MAKE THINGS HAPPEN

NEDBANK GROUP

TO BE AFRICA'S **MOST ADMIRED BANK**

INTEGRATED REPORT

for the year ended 31 December 2015

A Member of the OLDMUTUAL Group

CONTENTS

ABOUT NEDBANK GROUP

HIGHLIGHTS OF 2015

Headline earnings R10,8bn up 9,6%

Return on equity excluding goodwill: 17,0%

Net asset value per share up 9,0%

HOW WE CREATE VALUE SUSTAINABLY

2015 Bank of the year for Africa and SA by *Financial Times's The Banker* magazine

Main banked retail clients up 8,5%

36% of outlets in 'branch of the future' format

Integration of CIB

SAP ERP implemented

Bedded down acquisition of approximately 20% in ETI and 38% in Banco Único

Landed new core banking system in Namibia

DELIVERING VALUE TO OUR STAKEHOLDERS

Smooth leadership transition

Created 714 new permanent jobs

Market-leading innovations such as Market Edge™

Nedgroup Investments ranked best SA and offshore asset management company of 2015

Dividend up 7,7% ahead of HEPS growth at 7,4%

Unlocked R8bn of value for BBBEE shareholders

Strong balance sheet: CET1: 11,3% and LCR 88,5%

Paid R8,2bn in direct, indirect and employee-related tax

Carbon neutral for six years

Level 2✓ BBBEE rating for seventh consecutive year

Most transformed bank

Committed R35bn to finance renewable-energy projects

Dow Jones Sustainability Index inclusion: 10th year in a row

R1,8bn Fair Share 2030 lending

75% procurement sourced locally

ENSURING SUSTAINABLE VALUE CREATION

Appointed new chairman

Broadened board skills profile in financial services, Rest of Africa and auditing

Attained majority independent boardmembers: 56% (44% in 2014)

Diversified board: Three female (19%) and nine black (56%)

Refined the group's Enterprisewide Risk Management Framework

Nedbank Group prides itself on supplying stakeholders with up-to-date information on a regular basis. This information can be found at nedbankgroup.co.za.

ADDITIONAL INFORMATION FOR OUR STAKEHOLDERS

The Nedbank Group Integrated Report is supplemented by the following information, which is available online at nedbankgroup.co.za as part of our comprehensive integrated reporting that caters for the diverse needs of our broad stakeholder base.

Financial reporting

- 2015 Results Booklet
- 2015 Results Presentation
- 2015 Nedbank Group Consolidated Annual Financial Statements
- 2015 Nedbank Ltd Annual Report

Risk management reporting

- 2015 Pillar 3 Risk and Capital Management Report

Annual general meeting

- Notice of the 49th annual general meeting
- Form of proxy
- Shareholder register

Governance reporting

- 2015 Governance and Ethics Review
- 2015 register of directors' attendance
- Director and executive profiles
- 2015 King III Principles
- 2015 Remuneration Report

Sustainability reporting

- 2015 Transformation Report
- 2015 Sustainability Review
- Global Reporting Initiative G4

ABOUT OUR INTEGRATED REPORT

Nedbank Group is committed to the principles of integrated reporting as it aligns to our thinking and approach to long-term value creation and the role we play as a bank in society. Integrated reporting allows our group to tell a clear and comprehensive story about our commitment to create value for all our stakeholders and provide details of our successes and challenges in realising value, as well as our strategies and targets going forward.

SCOPE AND BOUNDARY OF REPORTING

Reporting period

The Nedbank Group Integrated Report is produced and published annually. The 2015 report covers the period 1 January to 31 December 2015. Any material events after this date and up to approval by the group's board of directors on 11 March 2016 have also been included. This report builds on our previous integrated report for the period 1 January to 31 December 2014.

The report also contains Nedbank Group's outlook, targets and objectives for the short (2016) and medium to long term (2017 to 2020 and beyond).

Operating businesses

The scope of this report includes the group's business clusters and key support areas in SA, the rest of Africa and internationally. It excludes detailed information on investments in which the group holds a minority stake.

Financial and non-financial reporting

The boundary of the report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to or associated with our key stakeholders that have a significant influence on our ability to create value.

Targeted readers

The report is our primary report to stakeholders and is intended to address the information requirements of long-term investors (our shareholders). We also present information relevant to other key stakeholders, including our staff, clients, regulators and communities.

Regulatory reporting requirements

The content of this report is aligned with the requirements of the International Integrated Reporting Framework and the King Code of Governance Principles for SA (King III Code), and is in accordance with the 'core' level of the Global Reporting Initiative (GRI) G4. As an SA bank and company listed on JSE Ltd ('the JSE'), we align to the JSE Listings Requirements, the South African Companies Act, 71 of 2008 (as amended), and the Banks Act, 94 of 1990.

KEY CONCEPTS

The Six Capitals

Our relevance as a bank today and in the future, and our ability to create long-term value is interrelated and fundamentally dependent on the forms of capital available to us (inputs), how we use them (value-adding activities), our impact on them and the value they deliver (outputs and outcomes), as shown on pages 12 and 13. In this report we link the Six Capitals model identified by the International Integrated Reporting Council to our stakeholders and how we create long-term value.

Materiality and material matters

We apply the principle of materiality in assessing what information is included in our integrated report. This report focuses particularly on those issues, opportunities and challenges that impact materially on Nedbank Group and its ability to be a sustainable business that consistently delivers value to all its stakeholders. Our material matters as described on pages 19 to 26 influence our group's strategy and inform the direction taken in this report.

Defining value

Value created is the consequence of how we apply and leverage our six capitals in delivering financial performance (outputs) and outcomes for all stakeholders while making tradeoffs. Our value creation process is described on pages 12 and 13. Through 'case in point' illustrations we also provide examples of how value is created.

You may be interested in

Material matters
19–26

Our value-creating business model
12 and 13

HOW TO READ THIS REPORT

This report tells the story of how Nedbank Group creates, delivers and ensures value creation for its stakeholders.

- **About Nedbank Group** provides the reader with a succinct overview of the group, our positioning in the market, our broad, important role as a bank and our business model.
- Each of the following main sections focus on a specific element of value as described below:
  - **How we create value sustainably** describes the context in which we operate, the drivers that add or detract value (material matters) and our strategic response (strategic focus areas). We also evaluate how we performed and the short-, medium- and long-term strategic outlook.
  - **Delivering value to our stakeholders** describes how value was created during 2015, primarily for our investors, through our financial performance, but also for all our stakeholders.
  - **Ensuring sustainable value creation** reflects on how the group is governed to protect value, including the key deliberations of our board and board committees, but also how we manage risk and remunerate our people. This culminates in the investment case for Nedbank Group.

ASSURANCE AND INDEPENDENT ASSESSMENT

The group makes use of various independent service providers to assess and assure various aspects of the business operations including elements of external reporting. External assurance is the responsibility of a combined financial and non-financial assurance team. Assurance statements are available online.

This integrated report conforms with the requirements of the South African Companies Act, 71 of 2008 (as amended), and the JSE Listings Requirements. While the group's annual integrated report is not audited, it includes information from various sources on which assurance has been provided, such as:

- the consolidated annual financial statements for the year ended 31 December 2015, which have been audited by Deloitte & Touche and KPMG Inc and on which an unmodified opinion for the year ended 31 December 2015 has been expressed; and
- Financial Sector Code (FSC) and Broad-based Black Economic Empowerment (BBBEE) information, which has been verified and signed off by SizweNtsalubaGobodo Inc.

Certain information has been extracted from the Sustainability Review, which we believe is in accordance with the 'core' level of the GRI G4 and aligns with AccountAbility's AA1000APS (2008) principles of materiality, completeness and responsiveness. The sustainability review includes key performance-specific indicators over which our auditors have provided limited assurance. These are marked throughout the report with a (✓).

RESPONSIBILITY OF THE BOARD

Our 2015 Nedbank Group Integrated Report was approved by the board of directors of Nedbank Group on 11 March 2016.

Statement of the board of directors of Nedbank Group

The board acknowledges its responsibility to ensure the integrity of this integrated report, which in the board's opinion addresses all material issues and presents fairly the group's integrated performance.

This integrated report has been prepared in line with the key regulatory reporting requirements as detailed on the left.

For and on behalf of the board

Vassi Naidoo
Chairman

Mike Brown
Chief Executive

11 March 2016

NAVIGATION ICONS

✓ Limited assurance

CAPITALS

- Financial
- Human
- Manufactured
- Intellectual
- Social and relationship
- Natural

MATERIAL MATTERS

- Tough economic conditions with limited forward visibility
- Banking relevance amid consumerism and increased competition
- Increased demands on governance, regulation and risk management
- Growth opportunities in the rest of Africa
- Transformation of society within planetary boundaries
- Scarce skills

STRATEGIC FOCUS AREAS

- Client-centred innovation
- Growing our transactional banking franchise
- Optimise and invest
- Strategic portfolio tilt
- Pan-African banking network

STAKEHOLDERS

- Staff
- Clients
- Shareholders
- Regulators
- Communities

You may be interested in

Material matters
19–26

2

ABOUT **NEDBANK GROUP**

OVERVIEW OF OUR GROUP

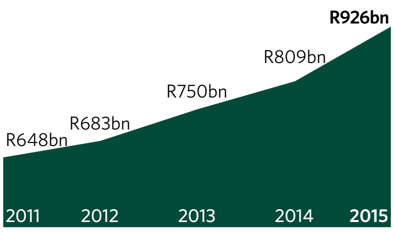
Nedbank Group is a diversified financial services provider offering a wide range of wholesale and retail banking services as well as insurance, asset management and wealth management solutions.

One of Africa's
largest
banking groups

Old Mutual Group
54,1%
shareholding in Nedbank Group

Nedbank Ltd – our
principal
banking subsidiary

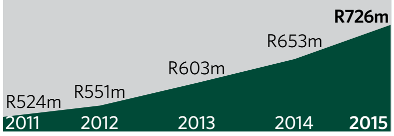
Assets
R926bn



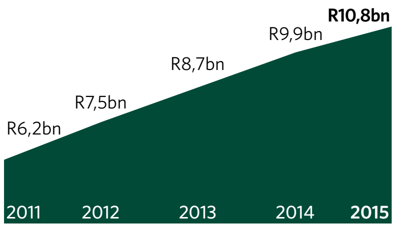
Ordinary shares listed on the JSE since
1969

Market capitalisation
R93bn
(at 31 December 2015)

Deposits
R726bn



Headline earnings
R10,8bn



Providing our clients access to financial services in 39 countries across Africa.

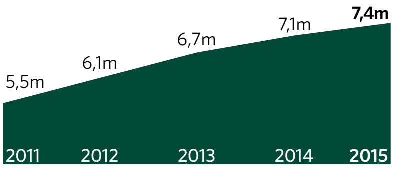
Nedbank Group's primary market is SA, however, we are continuing to expand into the rest of Africa. Outside SA we have a presence in six countries in the Southern African Development Community (SADC) and East Africa region, where we own subsidiaries and banks in Namibia, Swaziland, Malawi, Mozambique, Lesotho, Zimbabwe, and also have representative offices in Angola and Kenya.

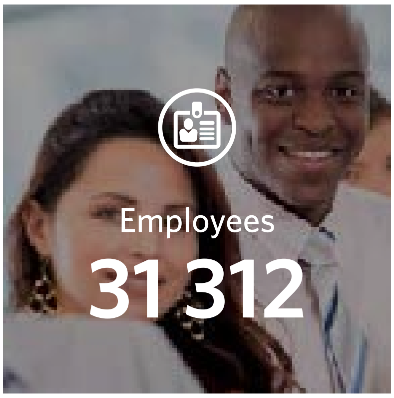
In West and Central Africa we have a partnership strategy and approximately 20% shareholding in Ecobank Transnational Incorporated (ETI), enabling a unique one-bank experience to our clients across more than 2 350 branches in 39 countries.

Outside Africa we have a presence in key global financial centres to provide international financial services for SA-based multinational and high-net-worth clients in the Isle of Man, Guernsey, Jersey and London, Toronto and Dubai.

Clients

7,4m





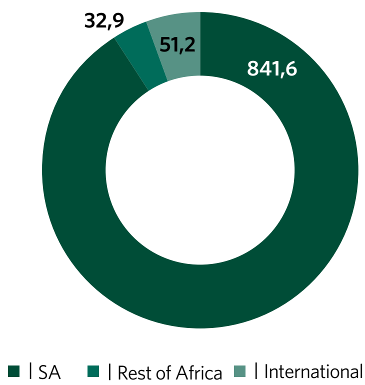
Staffed outlets

1 143

ATMs

3 840

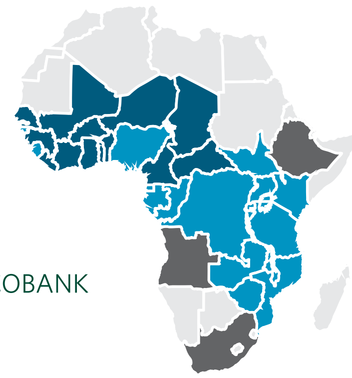
ASSETS BY GEOGRAPHICAL AREA (Rbn)



NEDBANK

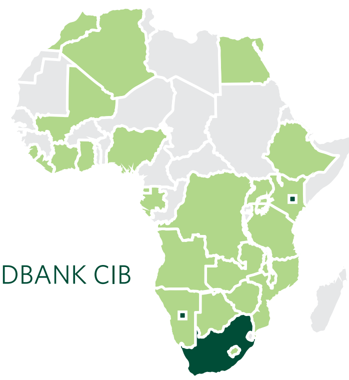
- Nedbank existing presence
- Expansion opportunities

ECOBANK



- Ecobank top three in country
- Ecobank other
- Ecobank representative offices

NEDBANK CIB



- Investment banking deals
- Nedbank representative offices

OUR ORGANISATIONAL STRUCTURE

Nedbank operates under a federal operating model, delivering our products and services through four main business clusters.

OLD MUTUAL PLC

NEDBANK GROUP LIMITED

NEDBANK LIMITED

Client-facing clusters

	OUR CLIENTS
NEDBANK CORPORATE AND INVESTMENT BANKING (CIB)	SA corporates, institutions and parastatals with a turnover of over R700m per annum. > 600 large corporate clients
NEDBANK RETAIL AND BUSINESS BANKING (RBB)	Individual clients, as well as businesses with an annual turnover of less than R700m per annum. > 7m retail and small-business clients > 22 000 business banking client groups
NEDBANK WEALTH	High-net-worth individuals as well as other retail, business and corporate clients. > 14 500 high-net-worth clients locally and internationally
REST OF AFRICA	Retail, small and medium enterprises (SMEs), and business and corporate clients across the countries we operate in. > 275 000 retail clients

Our frontline clusters are enabled by well-managed and efficient shared-services clusters.

Shared services clusters (Exco member)

Group Finance	Group Risk	Enterprise Governance and Compliance	COO and Shared Services
(Raisibe Morathi) 854 staffmembers	**(Trevor Adams)** 532 staffmembers	**(Thabani Jali)** 99 staffmembers	**(Mfundo Nkuhlu)**

OUR PRODUCTS AND SERVICES	OUR AREAS OF STRENGTH AND DIFFERENTIATION	KEY METRICS, AND LEADERS

Nedbank Corporate and Investment Banking

Full suite of wholesale banking solutions, including investment banking and lending; global markets and treasury; commercial property finance; deposit-taking; and transactional banking.

- Leading industry expertise in infrastructure, mining and resources, oil and gas, telecoms and energy.
- Market leadership in commercial property finance and renewable-energy financing.
- Strong corporate banking relationships.

Assets	R470,6bn
HE	R5 208m
ROE	22,6%

Brian Kennedy

2 728 staffmembers

Nedbank Retail and Business Banking

Full range of services, including transactional banking; card solutions; lending solutions; deposit-taking; risk management; investment products; and card-acquiring services for business.

- A leader in Business Banking, underpinned by an accountable, empowered, decentralised business service model.
- Leader in Corporate Saver deposits and debtor management.
- Strong positioning in household motor finance, household deposits and card acquiring.
- Nedbank Contact Centre: Best Contact Centre in SA – Contact Centre Management Group Awards.
- Nedbank's innovative Home Loan online application solution was awarded Technology Project of the Year by *The Banker* magazine.

Assets	R292,6bn
HE	R4 460m
ROE	16,6%

Philip Wessels

Sandile Shabalala and Ciko Thomas

20 921 staffmembers

Nedbank Wealth

Wide range of financial services, including high-net-worth banking and wealth management solutions, as well as asset management and insurance offerings.

- Integrated International high-net-worth proposition.
- Nedbank Private Wealth won numerous awards, including being voted the best UK private bank, best international banking service, as well as ranked first in the entrepreneur category of the 2015 Intellidex Top Private Banks and Wealth Managers Survey. At the annual Euromoney Private Banking and Wealth Management Survey the business won first place for philanthropic advice.
- Unique Best of Breed™ asset management model.
- Nedgroup Investments won both the SA and offshore Asset Management Company of the Year awards for 2015 – Annual Raging Bull Awards.

AUM	R257,3bn
HE	R1 134m
ROE	41,5%

Iolanda Ruggiero

2 107 staffmembers

Rest of Africa

Full range of banking services, including transactional, lending, deposit-taking and card products.

- The Ecobank–Nedbank Alliance: Footprint across 39 countries; the largest in Africa.
- Representative offices in Angola and Kenya.
- Banco Único: Fastest Growing Retail Bank and Best Internet Bank Mozambique 2015 – Global Banking and Finance Review Awards.
- Nedbank Namibia: Best Customer Service bank in Namibia – Customer Service Management Africa Awards.
- Nedbank Malawi: Best Customer Service Bank in Malawi in 2015, as well as the Best Internet Bank in Malawi – Global Banking and Finance Review Awards.

Assets	R32,9 bn
HE	R691m
ROE	10,2%

Mfundo Nkuhlu

1 812 staffmembers

HE: heading earnings
ROE: return on equity
AUM: assets under management

Group Human Resources	Group Marketing, Communications and Corporate Affairs	Group Technology	Balance Sheet Management	Strategic Planning and Economics
(Abe Thebyane) 146 staffmembers	**(Thulani Sibeko)** 69 staffmembers	**(Fred Swanepoel)** 1 903 staffmembers	**(Mike Davis)** 69 staffmembers	**(Priya Naidoo)** 15 staffmembers

NEDBANK GROUP IN CONTEXT

Nedbank ranks as a top-five bank on the continent and Ecobank within the top 10.

Ecobank-Nedbank Alliance offers clients access to the largest banking network in Africa.

SA's banking system rated top 10 most sound globally

(World Economic Forum Global Competitiveness Survey).

Banks in Africa collectively hold more than $870bn in assets and $68bn in tier 1 capital on their balance sheets (2014) – the four largest SA banks constitute more than 40% of these totals.

TOP 10 BANKS IN AFRICA

Region rank	BANK	Country	Tier 1 capital ($m)
1	Standard Bank	SA	10 187
2	FirstRand	SA	7 983
	Barclays Africa Group	SA	
3	**Nedbank Group**	**SA**	**4 760**
4	Attijariwafa Bank	Morocco	3 699
5	Groupe Banques Populaire	Morocco	3 446
6	Zenith Bank	Nigeria	3 162
7	**Ecobank Transnational Incorporated**	**Togo**	**3 030**
8	Investec	SA	2 518
9	National Bank of Egypt	Egypt	2 502
10	First Bank of Nigeria	Nigeria	2 327

Source: *The Banker* magazine, July 2015. Barclays Africa Group is excluded from the main rankings as it is a subsidiary of Barclays, but would have come in at number three, with a tier 1 capital base of $6,1bn.

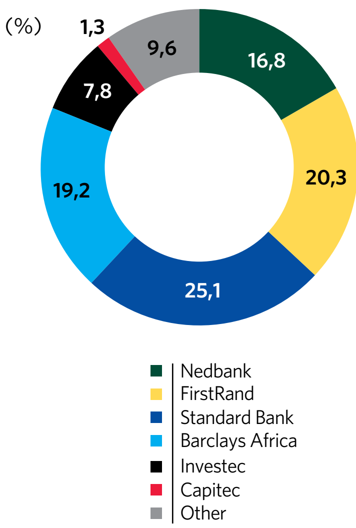
WHO WE COMPETE AGAINST

We compete primarily against Barclays Africa Group, FirstRand and Standard Bank, the three largest banks in SA and on the rest of the continent. In specific market segments and territories we also compete against international banks with a local presence, niche banks that offer more limited product offerings such as Investec and Capitec, as well as other regional players and non-banks such as telecommunications providers and retailers.

From a wealth management, asset management and insurance perspective in SA, we compete against a broader range of financial services companies, including Outsurance, Sanlam, Allan Gray, Coronation, PSG, Investec and RMB.

SA ASSETS MARKET SHARE

Nedbank has a 17% assets market share in SA, which currently represents 93,1% of our total assets.



OUR VISION AND VALUES

We have a vision-led, values-driven philosophy to leading and managing our business, because how we achieve our vision is as important to us as what we achieve.

OUR VISION

To be Africa's most admired bank by all our stakeholders – our staff, clients, shareholders, regulators and the communities that we live in.

- We will continue to build our franchise in SA, while expanding into the rest of Africa.
- We want to be most admired by all our stakeholders.
  - Passionate and motivated staff help us attract and retain clients who are key to the delivery of sustainable profits.
  - We operate in a highly regulated environment and we aim to be admired by our regulators.
  - As 'the green and caring bank', we are a strong advocate and influencer on social and environmental matters.

OUR VALUES

- **Accountability**
  Be prepared to make commitments and be judged against our commitments, deliver on those commitments and be responsible for our actions.
- **Integrity**
  Be honest, trustworthy, truthful, consistent and open in all our conduct and decisions.
- **Respect**
  Recognise the inherent worth of every human being and treat all people accordingly.
- **Pushing beyond boundaries**
  Recognise our obligation to our stakeholders to push beyond the limits of what is best for us individually, or as a group or unit, and strive to break new ground, fuelled by passion and commitment.
- **People-centred**
  Invest in people and create empowering environments through development, support, mentoring, coaching, valuing diversity, recognition and reward.

You may be interested in: Investing in our staff 56–58

DEEP GREEN ASPIRATIONS AND 2020 TARGETS

With a view to being most admired by our stakeholders, our Deep Green aspirations and targets strongly influence our planning up to 2020 and for the long term.

In addition to these targets and aspirations we are guided by our medium-to-long-term financial targets as presented on pages 46 and 47.

	STAFF	CLIENTS
2020 TARGETS	Engaged, energised, transformed and innovative staff working collaboratively together.	■ > 15% share in retail transactional banking. ■ Top two in wholesale league tables. ■ Integrated wealth manager of choice and most trusted investment business in SA. ■ Preferred provider of simple bancassurance solutions. ■ ETI's partner of choice and an established Nedbank presence in East Africa.
DEEP GREEN ASPIRATIONS	**Great place to work** Pan-African bank with an inclusive culture, relevant in the societies in which we operate.	**Great place to bank** Pan-African banking network with highest brand value among peers in Africa.
You may be interested in:	Investing in our staff 56–58	Innovating for our clients 59–62

SHAREHOLDERS

Top-two price-to-book ratio among SA banking JSE peers.

Great place to invest

Highest price-to-book ratio among peers in Africa.

Delivering consistently to our shareholders
63–65

REGULATORS

Effectively delivered compliance with the regulatory requirements.

Worldclass at managing risk

Competitive advantage through worldclass risk management.

Engaging with our regulators
66–68

COMMUNITIES

Recognised as the green and caring bank through sustainability and empowerment initiatives.

Green and caring bank

Regarded as the enabler of positive futures – communities see us as a partner in creating a sustainable future for them and society at large across Africa.

Delivering value through a commitment to our communities and the environment
69–71

OUR LONG-TERM GOALS[1]

To remain successful in banking over the long term the socioeconomic context in which we operate, matters enormously.

We understand that our future business prospects are greatly improved if society is flourishing. However, human needs must be served within the biophysical constraints imposed by our finite planet.

Even after many decades of growth and rising per capita incomes a series of stubborn social, environmental and economic challenges remain, such as poverty, inequality, resource constraints and climate change. In sub-Saharan Africa particularly, many of these issues are growing in both urgency and consequence.

Our recognition of the systematic interdependencies between economic success, societal wellbeing and environmental health led us to develop a set of eight Long-term Goals for SA to achieve by 2030. Together they describe a prosperous future for our country – the 'future we want' – and serve as a potent framework to inform our strategic decisions. We selected eight Long-term Goals on the basis of materiality for SA, coupled with our ability to contribute through being a successful bank.

[1] *The Long-term Goals align well with 17 Global Goals. To read more on this please visit https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/About%20Nedbank%20Group/Group%20Strategy/Fairshare%20 2030/long_term_goals/Nedbank_aligns_with_New_Global_Goals.pdf*

FAIR SHARE 2030

Fair Share 2030 is our strategic response to these Long-term Goals. It is a carefully calculated flow of money, allocated each year to invest in future-proofing the environment, society and our business. Fair Share 2030 forms part of our strategic portfolio tilt described on page 34, a mechanism through which to shift away from areas that contribute to societal risks and towards areas that build resilience and wellbeing.

Atmospheric greenhouse gases are stabilised at a level that gives a more-than-50% probability of avoiding a 2 °C temperature rise above the long-term preindustrial average.

Water resources are not being extracted beyond sustainable levels.

The **labour force** is employed at percentages comparable with those of other prosperous nations.

All citizens have affordable access to **energy services** essential for development and prosperity.

All citizens have affordable access to **clean water** and sanitation services.

Levels of **saving and investment** are sufficient to support national economic development objectives.

Good **health** outcomes are consistently being achieved for citizens at a cost that is comparable with that of other nations.

Good **educational** outcomes are consistently being achieved for citizens at a cost that is comparable with that of other nations.

The Long-term Goals define the areas where we can best grow our bank, as well as areas where we have to tilt away from in order to contribute to a thriving society. These are predominantly about how we deploy our financial capital.

Further reading:

Our 2015 Sustainability Review, available as a supplementary report at nedbankgroup.co.za.

OUR PURPOSE

As a diversified financial service provider, our social purpose is to facilitate the movement of capital and flow of money from where it is to where it is required for the benefit of our clients, other stakeholders and society at large. It is through the meeting of their needs that we enable a thriving society and create long-term value and ensure confidence in the banking system.

You may be interested in:

Value-added statement 54

Stakeholder sections 56–71

Our staff are the bedrock of creating a great place to bank and work. Motivated and skilled staff, together with efficient and value-creating solutions, services and operations, create value for our clients. Staff, as part of society, are significant contributors in the regions in which they live and work.

STAFF
Great place to work

Value is created through ...

- Employing citizens in the jurisdictions where we operate.
- Rewarding staff for the value they add.
- Creating job opportunities as we grow.
- Developing our staff to further their careers and improve our services and products.
- Transforming to an inclusive society by progressing on employment equity.
- Motivating and energising our work force.

Clients remain our largest source of deposits that enables us to fund lending activities. Gaining more clients and deepening our share of wallet drives greater revenue growth, while sustainable banking practices and worldclass risk management mitigates against bad debts.

OUR CLIENTS
Great place to bank

Value is created through ...

- Safeguarding deposits, investments and wealth, while growing returns.
- Providing credit that enables wealth creation, economic development and job creation.
- Facilitating transactions that are the backbone of economic value exchange.
- Enabling financial inclusion by providing access to affordable products to the previously unbanked.
- Providing financial education and advice.
- Developing innovative solutions that meet our clients' specific needs.

NEDBANK GROUP

Value is created through ...

- Generating sustainable financial returns, enabled by growing revenues, managing risks within acceptable risk appetite and managing our expenses wisely.
- Maintaining a strong balance sheet contributes to a safe and stable banking system that instils confidence and protects against downside risk.

A strong and profitable business enables continued investment into our staff and operations, which in turn create value for our clients. Trust is core to our relationships with all our stakeholders and to creating value.

SUSTAINABLE FINANCIAL RETURNS AND A STRONG BALANCE SHEET ENABLE US TO:

- Deliver value to our shareholders by increasing net asset value, dividends and share price (Our shareholders – great place to invest).
- Contribute meaningfully to government budgets through our own corporate taxes and staff paying personal taxes.
- Embrace sustainable banking practices and regulatory compliance that enable a safe and stable banking system (Our regulators – worldclass at managing risk).
- Play a meaningful part in the broader society as a procurer of goods and services, our corporate social investment activities and positively transform society through our activities and our lending (Our communities – green and caring bank).

OUR VALUE-CREATING BUSINESS MODEL

VALUE ADDED BY NEDBANK

OUR CAPITALS (INPUTS)

FINANCIAL CAPITAL relates to our capital and funding from investors and clients that are used to support our business and operational activities.

R78,8bn capital

R725,9bn deposits

HUMAN CAPITAL is represented by our people; our investment in management and leadership development; and the knowledge, skills and experience they collectively bring to enable innovative, convenient and competitive solutions for our clients.

31 312 talented employees

Unique client-centred culture

MANUFACTURED CAPITAL embraces our business structure and operational processes, including our physical and digital infrastructure, as well as information technology that provides the framework and mechanics of how we do business and make money.

166 core IT systems

1 143 staffed outlets

3 840 ATMs

Market-leading digital channels and products

INTELLECTUAL CAPITAL refers to our intellectual assets, such as our brand and franchise value, research and development, innovation capacity, our reputation and well as strategic partnerships.

Nedbank brand the seventh most valuable in SA.

Market leadership in wholesale banking, commercial property finance, vehicle finance and asset management.

Strategic partnerships with Old Mutual, Ecobank, Bank of China and Canadian Imperial Bank of Commerce (CIBC).

SOCIAL AND RELATIONSHIP CAPITAL reflect our citizenship and the strong relationships we have with all our stakeholders, including the communities we live in, as we recognise the important role that banks play in building a strong and thriving nation.

SA's most transformed bank.

Leader in sustainability.

Leader in social responsibility.

NATURAL CAPITAL refers to naturally occurring biological, physical, biophysical, chemical and mineral assets, as well as their interplay through healthy functioning ecosystems, on which all life depends. Within the financial sector, the impact, both positive and negative, of our operations and business activity on natural resources are considered.

Tilt of our lending in line with carbon emissions and water extraction limits.

Operations that are carbon neutral.

... ENABLE OUR VALUE-ADDING ACTIVITIES

We lend to our clients, in line with their risk profile, our risk appetite and capital availability, while providing for bad debts.

We source deposits that generate a yield for our clients and other funders.

We facilitate payments and transactions.

We provide advice-based services.

We manage, protect and grow our clients' wealth by offering insurance, asset and wealth management solutions.

We offer global market-related services.

We generate associate income.

We reward and invest in developing and retaining our people.

We maintain and invest in our operations, including technology, marketing and infrastructure.

We pay direct and indirect taxes in various jurisdictions where we operate.

Read more about:

How our strategy creates value 14–43

VALUE TO ALL STAKEHOLDERS

... DELIVERING FINANCIAL PERFORMANCE (OUTPUTS)

Advances: R682bn

Deposits: R726bn

produces

Net interest income: R23 885m

less

Credit impairments charges: R4 789m

equals

Income from lending activities: R19 096m

Non-interest revenue: R21 748m

including

Commission and fees: R15 627m

Insurance income: R1 830m

Trading income: R3 167m

Associate income: R871m

Expenses: R26 110m

Taxes

Direct tax: R3 519m

Indirect tax: R783m

... WHILE MANAGING KEY RISKS ...

Credit risk
Credit loss ratio within our 2016 revised target range of 60–100 bps: 77 bps

Interest rate risk
R1,2bn endowment benefit for 100 bps change in interest rates over 12-month period

Liquidity and funding risk
Liquidity coverage ratio above 2015 minimum of 60%: 88,5%

Capital risk
Common equity tier 1 within target range of 10,5–12,5%: 11,3%

Market risk
Trading value at risk R13,6m

Insurance risk

Across all:

Operational and legal risk

Regulatory and compliance risk

Strategic, business and financial risk

Execution risk

... TO CREATE VALUE FOR OUR STAKEHOLDERS (OUTCOMES) IN 2015 FOR ...

STAFF
Created 714 new permanent job opportunities
Increased average unionised-employee salaries by 7,5%
Incurred training and development spend of R370m
Ensured smooth succession planning
Career advancement and ability to reach individual potential

CLIENTS
Extended R185bn in new loans
Launched various innovative solutions that address the needs of our clients
Rolled out more efficient channels: 84 new 'branch of the future' outlets and 110 new ATMs
Maintained competitive pricing
Top tier investment performance in asset management

SHAREHOLDERS
Increased full-year dividend by 7,7% and net asset value per share by 9%
Maintained a strong balance sheet to protect against unforeseen risks
Created more than R8bn in value for our BBBEE shareholders at the maturity of the BBBEE schemes (January 2015)

REGULATORS
Comply with regulation to mitigate against systemic risk
Adhere to sustainable banking practices to protect our clients
Support government through R8,2bn tax contribution (direct, indirect, PAYE and other)

COMMUNITIES
Socioeconomic spend: R136m
Transformation: Level 2✓ BBBEE rating
Carbon-neutral operations
Committed R35bn to renewable-energy funding
R1,8bn Fair Share 2030 lending
75% local procurement

bps: basis points

BBBEE: broad-based black economic empowerment

PAYE: pay as you earn

Our financial performance 44–54

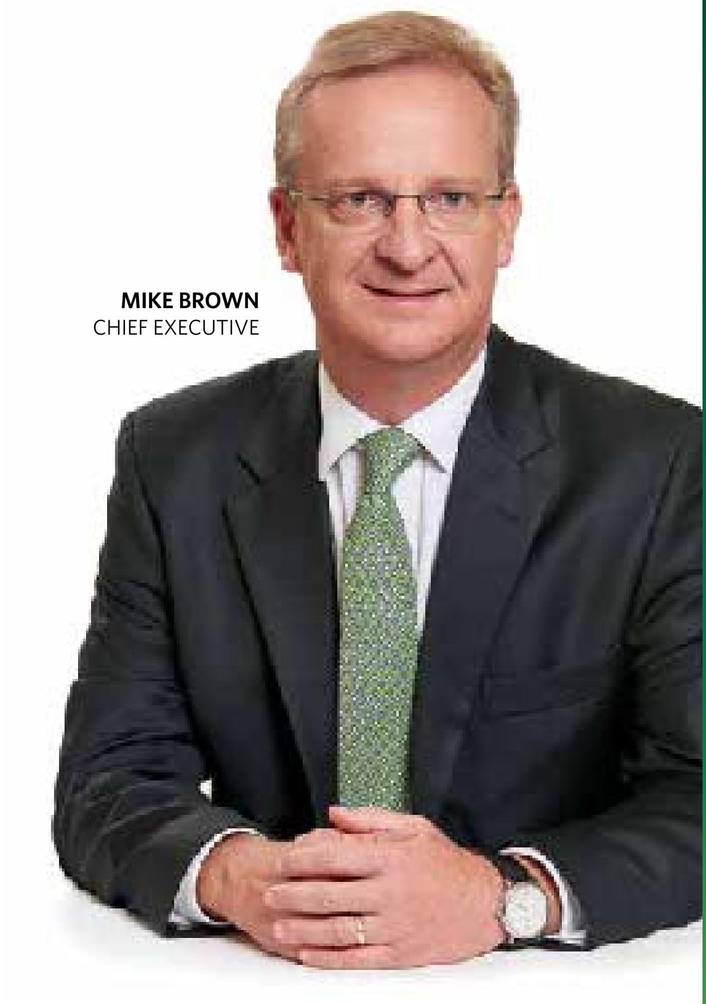
How we manage our risks 106–123

Value created for our stakeholders 54–71

14

HOW WE **CREATE VALUE SUSTAINABLY**

OUR VALUE-ENHANCING STRATEGY



MIKE BROWN
CHIEF EXECUTIVE

'In reflecting on the events over the past financial year, 2015 will be remembered as a year of volatility and change around the world and in SA.'

In reflecting on the events over the past financial year, 2015 will be remembered as a year of volatility and change around the world and in SA. The speed and force of these changes impact on our clients, our staff and our operating environment, and bring both risks and opportunities. It is in times like these that a vision-led and values-driven organisation such as Nedbank can differentiate itself.

OPERATING IN A MUCH TOUGHER ENVIRONMENT

Globally, economic conditions remain fragile with growth rates generally disappointing, particularly in emerging markets. Unforeseen and unexpected events are becoming increasingly commonplace, making forecasting difficult and corporate agility more important. In SA, where most of our business is, the impact of the electricity shortages in the first half of the year, followed by the worst drought in decades in the second half, have added to the weak commodity prices, negatively impacting growth. The policy uncertainty that was created by the surprise changes in the Finance Ministry in December contributed to a 25% depreciation in the rand against the US dollar and overall 2015 gross domestic product (GDP) growth of only around 1,3%. Consumer and business confidence are at low levels and social pressures are escalating with household debt and unemployment expected to increase. The interest rate cycle has started with an upward trajectory and the extent of interest rate increases from here will be closely monitored. Of concern to us is that our GDP growth forecast for SA in 2016 is only 0,2%. In this environment of low growth and rising inflation there is a heightened risk of a recession and the ratings agencies will be monitoring both growth and expenditure levels closely as business and government work together to avoid the possibility of an SA sovereign ratings downgrade to below investment grade.

Conditions for emerging-market economies are expected to remain challenging in 2016, with depressed oil and commodity prices on the back of a slowdown in Chinese demand, difficult financing conditions and continued weakness in developed-market partners impacting growth outcomes. While we remain confident in the long-term growth prospects of our businesses in the rest of Africa, including our strategic investment in Ecobank Transnational Incorporated (ETI), we expect a challenging and volatile period in the short-to-medium term as depressed resource prices take their toll on many of these economies.

Globally there is no tolerance for regulatory non-compliance, but many of the regulatory deadlines are challenging, hence the cost of regulatory compliance is likely to continue to increase significantly. As this regulatory pressure from the global landscape rapidly evolves into SA, we see costs increase, pressure on margins and changes in the shape of bank balance sheets as less money is available for client lending and more money is invested in high-quality liquid assets. The benefit will be improved market conduct and an even safer banking system. This will, however, be more expensive for clients, with less lending into the real economy and growth strategies that will have to be adapted and chosen more carefully.

A positive development on the level of international 'rules' was the adoption of the Paris Agreement in December 2015. This universal, binding climate change agreement sets the framework for a transition to a low-carbon economy over the next few decades. As a consequence, we can expect a bevy of new national and international regulations to curb greenhouse gas emissions and support clean technologies. Nedbank is fully supportive of this development and is ready to play a leading role in financing this transition.

Looking back on our financial performance in 2015, we delivered a resilient performance to achieve a record level of headline earnings for Nedbank Group at R10,8bn, up 9,6% on 2014. We had a strong start to the year, with headline earnings to June 2015 up 15,7%. In the outlook statement that accompanied our interim results we shared our expectation of slower growth in the second half, with revenue growth expected to slow and impairments expected to rise as the weak economy increasingly impacted our clients.

Nedbank is well positioned to continue to grow and generate value for all of our stakeholders as we work towards our 2020 targets.

We have prepared well for the more challenging environment we expect in 2016. Our lending strategies over the past few years have been conservative and loan growth has averaged 7,4% since 2010. Our provisioning levels are conservative, our liquidity ratios are very strong and our capital levels are well within target ranges. In addition, our brand has continued to attract new clients, with retail main banked clients up 8,5%, and our Nedbank Corporate and Investment Banking (CIB) model has improved cross-sell into the wholesale client base. Our ongoing investment in technology will also deliver a number of exciting digital propositions for clients in the year ahead.

2015 – A YEAR OF INTERNAL CHANGE AT NEDBANK

Responding to these macro challenges, as described in further detail under material matters (page 19 to 26), we have made a number of structural and system changes in 2015, which have led us to become a more efficient and less complex organisation.

The most significant change has been the establishment of Nedbank CIB to service our wholesale clients better from one place in Nedbank and to enable more efficient backoffice processes. We also continued our backoffice optimisation and rationalisation within Retail and Business Banking (RBB). These important business clusters represent 89% of our headline earnings. At Nedbank Wealth we reorganised the Insurance Division in response to lower credit life volumes as a consequence of slower personal-loan growth as well as our strategic intent to become more client-centred.

A large change programme supported our SAP enterprise resource planning (ERP) implementation for finance, procurement and human resources. This has been delivered successfully – within scope and within budget. The first phase of the rollout, which touched the finance and procurement functions, went live at the beginning of the year and in November we implemented the second phase, the human capital management system, which impacts all staff across the bank. The final phase entails moving our consolidation processes to the SAP system, which will happen late in 2016/ early in 2017.

Compliance is a non-negotiable at Nedbank and to ensure that we leverage our investment appropriately to create a competitive advantage and to extract efficiencies where possible, we have set up a Regulatory Change Programme with direct oversight from our Chief Risk Officer (CRO).

STRATEGIC FOCUS AREAS THAT CREATE VALUE

Our five strategic focus areas remain appropriate for the current environment. Our continued focus on these five areas resulted in net asset value (NAV) per share increasing 9,0%, our return on equity (ROE) (excluding goodwill) at 17,0% remaining ahead of our 2015 cost of equity (COE) at 13,0% (and ahead of our 2016 estimated COE of 15%) and the full-year dividend increasing 7,7%. Our financial performance is reviewed in more detail on pages 44 to 54 of this report.

Competition for clients is increasing in the world of mobile and digital client engagement and the role of the physical branch channel is changing. I am pleased that, through our focus on client-centred innovation, we continue to launch market-leading products such as Market Edge™ and initiatives to improve

client service and drive new revenue streams, particularly as far as deposit are concerned, while managing our costs more optimally. As part of our digital experience management programme we launched the new nedbank.co.za website, which leverages worldclass technology to enhance the client experience and integrate product applications to enable seamless delivery across all mobile devices. Our Managed Evolution information technology (IT) strategy continues to form the basis of many of these initiatives and supports a shift in agility in innovation and faster time to market.

Significant focus and investment continue to be made in building our retail franchise over the long term, with a focus on growing our share of transactional banking clients, particularly in the middle market. In 2015 our retail main banked clients grew 8,5% and growth in the main banked middle market was 7,1%. We have identified five key areas that we believe will support ongoing growth in retail transactional banking – loyalty and rewards, digital innovation, process, distribution and winning client value propositions (CVPs). We have a strong wholesale franchise, and the integration of Nedbank Corporate and Nedbank Capital offers further revenue growth potential. For me, growing our transactional banking franchise remains our primary focus area as we seek to differentiate the client experience that we offer and build the Nedbank brand.

We continue to invest through cycles as we 'optimise and invest', but the tough macro conditions require us to become even more efficient. The integration that led to the creation of CIB and RBB has unlocked operational and process efficiencies across both clusters. On the technology front, the implementation of our SAP ERP system and the consolidation of key regional offices in 2015 will reduce the cost of running multiple IT licences and systems. Our collaboration with Old Mutual has also started delivering on the planned synergies as we work more closely together and leverage our various strengths within the wider group. Importantly, all these synergies are contracted at arm's length between the parties. The unlocking of cost-efficiencies across multiple programmes continues to fund investments in our integrated distribution channels, expansion into the rest of Africa and compliance with an escalating regulatory agenda.

In 'portfolio tilt', we continue to see wholesale advances, supported by infrastructure projects, growing faster than retail advances and this trend is set to continue. The risk profile of our retail books improved during 2015, with improved asset quality and pricing in both the home loan and personal-loan businesses, which stands us in good stead in a tougher macro environment.

We see opportunity to grow the retail books selectively without increasing their risk profile by improving our loan-processing efficiency and product innovation. On the other side of the balance sheet we retained our focus on growing Basel III-friendly deposits and have made progress in attracting current account, savings and term deposits.

Through our Fair Share 2030 strategy we innovated in collaboration with our clients and provided R1,8bn of funding during the year in support of meeting specific socioeconomic and environmental goals. This is in addition to our market-leading renewable-energy position, with R11bn in financing to date and a pipeline of up to R35bn to be drawn.

Our strategy for the rest of Africa gained momentum. In Central and West Africa we have chosen a partnership approach with ETI as our chosen partner. In 2014 we deepened this partnership by investing R6bn of capital to acquire a strategic interest of 20% in ETI. Our strategic interest in ETI provides the group and our clients with local knowledge on the continent – in particular Central and West Africa – and has improved our access to deal flow in these regions, positioning us well to leverage the growth opportunities in the rest of Africa. In the Southern African Development Community (SADC) and East Africa we are looking to build the Nedbank brand. In 2015 we landed our new Flexcube core banking system in Namibia, added new branches and ATMs, and provided supporting risk management and oversight functions. We will continue the Flexcube rollout to more countries in 2016.

DELIVERING VALUE TO OUR STAKEHOLDERS

Our focus on delivering value for all our stakeholders remains top of mind. A key highlight of 2015 was winning the Financial Times's *The Banker* magazine Bank of the Year award in both SA and for the whole of Africa.

In our stakeholder section of this report on pages 56 to 71 we provide detailed feedback and I am pleased that we continued our journey to make Nedbank a great place to work for our staff and a great place to bank for our clients.

I was disappointed with a Nedbank total shareholders' return of -20% in 2015. This negative trend in share prices was pervasive across all the large SA banks in 2015 (banking index down 16%). Markets in the short term are reflective of sentiment, but over the longer term the performance of banks is closely aligned with the macroeconomic environment in which they operate. In the second half of 2015 the outlook for key macroeconomic facts in SA deteriorated. In bank valuation methodologies there are two key drivers at play, and I reflect these through the lens of the Gordon growth model on bank valuation being:

Price to book =
(ROE – growth)/(COE – growth).

Firstly, the weaker SA GDP growth environment as well as rising interest rates and regulatory costs would point to lower bank ROEs, given the impact of lower GDP growth on credit extension, impairments and transactional activity. Secondly, the 1,5% increase in long-bond yields during 2015 is driving higher COE expectations of around 1,5%. All other things being equal, a 1,5% increase in the COE translates into an approximately 16% decrease in SA bank share prices.

LOOKING FORWARD

The broader environment will continue to change at an increasing pace on multiple fronts, creating a high degree of complexity and uncertainty. GDP growth in 2016 is expected to be weak and markets will be volatile, particularly if SA does not maintain its investment grade sovereign rating. In my various roles at Nedbank, including that of Chief Financial Officer (CFO) and Chief Executive (CE), I have experienced a number of downturns and much volatility, including the global financial crisis of 2008/9 and the emerging-market crisis of 1997/8. Despite the difficult macroeconomic environment, intense regulation and strong competition, we do believe that Nedbank is well positioned to continue to grow and generate value for all of our stakeholders as we work towards our 2020 targets, defined on pages 8 and 9, in 2016.

In the current environment, forecast risk remains elevated and as a result our guidance for performance in the year ahead is harder to formulate. In this context, we currently forecast that growth in diluted headline earnings per share (DHEPS) for 2016 will be lower than the growth we achieved in 2015 and below our medium-to-long-term target. Given the increased forecast risk, we will update this with our June 2016 results.

Stakeholders can expect that investment in growth opportunities and innovation will continue to ensure we remain relevant and compliant. The ultimate measure of our success will be to adapt our businesses to the economic and regulatory environment in a way that delivers value to all our stakeholders. Profitable growth in transactional clients will be the essential underpin in all businesses and markets. Our focus on expense control and synergies will intensify.

As we look ahead, it is interesting to contrast the strong position Nedbank is in today compared with the position we were in during the global financial crisis – an event that Nedbank emerged from in good shape, with overall earnings falling from a high of R5,9bn in 2007 to a low of R4,3bn in 2009. The table below sets out some key metrics to illustrate this:

	2009	2015
Clients	4,2m	**7,4m**
Retail main banked clients	1,7m	**2,7m**
Non-interest revenue as percentage of income	42%	**48%**
Non-performing loans percentage	5,9%	**2,5%**
Common-equity tier 1 ratio	9,9%[1]	**11,3%**
Long-term funding	21%	**29%**
Specific coverage on defaulted loans	34%	**38%**
Portfolio coverage on performing loans	0,45%	**0,70%**

[1] *Core tier 1.*

In January 2016 Nedbank hosted a meeting with the Minister of Finance, Pravin Gordhan, the Head of Business Unity SA (BUSA), Jabu Mabuza, and more than 50 SA corporate CEs. The meeting focused on a number of the short-term issues facing our country and, in particular, the importance of retaining our country's investment grade credit ratings, inclusive growth and the need to build confidence and work together to change the negative sentiment that currently prevails in many areas. We specifically stressed the importance of government and business working together to increase the level of investment in our economy, and participants committed to ongoing dialogue around this. This was followed by a meeting of over 100 CEs with the President, Deputy President and Ministers of Finance, Trade and Industry, and Economic Development.

Government, business and labour are working together to use the challenging economic environment as a catalyst for increased collaboration to accelerate the rate of economic growth and job creation and to strengthen public finances. The group has been and will continue to be an active participant in these discussions.

The road ahead will not be easy, but I left the meetings feeling that the President, the Ministers and their teams have a good understanding of the issues facing our country and are determined to work with business, labour and fellow South Africans to resolve them.

The year 2016 promises to be one that will require an extraordinary effort from all our people as we continue to work towards our goal of Winning in 2020 as a stepping stone to achieving our vision of being Africa's most admired bank. While it is easy to get carried away with all the challenges in our current environment – an environment that is the same for all our competitors – I strongly believe that a difficult environment also provides us with an opportunity to outperform our peers.

APPRECIATION

During the year we welcomed the appointment of our new Chairman, Vassi Naidoo, who has a wealth of experience in financial services across a number of jurisdictions. This will assist us in this environment of regulatory change and in our expansion into the rest of Africa. My appreciation also goes to our board for its guidance and ongoing support. I look forward to a collaborative and successful delivery of stakeholder value in the future.

The board and I thank Dr Reuel Khoza for the invaluable contribution he has made to the group during his tenure, and we wish him every success in his future endeavours.

I would also like to thank Old Mutual plc CEO Julian Roberts who retired in 2015 for his support and guidance over many years, and welcome Bruce Hemphill to the Nedbank board.

Graham Dempster and John Bestbier retired in 2015 after long and distinguished careers at Nedbank. The board and executive team join me in expressing our appreciation for their expertise and commitment to the group, and delivery of our long-term vision. Dave Macready has taken up the exciting opportunity to further his career as CE of Old Mutual SA and I thank him for his role in creating and developing Nedbank Wealth's profile and market position.

Philip Wessels , Group Managing Executive of Nedbank RBB, has requested to take early retirement from Nedbank for personal reasons, which request has been supported by me and the board. This will be effective from 31 March 2016, some two years ahead of his normal retirement age of 60. Philip has had a long and successful career at Nedbank, spanning more than 20 years across various businesses in the group. We truly value his leadership, particularly in his role as CRO and more recently in heading up RBB. As CRO, Philip was instrumental in developing and building the strong risk management culture we have at Nedbank. Under his leadership, RBB has made great strides in delivering on its strategic objectives, building the franchise and integrating RBB's backoffices. The board and Group Executive Committee (Group Exco) thank Philip for his contribution to the group over these many years and wish him well in his retirement.

In line with our succession planning, I am pleased to announce the appointment of Ciko Thomas to succeed Philip with effect from 1 April 2016, subject to regulatory approval. Ciko is currently Managing Executive of Consumer Banking and has been a part of the RBB leadership team and the Group Exco for six years. He has wide-ranging banking and leadership experience across the group. Ciko's appointment ensures continuity in RBB's leadership and strategy, and he inherits a strong RBB Cluster, with an experienced management team. Ciko completed the Harvard AMP in 2015, and holds BSc and MBA degrees.

To my fellow executive teammembers, thank you for your support and for helping to shape the group as we set out to achieve our 2020 targets on our journey to realising our vision of being Africa's most admired bank. I would also like to express my gratitude to everyone in Nedbank for their hard work, commitment and dedication in driving our performance this year. Your efforts and drive are the foundation of our success.

In closing, a big thank you to our 7,4m clients who choose to bank with Nedbank, and to our shareholders and other stakeholders for their support in 2015.

Mike Brown
Chief Executive

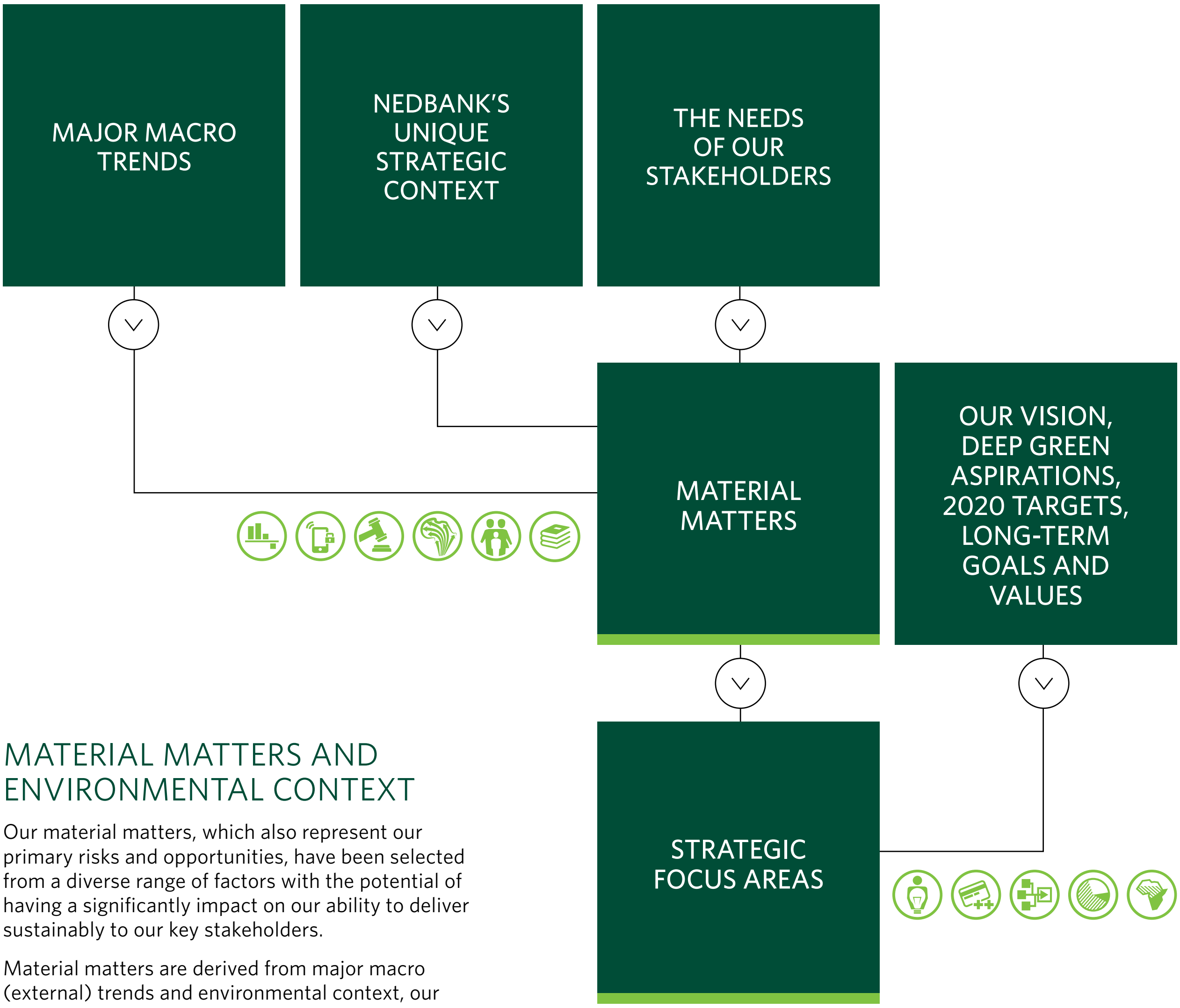
You may be interested in:

Reflections from our Chief Financial Officer
44–55

Reflections from our Chairman
72–75

DRIVERS GUIDING OUR STRATEGY

Our five strategic focus areas are determined by our vision, our Deep Green aspirations, our 2020 targets, our Long-term Goals, our values and material matters.



MATERIAL MATTERS AND ENVIRONMENTAL CONTEXT

Our material matters, which also represent our primary risks and opportunities, have been selected from a diverse range of factors with the potential of having a significantly impact on our ability to deliver sustainably to our key stakeholders.

Material matters are derived from major macro (external) trends and environmental context, our unique strategic context, including business risks and opportunities, and most importantly the needs of our key stakeholders and the environment in which we operate.

Identifying and determining matters that are material to the group and our stakeholders is an ongoing process as new developments shape the macro environment and the needs of our stakeholders change.

You may be interested in:

Material matters 19–26

Strategic focus areas 27–37

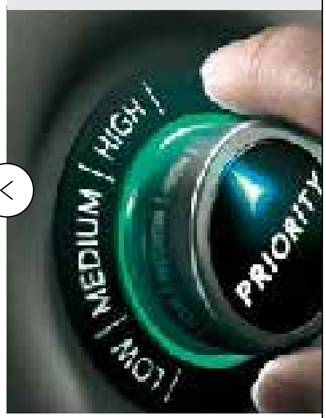
DETERMINING OUR MATERIAL MATTERS

We identify all issues that have the potential to impact our earnings sustainability and the ability to create value for our stakeholders. The process of identifying potential material matters is a groupwide responsibility, requiring input from all business units and divisions, and taking into account input and feedback from all our stakeholders. Areas of potential impact that are assessed include financial, environmental, social, strategic, competitive, legislative, reputational and regulatory matters (including policy matters), as well as our stakeholders.

INVESTIGATE

RANK

The issues identified are prioritised according to greatest relevance and highest potential to impact significantly on the viability of our business and relationships with stakeholders. While this is a collaborative effort, the responsibility of prioritising material matters ultimately rests with the executive management team and board of directors.



INTEGRATE

The material matters that have been identified and prioritised inform our long-term business strategies and targets as well as short-to-medium-term business plans.

ASSESS

Material matters are continuously assessed to ensure that our strategic focus areas remain relevant to our stakeholder needs and the environment.

DETERMINING OUR MATERIAL MATTERS (continued)

The Nedbank Group Executive Committee assumes responsibility for approval of the material matters prior to their endorsement by the Group Transformation, Social and Ethics Committee, a committee of the board, and finally the Nedbank Group board. Through this process we prioritised six material matters in 2013 and refined them in 2014, and we believe these remain relevant for the foreseeable future. Our material matters are interrelated and together they shape our strategic focus areas and actions. As a financial services organisation, our impact on the economy, society and the environment through the finance we provide is material and is included within the boundaries of our reporting.

While our six material matters have remained fairly constant, the underlying drivers and their relative materiality to the group continue to evolve. In 2015 there has been a marked increase in the risks and challenges associated with our material matters. These developments are explained on the following pages.

A TOUGHER OPERATING ENVIRONMENT

MATERIAL MATTER	RISK: Short term	RISK: Medium to long term	OPPORTUNITY: Short term	OPPORTUNITY: Medium to long term
Tough economic conditions with limited forward visibility	∧	∧	∨	>
Banking relevance amid consumerism and increased competition	>	∧	>	>
Increased demands on governance, regulation and risk management	∧	∧	>	>
Growth opportunities in the rest of Africa	∧	>	∨	>
Transformation of society within planetary boundaries	∧	∧	∧	∧
Scarce skills	∧	∧	>	>

∨ *Risk/Opportunity has decreased*

> *Risk/Opportunity has stayed fairly constant*

∧ *Risk/Opportunity has increased*

You may be interested in:

Material matters 19–26

As a universal bank we are deeply connected and interdependent on the macroeconomic environment.

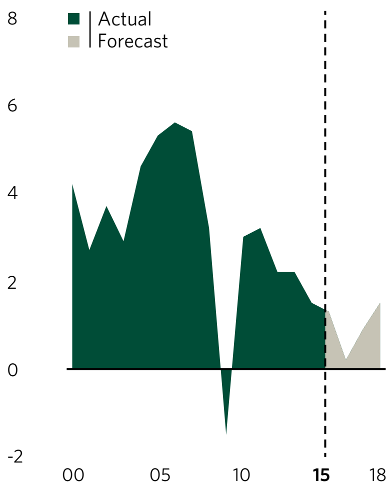
TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY

Macro trends

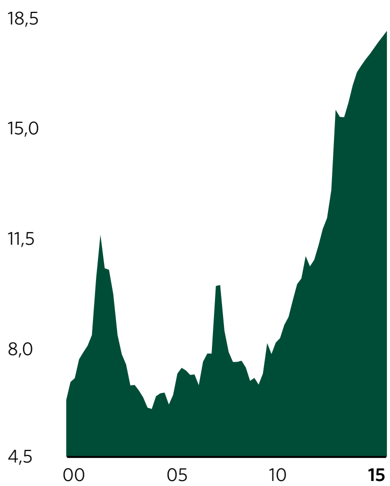
Globally and in SA economic conditions remain challenging. SA's GDP in 2015 was primarily impacted by energy constraints, lower resource prices and drought conditions (natural capital). Interest rates increased by 50 bps, contributing to SA's lowest GDP growth rate since the financial crisis. GDP growth is forecast at a mere 0,2% for 2016, down from the 2,5% we forecast a year ago, well below our country's potential, and is likely to remain low for the next few years. The risk of a technical recession in 2016 has increased. Prospects for sub-Saharan Africa, covered in the material matter 'Growth opportunities in the rest of Africa', was also muted, given depressed oil and commodity prices, but GDP growth remains higher than in SA.

The poor economic outlook and growing government budget deficit resulted in the downgrade of the SA sovereign credit rating or outlook by all the major ratings agencies in 2015. The dramatic weakening of the rand continued in December 2015, when the SA Finance Minister was replaced. A downgrade of the SA sovereign credit rating to below investment grade is now an increased possibility in 2016. In addition, interest rates are expected to increase by a cumulative 125 bps for 2016, having already increased by 50 bps in January 2016, to curb resulting inflationary pressures and to protect the local currency as the US embarks upon the normalisation of interest rates.

SA GDP GROWTH WELL BELOW OUR COUNTRY'S POTENTIAL
2000–2018
(%)



EXCHANGE RATE AT HISTORICAL HIGHS
2000–2015
(R/$)



What is the likely impact of a SA sovereign credit rating downgrade?

A credit rating downgrade is in itself unlikely to have a sudden major impact on banks as it would generally have been anticipated by markets before the actual event. The impact on the economy and bank profitability are, however, likely to emerge thereafter.

Currently, both Fitch and Standard & Poor's ratings of the SA sovereign are one notch above non-investment grade, with a stable and negative outlook respectively (any move to the downside by Fitch is likely to start with the outlook moving to negative and a drop below investment grade would be a second move, while a downgrade by Standard and Poor's will see the SA sovereign move to non-investment grade). Moody's are two notches above investment grade with a negative outlook, indicating that its next review could be downwards, but a one notch move would still remain above investment grade. While there may be some movements on the day, the effect of any anticipated downgrade would largely be priced into markets over time before the actual event. Notwithstanding market anticipation of any such event, a downgrade to below investment grade would be a significant event, with significantly adverse implications for SA and the cost and ability to raise SA's debt, particularly in offshore markets.

The more important factors to consider are the causes of any downgrade. These are likely to include low economic (GDP) growth; low business and consumer confidence; rising inflation; higher interest rates, and the trajectory of SA's current account and budget deficits. Bank earnings are cyclical and closely linked to the macro environment – so a weaker macro means slower loan growth, less transactional activity and rising impairments, offset to some degree by rising endowment from higher interest rates.

Strategic context

The tough economic environment places financial pressure on our clients, leading to lower levels of credit demand and transactional banking activity – this is particularly prominent in the retail and small-business segments of the market. In our wholesale business, stresses in the resources, steel and construction sectors continue to impact growth. For banks this has a negative effect on earnings growth potential, while increasing the risk of higher levels of bad debts.

Business is working closely with government and labour to restore fiscal credibility and avoid a sovereign downgrade.

Stakeholder needs

Our wholesale clients are impacted by delays in infrastructure investment, lower resource prices and electricity constraints. As a result clients are assigned higher credit risk ratings, while the longer-term investment appetite in SA remains muted. Pockets of growth in infrastructure, rest of Africa and mergers and acquisitions activity are potential opportunities.

Retail clients have remained highly indebted since the financial crisis of 2008, compounded by the recent increase in interest rates, higher inflation and administrative costs as well as high unemployment levels. Lower oil prices, feeding into lower inflation, proved beneficial to consumers in 2015, but the outlook is more muted looking forward.

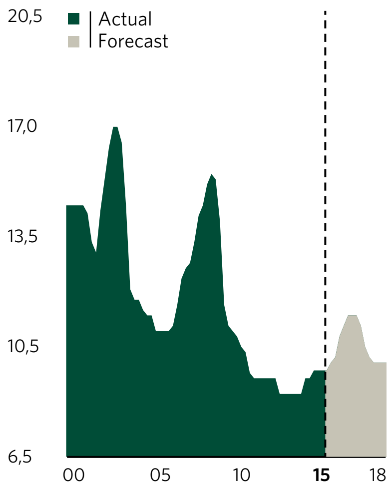
Risks

Risks in the short-to-medium term have increased across a broad range of macroeconomic drivers, resulting in lower-than-anticipated advances growth, while revenue growth opportunities could be further suppressed and bad debts increase more than anticipated.

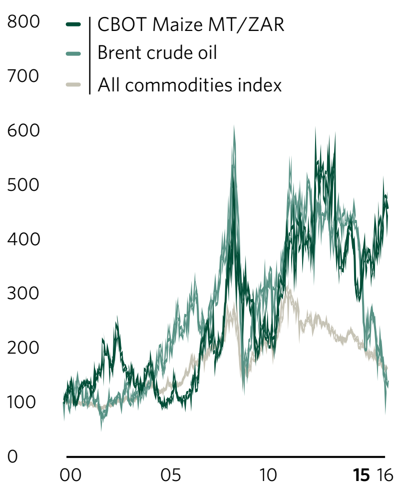
Opportunities

Opportunities such as financing infrastructure development remain strong, although few and far between.

