**0,01**	0,01
Coronation Fund Managers (SA)	33 029 067	**6,62**	5,99
Public Investment Corporation (SA)	32 746 778	**6,56**	6,37
Lazard Asset Management (US and UK)	13 498 914	**2,70**	3,15
Dimensional Fund Advisors (US, UK and AU)	7 905 186	**1,58**	1,46
BlackRock Inc (US and UK)	7 893 372	**1,58**	1,66
Sanlam Investment Management (SA)	7 657 157	**1,53**	1,95

Beneficial shareholders holding of 5% or more	Number of shares	2014 % holding	2013 % holding
Old Mutual Life Assurance Company (South Africa) Ltd and associates (SA)	269 776 225	**54,04**	52,03
Government Employees Pension Fund (SA)	36 859 230	**7,38**	7,51

Geographical distribution of shareholders	Number of shares	2014 % holding	2013 % holding
Domestic	429 687 651	**86,07**	86,85
South Africa	416 008 435	**83,33**	85,36
Namibia	9 736 799	**1,95**	1,00
Swaziland	48 500	**0,01**	0,01
Unclassified	3 893 917	**0,78**	0,48
Foreign	69 570 156	**13,93**	13,15
United States of America	37 305 236	**7,47**	7,95
United Kingdom and Ireland	6 537 519	**1,31**	1,28
Europe	10 220 780	**2,05**	1,48
Other countries	15 506 621	**3,10**	2,44
	499 257 807	**100,00**	100,00

COMPLIANCE WITH IFRS[1] – ANNUAL FINANCIAL STATEMENT NOTES

Note number	Note description	IFRS required
1	PRINCIPAL ACCOUNTING POLICIES	IAS[2] 1
2	STANDARDS AND INTERPRETATIONS	IAS 1 and IAS 8
3	KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION	IAS 1
4	CAPITAL MANAGEMENT	IAS 1
5	INTEREST AND SIMILAR INCOME	IAS 18, IAS 32, IAS 39, IFRS 7 and IFRS 13
6	INTEREST EXPENSE AND SIMILAR CHARGES	IAS 18, IAS 32, IAS 39, IFRS 7 and IFRS 13
7	NON-INTEREST REVENUE	IAS 18, IAS 20, IAS 32, IAS 39, IFRS 4, IFRS 7, IFRS 8 and IFRS 13
8	OPERATING EXPENSES	IAS 1, IAS19, IFRS 2 and IFRS 8
9	INDIRECT TAXATION	IAS 1
10	NON-TRADING AND CAPITAL ITEMS	IAS 1, IAS 16, IAS 36 and IFRS 10
11	DIRECT TAXATION	IAS 12
12	EARNINGS	IAS 33
13	DIVIDENDS	IAS 1 and IAS 10
14	CASH AND CASH EQUIVALENTS	IAS 1, IAS 7 and IFRS 7
15	OTHER SHORT-TERM SECURITIES	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
16	DERIVATIVE FINANCIAL INSTRUMENTS	IAS 32, IAS 39, IFRS 7 and IFRS 13
17	GOVERNMENT AND OTHER SECURITIES	IAS 1,IAS 32, IAS 39, IFRS 7; IFRS 8 and IFRS 13
18	LOANS AND ADVANCES	IAS 17, IAS 39, IFRS 7, IFRS 8 and IFRS 13
19	IMPAIRMENT OF LOANS AND ADVANCES	IAS 39, IFRS 7 and IFRS 8
20	OTHER ASSETS	IAS 1, IAS 39, IFRS 7 and IFRS 13
21	INVESTMENT SECURITIES	IAS 32, IAS 39, IFRS 7 and IFRS 13
22	INVESTMENTS IN PRIVATE ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS	IAS 28, IFRS 11, IFRS 12 and IFRS 13
23	NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE	IFRS 5 and IFRS 13
24	DEFERRED TAXATION	IAS 12
25	INVESTMENT PROPERTY	IAS 40 and IFRS 13
26	PROPERTY AND EQUIPMENT	IAS 16, IAS 36 and IFRS 13
27	LONG-TERM EMPLOYEE BENEFITS	IAS 19, IAS 26 and IFRIC[3] 14
28	INTANGIBLE ASSETS	IAS 38 and IAS 36
29	SHARE CAPITAL	IAS 1
30	AMOUNTS OWED TO DEPOSITORS	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
31	PROVISIONS AND OTHER LIABILITIES	IAS 37, IAS 32, IAS 39, IFRS 7 and IFRS 13
32	INVESTMENT CONTRACT LIABILITIES	IAS 1, IAS 39, IFRS 4, IFRS 7 and IFRS 13
33	INSURANCE CONTRACT LIABILITIES	IAS 1 and IFRS 4
34	LONG-TERM DEBT INSTRUMENTS	IAS 32, IAS 39, IFRS 7 and IFRS 13
35	CASHFLOW INFORMATION	IAS 7
36	CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS	IAS 39 and IFRS 7
37	FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS	IAS 39, IFRS 7 and IFRS 13
38	FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS	IAS 32, IAS 39, IFRS 7 and IFRS 13
39	OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES	IFRS 7, IFRS 13 and IAS 32
40	CREDIT ANALYSIS OF OTHER SHORT-TERM SECURITIES, AND GOVERNMENT AND OTHER SECURITIES	IFRS 7
41	LIQUIDITY GAP	IFRS 7
42	CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES	IFRS 7
43	HISTORICAL VALUE AT RISK (99%, ONE-DAY) BY RISK TYPE	IFRS 7
44	INTEREST RATE REPRICING GAP	IFRS 7
45	SECURITISATIONS	IAS 39, IFRS 7 and IFRS 13
46	FOREIGN CURRENCY CONVERSION GUIDE	IAS 21
47	CONTINGENT LIABILITIES AND UNDRAWN FACILITIES	IAS 37 and IAS 10
48	COMMITMENTS	IAS 37, IAS 10, IAS 17 and IFRS 7
49	COLLATERAL	IFRS 7
50	MANAGED FUNDS	IFRS 7 and IFRS 13
51	SHARE-BASED PAYMENTS	IFRS 2
52	RELATED PARTIES	IAS 24
53	ANALYSIS OF INVESTMENTS IN PRIVATE-EQUITY ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS	IAS 28, IFRS 11, IFRS 12 and IFRS 13
54	ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES	IAS 27, IFRS 10 and IFRS 12
55	UNCONSOLIDATED STRUCTURED ENTITIES	IFRS 12
Page 135	EMBEDDED-VALUE REPORT OF NEDGROUP LIFE ASSURANCE COMPANY LTD	IFRS 4
Integrated Report	WORLDCLASS AT MANAGING RISK	IFRS 7 and IFRS 13

[1] *International Financial Reporting Standards (IFRS).*
[2] *International Accounting Standards (IAS).*
[3] *International Financial Reporting Interpretations Committee (IFRIC).*

	2014			2013		
	Average balance	Margin statement interest		Average balance	Margin statement interest	
Rm	Assets	Received	%	Assets	Received	%
Average prime rate			9,07			8,50
Loans and advances						
Home loans (including properties in possession)	136 669	10 764	7,88	136 603	9 818	7,19
Commercial mortgages	113 525	9 811	8,64	98 223	8 117	8,26
Finance lease and instalment debtors	88 119	8 942	10,15	79 266	7 753	9,78
Credit cards	12 715	1 712	13,46	11 102	1 473	13,27
Overdrafts	15 541	1 432	9,21	14 439	1 263	8,75
Term loans and other[1]	185 310	9 572	5,17	163 494	7 757	4,74
Personal loans	19 838	4 318	21,77	22 660	4 662	20,57
Impairment of loans and advances	(11 536)			(11 635)		
Government and other securities	41 692	3 581	8,59	41 229	3 571	8,66
Short-term funds and trading securities	50 321	2 487	4,94	39 334	1 673	4,25
Interest-earning banking assets	652 194	52 619	8,07	594 715	46 087	7,75
Net interdivisional assets-trading book	(34 551)			(21 356)		
Revaluation of FVTPL designated assets	761			1 454		
Derivative financial instruments	129			185		
Insurance assets	15 968			13 835		
Cash and bank notes	4 095			3 552		
Other assets	10 739			7 552		
Associate companies and investments	7 117			4 126		
Property and equipment	7 143			6 615		
Intangible assets	8 301			7 993		
Mandatory reserve deposits with central bank	13 555			13 124		
Total assets	685 451	52 619	7,68	631 795	46 087	7,29
	Liabilities	Paid	%	Liabilities	Paid	%
Deposit and loan accounts	354 275	18 410	5,20	320 237	14 751	4,61
Current and savings accounts	79 876	672	0,84	72 043	584	0,81
Negotiable certificates of deposit	82 210	5 138	6,25	89 319	5 134	5,75
Other interest-bearing liabilities[2]	37 796	2 594	6,86	34 194	2 042	5,97
Long-term debt instruments	34 516	2 844	8,24	29 275	2 356	8,05
Interest-bearing banking liabilities	588 673	29 658	5,04	545 068	24 867	4,56
Other liabilities	13 223			10 971		
Revaluation of FVTPL[3] designated liabilities	761			1 454		
Derivative financial instruments	931			2 602		
Investment contract liabilities	15 765			13 581		
Ordinary shareholders' equity	62 274			54 395		
Non-controlling interest	3 824			3 724		
Total equity and liabilities	685 451	29 658	4,33	631 795	24 867	3,94
Interest margin on interest-earning banking assets	652 194	22 961	3,52	594 715	21 220	3,57