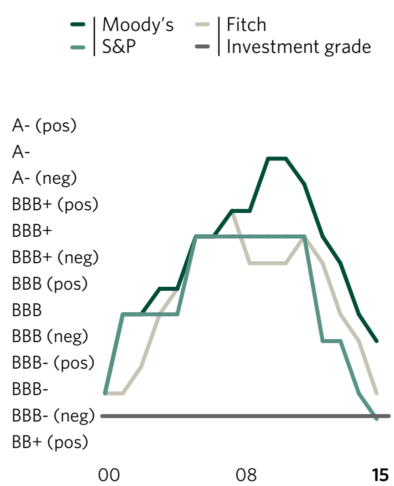
SA INTEREST RATES STILL RELATIVELY BENIGN 2000–2018 (%)



COMMODITY PRESSURES 2000–2015



SA SOVEREIGN CREDIT RATINGS JUST ABOVE INVESTMENT GRADE 2000–2015 (Rating)



In a tougher macro environment clients are looking more closely at the value they receive from their financial services providers.

BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION

Macro trends
Competition continues to intensify among financial services providers as both established and new entrants target the same client base. Technological advances have enabled the entry of non-traditional players as they aim to cross-sell financial services to their existing client bases. New entrants include online banks, microloan providers and virtual-payment and mobile-telephony providers, all offering an increasing array of financial products and services to the consumer.

Strategic context
Increased competition for transactional clients and share of wallet has meant that banks must invest more to defend their competitive advantages while providing 24/7 client service, innovating more rapidly and pricing more competitively – this is relevant across retail and wholesale clients.

Stakeholder needs
Consumer behaviour has changed, accentuated by the tough economic environment. Clients are often multibanked and technologically skilled, with increased awareness of the various bank offerings, quality of service and pricing, leading to higher expectations of banks.

The emergence of big data has become one of the biggest game-changers for businesses today yet, without an easy way to access this information, business owners are simply unable to reap the benefits and risk being left behind by their competitors.

2015 also saw intensifying civil society pressure on banks and the broader financial services industry to provide access to funding and broader financial services. Unemployment, inequality and poverty are at the highest levels of almost any country in the world. Government, business and labour all understand the imperative to reduce these to ensure a better life for all.

Risks
The risk is revenue pressure from competition and a higher expense burden of investing in the franchise.

Opportunities
Financial services providers who respond best to the challenge in a client-centred manner will continue to gain a disproportionate share of client revenue.

The wave of regulatory change is expected to continue to escalate into the medium term.

INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT

Macro trends
The global financial crisis brought the onset of increased regulation to ensure the soundness of banks and protect consumers, the most prominent of which are the Basel III regulations on capital adequacy, liquidity and risk data aggregation, anti-money-laundering (AML) regulations, the Retail Distribution Review (RDR), the National Credit Act and International Financial Reporting Standard 9: Financial Instruments.

Strategic context
Given trends in international financial markets, the risk of potential penalties and fines due to non-compliance has increased in SA and elsewhere in Africa as seen in recent announcements relating to multiple SA corporates.

SA's implementation of the Twin Peaks regulatory framework and increased focus on consumer protection will continue to place new demands on financial services organisations.

Proposed caps on credit life pricing, lower caps on lending rates, the limiting of interchange fees on card transactions, the introduction of the liquidity coverage ratio, evolving capital requirements and net stable funding ratios are examples of regulatory changes being adopted.

Increased regulation has created greater complexity and higher compliance costs for financial services providers. The cost of funding has increased, impacting banks' capacity to lend to clients, non-interest revenue (NIR) decreased, while spending on staff and IT capability to implement and manage the regulatory requirements has also increased as has the time to deliver innovative and competitive products.

Stakeholder needs
Our regulators are one of our five key stakeholders. We continue to support governance and regulatory frameworks that have made it possible for SA's banking sector to be rated top 10 globally in the latest World Economic Forum Global Competitiveness Survey. Our governance and compliance track record is sound and reasonable and we fully support sustainable banking practices.

Risks
The risks due to increased regulation have increased substantially over the past few years, impacting revenues and costs, as well as the shape of bank balance sheets. Clients will also be impacted by additional compliance requirements and charges as banks attempt to recover some of the costs of increased regulation.

Opportunities
Implementing the myriad of regulatory requirements in a client-centred, integrated and synergistic manner can be an important differentiator in the financial services industry.

Although we expect challenging and volatile operating conditions in the rest of Africa to persist, the long-term opportunities remain attractive.

GROWTH OPPORTUNITIES IN THE REST OF AFRICA

Macro trends

Despite the impact of lower oil and commodity prices, economic growth in the rest of Africa is still surpassing that of many countries, including SA. The International Monetary Fund GDP growth forecast for 2016 for sub-Saharan Africa is ahead of the Nedbank forecast of 0,2% for SA. The rest of Africa is estimated to grow on a sustainable basis between three to five times that of SA. This faster economic growth is partly resource-driven, supported by improvements in the political environment and governance, trade liberalisation and the extension of trade corridors. Altogether these factors contribute to the increased need for improved infrastructure that will allow banks to play a key role, given their capability in the funding of capital-intensive projects. In the short term, however, we expect continued volatility in frontier markets, particularly those that are less diversified and overreliant on oil and resource-linked revenues.

Strategic context

The rest of Africa presents growth opportunities for Nedbank, albeit at a higher cost of capital and cost of risk, and requiring upfront investment. With Nedbank having strong, specialised skills and our complementary strategic partnerships through Ecobank, Bank of China, Canadian Imperial Bank of Commerce and Old Mutual, we are in a strong position to play a key role in funding and structuring infrastructure and capital-intensive projects, as well as leverage incountry and crossborder banking opportunities.

Stakeholder needs

Our growing African client base and our SA clients entering the rest of Africa seek to benefit from one-stop financial services solutions. Shareholders, on the other hand, seek exposure to this higher-growth region through investment in well-managed SA banks that follow a risk-mitigated approach.

Risks

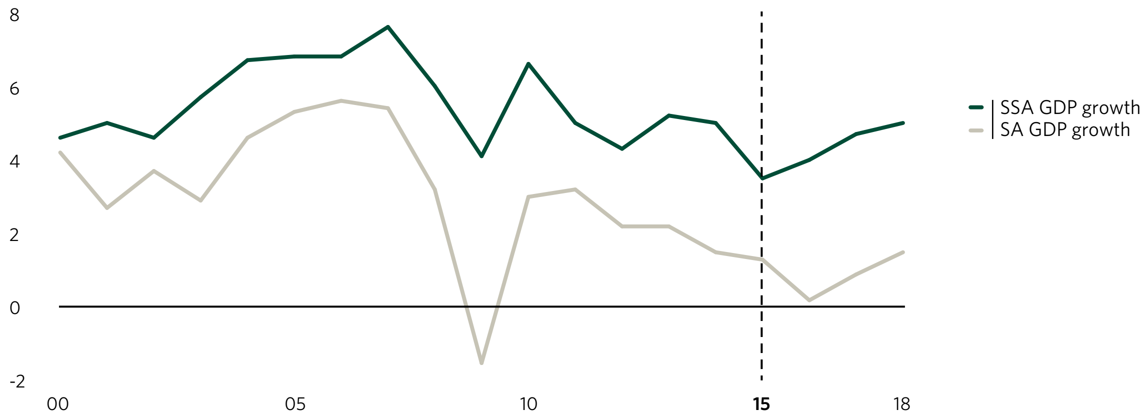
Currency volatility and the impact of lower commodity prices could continue to dampen the financial prospects of banks operating in Africa in the short to medium term.

In addition, regulation has proven a challenge for many SA corporates that operate in the rest of Africa, and fines and penalties have increased.

Opportunities

SA companies continue to expand into faster growing markets in the rest of Africa, leveraging SA's position as the gateway to Africa and using their unique expertise in operating in emerging markets. Much of the skills base in SA in infrastructure, telecommunications, resources, retail, construction and renewable energy is transportable and can be applied to business opportunities in rest of Africa.

SUB-SAHARAN AFRICA ECONOMIC GROWTH AHEAD OF SA 2000–2018 (%)



SSA: sub-Saharan Africa

The Paris Agreement signals a hitherto unprecedented international resolve to reconfigure the global economic system to address human development needs without breaching crucial biophysical limits.

TRANSFORMATION OF SOCIETY WITHIN PLANETARY BOUNDARIES

Macro trends

The past two centuries have seen rapid population growth, but even faster economic growth, with an increase in average per capita income by a factor of more than 10. Higher living standards have also been coupled with improvements in life expectancy for billions of people. This progress has come at a significant environmental cost and there is mounting evidence that current patterns of human consumption are exceeding the planet's supply limits, and the progress is therefore unsustainable.

Furthermore, high levels of poverty and inequality remain in many regions, including sub-Saharan Africa. Millions of citizens lack access to formal employment opportunities, sufficient food, clean water and sanitation, safe and affordable transportation, suitable housing, modern healthcare, education and financial services.

The year 2015 saw some of the warmest winters and summers worldwide causing devastating floods in some places and record-breaking droughts in others. This, along with energy constraints and collapsing resource prices, impeded economic growth and further hampered the ability of many governments to deliver on the needs of the constituents, resulting in increasing social unrest.

In September 2015, against this challenging backdrop, leaders from almost 200 countries around the world committed to 17 Global Goals. Over the next 15 years, the goals aim to end extreme poverty, fight inequality and injustice, and address climate change. Bolstered by the Paris Agreement on climate change, there is now unprecedented international resolve to reconfigure the global economic system and the energy system that drives it – to address urgent human development needs without breaching crucial biophysical limits. Pleasingly, our Long-term Goals align well with the 17 Global Goals.

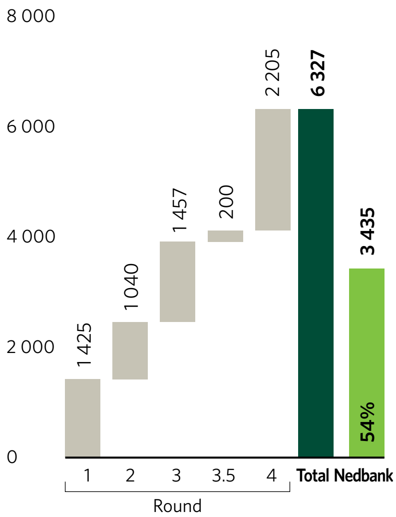
Strategic context

Environmental, societal and economic sustainability are all inextricably connected. As a bank for all, Nedbank's business success is linked to the sustainability of the environment that we operate in.

We understand that our future business prospects are greatly improved if society is flourishing. However, human needs must be served within the biophysical constraints imposed by our finite planet. We are committed to good corporate citizenship and contributing to the building of a strong and thriving nation in SA, entrenching a culture of diversity and transformation, and leading as a green bank.

SA RENEWABLE-ENERGY PROGRAMME

(Megawatt by renewable-deals bid window)



Stakeholder needs

The impact of the continued use of unsustainable resources on the economy and communities is high. Economically, commodity prices would be increasingly volatile and there would be a higher risk of natural disasters. In an attempt to respond to these threats, stricter regulatory standards and prices on externalities could be implemented, which would lead to higher prices for electricity, transport and water, among others. This would discourage wastage but also increase administered costs and financial pressure for clients.

Risks

Acceleration of the environmental impact could lead to a higher cost for governments as they rebuild cities after natural disasters, and an increase in cost of basic amenities that would intensify social inequalities, as well as political instability, erosion of social capital and weaker economic prospects.

Opportunities

Through technology and innovation new alternative energy sources such as renewable energy are being produced, which reduce the environmental impact while creating jobs in new fields of industry, thus improving social conditions.

The #FeesMustFall campaign has once again highlighted the challenges we face in education and inequality.

SCARCE SKILLS

Macro trends

Skills shortages in SA, attributable to the poor outcomes of the country's educational system, are a serious risk to economic growth for the country. In the higher education and training pillar of the 2015–2016 World Economic Forum Competitiveness Report, SA was again ranked last of 140 countries in 'Quality of math and science education' and 138th in 'Quality of the educational system'. These educational challenges place a greater emphasis on skills retention and development in order to improve our global competitiveness. The transformation imperative and continued progress to a more equitable representation of the SA workforce remain top of the agenda for all stakeholders. The #FeesMustFall campaign is a reflection of the financial pressure placed on students to finance their education. Many students lack financial support and cannot afford to continue with tertiary education, resulting in the large number of low-skilled workers in SA. As a result, SA continues to have high levels of unemployment and social inequality.

Further reading:

Student accommodation, bursaries and learnerships in our 2015 Sustainability Review, available as a supplementary report at nedbankgroup.co.za.

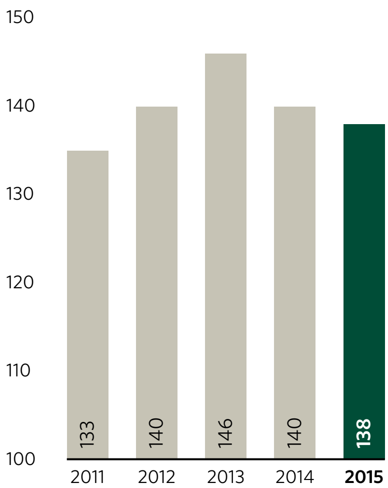
Strategic context

Banks are large employers in the financial services sector and we require highly skilled employees to service our clients. We are therefore investing in attracting, retaining and developing the skills we need to grow our businesses, because the right people with the right skills are essential for the delivery of our strategy. However, increasing competition means we have to work even harder to retain our best people and to mitigate the cost of replacing skilled staff. Nedbank leaders are among the most highly skilled in the industry and we have succession plans in place for all key positions.

Playing our role in providing affordable financing, bursaries and education support through our foundation remains top of mind for Nedbank.

WEF 'QUALITY OF THE EDUCATION SYSTEM' RANKINGS FOR PAST FIVE YEARS

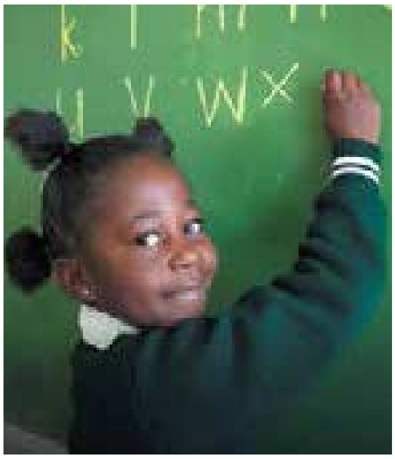
(Ranking)



Stakeholder needs

Nedbank has taken a leadership position in transformation and we continue to place this high on our agenda, given our goal to stay at the forefront of transformation.

Our staff and corporate culture are a key competitive advantage and differentiator in attracting and retaining staff. We measure staff entropy to understand the level of engagement within the group, while seeking to create a closer fit between the existing and ideal culture.



Risks

The risk is increasing disparity between levels of skills available and that required for employment in financial services, along with higher levels of unemployment and growing social inequality.

Opportunities

Employers of choice will continue to attract the best skills.

STRATEGIC FOCUS AREAS

Our strategy is primarily aimed at creating value for our shareholders (long-term capital providers) and is defined by our five key strategic focus areas of client-centred innovation, growing our transactional banking franchise, 'optimise and invest', strategic portfolio tilt and building a pan-African banking network.

The strategic focus areas are guided by our vision and informed by our material matters. The table below highlights the areas and levels of correlation between material matters and our strategic responses. The material matter 'Tough economic conditions' has the highest correlation to almost all the strategic responses, as a bank's performance is strongly linked to the environment in which it operates.

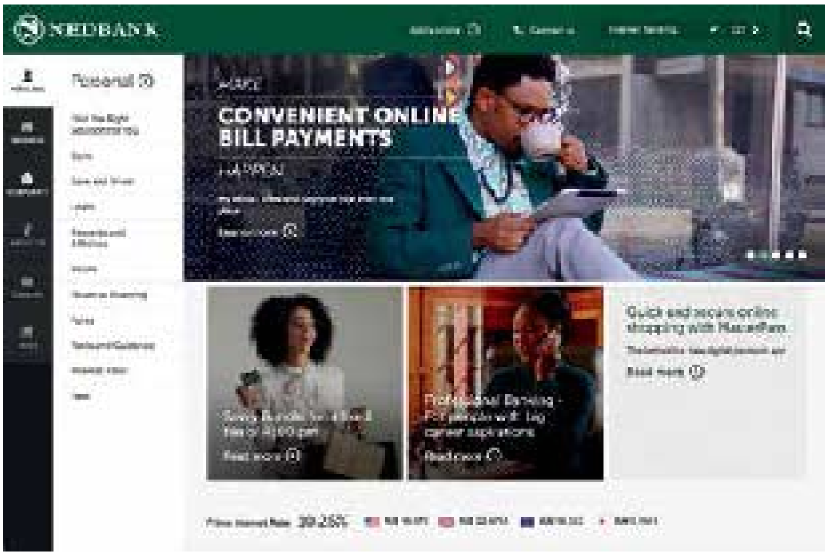
	STRATEGIC FOCUS				
MATERIAL MATTERS	Client-centred innovation	Grow our transactional banking franchise	Optimise and invest	Strategic portfolio tilt	Pan-African banking network
Tough economic conditions with limited forward visibility	Medium	High	High	High	High
Banking relevance amid consumerism and increased competition	High	High	Medium	High	Medium
Increased demands on governance, regulation and risk management	High	High	High	High	High
Growth opportunities in the rest of Africa	Medium	Medium	High	High	High
Transformation of society within planetary boundaries	High	Medium	High	High	Medium
Scarce skills	High	Medium	Medium	Medium	Medium

Medium correlation *High correlation*

CLIENT-CENTRED INNOVATION

Client-centred innovation is about developing solutions (products, services and processes) to address specific client needs, create value for our clients and enable a better overall client experience.

This is a strategic focus area primarily in response to the, material matter 'Banking relevance amid consumerism and increased competition'. It is central to all our other strategic focus areas, because innovation, whether technology-driven or not, is key to our success.



OUR DIFFERENTIATION

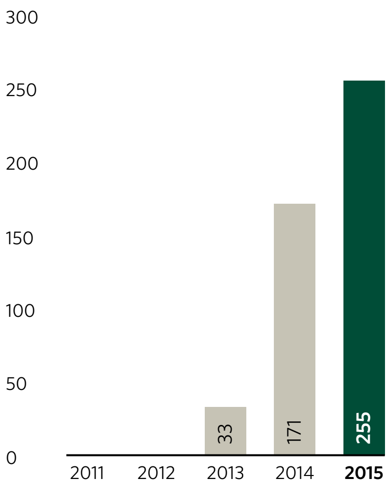
Our client-centred approach has resulted in Nedbank gaining a reputation as an innovative bank. We are increasingly being recognised for our market-leading digital innovations such as Market Edge™, Instant Bond Indicator™ as well as the new nedbank.co.za website, which is client-centred, leverages worldclass technology and can be used across all mobile devices. Internally, innovation has increased the efficiency and cost-effectiveness of our structures, systems and processes, which ultimately benefit our clients.

WHAT DOES IT MEAN FOR OUR STAKEHOLDERS

Innovation is driven by our people and culture (human capital) to enhance our CVPs (manufactured capital) and increases our differentiation and competitiveness (intellectual capital) in the market. It is funded by the capital provided by our shareholders and the earnings we generate (financial capital).

We also innovate around the demands placed on us by our regulators and making a difference in our communities (social and relationship capital). We believe that by focusing on the main needs that have not been met in society we can create value through innovation, benefiting our clients and thereby increasing shareholder value.

NUMBER OF 'BRANCH OF THE FUTURE' OUTLETS



CASE IN POINT

CLIENT-CENTRED INNOVATION

How Market Edge™ creates value:

- *For Nedbank* – Create new and protect existing revenue streams in our wholesale banking segments.
- *For our clients* – Through deeper insights into the behaviour of their clients, Market Edge™ allows them to make informed decisions using the big data that is aggregated and presented in an easy-to-use format.

OUTCOMES AND OUTLOOK

Value driver	2015 OUTCOMES	Self-assesment	Outlook
Cost-efficient digital products	Digitally enabled clients increased 40% to 3,1m.	>	Continued strong growth in digital clients.
Innovative products	Various innovative market-leading products launched.	^	Continued focus.
'Branch of the future' outlets	255 outlets out of 708 converted to date (36%).	>	Aim to convert 77% of our outlets to the 'branch of the future' format by 2018.
Nedbank brand that resonates	Nedbank brand value ranked seventh in SA (sixth in 2014: Brand Finance).	>	New Nedbank brand launch planned for 2016.

^ *Outperformed*

> *In line with expectations/targets*

REFLECTING ON 2015 AND LOOKING AHEAD

We have made good progress on all aspects of client-centred innovation, enabled by streamlined processes and a strong emerging culture of innovation. This is evident in the quantum of new clients that are digitally enabled and being one of SA most respected brands. Our focus on innovation will continue, supported by more efficient processes to bring new value propositions to market quicker.

GROW OUR TRANSACTIONAL BANKING FRANCHISE

To mitigate the material effects of the economic cycle in the form of interest rate and credit risk it is important to build a sustainable buffer by increasing the contribution from NIR, which is low-capital-consuming and liquidity-rich.

Quality NIR is largely driven by gaining transactional banking (main banked) clients, growing transactional volumes and increasing cross-sell. Gaining main banked clients in turn supports growth in attractive household and commercial deposit categories, which are becoming increasingly more important in a Basel III world. We aim to grow across all segments of the markets that we serve (wholesale and retail) and increase our share of wallet through compelling CVPs, through our integrated channel strategy.

Growing our transactional banking franchise is a priority for us, as our main banked market share in retail and wholesale banking is estimated at only 10% to 12%, well below our share of advances and deposits at 16% to 19%.

OUR DIFFERENTIATION

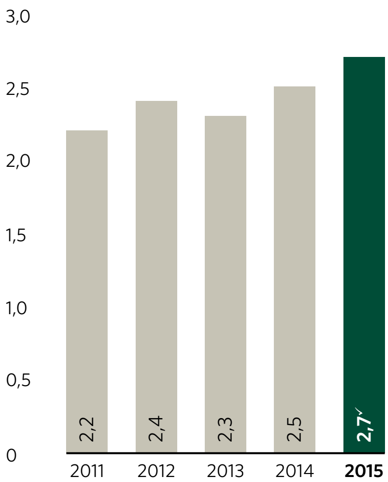
Nedbank has built a proven track record of delivering on this strategic focus area, growing NIR at or above the SA industry average over an extended period. The exception was in 2014 when we deliberately kept our bank fees at 2013 levels and reduced fees for SME and Business Banking clients.

While we have consistently grown our share of main banked clients, we are growing off a low base and believe that there is still significant room to gain market share. We have increased our focus on the middle market and our historical focus of growing youth and entry-level clients will benefit us in the future as they migrate into the middle-market segment. In the wholesale bank, the integration of Nedbank Corporate and Nedbank Capital into CIB enables better client coverage and increased opportunities for cross-sell.

WHAT DOES IT MEAN FOR OUR STAKEHOLDERS

This strategic focus area is closely linked to client-centred innovation, as providing innovative solutions will help to attract transactional clients and build our franchise. Growing our main banked client base is directly related to meeting and exceeding client needs and expectations with the services and products we offer. Innovation and client service is dependent on the knowledge and capabilities of our staff (human capital) and the takeup of our banking CVPs (manufactured capital) by clients (social and relationship capital) as a result of the strength of our intellectual capital, which ultimately benefits our shareholders.

NUMBER OF MAIN BANKED RETAIL CLIENTS
(m)



Decline in 2013 mainly as a result of SASSA grant recipients (approximately -221 000 net effect for 2013).

CASE IN POINT

GROW OUR TRANSACTIONAL BANKING FRANCHISE

eThekwini and Ekurhuleni metropolitan municipalities

During 2015 Nedbank was successful in winning the banking services of two major metropolitan municipalities, eThekwini for a five-year period commencing 1 October 2015 and Ekurhuleni Metropolitan Municipality for a three-year period commencing 1 December 2015. These awards mark a significant achievement for the bank in the Public Sector space as we have not banked a large metro before.

The award for eThekwini, with a population of 3,44m in 2011, includes the city's entities, Moses Mabhida Stadium, International Convention Centre, Durban Marine Theme Park (uShaka) and Durban Pension Fund.

The Ekurhuleni Metropolitan Municipality covers an extensive area in Gauteng, from Germiston in the west to Springs and Nigel in the east. It accounts for nearly a quarter of Gauteng's economy, with many factories producing goods and commodities, and is home to OR Tambo International Airport.

These appointments involved the rollout of a comprehensive suite of banking services and solutions, which include all traditional channels such as the physical branch network, internet and host-to-host payments and collections, card and cash-based solutions and devices, as well as new platforms such as digital, self-service and mobile banking.

With tight deadlines to implement the services and solutions, a thorough process was followed both internally and with the clients to ensure successful delivery. This involved detailed project planning and collaboration across numerous divisions within the bank, and extensive engagements and planning with the metros. This ensured our meeting the targeted 'go-live' dates.

The CIB team is pleased to have had the opportunity to demonstrate our capability to provide the banking requirements to clients of this size and importance.

OUTCOMES AND OUTLOOK

Value driver	2015 OUTCOMES	Self-assesment	Outlook
Primary client gains across all segments	Main banked retail clients increased 8,5% to 2,7m✓ (7,1%, in the middle market). Internal estimations indicate that Nedbank's share of main banked clients is around 10–11%. Business Banking increased its nett primary client base by 819✓ clients. CIB gained 22✓ new transactional clients including winning the transactional accounts for the Ekurhuleni and eThekwini metropolitan municipalities. Nedbank Private Wealth main banked client base increased by more than 500 clients.	>	Continue to increase main banked clients across all segments to greater than 15% by 2020.
Grow household and commercial deposits	Household deposit market share: 18,4% (2014: 18,7%).	∨	Grow our market share.
	Commercial deposit market share: 16,6% (2014: 16,9%).	∨	
Deepen share of wallet in wholesale businesses	CIB NIR:advances ratio: 1,8% (2014: 1,8%).	∧	Increase the ratio over time.
NIR-to-expenses ratio	NIR-to-expenses ratio increased to 83,3% (2014: 82,8%).	>	2016: Below our medium-to-long-term NIR:expenses target: > 85%).

NIR: non-interest revenue

∧ *Ahead of expectations/targets*

> *In line with expectations/targets*

∨ *Slightly below expectations/targets*

REFLECTING ON 2015 AND LOOKING AHEAD

Delivery on transactional banking targets was in line with expectations in 2015, although retail main banked client growth of 8,5% and winning two major metropolitan municipalities are significant for the group. Deposit growth at 11,1%, although strong, remains a key focus area as performance against stretch targets were slightly below expectations. Growing our transactional banking franchise will remain the group's primary focus going forward, and despite a tougher macro environment, we believe we are in a good position to gain share of main banked clients and deposits.

OPTIMISE AND INVEST

The strategic focus area 'optimise and invest' aims to fund ongoing investment in the franchise through optimisation, simplification and rationalisation.

We believe in investing through economic cycles as the impact of cutting costs too aggressively on staff morale, client service and future growth opportunities, can negatively impact the franchise.

This year we optimised and extracted efficiencies from the integration of our retail and wholesale clusters, as well as the reorganisation of our insurance businesses. The group introduced a plan to reduce from 250 core IT systems in 2010 to 80 in 2020 and to date 84 have been reduced through our Managed Evolution IT strategy. Our SAP ERP project, incorporating Finance, Procurement and Human Resources will contribute to the overall reduction of systems in 2016 and 2017.

The consolidation of regional offices into our Newtown, LakeView, Kingsmead and Menlyn Maine campuses were concluded in 2015. These cost savings contributed to the funding of our investment in outlets and ATMs, digital channels, new value propositions and technology, as well as scaling up in our rest of Africa businesses and investing in regulatory compliance initiatives. Flexibility and the ability to 'optimise and invest' will be a differentiating factor, particularly in tough times, as described in the material matter 'Tough economic environment conditions with limited forward visibility'.

OUR DIFFERENTIATION

Nedbank has been investing consistently in our franchise over the past five years, unlocking new growth opportunities.

Our ability to manage our cost base through the years has been an outstanding feature and is acknowledged by the investment community.

Our Managed Evolution IT strategy reduces the risk relating to large-scale system implementation, while enabling better control over our expenses.

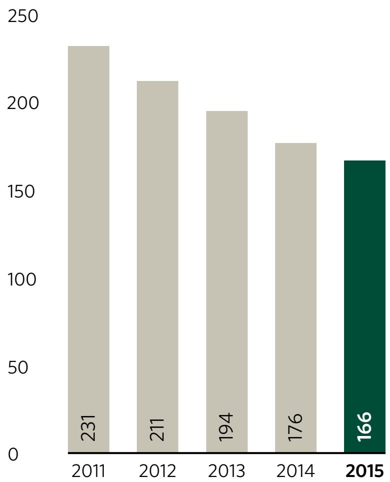
WHAT DOES IT MEAN FOR OUR STAKEHOLDERS

Our staff are critical in identifying and implementing initiatives that simplify our processes and make our business more cost-efficient. This ensures that we can continue investing in our manufactured capital (eg physical and digital infrastructure and IT systems), which will contribute to growth in the future.

Our clients or social and relationship capital benefit from enhanced client experiences due to greater access to Nedbank channels and simplified processes.

Shareholders benefit to the extent that cost savings are realised for reinvestment in areas of sustainable future growth and simplified processes and structures enables better, more efficient compliance with regulations.

NUMBER OF CORE IT SYSTEMS



CASE IN POINT

OPTIMISE AND INVEST

How our SAP ERP implementation creates value

- *For Nedbank* – Cost savings through reduction of IT software licenses, greater control, efficiency and seamless processing, as well redeploying staff to value-adding activities.
- *For investors* – Contribution towards the lowering of the cost of the operating model over time.
- *For our staff* – Learning of new skills based on a worldclass system to enable more efficient procurement, finance and human resource processes.

OUTCOMES AND OUTLOOK

Value driver	2015 OUTCOMES	Self-assessment	**Outlook**
Managed Evolution strategy: Core IT system replacement	Reduced core IT systems by ten in 2015 and 84 to date.	In line	Reduce our core IT systems to 60 over time.
Cost optimisation initiatives	R0,9bn savings realised.	In line	Monitor run rate benefits and continue to explore new optimisation opportunities.
Old Mutual collaboration	R112m synergies realised by Nedbank.	In line	Nedbank to benefit from just less than 30% of the combined Old Mutual target of R1bn by 2017.
Integration of CIB and RBB back-office, as well as reorganisation of our insurance business	Successfully completed the integrations.	Ahead	Completed.

Ahead of expectations/targets

In line with expectations/targets

REFLECTING ON 2015 AND LOOKING AHEAD

The group has done well to unlock synergies in an environment of revenue pressure. The outcome, evident in slower expense growth of 6,4% in 2015, has been in line with our expectations and continues to be a focus for the years ahead.

STRATEGIC PORTFOLIO TILT

Strategic portfolio tilt focuses on proactively changing our business and product portfolio to improve our risk-and-return profile and to seek out financial services opportunities so that we can maximise economic profit (EP) growth and maintain a strong balance sheet with a focus on capital, cash and prudent provisioning.

This is particularly relevant in a tough economic environment with limited forward visibility. This focus area also seeks to respond to the material matters of increased demands on governance, regulation and risk management as well as transforming within planetary boundaries. The Basel III regulatory requirements for capital, funding and liquidity continue to drive lower returns. As client deposits become increasingly attractive, competition among banks increase.

OUR DIFFERENTIATION

Nedbank is widely acknowledged for taking early action in anticipation of industry challenges – this was particularly evident in home loans and personal loans, which we grew selectively, improving asset quality and pricing. We believe we have significantly reduced the risk in these books and expect that growth in the future will be within our accepted risk profile and will be driven by increased processing efficiency and innovation.

The group's business model bias towards the wholesale market (62% of advances) positions us well ahead of the tough consumer environment. Our expertise in key sectors have enabled us to grow strongly in renewable-energy and infrastructure projects, commercial property, vehicle finance, particularly in secondhand and lower-value vehicle markets, and the rest of Africa.

Our Fair Share 2030 strategy entails a carefully calculated flow of money, allocated each year to invest in future-proofing the environment and society. We will allocate our Fair Share every year to make sure money is flowing to activities that contribute to meeting the Long-term Goals. We will rigorously measure the performance of Fair Share 2030 funds and, in future years, report on indicators and progress towards reaching our targets.

WHAT DOES IT MEAN FOR OUR STAKEHOLDERS

Our staff, clients, shareholders, regulators and the relevant capitals – human and intellectual, manufactured and financial, natural, social and capital – are all impacted by strategic portfolio tilt. Staff are educated to understand and adapt to the change in the risk-and-return profile of products or even redeployed to business areas that we seek to grow more rapidly. Staff roles and processes change according to increased regulatory reporting and risk management requirements.

The change in the risk-and-return profile of various products has resulted in Nedbank adopting selective deposit and advances growth as well as risk-adjusted pricing strategies, which impact our clients.

The bank's social and relationship capital in relation to regulators is more important than ever, as systemic risk remains high on the agenda.

Shareholder returns are impacted by increased cost of funding, which reduce net interest margins, and increased capital requirements. This results in lower ROE for the banking industry, though banks have become safer as a result.

The building or depleting of social and natural capitals is fundamental to our long-term decisionmaking processes and is guided by our Long-term Goals.

REFLECTING ON 2015 AND LOOKING AHEAD

Strategic portfolio tilt, a focus of the group for a number of years, has delivered excellent results, particularly in the wholesale portfolios where Nedbank has gained share of market in funding initiatives such as renewable energy and in the vehicle finance, where Nedbank through MFC has a unique positioning in secondhand lower value vehicles. Derisking the home loan and personal-loan portfolios has been successful, although growth has been below expectation mainly as our aim was not to relax credit criteria. These actions place the group in a strong relative position as we head into a more challenging environment.

CASE IN POINT

STRATEGIC PORTFOLIO TILT

How derisking our personal-loan book created value

- *For clients* – Protected vulnerable clients against overextension by tightening credit criteria.
- *For investors* – Reduced the risk profile relating to this product in a tougher macro environment.
- *For Nedbank* – Delivered sustainable financial results.

How funding renewable-energy projects creates value

- *For investors* – Supports Nedbank's income growth at a time when wholesale clients are not investing significantly.
- *For communities* – Contributes to renewable-energy sources that reduce localised pollution of air and water, and contribute to SA's energy security.
- *For Nedbank* – Committed funding of R35bn towards renewable-energy deals, of which R11bn has been drawn by 2015.

OUTCOMES AND OUTLOOK

Value driver	2015 OUTCOMES	Self-assessment	Outlook
Personal loans	-3% book growth.	Slightly below expectations/targets	Grow the personal-loan book in line with the market.
Retail lending	6% book growth.	In line with expectations/targets	Grow wholesale advances ahead of retail.
Wholesale lending	13% book growth.	Ahead of expectations/targets	
Transactional banking and deposits	As discussed under 'Grow our transactional banking franchise'.		
Fair Share 2030 lending	R1,8bn lending in 2015, excluding R11bn of renewable-energy financing drawn by 2015.	In line with expectations/targets	Drawdown on strong renewable-energy pipeline and explore new Fair Share lending.

Ahead of expectations/targets

In line with expectations/targets

Slightly below expectations/targets

PAN-AFRICAN BANKING NETWORK

Our pan-African banking network strategy represents a client-focused, risk-mitigated, capital-efficient growth lever for the medium to long term and primarily addresses the material matter of growth opportunities in the rest of Africa.

We have a strategy that is tailored for each region:

- **SADC and East Africa –** In the SADC and East Africa we want to own, manage and control banks. Our network presence in the SADC and East Africa now comprises six countries and two representative offices in Kenya and Angola.
- **Central and West Africa –** In this region we follow a partnership approach with Ecobank, in which we acquired a shareholding of approximately 20% in 2014. Ecobank is the number one bank in Ghana, a systemically important bank in Nigeria and ranked as a top-three bank by assets in 14 countries in Africa – this gives our clients access to Africa's largest banking network and ensures diversification of country-specific risk while giving our shareholders access to the faster economic growth rates in the rest of Africa.
- **Investment banking deals –** We are leveraging our strategic relationships, expertise, skills and resources to build a rich deal pipeline in countries across the rest of Africa.

OUR DIFFERENTIATION

Our strategy for the rest of Africa is anchored by Nedbank's vision to build Africa's most admired bank through strong organic growth, prudent acquisitions and an alliance underpinned by a one-bank model across the continent. Our clients benefit from a bank with the largest banking network in sub-Saharan Africa, which is intended to provide our clients with a seamless banking experience.

In addition, our clients are able to leverage off Ecobank's deep incountry knowledge. We have approached our expansion in a risk-mitigated manner by spreading risk across various countries as evidenced in the portfolio.

Our commitment to creating shareholder value through acquisitions that are ROE accretive underpins our capital-efficient and risk-mitigating strategies. From a capital-efficiency perspective, our approximately 20% shareholding in Ecobank was acquired at around one times price to book. At the same time we are in a position to provide technical support to Ecobank on capital management and optimisation based on the knowledge we gained in our transition to Basel III in SA.

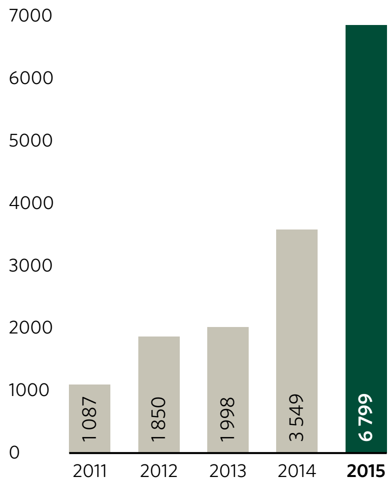
In the context of a changing global regulatory landscape with more stringent regulatory requirements, banks in Africa are expected to comply with Basel III and AML requirements, among others. Nedbank Group's partnership approach with a minority shareholding in ETI mitigates risk from a regulatory compliance perspective. A 20% shareholding also mitigates to some degree against the impact of a challenging macro environment given lower commodity prices and exchange rate volatility.

WHAT DOES IT MEAN FOR OUR STAKEHOLDERS

By increasing our footprint in Africa and creating a pan-African banking network we are able to provide our clients with a broad range of financial services solutions and banking services in the growing economies of Africa. In addition, expanding into the rest of Africa provides our shareholders with the opportunity to share in the faster growth-earning potential of the African economies. Our pan-African network also enables our staff to gain pan-African exposure and share skills, knowledge and experience across the different regions.

CAPITAL DEPLOYED TO REST OF AFRICA

(Rm)



CASE IN POINT

PAN-AFRICAN BANKING NETWORK

How Ecobank creates value

- *For our clients* – Seamless banking across the largest banking network in Africa, supported by deep local knowledge.
- *For Nedbank* – Ecobank provides exposure and access to economies with higher growth rates in Central and West Africa, where we do not have significant experience.
- *For our investors* – Opportunity for Nedbank to access the relatively higher GDP growth rates in the rest of Africa through a longer-term, capital-efficient and risk-mitigated approach.

REFLECTING ON 2015 AND LOOKING AHEAD

Although it is still early in our journey, investing in the rest of Africa met our expectations and contributed significantly to earnings uplift off a low base. We will continue to invest in people, processes and systems. Risks in the environment, driven by lower commodity prices, remain a key focus and the group's performance will only be fairly assessed over the long term. 2016 is likely to be a difficult year with many African countries facing headwinds.

OUTCOMES AND OUTLOOK

Value driver	2015 OUTCOMES	Self-assesment	Outlook
SADC and East Africa presence	Made significant investments in our subsidiaries: ■ Bedded down 38% investment in Banco Único. ■ Core banking system, Flexcube, implemented in Namibia. ■ Finalised 11 new and refurbished branches and 20 new ATMs. ■ New products launched such as Cash Online, debit and credit cards, PocketPOS™ and entry level transactional accounts with embedded funeral cover.	>	Continue with the roll out of Flexcube as an appropriate core banking system to our subsidiaries. Expand from six to 10 countries over time.
Central and West Africa presence	Generated R870m in associate income from our approximately 20% investment in ETI in line with our quarter-in-arrears accounting methodology. ■ Concluded three joint financing deals. ■ Altogether 74 wholesale clients now bank with Ecobank. ■ Ecobank Johannesburg team moved into the Nedbank offices.	^ >	Deepen Ecobank Alliance and increase deal flow. Manage through a tough macroeconomic environment and lower commodity prices.
Investment banking activities	Contributed to strong advances growth in CIB of 16,6%.	>	Continue to leverage our partnership and convert a rich deal pipeline.

^ *Ahead of expectations/targets*   > *In line with expectations/targets*

MAKING TRADEOFFS

In a world where various forms of capital are scarce, principally skilled human capital and financial capital, tradeoffs have been made in delivering on our strategic focus areas.

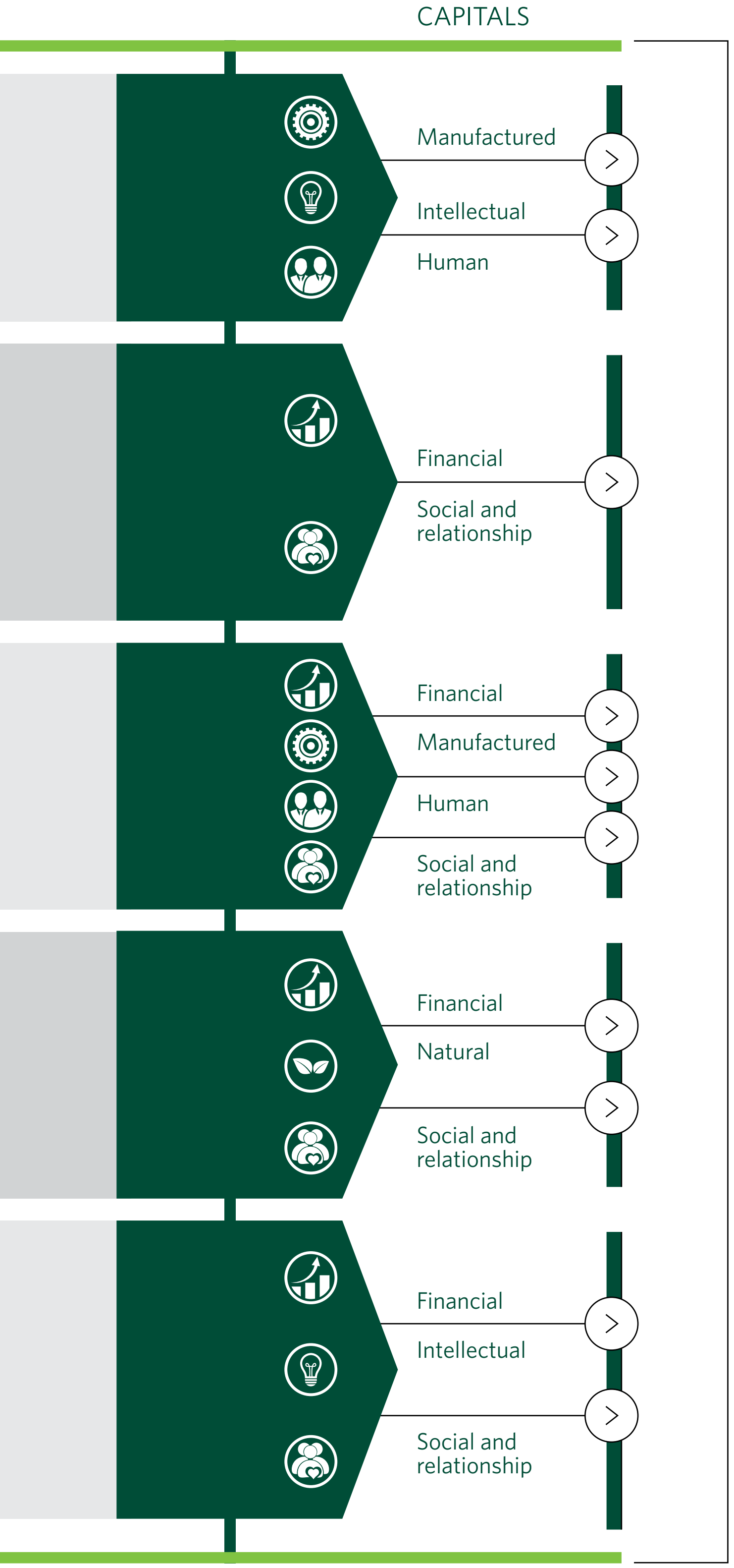
The primary tradeoffs and the rationale for making the tradeoffs are explained below.

STRATEGIC FOCUS	TRADEOFF
Client-centred innovation	**Tradeoff between investing in client-centred innovation and regulatory compliance** The tsunami of regulatory demands has led to an ever-increasing portion of our innovation budgets being redirected towards regulatory compliance. At the same time we are investing in our manufactured capital, including core IT systems, through our managed-evolution strategy, our integrated-banking channels, simplified client onboarding and many other initiatives that contribute to our intellectual capital, such as brand franchise and intellectual property. Tradeoffs are made in the allocation of our IT innovation cashflow spend against the strategic objective of improving client experience. A similar tradeoff is made with regard to our intellectual and human capital, which is allocated on the same basis.
Grow our transactional banking franchise	**Tradeoff between growing in profitable and less-profitable client segments** In our retail business we continued to grow across all client segments, including entry-level banking and the youth, which have lower levels of profitability. We decided to include and build strong enduring relationships in these segments as over time they will migrate to the middle market. Similarly, we cut transactional fees in Business Banking and this has provided the opportunity to improve cross-sell and gain new clients. Financial capital, impacted by growing in less profitable segments, is offset against social and relationship capital and financial capital in the longer term.
Optimise and invest	**Tradeoff between short- and long-term profitability** 'Optimise and invest' represents the tradeoff between short-term profit growth (financial capital) and investing for the longer term to ensure a sustainable franchise (manufactured capital). This tradeoff is mitigated to some extent by extracting cost optimisation opportunities in the short-to-medium term (human capital and manufactured capital).
Strategic portfolio tilt	**Tradeoff between various business and product opportunities** Strategic portfolio tilt, in the context of scarce capital and liquidity (financial capital), is a conscious trade-off between business and product opportunities that are high-capital and liquidity consuming with low EP and those that are less consumptive and more EP generative. Nedbank is continuing with its strategy of supporting the diversification of Africa's electricity supply. Currently 0,66% of total group commitments relate to the funding of coal- and fossil-fuel-based energy generation (including Nedbank's direct facilities to Eskom) while 2,25% relate to renewable-energy generation. We will be guided by our Long-term Goals in this regard as we tilt over time to reduce the carbon intensity of our lending. Overall, we have grown wholesale advances ahead of retail advances by growing strongly in renewable energy (natural capital benefit) and reducing our exposure to personal loans by supporting responsible lending practices (social and relationship capital). This has negatively impacted our net interest margins, but it is beneficial from a credit loss ratio perspective, resulting in a change of shape in the income statement. Economic returns in the wholesale banking sector remain attractive with a potentially lower risk profile.
Pan-African banking network	**Tradeoff between minority shareholding and control** Our approximate 20% shareholding in ETI in contrast to a controlling interest (> 50%) has been a conscious decision of the board within the context of Ecobank being a proudly independent bank. Through Nedbank's board representation in ETI we work with like-minded shareholders who have a common purpose of strengthening the Ecobank franchise. Through our seven-year strategic and technical banking alliance (social and relationship capital) we have built a strong, deep and influential relationship with Ecobank. A minority shareholding offers a beneficial capital efficient structure as the capital and regulatory burden increases dramatically when banks in the rest of Africa migrate towards Basel III from Basel I and are consolidated into the SA reporting regime. Similarly, AML requirements become stricter under a controlling interest. A 20% shareholding also mitigates, to some degree, the impact of a challenging macro environment given lower commodity prices and exchange rate volatility.

You may be interested in:

Our value-creating business model 12 and 13

Strategic focus areas 27–37



THE INFLUENCE OF OUR STRATEGIC FOCUS AREAS ON OUR BUSINESS MODEL

Through **client-centred innovation** we develop new innovative income streams and protect existing ones, while growing and retaining clients.

By growing our **transactional banking franchise** we increase our ROE, as deposits and transactional revenue consume less capital. At the same time our earnings volatility is reduced as the contribution from more stable sources of income is increased and our brand value increases.

'Optimise and invest' ensures that we invest sustainably in the franchise (manufactured capital) to unlock future growth opportunities while managing our cost base by unlocking synergies and efficiencies.

Through **strategic portfolio tilt** we aim to leverage our strong wholesale banking position, while reducing downside risk in higher-risk products or businesses. We aim to maintain a strong balance sheet in tough and uncertain times to provide protection against unforeseen events.

Our **pan-African banking network** strategy aims to drive greater earnings contribution from faster growth in the economies of the rest of Africa over the longer term while providing geographic diversification benefits and enabling our clients to access the largest banking network in Africa.

KEY RISKS IN DELIVERING OUR STRATEGY

Read more about:

Our risks and how we manage them 106–123

MATERIAL MATTERS

- *Tough economic conditions with limited forward visibility.*
- *Banking relevance amid consumerism and increased competition.*
- *Increased demands on governance, regulation and risk management.*
- *Growth opportunities in the rest of Africa.*
- *Transformation of society within planetary boundaries.*
- *Scarce skills*

RELEVANT MATERIAL MATTERS AND KEY RISKS

CLIENT-CENTRED INNOVATION

Ongoing investment required over the next few years in an environment where the economy remains weak and competition is increasing.

Failure to innovate in areas that are critical to the client experience at a pace that is on par or ahead of competitors, which will over time limit our ability to gain and retain clients.

RISK CATEGORIES

Strategic
Operational
Conduct

GROWING OUR TRANSACTIONAL BANKING FRANCHISE

A weak economy resulting in muted transactional volume growth.

Increased competition for the same pool of clients, particularly from new entrants to the banking industry.

The impact of regulation such as Interchange and the National Credit Act on volumes, fees and pricing, and costs.

Continued investment in marketing and distribution required to keep Nedbank top of mind and accessible in an environment that requires a greater focus on cost control.

RISK CATEGORIES

Strategic
Business
Regulatory

OPTIMISE AND INVEST

Delays in project implementation and not extracting the expected benefits from our optimisation projects.

Inflation and exchange rates at levels higher than planned creating the risk of project cost overruns.

Increased cost of regulatory compliance.

Longer-than-planned investment horizon, requiring more time to generate a return as trading conditions deteriorate.

Inability to achieve economies of scale and reduce costs accordingly.

Operational
Investment
Market
People

Strategic and execution
Regulatory

STRATEGIC PORTFOLIO TILT

Unemployment and an increase in consumer indebtedness increasing the risk of lending to the retail market and pushing the cost of risk higher than anticipated.

Stresses in the wholesale market from lower commodity prices and industries affected by an economic downturn leading to greater levels of impairments than anticipated.

Consumer indebtedness and new regulatory pricing limits leading to a tilt away from certain client segments, with clients unable to qualify for bank loans being at risk of resorting to loans from unregulated organisations.

Increased capital and liquidity requirements impacting the profitability and viability of providing certain banking products and services.

Our Fair Share 2030 strategy being impacted by limited risk appetite for new, untested business opportunities that may require a comparatively greater time investment.

Credit
Business
Capital
Transformation, social and environmental

Liquidity and funding
Strategic and execution
Concentration

PAN-AFRICAN BANKING NETWORK

Higher associated risks of investing in the rest of Africa, given less political, social and economic stability, with has a bearing on capital, investment and operational risk.

Risk of inconsistent client experiences across a broad African franchise aligned to our brand promise.

Lower oil prices and volatile foreign exchange rates negatively impacting the prospects of oil-exporting countries such as Nigeria, Angola and Ghana.

Risk of foreign exchange volatility, particularly in oil dependent economies and in markets where exchange rates are pegged.

Know Your Client (KYC) regulation being more complex in the rest of Africa, thereby exposing banks to risks of money laundering and fraud.

Skills shortages in the rest of Africa, as in SA, adding to the risk of our strategy not being delivered on, targets being missed, IT systems and other risk-related operational activities, which could result in impairments of investments.

Rest of Africa
Credit
Business
Regulatory

Compliance
Strategic and execution
People
Operational

DELIVERING OUR STRATEGY THROUGH OUR BUSINESS CLUSTERS

BUSINESS CLUSTERS		STRATEGIC FOCUS AREAS
NEDBANK CORPORATE AND INVESTMENT BANKING	■ The Integration of the two wholesale clusters is designed to improve client relationship solutions, increase cross-sell, and facilitate increased market share of transactional accounts and increase trading flow opportunities. This should lift earnings growth rates while maintaining a strong ROE.	
	■ Value-management processes will continue to be expanded to target and unlock uplift opportunities.	
	■ We will focus on strategic growth in the rest of Africa and leveraging off our subsidiaries and alliance partners Ecobank, Bank of China and Canadian Imperial Bank of Commerce. ETI have now moved its Johannesburg office into our premises.	
	■ Trading initiatives will increase trading capabilities across all asset classes.	
	■ We will take advantage of scale and efficiency opportunities.	
NEDBANK RETAIL AND BUSINESS BANKING	■ We will grow the transactional franchise profitably by targeting primary client growth to attract transactional deposits and increase NIR. We aim to lift our main banked market share from between 10% and 11% to more than 15%, with particular emphasis on share in the middle market. This is key to improving the ROE in RBB and is underpinned by five critical enablers:	
	□ *Loyalty and rewards* – Evolve Greenbacks to client-centred programme across all products.	
	□ *Digital innovation* – Go mobile in everything we do, focus on a single-client portal, and take ideas to market effectively, including new features on the Nedbank App Suite™.	
	□ *Process* – Simplify client onboarding and be more consistent, client-friendly and cost-effective across all products. □ *Distribution* – Create an optimised footprint that leverages sales-focused, cost-effective and fit-for-purpose channels of distribution.	
	□ *Winning CVPs* – Provide simple, client-centred products such as Ke Yona, Nedbank 4Me, Dezign, Savvy, Optimum, Professional, as well as Small Business Services and Business Banking offerings.	

Our five strategic focus areas are delivered primarily through our four business clusters and supported by our central clusters in areas such as finance, IT, marketing, human resources, risk, compliance and balance sheet management.

STRATEGIC FOCUS AREAS

- *Client-centred innovation*
- *Growing our transactional banking franchise*
- *Optimise and invest*
- *Strategic portfolio tilt*
- *Pan-African banking network*

BUSINESS CLUSTERS		STRATEGIC FOCUS AREAS
NEDBANK WEALTH	Unlock value through collaboration and broadening non-banking financial services contribution while maintaining high ROEs.	
	Wealth Management intends establishing itself as 'wealth manager of choice by 2020'. This requires ongoing investment in brand, mobile and digital capabilities and attracting the right skills. The business will enhance client-acquisition and servicing processes while ensuring regulatory requirements are met.	
	Asset Management will focus on maintaining its outstanding long-term performance track record. The business will continue leveraging its unique Best of Breed™ proposition while driving growth across its expanded offering.	
	The reorganisation of the Insurance division, concentrating on simple bancassurance products, has been completed and the business will now focus on implementing a single administration platform while insourcing operational elements of its core product set.	

REST OF AFRICA	Build a pan-African banking network by utilising our tiered approach for expansion into the rest of Africa.	
	In the SADC and East Africa we will increase scale and improve compliance and efficiency in our current subsidiaries through a 'one bank' model for the rest of Africa, integrated with SA, to deliver higher growth, efficiency and profitability that is well underway.	
	Expand the Nedbank franchise in selected markets.	
	In central and West Africa we will leverage our investment in ETI to supplement our equity-accounted returns. We aim to deepen our partnership to capture opportunities across the continent from both Nedbank and ETI's client bases and ensure participation in our fair share of deal flow on the continent working with our fellow shareholders Qatar National Bank (QNB), the Public Investment Corporation (PIC) and International Finance Corporation (IFC).	

You may be interested in: Strategic focus areas 27–37

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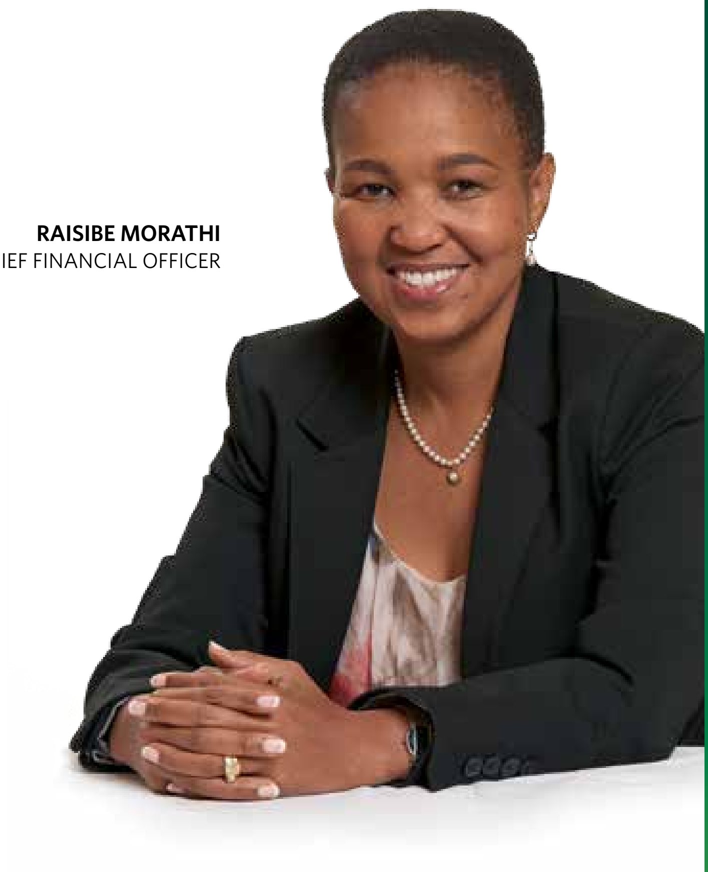
DELIVERING VALUE TO OUR STAKEHOLDERS

DEMONSTRATING VALUE CREATION



RAISIBE MORATHI
CHIEF FINANCIAL OFFICER

'Delivering value to shareholders through strong cost discipline and risk management.'

OVERVIEW OF 2015

Banks are highly correlated to the economic environment in which they operate. The 2015 gross domestic product (GDP) growth of 1,3% for SA was considerably lower than the 2,5% we had forecast in February 2015, with corresponding levels of low credit demand and slower transactional volume growth. The 50 bps increase in interest rates in 2015 has placed further pressure on consumer disposable income and lower commodity prices have increased industry stress.

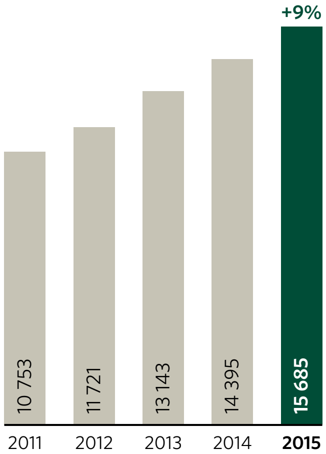
Against this context we continued to create value for our shareholders as demonstrated by:

- headline earnings (HE) growth of 9,6% to R10 831m, supported by preprovisioning operating profit (PPOP) increasing 7,3%;
- return on average ordinary shareholders' equity (ROE) excluding goodwill and ROE of 17,0% and 15,7% respectively, underpinned by return on assets (ROA) of 1,25%;
- economic profit (EP) increasing 19,6% to R2 525m on cost of equity of 13,0%. Had the cost of equity incorporated the movements in long-bond rates in December 2015 as estimated for 2016 to be closer to 15,0%, EP would have decreased 41,0%;
- net asset value per share (NAV) continued to increase, up 9,0% to 15 685 cents per share; and
- full-year dividend of 1 107 cents per share, growing 7,7% ahead of headline earnings per share (HEPS) growth of 7,4%.

Diluted headline earnings per share (DHEPS) grew 8,5% to 2 242 cents, ahead of our 2015 guidance of above nominal GDP growth of around 5,9%. Excluding associate income from our shareholding in ETI and the related funding costs, the group's DHEPS increased 4,8%.

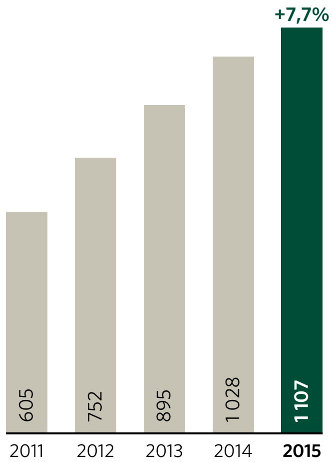
Our balance sheet remained strong at a Basel III common-equity tier 1 (CET1) ratio of 11,3%, well within our 2019

NET ASSET VALUE PER SHARE
(cents)



RETURN ON EQUITY (EXCL GOODWILL) AND COST OF EQUITY
(%)

FULL-YEAR DIVIDEND PER SHARE
(cents)



internal target range of 10,5% to 12,5%. The liquidity coverage ratio (LCR) increased to 88,5%, above the Basel III requirement of 60% in 2015 and 70% in 2016. The group's combined portfolio of LCR-compliant high-quality liquid assets (HQLA) of R118,0bn and other sources of liquidity amounted to R160,7bn, representing 17,4% of total assets.

Solid revenue performance in difficult environment.

KEY HIGHLIGHTS IN OUR RESULTS

Resilient cluster performance

Resilient performance was evidenced in HE growth across our clusters. The increased ROEs in Nedbank Retail and Business Banking (RBB), Wealth was pleasing.

Lower credit loss ratio (CLR) reflective of good risk management.

Strong cost discipline.

Return on assets in Nedbank Corporate and Investment Banking (CIB) reflected a significantly higher capital allocation as we optimised our capital utilisation and responded to regulatory changes.

All our clusters contributed to the group's non-interest revenue (NIR) growth of 7,1%, higher than 2014's growth of 4,9%, which was impacted by our strategic choices. Revenue growth was boosted by RBB's main banked clients, with acquisition of continued investment in our distribution channels, marketing and client-centred innovation. Strong performance from CIB's investment banking and trading divisions, underpinned by improved cross-sell, contributed further to revenue growth.

Our strategic investment of approximately 20% in Ecobank Transnational Incorporated (ETI) has progressed well. Our strategic alliances have gained traction, which resulted in three joint financing deals in 2015 and 74 of our wholesale clients banking with Ecobank.

Core components of SAP enterprisewide resource planning (ERP) successfully implemented.

Improved efficiency and cost savings

Simplifying our business structure from five to four clusters through the integration of Nedbank RBB and CIB as well as the restructuring of our Insurance businesses, has improved efficiencies and delivered cost-savings. The integration of the clusters places the group in a more resilient position relative to the material matters of a tough economic environment, increased competition and regulatory demands.

A key differentiator for banks will be how technology is leveraged to optimise systems and increase efficiency. Through our Managed Evolution strategy we aim to reduce complexity by rationalising our core systems from 250 to 60, of which eight were decommissioned in 2015 and 84 to date.

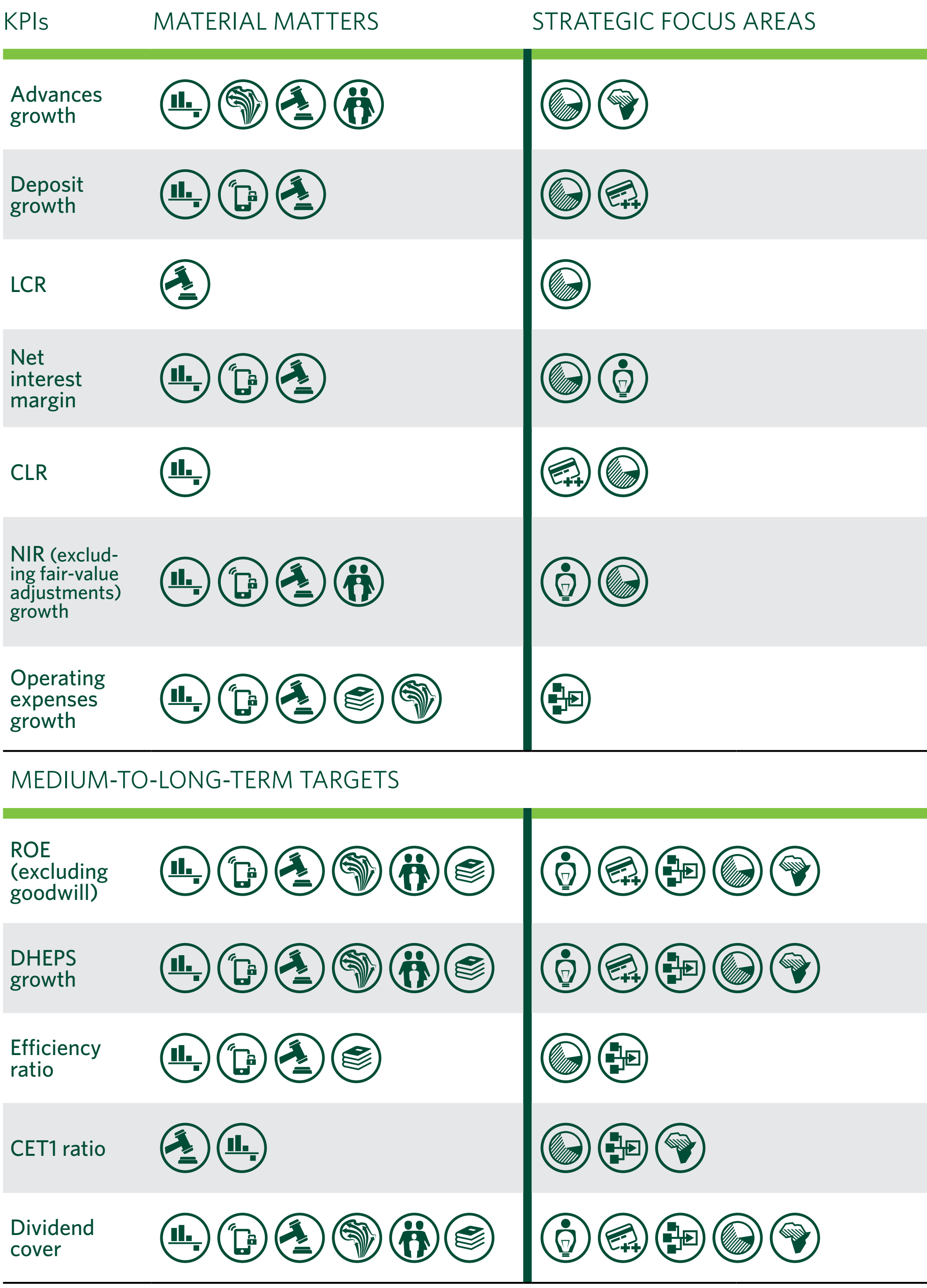
Creating value for our black shareholders through the Eyethu scheme

Nedbank's 2005 SA broad-based black economic empowerment (BBBEE) transaction facilitated broad-based black ownership equating to 11,5% of the then value of the group's SA businesses. The Eyethu BBBEE scheme benefited our black business partners, qualifying non-executive directors, staff across all levels from junior to management, and clients and community interest groups affiliated with the group. With various components maturing in stages starting from 2010, the last significant component of black business partners matured in January 2015. Overall the scheme benefited over 500 000 direct and indirect beneficiaries and created value in excess of R8,2bn.

KEY DRIVERS OF OUR PERFORMANCE

Our performance is strongly influenced by the macroeconomic, competitive and regulatory environments and other material matters identified on pages 19 to 26. However, our outcomes are also shaped by how we respond through our strategic actions, our people and our ability to deliver. To mitigate the potential risks emanating from the material matters and unlock opportunities, our five strategic focus areas, as described on pages 27 to 37, support delivery of our medium-to-long-term targets.

We highlight below the correlation, at a high level, between our key performance indicators (KPIs), medium-to-long-term targets, material matters and strategic focus areas. Together with our six capitals, these factors contributed substantively to the group's results. Our 2015 KPIs can be viewed in relation to the previous year's performance, our medium-to-long term targets and our outlook for 2016.



MATERIAL MATTERS

- *Tough economic conditions with limited forward visibility*
- *Banking relevance amid consumerism and increased competition*
- *Increased demands on governance, regulation and risk management*
- *Growth opportunities in the rest of Africa*
- *Transformation of society within planetary boundaries*
- *Scarce skills*

STRATEGIC FOCUS AREAS

- *Client-centred innovation*
- *Growing our transactional banking franchise*
- *Optimise and invest*
- *Strategic portfolio tilt*
- *Pan-African banking network*

KPIs 2014	KPIs **2015**	Performance against 2015 guidance	**Medium-to-long-term targets**	**Outlook for 2016**
5,8%	**11,2%**	✓	No guidance	Mid- to upper-single-digit growth
8,4%	**11,1%**	No guidance	No guidance	No guidance
66,4%	**88,5%**	No guidance	> 100% by January 2019	Above the 70% regulatory requirement
352 bps	**330 bps**	✓	No guidance	In line with the 2015 level of 3,30%
79 bps	**77 bps**	✓	Between 60 and 100 bps of average banking advances	Within target range
4,9%	**7,1%**	✓	NIR-to-expense ratio: > 85%	Above mid-single-digit growth (excluding fair-value adjustments and prior to the first-time consolidation of Banco Único)
9,4%	**6,4%**	✓	NIR-to-expense ratio: > 85%	Mid- to upper-single-digit growth (prior to the first-time consolidation of Banco Único)
17,2%	**17,0%**	✓	5% above cost of ordinary shareholders' equity (to be reviewed during 2016)	Below target
13,0%	**8,5%**	✓	≥ consumer price index + GDP growth + 5%	Below 2015 growth and below target
56,5%	**56,1%**	✓	50,0% to 53,0%	Above target
11,6%	**11,3%**	✓	10,5% to 12,5%	Within target range
2,07 times	**2,06 times**	✓	1,75 to 2,25 times	Within target range

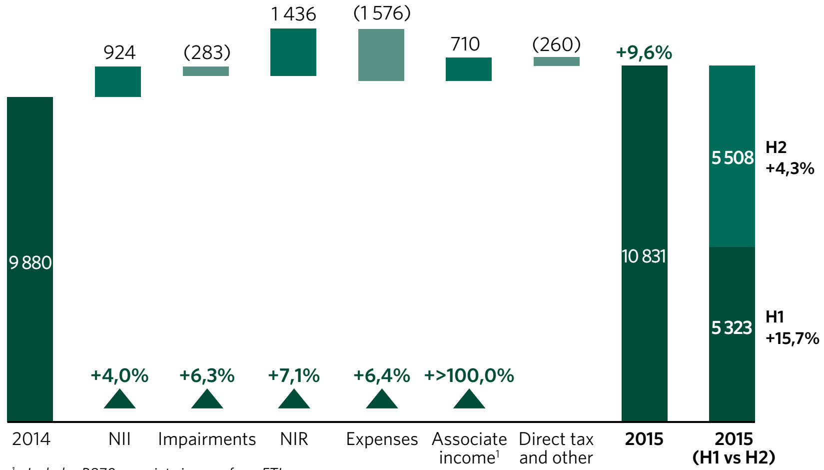
ANALYSIS OF FINANCIAL PERFORMANCE

The following analysis of the group's financial performance should be read in conjunction with the strategic focus areas covered on pages 27 to 37 of this report. A more detailed analysis is available in the group's 2015 Results Booklet and Annual Financial Statements, on the group's website at nedbankgroup.co.za.

Delivering headline earnings growth through our strategic focus areas

2015 was a year of two halves for the group, with earnings growth stronger in the first half of the year, boosted by first inclusion of ETI, robust trading revenues and a weaker base in H1 2014. Growth slowed in the second half, as NIR was impacted by reduced levels of interchange and higher levels of impairments arose in CIB.

HEADLINE EARNINGS
(Rm)



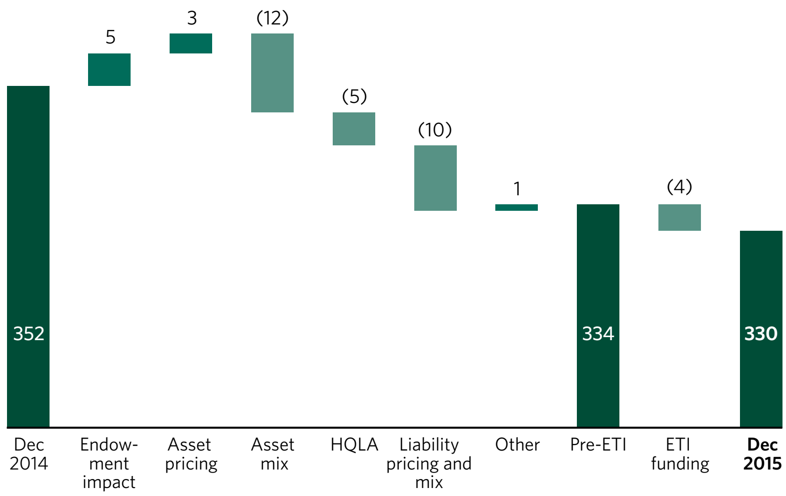
[1] *Includes R870 associate income from ETI.*

Net interest income

Making tradeoffs as we build a platform for sustainable growth

Net interest income (NII) grew 4,0% to R23 885m supported by growth in average interest-earning banking assets of 11,0%. The net interest margin (NIM) narrowed to 3,30% as endowment income and repricing benefits were offset by asset and liability margin compression.

NET INTEREST MARGIN
(bps)



Asset margins continued to be impacted by asset mix changes due to a higher proportion of low-margin wholesale advances relative to higher-margin retail advances. HQLA, with a negative carry, also increased as we build our LCR. Liability margin compression resulted from the higher cost of wholesale funding, improving our liquidity profile, the impact of prime Johannesburg Interbank Agreed Rate (JIBAR) basis risk and competition for Basel III-friendly deposits.

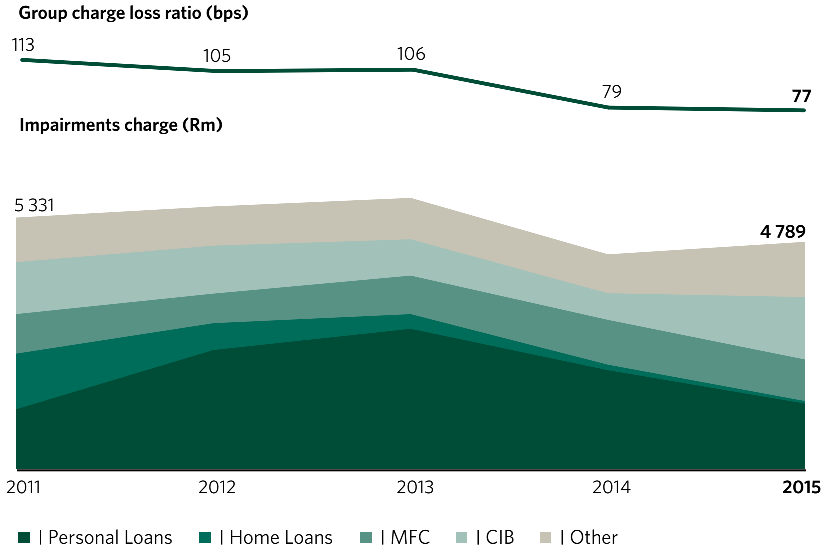
Impairments charge on loans and advances

Mitigating effects of economic headwinds

Impairments increased 6,3% to R4 789m and the CLR improved slightly to 0,77% as continued improvements in retail impairments were offset by increased impairments in the wholesale clusters.

The group's through-the-cycle range for the CLR changed to between 0,6% and 1,0%, from 0,8% and 1,2% of banking advances from 2016 onwards. The change reflects the reduction in the proportion of the total book represented by personal loans from 4,2% in 2010 when the previous CLR target range was set to 2,7% in 2015.

CREDIT LOSS RATIO – REFLECTIVE OF QUALITY PORTFOLIO

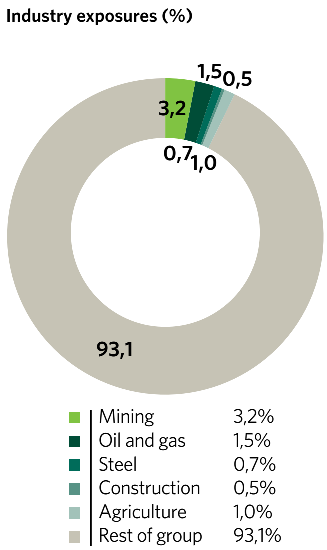


Other includes the rest of RBB, Wealth, Rest of Africa and Centre.

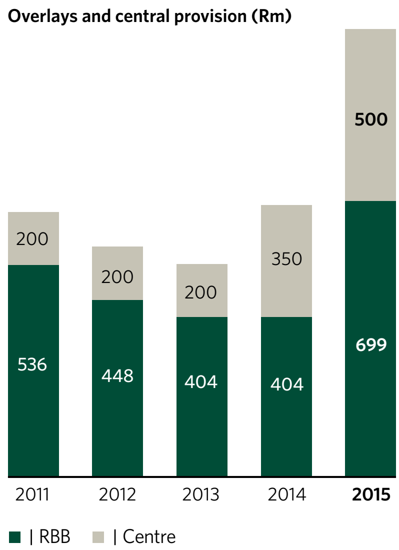
Defaulted advances increased 10,8% to R17 559m while the group's total coverage ratio and specific coverage ratio declined to 65,0% and 38,0% respectively, in line with improvements in retail impairments and the change in mix of retail and wholesale defaulted advances. Our strong collections focus led to postwriteoff recoveries increasing 20,8% to R1 137m, including recoveries in Retail of R1 015m, indicative of ongoing conservative provisioning levels.

Stress testing performed confirmed that exposures to stressed industries are diversified and well within their respective risk limits. RBB's impairment overlay increased to R699m (2014: R404m) which takes into consideration, inter alia, an estimate of the impairment impact that has been incurred in our agricultural book as a result of the drought and in our personal loans book due to job losses in the mining sector but are not yet evident. The central provision was further strengthened to R500m to take into account risks, particularly in commodities and in the Rest of Africa, that have been incurred but are only expected to emerge in 2016.

MANAGING OUR RISKS AND EXPOSURES – BOLSTERING PORTFOLIO PROVISIONING AND OVERLAYS



On-balance-sheet exposures: R762bn.



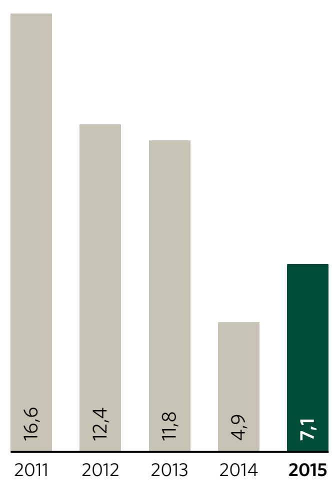
Non-interest revenue

Resilient NIR growth from transactional banking activities

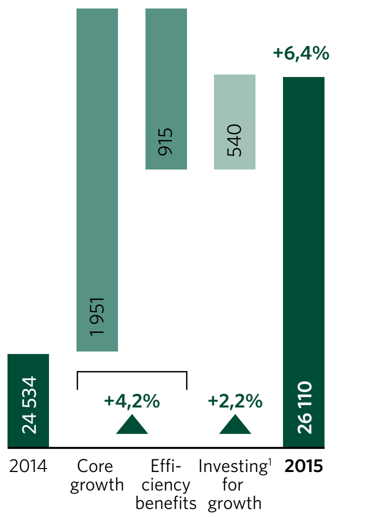
NIR increased 7,1% to R21 748m, driven by:

- Commission and fee income growth of 7,3% to R15 627m, supported by continued client acquisitions, cross-sell and annual inflation-related fee increases. Growth was achieved despite lower card interchange rates amounting to R261m, the continued slowdown in personal loans and the run rate effect of pricing reductions in the second half of 2014.
- Trading income growth of 19,6% to R3 167m following improved cross-sell and a strong performance from our client-led Markets business.
- Insurance income reduced 7,9% owing to the historic slowdown in retail unsecured lending volumes, partially offset by a good weather-related claims experience.
- Private-equity income, being of a less predictable nature, increasing 16,3% to R886m mostly from equity realisations.

NON-INTEREST REVENUE GROWTH (%)



EXPENSES
(Rm)



[1] *Investing for growth includes: branch of future: R194m; strategic IT costs: R180m; compliance cost: R88m and Rest of Africa: R77m.*

Expenses

Disciplined expense management while continuing to invest for growth

Expenses were well managed and grew at 6,4% to R26 110m, notwithstanding continued investment in our RBB and Rest of Africa Clusters and the ongoing cost of compliance given increasing regulatory demands. Excluding the Rest of Africa Cluster, expenses grew at 5,6%.

The main drivers were:

- Staff-related costs rising 3,3%, reflecting an increase in salary costs of 6,7%, additional staff employed in regulatory compliance support functions, and 2,4% lower variable performance-related incentives. More details on our incentive schemes are available on page 118 of the detailed 2015 Remuneration Report, available at nedbankgroup.co.za.
- Computer processing costs growing 14,4% to R3 543m, including depreciation costs of R718m, up 9,6%, relating to our Managed Evolution systems implementation.
- Fees and insurance costs increasing 23,9% to R2 801m due to increased costs associated with cash handling, compliance and higher volumes of card issuing and acquiring.

Our strong cost discipline and focus on efficiencies through our 'optimise and invest' strategy led to cost efficiencies of R915m. Revenue growth ahead of expense growth, compared with prior periods, resulted in an improved efficiency ratio of 56,1% and contributed to a positive jaws ratio of 0,6%.

Associate income

Generating long-term value from our strategic investments

Associate income, largely from our share of approximately 20% of ETI's attributable income, increased to R871m. Associate income is equity-accounted one quarter in arrear using ETI's publicly disclosed results. The related funding costs of R370m are included in NII.

At 31 December 2015 the carrying value of our investment in ETI was R7,8bn. Given ETI's exposure of approximately 40% to Nigeria and oil-based economies, its market value of R6,9bn was 13% below the carrying value.

A value-in-use test was performed on our investment in ETI, which positively supports the carrying value as this takes into account that ETI is a strategic investment offering long-term value, despite headwinds in oil-dependent economies.

Maintained balance sheet strength to support our growth strategy

Capital

Managing capital efficiently

The group maintained a well-capitalised balance sheet with our CET1 ratio of 11,3%, well within our Basel III 2019 internal target range.

Basel III[1]	Dec 2015	Jun 2015	Dec 2014	Internal target range	Regulatory minimum[1]
CET1 ratio	11,3%	11,4%	11,6%	10,5–12,5%	6,5%
Tier 1 ratio	12,0%	12,1%	12,5%	11,5–13,0%	8,0%
Total capital ratio	14,1%	14,5%	14,6%	14,0–15,0%	10,0%

Ratios calculated include unappropriated profits.

[1] *The Basel III regulatory requirements (excluding unappropriated profits) are being phased in between 2013 and 2019 and exclude the Pillar 2b addon.*

The CET1 ratio was impacted by risk-weighted assets (RWA) growing 13,7% to R501,2bn (2014: R440,7bn) as a result of:

- ratings migration across certain wholesale portfolios in line with the deteriorating economic environment;
- an industrywide credit valuation adjustment (CVA) capital charge by the South African Reserve Bank (SARB) for over-the-counter ZAR derivatives and derivatives with local counterparties not cleared through a centralised clearing system, which increased RWA by R6,5bn; and
- growth in loans and advances.

Tier 1 and total capital ratios continued to be affected by the Basel III transitional requirements. Consequently, the tier 1 ratio decreased following the redemption of R1,8bn of old-style hybrid debt, and the total capital ratio decreased with the redemption of NED11, representing R1bn of old-style tier 2 subordinated-debt, on its call date in September 2015. This was partially offset by the issuance of R2,3bn of new-style Basel III-compliant tier 2 subordinated-debt instruments.

Funding and liquidity

Building and diversifying our funding profile

Our funding profile and liquidity position remains strong and well diversified as reflected by the group's fourth-quarter average long-term funding ratio increasing from 25,4% to 28,7%, above the peer average of 22,1%, while short-term funding decreased from around 56% to 53%. Total funding-related liabilities grew 11,9% to R770,8bn, including R15,5bn of long-term debt capital market funding issued as part of our strategy to lengthen the funding profile.

The group's average LCR for the fourth quarter increased to 88,5% from 66,4%, exceeding the minimum regulatory requirement, which increased from 60% in 2015 to 70% from 1 January 2016. Our portfolio of LCR-compliant HQLA increased to a fourth-quarter average of R118,0bn (2014: fourth-quarter average R91,4bn). In addition to LCR-qualifying HQLA, Nedbank also holds other sources of stress liquidity, including corporate bonds, listed equities and other marketable securities that can be accessed in times of stress. Nedbank's combined portfolio of LCR-compliant HQLA and other sources of quick liquidity amounted to R160,7bn at December 2015, representing 17,4% of total assets.

Loans and advances

Lending responsibly and sustainably through choosing value over volume

Loans and advances grew 11,2% to R681,6bn and, excluding lower-yielding trading advances, banking advances increased 10,5% following gross new payouts of R184,7bn.

Banking advances growth was primarily driven by CIB advances as a result of drawdowns in credit extended to clients in the renewable-energy and commercial property sectors, as well as stronger growth in Rest of Africa and Wealth.

Growth in RBB's advances of 4,1%, was driven by home loans, vehicle finance and cards, while Personal Loans decreased at a slower rate of 4,5% versus 16,4% in the comparative period. The mix in advances reflects increased pressure in the consumer market, resulting in RBB's proportion of the mix reducing from 48,6% in 2011 to 41,1% in 2015.

Deposits

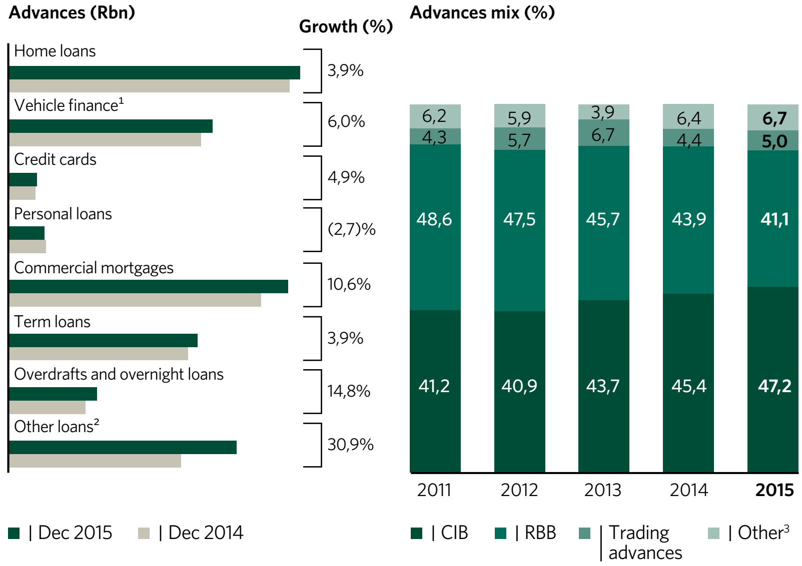
Quality growth and improved funding profile

The group's strategy of building its deposit franchise through innovative products and competitive pricing led to deposit growth of 11,1% to R725,9bn, resulting in a loan-to-deposit ratio of 93,9%.

Current accounts increased 8,6%, in line with the 8,5% growth in main banked clients. Our savings accounts grew 20,3%, with good takeup of our tax-free savings product, GoalSave, and foreign currency savings deposits in Nedbank Wealth, reflecting higher values as a result of a weaker rand. Growth in fixed deposits of 14,0% and in negotiable certificates of deposit (NCDs) of 16,7% was driven by demand for longer-term deposits on the back of increased interest rate expectations. Call and term deposits increased 7,2%. Nedbank also successfully increased foreign currency funding by 50,8% to support foreign denominated lending and to diversify the funding base.

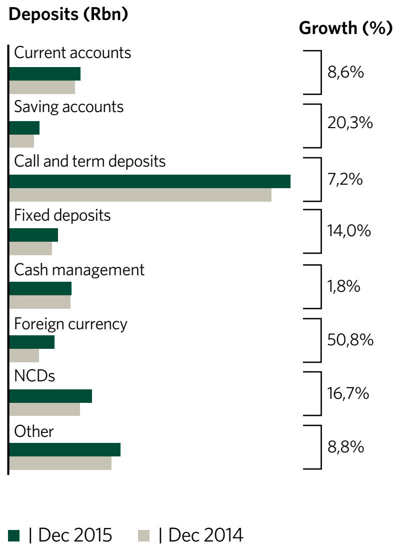
We continued to focus on growing Basel III-friendly deposits, emphasising retail and commercial deposits and reducing reliance on wholesale funding.

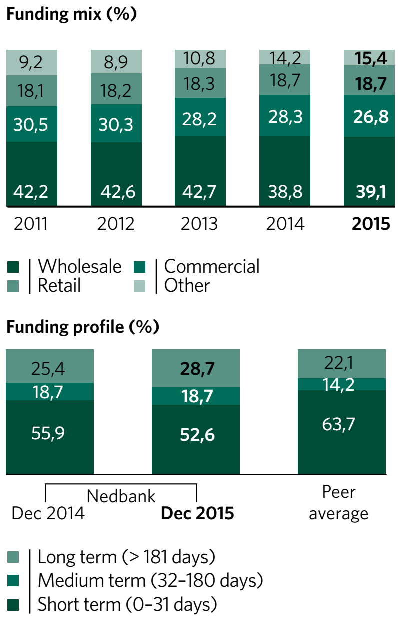
ADVANCES UP 11,2% – WHOLESALE GROWTH STILL AHEAD OF RETAIL GROWTH



[1] Leases and instalment debtors.
[2] Other loans include properties in possession, remittances, factoring accounts, trade bills and other loans in CIB.
[3] Other includes Nedbank Wealth, Rest of Africa and Centre.

DEPOSITS UP 11,1% – QUALITY GROWTH AND IMPROVED FUNDING PROFILE





Other deposits include other deposits, positive balances on loan accounts and deposits placed under repurchase agreements.
Nedbank funding profile Q4 2015 average.
Peers at December 2015 per BA 900.

KEY ACCOUNTING CONCEPTS

Nedbank Group's principal accounting policies have been prepared in terms of International Financial Reporting Standards (IFRS) of the International Accounting Standards Board and have been applied consistently over the current and prior financial year. The following accounting policies have been highlighted as a result of significant events occurring during the current period affecting the group's use thereof:

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

The five-year track record is an extract of the consolidated financial statements of Nedbank Group Ltd and does not contain full or complete information. Any investment decision should be based on the consolidated financial statements of Nedbank Group Ltd. These consolidated financial statements, including a comprehensive list of the group's accounting policies is available at nedbankgroup.co.za.

ENGAGING OUR AUDIT COMMITTEE

We remain accountable to the Audit Committee concerning the adequacy of processes and controls, the quality of financial results and significant judgements and accounting issues.

LOOKING AHEAD

In the current environment the forecast risk remains elevated and, as a result, our guidance for performance in the year ahead is harder to formulate. In this context we currently forecast that growth in DHEPS for 2016 will be lower than our performance in 2015 and below our medium-to-long-term target. Given the increased forecast risk, we will update this guidance at the time of our interim 2016 results.

Our medium-to-long-term targets, included in the table on pages 46 and 47, remain unchanged, with the exception of the CLR through-the-cycle target range, which changed to between 0,6% and 1,0% from between 0,8% and 1,2% of banking advances. This change reflects the reduction in the proportion of the total book represented by personal loans, from 4,2% – when the previous target range was set – to 2,7%. The group's cost of equity (COE) for 2016 has been increased from 13,0% to 15,0% to capture the higher cost of capital imputed by the increase in the SA long-bond yield during 2015. During 2016, we will consider the appropriateness of our current medium-to-long-term target for ROE (excluding goodwill), which is COE plus 5%, given the significant revision of our 2016 COE to 15%.

The year ahead will also entail further preparation for IFRS 9. Industry working groups together with SARB and audit firms have been established to ensure broad consistency of modelling and disclosure approaches across SA banks. The primary challenge of implementing IFRS 9 will be the inclusion of macroeconomic forecasts, particularly under current volatile and uncertain macroeconomic conditions where forecast risk is high.

For IFRS 15: Revenue Recognition (effective from 1 January 2018) management will continue to treat this as an area of emphasis during for the upcoming year.

To date the group has made good progress on the IFRS 9 programme. We developed a number of pilot models in 2015 and anticipate that the balance of the models will be completed in 2016. As IFRS 9 goes live in 2018, much of the work must be completed by the end of 2016 to enable a smooth parallel run in 2017.

APPRECIATION

I would like to thank our stakeholders for their support during 2015 and, most of all, our finance teams across the group for their hard work and ongoing commitment in producing outstanding financial reporting.

Raisibe Morathi
Chief Financial Officer

FIVE-YEAR TRACK RECORD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Rm	Four-year CAGR %	2015	2014	2013	2012	2011
NII	7,3	**23 885**	22 961	21 220	19 680	18 034
Impairments charge on loans and advances	(2,6)	**(4 789)**	(4 506)	(5 565)	(5 199)	(5 331)
Income from lending activities	10,7	**19 096**	18 455	15 655	14 481	12 703
NIR	9,0	**21 748**	20 312	19 361	17 324	15 412
Total operating expenses	8,4	**(26 110)**	(24 534)	(22 419)	(20 563)	(18 919)
Indirect taxation	11,6	**(783)**	(635)	(601)	(561)	(505)
Share of profits from associate companies and joint arrangements		**871**	161	27	1	0
Headline profit before direct taxation	14,3	**14 822**	13 759	12 023	10 682	8 691
Direct taxation	12,8	**(3 550)**	(3 487)	(3 033)	(2 861)	(2 194)
Non-controlling interest	8,9	**(441)**	(392)	(320)	(338)	(313)
HE	15,0	**10 831**	9 880	8 670	7 483	6 184
EP	28,57	**2 525**	2 112	2 114	1 521	924
Share statistics						
Earnings per share:						
■ Headline (cents)	13,7	**2 284**	2 127	1 884	1 640	1 365
■ Diluted headline (cents)	13,7	**2 242**	2 066	1 829	1 590	1 340
Dividends/Distributions:						
■ Declared per share (cents)	16,3	**1 107**	1 028	895	752	605
■ Dividend cover (times)		**2,06**	2,07	2,11	2,18	2,26

CAGR: compound annual growth rate

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rm	Four-year CAGR %	2015	2014	2013	2012	2011
Cash and securities	16,8	**172 002**	123 323	108 774	98 467	92 459
Loans and advances	8,1	**681 632**	613 021	579 372	527 166	499 023
Other assets	6,2	**72 092**	72 969	61 448	57 325	56 645
Total assets	9,3	**925 726**	809 313	749 594	682 958	648 127
Total equity attributable to equity holders of the parent	11,2	**74 754**	67 024	60 617	53 601	48 946
Non-controlling interest	1,7	**3 997**	3 887	3 719	3 774	3 739
Amounts owed to depositors	8,5	**725 851**	653 450	602 952	550 878	524 130
Provisions and other liabilities	16,1	**76 142**	49 314	49 083	44 407	41 870
Long-term debt instruments	11,2	**44 982**	35 638	33 268	30 298	29 442
Total equity and liabilities	9,3	**925 726**	809 313	749 594	682 958	648 127
Assets:						
■ Assets under management	23,0	**257 295**	212 013	190 341	150 495	112 231
■ Total assets administered by the group	11,7	**1 183 021**	1 021 326	939 935	833 453	760 358
NAV per share (cents)	9,9	**15 685**	14 395	13 143	11 721	10 753
Tangible NAV per share (cents)	11,1	**13 794**	12 553	11 346	9 989	9 044
Key ratios						
ROE (%)		**15,7**	15,8	15,6	14,8	13,6
ROE (excluding goodwill) (%)		**17,0**	17,2	17,2	16,4	15,3
Return on total assets (%)		**1,25**	1,27	1,23	1,13	0,99
NII to interest-earning banking assets (%)		**3,30**	3,52	3,57	3,53	3,48
CLR – banking advances (%)		**0,77**	0,79	1,06	1,05	1,13
Non-interest revenue to total operating expenses (%)		**83,3**	82,8	86,4	84,2	81,5
Efficiency ratio (including associate income)		**56,1**	56,5	55,2	22,6	56,6
Effective taxation rate		**24,0**	25,3	25,2	26,8	25,2

CAGR: compound annual growth rate

ENGAGING WITH OUR STAKEHOLDERS

We recognise that our business is but one of the stakeholders in the socioeconomic and environmental system and as such we are dependent on robust relationships with all other stakeholders. We appreciate the role of our stakeholders and are committed to nurturing impactful relationships that deliver mutual benefits.

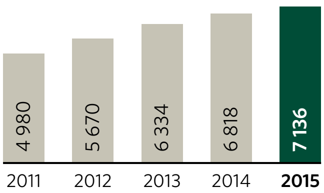
VALUE-ADDED STATEMENT

NET INTEREST INCOME **R23 885m** + IMPAIRMENT LOSSES ON LOANS AND ADVANCES **(R4 789m)** + OTHER BANKING INCOME **R22 478m** = VALUE ADDED **R41 574m**✓

VALUE ALLOCATED

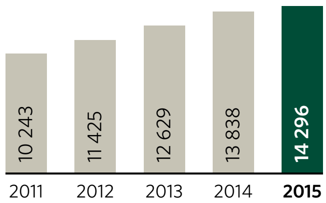
RETENTIONS FOR GROWTH
(Rm)

17,2%



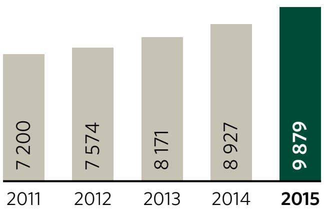
STAFF EXPENSES
(Rm)

34,4%



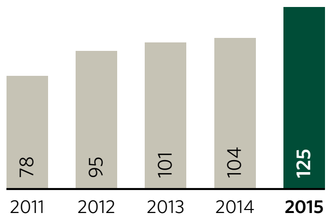
OTHER EXPENDITURE[1]
(Rm)

23,8%



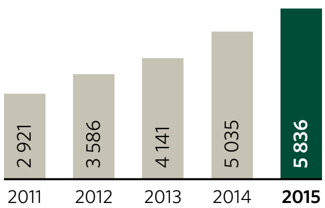
SOCIOECONOMIC DEVELOPMENT SPEND[4]
(Rm)

0,3%



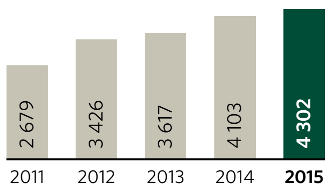
DIVIDENDS PAID TO SHAREHOLDERS[2]
(Rm)

14,0%



GOVERNMENT (TAXES)[3]
(Rm)

10,3%



You may be interested in:

Staff 56–58 | Clients 59–62 | Investors 63–65 | Regulators 66–68 | Communities 69–71

OUR STAKEHOLDER ENGAGEMENT FRAMEWORK

While the Nedbank Group Executive Committee (Group Exco) has ultimate responsibility for our group's stakeholder engagement efforts, the process of engaging with stakeholders is decentralised to form part of the operations of our various clusters and business areas.

Cluster-based stakeholder engagement is governed by a comprehensive group stakeholder engagement framework and policy, which includes our corporate identity and communication guidelines and aligns with the recommendations of King III. Each business area is required to report regularly on its stakeholder engagements through the Group Exco.

The following pages provide an overview of how we delivered value to our stakeholders in 2015:

1 Includes expenses relating to computer processing, communication and travel, occupation and accommodation, marketing and public relations as well as fees and insurance.

2 Value is allocated to shareholders in respect of cash dividends (but does not include the underlying value of capitalisation shares awarded).

3 Includes direct and indirect taxation.

4 Financial Services Code qualifying spend.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

	Yoy change	2015	2014	2013	2012	2011
Staff						
Total permanent staff	▲	**31 312**	30 499	29 513	28 748	28 494
Staff attrition (%)	▲	**9,9**✓	8,9	8,7	8,2	7,6
Lost-time injury frequency rate (LTIFR)	▲	**0,16**	0,17	0,14	0,22	0,06
Women as % of total staff complement (%)	▼	**62,2**	62,7	62,7	63,0	62,1
Black women in leadership (Group Exco) (%)	▲	**13,3**✓	6,7	12,5	12,5	11,8
Training investment (Rm)	▼	**370**	491	396	352	301
Clients						
Total clients (millions)	▲	**7,4**	7,1	6,7	6,1	5,5
Main banked clients (millions)	▲	**2,70**✓	2,49	2,33	2,41	2,24
Total digitally enabled clients (millions)	▲	**3,11**	2,22	1,49	1,17	0,89
Number of staffed outlets	▼	**1 143**	1 185	1 185	1 199	1 145
Number of ATMs	▲	**3 840**	3 711	3 499	3 146	2 663
Shareholders						
Total shareholder return (TSR) (%)	▼	**(19,8)**	23,2	16,0	34,3	15,3
Share price performance (%)	▼	**(24,3)**	18,6	11,7	29,7	11,2
Full-year dividend per share (cents)	▲	**1 107**	1 028	895	752	605
Price-to-book ratio (%)	▼	**1,20**	1,73	1,60	1,59	1,37
Dividend yield (%)	▲	**5,9**	4,1	4,3	4,0	4,2
Regulators						
Industry working groups and forums participated in[1]	▲	**16**	12	12	4	4
Adverse findings by industry ombudsmen and adjudicators[2]	▶	**None**	None	None	None	None
Number of regulatory fines and penalties[3]	▼	**0**	1	0	0	0
Communities						
Environment						
■ Green Star-rated buildings	▲	**7**	6	3	3	2
■ Carbon footprint per fulltime employee (tCO_2e)	▼	**6,97**	7,08	7,61	7,89	7,74
■ Offset through carbon emission reduction projects (tCO_2e)	▼	**220 000**	225 000	230 000	240 000	240 000
■ Carbon status	▶	**Neutral**	Neutral	Neutral	Neutral	Neutral
■ Finance assessed under the Equator Principles (US$m)	▲	**589**	319	965	938	172
Social						
■ Total socioeconomic spend (group) (Rm)	▲	**136**	112	111	116	89
■ Total socioeconomic spend (as % of net profit after tax) (%)	▲	**1,42**	1,34	1,54	1,94	1,99
■ Consumer financial education (participants)	▲	**260 000**[4]	400 000	54 000	25 000	22 000
Procurement						
■ Total procurement spend (Rbn)	▲	**10,7**	10,6	9,6	9,4	8,3
■ Local procurement spend (Rbn)	▼	**8,0**	8,5	6,9	6,9	6,4
■ Local procurement spend as % of total spend (%)	▼	**75**	80	74	74	77

[1] *Excludes Aruna attendance to legal committee.*
[2] *No determinations made against Nedbank, but there were settlements.*
[3] *Excludes other immaterial penalties paid, such as those for late payments for the JSE Ltd ('the JSE') and tax.*
[4] *The decrease in 2015 is largely due to an increased focus on broader education initiatives through other channels such as community radio broadcasts rather than face-to-face initiatives. Including these media initiatives, we have reached an estimated 3,67m consumers.*

INVESTING IN OUR STAFF

While client focus is a key component of our strategy, we recognise that the responsibility to deliver exceptional client experiences rests primarily with our staffmembers.

714
new permanent staff

31 312
permanent staff

WHO ARE OUR STAFF?

- 62,2% female staffmembers, 37,8% male staffmembers.
- 76,6% of our staff are black
- 10,4% of our staff are younger than 26 years and 14,8% over 55 years.
- 28,1% of our staff have a tenure of more than 10 years.
- 3,5% of our staff have disabilities.

WHAT DO THEY EXPECT OF US?

- Career development opportunities across all levels.
- Optimised organisational structure
- Effective performance management and recognition.
- Progress on the transformation of the Nedbank staff profile, promoting and enabling diversity and inclusivity.
- Effective employee relations.
- A safe, positive and inspiring work environment.

ENGAGING WITH OUR STAFF

We engage with our staff on an ongoing basis at all levels. Feedback and input from our staff assists us in understanding and responding to their needs and concerns and improving their working environment experience, ultimately improving the performance of the bank. Regular communication also takes place to provide staff with strategic direction and keep them informed about group activities.

In addition to the regular, direct communication between managers, teams and individuals, specific employee engagements in 2015 included the following:

- Group Exco communication sessions.
- The Barrett Culture Survey and the Nedbank Staff Survey (NSS).
- Nedbank results presentations.
- Chief Executive and cluster head roadshows across SA and the Southern African Development Community (SADC) offices.
- Regular electronic and printed newsletters.
- Cluster and group recognition functions, culminating in an international trip for top achievers.
- The annual Employment Equity Summit.

Staff attrition level
9,9%✓

Related material matters

You may be interested in:

Optimise and invest
32 and 33

2015 Remuneration Report
124–133

HOW WE DELIVERED VALUE TO OUR STAFF

HOW DID WE PERFORM? (OUTCOMES)

	KPIs			
	Metric	**2015**	2014	**Outlook for 2016**
New jobs and career development				
New permanent job opportunities were created in 2015 as Nedbank continued to expand its accessibility, particularly in the rest of Africa, and to comply with regulatory requirements.	New permanent employees	**714**	380	We will continue to manage headcount judiciously in an environment of revenue pressure.
Continued establishing a pipeline of young leaders through the Nedbank Graduate Programme.	Retention of graduates appointed	**43,3% of 44**	69,4% of 39	Nedbank will continue to establish a talent pipeline and strive to fill scarce-skills roles within the organisation.
Cocreated the Old Mutual Rotation Programme pilot, an intercompany talent management programme aimed at high-potential middle management talent.	Mobility of talent across the Old Mutual group of companies and broadening of skills, and cultural and commercial experience.			The programme is expected to continue running through 2016.
Nedbank Leadership Academy prepares leaders for broader and more complex roles.	Full performance of leaders.			Leadership Lekgotla in March 2016 to discuss and decide on leadership footprint for a winning strategy.
Optimised organisational structure				
Successfully integrated Nedbank Corporate and Nedbank Capital into Nedbank CIB, and the backoffice operations of Retail and Business Banking into Nedbank RBB. We reorganised our insurance businesses resulting in the merger of our previously separate businesses under Nedbank Insurance.				No further major structural changes anticipated.
Transformation				
Ranked in the top five for the Department of Labour's inaugural Employment Equity Awards and presented with a certificate of recognition.				
Continued progress in delivering our transformation strategy. While our persons-with-disabilities representation decreased slightly, it remained well above the 1,6% average for SA government entities.	Female staff Black staff Staff with disabilities	**62,2%** **76,9%** **3,5%**	62,7% 75,9% 3,8%	Driving effective and sustainable organisational transformation remains a key pillar of Nedbank Group's overall people strategy.
Our Batho Pele programme was halted in order to shift focus towards piloting our Inclusion Project in June 2015. This initiative focuses primarily on raising our levels of inclusion as a means of further entrenching diversity, innovation and collaboration across our group.				Development of transformation-led initiatives based on learnings from the pilot.
Employee relations				
We terminated the 1999 Recognition Agreement between Nedbank and the two recognised unions (SASBO and IBSA) and entered into a new recognition agreement with SASBO only (IBSA's representation of members did not meet the minimum threshold).	Average unionised salary increase negotiated	**7,5%**	8,2%	The new recognition agreement will not only strengthen our relationship with trade unions, but also enhance the collective bargaining process.
A significant drop in the number of reported incidents of misconduct.	Incidents reported	**14 242**	18 437	We will concentrate on understanding the new legislation and incorporating it into management practices. We will embark on building capacity for line management to manage the employment relationship effectively, fairly and in line with best practice and legislative guidelines.
A relatively low number of CCMA referrals, compared with the total number of misconduct incidents, illustrates the effectiveness of our employee relations management processes.	CCMA referrals	**139**	98	
Employee wellbeing and work environment				
The slight decrease in employee survey outcomes is likely as a result of structural changes across the organisation and the difficult economic environment. The engagement score remains in the high-performance range of employers, which is above 66%.	Entropy NSS Hewitt Engagement score	**13%** **75%** **70%**	12% 76,4% 72%	We expect an improvement in our staff survey results after the organisational change, but this will be tempered by the challenging environment.

SASBO: South African Society of Banking Officials.
IBSA: Insurance and Banking Staff Association.
CCMA: Commission for Conciliation, Mediation and Arbitration.

REFLECTING ON 2015 AND LOOKING AHEAD

2015 was a year of great change in Nedbank and despite the occasional difficulty, saw the successful implementation of organisational structure changes and several other projects that affect our staff.

The project to reprofile all jobs in line with the SAP implementation, reduced job profiles from over 3 000 to 1 038. The new profiles are role-specific, use a common competency approach and ensure that employees doing the same job are linked to the same profile.

Ensuring that our job profiles are updated and standardised not only enhances fairness and consistency when recruiting, assessing and developing employees, but also creates a consistent, common understanding of job requirements, among both employees and line managers, regardless of the cluster or department that the job appears in. This also improves options for employee career mobility as the expectations of the job content in different areas of our bank are similar.

The year also saw the creation of a resource planning policy, which sets out how resource planning is to be managed in the group. It covers strategic workforce planning, scarce skills, headcount planning, organisation design, job profiling and competency management and is supported by detailed operating procedures and practices.

KEY RISKS AND OPPORTUNITIES

In 2015 the main risks and opportunities in terms of our ability to deliver value to our employees and equip and enable them to realise their full potential, were identified as follows:

Systems that drive the right behaviours
In November 2015 the SAP Human Capital Management (HCM) technology platform was implemented across Nedbank. It replaced a plethora of old, non-integrated HR systems as a single, integrated, state-of-the-art solution that opens the door for us to implement world best HR systems practices that drive consistent, rationalised, standardised and simplified processes across our group. SAP HCM has effectively transformed HR in Nedbank through the introduction of a new operating model that delivers improved efficiencies and effectiveness.

The acquisition and retention of staff in a skills constrained environment

- Career mobility is a challenge at certain employee and manager levels due to low attrition rates. Career development and succession processes were implemented in order for us to achieve our strategic objectives by ensuring that we have the right skills, in the right place, to succeed. It ensures that our people risk is mitigated, that business continuity is enabled, and that we retain our valuable institutional knowledge.
- In 2015 we cocreated the Old Mutual Rotation Programme pilot, which is an intercompany talent management programme aimed at broadening the commercial and cultural experience of mid-career high-potential employees who can drive Nedbank and the Old Mutual Group. It is intended to encourage greater mobility of talent across the Old Mutual group of companies.
- A centralised recruitment team was also created in order to enhance efficiencies and bolster the effectiveness of our recruitment processes. It is anticipated that this will result in an improved and more consistent candidate experience and increased overall recruitment efficiencies.

Potential disruption and employee insecurity caused by organisational restructuring
The Capital and Corporate business unit merge began in 2014 and was concluded during 2015. Effective change management ensured a seamless and effective process with minimal impact on the business and our employees. We do not anticipate large numbers of retrenchments as internal redeployment remains the first course of action. All restructuring initiatives are undertaken with a focus on transparency, employee engagement and ongoing change management.

CASE IN POINT

PEOPLE 2020

Moving towards the future of people management

People 2020 is the name assigned to our HR transformation journey. It is a journey that involves the integration and enablement of business, people, technology and process through carefully designed and executed strategic and innovative people management practices, policies and procedures.

At the heart of Nedbank's Winning in 2020 strategy is a workforce that is empowered, engaged, motivated, energised and enabled to make a real contribution to our bank's culture, performance and bottomline. Management recognises that it has the responsibility to make sure that we not only have the right people, in the right positions, across our organisation, but also that we adopt technologically advanced HR systems to empower Nedbank employees to take greater control of their own needs, personal growth and career advancement.

Further reading:

2015 Transformation Report, available as a supplementary report at nedbankgroup.co.za.

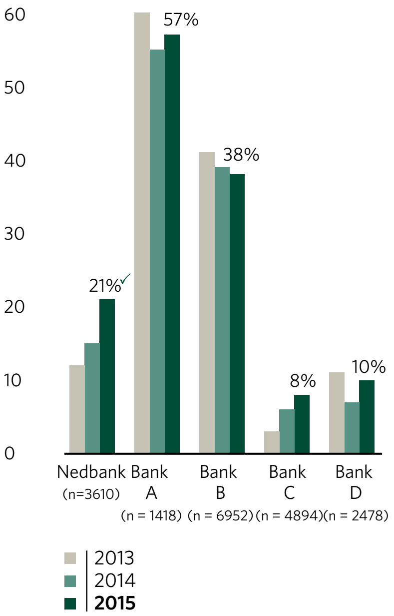
INNOVATING FOR OUR CLIENTS

At Nedbank, we are aware that if we understand our clients' needs and provide value-for-money, secure, convenient services and solutions, we will flourish.

WHO ARE OUR CLIENTS?

- We are a bank for all individuals in SA, the SADC and East Africa – from children to seniors and from entry-level to high-net-worth individuals.
- Various legal entities such as trusts, non-governmental entities and associations, small businesses, large corporates and the public sector.
- Main banked clients or those that engage with us on single product classes such as insurance, asset management, investment or finance solutions.

REPUTATIONAL NET PROMOTOR SCORE (%)



Retail main banked clients up 8,5% to 2,7m✓ and transactional banking gains across all clusters.

WHAT DO THEY EXPECT OF US?

- Responsible banking.
- Worldclass innovative solutions and services.
- Professional client service.
- Convenient access to banking, less complexity and improved flexibility (channel of choice).
- Value banking that is competitive and transparent in pricing.
- Fair treatment and trusted financial partner.

ENGAGING OUR CLIENTS

In the fast-changing and competitive environment that we operate in, truly understanding our clients' needs and expectations, and delivering value to them are central to all that we do. We are committed to delivering great client experiences with simpler, convenient, efficient service, innovative products, and competitively priced products through our client-centred innovation strategies.

To continuously understand what is important to our clients we engage with them through various mechanisms, including client forums and events, face-to-face personal interviews for Nedbank Brand Tracker and other client surveys. We also utilise the Net Promoter Score (NPS)® to measure our service levels and review client feedback from our bankers and financial advisors, service resolution teams, social media centre and website.

Our insurance business completed an important reorganisation, which is the first step in our client-centred journey and enabling the business for future growth.

Appointed the primary transactional banker for the eThekwini and Ekurhuleni metropolitan municipalities.

Related material matters

You may be interested in:

Worldclass risk management 106–123

Key regulatory reporting requirements (i)

HOW WE DELIVERED VALUE TO OUR CLIENTS

HOW DID WE PERFORM? (OUTCOMES)	KPIs Metric	2015	2014	Outlook for 2016
Responsible banking				
Experienced strong advances growth of 11,2%, with wholesale growing faster than retail.	New loan payouts	**R185bn**	R167bn	Continue to extend credit responsibly.
Played a leadership role in renewable-energy financing.	Commitments towards renewable-energy plants	**R11bn**	R3,5bn	R35bn committed, with drawdowns over next few years.
Judicious credit extension resulted in lower-than-market growth in mortgage and personal loans, but protected vulnerable clients against overindebtedness.	RBB CLR	**114 bps**	139 bps	RBB CLR to remain within its target range of 1,30% to 1,80%.
There was a material rise in Ombudsman for Banking Services (OBS) cases, which can be ascribed to the industrywide increase in ATM-related fraud.	Number of OBS cases	**910**	635	2016 likely to continue to be challenging for the consumer, which may support elevated client complaints, including collections.
Significant process and client-experience enhancements in key compliance programmes: Treating Clients Fairly (TCF), Know Your Client (KYC), Anti-money-laundering (AML), and Financial Advisory and Intermediary Services Act (FAIS Act) and Financial Intelligence Centre Act (FICA). Nedbank was the first bank to run a media campaign to inform our clients of the need to FICA themselves as part of SARB requirements.				
Appropriate social and environmental risk management. * *All credit risk review and new applications in Nedbank CIB, included the screening of high risk clients and EP relevant deals via the social and environmental management system (SEMS) during the 2015 financial year✓.*	Equator Principle deals *Clients/ deals submitted for screening	**7**✓ **512**	6 450	Continue to use our social and environmental management system to help us and clients align with environmental and social best practice and standards.

Offering worldclass innovative solutions and services				

During the year we launched numerous innovative solutions. We highlight a few:

- Tax-free savings account, GoalSave, and 32Day Notice Account to help clients save and generate Basel III-friendly deposits for Nedbank and attractive savings and investment products for our clients.
- Instant Bond Indicator, an easy-to-use home loan application process providing our clients with a real-time credit and affordability indication before completing a full online application
- The Nedbank Shop Card, which provides a convenient way to redeem Greenback loyalty points and (over 100 000 clients took up the product).
- Easy to do Credit, streamlining and automating credit processes to enable a hassle-free and convenient banking experience.
- Business Registration Online, allowing clients to register their new business as well as open a business current account online.
- Online transaction capabilities introduced by Nedgroup Investments and 'Invest With Us' functionality, which educates and assists clients through their first-time unit trust purchase.

A new app from Nedbank Insurance that logs and tracks policyholders' claims, enabling self-service, as well as extended QuoteMe functionality on mobile devices that includes funeral products.

Delivered market-leading performance in our asset management business.	2015 Raging Bull Awards	**Nedgroup Investments won both SA and offshore asset management company of the year in 2015 awards.**	Top three domestic asset management companies for the seventh year in a row.	Maintain performance.

Reputable industry standings across key investment banking portfolios (eg resources, infrastructure and energy):

- Won *The Banker* magazine 2015 Africa Infrastructure and Project Finance Deal of the Year award.
- Best Research Team – Technical Analysis in the JSE Spire Awards 2015.
- Ranked second in Bloomberg Underwriter rankings in SA.
- Won EMEA Finance Best Rand Bond award.
- Best subcustodian bank in SA, as rated by Global Finance 2015.

HOW DID WE PERFORM? (OUTCOMES)

	KPIs			
	Metric	**2015**	2014	**Outlook for 2016**
Client service				
Industry and market leadership in complaints resolution.	Hellopeter complaint conversions (relative to other SA banks)	**First place**	Second place	Continue to lead against peers.
Nedbank's escalated-complaints resolution benchmark is 10 days, while the industry benchmark is 21 days.	Number of days to resolve	**8 days**✓	7 days	While it is comfortably within the benchmark, we will strive to continue to improve this turnaround time.
Worldclass contact centre performance – Nedbank Contact Centre (NCC) awarded Best Contact Centre in SA across all industries in SA at the Contact Centre Management Group (CCMG) Industry Awards.				Remain SA's leading contact centre.
Maintained our operational NPS improved performance in reputational NPS on which Nedbank saw the biggest improvement in its peer group.	NPS	**Operational: 75%** **Reputational: 21%**✓	Operational: 75% Reputational: 15%	Continue to improve our NPS.
Improved South African Customer Satisfaction Index (SAcsi) results for Nedbank Retail.	SAcsi results	**74,3**	73,3	Drive continued improvements.
Nedbank's IT systems availability leading the peer group in 2015.	Systems uptime	**99,94%**✓	99,95%	Maintain market leadership.
Convenient access to banking, less complexity and improved flexibility (channel of choice)				
Optimised our staffed outlets in SA with coverage ratio of 86% of bankable population within a 30 km radius, and increased in our rest of Africa (RoA) subsidiaries.	SA outlets RoA outlets SA ATMs RoA ATMS	**708** **66** **3 695** **145**	764 61 3 585 126	Focus on converting outlets to 'branch of the future' format. Continue to roll out our ATMs to make banking more convenient.
'Branch of the future': 36% of SA branches reformatted and rolling out to RoA subsidiaries (six new 'branch of the future' formats in the rest of Africa).	Outlets converted Point-of-sale devices	**36%** **78k**	24% 69k	
Nedbank App Suite™ users have increased 43% and digitally enabled clients by 40%.	Digitally enabled clients	**3,1m**	2,2m	Continue to actively increase the number of digitally active clients.
Integration of CIB.	Provided a platform that enhanced our ability to serve clients.			
Providing value banking that is competitive and transparent in pricing				
Below-inflation-fee increases in RBB comprised reduced digital banking fees and inflation-related fees for traditional banking channels and cash handling.	Retail and business banking fee increases	**At or below inflationary increases**	Kept fees flat and reduced in business banking and small business services.	Continue to provide competitively priced solutions. Fee increases at or below inflation.

Home loan online application solution named 2015 Technology Project of the Year by *The Banker* magazine.

KEY RISKS

- A more pronounced downturn in the economy, including rising interest rates and lower demand, may impact clients and businesses more than anticipated.
- Regulatory and compliance demands are increasing, resulting in a greater compliance burden and higher financing costs over time relating to Basel III.
- Increases in cyberattacks and sophisticated fraud networks impact our clients and may result in systems downtime and financial losses.

You may be interested in:

Delivering our strategy through our business clusters 42 and 43

REFLECTING ON 2015 AND LOOKING AHEAD

We continue to make good progress across all value gains in drivers for our clients, as is evident in the gains in primary clients illustrated on page 30.

Our performance across responsible banking practices, client service, value-adding innovations, client service, convenient access and competitive pricing continues to differentiate Nedbank in the minds of many clients. We will continue to enhance these propositions into the future and improve our perception in the market, as competition will only be increasing.

KEY OPPORTUNITIES

- We are integrating our response to compliance, with the aim of limiting the impact on clients. This could differentiate us from our peers.
- New innovations continue to deliver value to us and our clients, resulting in a greater revenue uplift.
- CIB integration delivers incremental value to clients through scale and efficiency, including fully utilising the combined balance sheet, higher-quality service levels through single-client contact and new innovative solutions. This will improve cross-sell and revenue generation for us.
- As a leader in IT security, we continue to attract clients as trust and security become more important for clients.
- Our value-for-money banking continues to be attractive for our clients, especially through altering incorrect media perceptions.

CASE IN POINT

FAIR SHARE – INNOVATION IN LENDING

FAIR SHARE 2030

Getting money working for a better future: 'We know not everything that needs to be done can or should be done by a bank – so we identified 8 Long-term Goals that we can contribute to as a bank.' *Mike Brown, Nedbank Group Chief Executive.*

Our Fair Share 2030 strategy is one of the ways that we are responding to the Long-term Goals we set for a successful SA. It is Nedbank's strategic commitment to get money working for the future we want for all South Africans. It provides an annual flow of funding, channelled through products, services and lending into projects that have a clear potential to deliver sustainable socioeconomic and environmental outcomes. For the first year of full-scale implementation of the Fair Share 2030 strategy, investments amounted to R1,8bn.

Fair Share 2030 in action in 2015

Just some of the projects funded in 2015 included:

- Loans of more than R1,3bn granted for provision of much-needed student accommodation across SA.
- Financial solutions for farmers wanting to implement renewable- energy solutions that deliver greater energy security for their operations.
- Joint funding of R120m with the Development Bank of South Africa for the development of 400 'green' affordable houses that will deliver sustainable running-cost savings for households.

DELIVERING CONSISTENTLY TO OUR SHAREHOLDERS

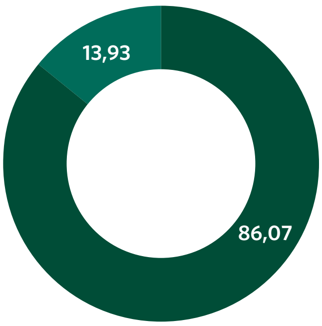
Consistent delivery to our shareholders, underpinned by transparent reporting.

WHO ARE OUR SHAREHOLDERS AND THE INVESTMENT COMMUNITY?

Shareholders are a primary stakeholder as they provide the financial capital to start and sustain the business. The financial capital we source from our equity and debt investors and our retained earnings are key in running our businesses and making strategic investments. The extent to which we can efficiently leverage our financial strength, or are able to raise the necessary capital at the best possible rates, and produce a sustainable ROE creates the value we deliver to our shareholders.

- 22 638 shareholders
  - Investment and retirement funds
  - Retail investors
- 16 sell-side analysts
- Two credit-rating agencies
  - Moody's
  - Standard & Poor's
- Financial media

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDERS (%)



Nedbank regarded highly by investors for transparent reporting.

WHAT DO THEY EXPECT OF US?

Connecting with the investment community is critical to identify their needs and appropriately manage their expectations. We prioritise these through a materiality assessment process, determining the issues that are of greatest importance to both shareholders and Nedbank Group.

These include creating shareholder value through sustainable earnings, NAV and dividend growth, underpinned by a strong balance sheet, experienced leadership, differentiated strategies that positions the group favourably against peers, sound governance and transparent reporting.

Related material matters

Attractive valuation metrics.

ENGAGING WITH THE INVESTMENT COMMUNITY

- Four times a year at the reporting of our annual and interim results, and first- and third-quarter trading updates.
- More than 290 meetings with investment analysts, investors and the media during non-closed periods.
- Five broker-hosted conferences and non-deal roadshows.
- Nedbank-initiated investor days and governance roadshow.
- Nedbank annual general meeting (AGM) to be held annually in May.
- On an ad hoc basis with financial media.
- Biannually with our credit-rating agencies.
- Through relevant information on our website at nedbankgroup.co.za.

We also regularly engage with Old Mutual plc to align our financial reporting and communications, ensuring that we have a holistic group message and that arms length collaboration opportunities are maximised.

You may be interested in:

The Nedbank investment case
134 and 135

OUR TOP SHAREHOLDERS	Number of shares	% holding 2015	% holding 2014
Old Mutual Life Assurance Company (SA) Ltd and associates (includes funds managed on behalf of other beneficial owners)	**267 531 866**	**54,11**	54,57
Nedbank Group Treasury shares	**17 856 169**	**3,61**	6,74
Coronation Fund Managers (SA)	**37 432 178**	**7,57**	6,62
Public Investment Corporation (SA)	**30 875 907**	**6,24**	6,56
Lazard Asset management (US and UK)	**13 053 114**	**2,64**	2,70
Dimensional Fund Advisors (US, UK and AU)	**7 857 545**	**1,59**	1,58
BlackRock Inc (US and UK)	**7 690 629**	**1,56**	1,58
Sanlam Investment Management (SA)	**4 674 435**	**0,95**	1,53

HOW WE DELIVERED VALUE TO OUR SHAREHOLDERS

HOW DID WE PERFORM? (OUTCOMES)	KPIs Metric	2015	2014	Outlook for 2016
Shareholder value creation				
Met our 2015 guidance of organic growth in DHEPS > nominal GDP (+ 5,8%).	DHEPS growth	**8,5%**	13,0%	In the current environment forecast risk remains high and guidance harder to formulate. In this context we forecast DHEPS to grow less than 2015 growth and less than consumer price index + GDP growth + 5%.
Bank shares saw significant declines in 2015. The Nedbank share underperformed the FINI 15 (a corporate performance benchmark for LTI schemes).	TSR FINI 15	**-19,8%** **-2,6%**	23,2% 22,7%	Nedbank does not guide on share price performance.
Continued to reduce our dividend cover to 2,06 times, close to the middle of our range of 1,75 to 2,25 times.	DPS growth	**7,7%**	14,9%	Within our target range of 1,75 to 2,25 times.
Net asset value (NAV) per share increased 9,0%.	NAV per share	**R156,85**	R143,95	
Valuation metrics at current levels are attractive, after deteriorating in line with the share price. Nedbank price to book was third highest among peers.	Price-to-book ratio	**1,20**	1,73	2020 target: Top two among JSE peers.
Our black business partner (BBP) BBBEE schemes unlocked a cumulative value of approximately R8,2bn at the time of these schemes vesting.				Nedbank, Old Mutual and strategic BBP continue to collaborate on the R300m commitment aligned to Fair Share 2030 to sustain the legacy of the group's BBBEE transaction.
Consistent financial performance	Economic profit (EP)	**R2,5bn**	R2,1bn	EP will be negatively influenced by a higher cost of capital for 2016 at 15,0%, given the increase in long-bond yields.
Sustained our ROE (excluding goodwill) above our 2015 COE of 13,0%.	ROE (excluding goodwill)	**17,0%**	17,2%	Below our target of 5% above cost of ordinary shareholder's equity (under review in 2016 given higher COE estimates).
Strong and experienced management				
Smooth leadership transitions, including appointment of new Nedbank Chairman and two boardmembers and internal appointment of the new Managing Executive of Nedbank Wealth. Continue to have one of the most experienced management teams in the SA banking industry.				Maintain the diversity and depth of skills on our board and Group Exco.
Attractive and sustainable growth strategy				
Delivery across all our strategic focus areas.	For detailed assessment of our performance and outlook on each of our strategic focus areas, refer to pages 27 to 37.			
Transparent reporting				
Maintained a leadership position in all our reporting, consistently ranked in the top quartile reporting awards on the JSE.				Continue to provide investors with transparent and relevant information to determine fair value.

REFLECTING ON 2015 AND LOOKING AHEAD

Business and financial performance was resilient in 2015 in a difficult macroeconomic environment, although SA bank share price performances reflect anticipated higher cost of capital and the impact of a tougher macroeconomic environment. This is likely to be driven by slower advances and transactional revenue growth as well as higher impairments. We maintained good relationships with the investment community, underpinned by transparent reporting.

KEY RISKS

- A deteriorating macro environment:
  - Low GDP growth reflected in reduced credit demand and slower transactional volume growth.
  - Rising interest rate cycle and continued commodity price pressures increasing defaults and impairments.
  - A sovereign ratings downgrade resulting in higher funding costs.
- Client losses from aggressive competitor actions.
- The increase in regulatory demands such as AML, TCF and KYC placing greater pressure on staff and increasing the cost of compliance (systems change, additional staff required, client education).
- Scarce skills representing challenges for new appointments and potential loss of key staff to peers.
- Continued pressure in the rest of Africa from currency volatility and depressed commodity prices.
- Continued weak SA bank share performance due to macro economy, emerging-market pressures and concerns around a credit ratings downgrade below investment grade.

KEY OPPORTUNITIES

- Nedbank is positively positioned for a rising interest rate cycle. Our sensitivity to a 1% increase in interest rates over a 12-month period is a R1,2bn positive endowment impact in NII.
- Prudent credit granting in recent years and strong provisioning positions the bank well for headwinds.
- We continue to gain share of transactional banking clients and as a result in NIR.
- Strong risk management culture provides a solid foundation for the increase in regulatory demands.
- Unique culture and competitive positioning in the market continue to attract top talent.
- New regulatory requirements offer an opportunity to engage with clients and understand their banking and investment needs while increasing the security on client information and banking activity .
- Nedbank shares, attractively priced, offer good investment value, underpinned by a sound investment case.
- Our active participation with government and labour.

Further reading:

2015 Consolidated Annual Financial Statements, available as a supplementary report at nedbankgroup.co.za.

CASE IN POINT

ADDING VALUE THROUGH ENGAGEMENT WITH THE INVESTMENT COMMUNITY

At Nedbank we engage proactively on issues of importance to the investment community.