Where possible, averages are calculated on daily balances.

[1] *Includes term loans, preference shares, factoring debtors, other lending-related instruments and interest on derivatives.*
[2] *Includes foreign currency liabilities.*
[3] *Fair-value through profit or loss.*

STATEMENT OF FINANCIAL POSITION – BANKING/TRADING CATEGORISATION

	2014				2013			
Rm	Banking	Trading	Eliminations	Total	Banking	Trading	Eliminations	Total
Assets								
Cash and cash equivalents	13 335	4		13 339	20 837	5		20 842
Other short-term securities	58 787	15 012	(6 565)	67 234	32 076	20 034	(9 659)	42 451
Derivative financial instruments	116	16 873	(1 416)	15 573	105	14 782	(1 497)	13 390
Government and other securities	36 486	6 880	(16 189)	27 177	46 081	5 490	(19 480)	32 091
Loans and advances	586 016	27 005		613 021	541 889	37 483		579 372
Other assets	6 159	2 556		8 715	4 871	3 802		8 673
Current taxation assets	291			291	565			565
Investment securities	20 029			20 029	19 343	5		19 348
Non-current assets held for sale	16			16	12			12
Investments in private-equity associates, associate companies and joint arrangements	7 670			7 670	1 101			1 101
Deferred taxation assets	165	144		309	70	146		216
Property and equipment	7 900	3		7 903	7 027	5		7 032
Long-term employee benefit assets	4 546			4 546	2 980			2 980
Mandatory reserve deposits with central banks	14 911			14 911	13 231			13 231
Intangible assets	8 568	11		8 579	8 270	20		8 290
Inter-divisional assets		56 793	(56 793)	-		29 579	(29 579)	-
Total assets	764 995	125 281	(80 963)	809 313	698 458	111 351	(60 215)	749 594
Equity and liabilities								
Total equity attributable to equity holders of the parent	64 007	3 017		67 024	57 948	2 669		60 617
Non-controlling interest attributable to:								
– ordinary shareholders	326			326	246			246
– preference shareholders	3 561			3 561	3 473			3 473
Total equity	67 894	3 017	–	70 911	61 667	2 669	–	64 336
Derivative financial instruments	1 498	15 390	(1 416)	15 472	1 677	16 400	(1 497)	16 580
Amounts owed to depositors	576 163	85 403	(8 116)	653 450	545 317	67 637	(10 002)	602 952
Provisions and other liabilities	7 028	21 398	(14 638)	13 788	9 220	24 599	(19 137)	14 682
Current taxation liabilities	128	6		134	303	(2)		301
Deferred taxation liabilities	864	67		931	741	48		789
Long-term employee benefit liabilities	3 071			3 071	1 842			1 842
Investment contract liabilities	11 747			11 747	11 523			11 523
Insurance contract liabilities	4 171			4 171	3 321			3 321
Long-term debt instruments	35 638			35 638	33 268			33 268
Inter divisional liabilities	56 793		(56 793)	-	29 579		(29 579)	-
Total liabilities	697 101	122 264	(80 963)	738 402	636 791	108 682	(60 215)	685 258
Total equity and liabilities	764 995	125 281	(80 963)	809 313	698 458	111 351	(60 215)	749 594