In 2015 we covered the following key topics:

- **Potential spiralling IT costs from core systems replacement:** Attended an IT Investor day where we explained that our IT Managed Evolution strategy ensures that costs are well managed as we progress towards core systems replacement.
- **Governance matters ahead of our AGM:** During our annual governance roadshow we provide shareholders with the opportunity to engage with our chairman and lead independent director on governance matters. On page 80 we provide feedback on the key topics of discussion.
- **Uncertainty around rest-of-Africa developments:** Attended the 17th UBS Financial Services conference titled 'Beyond SA', where we shared our rest-of-Africa strategy in more detail, highlighting our client-centred, capital efficient, risk mitigated and long-term strategy.
- **Uncertainty around the implications of new banking regulations:** Nedbank hosted a Basel III and IFRS 9 investor day, sharing our insights into the technical and practical implications of these regulations, educating investors as we progress towards implementation in coming years.

Presentations on the abovementioned topics are all available at nedbankgroup.co.za.

ENGAGING WITH OUR REGULATORS

Nedbank reports under the advanced Basel III approaches for credit, operational and market risk.

Nedbank is on track with our preparations for the new regulatory regime of Twin Peaks.

Nedbank Insurance remains well capitalised and implementation of solvency assessment and management (SAM) is on track.

WHO ARE OUR REGULATORS?

The South African Reserve Bank is responsible for banking regulation and supervision in SA. The purpose is to achieve a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole. This function is performed by issuing banking licences to banking institutions, and monitoring their activities in terms of the Banks Act and regulations.

Other primary regulators include:

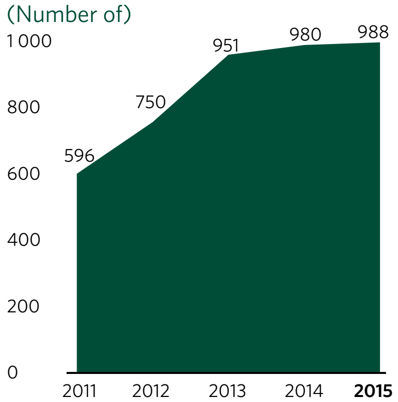
- SARS
- Financial Services Board (FSB)
- National Credit Regulator (NCR)
- Various government departments and Chapter 9-institutions including the Department of Trade and Industry (dti), Department of Labour and National Treasury
- Financial Intelligence Centre (FIC)
- The JSE

We must also comply with various regulatory bodies outside SA, including:

- Central banks and local financial services regulators of countries in which we have representation or operations
- Prudential Regulatory Authority (PRA) in London
- Financial Conduct Authority (FCA)

NEW REGULATIONS IMPACTING BANKS

(Number of)



WHAT DO THEY EXPECT OF US?

Due to the reliance of local and global economies on financial services, regulatory bodies have been established to ensure the compliance of these institutions with risk-mitigating standardised practices. Our regulators also ensure that we take suitable measures to control our direct and indirect impact on our stakeholders and on the environment.

It is therefore imperative for us to:

- maintain good, regular and transparent relationships with all regulators; and
- ensure compliance with all legal and regulatory requirements.

Related material matters

You may be interested in:

Worldclass at management risk
106–123

Key regulatory reporting requirements
(i)

ENGAGING WITH OUR REGULATORS

In line with international and local trends, Nedbank observed an increase in regulatory scrutiny and inspections. Regulatory reviews were attended to with significant attention to detail, professionalism and prompt reaction to matters raised.

- With regard to new legislative developments, Nedbank has been involved in engaging with regulators through various industry associations.
- The group maintains a close and transparent working relationship with the FIC and the Bank Supervision Department of SARB. It attends quarterly meetings with the Regulator and Supervisor to ensure compliance with their requirements and to obtain clarification where necessary.
- We participated in industry meetings on the Regulatory Consistency Assessment Programme undertaken by the Bank for International Settlements in Basel.
- We attended a trilateral meeting in London between SARB, the Financial Services Authority and the PRA.
- We participated in a Regulatory Supervisory College held at SARB, where we presented to the majority of regulators in the rest of Africa where we have a presence and we were commended by the regulators.
- We maintained resilient business continuity management processes and successfully conducted a liquidity simulation test with SARB in attendance.
- During 2015 Nedbank provided comment on various regulatory proposals and discussion papers, including:
  - The Reinsurance Regulatory Review and the Insurance Laws Bill, 2015, supporting the objective of implementing insurance regulation.
  - The Retail Distribution Review (RDR), which seeks to ensure insurance distribution models align with TCF outcomes.
  - Cybercrimes and Security Bill, 2015.

HOW WE DELIVERED VALUE TO OUR REGULATORS

HOW DID WE PERFORM? (OUTCOMES)	KPIs			Outlook for 2016
	Metric	2015	2014	
Capital, liquidity and credit metrics				
Following industry concerns of regulators about SA banks' exposure to unsecured lending, we continued to implement our policy of responsible lending and reduced our market share proactively. Implementation of SARB directive 7/2015 increased defaulted advances.	Credit loss ratio	**0,77%**	0,79%	Within our revised target range of 0,60% to 1,00%.
	Defaulted advances	**2,5%**	2,5%	
Maintained strong capital adequacy levels supported by internal stress-testing results, with CET1 above SARB regulatory minimum of 6,5%.	CET1 ratio	**11,3%**	11,6%	Although Basel III went live in 2013, the transitional capital and liquidity requirements/ratios are still significant for Nedbank out to 2019 and 2022, and these receive management focus.
	No issues were raised on our Internal Capital Adequacy Assessment Process (ICAAP) by SARB.			
Maintained a strong liquidity profile, with the LCR ahead of 2015 SARB minimum of 60%.	LCR	**88,5%**	66,4%	Continue to phase in LCR towards 100% coverage by 2019 through a change in portfolio tilt.
Made good progress preparing for net stable funding ratio (NSFR) implementation in 2018.	SARB has approached the Basel Committee on Banking Supervision (BCBS) on calibrating SA's minimum requirement.			Continue preparations for NSFR implementation.
Nedbank's IFRS 9 programme is well underway with phase 1 successfully delivered in 2015 and overall is on track.				We are currently aligning to IFRS 9, as the standard becomes mandatory from 1 January 2018.
Conduct and consumer protection				
Embarked on a TCF and Conduct Risk programme to ensure that industry guidelines and best practice are embedded within our business and have already achieved certain milestones.	An independent assessment of Nedbank Group's state of readiness for TCF and conduct risk management revealed no material issues with the implementation programme.			Focus will be on the Twin Peaks system of regulation, which places emphasis on a more harmonised system of licensing, supervision, enforcement, client complaints (including ombuds), the appeal mechanism (tribunal), client advice and education as well as ensuring that clients are treated fairly. Nedbank will also be embracing a forward-looking approach to conduct risk and embracing client-centredness.
To mitigate against conduct risk, we are taking steps to embed conduct considerations in our strategies, governance structures and fundamental workings of our business models. This includes the way we sell our products and provide client service to avoid poor outcomes for clients and therefore TCF is also enveloped within the concept of conduct risk. In this way we aim to identify and mitigate against risk before clients suffer adverse outcomes.				
Much attention will be given to the RDR in terms of how financial products are distributed to consumers in SA.				
NCR – We invested time in managing our client and any potential reputational risk associated with the Satinsky R699 scheme.				
Anti-money-laundering and countering the financing of terrorism				
Sound progress on AML remediation after the industry fines in 2014. We have invested significantly in IT, processes, procedures and resourcing in an ongoing effort to remedy administrative deficiencies noted by SARB during its anti-money-laundering and sanction regulatory reviews conducted of SA's big banks.				Further investment to complete the Nedbank remedial plan as agreed with SARB and to ensure sustainable compliance.
Government and law enforcement				
Contributed to government revenues, through direct, indirect and staff taxes.	Tax paid	**R8,2bn**	R8,0bn	Continue paying all taxes as required.
Remained compliant with the Labour Relations Act and no issues were raised.				Maintain compliance.
Close cooperation with the South African Police Service (SAPS) and other law enforcement agencies continued. In 2015 the investigation of cash shortages was added to our responsibilities. It was previously investigated in the business line responsible for managing cash.	Fraud cases	**6 013**✓	4 890	
In 2015 100%✓ of our operations underwent corruption screening without any material concerns/issues being raised.				Continued robust actions against corruption.

REFLECTING ON 2015 AND LOOKING AHEAD

In 2015 Nedbank commenced a refresh of the Enterprisewide Risk Management Framework (ERMF) incorporating the current internal and external environment, ensuring full alignment with the significant regulatory changes and developments, and in response to evolving and emerging risk trends and the changing business environment.

Our resolution and recovery plan (RRP) was maintained and the early-warning indicators of the RRP were tracked in order to determine its invocation.

Nedbank embarked on a Treating Customers Fairly and Conduct Risk programme and are well placed to comply with protection of personal information (POPI) requirements.

Sound implementation and ongoing enhancement of the Advance Measurement Approach (AMA) for operational risk management were maintained and similarly the Internal Model Approach (IMA) for market risk continued to meet the regulators' requirements.

Nedbank's economic capital and ICAAP methodology is constantly reviewed and updated, taking cognisance of regulatory developments such as Basel III from 1 January 2013. Nedbank Insurance's implementation of SAM is on track, with the impact on the group's existing solvency or capital levels expected to be immaterial.

We successfully implemented the reporting requirements for the Foreign Account Tax Compliance Act (FATCA) (US legislation) during 2015 and continue to comply with the FATCA requirements.

We were one of the banks reviewed as part of the Securities Trading Review conducted by SARB, and the outcome was positive for us.

Nedbank first implemented the Enhanced Disclosure Task Force (EDTF) recommendations in 2013, where appropriate, and in 2015 continued to enhance and drive improvement in the quality, clarity, consistency and comparability of risk disclosures, thereby allowing stakeholders to draw increased value, understanding and insight from the reports. The refinement of our Pillar 3 report is an ongoing process to keep up with changing regulation and leading practice.

Overall, the group maintained good, regular and transparent relationships with all regulators and complied with all legal and regulatory requirements.

KEY OPPORTUNITIES

- We will continue our integrated approach to governance, compliance, risk management, capital management, liquidity and financial control.
- The group has embarked on a programme to ensure that industry guidelines and best practice are embedded within its business.
- We believe that the continued focus on clients through TCF enhancements will enrich our client value proposition and further create value to our entire stakeholder group.
- There is a continued commitment to the development of legislation through regulatory advocacy and interaction with regulators and industry stakeholders to ensure a sound regulatory framework that adds economic and sustainable value to our clients, shareholders and stakeholders.
- The implementation of the conditions of the Protection Of Personal Information Act (POPIA) will allow for increased client confidence in how financial services and corporate SA use personal information and it will also contribute towards international investor confidence
- The continued publication of environmental laws with extensive new requirements dealing with waste, water, air, dangerous substances and land rehabilitation may lead to increased Fair Share 2030 lending opportunities.

KEY RISKS

- International and local regulatory reform (in particular Basel III and Twin Peaks) has materially increased capital levels and liquidity costs, and is changing business models internationally. Regulatory risk remains high, but there is now less uncertainty because Basel III is substantially finalised by the Bank for International Settlements and SARB.
- Litigation activity in the US and Europe and fines on major banking institutions are likely to increase cautious lending practices and encourage shadow banking activity even further. Indications in SA are that regulators will take their lead from offshore regulators and the risk of large fines for non-compliance, particularly in the conduct space, has escalated considerably.

CASE IN POINT

DEDICATED TO COMPLIANCE

A dedicated implementation office for new legislation was set up during 2015

The purpose of the programme office is to ensure efficiencies during the process of implementation of legislation and to identify synergies between the different pieces of legislation.

The newly established Regulatory Change Programme Office now project manages AML and some significant cross-cluster regulatory change programmes.

In 2015 these included the AML, CFT and Sanctions, EDP and IFRS 9 programmes, and the scope of coverage will be extended in 2016 across the entire R3bn five-year regulatory change programme.

Further reading:

2015 Pillar 3 Risk and Capital Management Report, available as a supplementary report at nedbankgroup.co.za.

DELIVERING VALUE THROUGH A COMMITMENT TO OUR COMMUNITIES AND THE ENVIRONMENT

Nedbank's business success is inextricably linked to the sustainability of the society and environment in which we operate. We appreciate that our future business prospects are greatly improved if communities flourish and we are thus committed to contributing to building a strong and thriving African society, while respecting its environmental limits. We do not underestimate the complexity of this task and acknowledge that required delivery in this regard is not easily achieved.

WHO ARE THE COMMUNITIES WE SERVE?

- Members of SA and African society.
- The environment.

WHAT THEY EXPECT FROM US

- To get advice and guidance and products to that help to achieve desired outcomes for themselves, their families, their businesses and their communities.
- To partner on common social and environmental issues.
- To collaborate in a way that furthers social, environmental and other common agendas for the greater good.

Related material matters

ENGAGING WITH THE COMMUNITY

In line with our integrated sustainability strategy and approach, we strive to create value for the communities we serve, for our business and for other stakeholders through a three-pronged sustainability approach. This approach includes our offering (products and services), our partnerships and the way we do things (our operational impact).

Creating value through our offering

We strive to create value through products and service offerings that are intended to enable communities to achieve their desired outcomes while respecting environmental limits and broader societal needs.

Our business development strategy, Fair Share 2030, aims to direct an annual flow of lending to new products and services that deliver positive financial, socioeconomic and environmental impacts. In 2015 and amount of R1,8bn was invested in projects aligned to Fair Share 2030 and the Long-term Goals. Projects included embedded energy services, green affordable housing and the provision of student accommodation.

CASE IN POINT

R100m LEGACY FUND

Nedbank, Old Mutual and our three BBEE partners, WIPHOLD, Brimstone and Izingwe, have agreed to contribute to a legacy fund in order to progress our relationship and continue to support initiatives consistent with the Financial Sector Code and National Development Plan. This fund will leave a lasting and beneficial legacy from our original BBBEE objectives.

To achieve this it was agreed that three sustainable funds of R100m each over three years would be created with equal contributions from each of the parties. Nedbank's contribution to this partnership is R100m (R33m per year), split between the legacy workstreams for WIPHOLD, Brimstone and Izingwe. During the past year the fund has been established and a number of potential beneficiaries are being assessed by each of the workstreams.

The first disbursement of R11m has been made available to the WIPHOLD-sponsored Centane Agricultural Development project in the Eastern Cape. This WIPHOLD-led, groundbreaking initiative, focuses on creating sustainable, self-funding commercial farms from primarily communally owned land. The project intends to effect large-scale social change through rural employment, income generation and food security.

You may be interested in:

How we deliver value to our staff and clients 56–62

Further reading:

2015 Sustainability Review, available as a supplementary report at nedbankgroup.co.za.

Other examples of products with deliberate social and environmental outcomes include Nedbank's Green Savings Bond, the Nedbank Affinity accounts and the Nedbank Insurance Green Property Plan. Further details are contained in the Sustainability Review at nedbankgroup.co.za.

Creating value through partnerships

We know that our positive impact in communities can be more impactful through partnerships with others who share our vision and commitment. In 2015 our partnerships with education, health and welfare NGOs saw the distribution of more than R136m to various communities. Of this, R66m was used to support basic and tertiary education support.

We entered into a new venture with our BBBEE partners to create a legacy fund so as to continue to support initiatives, consistent with the Financial Sector Code and National Development Plan.

We continued to share knowledge with stakeholders on socioeconomic and environmental concerns through the free distribution of the Carbon Footprinting Guide and the Green Living Guide.

We contributed R3m to the National Education Collaboration Trust to help improve education outcomes in SA.

Our partnerships with entities such as Wildlands and the Branson Foundation and others resulted in the creation of new jobs and support for new businesses, in addition to the support we provide through our lending.

Our partnership with the WWF-SA established in 1990 remains a flagship partnership as we use our core business to help generate support for them, making their efforts sustainable year on year. Our involvement in their Water Balance Programme and their Sustainable Agriculture Programme supports our strategic direction in these areas by responding meaningfully to some of the countries larger challenges – water and food security. We have invested R9m to date in the Water Balance Programme to enable the clearing of alien vegetation at key water catchment areas. Over the past five years this has released over 900 00kℓ of water back into the ecosystem and created more than 24 000 employment days.

To date we have also invested R18,3m in the Sustainable Agriculture Programme, which promotes innovative solutions to the resource challenges facing agriculture. This investment has seen the creation of best-practice production guidelines for sugar, beef, dairy, fruit and wine.

In addition, given the drought crisis, we donated R1m to the drought-relief efforts, and our Hippo Roller project saw Nedbank donating 200 water rollers in 2015 to rural communities to ease the burden they typically encounter daily in accessing water.

Creating value through the way we do things

A central component of the achievement of our vision to be Africa's most admired bank is ensuring we consistently deliver on own sustainability objectives and commitments across our organisation.

Responding to climate change – In the light of the strong agreement at the 2015 United Nations Climit Change Conference of the Parties (COP21) on the need to reduce emissions and the realities of the SA economy's comparatively high carbon intensity, it can be assumed that internal and external pressure on SA to reduce emissions further will increase. Our Fair Share 2030 strategy places a priority on investment that helps address climate change.

We continue our commitment to minimise and then offset the carbon footprint of our operations and plan to reduce, then eliminate, scope 1 and 2 emissions. In 2015 our carbon footprint was 214 967 tCO_2e✓ (2014: 213 133 tCO_2e).

We have consistently met, and often significantly exceeded, our reduction targets in terms of water, energy, paper, waste and carbon emissions.

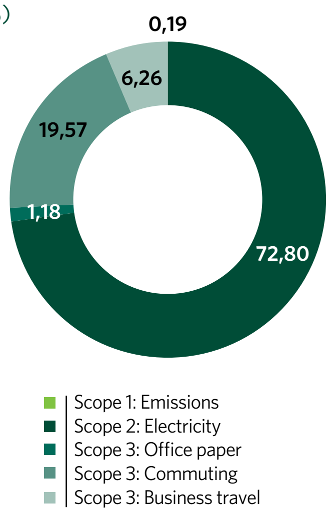
Further reading:

2015 Sustainability Review, available as a supplementary report at nedbankgroup.co.za.

Responsible lending and investment – To ensure our approach to this remains robust, we are constantly benchmarking and updating our processes. During 2015 the issue of captive breeding of mammalian species for hunting purposes was addressed. Following our research into the issue we have taken an in-principle decision to not finance any activity constituting captive breeding for hunting or the exotic pet trade. This decision will form part of total policy and book review in 2016 so as to better manage the biodiversity impact of our lending decisions.

Further community engagement – There were also a number of engagements related to trust in the finance sector, the divestment campaign, student fee activisim and access to corporate social investment (CSI) funding.

NEDBANK GROUP 2015 CARBON FOOTPRINT (%)



Resources consumption not reflected includes water consumption of 319 801kℓ✓ (2014: 294 873 kℓ), 317 tonnes✓(2014: 324 tonnes) of waste sent to landfill and 581 tonnes✓(2014: 574 tonnes) of waste recycled.

SUSTAINABILITY RISK	SUSTAINABILITY OPPORTUNITY
Climate change and the Fossil Divestment Campaign	Lending opportunities in power generation and embedded energy to lower dependence on fossil fuels and decarbonise the SA economy. We will be guided by our Long-term Goals in this regard as we tilt to reduce the carbon intensity of our lending.
Food security	Delivery of solutions to support SA farmers in the reduction of energy and other required input costs, thereby enhancing the farmer's long-term resilience.
Water security	Delivery of innovative lending solutions to government, municipalities and business to enable better water efficiency and stewardship.
Education, training and management of scarce skills	Investment into education (internal and external) and training, as well as development programmes aimed at closing SA's skills gaps, thereby contributing to a more skilled workforce, which will enhance economic growth prospects and bolster social cohesion.

HOW WE DELIVERED VALUE TO OUR COMMUNITIES

TARGET	Achievement 2015	Achievement 2014	Outlook
Lending with deliberate positive social and environmental impacts			
Annual Fair Share 2030 lending of R6bn.	**R1,8bn**	R450m (2014 was a proof-of-concept year)	2015 was the first year of full-scale implementation of Fair Share 2030. To deliver on this ambitious annual lending target of R6bn we will address our internal processes and resource allocations in 2016 and beyond.
Corporate social investment			
1,0% of net profit after tax.	**R136m**	R151m	Our socioeconomic development contribution is above the compliance requirement of 1% net profit after tax (2015: 1,42%). This reflects our response to the immense need for funding.
Enabling transformation of SA society through directed lending			
Empowerment financing.	**R5,9bn**	R8,5bn	The evolving landscape of BBBEE means that the number of empowerment transactions available to finance continues to decline. We will continue to use our influence as well as financial and non-financial resources to work with government, business and communities to provide innovative funding solutions with a view to bringing about real and lasting economic transformation.
Targeted investments (comprising transformational infrastructure, affordable housing, black small and medium enterprises, agriculture).	**R3,2bn**	R4.0bn	
BBBEE transaction financing.	**R2,7bn**	R4,5bn	
Investment in education			
50% of our CSI investment.	**R66m**	R75m	We will continue to focus our investments on basic and tertiary education, as well as bursary programmes, graduates programmes and learnerships to further our positive impact on learners and students.
Reduce our operational carbon and water impact			
Carbon emission levels per fulltime employee (FTE): 7,08 tCO_2e/FTE by end 2020.	**6,97 tCO_2e/FTE**	7,08 tCO_2e/FTE	While we strive to reduce our impact constantly until we are carbon neutral. We offset our annual emissions through the purchase of carbon credits from projects with a strong social and environmental agenda.
Energy consumption: 10% reduction by end 2020 or 4,694 kWh/FTE.	**5 129 kWh/FTE**	5 215 kWh/FTE	We remain on track to meet our 2020 target.
Water consumption: 6% reduction by 2016 at our campus site or 15,01 kℓ per employee.	**16,31 kℓ/FTE**	14,78 kℓ/FTE	Water increased as a result of new campus sites being introduced. We aim to manage water usage over the year to meet the 2016 targets.

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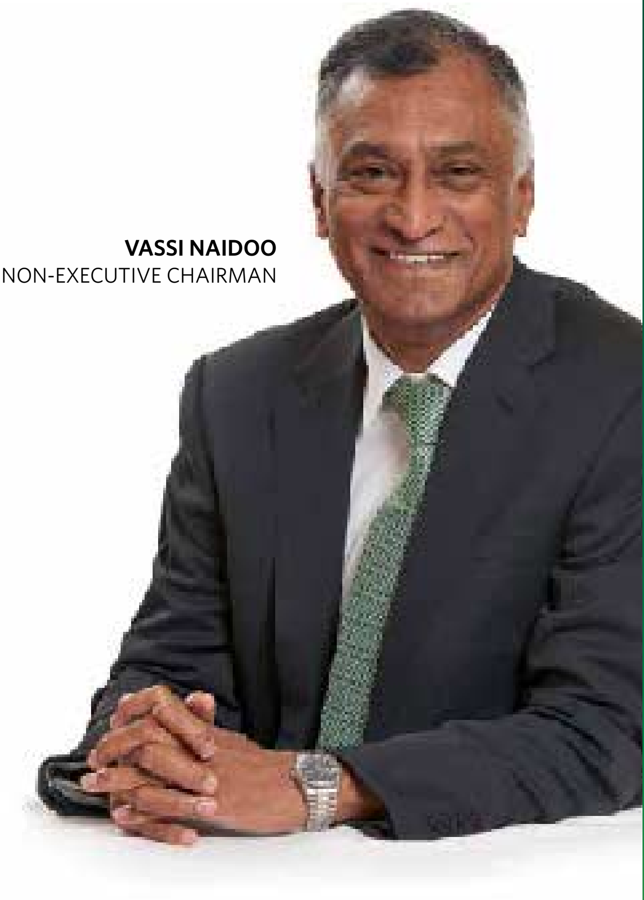
ENSURING SUSTAINABLE VALUE CREATION

VALUE THROUGH GOOD GOVERNANCE



VASSI NAIDOO
NON-EXECUTIVE CHAIRMAN

'I have found a group that is people-centred, deeply client-driven and socially relevant, so I have thoroughly enjoyed my immersion into this great company.'

I took over as Chairman in May 2015 and have been fortunate to be surrounded and supported by the calibre of people that characterise Nedbank. My early impressions are of a group that is well managed by a skilled, responsible and diverse leadership team guided by a strong and appropriately skilled board.

I have found a group that is people-centred, deeply client-driven and socially relevant, so I have thoroughly enjoyed my immersion into this great company. With my background in the audit profession, I am encouraged by the intense focus on risk management and compliance to ensure a safer client experience. We are building on sound foundations and we have seen another year of resilient growth in a tougher-than-expected macro environment.

On behalf of the Nedbank board of directors it is, therefore, my privilege to reflect on our journey to be Africa's most admired bank.

OUR PURPOSE – NOW MORE IMPORTANT THAN EVER

Banks play a crucial role in the financial and economic ecosystem of nations and the world. Their activities also play an important role in building stakeholder trust across society. Forming part of their essential duties to broaden financial inclusion and facilitate access to financial services, banks must ensure that clients can keep their money safe, assist them in making payments, help them save, and make it possible for individuals and institutions to borrow money affordably when they need to invest in assets such as education, housing or renewable energy.

In SA there is much work to be done to overcome the challenges of inequality, poverty, unemployment and education, which are at the heart of our socioeconomic challenges. While we have made some progress, it is clear from the broad national conversation that we need to accelerate the next wave of economic and social transformation more deliberately and constructively. Banks have a core role to play, working together to take SA forward and to build trust and confidence among all stakeholders, including foreign investors. In this regard I am encouraged by the renewed level of engagement with business, government and labour over the past few weeks.

Core to this is the concept of 'social licence to operate', being the level of acceptance or approval granted to an organisation by its stakeholders. When a company has a social licence, there will be little conflict between the organisation and stakeholders, because it is seen to be holding social and economic benefits for all, including the broader community.

As Nedbank, we have been working closely with government and the industry in shaping and contributing to the transformation of the financial services sector. We are focused on building on the good work that has been done in the previous two decades and ensuring that the broad-based nature of our impact continues. This is receiving even greater focus in 2016 as business, government and labour work together to improve the country's growth prospects and create jobs.

Our commitment to transformation and development is very clear in our approach to providing employment, training opportunities and growth for our staff, and forms a core part of how we operate as a responsible business.

Engaging all sectors, including the youth and the marginalised, remains a core imperative with respect to access to banking, education, skills, employment and transformation. Only then will we see the change we all envisioned and a rebalancing of the economy to a more equitable sociopolitical landscape. Nedbank is deeply committed to a prosperous and united SA.

In this context I am encouraged that our democracy continues to mature as we make space for more voices to be heard in our country. The past few months in SA have seen an increase in social and political tensions, and the banking industry has certainly not been spared. Issues around racism, inequality, education, access to financial services and the economy have been at the centre of these sometimes volatile discussions. Increasingly, companies are being called to account for their position on these issues.

> 'My early impressions are of a group that is well managed by a skilled, responsible and diverse leadership team guided by a strong and appropriately skilled board.'

When confronted, we will always reflect on our values and what we stand for as a bank and as SA citizens.

While we know not everything that needs to be done can or should be done by a bank, our Long-term Goals will guide the group's strategy to ensure that we fulfil our social purpose. The goals, described in more detail on page 10 of this report, address socioeconomic and environmental issues, and their interplay. Achieving them will also enable other desirable outcomes, including improved food security, greater resource efficiency and less divided communities.

To be a sustainable business we also need to operate within the confines of environmental limits while meeting social needs. While this means that there are things we need to do less of, it presents the opportunity to develop new solutions that can benefit the broader environment, our clients and the bank. While this paradigm shift towards sustainability has been at the core of our brand for some time, the establishment, in 2013, of our Long-term Goals for SA and our accompanying Fair Share 2030 strategy represent our concerted and committed response to doing what needs to be done.

Our commitment to a prosperous society and a thriving banking sector also extends beyond the borders of SA. Our vision is not only to build a thriving bank that is admired on the African continent, but to be a force for good and social and economic cohesion. The volatility of exchange rates and commodity prices and the impact of a challenging global macro environment have significant implications for companies seeking to expand on the continent. I am, therefore, heartened by the strength of the relationships and strategic alliances we have with our partners across the continent. We share a common commitment to building a socially relevant and strong business presence in all the countries in which we operate.

Fintech is currently every banker's buzzword and I am pleased that the progress that Nedbank has made in technology-driven innovation and our managed-evolution strategy puts us in a good position for the future. The speed of the current technology revolution is unprecedented in taking computing capabilities to an unimaginable level. This could create endless possibilities for our developing nation and economy. However, to unlock these opportunities there needs to be insightful thinking and collective leadership to enable us to change the way we learn, the way we work and the way we live in future. Nedbank itself needs to ensure it remains relevant for our clients in the digital economy.

BOARD FOCUS AREAS IN 2015

The role of the boards of directors of companies has never been more important in the current environment where the economy is not growing fast enough to create the jobs our country needs, and the social and political environment is volatile. I have been encouraged by the transparency and robust discussion of issues at board level, which creates an environment of deep trust and collaboration, and sets the tone at the top.

This, in my opinion, transcends the executive management team and ultimately to all the people in the group. The engagement between the Nedbank

You may be interested in:

Reflections from our Chief Executive 14–17

Reflections from our Chief Financial Officer 44–55

board and the group's leadership is robust and designed to deliver value through strategic guidance, oversight and accountability.

Board focus areas during the year included strategy development, risk management and regulatory change; board skills, succession planning and management changes; our investments in the rest of Africa; the successful conclusion of a number of SA broad-based black economic empowerment (BBBEE) schemes; the evolving relationship with our parent company Old Mutual plc and collaboration with our sister companies Old Mutual Emerging Markets and Mutual & Federal:

- *Strategy development:* Through regular strategic engagements between the board and executive management, progress on delivering the group's strategy was monitored and existing strategies challenged and refined to adjust to a changing environment. Long-term targets up to 2020 were set, providing guidance and stretched targets. We are confident that the path chosen by Nedbank is appropriate, yet aspirational, to ensure we progress towards our vision of being Africa's most admired bank.
- *Risk management and regulatory changes:* In 2015 the group completed a comprehensive refresh of the Enterprisewide Risk Management Framework to respond to new and emerging risks and ensure best practice and alignment with the extensive regulatory developments. Delivery of Nedbank's anti-money-laundering (AML) remedial programme and monitoring of risks emerging from a slowdown in the economy and commodity price pressures were top of mind and received considerable board attention.
- *Board and management changes:* During 2014 and into 2015, Nedbank Group implemented various changes to its board and management teams, all supported by well-thought-through succession planning and recruitment processes. Uncertainty around the extent and potential impact of changes was raised by some shareholders during our governance roadshow in April 2015. On reflection, our succession planning and handovers were seamless and injected new insight and energy into our businesses.

  I believe the Nedbank board has a strong level of independence and sufficient professional and industry knowledge, strengthened during the year by adding skills in respect of financial services, the rest of Africa and auditing, through the appointment of Bruce Hemphill, Stanley Subramoney and me. Our board now has a majority of independent non-executive directors (56%; 2014: 44%) and consists of 16 members comprising nine independent non-executive directors, four non-executive directors and three executive directors. Importantly, Malcolm Wyman, our senior independent director, has also assumed the chairmanship of the Directors' Affairs and the Related-Party Transactions Committees.
- *Progress in the rest of Africa:* The group made significant strides in expanding into the rest of Africa in 2014 and 2015. This brings new risks, but also new opportunities. In September 2015 we held our board meeting in Accra, Ghana, where we toured the operations of key clients, visited the branches and operations of Ecobank and had good engagements with our Ecobank counterparts. We are fortunate that the Nedbank board has increased its skills and experience across the African continent to help navigate this environment. There is strong alignment between the board and the broader leadership collective; we are building a strong and competitive presence on the African continent – in partnership with Ecobank Transnational Incorporated (ETI) in Central and West Africa and under the Nedbank brand in the SADC and East Africa. I took note of some shareholders' concerns around Nedbank's lack of control in ETI where we have a 20% investment, however, we believe our approach to be capital-efficient and risk-mitigated, especially in an uncertain environment characterised by depressed commodity prices, currency volatility and a regulatory landscape that is still evolving. We have a good working relationship with the Chairman and new Chief Executive (CE) of ETI and continue to make a meaningful contribution through our seat on the board.
- *BBBEE schemes:* During 2015 the Nedbank Eyethu Share Scheme, our BBBEE transaction, matured. The overall transaction created value in excess of R8bn for all of Nedbank Group's SA BBBEE stakeholders, driven by Nedbank's strong financial performance over the past 10 years. The more than 500 000 beneficiaries included black business partners, employees, non-executive directors, clients and community interest groups affiliated to Nedbank.

  While the transaction has matured, the relationships with our partners continue. The parties have agreed to make a R100m financial contribution and to commit resources to regional empowerment and development objectives that are aligned with the National Development Plan.
- *Old Mutual relationship:* Nedbank has over recent years been a key contributor to the financial performance of our parent company, Old Mutual plc. Working closer together across the group continues to be a key focus of the various boards and management teams. As a board, we are in full support of value that can be unlocked for shareholders while ensuring that it makes commercial sense for Nedbank and that minority shareholder rights are protected – an issue raised consistently during our governance roadshows. Our Related-party Transactions Committee has oversight of these collaboration activities and consists only of independent non-executive directors. The appointment of Bruce Hemphill as CE of Old Mutual plc is welcomed for his experience and expertise in banking, insurance and asset management.

> 'Banks play a crucial role in the financial and economic ecosystem of nations and the world.'

Further reading:

2015 Governance and Ethics Review, available as a supplementary report at nedbankgroup.co.za.

A SOUND INVESTMENT

The share performance of Nedbank in 2015 reflected a decline of 24% in 2015, compared with the banking index that declined by 16%. This has been disappointing, but is also reflective of the higher cost of equity (COE) expectations and the expected impact of a tougher macroeconomic environment on return on capital. I believe Nedbank is in its strongest position ever to weather current macroeconomic and regulatory challenges.

The investment case for Nedbank Group remains attractive. The group's price-to-book ratio of 1,2 times is now close to the low levels achieved during the global financial crisis and the dividend yield is attractive. The underlying fundamentals remain attractive for long-term investors. This is discussed in more detail on pages 134 and 135, but I highlight a few:

- Nedbank Group embraces worldclass governance principles and practices that are underpinned by an independent and diverse board striving to ensure value creation in a sustainable manner for all stakeholders.
- We have a wholesale-biased business model that differentiates Nedbank Group from its peer banks, and positions us well in a tougher macro environment for consumers.
- We will continue to leverage our market-leading wholesale and wealth businesses, while continuing to invest in growing our retail franchise and to participate sensibly in the long-term growth opportunities in the rest of Africa.
- Our key strategic focus areas are appropriate for the expected environment and should continue to drive sustainable growth. These include client-centred innovation, growing the transactional banking franchise, strategic portfolio tilt, optimise and invest, and building a pan-African banking network.
- The group is operating within a clearly defined and prudent risk appetite, underpinned by a strong balance sheet. Our common-equity tier 1 (CET1) ratio at 11,3% is well above regulatory minima and our liquidity position is strong.
- Nedbank is widely known for its unique culture and focus on its people – a key factor that enables better outcomes for clients and ultimately value for shareholders.
- Lastly, I believe we have one of the best management teams in banking on the continent, ably led by Mike Brown, and we are encouraged that many of our shareholders share this view.

LOOKING FORWARD

There can be no denying that the SA economy is bracing itself for a somewhat stormy time ahead and international ratings agencies will be scrutinising developments closely. But we are not alone. All indicators point towards slow and fragile global economic growth, which certainly won't be eased for emerging markets by the anticipated gradual tightening interest rate cycle in the USA and the slower and changing nature of growth in China. Conditions for emerging markets, particularly those that are commodity exporters and those reliant on foreign portfolio flows, are likely to remain difficult for longer.

SA's financial industry is still firmly within the top global rankings thanks to its robust and secure banking system. This is not something we should take for granted and we must continue to work tirelessly to maintain this global confidence in our financial services systems and structures. It was encouraging to hear the President comment on this in his recent State of the Nation Address.

Nedbank is well positioned to weather the current economic storms and help our clients, stakeholders, and country to do the same. Making this positive difference is where, I believe, we need to be focusing much of our attention in the coming years.

We must leverage our position of strength in the SA banking industry to help bring about the positive economic and social change that our country and continent needs. To achieve this we need to engage with like-minded stakeholders in both the private and public sectors, to drive economic transformation and inclusive growth for the benefit of all, and to move towards a more balanced economy as we embrace the fourth industrial revolution.

On 11 March 2016, Old Mutual announced its new strategy which seeks to realise long term value for its shareholders and other stakeholders by separating its four businesses – Old Mutual Emerging Markets, Nedbank Group, Old Mutual Wealth and Old Mutual Asset Management. This strategy is referred to by Old Mutual as the Old Mutual Managed Separation. This is expected to entail, inter alia, Old Mutual over time reducing its approximate 54% interest in Nedbank Group to an appropriate strategic minority position to underpin the continuing commercial relationship between OMEM and Nedbank Group. Old Mutual currently envisages reducing its shareholding in Nedbank Group primarily by way of a distribution of Nedbank Group shares to the shareholders of Old Mutual in an orderly manner, at an appropriate time and does not intend to sell any part of its shareholding to a new strategic investor. For Nedbank it's business as usual and Old Mutual's decision will have no impact on the strategy, day to day management or operations of Nedbank.

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

APPRECIATION

It has been a year of good progress – strategically, operationally and financially.

There is, however, no room for complacency and in such rapidly changing markets we continue to focus our energies on navigating the risk and regulatory environment to ensure a secure banking ecosystem for our clients. We will also continue to focus on growing our transactional banking franchise in SA and on the rest of the African continent, and being uncompromising about adding value for all our stakeholders.

We can only do this successfully with excellent people and, on behalf of the board, I would like to thank all our employees, our CE, Mike Brown, and the Group Executive Committee (Group Exco) and all our partners for their considerable efforts in the past year.

Graham Dempster (executive director) reached the retirement age of 60 during 2015. Graham has been a Nedbank stalwart over many years and made a huge difference to the group, firstly managing Nedbank Corporate and later as Chief Operating Officer, developing our alliance with Ecobank. We wish him all the best going forward.

Julian Roberts stepped down as a non-executive director following his retirement from Old Mutual plc. We appreciate his independent thinking and knowledge of the key strategic drivers of the global financial services industry, and wish him a healthy and fulfilled retirement.

Paul Hanratty, Chief Operating Officer of Old Mutual plc, has also stepped down as a non-executive director on 12 March 2016. Paul's unique understanding of both the group's business and the industry will be missed and we wish him well in all of his future endeavours.

Dr Reuel Khoza, Mustaq Enus-Brey and Gloria Serobe reached the end of their nine-year terms as non-executive directors, and stepped down from the board in May 2015, in line with the board policy and principles of good governance. I would like to convey my appreciation to these boardmembers.

I would like to express sincere gratitude to our previous Chairman, Dr Reuel Khoza, for handing over an incredibly stable ship with exciting growth potential. His ethical leadership legacy holds many lessons for my role as Chairman and the vision we have for Nedbank, the financial services industry and our continent.

I will conclude with a recent quotation from Nedbank Group's ex-Chairman, Dr Reuel Khoza: 'In Africa we say a person is a person because of other people, and nowhere is this more apt than in the relationship between leader and followers. Mutual dependence is the ethic of African humanism, or ubuntu. In its strongest formulation it asserts that my very being derives from yours, and yours from all of ours. This is expressed in the Zulu proverb: *umuntu ngumuntu ngabantu* (I am because you are; you are because we are).

In fulfilling our vision of being Africa's most admired bank, this is the Nedbank we want to build and I am looking forward to the journey.

Vassi Naidoo
Chairman

COMMITTED TO GOOD GOVERNANCE

For Nedbank, corporate governance means more than a set of frameworks, principles, policies and rules. It means abiding by principles and structures that enable us to facilitate and foster good relationships between the board, shareholders, stakeholders and employees. We facilitate collaboration between our clients and their business partners. Good corporate governance is our vehicle to business integrity, successful business relationships and value for our stakeholders.

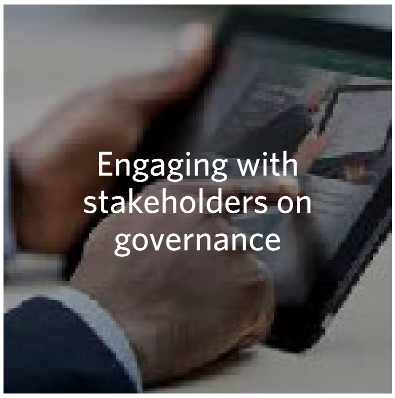
GOVERNANCE PHILOSOPHY

The application of best banking practices enables us to act in our clients' best interest and in our country's welfare. Our robust institutional frameworks also allow us to provide secure and stable banking services in countries where we operate across the African continent. We inspire trust and confidence when we implement processes that prohibit syndicates from laundering money through our clients' accounts.

Governance within Nedbank Group implies far more than compliance with relevant legislation and best practice principles. Rather, it involves a deep-rooted culture of accountability, transparency, respect, efficiency, ethical thought and action, and a values-driven approach to everything we do.

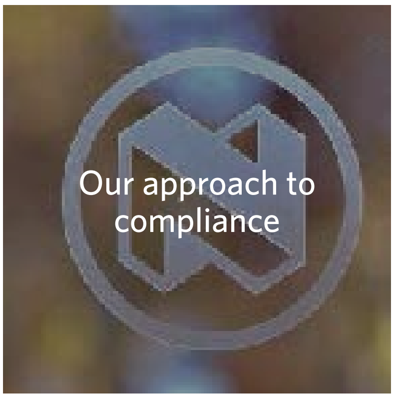
As banking laws become more rigorous and onerous, banks are expected to be able to adapt to regulatory changes in a very short space of time. This means that good governance practices in Nedbank need to be deeply entrenched providing us with the flexibility to proactively respond to this regulatory tsunami. Governance in Nedbank Group incorporates a culture committed to sound processes and procedures, which goes beyond legal compliance and ensures sustainability long after a law and its iterations have been implemented. We are constantly reviewing our practices to ensure that we apply what is fair and right for our regulators, stakeholders and clients.

There are various mechanisms in place which enable us to adhere to the high standards of good governance:



The board and board committees

Ongoing evaluation



Leadership through ethics and human rights

THE BOARD AND BOARD COMMITTEES

The Nedbank Group board provides entrepreneurial leadership and vision to the group to enhance shareholder value creation can take place within a framework of prudent and effective controls, which enables risk to be assessed and managed to ensure long-term sustainable development and growth. The board has ultimate accountability and responsibility for the performance and affairs of the company and is responsible for ensuring the group adheres to high standards of ethical behaviour.

The role of committees

Board committees are tasked with providing oversight and guidance. Refer to page 4 of our 2015 Governance and Ethics Review, available as a supplementray report at nedbankgroup.co.za, for details regarding the board committees.

Board continuity programme

The group's board continuity programme addresses the skills, experience and other qualities required for the effective functioning of the Nedbank Group board. It also sets out the processes relevant to the selection and appointment of directors, the induction and ongoing training of directors, the evaluation of directors' performance, and directors' succession planning.

Board focus areas in 2015

- Strategic oversight of the Group in a deteriorating macroeconomic environment with an escalating regulatory agenda.
- Growing the transactional banking franchise and associated transactional deposit base.
- Expansion into the Rest of Africa, and in particular the strategic alliance and 20% investment in ETI.
- Board and Group Exco succession planning.
- Relationships and collaboration with the Old Mutual plc Group.
- AML Remediation Programme following the fine received in 2014.
- Stress testing.

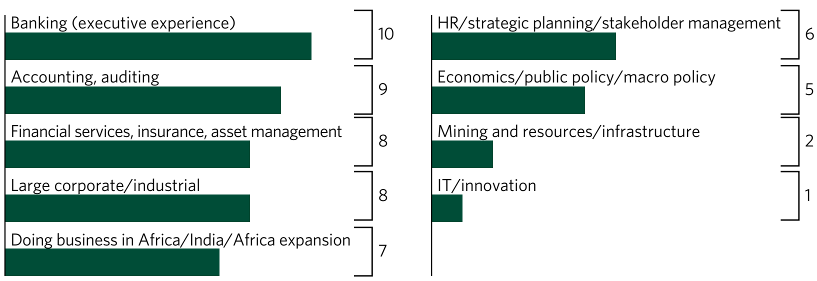
Independent non-executive directors

56%

BOARD ATTENDANCE

	2015		2014	
Number of meetings	**No**	**%**	**No**	**%**
David Adomakoh	**8**	**100**	8	100
Tom Boardman	**8**	**100**	10	100
Mike Brown	**8**	**100**	9	90
Brian Dames	**8**	**100**	4	80
Graham Dempster	**2**	**100**	9	90
Mustaq Enus-Brey	**2**	**100**	9	90
Ian Gladman	**8**	**100**	10	100
Paul Hanratty	**7**	**88**	4	100
Bruce Hemphill	**1**	**100**		
Reuel Khoza	**2**	**100**	10	100
Mpho Makwana	**7**	**88**	8	80
Mantsika Matooane	**8**	**100**	6	100
Nomavuso Mnxasana	**8**	**100**	10	100
Raisibe Morathi	**8**	**100**	10	100
Vassi Naidoo	**6**	**100**		
Joel Netshitenzhe	**8**	**100**	8	80
Mfundo Nkuhlu	**8**	**100**		
Julian Roberts	**7**	**100**	9	90
Gloria Serobe	**2**	**100**	8	80
Stanley Subramoney	**2**	**100**		
Malcolm Wyman	**8**	**100**	9	90

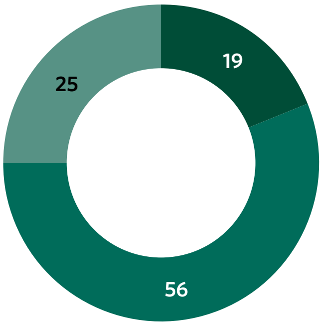
BOARD OF DIRECTORS - SKILLS AND EXPERTISE



Board composition

At 31 December 2015 the Nedbank Group board comprised as follows:

BOARD COMPOSITION
(%)



ONGOING EVALUATION

Nedbank Group board and board committee evaluations

The Group Directors' Affairs Committee is responsible for this function. In 2015 its board evaluation methodology was reviewed to align to Old Mutual plc and best survey techniques, with emphasis placed on areas previously identified for improvement in prior self-evaluations. This resulted in a new board questionnaire that is concise and streamlined, allowing for quantification and tracking of key measures, while providing richness to the qualitative feedback.

The 2015 survey measured the effectiveness of the Nedbank Group board and its board committees during November and December 2015. Responses were based on a five-point Likert agreement scale, reported as a percentage agreement. Feedback was received on the following four key areas:

NEDBANK OVERALL BOARD EFFECTIVENESS DASHBOARD ASSESSMENT RESULTS FOR 2015
(%)

Key areas of feedback

Relationships and interactions between the board, the Group Exco and other key stakeholders.

Board committee responsibilities and their role in enhancing overall board effectiveness, as well as short evaluations per committee.

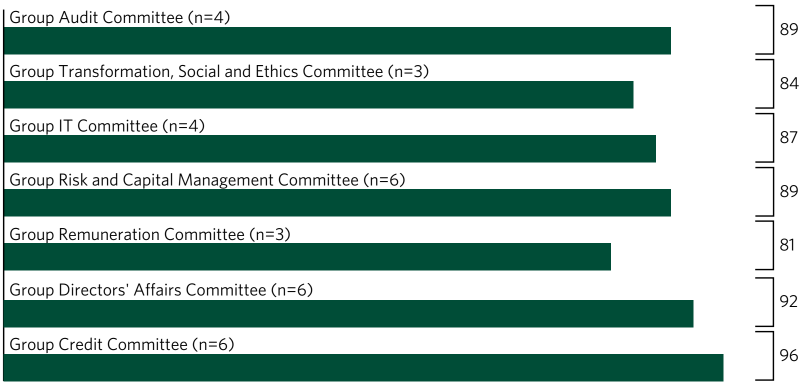
Board role and the responsibilities of directors in terms of composition, monitoring, governance and compliance, including evaluation of the chair.

Efficient and adequate meeting administration to enable decisionmaking.

The board and its committees are operating effectively. The boardmembers are in agreement that there are areas of development, such as:

- A greater understanding of new banking regulations in Africa, banking in Africa and associated risk, future of technology in banking and the bank's role in economic transformation in the country. This will be addressed in 2016 in various board and committee sessions.
- Ongoing recruitment of members with banking experience.

NEDBANK BOARD COMMITTEES EFFECTIVENESS ASSESSMENT RESULTS FOR 2015
(%)



Themes arising from 2015 evaluations

Shareholder relationships

Skills and expertise

Visible corporate governance

Subsidiary board evaluations

Nedbank Group conducts the annual board evaluation for each of the five subsidiaries. For 2015 it was concluded that all the boards are performing effectively.

The results of the evaluations were considered when identifying new talent for the boards during the process of standardising the subsidiaries in terms of composition and size.

ENGAGING WITH SHAREHOLDERS ON GOVERNANCE

Through our engagement we gain a deeper understanding of investor needs and expectations relating to governance and strategic matters, which contributes to the multiple factors that inform our strategy and how we manage the bank.

Nedbank Group's second governance roadshow in April 2015 was hosted by Dr Reuel Khoza (our past Chairman), Malcolm Wyman (Lead Independent Director) and Vassi Naidoo (Chairman) and provided an opportunity to introduce Vassi. Our governance road show provides a forum for the group's board to engage with minority shareholders and strengthen key relationships. The overall response from shareholders was that Nedbank Group is highly regarded for its approach to governance.

The following key issues were consistently raised at all meetings and accounted for the majority of discussion time: Leadership changes, Old Mutual relationship, Ecobank influence and the targets in the Nedbank long-term incentive (LTI) share scheme.

The feedback from our minority shareholders is extremely valuable to us and we discuss this extensively in our board deliberations. We will continue to build on our previous engagements with minority shareholders and look forward to good conversations again at our 2016 governance road show.

More information on:

Long-term incentive schemes 127 and 128

TOPICS OF DISCUSSION

	KEY ISSUES RAISED	Our response and action
Leadership changes	Shareholders were concerned about the loss of key members of our executive team in 2014 and 2015. Specifically the movements to Old Mutual were raised and whether this was a trend and what the potential impact of this would be on Nedbank's business.	Nedbank's smooth succession process and depth of leadership, as all appointments since the roadshow were internal, addressed these concerns. The new executives have engaged with investors on numerous occasions and feedback has been positive. The handover of the various portfolios have been seamless and we have continued to see good progress made on our strategy, with the added benefit of a fresh pair of eyes making positive enhancements to both strategy and the execution thereof. Appointments were in accordance with our existing succession plans and bench strength.
Old Mutual relationship and minority shareholder protection	The appointment of a new Old Mutual Chief Executive Officer raised questions in the minds of investors around the potential implications for Nedbank, particularly if there would be a change in working relationship, strategy and structure. Minority shareholders are concerned about the potential impact on them.	The Nedbank board is confident of the processes put in place to protect minority shareholders, the use of an independent board committee to resolve issues of conflict and the role of the lead independent director to ensure independent decisionmaking and minority shareholder protection.
Ecobank influence	Questions were asked about Nedbank's ability to exercise strategic influence in Ecobank and manage risks in the absence of a controlling shareholder interest (> 50% ownership), along with the potential implications of Qatar National Bank as a large shareholder in ETI with deep pockets.	The board is satisfied that Nedbank Group's 20% ownership in ETI is adequate given macroeconomic and regulatory risks and costs in Africa. In addition, Nedbank continues to build a strong relationship with our strategic partner through our board representation, strategic and technical banking alliance and joint working group on deal origination in the rest of Africa.
Long-term incentive scheme	The relevance of the FINI 15 index as an appropriate measure for our LTI scheme has been questioned. The concern is that the constituents of the FINI 15, in addition to banks, also represent insurance, property and investment holding companies, which may perform vastly different than the banks, resulting in the LTI not accurately reflecting the bank's relative performance.	The matter continues to receive attention from the Remuneration Committee (Group Remco). The existing structure will apply for the awards made in 2016, following a review and decision in this regard by the Remco. Should any changes be contemplated in the future, the appropriate engagement process with shareholders will be followed.

OUR APPROACH TO COMPLIANCE

Our board-approved Nedbank risk appetite policy is founded on a zero-tolerance approach to compliance risk. This policy mandates compliance with all regulatory requirements and monitors and measures such compliance through the Group Directors' Affairs Committee (DAC), a board committee established in terms of the Banks Act, 94 of 1990.

Compliance with King III

We endeavour at all times to apply the principles of King III in such a way that all requirements are met. During the period under review, the board indicated that it was satisfied with the way in which the group applied the recommendations of King III, or put alternative measures in place where necessary.

There are 75 governance principles within King III that apply to our business. To assess compliance we use the Governance Assessment Instrument (GAI) as developed by the Institute of Directors (IOD). This tool has provided us with guidance to implement the governance principles and recommendations as required by King III.

African subsidiary compliance

King III is applied in all the group operations, which include our African subsidiaries such as Lesotho, Swaziland, Namibia, Malawi and Zimbabwe. All five subsidiaries performed a self-assessment on their corporate governance processes using the GAI. The self-assessment was conducted by the Company Secretary in four of the subsidiaries, and by the Head of Governance and Compliance in MBCA.

NEDBANK SUBSIDIARY	Area of future focus
Nedbank Lesotho	The principles not applied relate mainly to integrated reporting disclosures, which they were implemented yet.
Nedbank Malawi	Greater focus needs to be placed on integrated reporting disclosure, including the governing of stakeholder relationships.
Nedbank Namibia	The principles relating to integrated reporting disclosure and stakeholder engagement were not fully applied.
MBCA (Zimbabwe)	Greater focus needs to be placed on integrated reporting disclosure.
Nedbank Swaziland	An integrated report is not prepared, and the processes around stakeholder relationship with management needs refinement.

Instance of non-compliance with King III identified during 2015	Remediation
The Nedbank Group Chairman, Vassi Naidoo, is not independent as defined by the governance codes as he serves on the board of the group's parent company, Old Mutual plc.	The position of Lead Independent Director (LID) was created in 2007 and is currently held by Malcolm Wyman.
Non-executive directors are paid a fixed retainer fee per year, rather than a fee for attendance at meetings.	Non-executive directors are accountable for decisions made regardless of attendance at meetings. Non-executive directors are also required, as a matter of course, to represent stakeholders and to make the necessary preparations for meetings and other engagements. The Nedbank Group Remco is satisfied that the fee structure applied in respect of non-executive directors remains appropriate.

Internal audit

Group Internal Audit forms part of the ERMF as a third line of defence. Its purpose is to provide independent and objective assurance to the board that the following were adequate and effective in mitigating the most significant risks that threaten the achievement of the group's objective:

- Governance processes
- Management of risk
- Systems of internal control

Further reading:

2015 King III Principles, available as a supplementary report at nedbankgroup.co.za.

LEADERSHIP THROUGH ETHICS AND HUMAN RIGHTS

'It is unwise to be too sure of one's own wisdom. It is healthy to be reminded that the strongest might weaken and the wisest might err.' – *Mahatma Gandhi*

As corporate governance scandals continued to emerge globally during 2015, the lack of ethical leadership was identified in all instances as a contributing factor in business failure. Therefore, we decided that we need a new focus on ethical leadership to continue with our good governance and responsible business drive.

Governance of ethics

The board assumes ultimate responsibility for the company's ethic's performance, but delegates this function to executive management, who utilises the following frameworks to fulfil this mandate:

- Ethics and Corporate Accountability Framework
- The Ethics Panel
- Board Ethics Statement
- Code of Ethics
- Code of Conduct
- Suppliers Code of Conduct
- Independent assurance of high risk/ value tenders
- Nedbank Group Ethics Progamme in African subsidiaries

African subsidiary implementation

Because expansion into the rest of Africa is a key component of our strategy and vision, our Ethics Office has implemented the full Nedbank Group ethics programme within our African subsidiaries. Business ethics officers have been appointed in all subsidiaries and they are in the process of finalising the Ethics Officer Accreditation Programme through EthicsSA as well as the Nedbank Ethics Officer Internship.

We believe that we cannot be a successful business operating in a failing environment, and as a corporate citizen we have a responsibility to uplift business in SA. This thinking is also in line with being a member of the United Nations Global Compact (UNGC) and the principle of sharing information and best practice with other businesses and stakeholders.

Nedbank Group is a member of, or a signatory to:

- The UNGC
- The Ethics Institute of South Africa
- The Organisation for Economic Cooperation and Development (OECD)

Appointment of ethics officers in all business clusters

By the end of the year, the majority of established ethics officers completed the first half of the Ethics Officer Internship supported by EthicsSA.

Ethical awareness is driven in terms of the following dimensions of our corporate culture:

Enabling stakeholder engagement

Promoting ethics among:

Our staff

Our suppliers

Our clients

You may be interested in:

Reflections from our Chairman 72–75

Delivering value through a commitment to our communities and the environment 69–71

MEASUREMENT OF ETHICS

Ethics Risk Assessment (ERA) Nedbank Ethics Indicator (NEI)	The ethics risks identified by the ERA are included in the annual Nedbank Staff Survey to monitor improvement, or lack thereof, in terms of the ethics dimensions.

We use a variety of indicators, surveys and tools to ensure that ethical conduct across our group and its subsidiaries remains at the highest possible standard.

Stakeholder engagement on ethics

Ethical culture is enhanced by the ability of stakeholders to engage with us regarding their ethical concerns. We have implemented a variety of internal and external mechanisms for reporting actual or suspected unethical or unlawful behaviour and matters related to organisational integrity:

- the anonymous tipoff hotline;
- the 'Talk to the Ethics Office' email facility;
- the Nedbank Group Risk Reporting Line; and
- direct reporting to the Ethics Office.

Promoting ethics among our staff

Mechanisms used:

- *Awareness training* – As part of its ongoing efforts to raise awareness of the importance of human rights and the need for ethical behaviour the Ethics Office provided awareness training to more than 2 600 staffmembers (translating into 5 200 training hours) across our group in 2015. There has been a notable increase in queries and reports to the Ethics Office by staff as a direct result of this awareness training.
- *Acknowledgement of policies* – Staff are required to acknowledge all ethics-related policies and pledges. These include Code of Conduct, Code of Ethics, declaration of secrecy and outside interests. Acknowledgements for these policies are all above 90%. Our electronic ethics, governance and compliance (EGC) management system is integral to our ethics awareness and education efforts among staffmembers. These declarations and acknowledgements are monitored by business ethics officers.

In alignment with the Global Reporting Initiative (GRI) requirements we have undertaken a series of ethics and human rights awareness and protection initiatives.

Promoting ethics among our suppliers

Nedbank employs the Ethics Responsibility Index (ERI) as a tool to continually assess ethics and governance and human rights aspects of our vendors and suppliers. In 2015 the ERI was enhanced with a number of ethics and human rights questions.

Achievements in 2015:

- Identification of three high-risk tender processes arising from assessments done on more than 45 vendors.
- Introductory training provided to SME clients.
- Significant ethics awareness creation at our Vendor Indaba sessions, particularly around issues regarding giving and receiving of gifts, human rights in business, conflicts of interests and the reporting of unethical behaviour.

Promoting ethics among our clients

Offering our business clients, particularly those operating SME's, relevant support is vital to the sustainability of our supply chain and the creation of a robust and sustainable SA economy.

In 2015 the Ethics Office continued with a series of training and governance products as part of our client value proposition within our Retail Relationship Banking (RRB) and Business Banking areas.

COMMITTED TO UPHOLDING HUMAN RIGHTS

Nedbank embraces and upholds the protection of human rights as enshrined in the SA Constitution and the Bill of Rights. We also adhere to the 10 principles of the UNGC and have shown significant progress in implementing the requirements of the John Ruggie Report, which was commissioned by the UNGC.

Within the organisation human rights are tackled at these levels:

- governance of human rights in business;
- human rights screening; and
- investing in human rights.

In 2015 there were 77 (2014: 102) incidents of misconduct relating to human rights. In 2016 we will be externally assuring this number to ensure alignment between the ethics office and human resources (HR) and system-related statistics.

5 200

hours of training to staff on ethics and human rights

2014: 4 500 hours

Average completion of policies in 2015

93,7%

2014: 94,5%

Further reading:

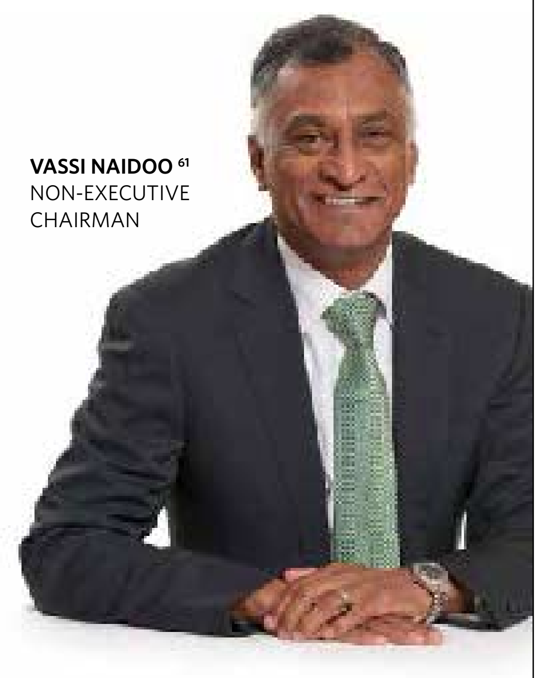
2015 Pillar 3 Risk and Capital Management Report, available as a supplementary report at nedbankgroup.co.za.

2015 Governance and Ethics Review, available as a supplementary report at nedbankgroup.co.za.

ESTABLISHED AND ADMIRED LEADERSHIP TEAMS

BOARD OF DIRECTORS

The Nedbank Group board of directors is comprised of three executive directors and 13 non-executive directors, nine of whom are independent.



VASSI NAIDOO 61
NON-EXECUTIVE CHAIRMAN

South African
CA(SA), ACA and PMD (Harvard)
Expertise in auditing and financial services.
Experience in doing business in Africa and India, and large corporate experience.

MIKE BROWN 49
Chief Executive
South African
BCom, DipAcc, CA(SA), CD(SA), AMP (Harvard)
Expertise in banking and financial services.

DAVID ADOMAKOH 50
Independent Non-executive Director
Ghanaian
BSc (Econs)(Hons) (London School of Economics), Diplôme de Langue et de Civilisation (La Sorbonne, Université de Paris)
Expertise in investment banking.
Experience in doing business in Africa, banking and economics.

56%
Independent directors
(9 members)

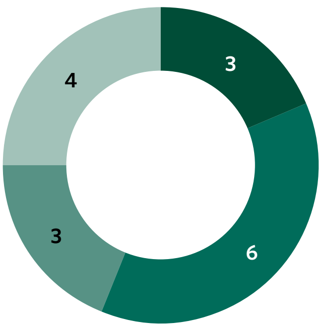
TOM BOARDMAN 66
Independent Non-executive Director
South African
BCom, CA(SA)
Expertise in banking and auditing.
Large-corporate experience.

19%
Executive directors
(3 members)

BRIAN DAMES 50
Independent Non-executive Director
South African
BSc(Hons), MBA
Expertise in energy and resources.
Large-corporate and industrial experience, doing business in Africa.

IAN GLADMAN 51
Non-executive Director
British
BA(Hons) History (Christ's College, Cambridge)
Expertise in banking and financial services.
Experience in strategy development and corporate finance.

BOARD DEMOGRAPHICS



ACI refers to African, Coloured and Indian in a SA context.

PAUL HANRATTY 54

Non-executive Director

Irish

BBusSci(Hons), Fellow of the Institute of Actuaries

Expertise in insurance and accounting.

Financial services experience.

Resigned as a non-executive director on 12 March 2016.

81%

Non-executive directors

(13 members)

BRUCE HEMPHILL 52

NON-EXECUTIVE DIRECTOR

South African

BA, CPE

Expertise in insurance and investment banking.
Financial services experience.

MPHO MAKWANA 45

Independent Non-executive Director

South African

BAdmin(Hons)

Expertise in HR marketing, communications and strategic planning,

Banking, resources and large corporate and industrial experience.

MANTSIKA MATOOANE 40

Independent Non-executive Director

South African

MBA (Henley Business School, UK), PhD in Computer Science (University of Cambridge, UK)

Expertise in IT and innovation.

Banking experience.

NOMAVUSO MNXASANA 59

Independent Non-executive Director

South African

BCompt(Hons), CA(SA)

Expertise in accounting and auditing.

Banking experience.

RAISIBE MORATHI 46

Chief Financial Officer

South African

BCompt(Hons), CA(SA), HDip Tax, AMP (INSEAD)

Expertise in banking and accounting.

Insurance and large-corporate experience.

JOEL NETSHITENZHE 59

Independent Non-executive Director

South African

MSc in Financial Economics (University of London – SOAS, UK)

Expertise in economics, public policy, communications and strategic planning.

Public sector, strategic research and large corporate experience.

MFUNDO NKUHLU 49

Chief Operating Officer

South African

BA(Hons), Strategic Management in Banking (INSEAD), AMP (Harvard)

Expertise in banking, accounting, strategic planning and economics.

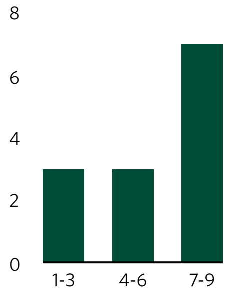
Expansion into Africa experience.

44%

Non-independent directors

(7 members)

NON-EXECUTIVE DIRECTORS' TENURE REMAINING
(Yrs)



STANLEY SUBRAMONEY 57

Independent Non-executive Director

South African

BCompt(Hons), CA(SA)

Expertise in accounting, auditing and expansion into Africa.

Economic and social development and large-corporate experience.

MALCOLM WYMAN 69

Senior Independent Non-executive Director

British

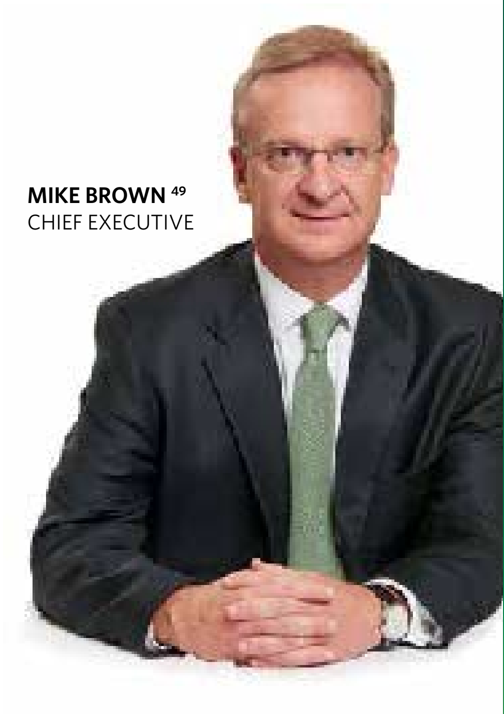
CA(SA), AMP (Harvard)

Expertise in accounting, financial services and strategic planning.

Large-corporate and expansion into Africa experience.

GROUP EXECUTIVE COMMITTEE

The Nedbank Group Executive Committee is comprised of the Chief Executive, Chief Operating Officer, Chief Financial Officer and 12 other members of senior management.



MIKE BROWN [49]
CHIEF EXECUTIVE

CLIENT-FACING CLUSTERS

BRIAN KENNEDY [55]
Managing Executive: Nedbank Corporate and Investment Banking

13,3%✓
Black female

PHILIP WESSELS [57*]
Managing Executive: Retail and Business Banking

IOLANDA RUGGIERO [45]
Managing Executive: Nedbank Wealth

CIKO THOMAS [46**]
Managing Executive: Consumer Banking

SANDILE SHABALALA [49]
Managing Executive: Business Banking

* *Retired, effective 31 March 2016.*

** *Appointed Managing Executive: Retail and Business Banking, effective 1 April 2016.*

TREVOR ADAMS 53
Chief Risk Officer

CENTRAL CLUSTERS

MFUNDO NKUHLU 49
Chief Operating Officer

RAISIBE MORATHI 46
Chief Financial Officer

Average tenure
13,8
years

THABANI JALI 57
Group Executive: Enterprise Governance and Compliance; Group Company Secretary

53,3%✓
Black

FRED SWANEPOEL 52
Chief Information Officer

MIKE DAVIS 44
Group Executive: Balance Sheet Management

Combined
165
years' service

ABE THEBYANE 55
Group Executive: Group Human Resources

THULANI SIBEKO 44
Group Executive: Group Marketing, Communications and Corporate Affairs

PRIYA NAIDOO 42
Group Executive: Strategy and Economics

Black management membership of the Group Exco increased from 46,67% in 2014 to 53,33%✓ in 2015, and female membership increased from 6,67% in 2014 to 20% in 2015.

REPORTS FROM OUR DIRECTORS, COMPANY SECRETARY AND AUDITORS

DIRECTORS' REPORT

for the year ended 31 December 2015

NATURE OF BUSINESS

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

ANNUAL FINANCIAL STATEMENTS

Details of the financial results are set out in our five year track record on page 53, which have been prepared under the supervision of the Nedbank Group Chief Financial Officer (CFO), Raisibe 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 Reflections from our Chairman on pages 72 to 75, Reflections from our Chief Executive on pages 14 to 17, the Grow our Transactional Franchise section on pages 30 and 31, and Reflections from our Chief Financial Officer on pages 44 to 55.

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

OWNERSHIP

The holding company of Nedbank Group is Old Mutual Life Assurance Company (SA) Ltd and associates, which holds 54,11% 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 on pages 145 and 146 of the annual financial statements available at nedbankgroup.co.za.

DIVIDENDS

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

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

BORROWINGS

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

DIRECTORS

Biographical details of the current directors appear on pages 84 and 85. Details of directors' and prescribed officers' remuneration and Nedbank Group shares issued to directors and prescribed officers appear on pages 22 to 27 of the 2015 Remuneration Report, available at nedbankgroup.co.za.

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

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

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

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

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

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

DIRECTORS (continued)

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

Name	POSITION AS DIRECTOR	Date appointed as director	Date resigned/ retired as director (where applicable)
DKT Adomakoh (Ghanaian)	Independent non-executive director	21 February 2014	
TA Boardman	Independent non-executive director	1 November 2002 (1 March 2010 as non-executive, 1 January 2014 as independent non-executive)	
MWT Brown	Chief Executive	17 June 2004	
BA Dames	Independent non-executive director	30 June 2014	
GW Dempster	Executive director	5 August 2009	11 May 2015
MA Enus-Brey	Non-executive director	16 August 2005	11 May 2015
ID Gladman	Non-executive director	7 June 2012	
PB Hanratty (Irish)	Non-executive director	8 August 2014	12 March 2016
JB Hemphill	Non-executive director	25 November 2015	
RJ Khoza	Chairman and non-executive director	16 August 2005	11 May 2015
PM Makwana	Independent non-executive director	17 November 2011	
MA 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	
V Naidoo	Chairman and non-executive director	1 May 2015	
JVF Roberts (British)	Non-executive director	1 December 2009	31 October 2015
GT Serobe	Non-executive director	16 August 2005	11 May 2015
S Subramoney	Independent non-executive director	23 September 2015	
MI Wyman (British)	Senior independent director	1 August 2009	

DIRECTORS' INTERESTS

The directors' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative preference shares in Nedbank Ltd at 31 December 2015 (and any movements therein up to the reporting date) are set out online in the full supplementary 2015 Remuneration Report. The directors had no interest in any third party or company responsible for managing any of the business activities of the group. Banking transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

GROUP AUDIT COMMITTEE AND GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE REPORTS

The Group Audit Committee Report appears on pages 96 to 98 and the Group Transformation, Social and Ethics Committee Report appears on pages 94 and 95.

COMPANY SECRETARY AND REGISTERED OFFICE

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

Details of Mr Jali's qualifications and experience are set out online in the Notice of the Annual General Meeting and Summarised Financial Statements.

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

Business address

- Nedbank Group Ltd
  Nedbank 135 Rivonia Campus,
  135 Rivonia Road,
  Sandown, Sandton, 2196, SA

Registered address

- 135 Rivonia Road, Sandown
  Sandton, 2196, SA

Postal address

- Nedbank Group Ltd
  PO Box 1144, Johannesburg
  2000, SA

PROPERTY AND EQUIPMENT

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

POLITICAL DONATIONS

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

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

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

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

DIRECTORS' AND PRESCRIBED OFFICERS' SERVICE CONTRACTS

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

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

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

Details relating to the service contracts of prescribed officers are incorporated in the full online supplementary 2015 Remuneration Report.

INSURANCE

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

SUBSIDIARY COMPANIES

Details of principal subsidiary companies are reflected on pages 133 to 135 of the annual financial statements at nedbankgroup.co.za.

ACQUISITION OF SHARES

As part of the process of terminating components of Nedbank Group's SA BBBEE transaction introduced in 2005, on 2 March 2015 Nedbank Group repurchased 8 916 159 shares from the Brimstone-Mtha Financial Services Trust, the WIPHOLD Financial Services Number Two Trust, the Nedbank Custodial Retail Trust (formerly the Nedbank Eyethu Retail Trust) and the Nedbank Eyethu Community Trust at an average price of R0,92 per share. The Specific Repurchase represented 1,79% of shares then in issue and the shares were subsequently delisted and reinstated as authorised, but unissued shares. In terms of the JSE Ltd ('the JSE') Listings Requirements and section 48 of the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), the Specific Repurchase was approved by shareholders at the general meetings of Nedbank Group held on 22 July 2005 and 13 May 2008 respectively and ratified on 3 May 2013. Full details are set out in the SENS announcement dated 23 February 2015.

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

SPECIFIC ISSUE OF SHARES FOR CASH

As part of the process of terminating components of Nedbank Group's SA BBBEE transaction introduced in 2015, a Nedbank issued 738 207 Nedbank Group shares for cash to the Nedbank Eyethu Community Trust at a price of R239,77 per share, amounting to a value of R176 999 892,39.

EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

RESPONSIBILITY OF OUR DIRECTORS

The directors are responsible for the preparation and fair presentation of the summarised annual financial statements on page 53, which are derived from the Nedbank Group Ltd consolidated annual financial statements for the year ended 31 December 2015.

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Nedbank Group Ltd (comprising the statements of financial position at 31 December 2015, the statements of comprehensive income, the statements of changes in equity and statements of cashflows for the year then ended), the segmental reporting and the notes to the financial statements (including a summary of significant accounting policies and other explanatory notes) in accordance with International Financial Reporting Standards 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 group's and company's ability to continue as going concerns and there is no reason to believe that the group and company will not be going concerns in the year ahead.

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

APPROVAL OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

V Naidoo
Chairman

MWT Brown
Chief Executive

Sandown

1 March 2016

CERTIFICATION FROM OUR COMPANY SECRETARY

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

1 March 2016

REVIEW AND APPROVAL FROM THE GROUP AUDIT COMMITTEE

The Group Audit Committee (GAC) reviewed and discussed the audited annual financial statements with the Chief Financial Officer, the Chief Executive, the Chief Risk Officer, 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, International Financial Reporting Standards and the requirements for fair presentation of the Companies Act, 71 of 2008 (as amended).

The GAC reviewed and discussed the integrated report's 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 Chair

1 March 2016

REPORT FROM OUR INDEPENDENT AUDITORS

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Deloitte & Touche and KPMG Inc, Nedbank Group Ltd's independent auditors, have audited the consolidated financial statements and specified sections of the 2015 Remuneration Report of Nedbank Group Ltd from which management prepared the summarised consolidated financial results. The auditors have not expressed an opinion on the 5-year track record on page 53. The auditors have expressed an unmodified audit opinion on the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 71 of 2008 (as amended). The consolidated financial statements and the auditors' report thereon are available for inspection at the registered office of Nedbank Group Ltd.

REPORTS FROM GROUP BOARD COMMITTEE CHAIRS

REPORT FROM GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE CHAIR

COMPOSITION AND PURPOSE

In support of the material matters of scarce skills and transformation of society within planetary boundaries, we have been mandated to advise, oversee and monitor Nedbank Group's activities with regard to social and economic development, ethics, transformation, sustainability, corporate citizenship, environmental, health and public safety, stakeholder relationships, labour and employment matters. The committee endeavours to comply with recommended practices as outlined in King III in executing its mandate. This is facilitated by way of quarterly meetings followed by a submission of a report to the board of directors after each meeting.

The composition of the Group Transformation, Social and Ethics Committee (GTSEC) complies with the requirements the Companies Act, 71 of 2008 (as amended). The committee comprises four non-executive directors. Other attendees of meetings include subject matter experts on each of the disciplines or areas falling within the mandate of the committee specified in regulation 43(5) of the Companies Act.

NOMAVUSO MNXASANA
CHAIR

Related material matters

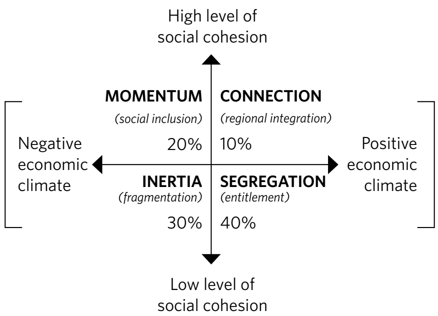
Composition and attendance

DKT Adomakoh	3/3
PB Hanratty	2/4
PM Makwana	4/4
NP Mnxasana (Chair)	3/3
GT Serobe[1]	1/2

[1] *Resigned from the committee on 11 May 2015.*

PERTINENT MATTERS ADDRESSED IN 2015

During 2015 the committee considered a 5-to-10-year view of transformation within the context of the socioeconomic landscape overlaid by the group's strategic positioning. The following four possible scenarios were developed based on the level of social cohesion (considering social capital, social inclusion and social mobility) and the economic climate [considering gross domestic product (GDP), prime rate and consumer price index (CPI) inflation)]:



- INERTIA
  (characterised by negative economic climate and low level of social cohesion)
- SEGREGATION
  (characterised by positive economic climate and low level of social cohesion)
- MOMENTUM
  (characterised by negative economic climate and high level of social cohesion)
- CONNECTION
  (characterised by positive economic climate and high level of social cohesion)

Some key considerations to arrive at the four scenarios, included:

1 The more stringent BBBEE legislative environment.
2 Requirements of the National Development Plan, for example 90% financial inclusion by 2030.
3 The triple challenge of poverty, unemployment and inequality.
4 The national skills shortage.
5 Low GDP growth and high inflation.

On 10 February business leaders presented President Jacob Zuma with an eight-point plan that they believe will help prevent SA from a damaging sovereign ratings downgrade to junk status and long-term decline. The plan was drawn up by the country's top CEOs under the leadership of Old Mutual CEO in charge of emerging markets, Ralph Mupita, and Nedbank Group CE Mike Brown. It includes concrete measures such as overdelivery on fiscal consolidation; more effective management of state-owned enterprises by appointing, for example, private sector professionals to their boards; accelerated public–private partnerships; a review of legislative implementation to ensure consistency and certainty; ensuring that labour legislation contributes to inclusive growth, especially of the youth; and the appointment of a standing anticorruption committee to combat graft in both the public and private sectors.

The plan includes a commitment by business to support government in the tough actions needed to tackle its fiscal challenges and unite behind a cohesive narrative and plan, thereby enabling us to move from inertia to connection and mitigating against segregation. We will continue to monitor key flags, including the SA GDP growth rate, prime rate, inflation rate, level of social unrest, level of skills, unemployment rate and the outcome of the next election to mention a few, while deepening our engagement with government and labour as we acknowledge that the current challenges we face require meeting of the minds and greater collaboration by all.

Although Nedbank has achieved industry leadership according to the BBBEE codes, we are also aware that stricter legislation will lead to an industry rebasing, with lower BBBEE levels projected going forward. We remain committed to doing our share, not only to address this socioeconomic imbalance directly through our own transformation efforts by focusing on the priority elements and our culture of inclusion, but also by using our influence and financial and non-financial resources to work with government, business and communities to bring about real and lasting economic transformation to create a better life for all South Africans.

The committee also continued monitoring achievement of its transformation strategy, focusing on regulatory developments pertinent to its functions:

- Reviewed the transformation strategy and monitored achievement against identified targets to deliver on our transformation commitments and the committee is satisfied with the level of transformation achieved within the group, its target-setting methodology and the fact that the demographic composition of the Nedbank Group Exco was regarded as best in class, relative to peer banks.
- Monitored regulatory developments relating to the BBBEE Act and Financial Sector Codes (FSCs). At 31 December 2015 the group achieved a level 2 score (97,34).
- Reviewed developments in the area of ethics management within the group and recommended the introduction of a global benchmark standard, which called for the incorporation of ethics into the performance and remuneration processes at all staff levels and an increased focus on awareness and training.
- Monitored progress against the integrated sustainability strategy and the group's efforts to maintain carbon neutrality.
- Monitored progress of the scaleup of Fair Share 2030, the bank's strategic business response to Nedbank's Long-term Goals for a thriving SA. (See page 10 for more detail in this regard.)
- Monitored activities relating to socioeconomic development (including external skills development), access to finance, lending to enable healthcare, housing and education, enterprise development, community upliftment, economic empowerment and preferential procurement.
- Sustained the transformation legacy and maintained strategic partnerships with our black business partners beyond our BEE deal, with reference to monitoring of agreed legacy projects. The committee commissioned the compilation of a business school case study detailing the legacy of the Nedbank BBBEE transaction, which took into account the lessons learnt, and the views and opinions of all parties involved in the transaction.

Challenges

- The more stringent BBBEE legislative environment.
- Requirements of the National Development Plans, for example 90% financial inclusion by 2030.
- The triple challenge of poverty, unemployment and inequality.
- The national skills shortage.
- Low GDP growth and high inflation.
- Low level of social cohesion.

FOCUS FOR 2016 AND BEYOND

The committee will:

- monitor developments in the implementation of Fair Share 2030 and Nedbank's strategic response to its Long-term Goals for a thriving SA;
- focus on the group's transformation agenda, including the impact of and building a culture of inclusion;
- focus on the impact of the realigned FSC, with the emphasis on the priority elements of ownership, skills development and supplier development;
- continuously evolve its monitoring activities where necessary to enable effective fulfilment of its mandate;
- continue to exercise board oversight of the implementation of the Treating Customers Fairly (TCF) programme across all SA subsidiaries of Nedbank Group;
- monitor how best practice regarding ethics management is implemented in the group, resulting from ongoing research on international standards and collaboration with relevant stakeholders, such as EthicsSA;
- monitor the further implementation of the UNGC Guiding Principles regarding human rights in business and due diligence on products/services, and advise on reporting according to the GRI principles; and
- monitor the development of an ethics key performance area for performance appraisal and remuneration purposes.

Risks/Opportunities

- The Ethics Office has advised that the development of an ethics key performance area and inclusion thereof for performance appraisals and remuneration purposes will be problematic and, as such, alternative solutions will be investigated.
- With stricter BEE codes, there are opportunities to emerge as industry leaders at the forefront of transformation, while noting the risk of not achieving the same level of status as enjoyed under the old regime.

NP Mnxasana
Group Transformation, Social and Ethics Committee Chair

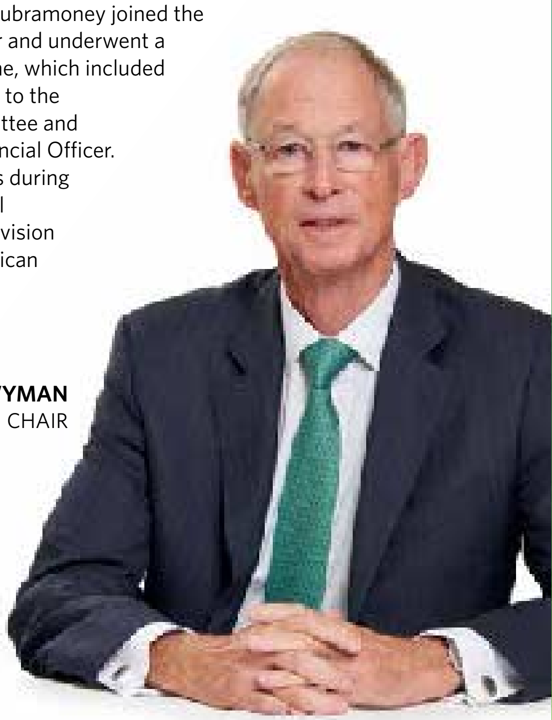
REPORT FROM GROUP AUDIT COMMITTEE CHAIR

'The audit committee has an essential role to play in ensuring the integrity and transparency of corporate reporting and provides key links between management, the board and external audit. The committee is able to focus on the key issues facing the organisation and oversee management's financial reporting controls and processes' through the review of significant accounting and reporting issues and recent professional and regulatory pronouncement.'

COMPOSITION AND PURPOSE

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

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



MALCOLM WYMAN
CHAIR

Related material matters

Composition and attendance

TA Boardman	6/6
PM Makwana	6/6
NP Mnxasana	6/6
MI Wyman (Chair)	6/6

PERTINENT MATTERS ADDRESSED IN 2015

Internal control

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

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

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

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

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

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

Financial reporting process

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

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

The GAC also:

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

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

The GAC considered the following significant issues and key areas of management judgement applied in the preparation of the financial statements in the current year:

- *Fair value of financial instruments* – The GAC reviewed and discussed reports from the CFO regarding the Investment Committee review of investment valuations and details of critical valuation judgements applied to the valuation of group treasury and trading instruments.
- *Credit risk provisions* – The GAC reviewed and challenged reports from the GCC regarding the level and appropriateness of impairments, provisioning methodologies and related key judgements in determining the impairment balances, and satisfied itself as to the level of impairments.
- *Taxation-related matters* – The GAC reviewed reports from the CFO regarding the tax computation and, where applicable, the judgements made in determining tax accrual and the deferred tax balance.
- *Impairment considerations for goodwill, intangible assets and associate investments* – The GAC reviewed reports from the CFO regarding the annual goodwill impairment assessment, the consideration of impairment applied to certain intangible assets, and related assumptions and judgements as well as the consideration of the indicators of impairment for associate investments.
- *Investments in associates* – In 2015 Nedbank held the ETI investment for the full financial year and reported its related associate earnings estimate. The GAC considered management's accounting treatment for the estimate of the earnings from ETI, the assessment of impairment indicators and the resulting impairment assessment.

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

Update on key focus areas in 2015

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

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

Regulatory reporting process

The GAC reviewed the adequacy of the regulatory reporting processes as required by the Banks Act of SA, which includes evaluation of the quality of reporting, the adequacy of systems and processes, and consideration of any findings regarding regulatory reports by the external auditors. The GAC also hosts an annual trilateral meeting with representatives of the Bank Supervision Department of SARB where, among other things, key external audit findings, internal audit matters and reporting responsibilities in terms of the regulations are discussed.

Internal Audit

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

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

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

External auditors

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

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

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

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

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

During the 2015 financial year it was identified that non-audit service assignments would result in significantly higher non-audit fees compared with the previous year. This was duly assessed by the GAC taking into account the auditors' involvement in the assignment, the auditors' expertise and that the programme is not part of the scope of the statutory or regulatory audits. The GAC having considered the impact on the auditors' independence approved the assignment.

Annual financial statements and integrated reporting process

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

The GAC reviewed and discussed the integrated report, reporting process and governance and financial information included in the integrated report after considering recommendations from the GTSEC, Group Remco, The Group Risk and Capital Management Committee (GRCMC) and the Directors' Affairs Committee.

The GAC recommended to the board that the annual financial statements and the financial information included in the integrated report be approved. The board subsequently approved the annual financial statements and the integrated report.

FOCUS FOR 2016 AND BEYOND

Key areas of focus for the committee for 2016 include:

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

MI Wyman
Group Audit Committee Chair

REPORT FROM GROUP INFORMATION TECHNOLOGY COMMITTEE CHAIR

COMPOSITION AND PURPOSE

The primary focus of the committee is to review and approve Nedbank's information technology (IT) strategy and to ensure that there is good governance throughout the IT ecosystem by ensuring the effectiveness and efficiency of the group's information systems from a strategic alignment and risk perspective, as required by the Bank's Act and in support of the requirements of the GAC.

I am delighted with the progress made in the bank's Managed Evolution IT strategy in 2015. The committee oversaw renewed commitment and focus on delivery. The year started with significant achievement in delivery of the new SAP finance and procurement system that created a new platform for growth for the bank. The HR modules were rolled out successfully in November 2015. This initiative consolidated 43 systems into one ERP system for the bank. In support of growth in the rest of Africa, another key highlight has been the implementation of a new core banking platform in Namibia. After some stabilisation, the rollout for the other southern African countries is now planned for 2016.

PERTINENT MATTERS ADDRESSED IN 2015

Cybersecurity was a huge consideration in 2015 and protecting our clients and stakeholders remains a key priority. This is evidenced by elevation of cybersecurity in the bank's risk framework. Addressing threats from phishing, denial of service and other cyberthreats received significant investment and plenty of focus.

Advanced analytics was a key theme for 2015 and led to new data programs. The successful launch of MarketEdge™ shows Nedbank's market leadership in analytics for the benefit of clients.

Leveraging technology to win in financial services disintermediation led the committee to consider the emerging Financial Technology (Fintech) innovations and the potential impact on the bank. The Managed Evolution strategy will enable Nedbank to partner with Fintech innovators locally and internationally, and explorations in this regard are in progress.

Digitising banking for transactional success was the fourth theme for the year. The Managed Evolution strategy successfully balances transforming core banking and developing digital platforms responsive to client needs. Nedbank has received several awards for our mobile banking app suite and other digital platforms. Our focus in 2015 was to support the efforts of the executive team in transforming the client digital experience and processes.

In addition to these technology themes, a key consideration for the committee in 2015 was the response to a regulatory tsunami and ensuring our data platforms will meet the highest standards for compliance within tight timeframes. An investment plan for regulatory response was approved.

M Matooane
Group Information Technology Chair

Related material matters

Composition and attendance

TA Boardman	1/1
BA Dames	3/4
PM Makwana	4/4
M Matooane (Chair)	4/4
JK Netshitenzhe	4/4

FOCUS FOR 2016 AND BEYOND

During 2016 the committee will continue to execute its mandate and be focusing on the following topics:

- Mobile and digital technology for workforce productivity and enhanced client experience by showcasing how and why the digital workplace contributes to increased employee productivity as well as enhances the client experience. There will also be a focus on best-practice approaches to be leveraged on Nedbank's journey to creating a great place to work for all Nedbankers, given its specific circumstances.
- Investigating Fintechs' How will Banks Successfully Counter Disintermediation and Business Model Disruption. What will be explored is the manner in which Blockchain technology is likely to transform banking radically, if society is ready for a radical change in what is offered to clients, how it is offered and who offers it from a financial services perspective.
- Big data and advanced analytics, which are key to winning with enhanced client experiences by showcasing how banks can proactively utilise big data and advanced analytics to enhance the client experience. Also important is to look at banks across the world that have applied proactive big data and advanced analytics, and whose best-practice approaches could be leveraged, given Nedbank's specific circumstances.

Leveraging technology to increase access to banking and financial services across Africa by showcasing why banks should penetrate, the African financial services market , and how banks, if any, have successfully done so. Attention will also be given to which best-practice approaches could be leveraged in Nedbank's specific circumstances.

REPORT FROM GROUP CREDIT COMMITTEE CHAIR

'The quality of the bank's credit portfolio is sound and the level of impairments are adequate and conservatively determined considering the challenging macroeconomic conditions. All clients are closely monitored through strong credit risk management to cater for the impact of the volatile and deteriorated macroeconomic environment on distressed industries.'

COMPOSITION AND PURPOSE

The GCC assists the board in fulfilling its credit risk oversight responsibilities, in particular with regard to evaluation of credit mandates and governance, policies and credit risk appetite. It is responsible for confirming the adequacy of credit provisions and ongoing monitoring of the overall credit portfolio.

The GCC also acts as the designated committee appointed by the board to monitor, challenge and ultimately approve all material aspects of the group's Advanced Internal Ratings-based credit risk system and processes. SARB requires that the GCC is chaired by a non-executive director. The current membership includes four non-executive directors and three executive directors.

PERTINENT MATTERS ADDRESSED IN 2015

- The adequacy of impairments to reflect the challenging macroeconomic environment, especially pressure on commodities and resources and related industry concentration risk.
- IFRS 9 strategic blueprint and positioning for the forthcoming IFRS 9 implementation, effective 1 January 2018.
- In line with the group's ERMF refresh, a comprehensive review of the Group Credit Risk Management Framework was completed.
- Refresh of the credit risk governance framework relating to the credit policy, approval and monitoring, to support the new Corporate and Investment Banking and Retail and Business Banking structures.
- Concentration risk deep dives into, among others, the commercial real estate, resources (including oil, gas and commodities) and agricultural portfolios and continuous monitoring of concentration risk in our portfolios.
- Implementation of additional regulatory requirements:
  - The National Credit Act Amendment affordability assessment criteria.
  - The Department of Trade and Industry's review of fees and interest rate limits on unsecured loans and the impact on the retail lending book.
  - SARB directive 7/2015 dealing with distressed restructures. Accounts are now classified as in default for six months after restructure.

Challenges

The volatile, uncertain, complex and ambiguous (VUCA) macroeconomic environment manifested in increased pressure on our clients, in particular in the commodities, agriculture, construction and resources industries. The complex environment required additional deep dives and stress testing on our credit portfolios to confirm the adequacy of impairment levels across the group portfolio.

TA Boardman
Group Credit Committee Chair

Related material matters

Composition and attendance

DKT Adomakoh	2/2
TA Boardman (Chair)	7/7
MWT Brown	7/7
BA Dames	7/7
GW Dempster[1]	1/3
MA Enus-Brey[1]	3/3
ID Gladman	7/7
PB Hanratty	3/4
RK Morathi	7/7
MC Nkuhlu	5/7
GT Serobe[1]	0/3
S Subramoney	2/2

[1] *Retired in 2015.*

FOCUS FOR 2016 AND BEYOND

During 2016 the committee will continue to execute its mandate and focus on the following key aspects:

- Risk management of distressed portfolios, key watchlist clients and industry-specific concentration risk.
- Monitoring of movements in impairments in the volatile macroeconomic environment, to ensure their adequacy.
- Prevalent regulatory change in context of the increase in regulation globally and the impact thereof on the Nedbank credit risk profile.
- Continuous dynamic monitoring and determining of credit risk appetite and the impact thereof on origination strategies.
- Preparations for implementation of IFRS 9.

IFRS 9 (Impairments)

A key focus for 2016 is the implementation of IFRS 9 on 1 January 2018. The group is aiming to run in parallel from 1 January 2017 to ensure the accuracy of models and assessment of impact on the group's impairments and strategy. During 2016 the strategic portfolio tilt impacts of the implementation will be assessed and included in the business plans going forward.

While compliance with IFRS 9 is key, the group's approach is to leverage the implementation to fundamentally enhance its credit risk measurement and management framework.

Incorporating our Long-term Goals to develop our bank to contribute to a flourishing society requires a mind-set shift in lending practises. Incorporating Fair Share 2030 principles in our strategic portfolio tilt strategy we are able to contribute positively to the environment and the communities we operate in, and provide a sustainable business model that will allow this organisation to thrive.

REPORT FROM GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE CHAIR

'In 2015 we, under the new CRO, embarked on a new journey for risk at Nedbank, to elevate risk management to become a 'competitive differentiator' and we have made good progress. We started this journey from a solid base and risk culture and with a risk universe across Nedbank that has remained remarkably sound, albeit amid an ever-deteriorating, volatile, uncertain, complex and ambiguous macroeconomic environment.'

COMPOSITION AND PURPOSE

The GRCMC has a monitoring and decisionmaking responsibility and is considered the board's expert monitors of the risk universe as listed and defined in Nedbank Group's ERMF. A formalised charter defines the minimum requirements for the committee to give effect to its risk oversight responsibilities.

Risks excluded from the committee's scope include accounting and taxation, IT, credit, compliance, corporate governance, people, transformation, social and environmental risks, which are covered by other board committees.

The committee is involved in various key risk and capital management activities, which include:

- Overseeing the development and implementation of a risk strategy and the Group Risk Plan to ensure that the group and banking entities manage risks in an optimal manner;
- Approval of the Group's risk appetite;
- Approving, reviewing and evaluating the adequacy and efficiency of the risk policies, procedures, practices and controls applied in the day-to-day management of business;
- Ensuring the bank establishes and maintains an Internal Capital Adequacy and Assessment Process (ICAAP);
- Monitoring the adequacy of the asset and liability management processes in the group, market trading risks, derivatives and investments;
- Maintaining a best-practice ERMF;
- Oversight of the group's remediation and holistic programme addressing AML, combating the financing of terrorism (CFT) and Sanctions; and
- Oversight of the approximately R3bn Regulatory Change Programme.

PERTINENT MATTERS ADDRESSED IN 2015

The top 10 risks (as described on pages 118 to 123) flowing from Nedbank's three-year business plan influenced the pertinent topics addressed by the committee throughout 2015.

A key component of the Group Risk Plan was to complete a comprehensive refresh of the ERMF in 2015 to respond to new and emerging risks and ensure best practice and alignment with the extensive regulatory change developments.

The ERMF refresh took into account stakeholder needs and experiences; significant regulatory change and developments (eg Basel III, BCBS 239, RDAR&R/Enterprise Data Programme (EDP), pending new Twin Peaks regulatory structure for SA, Bank of International Settlements (BIS) paper on 'Corporate Governance Principles for Banks' etc); as well as the evolving/emerging risk trends and external dynamics [eg financial crime, cybercrime, AML, CFT and sanctions, conduct risk and TCF, etc]. The underlying theme of the refresh is alignment to Nedbank's overarching strategic theme of simplification. The revised risk universe is illustrated on pages 116 and 117 of the integrated report.

Since the global financial crisis regulation continues to fundamentally change the shape of banking and financial services. Regulatory risk and conduct risk have emerged for the foreseeable future as a key focus. Basel III is being phased in over several years up to 2019 and the group is proactively managing and responding to regulation as a key strategy.

Strategic/Business alignment with the AML, CFT and Sanctions programme, and other regulatory programmes were top of mind throughout the year.

A conduct risk project was initiated in 2015 and a conduct risk framework is being formalised to underpin TCF principles and ensure full integration into business processes.

There has been a significant amount of progress made with our new Regulatory Change Programme Office (RCPO), with work continuing on a number of longer-term programmes such as AML, CFT and Sanctions, IFRS9 and the EDP. In response to the BCBS 239 (RDAR&R) EDP will meet both regulatory requirements while creating improved business intelligence for enhanced client centric data analytics. Each of these initiatives has a strong strategic element, as well as elements that should result in simplification of our systems and processes. The progress made was strongly influenced by a significant amount of collaboration between the RCPO and stakeholders across all client-facing and support clusters.

Challenges

Since the global financial crisis, the significant regulatory change agenda and developments remain a core challenge, but also serve as an opportunity for Nedbank to elevate strategic risk management to best practice.

FOCUS FOR 2016 AND BEYOND

In response to the current volatile macroeconomic environment, management actions for the top 10 risks have been clearly defined as the cornerstone of Nedbank's 2016–2018 Risk Plan, which has been prepared on this basis of transforming risk management strategically across Nedbank and differentiate it from its competitors.

During 2016 the committee will continue to execute its mandate by focusing on the following topics:

The regulatory landscape will remain top of mind for the banking industry and will continue to influence overall bank strategy, balance sheet positioning, and capital and liquidity planning decisions. Regulation will have a substantial impact on bank strategy and profitability mainly due to:

- Regulatory change programme of approximately R3bn.
- Transitional liquidity coverage ratio (LCR) compliance with effect from 1 January 2015 to 1 January 2019, which will dilute banks margins and adversely impact the return on equity (ROE), unless frontbook pricing is adjusted upwards.
- Required net stable funding ratio (NSFR) compliance of 100% from January 2018, which will reduce the ability of the bank to transform short-dated liquidity into long-dated lending and therefore dilute bank margins and adversely impact ROE, unless frontbook pricing is adjusted upwards.
- An increase in the group's capital levels, including an operating CET1 norm with a trajectory towards 12% in line with international peer comparatives transitional regulatory minimum capital requirements. This includes a phasing in of the capital conservation and countercyclical buffers, as well as bank-specific domestic systemically important banks (D-SIBs) requirements.
- Total loss-absorbing capacity (TLAC) requirements, which will lead to an even higher Basel III requirement of TLAC of 16% to 20%, if these principles are adopted, which we believe is likely for the SA D-SiBs.
- Capital floors and standardised approaches, which are being considered and will adversely impact risk-weighted assets (RWA) levels.
- Significant expected changes regarding the quantification of RWA, with finalisation expected in December 2016. A conceptual framework setting out primary and secondary indicators for identifying unconsolidated entities where there are significant 'step-in risk' for banks has been proposed and is to be finalised in December 2016.

Capacity and adequacy of resourcing to successfully execute the Group's strategy and the many large-scale programmes, including those related to regulatory change, will heighten the focus on execution risk as critical to deliver on Nedbank's strategy to win in 2020.

While there are no specific concerns in Nedbank, we have increased our focus on financial crime risk management due to elevated financial crime given the deterioration of the macroeconomic environment. We will also continue our holistic approach to the management of this risk with the formulation of a cybercrime risk management programme, an integrated financial crime risk framework and frameworks on cyber-resilience, information security and AML, CFT and sanctions.

A TCF market conduct programme aligned to the Twin Peaks and market conduct regulatory developments is well underway within Nedbank. A work stream model for each of the six TCF outcomes are tasked to formalise conduct frameworks, principles and management information to demonstrate TCF outcomes.

In line with the ERMF refresh, Group Risk commenced with a refresh of Nedbank's Risk Appetite Framework (RAF) in 2015, continuing into 2016. In support of the ERMF refresh, risk frameworks, policies and committees will be refined and embedded as a key deliverable.

Following the investments into ETI and Banco Único in 2014, (currently with a shareholding of 38,3% and a pathway to control in 2016 with an increase in our investment) and with the strong emphasis on Rest of Africa as one of the group's five key strategic focus areas, there is a need to upgrade risk appetite for Nedbank's operations outside SA.

Opportunities/Risks

- Acknowledging the compliance imperative, it remains crucial to deliver a sustainable and effective compliant regulatory operating model, which is underpinned by a direct link to the strategic benefits of establishing a winning regulatory environment.
- Fundamentally, the business of banking is about managing risk. For Nedbank to achieve our 2020 aspirations and targets on a sustainable basis, given the regulatory, VUCA and highly competitive environment, along with technological advancement and innovation, risk management must become a competitive differentiator for Nedbank.

TA Boardman
Group Risk and Capital Management Committee Chair

Composition and attendance

	Prescheduled	Ad hoc
TA Boardman (Chair)	4/4	1/1
MWT Brown	5/5	1/1
MA Enus-Brey	2/2	0/0
ID Gladman	5/5	0/1
NP Mnxasana	5/5	1/1
JK Netshitenzhe	5/5	1/1
MI Wyman	5/5	1/1

'The significant regulatory change agenda and developments remain a core challenge, but also serve as a strategic opportunity to leverage for Nedbank.'

TOM BOARDMAN
CHAIR

Related material matters

REPORT FROM GROUP REMUNERATION COMMITTEE CHAIR

Executive remuneration and the governance of remuneration in large corporations remained a feature of the corporate governance landscape in 2015. In addition, the issue of income differentials and the steps necessary to address these continued to enjoy prominence in the local and international discourse.

Income differentials are an important topic and Nedbank remains committed to ensuring that, where differentials exist, these are fair and defensible, based on objective criteria. We will continue to monitor and address this critical issue.

Nedbank remains compliant with the relevant remuneration-related legislative and regulatory requirements that apply in its operating jurisdictions, and with those set by the International Financial Stability Board. It is clear that these requirements will continue to evolve and we will remain focused on ensuring that our remuneration practices adapt to remain compliant. Similarly, we will continue enhancing the overall governance of our remuneration arrangements so that we remain appropriately aligned to international best practice.

A key feature of our Remuneration Policy is pay for performance. In the context of Nedbank's overall performance in 2015, and specifically the growth in headline earnings (HE) and economic profit (EP), which are detailed elsewhere in this integrated report, we have increased our short-term incentive (STI) pool by approximately 3% and have kept our LTI pool flat. The restricted shares issued under our LTI arrangements in 2013 vest in 2016 and the operation of corporate performance targets (CPTs) has resulted in 69,8% of the total of these awards vesting, with the remainder being forfeited.

Based on feedback received from our shareholders, we have reviewed our LTI arrangements and several changes to our scheme rules are proposed for implementation in 2016. These relate to our ability to, where circumstances necessitate this, forfeit or claw back awards made, including those already vested. Details of these arrangements are set out online in our full 2015 Remuneration Report, and are also contained in our Notice of AGM for shareholder consideration and voting.

In line with the above, we have also made changes to our Remuneration Policy so that we are able to forfeit or claw back deferred remuneration where this is deemed necessary. This is aligned with emerging international best practice in the management of deferred remuneration. The policy is set out in the detailed 2015 Remuneration Report, and is presented for a non-binding advisory vote at the 2016 AGM.

We recommend that these changes, and the changes to the Nedbank 2005 Employee Share Incentive Scheme rules set out in the Notice of AGM, are approved by shareholders.

Stakeholders will also notice that we have changed the structure of our 2015 Remuneration Report, following feedback that we have received. Included in this integrated report is a summarised Remuneration Report covering the key aspects of our Remuneration Policy and its implementation. We also include key disclosures in the summary. This is supplemented, for those requiring more detail, by a full online 2015 Remuneration Report, which can be accessed at nedbankgroup.co.za.

MPHO MAKWANA
CHAIR

Composition and attendance

	Prescheduled	Ad hoc
PM Makwana (Chair)	5/5	2/2
NP Mnxasana	4/5	2/2
JVR Roberts	4/4	2/2
MI Wyman	5/5	2/2

FOCUS AREAS	Actions taken in 2015
Launching an updated approach to performance management	This work was dependent on the SAP Human Capital Management system, which was launched in Nedbank on 1 November 2015. As part of this a new performance management system was configured and is being launched for the 2016 performance management process.
Reviewing variable pay arrangements	The appropriateness of the CPTs applicable to the Nedbank LTI arrangements was reviewed. This resulted in the Group Remco approving the retention of the current suite of performance conditions for awards to be made in 2016. We will, however, continue to engage with shareholders regarding the performance conditions, with a view to possible amendments for 2017. We have also reviewed our LTI Scheme rules and have proposed amendments thereto for implementation in 2016. These relate to our ability to, where circumstances necessitate this, forfeit or claw back awards made, including those already vested. This will improve our alignment with international best practice.
Focusing on fitness for purpose of our employee benefits	Our defined-contribution pension and provident schemes were migrated from standalone arrangements to the Old Mutual SuperFund arrangements. The SuperFund is an umbrella retirement fund within which pension and provident subfunds have been established for Nedbank. The management committee remains in control of key functions (notably investment strategy and investment choice oversight); however, greater economies of scale were achieved in respect of administration, improving the value for money for members. The move to the SuperFund arrangements, which took place following a full tender process, is also aligned with the trend in the retirement funding environment of greater consolidation to reduce administration costs and optimise the amount of total contributions going directly to retirement savings. Our defined-benefit pension arrangement remains a standalone scheme, given certain challenges in an umbrella fund pertaining to defined-benefit schemes, within which the sponsoring employer retains ultimate accountability for the provision of pensions to members if fund resources cannot meet the obligation. We also reviewed the appropriateness of continuing to offer the standalone Nedgroup Medical Aid Scheme. Our review showed that the scheme remains viable on its current basis and continues to offer members appropriate value for money.

FOCUS FOR 2016 AND BEYOND

During 2016 the Group Remco will focus on:

1. the implementation of changes to the LTI arrangements related to *malus* and clawback;
2. a review of our approach to the remuneration of control function employees, notably those in risk, compliance, audit, finance and actuarial functions;
3. the continuation of our refresh of performance management within Nedbank in support of the bank's Winning in 2020 objectives, and our revised culture initiatives outlined on pages 8 to 9 of this integrated report;
4. the appropriateness and fitness for the purpose of our employee benefit arrangements, with special focus on our defined-benefit employee arrangements; and
5. possible revisions to certain CPTs in 2017 following shareholder consultation.

The Group Remco continues to operate effectively in the execution of its mandate, and I remain grateful to the members of the Group Remco for their contribution as we continue to engage on these important matters.

PM Makwana
Group Remuneration Committee Chair

Related material matters

WORLDCLASS RISK MANAGEMENT

STRIVING TO BE WORLDCLASS AT MANAGING RISK ACROSS NEDBANK

Deeply embedded in the DNA of Nedbank is the understanding that the business of banking is fundamentally about managing risk. The origins of risk within Nedbank evolve from the entities the group is comprised of, and the nature of the business/activities and related processes/outcomes flowing from these, as depicted below ...

Origins of risk

Lend = Credit risk	We lend out money, which gives rise to credit risk.
Fund = Liquidity and funding risks	We also take in deposits to fund our lending ...
Mismatch = Interest rate risk in banking book (IRBB)	... and that results in asset and liability mismatches, and so interest rate risk.
Trade = Market risks	We trade and invest in financial markets that drive other market risks ...
Operate = Operational and legal risks	... and all these business activities are prone to operational, legal, reputational and other risks.
Solvency = Capital risk	We must remain solvent and so balance sheet positioning and capital and liquidity planning are critical given the associated capital risks.
Regulated = Regulatory and compliance risks	Banks are highly regulated with a tsunami of regulatory change following the global financial crisis, and so the regulatory landscape for banks will remain top of mind.
Compete = Strategic, business and financial risks	Banks are fiercely competitive as businesses are subject to many competitive forces, as well as to changing technological and macro-environmental landscapes that continue to influence overall bank strategy.

Risk management in Nedbank is underpinned by our ERMF.

Collectively there are 17 key risks that make up the risk universe in the ERMF.

ENTERPRISEWIDE RISK MANAGEMENT FRAMEWORK REFRESH IN 2015

Since 2003 the ERMF has served Nedbank well and has been resilient through economic cycles. The organisation has placed a strong reliance on this risk governance framework and the three-lines-of-defence model, which are fundamental to Nedbank's aspiration to be worldclass at managing risk.

In response to evolving, emerging risk trends, a changing business environment and the significant regulatory change and developments, a refresh of the ERMF commenced in 2015, incorporating the current internal and external environment. Key considerations of the ERMF refresh included:

- Significant regulatory change and developments (eg AML, IFRS 9, BCBS 239 (RDAR&R), Retail Distribution Review, Solvency II/SAM, Protection of Personal Information (POPI), Basel III, the pending new Twin Peaks regulatory structure for SA, and the BIS paper on Corporate Governance Principles for Banks).
- Evolving/Emerging risk trends and external dynamics (eg financial crime, conduct risk and TCF, and regulatory risk).
- Stakeholder needs and experiences and what is good for Nedbank in the current environment, particularly in support of the drive for simplification.
- A revisit of the key risks comprising Nedbank's risk universe.

The refresh elevates Nedbank's position to achieve its long-term strategic aspiration of being worldclass at managing risk.

RISK STRATEGY AND VISION

Following the refresh of the ERMF, and arising out of the most challenging risk environment – given the persistent VUCA macroeconomic and geopolitical environments – exacerbated risk both locally and globally, as well as fierce competition from traditional and non-traditional competitors, we have crystallised Nedbank's top 10 risks that form the cornerstone of the Group Risk Plan. These are:

- Strategic and execution risks
- Regulatory risk (regulatory tsunami)
- Balance sheet risks – structure and growth (in view of Basel III)
- Concentration risk – (traditionally what hurts banks most)
- Business risk – (VUCA environment)
- Credit risk – (given the VUCA macroeconomic environment)
- Operational risks – AML/CFT and sanctions, data and IT risks, information security and cybercrime
- Rest of Africa risks
- Conduct risk
- Compliance risk

At Nedbank we approach risk management across three integrated core objectives:

- **Managing risk as threat**

  To minimise and protect against downside risk and against material unforeseen losses.
- **Managing risk as uncertainty**

  To eliminate excessive earnings volatility and minimise material negative surprises.
- **Managing risk as strategic (opportunity)**

  To maximise financial performance through the application of superior risk and business intelligence, risk-based performance measurement, managing for value, strategic portfolio management and client value management.

Risk is as much strategic and an opportunity as it is a threat, and the Group Risk Plan embodies that, designed in conjunction with Nedbank's business plans and five key strategic focus areas.

A critical success factor for Nedbank to win in 2020, and on a sustainable basis, is that our risk management must become a clearly distinctive competitive differentiator.

To achieve this risk vision Nedbank will 'differentiate through change' the change being the client at the heart of the regulatory change.

Accordingly, the risk vision adopted is:

'To be admired as Africa's leading bank in risk management by both our internal and external stakeholders, a core strategic and competitive differentiator that enables Nedbank to win in a sustainable manner.'

Differentiating by strategically leveraging regulatory change

The 2016–2018/2020 Group Risk Plan has been prepared on this basis to transform risk management strategically across Nedbank and differentiate it from that of our competitors. We are doing this in a collaborative, teamwork, integrated, value-adding, strategic and partnership-based approach.

The most fundamental aspect of the Group Risk Plan is strategically leveraging and differentiating the regulatory environment, and building towards a winning regulatory environment in 2020.

- We will strategically leverage our approximately R3bn regulatory change programme to achieve this.

Nedbank aims to build a regulatory environment, which will enable the business with a robust regulatory framework, to achieve the following objectives:

- Introduce a business-led regulatory change programme that creates a competitive advantage, as seen and experienced by endusers/roleplayers, through the introduction of new systems, processes and practices, as well as mindset and behavioural changes.
- Embed and integrate regulatory requirements into role/job-specific processes, systems and practices to ensure seamless and simple integration.
- Create excitement and buy-in by linking what Nedbank needs to do, why it needs to do it and how it needs to do it.

To be admired as Africa's leading bank in risk management by both our internal and external stakeholders, a core strategic and competitive differentiator that enables Nedbank to win in a sustainable manner.

- Enable the change closest to the enduser, with the line manager as change agent, led by senior leaders across Nedbank Group.

There remains an ongoing imperative to enhance risk management continuously across Nedbank, and the building blocks have been put in place to build that over 2016–2018. During 2016 we will execute the Group Risk Plan, including:

- embedding the benefits of the ERMF Refresh;
- optimising the Combined Assurance model comprising Risk, Compliance, Internal Audit and external audit;
- remaining focused on our business-as-usual, day-to-day risk environments and core risk foundations, and on any material emerging risks (being proactive and forward-looking, not backward-looking);
- strongly focusing on risk as a strategic driver, working in close collaboration with internal stakeholders to add maximum value and build on Nedbank's risk intelligence; and
- clarifying and addressing resourcing, roles, responsibilities and structures (and therefore accountability) around the implementation of regulatory change and risk management, looking at:
  - Operations versus risk and compliance
  - First, second and third lines of defence in our ERMF
  - The Rest of Africa subsidiaries

RISK CULTURE

Nedbank Group has a strong risk culture. This is achieved through following best-practice enterprisewide risk management, a strong 'tone from the top' from the CE, top management and the board, and ongoing risk leadership by the CRO.

Our approach aligns strategy, policies, people, processes, technology and business intelligence to measure, evaluate, manage and optimise the opportunities, threats and uncertainties that we face every day as a major financial institution. In this way the group is able to maximise sustainable shareholder value within the group's clearly defined risk appetite.

Nedbank embraces risk management as a core competency that allows the business to optimise risktaking and is objective and transparent. This ensures that the business prices for risk appropriately, linking risk to return.

In 2015 Nedbank began the journey to elevate risk to become a competitive differentiator and good progress has been made, including the following:

- Establishing a RCPO focused on ensuring efficient delivery against the various regulatory programmes, including the AML, TCF, POPI, IFRS 9, BCBS 239 (RDAR&R), Twin Peaks and Market Conduct programmes.
- Maintaining transparent relationships and working closely with all regulators.
- Maintaining full compliance with Basel III phase-in requirements.
- Ensuring we have a comprehensive recovery plan.
- Ensuring that Nedbank is equipped to remain resilient through a significant stress event.
- Revising Nedbank's risk universe.
- Managing Nedbank's credit portfolio soundly by keeping it as well as the overall credit loss ratio (CLR) in good shape.
- Maintaining a stable operational risk environment despite an increased inherent operational risk profile.
- Placing a strong emphasis on the basics of operational risk management, with a focus on both qualitative and quantitative measures.
- Heightening the focus on financial crime, with new risk management frameworks drafted, in particular for key subrisk components thereof (ie AML, CFT and sanctions, as well as cyber-resilience).
- Crystallising, as indicated above, Nedbank's top 10 risks, and including these with comprehensive management actions in the Group Risk Plan.

At the heart of the group's business and management processes are integrated worldclass risk and balance sheet management frameworks

- ERMF
  - Subframeworks (examples)
    - — Group Credit Risk Management Framework
    - — Group Market Risk Management Framework
    - — Group Operational Risk Management Framework (ORMF)
    - — Group Compliance Framework
    - — Group Financial Crime Risk Management Framework (WIP)
      - AML, CFT and Sanctions Framework
      - Cyber-resilience Framework
    - — Group Liquidity Risk Management Framework
- Capital Management Framework
  - Solvency and Capital Management Policy
  - Economic Capital Framework
- Stress and Scenario Testing Framework
- Risk Appetite Framework
- Risk-adjusted Performance Measurement Framework

- Internal Capital Adequacy Assessment Process (ICAAP)
- Internal Liquidity Adequacy Assessment Process (ILAAP)

Recovery Plan (Basel III-compliant)

OUR APPROACH TO RISK AND BALANCE SHEET MANAGEMENT

We approach our strategy development, business activities, risk appetite, risk and balance sheet management in a fully integrated manner.

The backbone of the group's strong risk management culture and risk governance has been and continues to be the group's ERMF. The risk management function, as embedded across the group, is fully described therein. It sets out the group's risk universe and major risk classifications, and assigns board and executive responsibility thereto. The CRO leads the implementation of the ERMF across the group.

There are risk management frameworks that cover all material risks and governance aspects of the organisation. These encompass structures that are linked with risk-based performance management, ensuring business units focus on key risk areas. Compliance is constantly reviewed by our boards and their committees, and any identified risks or breakdowns of internal controls are reported on, and then actively managed and monitored.

Policies, processes and procedures relating to governance, effective risk management, capital adequacy and sound internal control have board and senior management oversight and are governed by the three lines of defence.

Credit risk is managed across the group in terms of its Group Credit Risk Framework, which incorporates the group credit policy, mandate limits and governance structures, and is reviewed on a quarterly basis.

The Group Market Risk Management Framework is in place to achieve effective independent monitoring and management of market risk.

In recognition of the increasing growth, diversity of activities and volatile macroeconomic environment in which our businesses operate, the group continued to refine the ORMF to ensure that it is adaptive to the environment, is responsive to regulatory requirements, is in line with emerging leading practices and supports forward-looking and proactive risk identification and agility in response.

Comprehensive Capital Management and Liquidity Risk Management Frameworks are maintained, under the leadership of the Group Executive of Balance Sheet Management. These are monitored to ensure adequate levels of capital adequacy and liquidity.

The Capital Management Framework is designed to meet our key external stakeholders' needs, both those focused more on the adequacy of the group's capital in relation to its risk profile (or risk versus solvency) and those focused more on the return or profitability of the group relative to the risk assumed (or risk versus return). The challenge for management and the board is to achieve an optimal balance between these two important dimensions.

All Nedbank's quantifiable risks across the 17 key risks of the ERMF are also captured in our Economic-capital Framework.

Economic capital is a sophisticated, consistent measurement and comparison of risk across business units, risk types and individual products or transactions. Nedbank assesses the internal requirements for capital using its proprietary economic-capital methodology.

All of these quantifiable risks, as measured by economic capital, are then allocated back in the form of a capital allocation to businesses where the assets or risk positions reside or originate.

Nedbank's economic capital and ICAAP methodologies are constantly reviewed and updated, taking cognisance of regulatory developments such as Basel III and Solvency 2/SAM.

Economic capital not only facilitates a like for like measurement and comparison of risk across businesses but, by incorporating it into performance measurement, the performance of each business can be measured and compared on an absolute basis using EP and a relative percentage return basis, namely return on risk-adjusted capital (RORAC).

ICAAP in Nedbank is embedded across the organisation and has been for several years.

Some material changes were implemented for capital allocation purposes and ICAAP during 2015, and these include:

- A revised business risk methodology.
- Enhancements to the calculation and allocation of credit economic capital.
- A new economic capital charge for credit valuation adjustment (CVA), which was implemented to holistically cover counterparty credit risk, which consists of default risk (ie losses in the event of default), as well as market value losses due to a deterioration in the counterparty's creditworthiness.
- Implementation of a revised interrisk diversification methodology.
- Not capitalising for foreign-currency translation risk (FCTR) following the inclusion of foreign-currency translation reserves as qualifying regulatory capital and reserves under Basel III since 1 January 2013.
- A revised residual capital allocation based on 11% of minimum economic capital for the client-facing banking business units.

In view of the significance of liquidity risk in banking, Nedbank also produces an ILAAP. The ILAAP involves an ongoing and rigorous assessment of Nedbank Group's liquidity self-sufficiency under a continuum of stress liquidity scenarios, taking cognisance of the board-approved risk appetite.

The ILAAP also involves an ongoing review and assessment of all components that collectively make up and/or support the Liquidity Risk Management Framework.

The annual ICAAP and ILAAP were signed off by the board through the GRCMC in July 2015, and no material issues raised by SARB during the 2015 onsite review.

Risk-adjusted performance measurement, management and reward

Economic capital and EP are comprehensively in use across the group, embedded within businesses on a day-to-day basis, and in performance measurement and reward schemes. This risk-adjusted performance measurement has been applied across the group for many years now and helps ensure that excessive risktaking is mitigated and managed appropriately within the group.

Nedbank Group continues to monitor the evolving governance environment to ensure appropriate compliance of the group's risk-adjusted remuneration practices with the relevant regulatory and/or statutory requirements.

Nedbank's recovery plan and stress testing

In the event of a stress scenario Nedbank has a detailed recovery plan and liquidity risk contingency plan, both of which were extensively tested during Nedbank's liquidity simulation in March 2015.

The recovery plan sets out the circumstances under which the group may need to activate recovery actions and options available for addressing extreme stress scenarios caused by either idiosyncratic events or systemwide market failures. A possible ratings downgrade to junk status is one such event that may mobilise the plan.

The plan sets a framework for the bank to act quickly and decisively (eg selling of businesses and significant assets) during a severe crisis to ensure that the bank is able to recover. It describes the integration with existing contingency planning and the possible recovery options, including a detailed assessment of their likely effectiveness and the defined points at which they would be invoked. The plan addresses stresses invoked by shortfalls in liquidity and capital, as well as significant operational failures that may jeopardise Nedbank's ability to continue business operations. It also covers the various options considered by senior management to mitigate stresses encountered by Nedbank.

Also in place is a broad Stress and Scenario Testing Framework.

The framework recognises and estimates the potential volatility of the capital requirements and base case (expected) three-year business plan projections, including the key assumptions and sensitivities contained therein, which themselves are subject to fluctuation.

Stress and scenario testing is performed and reported quarterly, or more regularly if called upon. Macroeconomic scenarios of different severities are considered, ranging from mild-stress to severe-inflation-stress and severe-deflation-stress scenarios. In addition to the quarterly stress-testing process, a wide-ranging set of relevant scenarios is evaluated and presented during the annual ICAAP.

The possibility of a further SA credit ratings downgrade has increased materially since the events of December 2015, being exacerbated by the local drought, slowing growth in China, prolonged weak commodity prices, and currency weakness among other adverse factors.

Nedbank has defined key trigger events that may move SA closer to a ratings downgrade prior to Standard & Poor's and Fitch announcing their rating reviews in June 2016. Moody's does not perform rating reviews on fixed future dates. As part of our proactive contingency planning, we have considered a response to such an event to mitigate the potential adverse consequences – our ratings are capped at the sovereign ceiling and therefore any downgrade of the sovereign would lead to a down grade of Nedbank and all SA banks.

A possible one-notch downgrade to subinvestment grade may precipitate (or be indicative of) a high-stress event, and may lead further to (or be indicative of) a severe-inflation stress scenario. Therefore, a further SA ratings downgrade can be seen as being inbetween a high-stress and a severe-inflation-stress scenario. The level of stress along this continuum is likely to be determined by the level of stress in the macroeconomic environment.

- Nedbank Group has performed comprehensive stress testing on the possibility of a further SA ratings downgrade, with the conclusion that the capital levels and capital buffers remain appropriate and that Nedbank Group is strongly capitalised relative to its business activities, strategy, risk appetite, risk profile and the external environment in which the group operates.

Risk appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk Nedbank Group is willing to accept in pursuit of its strategy, duly set and monitored by the Group Exco and ultimately the board, and integrated into our strategy, business, risk and capital plans.

Nedbank has had a formal RAF since 2006, with key metrics, governance and reporting, and has been cascaded down effectively into business units.

Nedbank's risk appetite is prudent and appropriately conservative, and has been enabling for our businesses, promoting competitive but appropriate growth and returns.

There were no material changes made to Nedbank's risk appetite in the 2016–2018/2020 Nedbank group business plan and the Group Risk Plan, with the exception of:

- the introduction of a comprehensive risk appetite statement for rest of Africa (RoA) exposure including an increase in capital allocated; and
- decrease in the group's CLR target range from 80–120 bps to 60–100 bps, due to strategic portfolio tilt and wholesale asset growth outstripping retail.

In line with the ERMF refresh, Group Risk is undertaking a refresh of Nedbank's RAF and will ensure, among others, that it remains constantly relevant, that core risk appetite metrics are aligned with current financial targets, and that new key qualitative risks (eg AML, conduct risk/TCF and reputational risk) are covered.

Risk appetite is considered in detail in the Nedbank Group Ltd Annual Results Booklet and the detailed 2015 Pillar 3 Risk and Capital Management Report available at nedbankgroup.co.za.

CURRENT KEY RISK AND BALANCE SHEET MANAGEMENT POSITIONS AT YEAR-END 2015

Nedbank's favourable financial results for the year ended 31 December 2015 is underpinned by a strong balance sheet across all the core dimensions of capital adequacy, liquidity and funding, credit asset quality aided by the strategic portfolio tilt strategy and appropriately conservative provisioning, excellence in risk and balance sheet management, an enabling but prudent risk appetite framework, and a seamless implementation of Basel III.

Further information is available in the Nedbank Group Ltd Annual Results Booklet in the Risk and Balance Sheet Management Review section and will be available in the 2015 Pillar 3 Risk and Capital Management Report available at nedbankgroup.co.za.

Credit risk

The tough economic environment placed financial pressure on our clients, leading to lower levels of credit demand and transactional banking activity.

- This was particularly prominent in the retail and small-business segments of the market.
- In our wholesale business stresses in the resources, steel and construction sectors continued to impact growth.

Strategic portfolio tilt has delivered excellent results since it was implemented in 2009, resulting in the improvement of the quality of the book's credit profile, which is evident in the group and RBB CLR remaining at the bottom-end of their target ranges.

- While there was some pressure on impairments, particularly in the Nedbank Capital portfolio with CLR increasing to 0,83% (2014:0,14%), driven by lower oil and commodity prices and resulting in high specific impairments, the total CIB CLR remained within their new through-the-cycle target range.

Nedbank has gained market share in the wholesale portfolios through funding initiatives such as renewable-energy and infrastructure projects and commercial-property lending.

- Gross loans and advances grew by 11,0% to R693 043m (2014: R624 116m), with banking and trading advances increasing by 10,4% and 26,2% respectively.
- Derisking and selective origination in the home loan and personal-loan portfolios have been successful, improving asset quality and pricing, as well as growth in vehicle finance, particularly of secondhand and lower-value vehicles.
- These actions have placed the group in a strong position for the tougher macroeconomic environment and contributed to the change in the group CLR target range from 0,80–1,20% to 0,60–1,00% in 2016.

Impairments increased by 6,3% to R4 789m (2014: R4 506m) and the CLR improved slightly to 0,77% (2014: 0,79%). Continued improvements in retail impairments were offset by increased impairments in the wholesale clusters.

- Additional overlays were raised in RBB to R699m (2014: R404m) as deteriorating economic conditions prompted further strengthening of provisioning levels in the second half of 2015.
- The central portfolio provision was further strengthened to R500m to take into account additional risks, particularly in commodities and in the Rest of Africa, that have been incurred but are only expected to emerge in 2016.

Portfolio coverage remained stable at 0,70% (2014: 0,70%).

A key change in the regulatory environment was the implementation of SARB directive 7/2015, which aims to standardise the treatment of distressed restructures across the industry, by adjusting the monitoring period in which an account is held in default to a minimum of six months. The implementation of this change increased defaulted advances and reduced specific coverage.

While defaulted advances increased to R17 559m (2014: R15 846m) as the stress in the resources and mining sectors impacted the wholesale portfolio, the increase was offset by reductions in both the home loan and personal-loans portfolios. The largest impact was the implementation of SARB directive 7/2015, which shifted an additional R1 881m into defaulted advances.

The specific coverage ratio declined to 38,0% (2014: 43,1%), driven mainly by the implementation of SARB directive 7/2015. Restructures tend to have lower coverage as they are expected to cure.

The remainder of the coverage changes relate to improved impairments in RBB and the change in mix of retail and wholesale defaulted advances.

Unmanaged risk concentrations are potentially a cause of major risk in banks. Concentration risk is therefore considered separately as part of Nedbank's Risk Appetite Framework.

Nedbank Group has adopted a selective origination, client-centred growth emphasis as a core part of its strategic portfolio tilt strategy. Nedbank's approach to managing its mortgages (or property portfolio) is to take a holistic approach across both residential and commercial mortgages, preferring a leading market share in commercial mortgages given the better risk-based economics and returns.

- Commercial-mortgage lending has increased since 2011 from 18,2% to 19,7% of gross loans and advances, and consequently Nedbank Group has maintained its leading local market share position, currently at 40,4%. This potentially high concentration is mitigated by good-quality assets, high levels of collateral, a low average loan-to-value ratio (approximately 50%), the underpinning of corporate leases, and a highly experienced management team considered to be the leader in property finance in SA.
- While Nedbank Group has the smallest residential-mortgage portfolio among the local peer group at 14,5% of market share, the contribution of these advances as a percentage of total gross loans and advances was still substantial at 20,6% in December 2015 (2014: 22,0%). However, this level of contribution to the balance sheet is lower than that of its peers.
- The focus in Home Loans since 2009 has been on lending through our own channels, including branch, own sales force and more recently Nedbank's new online home loan

Postwriteoff recoveries
R1 137m
(Dec 14: R941m)
continued focus on recoveries

Portfolio coverage
0,70%
(Dec 14: 0,70%)
remained stable

Specific coverage
38,0%
(Dec 14: 43,1%)
SARB directive 7/2015 impact

Defaulted advances as a % of gross advances
2,53%
(Dec 14: 2,54%)
remained stable

Loan-to-deposit-ratio
93,9%
(Dec 14: 93,8%)
remained stable

application and, to a far lesser degree compared with the industry, through mortgage originators. This enables a better quality risk profile, more appropriate risk-based pricing and therefore more appropriate returns, with a client-centred approach.

- When including residential mortgages, Nedbank's total mortgage market share is in line with that of its peers at 21,5%.

Total retail motor vehicle finance exposure within Nedbank Group has increased slightly since 2011 to 11,1% in 2015 (2011: 11,0%) of gross loans and advances, while current market share is approximately 31,0%, which is second of the big four banks in SA. Sound risk management principles are consistently applied by an experienced management team, with CLR decreasing year on year.

Personal-loan advances have decreased and are now at 2,6% of gross loans and advances, from its peak of 4,3% in 2012.

Market risks

In summary, other than interest rate risk in the banking book (IRRBB), Nedbank does not have a significant risk appetite for, or exposure to, market risk:

- Nedbank's IRRBB is positioned for an upward interest rate cycle and is predominantly managed in line with impairment sensitivity for similar rate change expectations.
  - Current exposures are within the board-approved limits and risk appetite.
- The focus of the trading businesses is to continue to develop the flow model, by leveraging the dealflow from clients.
  - Trading market risk is low in relation to the total bank operations, with only 0,5% of the total economic capital of the group consumed.
  - Risk levels are monitored within board-approved limits and risk appetite.
  - Focus areas in 2015 were the major regulatory proposals, including the fundamental review of the trading book and CVA governance and system implementation.
  - In 2016 the overall strategic focus of CIB will remain largely unaltered and focused on client-centredness. Trading capabilities within current board-approved limit structures will selectively be increased by retaining and managing risks rather than hedging back-to-back in the market.
- Equity risk in the banking book is low relative to the rest of the balance sheet. The key strategic investments (ETI and Banco Único) are accounted for under the equity method of accounting. The total equity portfolio that is fair-valued is R4 719m (2014: R4 761m).
- FCTR remains relatively low, even after the acquisition of equity stakes in ETI and Banco Único in 2014, as a result of the inclusion of FCTR in qualifying capital and reserves since 1 January 2013. Accordingly, FCTR does not have a material impact on the group's total regulatory capital adequacy ratio.

Trading book

low risk

IRRBB % ordinary shareholders' equity

1,61%

(Dec 14: 1,52%)

well positioned

Nedbank Group's Pillar 3 document for the year ended 31 December 2015 provides detailed insights into the management of all components of market risk.

Operational risk

Nedbank maintained a stable operational risk environment despite an increased inherent operational risk profile. Strong emphasis was placed on the basics of operational risk management, with a focus on both qualitative and quantitative measures.

The top and emerging operational risk themes for 2015 were information/cybersecurity, the intense regulatory environment, IT risk, conduct risk, outsourcing/third-party risk, financial crime and business continuity planning (national power crisis).

The restrained macroeconomic environment, as illustrated by slow economic growth, combined with pressure on cost reduction, exchange rate fluctuations, low commodity prices and pressure to meet targets, will likely increase the exposure to operational risk in 2016.

There are significant developments that may have an impact on the current state of the risk-based approaches to measure operational risk for regulatory purposes. Nedbank continues to work closely with industry bodies and regulators to ensure the group remains abreast of reforms.

The development of a second-generation operational risk model with enhanced capabilities (eg to estimate economic capital and to evaluate our internal capital adequacy), including a review of methodology and technology, continues to receive focus.

Nedbank Group's net losses, earnings at risk and operational risk capital to gross income ratio metrics remained within prescribed limits. All single material-loss events of more than R5m are reported to the Group Operational Risk Committee (GORC) and the GRCMC, where emphasis is placed on identifying root causes and enhancing mitigating actions.

Events relating to external fraud and execution, delivery and process management (EDPM) remained the primary reasons for internal losses in terms of frequency and severity. The EDPM event-type category's contribution to the operational risk loss profile increased to 49% in 2015 (2014: 40%), while external fraud decreased to 35% in 2015 (2014: 49%).

A detailed account of the management of operational risk management is included in the 2015 Pillar 3 Risk and Capital Management Report available at nedbankgroup.co.za.

Capital adequacy

Nedbank Group's capital ratios are strong across all classes of capital, are above regulatory minimum requirements and are within internal target ranges. Similarly Nedbank Group economic capital adequacy is strong and ICAAP has been maintained.

Nedbank's ICAAP confirms that we are well capitalised above the current 'A' or 99,93% target debt rating (solvency standard) in terms of the group's proprietary economic capital methodology.

The group maintained a well-capitalised balance sheet. Our CET1 ratio of 11,3% (2014: 11,6%) remains around the mid-point of our Basel III 2019 internal target range.

The CET1 ratio was impacted by risk-weighted assets (RWA) growing 13,7% to R501,2bn (2014: R440,7bn), largely as a result of an increase in credit RWA due to:

- ratings migration across certain wholesale portfolios in line with the deteriorating economic environment;
- an industrywide CVA capital charge by SARB for OTC ZAR derivatives and OTC derivatives with local counterparties not cleared through a central counterparty, which increased RWA by R6,5bn; and
- growth in loans and advances.

Overall capital adequacy was further impacted by investments in the rest of Africa, resulting in a higher capital impairment.

Further information is available in the Nedbank Group Ltd Annual Results Booklet under the Risk and Balance Sheet Management Review section and will be available in the 2015 Pillar 3 Risk and Capital Management Report available at nedbankgroup.co.za.

Leverage

The leverage ratio is intended by the Basel Committee on Banking Supervision (Basel Committee) to serve as a simple, transparent, non-risk-based leverage ratio to supplement the Basel III risk-based capital requirements, to help avoid the buildup of excessive leverage and to capture both on- and off-balance-sheet exposure.

Nedbank Group's gearing (including unappropriated profits) under the revised Basel III Leverage Ratio Framework and disclosure requirements (which came into effect on 1 January 2015) is 16,3 times (or 6,1%) at 31 December 2015 (2014 pro forma: 15,1 times or 6,6%). The increase in the leverage position is largely as a result of the increase in exposure measure, which was primarily driven by organic on-balance-sheet growth as well as an increase in total derivative exposure.

Liquidity and funding risk

Nedbank Group remains well funded with a strong liquidity position, underpinned by a significant quantum of long-term funding, an appropriately sized surplus liquid-asset buffer, a strong loan-to-deposit ratio consistently below 100% and a low reliance on interbank and foreign-currency funding.

From a Basel III perspective Nedbank has successfully implemented the LCR, exceeding the minimum regulatory requirement of 60%, which came into effect on 1 January 2015 and the 70% requirement from 1 January 2016. Having embedded this ratio into BaU processes, Nedbank is well positioned to exceed the minimum requirement throughout the phase-in period, as the LCR requirement increases by 10% per annum to 100% by 1 January 2019.

The Basel Committee released its final version of the NSFR in October 2014. On 18 November 2015 SARB released a proposed directive relating to the NSFR, where it proposed that the available stable funding (ASF) factor applicable to wholesale deposits in the 0 to 6 months bucket be increased from 0% to 35% in order to better reflect the stability of these deposits within the South African context. Taking cognisance of the finalised Basel Committee NSFR standard and the proposed directive issued by SARB, all SA Banks are better positioned to achieve compliance from the effective date of 1 January 2018. The key focus going forward, will be on achieving compliance within the context of balance sheet optimisation.

Nedbank's strong funding and liquidity position is illustrated in the Nedbank Group Ltd Results Booklet and 2015 Pillar 3 Report available at nedbankgroup.co.za.

Common-equity tier 1
11,3%
(Dec 14: 11,6%)
well capitalised

Liquidity coverage ratio
88,5%
(Dec 14: 66,4%)
LCR=> 60% regulatory requirement

Total capital adequacy ratio
14,1%
(Dec 14: 14,6%)
in a strong position

Long-term funding ratio
28,7%
(Dec 14: 25,4%)
strong and well diversified

Total tier 1
12,0%
(Dec 14: 12,5%)
within target range

Available financial resources:economic capital
120%
(Dec 14: 140%;
Dec 14 pro forma: 123%)
strong and above target range

RISK UNIVERSE

The 17 key risks that comprise Nedbank Group's ERMF and their materiality are reassessed, reviewed and challenged regularly by the board, management and our primary regulator, the South African Reserve Bank.

Nedbank's Enterprisewide Risk Management Framework (ERMF)

Risk universe	Accounting, financial and taxation risk	Credit risk	Operational risk	Financial crime risk	Liquidity and funding risk	Capital risk	Insurance risk (including non-banking risks)	Market risk: Trading book	Market risk: Banking book

Key features of the ERMF

1 The board of directors is ultimately responsible for all risks in the group, approval and oversight of the risk measurement and management system, and the setting of risk appetite.

2 The ERMF provides the foundation and underpins the entire risk management structure and system of Nedbank Group (implementation, monitoring, reporting and remediation).

- a Strong emphasis in the ERMF is placed on individual accountability and not on undue reliance on committees.
- b Risk management frameworks (for all major risk types), and risk officers, are in place across all businesses and Group Technology.
- c Provides a set of subrisks where relevant, to each main risk category.
- d Shows the statutory board committees (as required by the Banks and Companies Act) and their role as the final oversight and monitoring functions for the group.

FIRST LINE OF DEFENCE

Board of directors

Board committees: Group Audit Committee; Group Credit Committee; Large-exposure Approval Committee; Group Risk and Capital Management Committee

Group Exco committees

Group Executive Committee

Group Operational Committtee

Committees: Group Operational Risk Committee; Financial Crime Committee; Group Asset and Liability Committee and Executive Risk Management Committee

Forums: Finance Forum; Taxation Forum; Cluster credit committees (CCCs); Transactional Deposits Forum

Business Clusters' risk governance:

NEDBANK RETAIL AND BUSINESS BANKING, NEDBANK CORPORATE AND INVESTMENT BANK, NEDBANK WEALTH AND REST OF AFRICA

- Cluster and business unit excos, CCCs, Trade Risk Committee (TRC), Investment Committee and enterprise risk committees (ercos) and other specialist committees, with the relevant independent group functions.

Finance Forum; CCC; Credit approval meetings (CRAMs); Erco; Balance Sheet Management Committee (BSMC); TRC; BSMC; Investment Committee; Separate Wealth Cluster ERMF; Erco

Central functions: Group Finance; Group Strategic Planning; Balance Sheet Management

2ND LINE OF DEFENCE

Group Risk

Chief Risk Officer

Independent group risk and compliance: Group Credit Risk Monitoring; Group Credit Portfolio Management; Group Operational Risk and Data Management; Group Financial Crime and Forensics; Group AML, CFT and Sanctions; Finance and Operations

THIRD LINE OF DEFENCE

Internal and external audit

Independent assurance: Group Internal Audit; External audit

The ERMF specifically allocates the 17 key risks (which individually also include various subrisks) at each of three levels to board committees; executive management committees (at Group Exco level and those within business clusters); and individual functions, roles and responsibilities (at group level and across all business clusters, as relevant).

Concentration risk	Conduct risk	Regulatory risk	Information technology risk	Business and strategic (execution) risk	Reputational risk	Governance and compliance risk	Transformation, social and environmental risk	People risk

- e Shows the structure of the executive management committees and their roles/responsibilities for the proper, efficient and effective functioning of the group's business.
- f Reporting philosophy: provides a reporting structure from business units through to the board.

3 Three-lines-of-defence model: sets out and positions the three-lines-of-defence model across the group and the role and responsibility of each within the overall framework.

- a Primary responsibility and accountability for the risks originating in the businesses are clearly assigned to the respective business cluster leaders and executives.

4 The CRO reports to the CE, who has ultimate individual accountability for risk.

Group Information Technology Committee | Directors' Affairs Committee | Related Party Transactions Committee | Transformation, Social and Ethics Committee | Group Remuneration Committee

Brand, Client and Conduct Committee | Executive Information Technology Committee | Reputational Risk Committee | Transformation Human Resources Committee

Regulatory Risk and Compliance Forum | Mergers and Acquisitions Forum | Regulatory Risk and Compliance Forum | Nedbank Employee Equity Forum | Group Transformation Forum

- Heads of risk and risk functions, independent of business origination, report directly to business cluster managing executives.

BSMC | Brand, Client and Conduct Committee | Erco | Enterprisewide Human Resources Forum

Group Technology | Group Human Resources | Group Marketing, Communications and Corporate Affairs

Group Enterprise Governance and Compliance

Chief Governance and Compliance Officer

Group Legal | Group Insurance | Group Market Risk Monitoring | Regulatory Change Programme Office | Enterprise Risk Management

Includes:
- Group Money-laundering Reporting Office
- Compliance services and oversight
- Governance and ethics
- Banks Act and regulatory compliance
- Company secretariat

Independent actuaries

NEDBANKS RISK UNIVERSE

TOP 10 RISKS

Nedbank's risk universe comprises of 17 key risks. Aligned to this, through the risk strategy and planning process, the top 10 risks are agreed as key risk focus areas for the year ahead. Management actions for the top 10 risks have been formally documented in the Group Risk Plan and are monitored and tracked in the Operational Committee, Group Exco and GRCMC. We provide an insight on pages 118 to 123, into what transpired in 2015 regarding each of the top 10 risks, the shaping forces that informed these risks and what the outlook is for 2016.

RISK TYPE	Definition
Credit risk	The risk of borrowers and counterparties failing to meet their repayment commitments, including risks arising from impaired assets and related impairments, provisions or reserves and risk arising from exposure to related persons.
Concentration risk	In terms of market risk and credit risk, the risk of an excessive concentration of exposure to a single client or group of related clients. In terms of liquidity risk, the risk of overreliance on funding or liquidity from a single depositor or small group of depositors.
Market risk	In terms of market risk in the trading book, the risk of loss as a result of unfavourable changes in market prices, such as foreign exchange rates, interest rates, equity prices, credit spreads and commodity prices. In terms of market risk in the banking book, the risk of loss in the banking book as a result of unfavourable changes in foreign exchange rates and interest rates.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people or systems or from external events.
Financial crime risk	The risk of any kind of criminal conduct in terms of common law or any current statutory law and any other conduct (whether an act or omission which Nedbank deems to be dishonest, regardless of whether the bank is the victim or perpetrator) that relates to money or financial services, goods or products resulting in economic or financial loss.
Regulatory risk	The risk of Nedbank failing to comply with applicable regulatory requirements or codes. Regulatory risk centres around changes in regulations that may have a negative effect on the business.
Conduct risk	The risk associated with Nedbank's pattern of behaviour in executing its pricing and promotion strategy as well as in respect of the public, markets, laws, best practices, client expectations, regulators and ethical standards.
Reputational risk	The risk of impairment of Nedbank's image in the community or of the long-term trust placed in the group by its stakeholders as a result of a variety of negative factors that may result in loss of business and/or legal action.
Governance and compliance risk	In terms of governance risk, the risk of systems and controls failing to enable adequate oversight on a sustainable basis. In terms of compliance risk, the risk of legal or regulatory sanctions, material financial loss or loss of reputation as a result of Nedbank failing to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct.

RISK TYPE	Definition
Information technology risk	The risk of inadequate systems or inappropriate IT investment, development, implementation, support or capacity, with an associated negative impact on the achievement of strategic objectives.
Accounting, financial and taxation risk	In terms of accounting risk, the risk of inappropriate accounting information causing suboptimal decisions to be made. In terms of financial risk, the risk of financial targets and key performance indicators not being met. In terms of taxation risk, the risk that effective tax planning, co-ordination and strategy, compliance with tax laws and regulations, proactive identification and management of tax risks are not enforced or a poor relationship with revenue authorities exits, resulting in loss and/or missed opportunities.
People risk	The risk of inadequacies in human capital management and the management of human resource policies and processes resulting in the inability to attract, manage, motivate, develop and retain competent resources or the failure of employees to adhere to the group's policies and processes.
Transformation, social and environmental risk	In terms of transformation risk, the risk of Nedbank failing to respond to and address transformation issues adequately, proactively and positively. In terms of social risk, the risk of not adequately contributing to the development of a sustainable and robust social structure. In terms of environmental risk, the risk of a Nedbank activity or process degrading, devaluing or destabilising the environment in such a way that it damages the environment.
Business, strategic (incl execution) risk	In terms of business risk, the risk of potential changes in general business conditions, such as our competitive market environment, client behaviour and disruptive technological innovation. In terms of strategic risk, the risk of an adverse impact on capital and earnings due to business policy decisions, changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes. In terms of execution risk, the risk of Nedbank's business plans not being successful when implemented or full implementation not being achieved.
Insurance risk (including non-banking risks)	In terms of underwriting risk, the risk of a client being placed in the incorrect risk pool. In terms of pricing risk, the risk of the level of risk associated with a pool being mispriced. In terms of non-independence risk, the risk of a single event resulting in claims from multiple clients.
Capital risk	The risk of Nedbank becoming unable to absorb losses, maintain public confidence and support the competitive growth of the business.
Liquidity and funding risk	The risk of Nedbank failing to meet its payment obligations when they fall due, replace funds when withdrawn or fund commitments to lend at an acceptable price, at the right time and place, and in the right currency.

The ERMF is designed around the three-lines-of-defence model, placing strong emphasis on accountability and responsibility of business management, all supported by appropriate internal control, risk management and governance structures.

Three-lines-of-defence model

First line

The board and management of Nedbank Group are ultimately responsible for the implementation and management of risk.

Second line

Comprises:
Independent risk oversight and monitoring by the Group Risk and Enterprise Governance and Compliance Clusters.

The CRO, who reports directly to the CE, provides:

- strategic risk management leadership
- group independent risk oversight
- key support to various risk committees
- management of the RCPO
- is responsible for championing effective enterprisewide risk management and control
- independent model validation
- some first line functions, eg forensics and physical security

The Group Chief Governance and Compliance Officer, who reports directly to the CE, provides:

- continuous strategic compliance risk management leadership,
- independent compliance risk monitoring (of compliance monitoring in the first line),
- sets the group governance and compliance framework and
- works closely with the cluster governance and compliance functions on compliance and governance matters.

Third line

Group Internal Audit, external auditors and independent actuaries provide additional assurance on the effectiveness of risk management across the organisation.

2015

STRATEGIC AND STRATEGY EXECUTION RISKS

(strategy is underpinned by sound strategic and strategy execution risk management)

1

- Strategic and strategy execution risks have been highlighted in the ERMF and in the Group Risk Plan among the top 10 risks facing Nedbank, with a heightened focus on execution across the bank to support Nedbank's roadmap to Winning in 2020.
- Nedbank believes that key in today's climate is the ability to mitigate the adverse impact on capital and earnings due to business policy decisions, changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes in the environment.
  - Strategic and execution risks are closely allied in any successful risk management programme and the one cannot be realised without the other being put into effect.
- Nedbank is strategically leveraging the 'regulatory tsunami'.
  - Approximately R3bn has been allocated to regulatory change programmes to ensure worldclass implementation of regulatory requirements.

REGULATORY RISK

(regulatory tsunami)

2

- Compliance and regulatory risk have become increasingly significant given the heightened regulatory environment in which Nedbank operates.
  - Extensive focus and initiatives are documented in strategy, business and risk plans.
- Given the extent of the significant regulatory change agenda ('regulatory tsunami'), a RCPO was established in 2015, under the CRO to ensure that the impact of new or pending regulatory changes are proactively identified and appropriately managed.
- The RCPO is responsible for ensuring coordinated, comprehensive and timely identification and impact assessment of regulatory changes, and drives the integration of and alignment between regulatory change programmes.
- Nedbank's business and risk strategies ensure these programmes are effectively delivered in an efficient, integrated and strategic manner to maximise our success for full regulatory compliance on a sustainable basis.

BALANCE SHEET RISKS

(structure and growth)

3

- Basel III regulatory requirements continued to be phased in through to 2019 with:
  - ongoing transitional minimum capital requirements increasing in line with regulation;
  - the phasing-in of the minimum LCR requirements that came into effect in 2015 starting at 60%; and
  - the group continuing to position itself strategically for NSFR compliance by January 2018.
- Nedbank continued to shape its capital position in line with these evolving requirements, which included:
  - redemption of certain old-style capital instruments and the issue of further new-style Basel III-compliant instruments during the period.
- An appropriate level of leverage during 2015 continued, with the level of balance sheet gearing being maintained, well above Basel III and the more conservative SA regulatory minimum requirements.
  - Nedbank also operated well within its own internal targeted levels.
- With the phase-in of the LCR requirements this year, Nedbank was well positioned to meet the transitional 2015 minimum LCR requirements through its proactive liquidity risk management and strategies.
- The group has updated its recovery plan in 2015, which also included an extension of its integrated solvency, liquidity and disaster recovery planning to its London branch and to Nedbank Private Wealth.

EMERGING/SHAPING FORCES	OUTLOOK FOR 2016

■ Fundamental shift in financial services' landscape and technology.
■ Fierce competition, mobile and digital transformation – essential to innovate, differentiate and simplify.
■ A need for sound execution of regulatory programmes.
■ Capacity and resources to execute delivery of strategic focus areas and regulatory imperatives separate from business as usual.
	■ Capacity and adequacy of resourcing will be a key priority for the successful execution of the group's strategy and the many large-scale regulatory programmes.
	■ Execution trumps strategy ('grow transactional banking franchise' is most critical).
	  □ Ensure operational and programme management excellence.
	  □ Execute on Nedbank RBB's five key focus areas to deliver on the transactional banking strategy.
	■ Mobile and digital transformation is essential to innovate, differentiate and simplify.
	■ Enhanced project management discipline must support roadmaps to 2020 targets.
	■ A journey will be undertaken to redefine a culture for Nedbank to win in 2020 and beyond.

■ The recent significant changes in the regulatory landscape have focused on two key themes, namely:
  □ the stability and sustainability of the financial services industry; and
  □ client-focused market-conduct-driven regulation.
■ The extent of regulatory change across the industry and its impact on our businesses and clients remain pervasive.
■ As these requirements become more onerous, they are likely to change the shape of bank balance sheets, increase the costs of regulatory compliance, adversely impact the price of credit extension and, as a result, will cause banks to revise their strategies.
	■ In acknowledging the compliance imperative, it remains crucial to deliver a sustainable and effective compliant operating model, underpinned by a direct link to the strategic benefits, with a view to establishing a winning regulatory environment in 2020.
	■ The impact of regulatory change on people, process, systems and data remains a key focus for the year ahead to evolve the operating model for implementing regulatory change in an integrated, cost-effective and sustainable manner.
	■ Although the group is well positioned to respond to the regulatory changes, these changes are likely to put pressure on levels of return across the financial services industry as a result of, among others, the increased cost of compliance, increased quality and size of capital buffers, increased liquid-asset portfolios and decreased levels of liquidity transformation.
	  □ These should in turn lead to lower levels of risk.

■ Increasing capital and liquidity requirements will continue to impact the group's balance sheet and put pressure on bank margins and ROEs, for which frontbook pricing will need to be adjusted.
■ The higher minimum capital requirements and likely introduction of TLAC requirements will drive upwards the group's capital ratios and overall loss-absorbing capacity.
■ LCR compliance is being phased in over several years, with a 60% requirement in 2015 to full compliance by 2019.
  □ These requirements will result in larger liquid asset buffers, with higher levels of bank funding being deployed into these portfolios.
■ The requirements of full NSFR compliance by 2018 will result in a continued lengthening of the group's contractual and behavioural funding profile in order to increase the levels of available stable funding to support lending activities.
	■ The FSB has finalised its minimum requirements for TLAC.
	  □ Nedbank expects that these requirements, in a revised form, are likely to be adopted for SA D-SIBS.
	■ Significant changes are expected with the quantification of RWA, with finalisation expected in December 2016.
	■ A conceptual framework setting out primary and secondary indicators for identifying unconsolidated entities where significant step-in risk exists for banks has been proposed and is to be finalised in December 2016.
	■ Nedbank has embraced the requirements of Basel III and is continuously looking at how best to respond strategically in order to create a competitive advantage rather than simply complying:
	  □ These requirements have been embedded within our strategic portfolio tilt focus and continue to shape the group's balance sheet and impact frontbook pricing.

2015

CONCENTRATION RISK

(traditionally what hurts banks most)

4

- Nedbank Group does not have material single-name credit concentration risk.
  - Of the total group credit economic capital 7,5% is attributable to the top 20 largest exposures, excluding banks and government.
    - 2,3% is attributable to the top 20 largest bank exposures.
- Commercial property finance (> 40% market share).
- Nedbank continued to grow wholesale advances much faster than retail, while transactional deposits were slower.

BUSINESS RISK

(VUCA environment)

5

- The risk environment and risk management across the group remained in good shape despite the VUCA and very challenging regulatory macroenvironment in 2015, with an even more adverse forecast for 2016.
- Despite the challenging environment our CLR's remain low.
- In recognition of these facts, coupled with the ever-present and ever-growing threat posed by financial crime to the financial services industry:
  - focus on financial crime risk management was increased;
  - the risk of financial crime was elevated to a key risk in the ERMF; and
  - risk management frameworks have been formulated for
    - AML, CFT and sanctions and
    - Cyber-resilience.

CREDIT RISK

(given VUCA macroeconomic environment)

6

- The tough economic environment placed financial pressure on our clients, leading to lower levels of credit demand and transactional banking activity.
  - This was particularly prominent in the retail and small-business segments of the market.
  - In our wholesale business stresses in the resources, steel and construction sectors continued to impact growth.
- Strategic portfolio tilt has delivered excellent results since it was implemented in 2009, resulting in the improvement of the quality of the book's credit profile, which is evident in the group and RBB CLR remaining at the bottom-end of their target ranges.
  - While there was some pressure on impairments, particularly in the Nedbank Capital portfolio with CLR increasing to 0,83% (2014:0,14%), driven by lower oil and commodity prices and resulting in high specific impairments, the total CIB CLR remained within their new through-the-cycle target range.

OPERATIONAL RISKS

(AML, CFT and sanctions, data and IT risks, information security and cybercrime)

7

- Maintained a stable operational risk environment despite an increased inherent operational risk profile.
- Strong emphasis was placed on the basics of operational risk management, with a focus on both qualitative and quantitative measures.
- There was an enhanced focus on framework testing and assurance during the year.
- A fundamental review of Nedbank's cyber-resilience and financial crime risk frameworks was initiated and remain a key focus.

EMERGING/SHAPING FORCES	OUTLOOK FOR 2016
■ VUCA macroeconomic environment and pressure on resource and commodities prices.	■ Concentration risk is now one of the key risks in Nedbank's refreshed ERMF. ■ Stress testing and deep dives show low concentration and downside risk to most key sectors. ■ Continued focus on strategic portfolio tilt, with a preference for strong market share in commercial mortgages, given its comparatively better risk-based economics and returns.
■ The performance of banks is closely aligned with the macroeconomic environment in which they operate. ■ In the second half of 2015 the outlook for key macroeconomic facts in SA deteriorated: ◻ SA macro political events; ◻ declining for 2016 GDP expectations to 0,2%; ◻ high risk of recession. ■ Further deterioration is possible as is the risk of SA being downgraded to non-investment grade. ◻ This potentially creates a severe-stress scenario. ■ Elevated financial crime is being experienced. ■ Intense competitive pressure is experienced from banks, non-banks and shadow banking.	■ Despite the difficult macroeconomic environment, intense regulation and strong competition, Nedbank is well positioned to continue to grow and generate value. ◻ Competitive differentiating in 2016–2018/2020 in group business and risk plans: — grow transactional banking; and — differentiate by strategically leveraging regulatory change. ■ Nedbank's comprehensive stress testing enables us to be proactive in managing extreme events and difficult environments. ■ The growing threat of financial crime necessitates a risk-based, proactive and integrated approach to financial crime risk management to achieve a competitive advantage and to win in 2020. ◻ Underpinning this effort will be the integrated Financial Crime Risk Management Framework, together with detailed frameworks being developed to support management of various types of financial crime.
■ Growth in wholesale banking will continue to be limited by infrastructure constraints in SA, poor global demand and low international oil and commodity prices. ■ Rising interest rates will increase borrowing costs and dampen consumer credit demand. ■ Deep dives and stress testing done in higher-risk portfolios.	■ Continued focus on prudent risk management and excellence in collections. ■ Strategic portfolio tilt – proactive risk management and selective origination. ■ Leverage relatively faster growth in Africa in our wholesale portfolios. ■ IFRS 9 (Impairments) programme – strategic implications of change to IFRS 9.
■ Top and emerging operational risk themes are: ◻ Information/Cybersecurity ◻ Intense regulatory environment ◻ IT risk ◻ Conduct risk ◻ Outsourcing/Third party risk ◻ Financial crime ◻ Business continuity planning (national power crisis) ◻ Technological change (eg digital age) follows regulatory change in changing the shape of banking ◻ Big data + risk data = EDP as a critical success factor to Winning in 2020.	Factors likely to increase the operational risk exposure, include: ■ Inherent risk of information security, cybercrime and elevated financial crime ◻ restrained macroeconomic growth ◻ slow economic growth ◻ pressure on cost reduction ◻ exchange rate fluctuations ◻ low commodity prices ◻ pressure to meet targets ■ Significant developments may have an impact on current state of risk-based approaches to measure operational risk for regulatory purposes. ■ Importance of delivering on the EDP/RDAR&R (BCBS 239).

2015

8 REST OF AFRICA RISKS

- Our strategy remains as follows:
  - Own and manage banking and operations in the Southern African Development Community (SADC) and East Africa.
  - Provide access to a banking network in West and Central Africa through our investment and alliance with Ecobank.
- In SADC and East Africa we made good progress with our one-bank-model rollout.
- The foundation was laid for the integration of Banco Único on attaining control in 2016, with a focus on enhancing the control environment.
  - We continue to support ETI in technical areas such as balance sheet management, risk and IT, where teams contribute through information sharing and technical skills support.
- Integration of our African business into the RCPO scope.
- A new core banking system, Flexcube, was successfully implemented in Namibia in 2015, improving efficiency of operations.

9 CONDUCT RISK

- A TCF market conduct programme aligned with the Twin Peaks model and market conduct regulatory developments is well underway within Nedbank.
- Conduct risk has been incorporated as a new risk category within the ERMF as part of the ERMF refresh.
  - A conduct risk framework is being formalised to underpin TCF principles, ensuring full integration into business processes.
- Accountability for the oversight of TCF was allocated to senior management and committees in the ERMF, having regard to their lens over client-related matters:
  - The Brand and Client Conduct Committee.
  - The Transformation, Social and Ethics Committee.

10 COMPLIANCE RISK

- Nedbank regards proper compliance risk management as an enabler and source of competitive advantage.
  - The Compliance Risk Management Framework and methodology were reviewed during 2015 to ensure continued alignment with industry best practice and efficiency.
  - Roles and responsibilities across operations and compliance were clarified.
- A good and transparent relationship with regulators is of prime importance and was maintained in 2015.
  - A policy and process were implemented to ensure that the group delivers on all its commitments to regulators and an open and clear dialogue is maintained with all our regulators.

EMERGING/SHAPING FORCES	OUTLOOK FOR 2016
■ The strategy of increasing our exposure in the rest of Africa will increase the risk profile of the organisation in markets that are more volatile and have less governance at this stage of their development. ■ Significant new regulations are expected for the financial industry, including regulations relating to AML, CFT and sanctions, conduct risk, TCF, IFRS 9, FATCA and risk data aggregation. A diverse operating and regulatory environment was experienced. □ Subsidiaries are separate legal entities based in different countries, with their own boards, regulators and legislators.	■ We continue to see growth opportunities despite economic headwinds and will continue to grow our existing businesses. ■ A focus remains on improving the control environment and governance, and strengthening of leadership. ■ The integration of Banco Único will commence after attaining control in 2016. ■ Increasing regulatory requirements continue and the monitoring and support thereof are integrated into the overall Nedbank Group regulatory programmes. ■ Our new core banking system will continue to be rolled out to other subsidiaries in 2016/17.
■ Regulatory changes are expected: □ Financial Sector Regulatory Bill (FSRB) – Twin Peaks. □ Although TCF is not yet a legislative requirement, Nedbank is proactively ensuring that the TCF outcomes, as well as the recommendations contained in two independent reviews conducted by Deloitte UK, are implemented.	■ A workstream will be implemented for each of the six TCF outcomes, namely: □ culture, product and services, communications, post-sales, conduct risk framework and management information and reporting are planned for delivery by December 2016. Key focus areas include: ■ setting the right tone at the top to ensure the market conduct principles are cascaded throughout Nedbank Group; ■ management of conduct risk throughout the product life cycle; ■ product innovation, design, pricing and strategy; ■ complaints handling, claims and analysis; and ■ empowering clients and keeping them well informed and educated on financial products.
■ Changing/Evolving role of compliance: □ regulation changing from rules-based to principles-based; □ judgement-based compliance becoming more prominent; and □ enabling competitive compliance is required. ■ Increasing digitisation of the business environment. ■ Conduct risk developments. ■ Extent of fines and penalties imposed by regulators globally for non-compliance.	■ Embedding the revised Compliance Framework and supporting policies will continue in 2016. ■ Our integrated compliance approach will keep evolving to address the demands of the changing regulatory environment. ■ An increased focus will be placed on enhancing accountability for compliance for all roleplayers, supported by appropriate awareness. ■ A focus will remain on resource capabilities: □ war for compliance talent; □ high compliance staff turnover; and □ new skills/capabilities required.

REPORTING BACK ON REMUNERATION

OUR REMUNERATION REPORT

This abridged Remuneration Report summarises the issues addressed in our full online 2015 Remuneration Report, which is available online at nedbankgroup.co.za. Provided herein are the governing principles in respect of our approach to remuneration as well as an overview of the manner in which they were implemented during 2015.

Our Remuneration Policy as well as its implementation is independently reviewed on an annual basis to ensure consistent application of the policy, and legislative and regulatory compliance.

HOW WE GOVERN OUR REMUNERATION

We have a Remuneration Policy that provides a framework for the management of total remuneration within the group, and which also supports the Nedbank employee value proposition (EVP). Set out below is a summary of the main aims of our Remuneration Policy, together with our approach to remuneration governance.

Remuneration Policy principles

The following aims of our Remuneration Policy are the guiding principles for our approach to remuneration:

To enable the attraction, motivation and retention of high-calibre people, with the right mix of experience, skills and knowledge to deliver on the strategy.

To support and reinforce our desired culture and encourage behaviour consistent with our values, thereby stimulating employee engagement.

To create an appropriate balance and alignment between the needs, expectations and risk exposure of our stakeholders, including our staffmembers, clients, shareholders, regulators and communities, to ensure the creation of sustainable long-term value for each of them.

To incentivise employees to deliver sustained high levels of performance and excellent execution of our strategic priorities, while being cognisant of the impact this delivery has on our risk profile and exposure.

To enable appropriate transparency in the development of remuneration programmes and the allocation of individual remuneration to ensure equity and fairness based on valid and appropriate external and internal benchmarks.

To align with the principles of good corporate and remuneration governance, ensuring an appropriate share value for the relevant stakeholders in our business.

Our full 2015 Remuneration Policy is set out on pages 1 to 5 of the full online Remuneration Report, and includes proposed changes to make provision for the implementation of *malus* and clawback arrangements in our LTI arrangements, as outlined in the Group Remco Chair's statement.

Governance

Remuneration Committee

Our Group Remco is responsible for remuneration governance with its groupwide responsibilities fully defined in its board-approved charter, available online at nedbankgroup.co.za.

The Group Remco applies the guiding principles enunciated in the Remuneration Policy as far as it is feasible, but retains the right to apply discretion to deviate from this policy in exceptional circumstances. As has been the case for the past several years, there were no requirements for such deviation in 2015.

The Group Remco ensures that it remains knowledgeable about the changing remuneration regulatory environment, both locally and globally. This is supported by regular updates from the Group Reward and Performance team and its external advisors. The 2015 training dealt with global changes in executive remuneration.

In addition to the above, the Group Remco has full access to independent executive remuneration consultants, and has utilised Vasdex Associates (Pty) Ltd and PwC during 2015. Group Remco is also provided with market-related remuneration information through the group reward and performance function.

The Group Remco met seven times during 2015, details of which are set out on page 104 of this integrated report. The Group Chairman, CE, Chief Operating Officer (COO) and Group Executive at HR are permanent invitees to the meetings, and they are not present in discussions regarding their own remuneration. The meetings are also attended by the executive responsible for the reward and performance function in the group as well as any external advisors deemed necessary by the Group Remco from time to time.

All members of the Group Remco act as trustees of the Nedbank Group (2005) Employee Share Trust. The annual trustee meeting for this scheme was held on 24 November 2015.

There were no material issues identified in the Group Remco's self-assessment in 2015, which was conducted to evaluate its effectiveness against the objectives of its charter.

Composition of Group Remco

The Group Remco consists of four members, including an independent chair. The majority of the members are independent non-executive directors.

Name	Directorship status	Current membership
Bruce Hemphill[1]	Non-executive Director	Current member
Mpho Makwana	Independent Non-executive Director	Current member and Chair of Group Remco
Nomavuso Mnxasana	Independent Non-executive Director	Current member
Malcolm Wyman	Senior Independent Non-executive Director	Current member
Julian Roberts[2]	Non-executive Director	Past member

[1] *Bruce Hemphill was appointed to the Group Remco with effect from 25 November 2015.*

[2] *Julian Roberts resigned from the Group Remco with effect from 23 October 2015.*

REMUNERATION ELEMENTS

Our total remuneration mix (as shown in the diagram below), together with the manner in which it is governed, is set out in the Remuneration Policy on pages 2 to 6 of the full online 2015 Remuneration Report, which also expands on the group's approach to such elements during 2015.

PERFORMANCE MANAGEMENT

Short-term focus, day-to-day orientation	Short-to-medium-term focus, performance orientation		Long-term focus, ownership orientation	
Guaranteed package	Short-term incentives (including deferral and forfeiture)	Special-purpose short-term arrange-ments	Long-term incentives	Employee ownership plan

Variable remuneration

Short-term incentive

The aim of STIs is to drive the achievement of sustainable results within an agreed risk appetite framework, and to encourage behaviours that are consistent with our values and are aligned with the best interests of our stakeholders. Our STI schemes are structured to support collaborative work across different clusters. The Group Remco has agreed on a set of principles and all group and cluster incentive schemes are designed according to those principles, which are set out on page 12 of the full online Remuneration Report.

The total STI pool approved for distribution by the Group Remco in respect of the 2015 financial year was R2 162,5m (2014: R2 100m). In accordance with its charter, the Group Remco also approved 24 individual STI payments (2014: 26) in excess of 200% of guaranteed package (GP), outside of those approved in respect of the Group Exco, which are all subject to individual approval by the Group Remco and the board.

DEFERRAL OF STIs

	Compulsory STI deferral		Voluntary Bonus Share Scheme
	R0 to R1m	> R1m	
	No deferral	Fifty percent of any amount in excess of R1m is deferred over a period of 30 months, with releases from forfeiture occurring in three equal tranches at 6, 18 and 30 months from the date of the award. Deferral is on a posttax basis.	Employees may select to defer a portion of their posttax STI voluntarily into the Matched-share Scheme, subject to the total deferral (including compulsory deferral) not exceeding 50% of the total posttax STI award.

In the above instances where deferral applies, the individual must retain the shares in the scheme for a period of 36 months to be eligible for a match in accordance with our Matched-share Scheme, details of which are fully set out on page 9 of the full online 2015 Remuneration Report.

For employees with earnings falling within the highest taxation bracket the total STI has the potential to increase by 30% (before share price movement) in the event that the conditions in the Matched-share Scheme are met at the end of the deferral period.

Subject to shareholder approval at our AGM, deferred STIs will, from February 2016, be subject both to a *malus* (release from forfeiture) decision (already a feature of the scheme) and the possibility of clawback, for a combined period of three years from the date on which the award was made.

Special-purpose short-term variable remuneration

We make use of preapproved special-purpose short-term variable remuneration arrangements only in exceptional circumstances, which is typically in the context of hiring senior and key employees. The group does not, as a matter of course, award guaranteed bonuses, and thus none have been awarded during 2015.

SCHEME TYPE	Scheme description	Number of awards
Signon bonus	Cash awards made to prospective employees on joining the group are typically awarded to compensate them for loss of certain accrued benefits or to make them whole in terms of their existing contractual obligations.	20 awards (2014: 12) totalling R19,7m (2014: R6,23m). Included in this are awards made on appointment to key revenue-generating staffmembers.
Deferred Short-term Incentive (DSTI) awards	DSTI awards are cash-based awards, comprising an upfront payment (typically 40% of the award), with a deferred component (the remaining 60%) payable subject to minimum time-based and individual performance conditions. Executive directors and prescribed officers are not eligible for DSTIs in the normal course.	20 awards (2014: 19) totalling R15,7m (2014: R16,4m). The awards approved are in relation to a number of senior and specialist appointments made in 2015, and the need to implement specific retention initiatives in certain scarce-skills environments.

Scheme governance is set out in the Remuneration Policy.

Long-term incentives

LTI awards are awarded with the joint aims of aligning participants' interests with the interests of stakeholders and of retaining key employees. Key considerations for LTI awards are set out on page 4 in our 2015 Remuneration Policy in the full online Remuneration Report. The criteria and quantum of allocations are benchmarked to the market annually. The allocation of LTIs is discretionary and is based on the key eligibility criteria as set out in the Remuneration Policy on page 4 in the full online Remuneration Report.

All LTI allocations are motivated by the Group Exco and approved by Group Remco members in their capacity as trustees of the Nedbank (2005) Employee Share Scheme Trust. Specific individual approval is also required for all LTI awards greater than 100% of GP.

Set out below are our various LTI schemes. The operation of the international LTIP has been aligned with the Nedbank Group (2005) Share Option, Matched-share and Restricted-share Scheme (Nedbank Group (2005) Share Incentive Scheme), but operates on a phantom basis.

Overview of long-term incentive arrangements under the Nedbank Group (2005) Share Incentive Scheme

The Option Scheme

No awards have been made since 2007 and there are no unvested awards in this scheme.

Restricted-share Scheme: annual allocations

The Group Remco awards restricted shares (including on-appointment allocations, referred to below) with a three-year vesting period to eligible participants, which vest on the basis set out to the right.

Further details of the actual CPTs are set out on page 13 of the full online 2015 Remuneration Report. For 2016 the CPTs will remain unchanged from those which applied in 2015.

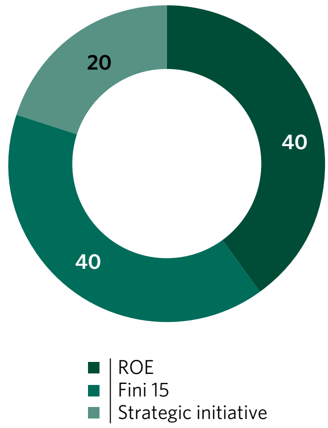
On-appointment allocations

On-appointment, restricted-share allocations are offered at the discretion of the Group Remco to new senior managers and also on an exceptional basis to existing employees who have been appointed to more senior positions and have been recommended for an allocation by the Group Exco.

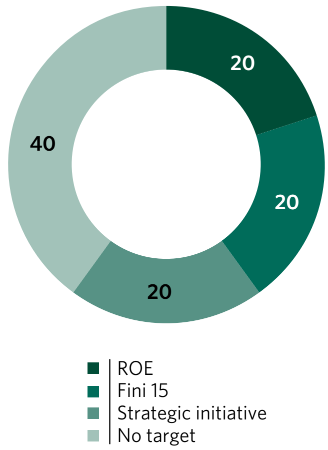
Frequency of awards

On-appointment allocations may take place biannually (and by exception on the date of appointment, with specific approval), with awards based on the volume-weighted average share price using the three trading days after the announcement of the annual or interim financial results (as applicable).

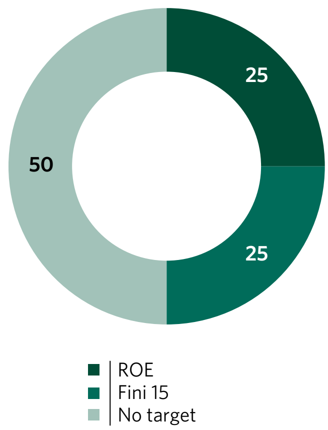
EXECUTIVE DIRECTORS
(%)



GROUP EXCO/CLUSTER EXCO
(%)



OTHER LTIP PARTICIPANTS
(%)



Matched-share Scheme

This scheme provides a vehicle for the compulsory deferral of STI awards, and for employees to participate in the scheme by voluntary investment, subject to the fulfilment of specified conditions as set out in the table below. Details applicable to deferral and potential matching of deferred awards are set out on pages 7 and 9 of the full online 2015 Remuneration Report.

	STI PAYMENT	Conditions for matching	Match
Compulsory deferral	> R1m, where deferral takes place in respect of 50% of any amount exceeding R1m, applied on a posttax basis	In service on vesting date: three years after the allocation date	50%
		Average ROE excluding goodwill ≥ COE + 2% over the period	50%
Voluntary Bonus Share Scheme	≤ 50% of total posttax STI (inclusive of any compulsory deferral)	In service on vesting date: three years after the allocation date	50%
		Average ROE excluding goodwill ≥ COE + 2% over the period	50%

For employees with earnings falling within the highest taxation bracket, the total STI has the potential to increase by 30% (before share price movement) in the event that the conditions in the Matched-share Scheme are met at the end of the deferral period.

Changes to scheme rules

Amendments to the rules of the Nedbank Group 2005 Share Incentive Scheme (and which will apply to deferred STIs, the Matched-share Scheme arrangements and the Restricted-share Scheme) have been proposed for the purposes of the inclusion of *malus* and clawback provisions on all awards made from February 2016. The amendments are set out in the Notice of AGM, and are proposed for approval at the AGM to be held during May 2016.

Other long-term incentive scheme in operation

Phantom Cash-settled Restricted-share Plan

For our international and Rest of Africa operations, LTIs are made on a phantom basis, of which the schemes mirror the Nedbank Group (2005) Share Incentive Scheme in design and structure. These schemes will also be subject to the *malus* and clawback provisions proposed for the Nedbank 2005 scheme.

Full details of all these schemes are set out in the full 2015 Remuneration Report, available at nedbankgroup.co.za.

Nedbank Eyethu employee schemes

No new awards were made during 2015 in any of the Nedbank Eyethu employee schemes.

Other employee ownership/empowerment schemes

We also have empowerment or 'indigenisation' schemes currently approved in several of our Rest of Africa operations.

Set out on the following page are the employee ownership/empowerment schemes approved in our international and African operations:

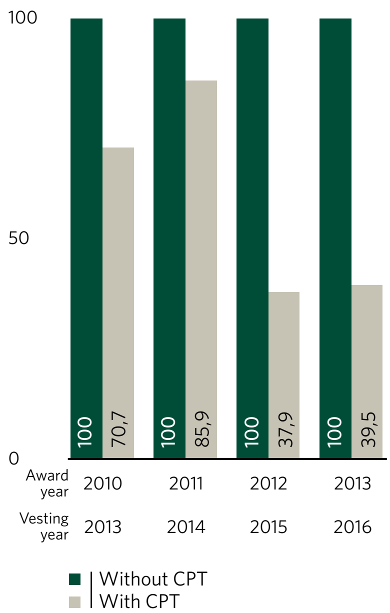
NEDBANK OPERATION	Ownership/Empowerment scheme	Scheme details
Namibia	Ofifiya Black Management Scheme	The purpose of the scheme is to enable the group to facilitate black economic empowerment in terms of the framework established by the financial sector in Namibia. It facilitates ownership of the group's shares by senior and middle management employees within Nedbank Namibia and its subsidiaries and aims to attract, retain and incentivise such individuals. **Vesting period:** Four years
Swaziland	Sinakekelwe Employee Share Scheme	The purpose of the scheme is to provide LTIs to beneficiaries, to encourage wealth creation by way of employee share ownership, to align the interests of Nedbank and the beneficiaries, and to attract, retain and reward a skilled high-performing workforce. **Vesting period:** Five years
Malawi	Phantom empowerment scheme, using Nedbank Group shares as a reference point	The purpose of the scheme is to build appropriate local employee ownership or similar financial interest, in Nedbank Malawi. It is aimed at facilitating share ownership by local employees by granting phantom shares to participants, which are linked to the Nedbank share price. **Vesting period:** Three years
Zimbabwe	Nedbank MBCA Employee Share Ownership Scheme	This scheme is currently in the inception phase and further details will be available once this has been completed.
Lesotho	Phantom empowerment scheme, using Nedbank Group shares as a reference point	The purpose of this scheme is to build appropriate local employee ownership or similar financial interest in Nedbank Lesotho. It is aimed at facilitating share ownership by local employees in the subsidiary by the granting of phantom shares to participants, which are linked to the Nedbank share price. **Vesting period:** Three years

Vesting of share awards in 2016

Nedbank Group issued restricted shares in March and August 2013, with vesting thereof linked in equal proportions to a combination of time and the group's meeting of certain performance conditions. Vesting will take place during 2016 as set out in the chart to the right. The vesting that took place in 2013 to 2015 is included for comparison.

Full details of the number and value of awards granted during the year in terms of our share-based plans are included in the Consolidated Annual Financial Statements, available at nedbankgroup.co.za.

VESTING OUTCOMES
(%)



Where necessary, in the case of executive directors and the Company Secretary, the necessary Securities Exchange News Service (SENS) announcements were issued at the prescribed times in this regard.

RISK AND REMUNERATION

The board has ensured that there is cooperation between the Group Remco and the GRCMC to enable appropriate consideration of the overall risk environment when making remuneration decisions. This is implemented through formal discussion by the Group Remco Chair with the GRCMC Chair on the risk aspects of remuneration. This reflects our commitment to achieving a balance between the prudent management of remuneration within the context of both our risk appetite and risk profile, and the need to attract, retain and motivate key talent to enable the delivery of our strategic objectives. Set out briefly below is the manner in which risk is taken into account in the remuneration process.

Taking account of future and current risks in the remuneration process

We are involved in retail, wholesale and investment banking operations, as well as wealth management and other financial services, predominantly in SA and the rest of Africa. We utilise a three-year budgeting, forecasting and planning process, which is integrated with our strategic objective, risk appetite and capital planning, enabling us to have a forward-looking view of the strategic, financial and risk outcomes of remuneration policies. The mandatory deferral of STIs for up to 30 months and the three-year vesting of LTI share allocations (with at least half of the awards subject to CPTs) align with this forward-looking business cycle. The deferral period provides for risk-based outcomes to be monitored over the three-year period subsequent to the deferral and enables *malus* or, where appropriate, clawback to be applied.

We operate a comprehensive internal capital adequacy assessment process blueprint that addresses the nature and types of risk incorporated into the overall framework. The framework integrates with our STI pool arrangements and individual performance scorecard assessments, which in turn inform the distribution of STIs from the derived business STI pools. The STI pools incorporate *ex ante* or 'before the fact' risk adjustments, which is incorporated into the pool allocation process set out in detail on page 12 of the full online 2015 Remuneration Report.

The STI scheme has been designed to incentivise a combination of profitable returns, appropriate risktaking and growth. It is driven from an EP and a HE basis versus targets, using risk-based economic capital allocation as set out in the Risk and Balance Sheet Review available online.

The board has absolute discretion as to the quantum and nature of any forfeiture, *malus,* (and from 2016) clawback triggers related to the compulsory deferral of STI awards. In this regard the deferred amount will be forfeited should the employee resign or be dismissed for cause before the release of the outstanding forfeiture obligations, as well as in cases where, at the sole discretion of the board, material irregularities, risk failures or misrepresentation of financial results come to light during the deferral period. The board has absolute discretion as to the nature of any action to be taken against the individual or a group of individuals who may have transgressed. The deferral policy is reviewed annually.

Application of corporate performance targets and mitigating the effect of inappropriate performance metrics

To avoid the consequences of inappropriate performance metrics, which include extended periods in which no LTI vesting takes place, awards made from 2010 are subject to 50% performance conditions and 50% time-based vesting. For Group Exco and cluster exco members this was changed in 2015 to 60% of the total award being subject to performance conditions and 40% to time-based vesting. All LTI awards made to executive directors from 2014 are subject to performance conditions on 100% of the award.

It is a key principle in our Remuneration Policy that there should be appropriate sharing of value among stakeholders. Therefore, while employees should not be prejudiced as a result of remuneration design issues, we are cognisant that remuneration programmes should equally not be designed to favour or benefit employees at the expense of other stakeholders.

We have also been unequivocal about our adherence to other aspects of good corporate governance in relation to share plans. In this regard, share awards in either the Restricted-share Plan or the Matched-share Scheme are not, under any circumstances, backdated. Further, no retrospective adjustments are made to performance conditions to mitigate the impact of weak performance. Therefore, we are of the view that our remuneration practices, and the levels at which these occur, are appropriate in terms of remuneration governance while also being competitive relative to those of our peer group.

Further details of our approach to risk and remuneration are available on pages 11 to 14 of our full online 2015 Remuneration Report.

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

Prescribed officers

The managing executives of the three frontline, income-generating clusters are included as prescribed officers in the disclosures set out below. The board has approved these executives to be regarded as prescribed officers.

Executive directors
Mike Brown
Mfundo Nkuhlu
Raisibe Morathi
Prescribed officers
Brian Kennedy
Philip Wessels
Iolanda Ruggiero[1]

[1] *Appointed as a prescribed officer effective 1 May 2015.*

Disclosures are also made for executive directors or prescribed officers whose services terminated in 2015. These are:

- Graham Dempster (executive director until 11 May 2015) and
- Dave Macready (prescribed officer until 30 April 2015).

Details of share awards to executive directors and prescribed officers are included from page 22 of our full online 2015 Remuneration Report.

Details of the service conditions for executive directors and prescribed officers are set out on pages 14 to 17 of the full online 2015 Remuneration Report. There were no material changes to these during 2015. Executive directors and prescribed officers will be subject to the proposed *malus* and clawback arrangements from 2016.

TOTAL REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED*)

Executive directors R000	Mike Brown			Mfundo Nkuhlu			Raisibe Morathi			Graham Dempster[7,8]		
	2015	2014	%	2015	2014	%	2015	2014	%	2015	2014	%
Cash portion of package	**6 374**	6 056		**4 258**	3 124		**3 405**	3 177		**1 743**	3 862	
Other benefits	**141**	130		**130**	112		**100**	91		**63**	141	
Defined-contribution Retirement Fund	**910**	864		**613**	452		**621**	550		**320**	855	
Guaranteed remuneration	**7 425**	7 050	5,3	**5 000**	3 687	35,6	**4 125**	3 818	8,0	**2 125**	4 859	
Cash performance incentive	**8 250**	8 000		**4 750**	4 625		**4 500**	4 375			5 750	
Cash performance incentive (delivered in shares)	**7 250**	7 000		**3 750**	3 625		**3 500**	3 375			4 750	
Total STI[1]	**15 500**	15 000	3,3	**8 500**	8 250	3,0	**8 000**	7 750	3,2		10 500	
Total remuneration[2]	**22 925**	22 050	4,0	**13 500**	11 937	13,1	**12 125**	11 568	4,8	**2 125**	15 359	
Value of share-based awards (face value at award)	**13 500**	13 000		**8 750**	11 750[9]		**7 500**	7 000			8 750	
Total direct remuneration[3]	**36 425**	35 050	3,9	**22 250**	23 687	(6,1)	**19 625**	18 568	5,7	**2 125**	24 109	
Other payments[4]										**1 323**		

Prescribed officers R000	Brian Kennedy			Philip Wessels[7, 10]			Dave Macready[5,7]			Iolanda Ruggiero[6,7]		
	2015	2014	%	2015	2014	%	2015	2014	%	2015	2014	%
Cash portion of package	**3 620**	3 346		**4 146**	1 775		**1 018**	2 926		**1 934**		
Other benefits	**239**	323		**113**	55		**57**	164		**54**		
Defined-contribution Retirement Fund	**291**	276		**391**	144		**191**	547		**262**		
Guaranteed remuneration	**4 150**	3 945	5,2	**4 650**	1 974		**1 266**	3 637		**2 250**		
Cash performance incentive	**8 625**	8 500		**4 875**	4 500		**2 040**	4 250		**3 500**		
Cash performance incentive (delivered in shares)	**7 625**	7 500		**3 875**	3 500		**1 360**	3 250		**2 500**		
Total STI[1]	**16 250**	16 000	1,6	**8 750**	8 000		**3 400**	7 500		**6 000**		
Total remuneration[2]	**20 400**	19 945	2,3	**13 400**	9 974		**4 666**	11 137		**8 250**		
Value of share-based awards (face value at award)	**7 500**	9 500[9]		**8 000**	10 500[9]			6 500		**6 000**		
Total direct remuneration[3]	**27 900**	29 445	(5,2)	**21 400**	20 474		**4 666**	17 637		**14 250**		
Other payments[4]												

1 *In terms of the rules of the Matched-share Scheme, this amount may increase by up to 30% (before share price movement), subject to fulfilment of the CPTs, and the amount remaining invested in the scheme for 36 months.*

2 *Total remuneration is the sum of Guaranteed Remuneration and Total STI.*

3 *Total Direct Remuneration is the sum of Total Remuneration and the value of share-based awards made in the following financial year.*

4 *Other payments are typically non-recurring payments and include leave pay, special payments but excludes gains from vesting share awards, which are set out from page 22 of the full online 2015 Remuneration Report.*

5 *Dave Macready joined Old Mutual SA on 1 May 2015. Payments reflect part-year service.*

6 *Iolanda Ruggiero became a prescribed officer on 1 May 2015. Guaranteed remuneration payments are pro-rated to reflect this. Variable remuneration (STI and LTI) is reported on a full-year basis.*

7 *Comparative year-on-year % not given for items that reflect part-year service.*

8 *Graham Dempster availed himself of two first-class airtickets granted as an approved incentive, and also received leave pay pursuant to his retirement from the bank. These amounts are reflected in Other Payments.*

9 *Awards include on appointment awards made in respect of appointment to more senior roles.*

10 *Philip Wessels was appointed as a prescribed officer on 1 August 2014.*

ADDITIONAL REGULATION 43/ PILLAR 3 DISCLOSURES

The disclosures required in respect of Regulation 43 of the Banks Act are set out on pages 17 to 19 of the full online 2015 Remuneration Report.

Specific disclosures relating to senior managers and material risktakers, the quantum of the remuneration paid in the year, signon awards, guaranteed bonuses, severance payments and the amount of remuneration subject to adjustment are included.

NON-EXECUTIVE DIRECTORS

The terms of engagement of the non-executive directors as well as the Group Chairman are fully set out on page 89 of the integrated report.

Remuneration

The fees of the Group Chairman and the non-executive directors reflect the specific responsibilities relating to their membership of the board and, where applicable, board committees. The Group Chairman receives a single fee for his role. Non-executive directors are paid a fixed fee for board membership and receive additional fees for their participation in the board committees.

Neither the Group Chairman nor the boardmembers receive any performance-related remuneration or any employee benefits.

Non-executive directors are accountable for decisions made regardless of attendance at meetings. They are also required, as a matter of course, to represent stakeholders and to make the necessary preparations for meetings and other engagements. Group Remco is satisfied that the fee structure applied in respect of non-executive directors remains appropriate.

Non-executive directors' remuneration paid for the years ended 31 December 2015 and 31 December 2014 was as follows:

Non-executive directors' remuneration (audited*)

Termination date	Note	Board fees (R000)	Committee fees (R000)	2015 (R000)	2014 (R000)
David Adomakoh	1	121	393	**514**	360
Tom Boardman	2, 2a	1 840	393	**2 233**	1 766
Brian Dames		270	393	**663**	301
Mustaq Enus-Brey	3	136	137	**273**	910
Ian Gladman	16	339	393	**732**	682
Paul Hanratty	4, 16	207	393	**600**	168
Bruce Hemphill	5, 16	19	40	**59**	
Reuel Khoza	6	1 623		**1 623**	4 350
Mpho Makwana	7	747	393	**1 140**	1 006
Mantsika Matooane	8	230	393	**623**	286
Nomavuso Mnxasana	9	685	393	**1 078**	784
Vassi Naidoo	10, 10a	3 014	29	**3 043**	
Joel Netshitenzhe	11	235	393	**628**	561
Julian Roberts	12, 16	151	325	**476**	519
Gloria Serobe	13	98	137	**235**	746
Stanley Subramoney	14	95	110	**205**	
Malcolm Wyman	15	1 088	393	**1 481**	1 276
Total		10 898	4 708	**15 606**	13 715

1 *David Adomakoh was appointed as a member of the Group Related Party Transactions Committee (GRPTC) on 11 May 2015. He resigned as a member of the GTSEC on 1 September 2015. He was appointed as a member of the GCC and the Large-exposure Approval Committee (LEAC) on 1 September 2015.*

2 *Tom Boardman was appointed as Chair of the GRCMC and resigned as Chair and member of the GITCO on 20 February 2015. He was appointed as a member of the GRPTC on 11 May 2015.*

2a *Tom Boardman sits on the board of Nedbank Private Wealth (Isle of Man) Ltd. His board fees are therefore inclusive of the Nedbank Private Wealth (Isle of Man) Ltd fees of £38,000.*

3 *Mustaq Enus-Brey resigned as a member of the Group Finance and Oversight Committee (GFOC) and as Chair (but remained a member) of the GRCMC on 20 February 2015. He resigned as a member of the GCC, LEAC and GRCMC and retired as a non-executive director on 11 May 2015.*

4 *Paul Hanratty was appointed as a member of the GCC and LEAC on 11 May 2015.*

5 *Bruce Hemphill was appointed as a non-executive director and a member of the Group Remco and the Group DAC on 25 November 2015.*

6 *Reuel Khoza resigned as Chair of the DAC and retired as Chairman and non-executive director of Nedbank Group on 11 May 2015.*

7 *Mpho Makwana was appointed as a member of the GRPTC on 11 May 2015.*

8 *Mantsika Matooane was appointed as a member of DAC and GFOC and as Chair of the GITCO on 20 February 2015.*

9 *Nomavuso Mnxasana was appointed as member of the DAC and Chair of the GTSEC on 20 February 2015.*

10 *Vassi Naidoo was appointed as a non-executive director on 1 May 2015 and as Chairman of Nedbank Group on 11 May 2015. The remuneration disclosed above includes a consultancy fee payment to Mr Naidoo for the period 13 April 2015 to 30 April 2015, as Mr Naidoo had dedicated this time to Nedbank affairs in preparation for his appointment as a boardmember. He was appointed as a member of the DAC on 1 May 2015.*

10a *IT and security expenditure was approved for Vassi Naidoo as a consequence of his appointment as Chairman of Nedbank Group. These enhancements are all necessary for the completion of his duties as Chairman, and to ensure his security.*

11 *Joel Netshitenzhe was appointed as member of the GRPTC on 11 May 2015.*

12 *Julian Roberts resigned as a member of the Group Remco and DAC on 23 October 2015 and as a non-executive director on 31 October 2015.*

13 *Gloria Serobe resigned as Chair (but remained a member) of the GTSEC on 20 February 2015. She resigned as a member of the GCC, LEAC and GTSEC and as a non-executive director of Nedbank Group on 11 May 2015.*

14 *Stanley Subramoney was appointed as an independent non-executive director on 23 September 2015. He was appointed as a member of the GTSEC, GCC, LEAC and the GAC on 23 October 2015.*

15 *Malcolm Wyman was appointed Chair of the DAC and GRPTC on 11 May 2015.*

16 *Fees for Julian Roberts, Paul Hanratty, Ian Gladman and Bruce Hemphill were paid to Old Mutual (SA) Ltd.*

The proposed non-executive director fees as set out below were evaluated by a boad committee consisting of Mike Brown and Bruce Hemphill with advice from independent experts. Such evaluation was conducted from a number of perspectives, including peer group comparisons, effective rates per committee and year-on-year increases.

Increases to the Chairman's fee, board fees and several committees have been proposed at between 5,3% and 16,1%. We have also aligned all committee chair premiums to 2,5 times the member fee. The proposed fees for 2016 are also set out in our notice of AGM, for voting by our shareholders. The proposed increases to board fees represent a total increase in the cost of operating the board of 10,6%.

	2016 (R) Proposed	2015 (R)	%
Boards			
Chairman of the board	5 000 000	**4 750 000**	5,3
Lead Independent Director premium	40% of board fee	**40% of board fee**	
Nedbank Group Ltd	245 000	**220 555**	11,1
Nedbank Ltd	205 000	**184 525**	11,1
Committees			
Group Audit Committee			
Chair	650 000	**562 500**	15,6
Member	260 000	**225 000**	15,6
Group Finance and Oversight Committee[1]			
Chair	–	**55 000**	
Member	–	**27 500**	
Group Remuneration Committee			
Chair	350 000	**312 500**	12,0
Member	140 000	**125 000**	12,0
Group Risk and Capital Management Committee			
Chair	450 000	**387 500**	16,1
Member	180 000	**155 000**	16,1
Group Credit Committee			
Chair	500 000	**475 500**	5,3
Member	200 000	**190 000**	5,3
Group Directors' Affairs Committee[3]			
Chair	196 250	**140 000**	40,2
Member	78 500	**70 000**	12,1
Group IT Committee[3]			
Chair	250 000	**180 000**	38,9
Member	100 000	**90 000**	11,1
Group Transformation, Social and Ethics Committee[3]			
Chair	250 000	**180 000**	38,9
Member	100 000	**90 000**	11,1
Group Related Party Transactions Committee[2, 3]			
Chair	75 000	**55 000**	36,4
Member	30 000	**27 500**	9,1

Details of the individual shareholdings of the non-executive directors are included on page 21 of the full online 2015 Remuneration Report.

[1] *The Group Finance and Oversight Committee was discontinued during 2015.*

[2] *Fees for the Group Related Party Transactions Committee set at same level as previous Group Finance and Oversight Committee, increased by 9,1%, with adjustments to chair premium at 2,5 times.*

[3] *Large increases for the chairs of these committees are as a result of the adjustments of the chair's premium to 2,5 times the member's fee, aligning to the chair's premium paid for other committees.*

THE INVESTMENT CASE FOR NEDBANK GROUP

Our objective of building an organisation that optimises returns for all stakeholders and creates a sustainable future is enabled by an integrated approach to the economics of the business, environmental preservation, involvement in society and organisational culture.

Incorporating this approach, despite a volatile and uncertain environment, the group continues to offer qualities that we believe are attractive to investors.

These include:

- Worldclass governance underpinned by an independent and diverse board striving to ensure value creation in a sustainable manner for all stakeholders.
- A wholesale-biased business model that differentiates Nedbank Group from peer banks and positions us well in a tough macro environment for consumers. We will continue to leverage our market-leading wholesale and wealth businesses, while continuing to invest in growing our retail franchise and to participate sensibly in the long-term growth opportunities in the rest of Africa.
- Key strategic growth drivers, appropriate for the expected environment that will continue to drive sustainable growth: client-centred innovation; growing the transactional banking franchise; strategic portfolio tilt; optimise and invest; a pan-African banking network.
- A strong balance sheet and defensive investment characteristics, given the well-regulated banking sector in SA.
- An experienced and well-respected management team.
- A differentiated, values-based culture and high levels of staff morale.
- Valuation metrics at levels similar to those during the global financial crisis (price to book) and attractive dividend yield.

You may be interested in:

Delivering our strategy through our business clusters
42 and 43

Delivering consistently to our shareholders
63–65

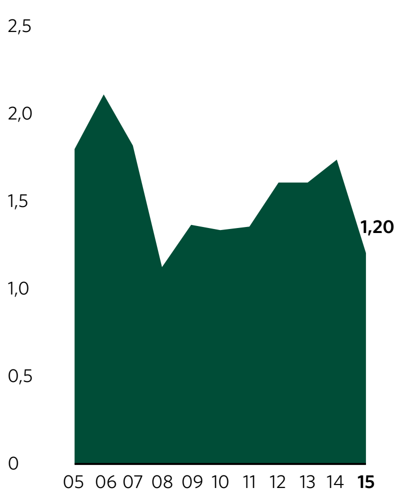
NEDBANK CORPORATE AND INVESTMENT BANKING

- Attractive returns [return on equity (ROE) > 20%] with a sound risk profile.
- Market leader with strong expertise and relationships in commercial property finance and corporate banking.
- Strong investment banking growth prospects based on specialist skills and leadership in various segments that leverage SA infrastructure (eg R35bn renewables pipeline) and development opportunities in the rest of Africa.
- Recently integrated cluster to deliver improved client service, better business-coverage model to unlock further revenue (including transactional banking) growth opportunities and fully utilise the scale of the integrated balance sheet.

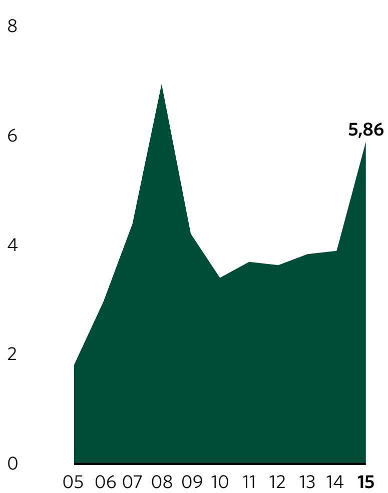
NEDBANK RETAIL AND BUSINESS BANKING

- A differentiated and decentralised business bank that responds quickly to new opportunities and emerging risks.
- A continuously increasing ROE in Retail, (2015: 15,3%) now above the group's COE.
- Significant investment since 2009 in retail outlets (+ 30%), ATMs (+ 99%), new client value propositions, mobile and digital banking; and market-leading innovations, which enabled sustained growth into the future.
- Strong market share in the used-vehicle finance sector – positively correlated to tough economic cycles.
- Continued strong main banked client gains (7,6% compound annual growth rate since 2009), driving transactional revenue growth.
- Prudent credit extension over the past few years, particularly in home loans and personal loans, mitigating the downside risk in a tougher macroeconomic environment.

PRICE TO BOOK RATIO
(Times)



NEDBANK DIVIDEND YIELD
(%)



NEDBANK REST OF AFRICA

- A client-centred, risk-mitigated, capital-efficient strategy.
- Client access to the largest pan-African geographical footprint.
- Strategic partnership with Ecobank, providing access to West and Central Africa. Our 20% shareholding mitigates risk through diversification.
- Significant investment in the Southern African Development Community region – acquired 38% of Banco Único in Mozambique, with pathway to control. Investing in subsidiaries to create scale and grow the client base – increased outlets and ATMs, expanded product offering and implementing a new core banking system. Targets ROEs well above COE in the long term (2015: 10,2%).

NEDBANK WEALTH

- High growth potential, high-ROE business (ROE > 40%), contributing significantly to group EP.
- Top-tier, high-net-worth bank and wealth provider with strong track record, enviable client base and repositioned brand.
- Unique Best-of-Breed™ offering and consistent ranking among top three in independent asset management rankings for seven consecutive years.
- Insurance business with significant scope for increasing new-product penetration and further cross-sell into the Nedbank client base of 7,4m.

COMPANY DETAILS

NEDBANK GROUP LIMITED

Incorporated in the Republic of SA
Registration number 1966/010630/06

Registered address

Nedbank 135 Rivonia Campus, 135 Rivonia Road
Sandown, Sandton, 2196, SA
PO Box 1144, Johannesburg, 2000, SA

Transfer secretaries in SA

Computershare Investor Services (Pty) Ltd
70 Marshall Street,
Johannesburg, 2001, SA
PO Box 61051, Marshalltown, 2107, SA

Namibia

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue
Windhoek, Namibia
PO Box 2401, Windhoek, Namibia

INSTRUMENT CODES

Nedbank Group ordinary shares

Company Secretary:	TSB Jali
Reg no:	1966/010630/06
JSE share code	NED
NSX share code	NBK
ISIN	ZAE000004875
Sponsors in SA:	Merrill Lynch SA (Pty) Ltd Nedbank Corporate and Investment Banking
Sponsor in Namibia: Investment	Old Mutual Services (Namibia) (Pty) Ltd

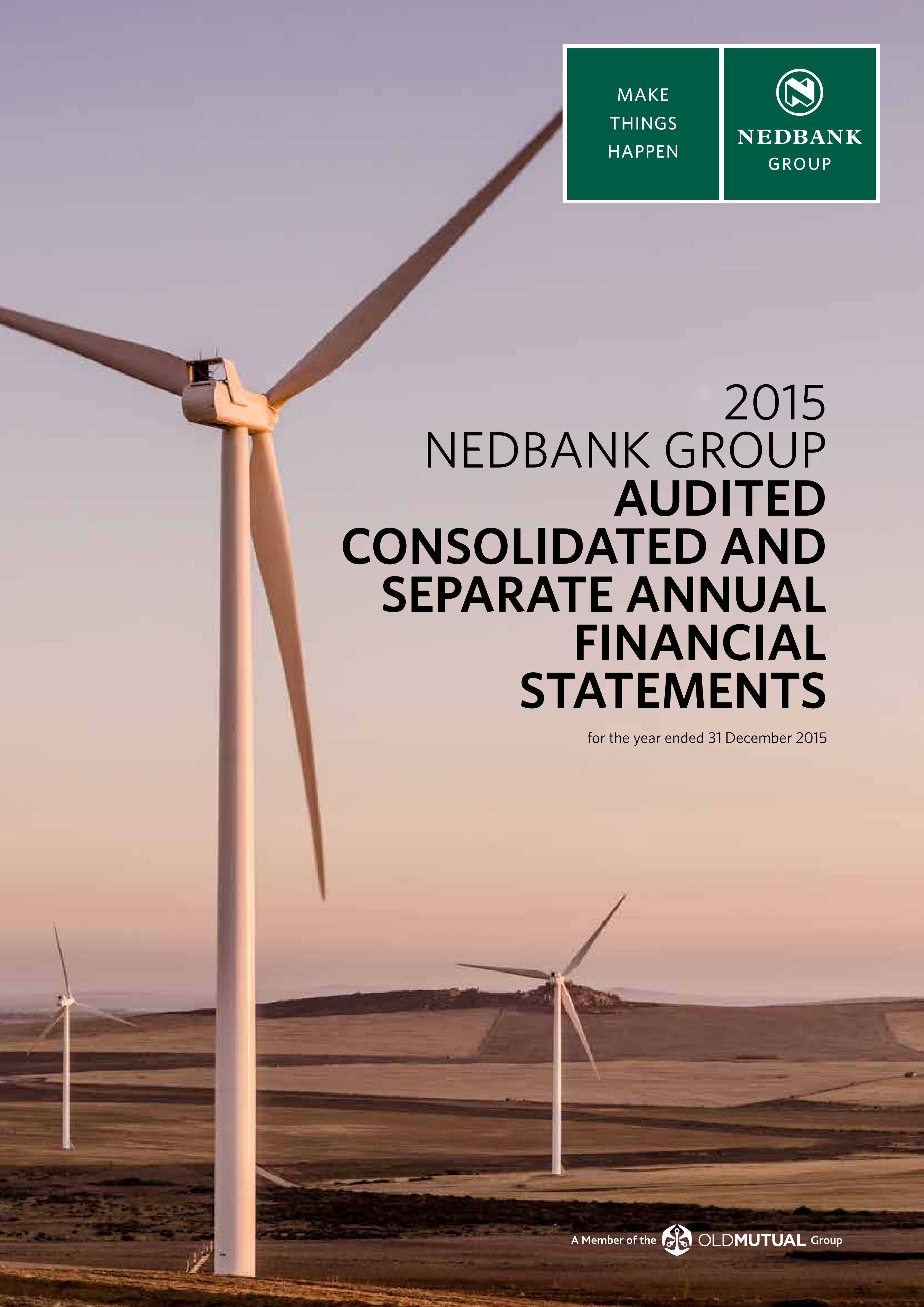
Nedbank Limited non-redeemable non-cumulative preference shares

JSE share code	NBKP
ISIN	ZAE000043667

This announcement is available on the group's website at nedbankgroup.co.za, together with the following additional information:

- Financial results presentation to analysts.
- Link to a webcast of the presentation to analysts.

For further information please contact Nedbank Group Investor Relations at nedbankgroupir@nedbank.co.za.



MAKE THINGS HAPPEN

NEDBANK GROUP

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

for the year ended 31 December 2015

A Member of the OLDMUTUAL Group

CONTENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Nedbank Group Ltd (comprising the statements of financial position at 31 December 2015, the statements of comprehensive income, the statements of changes in equity and statements of cashflows for the year then ended), the segmental reporting and the notes to the financial statements (including a summary of significant accounting policies and other explanatory notes) in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretation Committee (IFRS IC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008 (as amended), and the JSE Listings Requirements. In addition, the directors are responsible for the preparation of the directors' report.

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

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

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

APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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

V Naidoo
Chairman

MWT Brown
Chief Executive

Sandown

1 March 2016

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

TSB Jali
Company Secretary

Sandown

1 March 2016

Overview

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

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

Composition and governance

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

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

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

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

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

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

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

Internal control

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

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

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

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

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

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

Financial reporting process

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

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

The GAC also:

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

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

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

- *Fair value of financial instruments* – The GAC reviewed and discussed reports from the CFO regarding the Investment Committee review of investment valuations and details of critical valuation judgements applied to the valuation of group treasury and trading instruments. Financial instruments and investments are disclosed in notes 36 and 37 of the financial statements and in the accounting policy discussed in note 1.6.

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

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

Update on key focus areas in 2015

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

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

Regulatory reporting processes

The GAC reviewed the adequacy of the regulatory reporting processes as required by the Banks Act of SA, which includes evaluation of the quality of reporting and the adequacy of systems and processes, and consideration of any findings regarding the regulatory reports by the external auditors. The GAC also hosts an annual trilateral meeting with representatives of the Bank Supervision Department of SARB, where, among other things, key external audit findings, internal audit matters and reporting responsibilities in terms of the regulations are discussed.

Internal Audit

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

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

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

External auditors

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

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

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

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

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

Key focus areas for 2016

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

Annual financial statements and integrated reporting process

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

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

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

M Wyman

Group Audit Committee Chair

1 March 2016

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

NATURE OF BUSINESS

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

ANNUAL FINANCIAL STATEMENTS

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

INTEGRATED REPORT

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

YEAR UNDER REVIEW

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

SHARE CAPITAL

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

AMERICAN DEPOSITARY SHARES

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

OWNERSHIP

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

DIVIDENDS

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

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

BORROWINGS

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

DIRECTORS

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

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

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

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

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

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

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

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

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

DIRECTORS' INTERESTS

The directors' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative preference shares in Nedbank Ltd at 31 December 2015 (and any movements therein up to the reporting date) are set out in the 'Reporting back on Remuneration' section of the group's integrated report. The directors had no interest in any third party or company responsible for managing any of the business activities of the group. Banking transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

AUDIT COMMITTEE AND GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE REPORTS

The Audit Committee Report appears on pages 3 to 5 and the Report from the Group Transformation, Social and Ethics Committee Chair appears in the group's integrated report.

COMPANY SECRETARY AND REGISTERED OFFICE

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

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

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

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

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

DIRECTORS' AND PRESCRIBED OFFICERS' SERVICE CONTRACTS

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

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

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

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

INSURANCE

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

SUBSIDIARY COMPANIES

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

ACQUISITION OF SHARES

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

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

EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

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

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

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

REPORT ON OTHER LEGAL AND REPORTING REQUIREMENTS

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

KPMG Inc

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.

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.

Sandown

1 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

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

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

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

[3] *All share-based payment expenses are recognised in the statement of comprehensive income, with the corresponding amount recognised in share-based payments reserves. Any excess tax benefit over the relative tax on the share-based payments expense is recognised directly in this reserve. On the expiry or exercise of a share-based instrument the cumulative amount recognised in this respect is transferred directly to other distributable reserves.*

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

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

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

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

All movements are reflected net of taxation.

	Reserves								
	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
	1 577	1 523	147	158	39 171	60 617	246	3 473	64 336
						771			771
						1 583			1 583
						(1 583)			(1 583)
					21	(307)			(307)
						–	8		8
						–		(323)	(323)
					(4 643)	(4 643)	(9)		(4 652)
	202			21	9 830	10 431	81	323	10 835
	(38)	(20)	13	(1)	46	–			–
		151				151			151
			7			7			7
						–		88	88
					(3)	(3)			(3)
	1 741	**1 654**	**167**	**178**	**44 422**	**67 024**	**326**	**3 561**	**70 911**
						846			**846**
						(336)			**(336)**
					(575)	**(286)**			**(286)**
						–		**(371)**	**(371)**
					(5 395)	**(5 395)**	**(10)**		**(5 405)**
	167			**(144)**	**11 074**	**12 820**	**120**	**371**	**13 311**
	(23)	**(424)**	**32**	**1**	**434**	**–**			**–**
		82				**82**			**82**
					(1)	**(1)**			**(1)**
	1 885	**1 312**	**199**	**35**	**49 959**	**74 754**	**436**	**3 561**	**78 751**

CONSOLIDATED STATEMENT OF CASHFLOWS
for the year ended 31 December

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

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

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

Nedbank Corporate and Investment Banking

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

Nedbank Retail and Business Banking

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

Nedbank Wealth

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

Rest of Africa

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

Centre

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

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

[1] *Includes all group eliminations.*
[2] *Other equity includes the variance between actual equity and average allocated capital.*
[3] *Includes the elimination of intercluster balances.*

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES

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

1.1 Basis of preparation

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

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

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

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

1.2 Accounting policy elections

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

Asset/Liability	Option	Election and implication	Accounting policy
Property and equipment	■ IAS 16 permits the use of the cost or revaluation model for the subsequent measurement of property and equipment.	■ Land and buildings are stated at revalued amounts, being fair value less subsequent depreciation and impairment. ■ Revaluation surpluses are recognised directly in equity, through other comprehensive income. When the property is disposed of, the cumulative revaluation surplus is transferred directly to retained income. ■ Computer equipment, furniture and other equipment and vehicles are carried at cost less accumulated depreciation.	1.10
Investment in venture capital divisions	■ IAS 28 provides an exemption from applying the equity method of accounting if an investment in an associate is held by, or indirectly through, a venture capital organisation.	■ In venture capital divisions the group has elected to carry associate and joint-venture entities at fair value through profit and loss under IAS 39.	1.3
Financial instruments	■ IAS 39 allows for the irrevocable designation of financial assets and liabilities on initial recognition at fair value through profit or loss if the designation eliminates or significantly reduces an accounting mismatch. ■ IAS 39 permits trade date or settlement date accounting for the regular-way purchase or sale of financial assets.	■ The group has elected to designate certain fixed-rate financial assets and liabilities at fair value through profit and loss to reduce the accounting mismatch. ■ Regular-way purchases or sales of financial assets are recognised and derecognised using trade date accounting.	1.6
Investment properties	■ IAS 40 permits the use of the cost or revaluation model for the subsequent measurement of investment properties.	■ The group has elected to recognise all investment properties at fair value with changes in fair value recognised in profit and loss for the period.	1.11
Investments in subsidiaries, associate companies and joint arrangements	■ In terms of IAS 27 investments in subsidiaries, associates and joint arrangements can be accounted for in the separate financial statements either at cost, or in accordance with IAS 39, or in terms of IAS 28.	■ The group has elected to recognise these investments at cost less impairments in the separate financial statements.	1.3

1.3 Group accounting

Subsidiary undertakings and consolidated structured entities

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

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

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

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

Associates

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

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

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

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

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

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

Joint arrangements

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

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

Sponsored entities

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

Company

Investments in group companies are accounted for at cost less impairment losses in the separate financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary by applying the impairment methodology described in 1.13.

Common control transactions

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

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

Associate companies and joint ventures held by venture capital divisions

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

Acquisitions and disposals of stakes in group companies

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

1.3 Group accounting (continued)

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

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

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

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

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

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

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

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

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

Goodwill

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

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

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

1.4 Foreign currency translation

Foreign currency transactions

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

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

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

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

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

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

Investments in foreign operations

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

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

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

1.5 Cash and cash equivalents

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

1.6 Financial instruments

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

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

Initial recognition

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

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

Initial measurement

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

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

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique, the variables of which include only data from observable markets, the group defers such differences (day-one gains or losses). Day-one gains or losses are amortised on a straight-line basis over the life of the financial instrument. To the extent that the inputs determining the fair value of the instrument become observable, or 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.
- *Loans and receivables*
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those financial assets classified by the group on initial recognition as at fair value through profit or loss, available for sale or loans and receivables that are held for trading.

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

1.6 Financial instruments (continued)

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

  Interest on designated qualifying hedges is included in net interest income.
- *Fair-value hedges*
  Where a hedging relationship is designated as a fair-value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Fair-value gains and losses arising on the remeasurement of both the hedging instrument and the hedged item are recognised in 'net interest income', for so long as the hedging relationship is effective. Any hedge ineffectiveness is recognised in profit and loss in non-interest revenue.
  If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair-value hedge accounting, or the designation is revoked, then hedge accounting is discontinued.
- *Derivatives that do not qualify for hedge accounting*
  All gains and losses from changes in the fair value of derivatives that are not designated as being subject to hedge accounting are recognised immediately in non-interest revenue.

Embedded derivatives

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

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

The host contract is accounted for:

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

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

Measurement basis of financial instruments

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

Derecognition

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

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

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

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

Securitisations

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

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

1.6 Financial instruments (continued)

Offsetting financial instruments and related income

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

Collateral

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

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

Sale and repurchase agreements and lending of securities

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

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

Acceptances

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

Financial-guarantee contracts

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

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

1.7 Taxation

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

Current taxation

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

Deferred taxation

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

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

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

Deferred taxation is not recognised for the following temporary differences:

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

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

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

1.8 Intangible assets

Goodwill and goodwill impairment

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

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

Impairment testing procedures

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

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

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

Computer software and capitalised development costs

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

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

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

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

Contractual client relationships

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

1.9 Employee benefits

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

Defined-benefit plans

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

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

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

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

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

Defined-contribution plans

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

Postemployment benefit plans

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

1.9 Employee benefits (continued)

Short-term employee benefits

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

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

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

1.10 Property and equipment

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

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

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

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

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

Depreciation

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

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

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

The maximum initial estimated useful lives are as follows:

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

Derecognition

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

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

1.11 Investment properties

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

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

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

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

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

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

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

1.12 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.14 Provisions

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

Reimbursements

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

Onerous contracts

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

Future operating costs or losses are not provided for.

1.15 Share-based payments

Equity-settled share-based payment transactions with employees

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

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

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

1.15 Share-based payments (continued)

Cash-settled share-based payment transactions with employees

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

Measurement of fair value of equity instruments granted

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

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

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

1.16 Share capital

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

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

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

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

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

1.17 Treasury shares

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

1.18 Investment contracts

Investment contract liabilities

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

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

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

Revenue on investment management contracts

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

Contribution income relating to investment contracts

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

Benefits relating to investment contracts

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

1.19 Insurance contracts

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

Policy liabilities

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

Linked products

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

1.20 Leases

The group as lessee

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

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

The group as lessor

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

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

Recognition of lease of land

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

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

1.21 Borrowing costs

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

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

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

1.22 Government grants

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

1.23 Client loyalty

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

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

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

1.24 Revenue and expenditure

Interest income and expense

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

1.24 Revenue and expenditure (continued)

Non-interest revenue

- *Fees and commissions*
  The group earns fees and commissions from a range of services it provides to clients and these are accounted for as follows:
  - Income earned on the execution of a significant act is recognised when the significant act has been performed.
  - Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.
  - Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income.
- *Dividend income*
  Dividend income is recognised when the right to receive payment is established on the ex dividend date for equity instruments and is included in dividend income under non-interest revenue.
- *Net trading income*
  Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest, expense, costs and dividends. Interest earned while holding trading securities and interest incurred on trading liabilities are reported within non-interest revenue.
- *Income from investment contracts*
  Refer to 1.18 for non-interest revenue arising on investment management contracts.
- *Other*
  Exchange and securities trading income, from investments and net gains on the sale of investment banking assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably, it is probable that the economic benefits of the transaction or service will flow to the group and the costs associated with the transaction or service can be measured reliably.

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

Profit from operations before non-trading and capital items

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

1.25 Segmental reporting

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

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

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

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

2 STANDARDS AND INTERPRETATIONS

2.1 Significant standards and interpretations issued and not yet effective

IFRS 9 Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

IFRS 16 Leases

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

The group as lessee

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

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

The group as lessor

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

2 STANDARDS AND INTERPRETATIONS (continued)

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

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

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

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

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

3.1 Allowances for loan impairment and other credit risk provisions

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

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

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

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

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

3.2 Fair value of financial instruments

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

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

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

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

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

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

3.3 Investment in Ecobank Transnational Incorporated (ETI)

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

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

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

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

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

3.4 Derecognition, securitisations and structured entities

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

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

3.5 Goodwill

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

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

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

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

3.6 Intangible assets other than goodwill

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

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

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

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

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

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

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

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

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

3.7 Employee benefits

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

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

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

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

3.8 Income taxes

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

3.9 Financial risk management

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

4 CAPITAL MANAGEMENT

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

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

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

Capital, reserves and long-term debt instruments

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

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

5 INTEREST AND SIMILAR INCOME

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

6 INTEREST EXPENSE AND SIMILAR CHARGES

	2015 Rm	2014 Rm
Deposit and loan accounts	**21 013**	18 410
Current and savings accounts	**707**	672
Negotiable certificates of deposit	**6 192**	5 138
Other interest-bearing liabilities	**4 915**	2 594
Long-term debt instruments	**3 577**	2 844
	36 404	29 658
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments not at fair value through profit and loss	**33 883**	26 501
– Interest expense and similar charges from financial instruments at fair value through profit or loss	**2 521**	3 157
	36 404	29 658

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

7 NON-INTEREST REVENUE

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

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

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

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

7.1 Analysis of fair-value adjustments

Fair-value adjustments can be analysed as follows:

	2015 Rm	2014 Rm
– Held for trading	**1 639**	142
– Designated as at fair value through profit or loss	**(1 648)**	(107)
	(9)	35

7.2 Insurance income

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

7.3 Government grants

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

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

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

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

7 NON-INTEREST REVENUE (continued)

7.4 Segmental analysis

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

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

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

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

8 TOTAL OPERATING EXPENSES

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

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

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

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

8 TOTAL OPERATING EXPENSES (continued)

8.1 Segmental analysis

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

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

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

9 INDIRECT TAXATION

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

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

10 NON-TRADING AND CAPITAL ITEMS

	2015 Rm	2014 Rm
Profit/(Loss) on sale of available-for-sale investments	**3**	(12)
Net loss on sale of property and equipment	**(26)**	
Net impairment of property and equipment, and intangible assets	**(118)**	(97)
	(141)	(109)

11 DIRECT TAXATION

11.1 Charge for the year

	2015 Rm	2014 Rm
SA normal taxation:		
– Current charge	**3 463**	3 380
– Capital gains taxation – deferred	**(27)**	(28)
– Deferred taxation	**46**	(5)
Foreign taxation	**62**	180
Current and deferred taxation on income	**3 544**	3 527
Prior-year overprovision – current taxation	**1**	221
Prior-year overprovision/(underprovision) – deferred taxation	**5**	(261)
Total taxation on income	**3 550**	3 487
Taxation on non-headline earnings items	**(31)**	(19)
	3 519	3 468

11.2 Taxation rate reconciliation

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

11.3 Income tax recognised in other comprehensive income

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

11.4 Future taxation relief

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

12 EARNINGS

12.1 Earnings per share

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

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

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

12.2 Headline earnings reconciliation

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

13 DIVIDENDS

13.1 Ordinary shares

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

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

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

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

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

13.2 Non-controlling interest – preference shareholders

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

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

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

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

14 CASH AND CASH EQUIVALENTS

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

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

15 OTHER SHORT-TERM SECURITIES

15.1 Analysis

	2015 Rm	2014 Rm
Negotiable certificates of deposit	**22 078**	16 795
Treasury bills and other bonds	**53 536**	50 439
	75 614	67 234

15.2 Sectoral analysis

	2015 Rm	2014 Rm
Banks	**22 183**	18 002
Government and public sector	**51 802**	48 805
Other services	**1 629**	427
	75 614	67 234

16 DERIVATIVE FINANCIAL INSTRUMENTS

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

• Swaps

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

• Options

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

• Futures and forwards

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

Collateral

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

16.1 Total carrying amount of derivative financial instruments

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

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

16.2 Notional principal of derivative financial instruments

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

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

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

16.3 Carrying amount of derivative financial instruments

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

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

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

16 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

16.4 Analysis of derivative financial instruments

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

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

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

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

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

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

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

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

17 GOVERNMENT AND OTHER SECURITIES

17.1 Analysis

	2015	2014
Government and government-guaranteed securities	**26 692**	14 176
Other dated securities[1]	**16 368**	13 001
	43 060	27 177

17.2 Sectoral analysis

	2015	2014
Financial services, insurance and real estate	**5 838**	2 516
Banks	**3 381**	2 910
Manufacturing	**3 872**	1 882
Transport, storage and communication	**1 647**	694
Government and public sector	**25 599**	17 907
Other sectors	**2 723**	1 268
	43 060	27 177

[1] *This includes securitised assets. See note 45.*

18 LOANS AND ADVANCES

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

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

18.1 Categories of loans and advances

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

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

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

18.2 Sectoral analysis

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

18.3 Geographical analysis

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

18.4 Net finance lease and instalment debtors

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

18.5 Classification of loans and advances

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

Loans and advances defaulted – not impaired	**445**	365
Loans and advances defaulted – impaired	**17 114**	15 481
	17 559	15 846

18 LOANS AND ADVANCES (continued)

18.6 Age analysis of loans and advances

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

> 1 month < 3 month		> 3 months < 6 months		> 6 months < 12 months		> 12 months	
2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
7 632	7 938	**44**	41				
3 430	3 198	**33**	23				
2 720	3 268	**6**	5				
357	343						
69	64	**5**	13				
1 049	1 062						
4	3						
3							
7 632	7 938	**44**	41				

18 LOANS AND ADVANCES (continued)

18.7 Credit quality of loans and advances

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

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

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

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

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

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

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

18 LOANS AND ADVANCES (continued)

18.8 Segmental analysis

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

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

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

19 IMPAIRMENT OF LOANS AND ADVANCES

19.1 Impairment of loans and advances

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

19.2 Impairment of loans and advances by classification

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

	Balance at the beginning of the year Rm	Impairment charge/ (release) Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Portfolio impairment – 2015				
Home loans	**898**	**(127)**	**(6)**	**765**
Commercial mortgages	**367**	**127**		**494**
Credit cards	**122**	**11**		**133**
Overdrafts	**153**	**20**	**3**	**176**
Other loans to clients	**1 618**	**369**	**50**	**2 037**
Net finance lease and instalment debtors	**1 104**	**33**	**3**	**1 140**
Preference shares and debentures	**1**	**1**		**2**
Portfolio impairment of loans and advances	**4 263**	**434**	**50**	**4 747**
Portfolio impairment – 2014				
Home loans	963	(65)		898
Commercial mortgages	308	56	3	367
Credit cards	113	9		122
Overdrafts	141	12		153
Other loans to clients	1 446	191	(19)	1 618
Net finance lease and instalment debtors	941	160	3	1 104
Preference shares and debentures	1			1
Portfolio impairment of loans and advances	3 913	363	(13)	4 263

19.3 Sectoral analysis

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

19.4 Geographical analysis

	Total impairment 2015 Rm	Total impairment 2014 Rm	Specific impairment 2015 Rm	Specific impairment 2014 Rm	Portfolio impairment 2015 Rm	Portfolio impairment 2014 Rm
SA	**10 621**	10 555	**6 127**	6 445	**4 494**	4 110
Other African countries	**550**	200	**371**	105	**179**	95
Europe	**202**	297	**144**	245	**58**	52
Asia	**20**	–	**9**		**11**	
United States	**4**	41	**3**	37	**1**	4
Other	**14**	2	**10**		**4**	2
	11 411	11 095	**6 664**	6 832	**4 747**	4 263
					983	893

19.5 Interest on specifically impaired loans and advances

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

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

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

19 IMPAIRMENT OF LOANS AND ADVANCES (continued)

19.6 Segmental analysis

2015

Rm	Nedbank Group	Nedbank Corporate and Investment Banking	Nedbank Retail and Business Banking	Nedbank Wealth	Rest of Africa	Centre
Opening balance	**11 095**	**1 481**	**8 933**	**168**	**180**	**333**
Specific impairments	**6 832**	**764**	**5 835**	**143**	**105**	**(15)**
Portfolio impairments	**4 263**	**717**	**3 098**	**25**	**75**	**348**
Impairments charge	**5 926**	**1 262**	**4 265**	**44**	**206**	**149**
Statement of comprehensive income impairments charge net of recoveries	**4 789**	**1 188**	**3 212**	**39**	**201**	**149**
Specific impairments	**4 355**	**891**	**3 231**	**32**	**202**	**(1)**
Portfolio impairments	**434**	**297**	**(19)**	**7**	**(1)**	**150**
Recoveries	**1 137**	**74**	**1 053**	**5**	**5**	
Amounts written off/Other transfers	**(5 610)**	**(1 008)**	**(4 526)**	**(57)**	**(18)**	**(1)**
Specific impairments	**(5 660)**	**(1 033)**	**(4 521)**	**(58)**	**(48)**	
Portfolio impairments	**50**	**25**	**(5)**	**1**	**30**	**(1)**
Total impairments	**11 411**	**1 735**	**8 672**	**155**	**368**	**481**
Specific impairments	**6 664**	**696**	**5 598**	**122**	**264**	**(16)**
Portfolio impairments	**4 747**	**1 039**	**3 074**	**33**	**104**	**497**
2014						
Opening balance	11 456	1 408	9 536	168	187	157
Specific impairments	7 543	805	6 528	141	85	(16)
Portfolio impairments	3 913	603	3 008	27	102	173
Impairments charge	5 447	557	4 644	46	48	152
Statement of comprehensive income impairments charge net of recoveries	4 506	506	3 771	41	35	153
Specific impairments	4 143	380	3 681	43	36	3
Portfolio impairments	363	126	90	(2)	(1)	150
Recoveries	941	51	873	5	13	(1)
Amounts written off/Other transfers	(5 808)	(484)	(5 247)	(46)	(55)	24
Specific impairments	(5 795)	(472)	(5 247)	(46)	(29)	(1)
Portfolio impairments	(13)	(12)			(26)	25
Total impairments	11 095	1 481	8 933	168	180	333
Specific impairments	6 832	764	5 835	143	105	(15)
Portfolio impairments	4 263	717	3 098	25	75	348

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

20 OTHER ASSETS

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

21 INVESTMENT SECURITIES

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

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

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

22.1 Movement in carrying amount

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

22.2 Analysis of carrying amount

	2015 Rm	2014 Rm
Associate investments – on acquisition: net asset value	**7 609**	6 943
Share of retained earnings since acquisition	**1 061**	190
Share of other comprehensive income since acquisition	**(1 515)**	
Fair-value movements	**413**	389
Foreign currency translation and other movements	**2 011**	148
	9 579	7 670

22.3 Valuation

	2015 Rm	2014 Rm
Directors' valuation	**9 579**	7 670
	9 579	7 670

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

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

23 NON-CURRENT ASSETS HELD FOR SALE

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

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

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

24 DEFERRED TAXATION

24.1 Reconciliation of deferred taxation balance

	2015 Rm	2014 Rm
Deferred taxation assets		
Balance at the beginning of the year	**309**	216
Current year temporary differences recognised in the statement of comprehensive income	**10**	321
Capital gains taxation		20
Client credit agreements		(5)
Deferred acquisition costs		(37)
Deferred fee income	**(3)**	20
Depreciation		(17)
Fair-value adjustments of financial instruments	**(3)**	(33)
Impairment of loans and advances	**9**	114
Other income and expense items	**48**	194
Property revaluations		11
Share-based payments		21
Taxation losses recognised	**(41)**	33
Recognised directly in equity	**1**	(25)
Other movements	**(93)**	(203)
Balance at the end of the year	**227**	309
Deferred taxation liabilities		
Balance at the beginning of the year	**931**	789
Current year temporary differences recognised in the statement of comprehensive income	**34**	26
Capital gains taxation	**(63)**	9
Client credit agreements	**(20)**	
Deferred acquisition costs	**83**	
Deferred fee income	**(6)**	
Depreciation	**152**	6
Fair-value adjustments of financial instruments	**42**	11
Impairment of loans and advances	**(26)**	2
Other income and expense items	**(175)**	(2)
Property revaluations	**(3)**	
Share-based payments	**50**	
Recognised directly in equity	**189**	13
Other movements	**28**	103
Balance at the end of the year	**1 182**	931

24.2 Analysis of deferred taxation

	2015 Rm	2014 Rm
Deferred taxation assets		
Capital gains taxation		(184)
Client credit agreements		(16)
Deferred acquisition costs	**49**	(396)
Deferred fee income		281
Depreciation		(408)
Fair-value adjustments of financial instruments	**23**	86
Impairment of loans and advances	**44**	1 253
Other income and expense items	**(13)**	(9)
Property revaluations	**2**	(434)
Share-based payments		(27)
Taxation losses	**122**	163
	227	309
Deferred taxation liabilities		
Capital gains taxation	**246**	75
Deferred acquisition costs	**479**	
Deferred fee income	**(240)**	
Depreciation	**583**	28
Fair-value adjustments of financial instruments	**88**	64
Impairment of loans and advances	**(1 270)**	(6)
Other income and expense items	**566**	636
Property revaluations	**610**	134
Share-based payments	**120**	
	1 182	931

25 INVESTMENT PROPERTY

25.1 Fair value

	2015 Rm	2014 Rm
Fair value at the beginning of the year	**130**	214
Acquisitions	**180**	4
Disposals		(8)
Effect of movements in foreign exchange rates	**3**	1
Transferred to non-current assets held for sale (note 23)		(87)
Transferred to property and equipment (note 26)	**(281)**	
Net profit from fair value adjustments		6
Fair value at the end of the year	**32**	130

25 INVESTMENT PROPERTY (continued)

25.2 Fair value of investment property

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

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

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

25.3 Rental income and operating expenses from investment property

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

26 PROPERTY AND EQUIPMENT

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

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

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

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

26 PROPERTY AND EQUIPMENT (continued)

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

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

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

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

27 LONG-TERM EMPLOYEE BENEFITS

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

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

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

Postemployment benefits

Defined-benefit pension funds

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

Defined-contribution pension funds

Nedbank Private Wealth Pension Scheme

Defined-benefit medical aid schemes

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

Nedgroup Medical Aid Scheme for past BoE employees and pensioners.

Nedbank Namibia Medical Aid Fund.

Other long-term employee benefits

Disability fund

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

Insurance policies held with related parties

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

27.1 Analysis of long-term employee benefits assets and liabilities

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

The group's defined-benefit obligation in terms of the Nedbank Group Disability Fund is recognised together with the fair value of the assets held in OMART. OMART is a structured entity controlled by the group and was established to fund this defined-benefit obligation of R371m (2014: R373m). The value of the OMART asset held by the group is R542m (2014: R511m).

27.1.1 Net asset/(liability) recognised

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

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

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

27.2 Postemployment benefits

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

27 LONG-TERM EMPLOYEE BENEFITS (continued)

27.2 Postemployment benefits (continued)

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

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

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

27 LONG-TERM EMPLOYEE BENEFITS (continued)

27.2 Postemployment benefits (continued)

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

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

Pension funds

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

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

Medical aid funds

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

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

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Fund surplus/(deficit) for past five years			
Pension funds			
2015	**5 240**	**7 694**	**2 454**
2014	5 206	7 173	1 967
2013	4 917	6 625	1 708
2012	4 890	5 713	823
2011	4 281	5 183	902
2010	3 985	4 965	980
Medical aid funds			
2015	**1 841**	**1 254**	**(587)**
2014	1 780	1 170	(610)
2013	1 578	893	(685)
2012	1 591	854	(737)
2011	1 489	830	(659)
2010	1 229	810	(419)

Rm	2015	2014
Effect of 1% change in assumed medical cost trend rates		
1% increase – effect on current service cost and interest cost	**44**	50
1% increase – effect on accumulated benefit obligation	**273**	275
1% decrease – effect on current service cost and interest cost	**(35)**	(20)
1% decrease – effect on accumulated benefit obligation	**(222)**	(223)

28 INTANGIBLE ASSETS

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

28.1 Analysis of goodwill by segment

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

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

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

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

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

29 SHARE CAPITAL

29.1 Ordinary share capital

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

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

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

29.2 Preference share capital and premium

Nedbank Ltd preference share capital and premium

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

[1] *Represents amounts less than R1m.*

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

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

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

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

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

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

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

30 AMOUNTS OWED TO DEPOSITORS

30.1 Classifications

	2015 Rm	2014 Rm
Current accounts	**70 757**	65 170
Savings deposits	**30 542**	25 386
Other deposits and loan accounts	**481 402**	449 705
Call and term deposits	**276 200**	257 634
Fixed deposits	**48 806**	42 800
Cash management deposits	**61 908**	60 820
Other deposits and loan accounts	**94 488**	88 451
Foreign currency liabilities	**45 475**	30 153
Negotiable certificates of deposit	**82 144**	70 377
Deposits received under repurchase agreements[1]	**15 531**	12 659
	725 851	653 450
Comprises:		
– Amounts owed to depositors	**672 122**	604 294
– Amounts owed to banks	**53 729**	49 156
	725 851	653 450

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

30.2 Sectoral analysis

	2015 Rm	2014 Rm
Banks	**53 729**	49 156
Government and public sector	**48 106**	47 057
Individuals	**180 260**	163 056
Business sector	**443 756**	394 181
	725 851	653 450

30.3 Geographical analysis

	2015 Rm	2014 Rm
SA	**667 091**	604 784
Rest of Africa	**23 523**	18 858
Europe	**29 629**	28 098
Asia	**5 052**	1 315
United States	**556**	395
	725 851	653 450

30 AMOUNTS OWED TO DEPOSITORS (continued)

30.4 Segmental analysis

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

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

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

31 PROVISIONS AND OTHER LIABILITIES

	2015 Rm	2014 Rm
Creditors and other accounts	**8 085**	7 982
Deferred revenue: client loyalty programmes	**256**	258
Insurance contracts provision	**313**	328
Short-trading securities and spot positions	**13 857**	4 451
Provision for onerous contracts (note 31.1)	**7**	12
Leave pay accrual (note 31.2)	**722**	757
	23 240	13 788

31.1 Provision for onerous contracts

	2015 Rm	2014 Rm
Balance at the beginning of the year	**12**	14
Recognised in profit or loss	**(5)**	(2)
Balance at the end of the year	**7**	12

31.2 Leave pay accrual

	2015 Rm	2014 Rm
Balance at the beginning of the year	**757**	715
Recognised in profit or loss	**1 412**	404
Utilised during the year	**(1 447)**	(362)
Balance at the end of the year	**722**	757

31.3 Day-one gains and losses

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

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

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

32 INVESTMENT CONTRACT LIABILITIES

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

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

33 INSURANCE CONTRACT LIABILITIES

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

34 LONG-TERM DEBT INSTRUMENTS

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

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

34 LONG-TERM DEBT INSTRUMENTS (continued)

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

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

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

35 CASHFLOW INFORMATION

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

36 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS

37.1 Valuation of financial instruments

Background

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

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

Control environment

Validation and approval

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

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

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

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

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

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

Stress testing and sensitivity measures

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

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

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

Valuation methodologies

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

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

Quoted price

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

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

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.1 Valuation of financial instruments (continued)

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

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

Valuation techniques

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

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

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

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

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

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

Therefore, a valuation technique:

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

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

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

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

Observable markets

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

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

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

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

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

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

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

Inputs to valuation techniques

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

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

Valuation adjustments

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

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

Valuation techniques by instrument

Other short-term securities and government and other securities

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

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

Derivative financial instruments

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

Loans and advances

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

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.1 Valuation of financial instruments (continued)

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

Investment securities

Investment securities include private-equity investments, listed investments and unlisted investments.
The fair value of listed investments is determined with reference to quoted bid prices at the close of business on the relevant securities exchange.

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

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

Other assets

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

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

Amounts owed to depositors

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

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

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

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

Investment contract liabilities

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

Long-term debt instruments

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

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

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

Complex instruments

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

Other liabilities

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

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

Summary of principal valuation techniques – level 2 instruments

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

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

Summary of principal valuation techniques – level 3 instruments

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

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.2 Fair-value hierarchy

37.2.1 Financial assets

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

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

Summary of fair-value hierarchies

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

Reconciliation to categorised statement of financial position

Rm
Level 1
Level 2[1]
Level 3

Reconciliation to statement of financial position

Rm	Note
Total financial assets	36
Total non-financial assets	36
Total assets	

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

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

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

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

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

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.2 Fair-value hierarchy (continued)

37.2.2 Financial liabilities

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

Summary of fair-value hierarchies

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

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

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

Reconciliation to categorised statement of financial position

Rm
Level 1
Level 2[1]
Level 3

Reconciliation to statement of financial position

Rm	Note
Total financial liabilities[1, 2]	36
Total equity and non-financial liabilities[1, 2]	36
Total equity and liabilities	

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

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

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

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

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

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

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

37.2 Fair-value hierarchy (continued)

37.2.2 Financial liabilities (continued)

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

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

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

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

37.3 Details of changes in valuation techniques

There have been no changes to valuation techniques.

37.4 Significant transfers between level 1 and level 2

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

– Held for trading – R1 308m

– Designated – R2 802m

– Available for sale – R2 074m

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

37.5 Level 3 reconciliation

Assets

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

Liabilities

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

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

37.6 Unrealised gains or losses

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

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

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

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

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

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

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

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

	Amounts recognised in the statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
	18	**2**	**(2)**
	33	**3**	**(4)**
	691	**62**	**(77)**
	1 162	**97**	**(109)**
	1 904	**164**	**(192)**
	(86)	**37**	**(33)**

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

37 FAIR-VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

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

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

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

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

Loans and advances

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

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

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

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

Government and other securities

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

Other short-term securities

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

Long-term debt instruments

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

Amounts owed to depositors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

39 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

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

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

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

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

Rm	Effects of netting on the statement of financial position			Related amounts not set off in the statement of financial position				
	Gross amounts	Amounts set off in the statement of financial position in accordance with IAS 32	Net amounts included in the statement of financial position[1]	Amounts that may be netted on the occurrence of a future event	Financial collateral	Net amounts reflecting the effect of master netting arrangements	Amounts not subject to IFRS 7 offsetting disclosure[2]	Total amounts recognised in the statement of financial position
2014								
Derivative financial instruments	(2 677)	2 788	111	(111)			(10)	101
– Assets			15 540				33	15 573
– Liabilities			(15 429)				(43)	(15 472)
Assets excluding derivative financial instruments	5 387	(2 874)	2 513			2 513	610 508	613 021
– Loans and advances	5 387	(2 874)	2 513			2 513	610 508	613 021
Liabilities excluding derivative financial instruments	(88 695)	29 516	(59 179)			(59 179)	(594 271)	(653 450)
– Amounts owed to depositors	(88 695)	29 516	(59 179)			(59 179)	(594 271)	(653 450)

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

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

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

Credit ratings

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

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

41 LIQUIDITY GAP

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

This note has been prepared on a contractual maturity basis.

42 CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

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

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

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

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

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

44 INTEREST RATE REPRICING GAP

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

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

45 SECURITISATIONS

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

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

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

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

Synthesis Funding Ltd

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

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

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

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

Greenhouse programmes

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

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

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

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

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

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

Precinct Funding 1

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

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

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

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

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

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

45 SECURITISATIONS (continued)

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

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

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

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

46 FOREIGN CURRENCY CONVERSION GUIDE

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

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

47 CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

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

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

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

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

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

48 COMMITMENTS

48.1 Capital expenditure approved by directors

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

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

48.2 Operating-lease commitments

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

	2016 Rm	2016 – 2020 Rm	Beyond 2020 Rm
2015			
Land and buildings[1]	**865**	**2 274**	**2 236**
Furniture and equipment	**181**		
	1 046	**2 274**	**2 236**

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

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

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

48.3 Commitments under derivative instruments

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

49 COLLATERAL

49.1 Collateral pledged

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

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

49.2 Collateral held to mitigate credit risk

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

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

49 COLLATERAL (continued)

49.2 Collateral held to mitigate credit risk (continued)

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

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

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

(ii) Non-financial collateral
In secured financial transactions the group takes other physical collateral to recover outstanding exposure in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgages over property (both residential and commercial), liens over business assets (including, but not limited to, plant, vehicles, aircraft, inventories, trade debtors and financial securities that have a tradable market, such as shares and other securities) and guarantees from parties other than the borrower.

Should a counterparty be unable to settle its obligations, the group takes possession of collateral as full or part settlement of such amounts. In general, the group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

The group monitors the concentration levels of collateral to ensure that it is adequately diversified. In particular, the following collateral types are common in the marketplace:

(i) Retail portfolio

- mortgage lending secured by mortgage bonds over residential property;
- instalment credit transactions secured by the assets financed; and
- overdrafts that are either unsecured or secured by guarantees, suretyships or pledged securities.

(ii) Wholesale portfolio

- commercial properties are supported by the property financed and a cession of the leases;
- instalment credit type of transactions that are secured by the assets financed;
- working capital facilities when secured usually by either a claim on specific assets (fixed assets, inventories or trade debtors) or other collateral such as guarantees;
- term and structured lending, which usually relies on guarantees or credit derivatives (where only internationally recognised and enforceable agreements are used); and
- credit exposure to other banks where the risk is commonly mitigated through the use of financial control and netting agreements.

The valuation and management of collateral across all business units of the group are governed by the Group Credit Policy.

Management considers collateral held in the retail portfolio to be homogenous by nature and therefore more reliably identifiable. Generally, valuations in respect of mortgage portfolios are updated using statistical index models, published data by service providers are used for motor vehicles and a physical inspection is performed for other types of collateral. Furthermore, physical valuations are performed six monthly on the defaulted book. At 31 December 2015 management considered R142 614m (2014: R137 042m) to be a reasonable estimate of the collateral held in the retail portfolio.

Management considers collateral held in the wholesale portfolio to be non-homogenous and often exhibiting illiquid characteristics and therefore valuing collateral of this nature requires a significant level of judgement. Collateral of this nature is valued at the inception of a transaction and at least annually during the life of the transaction usually as part of the facility review, which includes a review of the security structure and covenants to ensure that proper title is retained over the relevant collateral. At 31 December 2015 management considered R267 784m (2014: R173 823m) to be a reasonable estimate of the collateral held in the wholesale portfolio.

A further consideration with regard to the valuation and management of collateral is that when credit intervention is required, or in the case of default, all items of collateral relating to that particular client portfolio are immediately revalued. In such instances a physical inspection by an expert valuer is required. This process also ensures that an appropriate impairment is evaluated timeously.

As part of the reverse repurchase agreements, the group has received securities as collateral that are allowed to be sold or repledged. The fair value of these securities at the reporting date amount to R20 191m (2014: R18 311m), of which Rnil (2014: Rnil) have been sold or repledged.

49.3 Collateral taken possession of and recognised in the statement of financial position

Included in properties in possession (note 18.1) is an amount of R149m (2014: R241m), which represents assets the group has acquired during the year by taking possession of collateral held as security.

50 MANAGED FUNDS

50.1 Fair value of funds under management – by type

	2015 Rm	2014 Rm
Unit trusts	**197 308**	154 869
Third party	**2 290**	1 846
Private clients	**57 697**	55 298
	257 295	212 013

50.2 Fair value of funds under management – by geography

	2015 Rm	2014 Rm
SA	**207 301**	180 884
Rest of world	**49 994**	31 129
	257 295	212 013

50.3 Reconciliation of movement in funds under management – by type

	Unit trusts Rm	Third party Rm	Private clients Rm	Total Rm
Balance at 31 December 2013	135 327	1 760	53 254	190 341
Inflows	209 746	16	10 054	219 816
Outflows	(200 072)	(153)	(11 106)	(211 331)
Mark-to-market value adjustment	7 631	155	2 953	10 739
Foreign currency translation differences	2 237	68	143	2 448
Balance at 31 December 2014	**154 869**	**1 846**	**55 298**	**212 013**
Inflows	**251 538**	**19**	**11 171**	**262 728**
Outflows	**(226 625)**	**(117)**	**(11 498)**	**(238 240)**
Mark-to-market value adjustment	**7 054**	**30**	**1 802**	**8 886**
Foreign currency translation differences	**10 472**	**512**	**924**	**11 908**
Balance at 31 December 2015	**197 308**	**2 290**	**57 697**	**257 295**

50.4 Reconciliation of movements in funds under management – by geography

	SA Rm	Rest of world Rm	Total Rm
Balance at 31 December 2013	166 279	24 062	190 341
Inflows	213 948	5 868	219 816
Outflows	(208 727)	(2 604)	(211 331)
Mark-to-market value adjustment	9 384	1 355	10 739
Foreign currency translation differences		2 448	2 448
Balance at 31 December 2014	**180 884**	**31 129**	**212 013**
Inflows	**250 959**	**11 769**	**262 728**
Outflows	**(233 156)**	**(5 084)**	**(238 240)**
Mark-to-market value adjustment	**8 614**	**272**	**8 886**
Foreign currency translation differences		**11 908**	**11 908**
Balance at 31 December 2015	**207 301**	**49 994**	**257 295**

The group, through a number of subsidiaries, operates unit trusts, holds and invests funds on behalf of clients and acts as a trustee in a number of fiduciary capacities. In addition, companies in the group operate securities and custodial services on behalf of clients. Commissions and fees earned in respect of trust and management activities performed are included in the consolidated statement of comprehensive income as non-interest revenue.

51 SHARE-BASED PAYMENTS

Nedbank Group Ltd shares, share options over Nedbank Group Ltd shares and equity instruments in respect of Nedbank Group Ltd shares are granted to employees as part of their remuneration package as services are rendered, as well as to clients, business partners and affinity groups as an incentive to retain business and develop growth within the group. The following are the share and share option schemes that have been in place during the year. All schemes are equity-settled at group level, except the Nedbank UK schemes, the Nedbank Wealth Management International schemes and the Nedbank Africa scheme, all of which are cash-settled.

As the group cannot estimate reliably the fair value of services received nor the value of additional business received, the group rebuts the presumption that such services and business can be measured reliably. The group therefore measures their fair value by reference to the fair value of the shares, share options or equity instruments granted, in line with the group's accounting policy. The fair value of share option awards is measured at the grant date utilising the Black-Scholes valuation model. For the non-option equity awards the fair value is measured by reference to the listed share price, which includes the participant's right to dividends over the vesting period.

51.1 Description of arrangements

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Traditional employee schemes				
Nedbank Group (2005) Share Option and Restricted-share Scheme	Nedbank Group (2005) Share Scheme Trust	Restricted shares are granted to key personnel to motivate senior employees to remain with the group. The granting of restricted shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Three years' service and achievement of performance targets based on average return on equity, as well as the Nedbank Group Ltd share price performance against the financial index. In addition, the 2015 grants include a strategic collaboration condition with Old Mutual applicable to group and cluster executives only. Where the performance target is not met, 50% will vest where applicable, provided that the three years' service has been achieved.	3 years
Nedbank Group (2005) Matched-share scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Three years' service and achievement of Nedbank Group Ltd performance targets. Where these performance targets are not met, 50% will vest, provided that the three years' service has been achieved.	3 years
Old Mutual UK Sharesave Scheme	n/a	All eligible employees of Nedbank Private Wealth Ltd (Isle of Man) and Nedgroup Trust Ltd (Guernsey) are entitled to participate in the Old Mutual UK Sharesave Plan, which allows them to elect to save between £5 and £500 per month over a 3- or 5-year period, and receive an option to purchase Old Mutual plc shares in the future at an exercise price that is set at the start of the plan. Invitations to participate in the plan are issued annually.	Completion of three or five years' service.	5 years
Nedbank UK Long-term Incentive Plan (LTIP)	n/a	Employees who perform services in the United Kingdom on behalf of the group will be considered for participation in the UK LTIP. Selected employees will be granted share appreciation rights (SARs). SARs are similar to options in that SARs are granted at a predetermined exercise price, and vesting and expiry date. When the participant elects to exercise SARs, the employer settles the difference between the current market price and the exercise price in cash.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years
Nedbank UK Matched Scheme	n/a	All UK employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Nedbank Wealth Management International Long-term Incentive Plan (LTIP)	n/a	Restricted shares are granted to key Nedbank Wealth Management International personnel to motivate senior employees to remain with the group. The granting of restricted shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years
Nedbank Wealth Management International Matched Scheme	n/a	All Nedbank Wealth Management International employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years
Nedbank Africa	n/a	Restricted shares are granted to key Nedbank Africa personnel to motivate senior employees to remain with the group. The granting of restricted shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years
Nedbank Eyethu BEE schemes – employees				
Black Executive Scheme	Nedbank Eyethu Black Executive Trust	Restricted shares and share options were granted to certain black employees at a senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees at a middle and senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Nedbank Eyethu BEE schemes – clients and business partners				
Community Trust	Nedbank Eyethu Community Trust	The trust has been formed with the specific purpose of providing previously disadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group Ltd's BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 10 years the net assets of the trust will be allocated to participants as determined by the trustees.	10 years Subsequent to December 2013 the termination date of the trust was extended from 2015 to 2030 so as to provide an ongoing flexible vehicle for deploying the residual assets of the trust and continued support of community affairs in line with the group's BEE and Fair Share 2030 initiatives.

51 SHARE-BASED PAYMENTS (continued)

51.1 Description of arrangements (continued)

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Nedbank Namibia Omufima BEE schemes - employees				
Namibia Black Management Scheme	Nedbank 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, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Completion of three years' service plus predetermined targets for average return on income, average fully dilutive headline earnings per share growth and average cost-to-income ratio.	5 years

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Nedbank Swaziland Sinakekelwe Schemes – BEE and LTIP				
Swaziland Broad-based Employee Scheme	Nedbank Sinakekelwe Trust Broad-based Employee Scheme	Restricted shares were granted to qualifying non-managerial employees who do not participate in any other incentive schemes within the group. The beneficial ownership of the shares lies with the participants, including dividend rights.	No dealing in these shares during the restricted period of five years.	5 years
Swaziland Management Scheme	Nedbank Sinakekelwe Trust Management Scheme	Restricted shares and share options were granted to key management personnel as an incentive to remain within the group. Grants are allocated on the basis of job level, performance, potential and skills and competencies portrayed by the employee, entirely at the discretion of the trustees, and are allocated under recommendation of the group's executive management team. The beneficial ownership of the shares lies with the participants, including dividend rights.	Participants must remain in service for three, four and five years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	5 years
Swaziland Trust Long-term Incentive Scheme	Nedbank Sinakekelwe Trust Long-term Incentive Scheme	Restricted shares and share options are granted to key management personnel as an incentive to remain within the group. Grants will be allocated on the basis of job level, performance, potential and skills and competencies portrayed by the employee, entirely at the discretion of the group's executive management team. The beneficial ownership of the shares will lie with the participants, including dividend rights. Grants to staff have yet to be made.	Participants must remain in service for three, four and five years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	5 years

No numerical information has been included in either the share-based payment expense or reserve in respect of these schemes, as the cumulative amount is less than R1m.

51 SHARE-BASED PAYMENTS (continued)

51.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Traditional employee schemes	**412**	612	**1130**	1 177
Nedbank Group (2005) Share Option and Restricted-share Scheme	**379**	517	**880**	939
Nedbank Group (2005) Matched-share Scheme	**102**	79	**181**	148
Old Mutual UK Sharesave Scheme	**(1)**	5	**40**	39
Nedbank UK Long-term Incentive Plan[1]	**(59)**		**14**	16
Nedbank UK Matched-share Scheme[1]	**2**		**3**	19
Nedbank Wealth Management International Long-term Incentive Plan[1]	**(14)**	9	**8**	13
Nedbank Wealth Management International Matched-share Scheme[1]	**2**	2	**3**	3
Nedbank Africa[1]	**1**		**1**	
Nedbank Eyethu BEE schemes	**26**	21	**189**	507
Black Business Partner Scheme	**10**			301
Community Scheme			**124**	124
Black Executive Scheme	**12**	14	**44**	42
Black Management Scheme	**4**	7	**21**	40
Nedbank Namibia Omufima BEE and other schemes			**22**	21
Namibia Black Business Partner Scheme			**13**	13
Namibia Affinity Group Scheme			**5**	4
Namibia Education Scheme			**4**	4
	438	633	**1341**	1 705

[1] *This scheme is cash-settled and therefore creates a liability.*

51.3 Movements in number of instruments

	2015		2014	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Nedbank Group (2005) Share Option and Restricted-share Scheme				
Outstanding at the beginning of the year	**9 868 377**		10 710 356	
Granted	**3 087 302**		3 444 280	
Forfeited	**(438 408)**		(719 950)	
Exercised	**(3 282 846)**		(3 566 309)	
Outstanding at the end of the year	**9 234 425**		9 868 377	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)		**251,42**		196,76
Nedbank Group (2005) Matched-share Scheme				
Outstanding at the beginning of the year	**1 649 973**		1 274 585	
Granted	**773 259**		732 501	
Forfeited	**(108 820)**		(104 291)	
Exercised	**(397 292)**		(252 822)	
Outstanding at the end of the year	**1 917 120**		1 649 973	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)		**240,75**		222,54
Old Mutual UK Sharesave Scheme				
Outstanding at the beginning of the year	**1 704 698**	**1,49**	2 637 872	0,75
Granted	**612 120**		947 451	
Forfeited	**(136 727)**		(132 844)	
Exercised	**(539 918)**		(1 747 781)	
Outstanding at the end of the year	**1 640 173**		1 704 698	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)		**2,15**		2,00

51 SHARE-BASED PAYMENTS (continued)

51.3 Movements in number of instruments (continued)

	2015		2014	
	Number of instruments	**Weighted-average exercise price R**	Number of instruments	Weighted-average exercise price R
Nedbank UK Long-term Incentive Plan				
Outstanding at the beginning of the year	**197 288**		198 960	
Granted	**28 806**		52 336	
Forfeited			(9 414)	
Other	**(44 046)**			
Exercised	**(62 546)**		(44 594)	
Outstanding at the end of the year	**119 502**		197 288	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				
Nedbank UK Matched-share Scheme				
Outstanding at the beginning of the year	**17 427**		16 099	
Granted	**7 240**		2 811	
Exercised	**(7 856)**			
Other			(1 483)	
Outstanding at the end of the year	**16 811**		17 427	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				
Nedbank Wealth Management International Long-term Incentive Plan				
Outstanding at the beginning of the year	**73 223**		83 255	
Granted	**20 513**		20 708	
Forfeited	**(2 750)**			
Exercised	**(29 702)**		(30 740)	
Outstanding at the end of the year	**61 284**		73 223	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				
Nedbank Wealth Management International Matched-share Scheme				
Outstanding at the beginning of the year	**20 207**		12 643	
Granted	**4 122**		7 613	
Exercised	**(5 932)**			
Forfeited			(49)	
Outstanding at the end of the year	**18 397**		20 207	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				
Nedbank Africa				
Granted	**30 096**			
Outstanding at the end of the year	**30 096**			
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (GBP)				
Black Business Partner Scheme				
Outstanding at the beginning of the year	**7 891 300**		7 891 300	163,53
Other	**(7 891 300)**			
Outstanding at the end of the year			7 891 300	163,53
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)				

51.3 Movements in number of instruments (continued)

	2015		2014	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Black Executive Scheme				
Outstanding at the beginning of the year	**1 014 319**	**223,06**	1 251 781	101,73
Forfeited	**(25 795)**		(59 335)	
Exercised	**(168 317)**		(178 127)	
Outstanding at the end of the year	**820 207**		1 014 319	
Exercisable at the end of the year	**20 205**	**121,08**	641	121,08
Weighted-average share price for share instruments exercised (R)		**241,38**		223,06
Black Management Scheme				
Outstanding at the beginning of the year	**1 545 884**	**227,59**	2 710 812	105,23
Forfeited	**(100 113)**		(220 356)	
Exercised	**(731 182)**		(964 666)	
Other	**13 281**		23 526	
Expired	**(21 311)**		(3 432)	
Outstanding at the end of the year	**706 559**		1 545 884	
Exercisable at the end of the year	**164 204**	**101,41**	262 053	107,36
Weighted-average share price for share instruments exercised (R)		**248,07**		227,59
Namibia Black Business Partner Scheme				
Outstanding at the beginning of the year	**199 929**	**278,98**	199 929	278,98
Outstanding at the end of the year	**199 929**	**278,98**	199 929	278,98
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)				
Namibia Affinity Group Scheme				
Outstanding at the beginning of the year	**74 048**	**282,47**	74 048	282,47
Outstanding at the end of the year	**74 048**	**282,47**	74 048	282,47
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)				
Namibia Education Scheme				
Outstanding at the beginning of the year	**98 730**	**282,47**	98 730	282,47
Outstanding at the end of the year	**98 730**	**282,47**	98 730	282,47
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)				
Namibia Black Management Scheme				
Outstanding at the beginning of the year			5 166	102,55
Exercised			(5 166)	
Outstanding at the end of the year				
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)				224,04
Community Scheme				
Outstanding at the beginning of the year	**851 111**		851 111	
Outstanding at the end of the year	**851 111**		851 111	
Exercisable at the end of the year				
Weighted-average share price for share instruments exercised (R)				

51 SHARE-BASED PAYMENTS (continued)

51.4 Instruments outstanding at the end of the year by exercise price

	2015		2014	
	Number of instruments	Weighted-average remaining contractual life (years)	Number of instruments	Weighted-average remaining contractual life (years)
Nedbank Group (2005) Share Option Scheme				
0,00	**9 234 425**	**1,2**	9 868 377	1,2
	9 234 425	**1,2**	9 868 377	1,2
Nedbank Group (2005) Matched-share Scheme				
0,00	**1 917 120**	**1,4**	1 649 973	1,4
	1 917 120	**1,4**	1 649 973	1,4
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares - GBP)				
0,94			38 125	0,3
1,10	**35 685**	**0,3**	35 685	1,3
1,28	**74 758**	**1,3**	553 545	1,1
1,63	**964 654**	**1,7**	1 077 343	2,7
1,87	**565 076**	**2,6**		
	1 640 173	**1,9**	1 704 698	1,9
Nedbank UK Long-term Incentive Plan				
0,00	**119 502**		197 288	
	119 502		197 288	
Nedbank UK Matched-share Scheme				
0,00	**16 811**		17 427	
	16 811		17 427	
Nedbank Wealth Management International Long-term Incentive Plan				
0,00	**61 284**	**1,2**	73 223	1,1
	61 284	**1,2**	73 223	1,1
Nedbank Wealth Management International Matched-share Scheme				
0,00	**18 397**	**1,1**	20 207	1,3
	18 397	**1,1**	20 207	1,3
Black Business Partner Scheme				
163,53			7 891 300	
			7 891 300	
Black Executive Scheme				
0,00	**257 212**	**1,8**	319 169	2,4
75,74			19 623	1,2
121,08	**84 616**	**1,2**	127 569	2,2
128,44	**56 402**	**2,2**	84 182	3,2
132,18	**3 797**	**1,6**	7 480	2,6
140,00	**40 200**	**1,1**	60 000	1,6
161,88	**174 489**	**3,2**	174 489	4,2
182,98	**114 010**	**3,6**	114 010	4,6
189,90	**89 481**	**4,2**	107 797	5,2
	820 207	**2,5**	1 014 319	3,2

51.4 Instruments outstanding at the end of the year by exercise price (continued)

	2015		2014	
	Number of instruments	Weighted-average remaining contractual life (years)	Number of instruments	Weighted-average remaining contractual life (years)
Black Management Scheme				
0,00	**47 523**	**1,0**	112 718	1,3
75,74	**82 016**	**0,2**	303 526	1,2
104,51	**578**	**(0,4)**	71 605	0,6
108,45	**8 204**	**0,6**	72 620	1,6
120,62			95 668	0,2
121,08	**98 111**	**1,2**	164 806	2,2
128,44	**186 481**	**2,2**	287 811	3,2
132,18	**103 086**	**1,6**	183 378	2,5
139,69	**107 907**	**1,0**	169 609	1,6
161,88	**72 653**	**3,2**	84 144	4,2
	706 559	**1,5**	1 545 885	2,0
Nedbank Africa				
0,00	**30 096**	**2,2**		
	30 096	**2,2**		
Namibia Black Business Partner Scheme				
278,98	**199 929**	**1,0**	199 929	2,0
	199 929	**1,0**	199 929	2,0
Namibia Affinity Group Scheme				
282,47	**74 048**	**1,0**	74 048	2,0
	74 048	**1,0**	74 048	2,0
Namibia Education Scheme				
282,47	**98 730**	**1,0**	98 730	2,0
	98 730	**1,0**	98 730	2,0
Community Scheme				
0,00	**851 111**	**15,0**	851 111	16,0
	851 111	**15,0**	851 111	16,0

51 SHARE-BASED PAYMENTS (continued)

51.5 Instruments granted during the year

The weighted-average fair value of instruments granted during the year has been calculated using the Black-Scholes option pricing model, using the following inputs and assumptions.

	Nedbank Group (2005) Share Option and Restricted-share Scheme	Nedbank Group (2005) Matched-share Scheme	Old Mutual UK Sharesave Scheme (GBP)
2015			
Number of instruments granted	**3 087 302**	**773 259**	**612 120**
Weighted-average fair value per instrument granted (R)[1]	**244,45**	**185,48**	**1,87**
Weighted-average share price (R)	**244,45**	**237,78**	**2,31**
Weighted-average expected volatility (%)[2]	**23,0**	**23,0**	**29,1**
Weighted-average life (years)	**3,0**	**3,0**	**3,2**
Weighted-average riskfree interest rate (%)	**7,0**	**7,0**	**0,8**
Number of participants	**1 350**	**1 635**	
Weighted-average vesting period (years)	**3,0**	**3,0**	**1,9**
2014			
Number of instruments granted	3 440 886	731 882	947 451
Weighted-average fair value per instrument granted (R)[1]	203,61	188,72	1,63
Weighted-average share price (R)	215,58	224,01	2,00
Weighted-average expected volatility (%)[2]	23,0	22,0	31,4
Weighted-average life (years)	3,0	3,0	3,5
Weighted-average riskfree interest rate (%)	7,2	6,8	1,4
Number of participants	1 615	668	
Weighted-average vesting period (years)	3,0	3,0	3,5

[1] *Fair value per instrument has been recalculated in line with a change in the valuation methodology for shares linked to the Financial Index.*

[2] *Expected volatility is determined based on the historical average volatility for shares over their vesting periods. Volatility is determined using expected volatility for all shares listed on the JSE.*

No further grants were made for the Black Executive Scheme and Black Management Scheme.

	Nedbank UK Long-term Incentive Plan	Nedbank UK Matched Scheme	Nedbank Wealth Management International Long-term Incentive Plan	Nedbank Wealth Management International Matched Scheme	Nedbank Africa
	28 806	**7 240**	**20 513**	**4 122**	**30 096**
			244,40	**237,78**	**242,84**
	109,66	**237,78**	**244,40**	**237,78**	**242,84**
			23,00	**23,00**	**23,00**
			3,00	**3,00**	**3,00**
			7,0	**7,0**	**7,0**
	14	**6**	**11**	**19**	**41**
	3,0	**3,0**	**3,0**	**3,0**	**3,0**
	52 336	2 811	20 708	7 613	
			181,75	188,72	
	210,25	223,03	215,77	224,04	
			22,0	22,0	
			3,0	3,0	
			6,8	6,8	
	13	11	11	24	
	3,0	3,0	3,0	3,0	

52 RELATED PARTIES

52.1 Relationship with parent, ultimate controlling party and investees

The group's parent company is Old Mutual (SA) Ltd (OMSA), which, through its subsidiaries, holds 53,66% (2014: 54,04%) of Nedbank Group Ltd's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the group are identified in note 54 and associate companies and joint arrangements of the group are identified in note 53.

52.2 Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all directors of the company and its parent, as well as members of the Executive Committee who are not directors, as well as close members of the family of any of these individuals.

Details of the compensation paid to the board of directors and prescribed officers and details of their shareholdings in the company are disclosed in the Remuneration Report. Compensation paid to the board of directors and compensation paid to other key management personnel, as well as the number of share instruments held, are shown below:

	Directors	Key management personnel	Total
Compensation (Rm)			
2015			
Directors' fees	**15**		**15**
Remuneration – paid by subsidiaries	**106**	**213**	**319**
Short-term employee benefits	**51**	**124**	**175**
Gain on exercise of share instruments	**55**	**89**	**144**
	121	**213**	**334**
2014			
Directors' fees	14		14
Remuneration – paid by subsidiaries	84	202	286
Short-term employee benefits	47	120	167
Gain on exercise of share instruments	37	82	119
	98	202	300
Number of share instruments			
2015			
Outstanding at the beginning of the year	**578 468**	**1 574 989**	**2 153 457**
Granted	**155 871**	**428 173**	**584 044**
Forfeited		**21 304**	**21 304**
Exercised	**(214 953)**	**(522 789)**	**(737 742)**
Transferred	**11 224**	**(18 626)**	**(7 402)**
Outstanding at the end of the year	**530 610**	**1 483 051**	**2 013 661**
2014			
Outstanding at the beginning of the year	571 714	1 666 293	2 238 007
Granted	173 902	456 115	630 017
Forfeited	(7 965)	(91 879)	(99 844)
Exercised	(159 183)	(455 540)	(614 723)
Outstanding at the end of the year	578 468	1 574 989	2 153 457

52.3 Related-party transactions

Transactions between Nedbank Group Ltd and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between Nedbank Group Ltd and its other related parties are disclosed below. All of these transactions were entered into in the normal course of business.

	Due from/(owing to)	
Outstanding balances (Rm)	**2015**	2014
Parent/Ultimate controlling party		
Deposits owing to Old Mutual Life Assurance Company (SA) Ltd	**(7)**	(14)
Bank balances owing to Old Mutual Life Assurance Company (SA) Ltd	**(351)**	(237)
Forward exchange rate contracts with Old Mutual plc	**2**	(4)
Account payable owing to Old Mutual plc		(1)
Fellow subsidiaries		
Deposits owing to Old Mutual Asset Managers (SA) (Pty) Ltd	**(66)**	(24)
Deposits owing to other fellow subsidiaries	**(7 824)**	(9 076)
Bank balances owing to Old Mutual Asset Managers (SA) (Pty) Ltd	**(27)**	(15)
Bank balances owing to other fellow subsidiaries	**(1 407)**	(873)
Associate companies		
Loans due from associate companies	**2 336**	2 157
Deposits owing to associate companies	**(20)**	(47)
Bank balances owing to associate companies	**(14)**	(5)
Key management personnel		
Mortgage bonds due from key management personnel	**28**	27
Deposits owing to key management personnel	**(22)**	(33)
Deposits owing to entities under the influence of key management personnel	**(73)**	(1 099)
Bank balances due from key management personnel	**4**	4
Bank balances owing to key management personnel	**(27)**	(43)
Bank balances due from entities under the influence of key management personnel	**33**	1
Bank balances owing to entities under the influence of key management personnel	**(241)**	(179)
The WIPHOLD and Brimstone consortia and Aka Capital (Pty) Ltd are related parties, since certain key management personnel of the company have significant influence over these entities. These entities are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these entities and key management personnel is detailed below:		
WIPHOLD consortium		(154)
Brimstone consortium		(147)
Key management personnel – directors	**(40)**	(52)
Key management personnel – other	**(124)**	(129)
Share-based payments reserve	**(164)**	(482)
Performance fees are paid to the WIPHOLD and Brimstone consortia in terms of the Nedbank Eyethu BEE schemes.		
WIPHOLD consortium	**(2)**	(12)
Brimstone consortium	**(2)**	(12)
Performance fee liability at the end of the year	**(4)**	(24)
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	**(1)**	(1)
Bank balances owing to Nedgroup Pension Fund	**(23)**	(100)
Bank balances and deposits owing to other funds	**(46)**	(73)

52 RELATED PARTIES (continued)

52.3 Related-party transactions (continued)

Transactions (Rm)	Income/(Expense) 2015	2014
Parent/Ultimate controlling party		
Interest expense to Old Mutual Life Assurance Company (SA) (Pty) Ltd	**(221)**	(342)
Dividend declared to OMSA through its subsidiaries	**(2 905)**	(2 525)
Fellow subsidiaries		
Interest income from Old Mutual Asset Managers (SA) (Pty) Ltd	**25**	27
Interest income from other fellow subsidiaries		5
Interest expense to other fellow subsidiaries	**(1 842)**	(2 815)
Interest expense to Old Mutual Asset Managers (SA) (Pty) Ltd	**(12)**	(41)
Insurance premiums to Mutual & Federal Insurance Company Ltd	**(151)**	(148)
Claims recovered from Mutual & Federal Insurance Company Ltd	**64**	99
Commission income from Mutual & Federal Insurance Company Ltd	**28**	27
Asset management fee to Old Mutual Asset Managers (Pty) Ltd		(4)
Associate companies		
Interest expense to associate companies	**(24)**	(22)
Key management personnel		
Interest income from key management personnel	**3**	4
Interest income from entities under the influence of key management personnel	**85**	348
Interest expense to key management personnel	**(34)**	(31)
Interest expense to entities under the influence of key management personnel	**(147)**	(227)
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
– Key management personnel – other	**(3)**	(5)
Share-based payments expense (included in BEE transaction expenses)	**(3)**	(5)
Key management personnel – directors	**(10)**	(17)
Key management personnel – other	**(50)**	(60)
Share-based payments expense (included in staff costs)	**(60)**	(77)

52.3 Related-party transactions (continued)

	Income/(Expense)	
	2015	2014
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	**(3)**	(4)
Interest expense to other funds	**(159)**	(25)
The Nedbank Group Pension Fund has an insurance policy (Optiplus policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) Ltd, in respect of its pension plan obligations. Nedbank Ltd has an insurance policy (Symmetry policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) (Pty) Ltd, in respect of its postretirement medical aid obligations. The group has an interest in the OMART cell captive within a fellow subsidiary in respect of its disability plan obligations. The value of this policy and this interest are shown as reimbursement rights, with a corresponding liability. In the case of the interest in the cell captive the group recognises the surplus in the cell captive. The amounts included in the financial statements in respect of this policy and this interest are as follows:		
– Optiplus policy reimbursement right	**781**	827
– Symmetry policy reimbursement right	**1 254**	1 179
– OMART policy reimbursement right (note 27.1)	**543**	511
Included in long-term employee benefit assets	**2 578**	2 517
Optiplus policy obligation	**(781)**	(827)
Postretirement medical aid obligation	**(1 254)**	(1 179)
Disability obligation	**(373)**	(374)
Included in long-term employee benefit liabilities	**(2 408)**	(2 380)

53 ANALYSIS OF INVESTMENTS IN PRIVATE-EQUITY ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS

	Nature of activities	Percentage holding 2015 %	2014 %
Private-equity associates and associate companies			
Listed			
Ecobank Transnational Incorporated (Togo)[1]	Banking	**21,8**	20,7
Individually immaterial associates			
Unlisted			
Century City JV	Property development	**50**	50
Erf 7 Sandown (Pty) Ltd[2]	Property development		35
Falcon Forest Trading 85 (Pty) Ltd[3]	Property development		
Friedshelf 113 (Pty) Ltd	Property development	**20**	20
Masingita Property Investment Holdings (Pty) Ltd	Property development	**35**	35
Odyssey Developments (Pty) Ltd[4]	Property development	**49**	49
Other individually immaterial associates[5]			
Private-equity associates (manufacturing, industrial, leisure and other)[6]			
Private-equity associates (property investment associates)[6]			
Other	Various		
Joint arrangements			
Unlisted			
Banco Único, S.A. (Mozambique)	Banking	**38,3**	36,6
Individually immaterial joint arrangements[5]	Various		

Unless otherwise stated above, all entities are domiciled and incorporated in SA. The group has the same proportion of voting rights as its proportion of ownership interest, unless stated otherwise and has not incurred any contingent liabilities with regard to the associates or joint arrangements listed above.

1 *Ecobank Transnational Incorporated is a pan-African bank and its shares are listed on the stock exchanges of Nigeria, Ghana and the Ivory Coast.*

2 *Entity consolidated as a wholly owned subsidiary from 1 October 2015.*

3 *Entity disposed of during 2014.*

4 *The group's proportion of ownership in the entity is 49% while its voting right equates to 35%.*

5 *Represents various investments that are not individually material.*

6 *Includes entities that have been reclassified from investment securities to investments in private-equity associates, associate companies and joint arrangements to align better with industry practice. Refer to note 56.*

				Group					
				Carrying amount		Net indebtedness of loans to/(from) associates		Dividends received	
	Measurement method	Acquisition date	Year-end	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
	Equity-accounted	October 14	December	**7 808**	6 223	**209**	466		
	Fair value	December 10	December	**55**	55				
	Fair value	July 07	February		63		5		
	Fair value	March 05	February						39
	Fair value	August 02	February		85	**1**	43		
	Fair value	August 05	February	**172**	125	**74**	38		
	Fair value	August 07	February	**56**	57	**49**	49		
				487	373	**226**	235	**22**	26
				318	123	**1 633**	1 270		1
				232	238	**4**	(4)		
	Equity-accounted	June 14	December	**359**	286				
				92	42	**140**	55		
				9 579	7 670	**2 336**	2 157	**22**	66

53 ANALYSIS OF INVESTMENTS IN PRIVATE-EQUITY ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS (continued)

53.1 Additional disclosures relating to material associate companies and joint arrangements

	Ecobank Transnational Incorporated[1]		Banco Único, S.A.	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Fair value of investment in Ecobank Transnational Incorporated based on the closing quoted price on the Nigerian Stock Exchange[2]	**6 916**	5 483		
Statement of comprehensive income				
Revenue	**20 679**	17 745	**446**	345
Profit/(Loss) from continuing operations	**3 970**	3 490	**35**	7
Posttax profit/(loss) from discontinued operations	**(14)**	(25)		
Other comprehensive income/(losses)	**(3 516)**	(1 048)		
Total comprehensive income	**440**	2 416	**35**	7
Statement of financial position				
Current assets	**209 119**	149 278	**3 452**	2 496
Non-current assets	**155 964**	115 204	**2 153**	1 820
Current liabilities	**172 628**	122 754	**2 569**	2 095
Non-current liabilities	**150 992**	114 555	**2 390**	1 807
Additional disclosures relating to joint ventures				
Banco Único, S.A.				
Statement of comprehensive income				
Interest and similar income			**434**	374
Interest and similar charges			**159**	162
Depreciation and amortisation			**24**	44
Income tax income/(expense)			**(16)**	(5)
Statement of financial position				
Cash and cash equivalents included in current assets			**265**	175
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities			**2 471**	2 018
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities			**2 379**	1 795

[1] *The information provided for ETI has been based on the latest available financial information, being the financial results available at 30 September 2015.*

[2] *ETI's value in use as at 31 December 2015 has been determined using the following assumptions:*

Adjusted riskfree rate (%)	*8,2*
Equity risk premium (%)	*6*
Beta	*1,1*
Terminal growth rate (%)	*2,0*
Cashflow projection (years)	*5*
Discount rate (%)	*16,6*

54 ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES

	Group				Company			
	Issued capital		Effective holding		Book value of investments		Net indebtedness	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
Banking[2]								
Nedbank Ltd	**27**	27	**100**	100	**22 058**	20 954	**(5 575)**	(5 734)
Nedbank Namibia Ltd	**17**	17	**100**	100				
Nedbank (Malawi) Ltd	**9**	7	**100**	100				
Nedbank (Lesotho) Ltd	**20**	20	**100**	100				
Nedbank (Swaziland) Ltd	**12**	12	**65,08**	65,08				
Nedbank Private Wealth Ltd (Isle of Man)	**255**	198	**100**	100				
MBCA Bank Ltd (Zimbabwe)	**2**	1	**71,37**	71,37				
Trust and securities entities[3]								
Nedgroup Private Wealth Stockbrokers (Pty) Ltd	[1]	[1]	**100**	100				
Nedgroup Trust Ltd (Jersey)	**2**	2	**100**	100				
Nedgroup Collective Investments Ltd[5]	**6**	6	**100**	100				
Syfrets Securities Ltd	**1**	1	**100**	100	**353**	353	**200**	200
Other companies[3]								
Nedgroup Private Wealth (Pty) Ltd	[1]	[1]	**100**	100	**566**	566		
BoE Holdings (Pty) Ltd, formerly BoE Holdings Ltd	**2**	2	**100**	100				
BoE Investment Holdings Ltd	**11**	11	**100**	100	**31**	937	**(11)**	(869)
Depfin Investments (Pty) Ltd	[1]	[1]	**100**	100				
Dr Holsboer Benefit Fund[4]	[1]	[1]	**100**	100				
Nedgroup Investments Africa (Mauritius)	[1]	[1]	**100**	100	**118**	98		
NBG Capital Management (Pty) Ltd, formerly NBG Capital Management Ltd	[1]	[1]	**100**	100	**1**	1		
Nedbank Group Insurance Company Ltd	**11**	11	**100**	100	**11**	11		
Nedcapital Investment Holdings (Pty) Ltd (Namibia)	[1]	[1]	**100**	100	**25**	25		
Ned Settle Services (Pty) Ltd	[1]	[1]	**100**	100	[1]	[1]	**71**	
Nedcor Investments Ltd	**28**	28	**100**	100				
Nedcor Trade Services Ltd (Mauritius)	**4**	4	**100**	100				
NedEurope Ltd (Isle of Man)	**6 998**	5 186	**100**	100	**1 612**	1 612		
Nedgroup Insurance Company Ltd[5]	**5**	5	**100**	100				
Nedgroup International Holdings Ltd (Isle of Man)	[1]	[1]	**100**	100				
Nedgroup Investment 102 Ltd	**6**	6	**100**	100				
Nedbank Group Insurance Holdings Ltd, formerly Nedgroup Investment Holdings 101 Ltd	**17**	17	**100**	100	**196**	196	**260**	260
Nedgroup Life Assurance Company Ltd	**15**	15	**100**	100				
Nedgroup Securities (Pty) Ltd	**10**	10	**100**	100	**34**	34	**500**	500
Nedgroup Structured Life Ltd	**1**	1	**100**	100				
NedInvest (Pty) Ltd	**5**	5	**100**	100	**5**	5		
NedNamibia Holdings Ltd (Namibia)	**18**	18	**100**	100	**429**	429		
NIB Blue Capital Investments (Pty) Ltd	[1]	[1]	**100**	100				
Peoples Mortgage Ltd	**45**	45	**100**	100				
The Board of Executors	[1]	[1]	**100**	100			**22**	(45)
Other companies							**(5)**	(4)
					25 439	25 221	**(4 538)**	(5 692)

[1] *Represents amounts less than R1m.*

[2] *The banking subsidiary companies are restricted in terms of Basel regulations and prudential requirements with regard to the distribution of funds to their holding company.*

[3] *These entities are free of any restrictions imposed on the distribution of funds, save for compliance with any local regulations.*

[4] *The entity is governed by the terms of a trust deed. Restrictions are in place with regard to access or the use of the entity's assets.*

[5] *In terms of a dispensation received from the Financial Services Board these companies are not allowed to declare any distributions to its holding company.*

The composition of the group is illustrated in note 54.2. Unless otherwise stated, all entities are domiciled in SA. Unless otherwise stated, the financial statements of the subsidiaries used in the preparation of consolidated financial statements are as of the same date or same period than that of the consolidated financial statements. Unless otherwise stated, there are no significant restrictions (eg statutory, contractual and regulatory restrictions) on the group's ability to access or use the assets and settle the liabilities of the group.

54 ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES

Headline earnings from subsidiaries (after eliminating intercompany transactions):

	2015 Rm	2014 Rm
Aggregate headline earnings attributable to equity holders	10 969	9 900
Aggregate headline losses attributable to equity holders	(138)	(20)

General information required in terms of the Companies Act, 71 of 2008, is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities.

Nedbank Group Ltd will ensure that, except in the case of political risk, and unless specifically excluded by public notice in a country where a subsidiary is domiciled, its banking subsidiaries, and its principal non-banking subsidiaries, are able to meet their contractual liabilities.

54.1 Material non-controlling interests

The table below provides details of non-wholly-owned subsidiaries of the group that have material non-controlling interests:

	Nedbank (Swaziland) Ltd		MBCA Bank Ltd (Zimbabwe)	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Financial position				
Total assets	3874	3 596	3821	2 219
Total liabilities	3306	3 122	3152	1 790
Accumulated non-controlling interests at the end of the year	198	165	196	126
Comprehensive income				
Income from lending activities	179	149	154	148
Non-interest revenue	156	139	192	129
Profit from continuing operations	115	97	80	58
Total comprehensive income	120	98	80	58
Profit allocated to non-controlling interests during the reporting period	40	38	23	17
Cashflows				
Cashflows from/(utilised by) operating activities	637	62	570	(34)
Cashflow utilised by investing activities	(9)	(8)	(24)	(10)
Cashflow utilised by financing activities	(27)	(25)		
Net increase/(decrease) in cash and cash equivalents	601	29	546	(44)
Dividends paid to non-controlling interests	9	9		

54.2 Major subsidiary companies

NEDBANK GROUP LTD

Nedbank Ltd (100%)

Local subsidiaries

- BoE Holdings (Pty) Ltd
- Peoples Mortgage Ltd
- Nedcor Investments Ltd
- Nedgroup Investment 102 Ltd
- Depfin Investments (Pty) Ltd

Foreign Nedbank subsidiaries

- Nedbank (Lesotho) Ltd
- Nedbank (Swaziland) Ltd 65,08%
- 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) 71,37%
- Nedbank Namibia Ltd
- Nedgroup Trust Ltd (Guernsey)

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
- NIB Blue Capital Investments (Pty) Ltd
- Nedgroup Private Wealth (Pty) Ltd

Nedbank Group Insurance Holdings Ltd (100%)

- Nedgroup Insurance Company Ltd
- Nedgroup Structured Life Ltd
- Nedgroup Life Assurance Company Ltd

Other insurance

- Nedbank Group Insurance Company Ltd

All subsidiaries are wholly owned, unless stated otherwise.

55 INTERESTS IN STRUCTURED CONSOLIDATED AND UNCONSOLIDATED STRUCTURED ENTITIES

55.1 Consolidated structured entities

The group holds certain interests in consolidated structured entities in order to ringfence certain risks and/or achieve specific objectives. Structured entities are entities that have been designed so that voting rights are not the predominant factor in deciding who controls the entity.

The group has identified the following consolidated structured entities:

- Old Mutual Alternative Risk Transfer Fund (OMART) (refer to note 27)
- Employee Benefit Trust Schemes (refer to note 51.3)
- Community Trust (refer to note 51.1)
- Dr Holsboer Benefit Fund
- Securitisation vehicles (refer to note 45)
  - Synthesis Funding Ltd
  - Greenhouse Funding (RF) Ltd
  - Greenhouse Funding III (RF) Ltd
  - Greenhouse Funding 4 (RF) Ltd
  - Precinct Funding 1 (RF) Ltd
  - West Road South No. 3 (RF) Ltd

The following judgements have been applied in determining that the group has control over the following structured entities:

Securitisation

The group originated and sponsors certain securitisation vehicles and acts in various capacities with regard to these structures. The group controls these entities and has consolidated these structures since their inception. These securitisation structures include the following:

Synthesis Funding Ltd (Synthesis), an asset-backed commercial paper (ABCP) programme; invests in long-term-rated bonds and offers capital market funding to SA corporates, which is funded through the issuance of short-dated investment-grade commercial paper. The group acts in various capacities with regard to this vehicle, which includes the role of master liquidity facility provider, programme-wide credit enhancement provider, administrator, dealer, paying and settlement agent, custodian and hedge counterparty. The group is involved in the day-to-day activities of the vehicle. Although the activities and decisionmaking rights are predetermined and restricted, the group exercises a significant degree of discretion in its decisionmaking regarding investments, funding and risk management. Industry knowledge and experience of the group are crucial to successful operation of Synthesis. The group is exposed to variable returns from the entity in the form of fees and interest income as well as residual income subsequent to certain distributions through the provisioning of credit enhancement. As a result, the group has concluded that it controls the entity.

Other securitisation vehicles consist of Greenhouse Funding (RF) Ltd, Series 1 (Greenhouse), a residential mortgage-backed securitisation programme, and Precinct Funding 1 (RF) Ltd, a commercial mortgage-backed securitisation programme. The activities of these vehicles are predetermined and restricted in terms of the programme documentation established at their inception. The group does, however, exercise some discretion in its decisionmaking, which includes the selection and transfer of assets and the management of defaulted assets. Through the provision of administration services, the interest rate hedge and credit enhancement. Nedbank Ltd has rights to the residual return of the vehicle. The group has concluded that it controls these entities.

Westroad South No. 3 and Greenhouse Funding 4 are securitisation vehicles that acquires the rights, title, interest and related security of commercial and residential mortgage bonds from Nedbank Ltd. The creation of the these vehicles facilitated the group having appropriately collaterised instruments that have been pledged against the group's committed liquidity facility provided by SARB. The group has concluded that it controls these entities.

Refer to note 45 for further information on the securitisation activities of the group.

Employee share schemes

The group has established employee share schemes for the benefit of its employees in return for their employment services rendered. Funding is provided by the group or its subsidiaries to acquire shares that are held on behalf of employees. The trustees have limited rights and act within narrowly defined parameters in terms of the trust deed. The trustees receive limited remuneration (if any) for their services rendered in terms of the trust. The group has concluded that the trustees merely act in an agent capacity and that the group has control over the trust.

Dr Holsboer Benefit Fund

Nedbank is the founder of the trust. The fund was established in terms of a trust deed for the benefit of employees of the group. The beneficiaries of the trust include employees, contractors and pensioners, as nominated by the trustees in their sole discretion. The trustees have the right to vest or distribute net income of the trust in their discretion. The founder, Nedbank Group Ltd, reserves the right to terminate the appointment of any of the trustees. In terms of the trust deed, the trustees are not entitled to remuneration for their services, unless the founder and all the trustees unanimously agree. The group has concluded that the trustees merely act in an agent capacity and that the group has control over the trust.

Community Trust

The trust was formed with the specific purpose of providing previously disadvantaged communities with the opportunity to receive certain benefits. The group consolidates this trust because of the specific purpose the trust was formed for and the group's involvement in the key decisionmaking processes relating to the operation of the trust.

55.2 Unconsolidated structured entities

The following judgements were used in determining that the group does not have control over the following structured entities:

Investment funds

The group acts as fund manager to a number of investment funds. The group holds seed capital in certain investment funds where the group assists in starting the investment fund and the group is required by ASISA rules to hold a minimum interest in the investment fund. Determining whether the group controls such an investment fund usually focuses on the assessment of decisionmaking rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the group in the fund in the form of interest held and management fees.

In most instances the group's decisionmaking authority, in capacity as fund manager with regard to these investment funds, is regarded to be well defined. Discretion is, however, exercised when decisions regarding the relevant activities of these funds are being made.

Fees earned by the group, in its capacity as fund manager, are considered to be market-related, commensurate with the services provided and includes only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's length basis.

As a result, the group has concluded that it acts as agent on behalf of the investors in all instances. Therefore the group does not control these funds and has not consolidated these investment funds.

Analysis of the group's interests in unconsolidated structured entities

The following table summarises the carrying values recognised in the statement of financial position of the group's interests in unconsolidated structured entities:

	Rm
2015	
Carrying amount of the group's interest (Rm)	**12**
Fees earned (Rm)	**1 249**
2014	
Carrying amount of the group's interest (Rm)	5
Fees earned (Rm)	1 178

Investment funds

The group's maximum exposure to losses from its interests in unconsolidated structured entities is limited to the group's interests in the investment funds. The group does not provide any financial support to these investment funds.

Sponsored entities

In addition to the above unconsolidated structured entities, the group has sponsored certain BEE schemes in which it does not have an interest. The group does not earn any fees or income from these entities, nor has the group transferred any assets to these sponsored entities.

56 EVENTS AFTER THE REPORTING PERIOD

There are no material events after the reporting period to report on.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	2015 Rm	2014 Rm
Interest and similar income		**1**	(26)
Interest expense and similar charges		**(11)**	1
Net interest expense		**(10)**	(25)
Impairment of intergroup loans and advances release	7		166
(Loss)/Income from lending activities		**(10)**	141
Non-interest revenue		**1**	
Operating (loss)/income		**(9)**	141
Dividends from subsidiaries		**6 008**	6 254
Fair-value adjustments		**(18)**	46
Profit on share buyback/Loss on cancellation of treasury shares		**328**	(1 767)
Foreign exchange loss			(12)
Operating income		**6 309**	4 662
Operating expenses	1	**28**	33
Profit before taxation		**6 281**	4 629
Direct taxation	2	**2**	15
Total comprehensive income for the year		**6 279**	4 614

SEPARATE STATEMENT OF FINANCIAL POSITION

at 31 December

	Notes	2015 Rm	2014 Rm
Assets			
Cash and cash equivalents		**3**	1
Loans and advances			288
Other assets		**12**	1
Deferred taxation assets		**11**	
Investments in associate companies and joint arrangements	4	**6 655**	6 223
Investment in subsidiary companies		**26 787**	26 327
Shares at cost – unlisted		**25 439**	25 221
Owing by subsidiaries		**1 348**	1 106
Total assets		**33 468**	32 840
Shareholders' equity and liabilities			
Ordinary share capital	5	**494**	499
Ordinary share premium		**21 334**	20 644
Share-based payments reserve		**125**	340
Other non-distributable reserves		**41**	41
Distributable reserves		**5 491**	4 458
Equity attributable to equity holders of the parent		**27 485**	25 982
Other liabilities	6	**97**	57
Current taxation liabilities			3
Amounts owing to subsidiaries		**5 886**	6 798
Total liabilities		**5 983**	6 858
Total shareholders' equity and liabilities		**33 468**	32 840

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Share-based payments reserve[1] Rm	Other non-distributable reserves[2]	Distributable reserves[3]	Total ordinary shareholders' equity
Balance at 31 December 2013	510 302 393	510	21 474	340	41	4 736	27 101
Shares issued in terms of employee incentive schemes	3 670 463	4	767				771
Shares delisted	(14 715 049)	(15)	(1 597)				(1 612)
Total comprehensive income for the year						4 614	4 614
Dividends to shareholders						(4 892)	(4 892)
Balance at 31 December 2014	**499 257 807**	**499**	**20 644**	**340**	**41**	**4 458**	**25 982**
Shares issued in terms of employee incentive schemes	**3 332 101**	**3**	**841**				**844**
Shares issued in terms of BEE transaction	**738 207**	**1**	**176**				**177**
Shares delisted	**(8 916 159)**	**(9)**	**(327)**				**(336)**
Transfer (from)/to reserves				**(215)**		**215**	**-**
Total comprehensive income for the year						**6 279**	**6 279**
Dividends to shareholders						**(5 461)**	**(5 461)**
Balance at 31 December 2015	**494 411 956**	**494**	**21 334**	**125**	**41**	**5 491**	**27 485**

[1] *All share-based payments expenses are recognised in the statement of comprehensive income, with the corresponding amount recognised in share-based payments reserves. Any excess tax benefit over the relative tax on the share-based payments expense is recognised directly in this reserve. On the expiry or exercise of a share-based instrument the cumulative amount recognised in this respect is transferred directly to other distributable reserves.*

[2] *Represents other non-distributable revaluation surplus on capital items.*

[3] *Represents the accumulated profits after distributions to shareholders and appropriation of retained earnings to other non-distributable earnings.*

SEPARATE STATEMENT OF CASHFLOWS
for the year ended 31 December

	Notes	2015 Rm	2014 Rm
Cash generated by operations	8	**5 970**	6 196
Cash paid to clients, employees and suppliers		**(38)**	(58)
Dividends received on investments		**6 008**	6 254
Change in funds for operating activities		**(836)**	7 322
Decrease in operating assets		**35**	1 400
(Decrease)/Increase in operating liabilities		**(871)**	5 922
Net cash from operating activities before taxation		**5 134**	13 518
Taxation paid	9	**16**	31
Cashflows from operating activities		**5 118**	13 487
Cashflows utilised by investing activities		**(340)**	(7 752)
Disposal of investments in subsidiaries, associate companies and joint arrangements		**(340)**	(7 752)
Cashflows utilised by financing activities		**(4 776)**	(5 734)
Proceeds from issue of ordinary shares		**1 021**	771
Shares delisted/bought back		**(336)**	(1 613)
Dividends paid to ordinary shareholders		**(5 461)**	(4 892)
Net increase in cash and cash equivalents for the year		**2**	1

The separate annual financial statements have been prepared in accordance with accounting policies consistent with those applied in the preparation of the consolidated annual financial statements, except where stated otherwise.

1 OPERATING EXPENSES

	2015 Rm	2014 Rm
Audit fees	**15**	19
Directors' fees	**3**	9
Other	**10**	5
	28	33

2 DIRECT TAXATION

2.1 Charge for the year

	2015 Rm	2014 Rm
Statement of comprehensive income charge – SA normal taxation	**7**	9
Statement of comprehensive income charge – deferred taxation	**(11)**	
Statement of comprehensive income charge – section 9D attribution	**1**	6
Securities transfer tax (STT) paid	**5**	
	2	15

2.2 Taxation rate reconciliation

	2015 %	2014 %
Standard rate of SA normal taxation	**28**	28
Non-taxable income	**(28)**	(39)
Other taxation		11
Effective taxation rate	**–**	–

3 INVESTMENT SECURITIES

	2015 Rm	2014 Rm
Balance at the beginning of year		40
Fair-value gain		73
Capitalised to investments in associate companies and joint arrangements		(113)
Balance at the end of the year	**–**	–

4 INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS

	2015 Rm	2014 Rm
The investments in ETI and Banco Único are held at cost		
Balance at the beginning of the year	**6 223**	
Investments in associate companies and joint arrangements	**422**	6213
Loans to associate companies and joint arrangements	**10**	10
Balance at the end of the year	**6 655**	6 223

5 SHARE CAPITAL

	2015 Rm	2014 Rm
Ordinary share capital		
Authorised		
600 000 000 (2014: 600 000 000) ordinary shares of R1 each	**600**	600
Issued ordinary share capital		
494 411 956 (2014 : 499 257 807) fully paid ordinary shares of R1 each	**494**	499

Subject to the restrictions imposed by the Companies Act, 71 of 2008, the unissued shares are under the control of the directors until the forthcoming annual general meeting.

6 OTHER LIABILITIES

	2015 Rm	2014 Rm
Banco Único derivative liability	**86**	
Creditors and other accounts	**11**	57
	97	57

7 IMPAIRMENT OF INTERGROUP LOANS AND ADVANCES

	2015 Rm	2014 Rm
A specific impairment was raised on intergroup loans and advances made by Nedbank Ltd to fellow subsidiary companies in prior years. This impairment provision is no longer required, as these intergroup loans are being monitored through Nedbank Ltd's credit-monitoring process.		
Balance at the beginning of the year		166
Statement of comprehensive income release		(166)
Balance at the end of the year	**-**	-

8 CASH GENERATED BY OPERATIONS

	2015 Rm	2014 Rm
Reconciliation of profit before taxation to cash generated by operations		
Profit before taxation	**6 281**	4 629
Adjusted for:		
– Movement in impairment of loans and advances		(166)
– Fair-value option	**18**	(46)
– Loss on cancellation of treasury shares	**(328)**	1 767
– Foreign exchange loss	**(1)**	12
Cash generated by operations	**5 970**	6 196

9 TAXATION PAID

	2015 Rm	2014 Rm
Amounts payable at the beginning of the year	**3**	19
Statement of comprehensive income charge – SA normal taxation	**(4)**	9
Statement of comprehensive income charge – deferred taxation	**11**	
Statement of comprehensive income charge – section 9D attribution	**1**	6
Other tax paid – STT	**5**	
Amounts payable at the end of the year		(3)
	16	31

10 SHARE-BASED PAYMENTS

Equity instruments are granted to business partners and non-executive directors as an incentive to retain business and develop growth within the group. The share-based payments expenses and reserve balances in respect of the Black Business Partner Scheme and the Non-executive Directors' Scheme, implemented in 2005, were accounted for in the Nedbank Group Ltd consolidated financial statements and in the Nedbank Group Ltd standalone financial statements. Both of these schemes will be equity-settled.

As the company cannot estimate reliably the fair value of services received nor the value of additional business received, the company rebuts the presumption that such services and business can be measured reliably. The company therefore measures their fair value by reference to the fair value of the equity instruments granted, in line with the group's accounting policy. The fair value of share option awards is measured at the grant date utilising the Black-Scholes valuation model. For the non-option equity award the fair value is measured by reference to the listed share price, which includes the participant's right to dividends over the vesting period.

10.1 Description of arrangements

Scheme	Trust/SPV	Description	Vesting requirements	Maximum term
Nedbank Eyethu BEE schemes				
Community Trust	Nedbank Eyethu Community Trust	The trust has been formed with the specific purpose of providing previously disadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group Ltd's BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 10 years the net assets of the trust will be allocated to participants as determined by the trustees.	10 years Subsequent to December 2013 the termination date of the trust was extended from 2015 to 2030 so as to provide an ongoing flexible vehicle for deploying the residual assets of the trust and continued support of community affairs in line with the group's BEE and Fair Share 2030 initiatives.

10 SHARE-BASED PAYMENTS (continued)

10.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Community Scheme			**124**	124
	–	–	**124**	124

10.3 Movements in number of instruments

	2015		2014	
	Number of instruments	**Weighted-average exercise price R**	Number of instruments	Weighted-average exercise price R
Black Business Partner Scheme				
Outstanding at the beginning of the year	**7 891 300**		7 891 300	163,53
Share buyback	**(7 891 300)**			
Outstanding at the end of the year	**–**		7 891 300	163,53
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**–**		–
Community Scheme				
Outstanding at the beginning of the year	**851 111**		851 111	
Outstanding at the end of the year	**851 111**		851 111	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**–**		–

10.4 Instruments outstanding at the end of the year by exercise price

	2015	2014
Black Business Partner Scheme		
0,00		7 891 300
	–	7 891 300

11 RELATED PARTIES

11.1 Relationship with parent, ultimate controlling party and investees

The company's parent company is Old Mutual (SA) Ltd (OMSA), which, through its subsidiaries, holds 53,66% (2014: 54,04%) of Nedbank Group Ltd's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the company are identified in note 54 and associate companies and joint arrangements of the company are identified in note 53.

11.2 Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including all directors of the company and its parent, as well as members of the executive committee who are not directors, as well as close members of the family of any of these individuals.

Details of the compensation paid to the board of directors and prescribed officers and details of their shareholdings in the company are disclosed in the Remuneration Report. Compensation paid to the board of directors and compensation paid to other key management personnel, as well as the number of share instruments held, are shown below:

11.2 Key management personnel compensation (continued)

	Directors	Key management personnel	Total
Compensation (Rm)			
2015			
Directors' fees	**15**		**15**
Remuneration – Paid by subsidiaries	**106**	**213**	**319**
Short-term employee benefits	**51**	**124**	**175**
Gain on exercise of share instruments	**55**	**89**	**144**
	121	**213**	**334**
2014			
Directors' fees	14		14
Remuneration – Paid by subsidiaries	84	202	286
Short-term employee benefits	47	120	167
Gain on exercise of share instruments	37	82	119
	98	202	300
Number of share instruments			
2015			
Outstanding at the beginning of the year	**578 468**	**1 574 989**	**2 153 457**
Granted	**155 871**	**428 173**	**584 044**
Forfeited		**21 304**	**21 304**
Exercised	**(214 953)**	**(522 789)**	**(737 742)**
Transferred	**11 224**	**(18 626)**	**(7 402)**
Outstanding at the end of the year	**530 610**	**1 483 051**	**2 013 661**
2014			
Outstanding at the beginning of the year	571 714	1 666 293	2 238 007
Granted	173 902	456 115	630 017
Forfeited	(7 965)	(91 879)	(99 844)
Exercised	(159 183)	(455 540)	(614 723)
Outstanding at the end of the year	578 468	1 574 989	2 153 457

11.3 Related-party transactions

The following significant transactions were entered into between Nedbank Group Ltd and the following related parties. All of these transactions were entered into in the normal course of business.

	Due from/(owing to)	
Outstanding balances (Rm)	**2015**	2014
Subsidiaries		
Loan from BoE Investment Holdings Ltd – interest-free	**(11)**	(869)
Loan from Nedbank Nominees (Pty) Ltd – interest-free	**(4)**	(4)
Advance to Nedbank Group Insurance Holdings Ltd	**260**	260
Advance to Syfrets Securities Ltd	**200**	200
Advance to Nedgroup Securities Ltd	**500**	500
Loan from The Board of Executors 1838	**22**	(45)
Bank accounts with Nedbank Ltd - interest-free	**295**	144
Loan from Nedbank Ltd - interest-bearing		(878)
Loan from Nedbank Ltd - interest-free	**(5 870)**	(5 000)
Advance to Ned Settle Services (Pty) Ltd - interest-free	**71**	
Other – interest-free	**(1)**	
Key management personnel		
The WIPHOLD and Brimstone consortia are related parties since certain key management personnel of the group have significant influence over these entities. These consortia are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these consortia and key management personnel is detailed below:		
– WIPHOLD consortium		(154)
– Brimstone consortium		(147)
– Community Trust	**(125)**	(125)
Share-based payments reserve	**(125)**	(426)

11 RELATED PARTIES (continued)

11.3 Related-party transactions (continued)

Transactions (Rm)	Income/(Expense) 2015	2014
Interest expense to subsidiaries		
Nedbank Ltd		(26)
Dividends from subsidiaries		
Nedcor Employee Shareholders Trust	35	
NBG Capital Management (Pty) Ltd		1 842
Nedbank Ltd	5 200	3 400
Nedeurope Ltd	136	138
Nedcor (SA) Insurance Company Ltd		34
Nedgroup Insurance Company Ltd	57	50
Nedbank Group Insurance Holdings Ltd	470	480
Nedgroup Investments (Pty) Ltd	110	160
Nedgroup Private Wealth (Pty) Ltd		150
Dividends declared by subsidiaries	6 008	6 254

12 LIQUIDITY, CREDIT RISK AND MARKET RISK INFORMATION

Assets and liabilities consist of primarily non-financial assets and liabilities. These are not subject to liquidity, credit risk and market risk for disclosure purposes.

13 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Assets and liabilities consist of primarily non-financial assets and liabilities. These are not subject to offsetting disclosures as envisaged in IFRS 7.

14 EVENTS AFTER THE REPORTING PERIOD

Refer to the report from our directors for information on these events.

15 SHAREHOLDERS' ANALYSIS

Register date: 31 December 2015

Authorised share capital: 600 000 000 shares

Issued share capital: 494 411 956 shares

Shareholder spread	**Number of shareholdings**	**%**	**Number of shares**	**%**
1 – 1 000 shares	18 582	82,09	4 354 923	0,88
1 001 – 10 000 shares	3 096	13,68	8 490 864	1,72
10 001 – 100 000 shares	714	3,15	23 319 449	4,72
100 001 – 1 000 000 shares	207	0,91	60 270 017	12,19
1 000 001 shares and over	39	0,17	397 976 703	80,49
Total	22 638	100,00	494 411 956	100,00
Distribution of shareholders				
Banks/Brokers	274	1,21	68 853 908	13,93
Close corporations	120	0,53	123 522	0,02
Empowerment	24	0,11	10 453 821	2,11
Endowment funds	140	0,62	1 056 889	0,21
Government	4	0,02	122 586	0,02
Individuals	17 912	79,13	10 063 697	2,04
Insurance companies	130	0,58	2 943 023	0,60
Investment companies	27	0,12	4 521 082	0,91
Medical aid schemes	37	0,16	421 998	0,09
Mutual funds	395	1,74	47 867 312	9,68
Old Mutual Life Assurance Company (SA) Ltd and associates	34	0,15	265 302 566	53,66
Other corporations	62	0,27	155 403	0,03
Private companies	338	1,49	1 372 190	0,28
Public companies	21	0,09	112 363	0,02
Retirement funds	486	2,15	63 558 500	12,86
Share trusts[1]	12	0,05	13 495 853	2,73
Nominees and trusts	2 622	11,58	3 987 243	0,81
Total	22 638	100,00	494 411 956	100,00
Public/Non-public shareholders				
Non-public shareholders	89	0,39	290 576 334	58,77
Directors and associates of the company[2]	8	0,04	859 013	0,17
Old Mutual Life Assurance Company (SA) Ltd and associates	34	0,15	265 302 566	53,66
Nedbank/Nedbank Group pension funds	3	0,01	93 537	0,02
Nedbank Group Ltd and associates (share trusts)[1]	12	0,05	12 990 564	2,63
Nedbank Group Ltd and associates (mutual funds)	9	0,04	955 395	0,19
Nedbank Group BEE trusts - SA[1]	7	0,03	9 531 914	1,93
Nedbank Group BEE trusts - Namibia	16	0,07	843 345	0,17
Public shareholders	22 549	99,61	203 835 622	41,23
Total	22 638	100,00	494 411 956	100,00

1 *Excludes shares held by directors in share trusts (executive directors only) and Eyethu schemes.*

2 *Includes shares held by directors in share trusts (executive directors only) and Eyethu schemes.*

15 SHAREHOLDERS' ANALYSIS (continued)

Major shareholders/Managers	Number of shares	2015 % holding	2014 % holding
Old Mutual Life Assurance Company (SA) Ltd and associates[1]	267 531 866	**54,11**	54,57
Nedbank Group treasury shares	17 856 169	**3,61**	6,74
BEE trusts:	7 290 984	**1,47**	4,55
– Eyethu scheme - Nedbank SA	6 495 276	**1,31**	4,38
– Omufima scheme - Nedbank Namibia	795 708	**0,16**	0,17
Nedbank Group (2005) Share Option, Matched-share and Restricted-share Scheme	10 517 673	**2,13**	2,18
Nedbank Namibia Ltd	47 512	**0,01**	0,01
Coronation Fund Managers (SA)	37 432 178	**7,57**	6,62
Public Investment Corporation (SA)	30 875 907	**6,24**	6,56
Lazard Asset Management (US and UK)	13 053 114	**2,64**	2,70
Dimensional Fund Advisors (US, UK and AU)	7 857 545	**1,59**	1,58
BlackRock Inc (US and UK)	7 690 629	**1,56**	1,58
Sanlam Investment Management (SA)	4 674 435	**0,95**	1,53

[1] *Old Mutual Life Assurance Company (SA) Ltd and associates as shareholder/manager includes funds managed on behalf of other beneficial owners.*

Beneficial shareholders holding of 5% or more	Number of shares	2015 % holding	2014 % holdings
Old Mutual Life Assurance Company (SA) Ltd and associates (SA)	265 302 566	**53,66**	54,04
Government Employees Pension Fund (SA)	32 881 885	**6,65**	7,38

Geographical distribution of shareholders	Number of shares	2015 % holding	2014 % holdings
Domestic	426 290 505	**86,22**	86,07
South Africa	411 843 509	**83,30**	83,33
Namibia	10 325 049	**2,09**	1,95
Swaziland	109 300	**0,02**	0,01
Unclassified	4 012 647	**0,81**	0,78
Foreign	68 121 451	**13,78**	13,93
United States of America	36 968 745	**7,48**	7,47
United Kingdom and Ireland	5 944 480	**1,20**	1,31
Europe	8 918 488	**1,80**	2,05
Other countries	16 289 738	**3,30**	3,10
	494 411 956	**100,00**	100,00

Note number	Note description	IFRS required
1	PRINCIPAL ACCOUNTING POLICIES	IAS[2] 1
2	STANDARDS AND INTERPRETATIONS	IAS 1 and IAS 8
3	KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION	IAS 1
4	CAPITAL MANAGEMENT	IAS 1
5	INTEREST AND SIMILAR INCOME	IAS 18, IAS 32, IAS 39, IFRS 7 and IFRS 13
6	INTEREST EXPENSE AND SIMILAR CHARGES	IAS 18, IAS 32, IAS 39, IFRS 7 and IFRS 13
7	NON-INTEREST REVENUE	IAS 18, IAS 20, IAS 32, IAS 39, IFRS 4, IFRS 7, IFRS 8 and IFRS 13
8	OPERATING EXPENSES	IAS 1, IAS 19, IFRS 2 and IFRS 8
9	INDIRECT TAXATION	IAS 1
10	NON-TRADING AND CAPITAL ITEMS	IAS 1, IAS 16, IAS 36 and IFRS 10
11	DIRECT TAXATION	IAS 12
12	EARNINGS	IAS 33
13	DIVIDENDS	IAS 1 and IAS 10
14	CASH AND CASH EQUIVALENTS	IAS 1, IAS 7 and IFRS 7
15	OTHER SHORT-TERM SECURITIES	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
16	DERIVATIVE FINANCIAL INSTRUMENTS	IAS 32, IAS 39, IFRS 7 and IFRS 13
17	GOVERNMENT AND OTHER SECURITIES	IAS 1, IAS 32, IAS 39, IFRS 7, IFRS 8 and IFRS 13
18	LOANS AND ADVANCES	IAS 17, IAS 39, IFRS 7, IFRS 8 and IFRS 13
19	IMPAIRMENT OF LOANS AND ADVANCES	IAS 39, IFRS 7 and IFRS 8
20	OTHER ASSETS	IAS 1, IAS 39, IFRS 7 and IFRS 13
21	INVESTMENT SECURITIES	IAS 32, IAS 39, IFRS 7 and IFRS 13
22	INVESTMENTS IN PRIVATE ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS	IAS 28, IFRS 11, IFRS 12 and IFRS 13
23	NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE	IFRS 5 and IFRS 13
24	DEFERRED TAXATION	IAS 12
25	INVESTMENT PROPERTY	IAS 40 and IFRS 13
26	PROPERTY AND EQUIPMENT	IAS 16, IAS 36 and IFRS 13
27	LONG-TERM EMPLOYEE BENEFITS	IAS 19 and IFRIC[3] 14
28	INTANGIBLE ASSETS	IAS 38 and IAS 36
29	SHARE CAPITAL	IAS 1
30	AMOUNTS OWED TO DEPOSITORS	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
31	PROVISIONS AND OTHER LIABILITIES	IAS 37, IAS 32, IAS 39, IFRS 7 and IFRS 13
32	INVESTMENT CONTRACT LIABILITIES	IAS 1, IAS 39, IFRS 4, IFRS 7 and IFRS 13
33	INSURANCE CONTRACT LIABILITIES	IAS 1 and IFRS 4
34	LONG-TERM DEBT INSTRUMENTS	IAS 32, IAS 39, IFRS 7 and IFRS 13
35	CASHFLOW INFORMATION	IAS 7
36	CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CATEGORIES OF FINANCIAL INSTRUMENTS	IAS 39 and IFRS 7
37	FAIR-VALUE MEASUREMENT - FINANCIAL INSTRUMENTS	IAS 39, IFRS 7 and IFRS 13
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[1] *International Financial Reporting Standards (IFRS).*
[2] *International Accounting Standards (IAS).*
[3] *International Financial Reporting Interpretations Committee (IFRIC).*

CONSOLIDATED AVERAGE BANKING STATEMENT OF FINANCIAL POSITION AND RELATED INTEREST

	2015			2014		
	Average balance	Margin statement interest		Average balance	Margin statement interest	
Rm	Assets	Received	%	Assets	Received	%
Average prime rate			9,39			9,07
Loans and advances						
Home loans (including properties in possession)	140 418	11 651	8,30	136 669	10 764	7,88
Commercial mortgages	129 866	11 576	8,91	113 525	9 811	8,64
Finance lease and instalment debtors	95 240	9 996	10,50	88 119	8 942	10,15
Credit cards	14 251	1 949	13,68	12 715	1 712	13,46
Overdrafts	16 212	1 553	9,58	15 541	1 432	9,21
Term loans and other[1]	206 371	12 322	5,97	185 310	9 572	5,17
Personal loans	18 040	4 181	23,18	19 838	4 318	21,77
Impairment of loans and advances	(11 292)			(11 536)		
Government and other securities	42 697	3 441	8,06	41 692	3 581	8,59
Short-term funds and trading securities	72 277	3 620	5,01	50 321	2 487	4,94
Interest-earning banking assets	724 080	60 289	8,33	652 194	52 619	8,07
Net interdivisional assets-trading book	(57 465)			(34 551)		
Revaluation of FVTP-designated assets	768			761		
Derivative financial instruments	4 912			129		
Insurance assets	124			15 968		
Cash and banknotes	11 540			4 095		
Other assets	15 964			10 739		
Associate companies and investments	11 217			7 117		
Property and equipment	7 678			7 143		
Intangible assets	14 945			8 301		
Mandatory reserve deposits with central banks	9 243			13 555		
Total assets	743 006	60 289	8,11	685 451	52 619	7,68

	Liabilities	Paid	%	Liabilities	Paid	%
Deposit and loan accounts	377 466	21 013	5,57	354 275	18 410	5,20
Current and savings accounts	88 998	707	0,79	79 876	672	0,84
Negotiable certificates of deposit	89 105	6 192	6,95	82 210	5 138	6,25
Other interest-bearing liabilities[2]	42 599	4 915	11,54	37 796	2 594	6,86
Long-term debt instruments	41 554	3 577	8,61	34 516	2 844	8,24
Interest-bearing banking liabilities	639 722	36 404	5,69	588 673	29 658	5,04
Other liabilities	768			13 223		
Revaluation of FVTPL[3]-designated liabilities	1 315			761		
Derivative financial instruments	13 309			931		
Investment contract liabilities	16 337			15 765		
Ordinary shareholders' equity	67 634			62 274		
Non-controlling interest	3 921			3 824		
Total equity and liabilities	743 006	36 404	4,90	685 451	29 658	4,33
Interest margin on interest-earning banking assets	724 080	23 885	3,30	652 194	22 961	3,52

Where possible, averages are calculated on daily balances.

1 *Includes term loans, preference shares, factoring debtors, other lending-related instruments and interest on derivatives.*
2 *Includes foreign currency liabilities.*
3 *Fair value through profit or loss.*

	2015				2014			
Rm	**Banking**	**Trading**	**Eliminations**	**Total**	Banking	Trading	Eliminations	Total
Assets								
Cash and cash equivalents	**22 836**	**4**		**22 840**	13 335	4		13 339
Other short-term securities	**66 267**	**18 563**	**(9 216)**	**75 614**	58 787	15 012	(6 565)	67 234
Derivative financial instruments	**212**	**30 498**	**(222)**	**30 488**	116	16 873	(1 416)	15 573
Government and other securities	**47 669**	**10 912**	**(15 521)**	**43 060**	36 486	6 880	(16 189)	27 177
Loans and advances	**647 547**	**34 085**		**681 632**	586 016	27 005		613 021
Other assets	**4 356**	**4 628**		**8 984**	6 159	2 556		8 715
Current taxation assets	**1 008**	**24**		**1 032**	291			291
Investment securities	**13 155**			**13 155**	20 029			20 029
Non-current assets held for sale	**2**			**2**	16			16
Investments in private-equity associates, associate companies and joint arrangements	**9 579**			**9 579**	7 670			7 670
Deferred taxation assets	**118**	**109**		**227**	165	144		309
Property and equipment	**8 814**	**2**		**8 816**	7 900	3		7 903
Long-term employee benefit assets	**5 055**			**5 055**	4 546			4 546
Mandatory reserve deposits with central banks	**16 232**			**16 232**	14 911			14 911
Intangible assets	**9 008**	**2**		**9 010**	8 568	11		8 579
Interdivisional assets	**–**	**77 451**	**(77 451)**	**–**		56 793	(56 793)	–
Total assets	**851 858**	**176 278**	**(102 410)**	**925 726**	764 995	125 281	(80 963)	809 313
Equity and liabilities								
Total equity attributable to equity holders of the parent	**70 875**	**3 879**		**74 754**	64 007	3 017		67 024
Non-controlling interest attributable to:								
Ordinary shareholders	**436**			**436**	326			326
Preference shareholders	**3 561**			**3 561**	3 561			3 561
Total equity	**74 872**	**3 879**	**–**	**78 751**	67 894	3 017	–	70 911
Derivative financial instruments	**374**	**33 476**	**(222)**	**33 628**	1 498	15 390	(1 416)	15 472
Amounts owed to depositors	**626 498**	**109 867**	**(10 514)**	**725 851**	576 163	85 403	(8 116)	653 450
Provisions and other liabilities	**8 499**	**28 964**	**(14 223)**	**23 240**	7 028	21 398	(14 638)	13 788
Current taxation liabilities	**371**	**41**		**412**	128	6		134
Deferred taxation liabilities	**1 131**	**51**		**1 182**	864	67		931
Long-term employee benefit liabilities	**3 074**			**3 074**	3 071			3 071
Investment contract liabilities	**10 988**			**10 988**	11 747			11 747
Insurance contract liabilities	**3 618**			**3 618**	4 171			4 171
Long-term debt instruments	**44 982**			**44 982**	35 638			35 638
Interdivisional liabilities	**77 451**		**(77 451)**	**–**	56 793		(56 793)	–
Total liabilities	**776 986**	**172 399**	**(102 410)**	**846 975**	697 101	122 264	(80 963)	738 402
Total equity and liabilities	**851 858**	**176 278**	**(102 410)**	**925 726**	764 995	125 281	(80 963)	809 313

SCOPE OF THE EMBEDDED-VALUE REPORT

This report deals with the embedded value of Nedgroup Life ('the company') and the value of new business written during the financial year.

EMBEDDED-VALUE

The embedded value (EV) and value of new business of the covered business at 31 December are:

	% change	2015 Rm	2014 Rm
Adjusted net worth		**1 362**	1 053
Required capital		**422**	208
Free surplus		**940**	845
Value of inforce (VIF) business		**1 295**	1 340
Present value of future profits		**1 410**	1 445
Frictional costs		**(25)**	(28)
Cost of non-hedgeable risk		**(90)**	(77)
Total EV	11,0%	**2 657**	2 393
Value of new business	(3,9%)	**247**	257
New business sales (APE[1])	19,2%	**796**	668
APE[1] margin		**31,0%**	38,5%
PVNBP[2]	(4,9%)	**1 614**	1 698
PVNBP[2] margin		**15,3%**	15,1%

Analysis of EV earnings:

		2015 Rm	2014 Rm
EV at the beginning of the year		**2 393**	2 137
Total EV earnings		**684**	676
Operating EV earnings		**660**	595
Value of new business		**247**	257
Expected return		**104**	155
Experience variances and once-off modelling changes		**238**	250
Non-economic assumption changes		**71**	(67)
Economic variances		**(24)**	38
Return on adjusted net worth		**48**	43
Adjustment: dividends paid		**(420)**	(420)
EV at the end of the year	11,0%	**2 657**	2 393
Return on EV (%)		**27,6%**	27,8%

[1] *Annualised premium equivalent.*

[2] *Present value of new-business premiums.*

Nedgroup Life paid dividends totalling R420m (2014: R420m) during the year.

Methodology

Covered business refers to all long-term life insurance business underwritten by the company.

Embedded value

The EV of the covered business is the discounted value of the projected future after-tax shareholder earnings arising from covered business in force at the valuation date, plus the adjusted net worth. The EV is net of internal charges paid to the group.

Adjusted net worth (ANW) represents the excess of the market value of assets over the statutory financial soundness valuation of liabilities. The actuarial liabilities are determined in accordance with the Long-term Insurance Act.

Required capital

Required capital is the market value of assets that is required to support the covered business over and above that required to back the statutory liabilities, whose distribution to shareholders is restricted. The following capital measures are considered acceptable when determining the required capital:

- economic capital and
- regulatory capital

For the company the required capital has been set equal to the economic capital.

Economic capital for the covered business is based on the company's own internal assessment of risk inherent in the business, consistent with a 99,93% confidence interval over a one-year time horizon.

Free surplus

Free surplus is the excess of market value of assets over the statutory liabilities and the required capital. It is the assets that are available for distribution to shareholders.

Value of inforce business (VIF) business

VIF consists of the following components:

- present value of future profits; less
- frictional costs of required capital; less
- cost of non-hedgeable risks.

Projected liabilities and cashflows are calculated net of outward reinsurance.

Present value of future profits (PVFP)

PVFP is calculated as the discounted value of future distributable earnings (taking account of local statutory reserving requirements) that are expected to emerge from the inforce covered business and internal charges to the group, including the value of contractual renewal of inforce business, on a best-estimate basis where assumed earned rates of return and discount rates are equal to riskfree rates.

Frictional costs

Due to the requirement to hold capital in addition to statutory liabilities (ie required capital), there is a cost to shareholders, since this capital is locked in the company. Frictional cost is the cost in respect of the taxation on the investment return and investment costs on the assets backing the required capital.

Cost of non-hedgeable risk (CNHR)

Non-hedgeable risks are those risks that cannot be hedged in deep and liquid markets (eg mortality, morbidity, persistency, expense, reinsurance and operational risk). These risks are managed by holding risk capital. CNHR is calculated using a capital approach, ie it is determined as the present value of capital charges for all future non-hedgeable risk capital requirements until the liabilities have run off. A weighted-average cost of capital rate of 2,0% has been applied to residual symmetric and asymmetric non-hedgeable capital.

Value of new business (VNB)

This is a measure of the value added to a company as a result of writing new business. This is calculated as the discounted value, at the valuation date, of projected after-tax shareholder profit from covered new business commenced during the reporting period net of frictional costs and the CNHR associated with writing new business, using economic assumptions at the start of the reporting period.

APE and PVNBP margins

APE is the annual premium for regular premiums sales plus 10% of single-premium sales sold during the reporting period. The APE margin is defined as the ratio of VNB to APE.

PVNBP is the present value of future premiums and is calculated using a calculation approach that is consistent with the calculation of VNB where both are net of reinsurance. The PVNBP margin is defined as the ratio of VNB to PVNBP.

Assumptions

Non-economic assumptions

The EV and VNB were determined using best-estimate assumptions regarding future mortality, morbidity, persistency rates and expenses. These best-estimate assumptions are determined using past, current and expected future experience.

Economic assumptions

Economic assumptions for best-estimate cashflows are determined such that projected cashflows are valued in line with the prices of similar cashflows that are traded in the capital markets. Investment return and discounting assumptions are based on the SA swap yield curve. The swap curve is sourced from a third-party market-consistent asset model. Expense inflation assumptions are determined considering a spread to the swap yield curve.

The riskfree spot yields and expense inflation at various terms are provided in the tables below:

Riskfree yields	2015	2014
Term (years)		
1	**7,7%**	6,6%
5	**9,3%**	7,6%
10	**9,9%**	8,3%

Expense inflation	2015	2014
Term (years)		
1	**6,2%**	5,8%
5	**7,7%**	6,4%
10	**8,3%**	7,0%

The liabilities were discounted based on the BEASSA yield curve.

Sensitivities

The table below shows the sensitivities of VNB, VIF and EV at 31 December to changes in key assumptions where both the reserving and EV assumptions were changed.

Rm	VIF	EV	VNB
2015			
Central assumptions	**1294**	**2657**	**247**
Economic assumptions increasing by 1%	**1236**	**2597**	**244**
Economic assumptions decreasing by 1%	**1325**	**2687**	**266**
Equity and property market value decreasing by 10%	**1296**	**2654**	**246**
Voluntary discontinuance rates decreasing by 10%	**1379**	**2719**	**268**
Mortality and morbidity rates decreasing by 5%	**1353**	**2731**	**268**
Maintenance expenses decreasing by 10%, with no corresponding change in expense charges	**1313**	**2709**	**273**
Acquisition expenses increasing by 10%	**1294**	**2657**	**237**

2014

Rm	VIF	EV	VNB
Central assumptions	1340	2393	257
Economic assumptions increasing by 1%	1289	2343	246
Economic assumptions decreasing by 1%	1371	2424	268
Equity and property market value decreasing by 10%	1321	2418	257
Voluntary discontinuance rates decreasing by 10%	1401	2437	270
Mortality and morbidity rates decrease by 5%	1409	2481	270
Maintenance expenses decreasing by 10%, with no corresponding change in expense charges	1348	2424	271
Acquisition expenses increasing by 10%	1340	2393	253

Review by independent actuaries

Independent consulting actuaries have reviewed the results, methodology and assumptions underlying the calculation of the EV and the VNB. Based on the information supplied to them by Nedgroup Life, they are satisfied that the methodology and assumptions have been determined in accordance with generally accepted actuarial principles and in accordance with the European Insurance CFO Forum Market Consistent Embedded Value Prinicples. Disclosure requirements follow Advisory Practice Note APN107 (version 7) – Embedded Value Reporting, except for the following:

- the analysis of EV earning is not split between ANW, VIF and cost of capital; and
- the VNB does not separately show the cost of capital.